



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 20, 2009

OPEC's President Botelho de Vasconcelos said OPEC is fully enforcing its deepest ever oil supply cuts, which should be enough to increase prices that have fallen below \$40/barrel. He said OPEC is unlikely to meet before its scheduled gathering in Vienna on March 15. He believes that if all the cuts are carried out within the established timeframe, there will be an impact in the market that will lead to a positive trend in terms of oil prices.

Market Watch

The National Weather Service forecast that US heating demand this week is expected to average 3.8% below normal as cold weather in the eastern part of the country will moderate before a mass of cold air moves into the northern part of the country from Canada. Demand for heating oil is expected to be about 1.5% below normal this week while demand for natural gas is expected to average 4.1% above normal.

Goldman Sachs said the price of US crude oil may still fall below \$30/barrel. Its average price forecast for the first quarter remains at \$30/barrel before recovering to \$65/barrel in the fourth quarter.

A US district court has granted a temporary restraining order blocking the US Interior Department from finalizing the sales of controversial oil and gas energy exploration leases in Utah following a lawsuit by environmental groups. The groups, including the National Resources Defense Council and the Sierra Club, filed a lawsuit last month with the US District Court for the District of Columbia, are contesting the department's December lease sale of 100,000 acres of Utah land.

Investor T. Boone Pickens said Russia will likely become a member of OPEC soon.

IntercontinentalExchange Holdings Inc will launch new products that offer clearing for over-the-counter energy derivatives to meet growing demand to clear OTC trades on an exchange. This comes as demand has increased for clearing of oil and oil product derivatives such as swaps due to the credit crisis and increasing concern among participants of counterparty credit risk.

Refinery News

Colonial Pipeline has extended allocations on its 1 million bpd distillate pipeline from the Gulf Coast to New York as demand for space on the line exceeds capacity. It said cycle 6 of 2009 nominations on Line 2 will be allocated.

January Calendar Averages

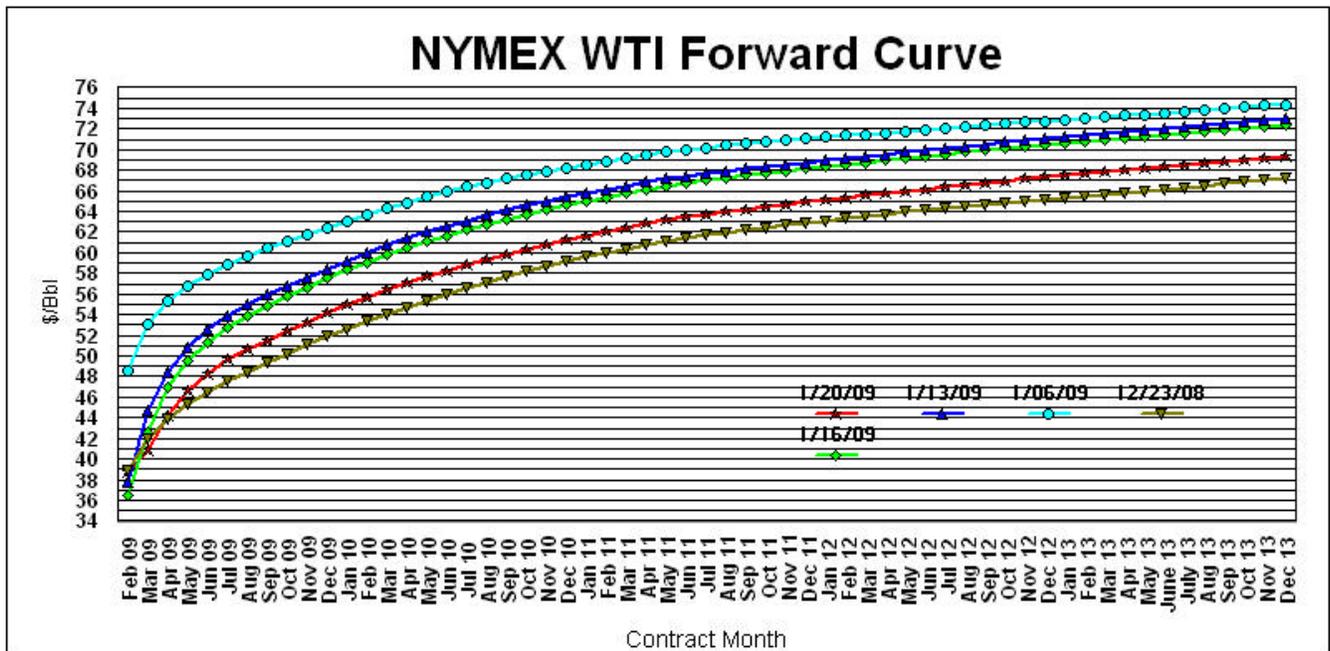
CL – \$41.02

HO –\$1.5016

RB – \$1.1369

Credit Suisse said US refining margins increase last week as crude prices fell on expectations of falling world demand. For the week ending January 16th, US Gulf Coast refining margins increased 104.6% or \$8.32 to \$16.27/barrel while Midwestern margins

increased by 62.4% or \$7.13 to \$18.56/barrel. Northeast margins increased by 49.6% or \$2.93/barrel



to \$8.84/barrel. West Coast margins increased by 4.6% or \$1.25/barrel to \$28.43/barrel while Rockies margins increased by 99.4% or \$9.05/barrel to \$18.15/barrel.

Shell Oil Co reduced rates to a distillation unit at its 332,000 bpd Deer Park, Texas refinery after a leak was discovered. The leak was repaired as soon as possible to stop emissions and flaring that resulted from the incident.

Valero Energy Corp began restarting a diesel hydrotreater unit at its 325,000 bpd refinery in Port Arthur, Texas on Monday following a weekend problem. The unit was shutdown on Saturday to repair a compressor.

ConocoPhillips restarted a hydrogen plant unit at its 76,000 bpd refinery in Rodeo, California on Saturday.

BP Plc restarted a jet fuel hydrotreater at its 265,000 bpd refinery in Carson, California on Saturday.

A fire in a platformer unit at Total's Vlissingen refinery in the Netherlands on Tuesday was extinguished fully and caused no injuries. The fire was limited to the platformer gasoline production unit, which was shutdown completely.

Suncor Energy Inc may consider a partner for its upgrader, an oil sands processing facility that is on hold. However it has no intention of swapping upstream oil sands assets with US refiners.

Indonesia's Pertamina said fuel supplies returned to normal at a key storage depot after a fire this week that destroyed a tank. The Plumpang depot's capacity is 30,000 kiloliters of gasoline, 15,000 kl of kerosene and 34,500 kl of diesel.

Japan's Nansei Sekiyu KK plans to cut runs at the 100,000 bpd crude distillation unit at its Nishihara refinery in January by 10% on the month. It has been refining at a pace of about 50,000 bpd since October at its plant.

Russia's Energy Ministry reported that Russia's refinery throughput in December fell by 7.2% on the month and by 4% on the year to 19.266 million bpd. It reported that Russia's gasoline production fell by 2.1% on the month and by 2.6% on the year to 3.119 million bpd while gas oil production fell by 3.4% on the month and by 1.8% on the year to 5.938 million bpd and fuel oil production fell by 5.6% on the month and by 7.4% on the year to 5.492 million bpd.

India's Mangalore Refinery and Petrochemicals Ltd will export at least 50,000 tons of diesel every month through spot tenders but has not renewed its term deal to supply fuel to Iran.

Production News

Kuwait has informed all customers of cuts in oil supply in line with OPEC's December decision to cut its production. Kuwait has a January supply target of 2.22 million bpd under the OPEC agreement.

China's CNOOC Ltd plans to increase oil and gas output in 2009 despite the declining oil prices. It aims to produce 225-231 million barrels of oil and gas equivalent compared with a slightly revised 2008 output forecast of 194-196 million boe. In 2009, 10 new projects are expected to come on stream, including major projects in offshore China.

China's Sinopec Group said it added 298 million tons or 2.18 billion barrels of proven geological oil reserves in 2008, with recoverable reserves of 45.5 million tons or 332.15 million barrels. It is up 20% on the year.

Kazakhstan's Economy Minister Bakhyt Sultanov said the country will increase its oil production to 76-79 million tons this year from 70.6 million tons in 2008.

Petroecuador reported oil export revenue of \$6.46 billion last year, up 61% on the year while its revenue in December totaled \$159.17 million, down 42% on the month. It exported 77.48 million barrels of crude oil in 2008, up 16% from 66.6 million barrels reported in 2007 while its exports in December totaled 6.23 million barrels, down 3% on the month.

DNO International said its net entitlement production in Yemen amounted to 5,294 bpd in December. In the fourth quarter, its production stood at 5,344 bpd, up from 5,122 bpd in the third quarter. Year to date production in 2008 amounted to 5,937 bpd.

Georgia's Black Sea port of Batumi shipped a total of 7.2 million tons of crude oil and refined products in 2008, down from 9.5 million tons the previous week. The terminal shipped 406,200 tons in December 2008, less than half the 924,100 tons sent in the same month of 2007 and 560,3000 tons in November 2008.

OPEC's news agency reported that OPEC's basket of crudes fell to \$40.53/barrel on Monday from \$42.17/barrel on Friday.

Market Commentary

Despite slackening demand under an ever-dismal global economic outlook, the price of crude oil edged higher. The expiration of the February contract brought with it a short covering rally in the front month. Shorts, sellers of the February futures contract, scrambled to cover their positions on the last day of trading. With gas flowing again from Russia through the Ukraine, Israeli troops pulling out of the Gaza Strip, expectations of inventory builds and the decline of the global economy, it is difficult to strap on our boots and ride the bull. The lack of speculator activity may also play a role in the price volatility, as large speculators have chosen to remain on the sidelines. Although technicals may support a higher move, this move higher may very well be a period of consolidation prior to the resumption of the previous trend. This is a market abundant in supply and short on demand. Lower prices or deeper cuts

in output are needed in order to help spark demand. Given the aforementioned, for the near term, our view of this market remains bearish.

Open interest: Crude Oil FEB.09 17,561 -43,894 MAR.09 386,649 +4,347 APR.09 102,078 +8, Totals: 1,245,743 -18,854 Heating oil FEB.09 30,741 -1,766 MAR.09 50,967 +2,217 APR.09 27,751 +265 Totals: 243,349 +3,204 NEW YORK HARBOR RBOB GASOLINE FEB.09 32,030 -3,067 MAR.09 67,397 +1,038 APR.09 25,327 +713 Totals: 197,504 - 930

Crude Support	Crude Resistance
32.25, 29.66, 28.63, 26.65, 25.50	52.95, 53.75, 57.20
Heat Support	Heat resistance
1.3605, 1.2785, 1.1895	167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.0668, 1.0128, 9590, .8978, .8755, 7850	1.2750, 136.14