

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 3, 2009

OPEC's President Jose Botelho de Vasconcelos said OPEC is close to meeting its cut of 4.2 million bpd and added that the group could remove more oil if necessary. He said he believed oil prices could recover in the second quarter of this year. He also maintained it was OPEC's wish to increase prices to \$75/barrel. An OPEC source later said OPEC may discuss another cut of about 1 million bpd at its March 15 meeting.

Algeria's Energy Minister Chakib Khelil expects oil prices to average between \$40 and \$50/barrel this year. He added that prices may increase to \$60/barrel at the end of 2009.

Market Watch

BP Plc has started offering North Sea Forties crude from floating storage. It offered a 600,000 barrel cargo for February 13-24 loading from its Very Large Crude Carrier at a premium of 30 cents/barrel over Dated Brent, via ship to ship transfer at Scapa flow in the UK. However it failed to attract any buyers. Last week, Royal Dutch Shell emptied its VLCC Oliva after selling three 600,000 barrel cargoes of Forties crude for mid-February transfer.

BP Plc chief executive Tony Hayward said oil demand in 2008 fell by 500,000 bpd on the year and will likely fall again this year due to the weak economic climate. Separately, he said BP and Husky Energy Inc still aim to go ahead with the C\$10 billion or \$8.1 billion Sunrise oil sand project. He said the partners should proceed with the oil sands production and refining joint venture, even as most other new projects in the region are deferred, delayed or canceled due to lower oil prices. The first 60,000 bpd phase has been targeted for start-up in 2012.

Morgan Stanley said crude oil prices will average \$35/barrel this year. It said the price of WTI will fall to a low of \$25/barrel in the second quarter. Crude oil prices are expected to average \$55/barrel in 2010 and \$85/barrel in 2011. It reported that the recession in developed economies will cause oil demand to fall by 1.5 million bpd in 2009.

The European Union's statistics office reported that Euro zone producer prices fell more than expected in December. It reported that producer prices fell by 1.3% on the month in December but was up 1.8% on the year.

Indian Oil Corp's strong demand for sweet crude has not shown signs of abating this week as it issued another tender, this time for April loading. IOC issued three tenders for March, buying mostly West African crude as improving refining margins and a tightening of supply raised demand for Nigerian and Angolan grades.

CME Group announced January volume averaged 9.5 million contracts per day, down 41% on the year. Total volume was 190 million contracts for the month. Total electronic volume averaged 7.4 million contracts/day, down 40% on the year. The average daily volume cleared on CME Clearport was 603,000 contracts for the month, up 50% on the year. Total NYMEX volume in January averaged 1.8 million contracts, up 4% on the year.

API Stocks

Crude – up 8.1 million barrels
Distillate – down 184,000 barrels
Gasoline – up 2.15 million barrels
Refinery runs – up 1.5%, at 83.9%

According to a Reuters survey, OPEC met 67% of its pledged supply cut. OPEC's 11 members bound by quotas produced 26.23 million bpd, down 1.01 million bpd on the month but still 1.39 million bpd above their target of 24.84 million bpd that took effect on January 1. OPEC has delivered 2.81 million bpd of the promised 4.2 million bpd cut.

Nigeria's senior oil workers' union, Pengassan, has threatened an indefinite strike starting next Monday unless the government takes urgent steps to improve security in the Niger Delta. It has given the government a 7 day ultimatum. Pengassan General Secretary Bayo Olowoshile did not specify what measures the government or security forces must put in place before the union would lift its threat.

A US official said Iran appears to have launched its first domestically built satellite into orbit. A State Department spokesman Robert Wood said Iran's work to launch satellites could possibly lead to the development of ballistic missiles. US Secretary of State Hillary Clinton warned Iran it faced consequences if it failed to respect UN resolutions demanding a halt to its uranium enrichment activities.

Refinery News

The 135,000 bpd Osage oil pipeline remained at 80% of capacity on Tuesday after it was restarted last Wednesday following repairs to fix a leak.

Colonial Pipeline is allocating shipments of distillate fuels on Line 2 north of Collins, Mississippi for cycle 9 as demand exceeds line capacity.

The United Steelworkers union and Shell Oil Co agreed to a basis contract for US refineries and chemical plants on Tuesday, averting a possible strike by refinery workers. The new agreement comes days after the current contract was temporarily extended past its Sunday expiration to continue negotiations. Under the agreement workers will get a 3% per year pay increase for each of the three years of the contract and pay 20% of their healthcare costs. While a nationwide strike has been averted, local negotiations could lead to work stoppages at individual plants as talks over site specific contracts are concluded over the next few weeks.

Valero Energy Corp shut a crude vacuum unit at its 340,000 bpd Corpus Christi, Texas refinery for unplanned maintenance following the discovery of a leak. It said the shutdown would last from Tuesday afternoon through Wednesday afternoon. It said the impact of the maintenance on the unit will be minimal since the East Plant fluid catalytic cracking unit and a heavy oil cracker in the West Plant are already down for planned maintenance.

BP Plc is restarting a unit linked to the ultracracker unit at its 467,000 bpd Texas City, Texas refinery following the completion of repairs.

ExxonMobil Corp's 150,000 bpd refinery in Torrance, California reported flaring late Monday linked to maintenance work.

Marathon Oil Corp said the completion of its 100,000 bpd Detroit refinery upgrade will be delayed until mid-2012 as the company announced spending cuts for the year. It also stated that a project to expand its 245,000 bpd refinery in Garyville, Louisiana was now

February Calendar Averages

CL – \$40.43

HO – \$1.3339

RB – \$1.1581

75% complete. It will be completed on schedule in the fourth quarter of 2009.

Some contract workers went on strike at Royal Dutch Shell Plc's 233,000 bpd Stanlow refinery in the UK. Shell said the unofficial strike action by maintenance and construction workers had no effect on operations. Hundreds of contract workers at UK energy facilities have staged walkouts in the last week to protest Total SA's decision to award a construction subcontract to Italy's IREM. Total and union representatives are scheduled to resume talks on Tuesday.

BP Spain said it has no plans to halt its 110,000 bpd Castellon refinery in 2009.

Mexico shut its Dos Bocas oil terminal in the Gulf of Mexico on Tuesday due to bad weather conditions.

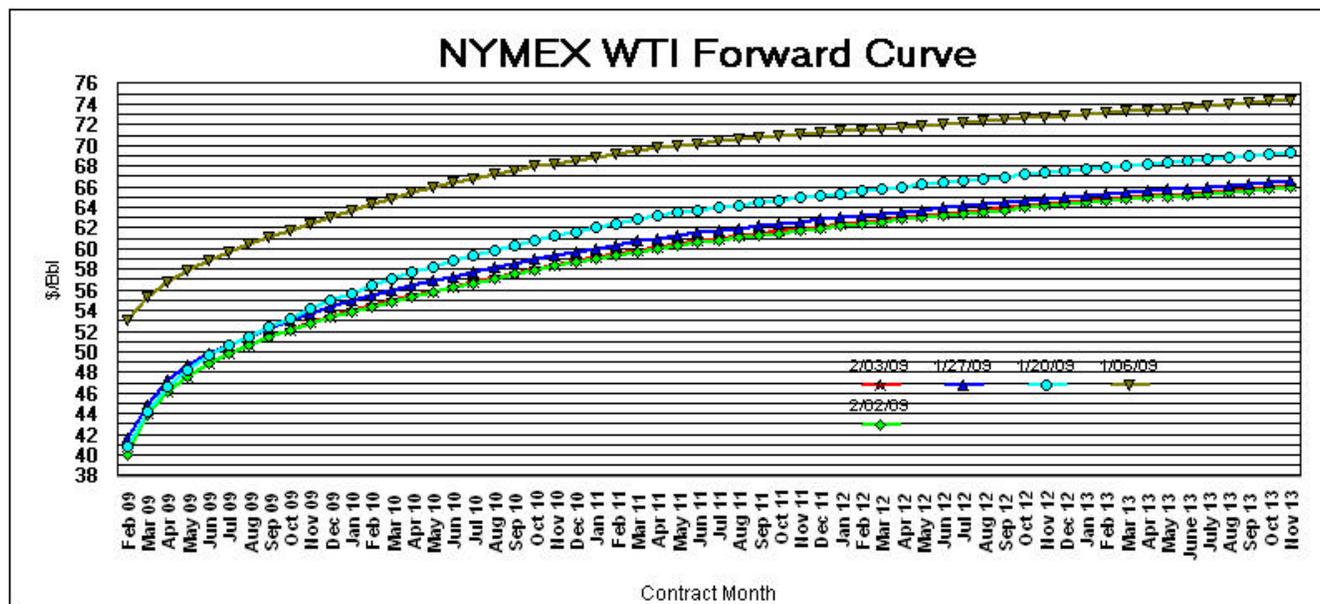
Japan's Idemitsu Kosan Co is likely to increase its exports in the business year starting in April. It expects to export 1.58 million kiloliters or 27,000 bpd of oil products, up from 1 million kl exported in the year ending in March 2008.

India's Reliance Industries, widely believed to have stopped fuel sales to Iran, exported three cargoes to Iran in January. Reliance sent a 36,000 ton gasoline cargo and two 27,000-30,000 ton cargoes of gasoil to Iran.

Hindustan Petroleum Corp commissioned one of India's largest pipelines to transport petrol, diesel and kerosene from the western coast to northern states. The pipeline will carry products from refineries HPCL and other firms such as Indian Oil Corp and Mangalore Refinery and Petrochemicals Ltd in southern India. The pipeline is designed to transport 5 million tons a year but can be expanded to 6 million tons/year.

Indonesia's Energy Ministry will allow Pertamina to export diesel for the first time, reversing its previous stance, amid falling fuel demand from the power sector. Pertamina said it planned to issue its first ever tender to export 200,000-400,000 barrels of gas oil for mid-February loading. Pertamina will also cut its diesel imports to 2.4 million barrels in February from 3 million barrels in January. However it plans to import a total of 4.7 million barrels of gasoline in March, unchanged on the month and plans to build up gasoline stocks to 20 days of forward supply, versus about 16 days.

Lukoil said it will reduce its oil product exports from its Baltic Sea terminal of Vysotsk in February to



920,000 tons from 1.07 million tons in January.

Archer Daniels Midland Co said that 2.7 billion gallons of US ethanol production capacity has been shut in due to weak demand and poor margins. Ethanol plants with a production capacity of 10.2 billion gallons/year are currently operating, down from 12.9 billion gallons.

Production News

Korea National Oil Corp said it has started an oil exploration project in Iraq on its own after failing to attract consortium members for the agreement. Under the deal, KNOC will operate two fields, Qush Tappa and Sangaw South. In return, KNOC will provide \$2.1 billion worth of infrastructure in the Kurdish region.

An accident at the UAE's Shah oilfield killed three workers and injured one. The accident occurred during regular maintenance when the facilities being worked on were already shutdown.

BP Plc's Greater Plutonio oil development, offshore Angola, restarted production on January 30th following a shutdown. The development, which was shut on January 11 due to operational problems, was ramping up to its normal production of 200,000 bpd.

The Caspian Pipeline Consortium reported that Kazakh and Russian oil exports via the CPC increased to 761,340 bpd in January, a record level and up 1.4% on the month.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$42.64/barrel on Monday from Friday's \$42.04/barrel. It also reported that OPEC's basket of crudes increased by \$1.35 to \$41.43/barrel in the week ending January 30th.

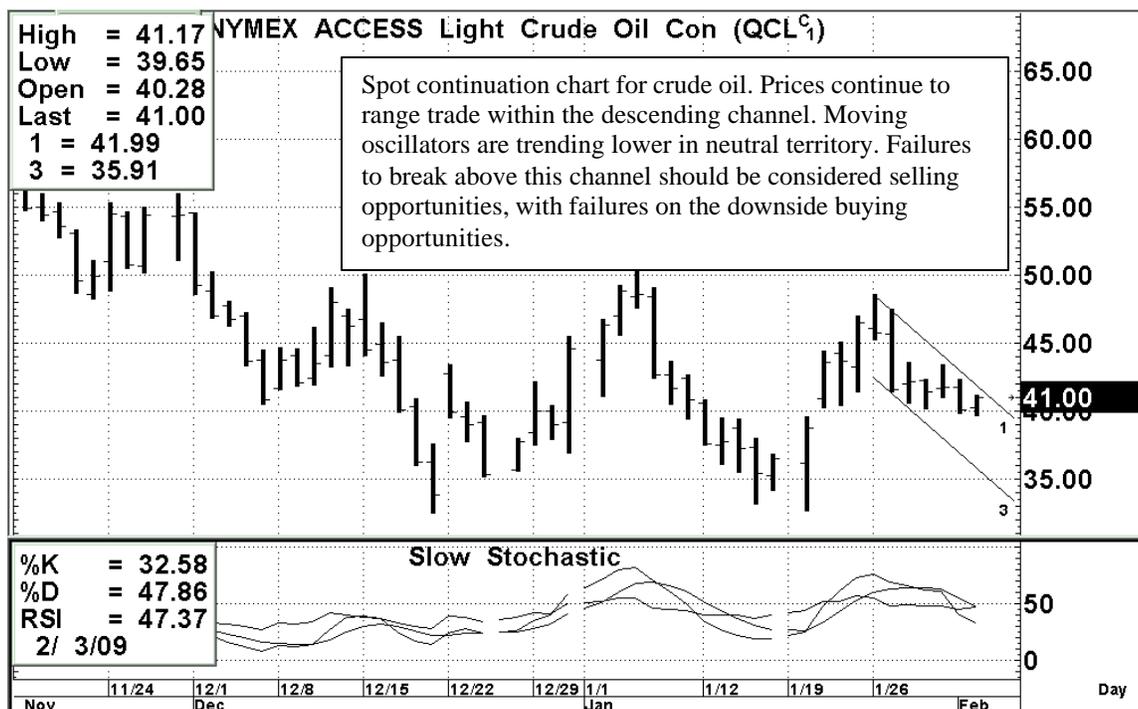
Market Commentary

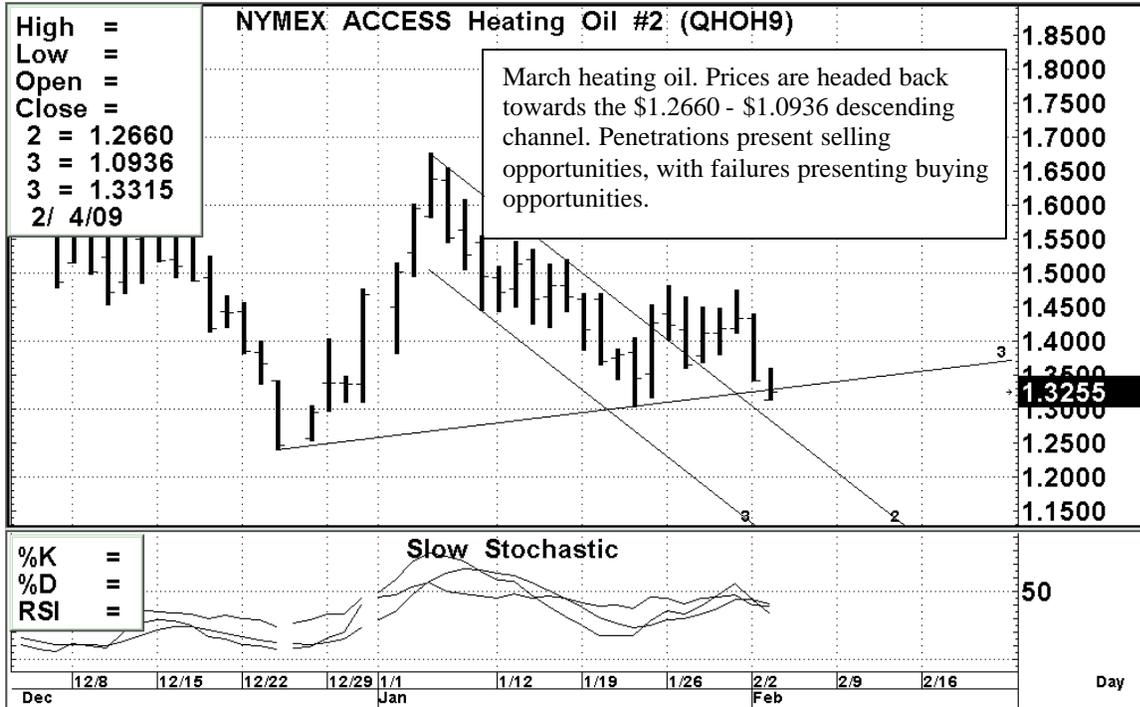
In an effort to stabilize prices, OPEC cut production in January by 3.5%, averaging 28.57 million barrels per day. The United Arab Emirates and Qatar plan to extend reductions in crude oil shipments in March, according to refiners who have received notice. Nigerian oil adviser Emmanuel Egbogahr and OPEC Secretary-General Abdalla El-Badri both said on Jan. 29 that the group might need to consider lowering targets again. OPEC's next ministerial meeting is on March 15 in Vienna. This helped to send crude oil prices higher. The March contract continues to range trade between \$35.00 and \$50.00. The spot month has been trading within a descending channel since the beginning of last week. This channel is set between \$40.89 and \$34.81 for tomorrow's trading session. Failures to break above this channel indicate selling opportunities, with breaks above buying opportunities. Failures to penetrate the downside would present buying opportunities, with successful attempts selling opportunities. Expectations for warmer weather next week put pressure on heating oil today, with the March contract settling .0170 lower. With the economy having a lasting impact on diesel demand and the diminishing seasonal appeal for heating oil, prices should continue to slide. We would look for the March contract to make an attempt to enter back into a previous downward channel basis a daily bar chart. This channel begins tomorrow's session set between \$1.2660 and \$1.0936. Gasoline edged higher as traders kept a close eye on the contract talks between U.S. steelworkers and Royal Dutch Shell, who reached a tentative agreement after the close of the floor traded session. The March contract is still in an inverse head and shoulders formation, however volume is starting to dwindle. Dwindling volume may be a sign that this pattern is losing its significance. Slow stochastics have also indicated that this pattern is weakening. The demand factor will continue to be key here, as we come into a period of seasonal demand.

Open MAR.09 375,352 +6,552 APR.09 129,867 +6,892 MAY.09 75,990 +1,393 Totals: 1,262,256
+18,289 Heating oil MAR.09 63,120 +503 APR.09 34,100 +1,010 MAY.09 26,927 +213 Totals:

244,922 +2,235 NEW YORK HARBOR RBOB GASOLINE MAR.09 65,984 -2,819 APR.09 30,659 +332 MAY.09 19,113 +1,222 Totals: 180,092 -2,104.

The crude market gave up some of its gains following the release of the API report, which reported a large build in crude stocks of 8.1 million barrels on the week. It reported a build of 6.673 million barrels in Padd 3 alone. The API reported the large build in stocks despite the increase in crude runs of 438,000 bpd to 14.469 million bpd and the decline in crude imports of 1.347 million bpd to 8.815 million bpd. Meanwhile the API reported that a slight draw in distillate stocks of 184,000 barrels in distillate stocks as imports fell by 150,000 bpd to 260,000 bpd. It showed that apparent distillate demand fell slightly by 1.7% to 4.566 million bpd while apparent demand basis its three week moving average increased by 2.1% to 4.674 million bpd. The API reported that gasoline stocks built by 2.2 million barrels on the week with a build of 1.504 million barrels in Padd 3. It reported the build as apparent gasoline demand fell by 1.6% to 8.823 million bpd while apparent demand increased by 0.2% to 9.023 million bpd. It also showed that gasoline imports increased by 74,000 bpd to 361,000 bpd on the week.





Crude Support	Crude Resistance
39.11, 32.25, 29.66, 28.63, 26.65, 25.50	48.77, 50.07, 54.75, 55.98, 57.20
Heat Support	Heat resistance
1.3135, 1.3039, 1.2785, 1.1895	1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.0988, 1.0680, 1.0128, 9590, .8978, .8755, 7850	1.2170, 1.2298, 1.2750, 136.14