



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 20, 2009

Venezuela's President Hugo Chavez said oil prices remain far below the level needed to finance his plans. He said his socialist project will go on despite the impact the world economic crisis can have on the country.

Market Watch

Consumer prices increased on a monthly basis in January for the first time in six months, easing fears that the US may face deflation. The US Labor Department reported that the Consumer Price Index increased by 0.3% in January on a seasonally adjusted basis. The CPI fell by 0.8% in December. The core CPI was up 0.2% in January. According to Friday's report, energy prices increased 1.7% in January compared to December.

Russia will consider linking the launch of new oil deposits to world oil prices, a policy that would allow oil firms to increase reserves and cut exploration budgets in times of low prices.

Iran's ambassador to the UN, Ali-Asghar Soltaniyeh said Iran will cooperate with the IAEA but it will not suspend its nuclear program. He also urged IAEA chief Mohammed ElBaradei to use his maximum authority and his prerogative to prevent certain countries from imposing obligations beyond legal ones on Iran.

Separately, the head of the UN's IAEA, Mohamed ElBaradei said he believes the possibility of a military solution to the Iran nuclear crisis has been ruled out. He said force can only be used as a last option when all other political possibilities have been exhausted. Meanwhile, the US expressed concern on a new IAEA report that said Iran recently understated how much uranium it had enriched. White House spokesman Robert Gibbs said "the report represents another lost opportunity for Iran as it continues to renege on its international obligations."

Refinery News

Tesoro Corp plans to conduct about 30 days of maintenance work at its Kenai, Alaska refinery in April. The 72,000 bpd refinery will be completely shut during the maintenance period. Separately, Tesoro said it expects total system throughput of its US refineries to range between 520,000 and 560,000 bpd during the first quarter of 2009.

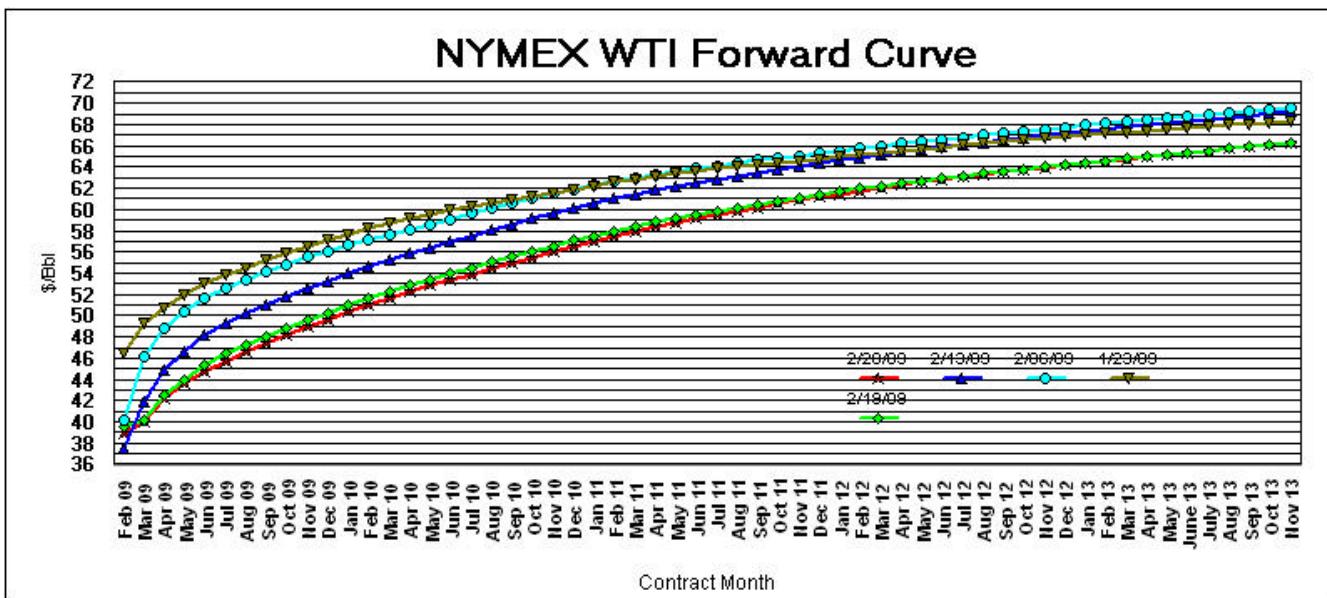
February Calendar Averages

CL – \$38.22

HO – \$1.2892

RB – \$1.1883

Valero Energy Corp restarted a 92,000 bpd heavy oil cracker at its 340,000 bpd Corpus Christi, Texas refinery. The unit was shut for planned work in mid-January. Valero began to restart a 50,000 bpd coker unit at its 210,000 bpd refinery in Delaware City, Delaware. The refinery's 180,000 bpd crude distillation unit and an 82,000 bpd



fluid catalytic cracking unit remain at reduced rates. Meanwhile Valero said it has cut coker runs at its Gulf Coast refineries due to a small discount for heavy sour crude oil. A source said Valero's Port Arthur, Texas refinery has shut its coker unit.

Imperial Oil Ltd restarted a coker unit at its 119,000 bpd Sarnia, Ontario refinery that was damaged in a fire last week. It will be several days before the coker unit is operating at capacity rates.

Harvest Energy Trust will start a one month maintenance turnaround at its 115,000 bpd refinery at Come By Chance, Newfoundland early in the second quarter of 2009. It will work on the refinery's hydrocracker unit but has not decided if the entire facility will shutdown.

According to Euroilstock, total refinery production in January fell by 3.7% on the month and by 6% on the year to 12.255 million bpd. Gasoline production fell by 3.2% on the month to 3.226 million bpd while middle distillate production fell by 4.1% on the month and by 4.5% on the year to 6.109 million bpd. The average refinery utilization rate fell to 86.28% in January from 90.29% in December.

Indonesia's Pertamina said its 125,000 bpd Balongan refinery is operating at about 70% of capacity, while its gasoline unit is also operating at 70%. Separately, Pertamina said the country may import extra gasoline in February as its stocks of the fuel are at 15 days worth of supplies, below a targeted level of 20 days. Pertamina had expected to import 4.7 million barrels of gasoline for February.

Nigeria's 110,000 bpd Kaduna refinery will remain shut until the end of March due to maintenance delays. The refinery was initially expected to resume operations in January after being shut for routine maintenance in November. Nigeria's 125,000 bpd Warri refinery is the only one of four domestic refineries currently in operation, running at 80% of capacity.

Caltex Australia Ltd will shut a catalytic cracking unit at its 135,000 bpd Kurnell refinery in Australia in March for five to seven weeks of maintenance. Maintenance on the unit was brought forward by two months. Caltex also stated that it is planning major maintenance at its Lytton plant in the third quarter.

Indian Oil Corp aims to increase its crude processing at its seven refineries by 1.5% in 2009/10 to 927,000 bpd.

India has revised upwards its crude imports for December to 10.465 million tons or 2.47 million bpd from 1.62 million bpd. Its crude imports in January are estimated to increase to 10.49 million tons.

India's oil product sales in January are estimated at 11.71 million tons, up from 11.61 million tons in December while its refined product imports fell to 1.41 million tons in January from 1.63 million tons in December.

China's Sinopec will supply 5.9 million tons of jet fuel this year to China National Aviation Fuel Holding. It is a 13.4% increase on the year.

Japan's Nippon Oil said it will delay the establishment of a joint venture with China National Petroleum Corp until June or later from the initially planned April. The deal was due to give CNPC a 49% stake in the 115,000 bpd facility and allow CNPC to take charge of all crude supply and product offtake.

Production News

Norway's Troll oil stream is set to load about 235,000 bpd in March, up from 218,000 bpd in February.

Kuwait has notified at least two customers in Asia that it will keep its cuts on term crude oil supplies in the second quarter, unchanged from March. Kuwait Petroleum Co notified buyers that they will continue to receive 5% below contracted volumes in the second quarter.

Mexico's Pemex said the country's oil production fell by 9.2% in January to 2.685 million bpd as output from the Cantarell oil field continued to decline. Mexico's oil exports averaged 1.366 million bpd in January, while gasoline imports averaged 329,700 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$38.64/barrel on Thursday from \$38.14/barrel on Wednesday.

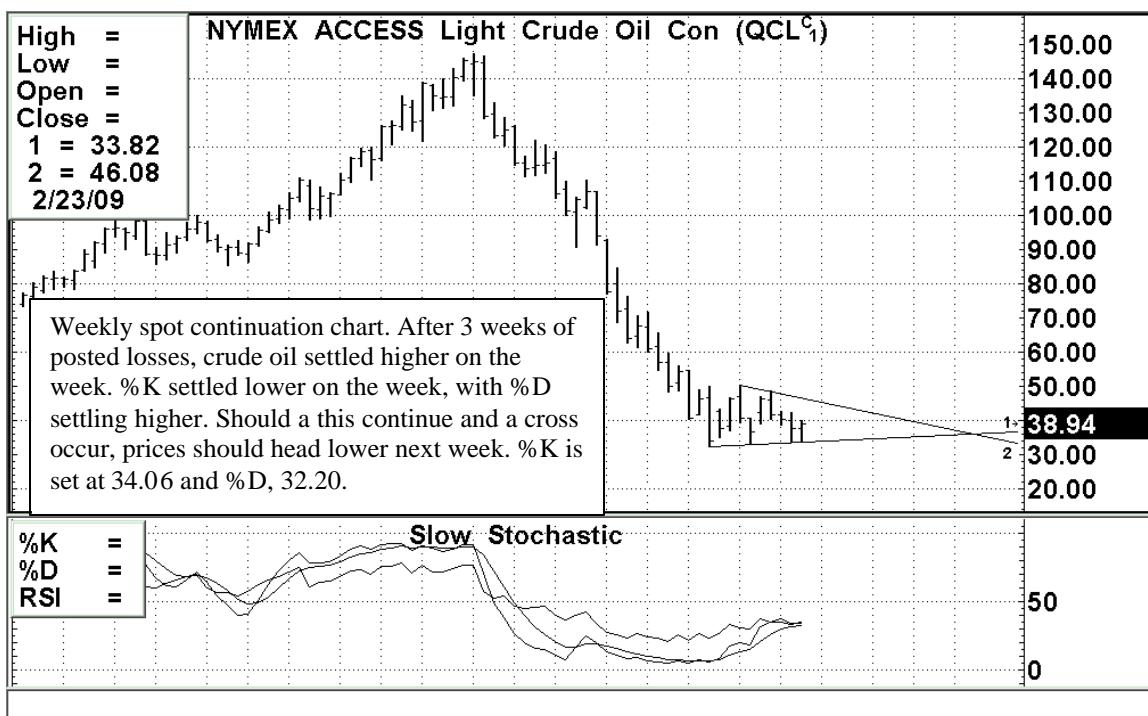
Market Commentary

After three weeks of posted losses, crude oil futures settled higher on the week but traded in an inside (within the previous week's range) fashion. A falling equities market gave way to fears of a spreading recession, taking energy prices with them. Upon a closer examination of the fundamentals of this market, prices should succumb to additional pressure. Although imports for crude oil are running 9.55 million barrels per day, below the 10.10 million average a year ago, inputs, based on a four-week average, are 347,000 barrels per day below year ago levels. Inventories on the East and West coasts fell; those for the Gulf Coast climbed 2 million barrels to 183.5 million barrels. Stock levels in the Gulf Coast have been on a steady incline since December. Stocks are now 24.5 million barrels above year ago levels and slightly above the high of the 5-year average range. Stocks in the Midwest decreased by 700,000 barrels and at 84.02 million barrels for the week ending February 13; they are 20.9 million barrels above year-ago levels. Cushing stocks are still at record highs despite an unchanged recording on the week. Gasoline inventories, set at 218.7 million barrels, posted a better than expected gain. Current stock levels are below the 230.3 million barrels from a year ago, but are currently even with the 5-year average. Demand, which has been key to this market, based on a 4-week average is set at 8.9 million barrels per day or 1.7% below that of last year. Imports for gasoline fell some 492,000 barrels on the week, however, based on a 4-week average, imports were at 1.032 million barrels per day for the week ending February 13, slightly above the 992,000 barrel per day average for the same period last year. Distillate stocks, which decreased 800,000 barrels on the week, fell less than the 1.6 million expected decrease. The bulk of the decrease came from high sulfur heating oil stocks, the result of winter heating demand. Heating oil stocks are nearing the low end of the 5-year average. With the economic outlook looking ever grim and the aforementioned inventory picture bearish for prices, we cannot be too optimistic for this market. Crude oil prices should test below \$30.00 per barrel coming into next week, with products being suppressed by slackening demand.

Crude Oil (CL) MAR.09 18,941 -30,514 APR.09 316,536 +6,996 MAY.09 135,174 +4,418 Totals: 1,198,265 -21,497 Heating oil MAR.09 29,534 -1,837 APR.09 53,413 +646 MAY.09 34,551 -157

Totals: 261,118 +1,246 NEW YORK HARBOR RBOB GASOLINE MAR.09 25,813 -2,775 APR.09
 63,281 +1,829 MAY.09 28,232 +831 Totals: 195,513 +1,919

The Commitment of Traders report showed that non-commercials increased their net long position by 28,438 contracts to 45,016 contracts in the week ending February 17th. The combined futures and options report however showed that non-commercials in the crude market cut their net long position by 10,325 contracts to 110,635 contracts on the week. It reported that total long positions were cut by 6,980 contracts to 250,867 contracts on the week. The funds have likely continued to cut their net long position in the last few sessions as the market remains pressured. The combined futures and options report also showed that the funds in the product markets also cut their net long position. The non-commercials in the heating oil market cut their net long position by 2,600 contracts to 8,655 contracts while funds in the RBOB market cut their net long position by 4,951 contracts to 41,648 contracts on the week.



Crude Support	Crude Resistance
32.25, 29.66, 28.63, 26.65, 25.50	48.77, 50.07, 54.75, 55.98, 57.20
Heat Support	Heat resistance
1.10951.0520	1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.0128, 9590, .8978, .8755, 7850	136.14, 1.3775, 1.4100, 1.4400