



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 4, 2009

Ecuador's Oil Minister Derlis Palacios said the country sees no need for OPEC to cut its oil production during its next meeting on March 15. He said Petroecuador

cut its production by 10,000 bpd to comply with OPEC's decision to reduce world supply to lift oil prices. He added that a further 8,000 bpd cut in state production will follow.

Market Watch

The Institute for Supply Management said its non-manufacturing index fell to 41.6 in February from 42.9 in January.

China's Premier Wen Jiabao may announce new stimulus measures on Thursday, adding to a 4 trillion yuan or \$585 billion spending plan.

The IEA said the use of existing technologies to build new vehicles could sharply cut oil demand and carbon emissions over the next four decades. It said petrol demand could fall by 6 billion barrels of crude annually or 16 million bpd by employing technologies such as better engines and tires in new vehicles.

Iran's Foreign Minister Manouchehr Mottaki said Iran plans to launch its first atomic power plant this summer. He said the Bushehr nuclear power plant will be inaugurated in the summer after Iran announced last week that it carried out successful tests at the Russian built plant. Iran has previously announced dates for starting the power plant that have been missed.

Refinery News

The United Steelworkers union and Sunoco Inc signed a tentative contract agreement for workers at its two Pennsylvania refineries. Late Tuesday, the president of the USW local representing workers at Sunoco's 178,000 bpd Marcus Hook refinery said a tentative agreement had been reached. The Marcus Hook contract is expected to be ratified next Wednesday or Thursday after union members have an opportunity to review it. On Monday, a tentative contract agreement was reached for Sunoco's 335,00 bpd Philadelphia refinery.

Valero Energy Corp said that the restart of a crude unit at its 325,000 bpd Port Arthur, Texas refinery continued following Friday's exchanger fire, dismissing a report that the restart of the unit had failed. Separately, Valero is shutting down all of its units at its 182,000 bpd Delaware City, Delaware refinery for about 30 days due to operational problems at its coker unit. It will take about 10 days to shut all of the units. The coker unit was shut during the weekend of February 15th

DOE Stocks

Crude – down 757,000 barrels
Distillate – up 1.662 million barrels
Gasoline – up 168,000 barrels
Refinery runs – up 1.7%, at 83.1%

following a power outage at the plant. Valero said that to continue operating the other units, Valero would have had to find a buyer for the products that would have otherwise gone to the coker unit for further processing.

March Calendar Averages

CL – \$42.39

HO –\$1.1818

RB – \$1.3291

BP Plc will restart its fluid catalytic cracking unit No. 3 at its 475,000 bpd Texas City, Texas refinery on Wednesday. It is expected to return to normal operations by the end of the week. The unit, which was shut for maintenance, was originally expected to resume operations at the end of December. It is also restarting a residual hydrotreating unit at its Texas City, Texas refinery beginning on Wednesday afternoon.

Total shut an unspecified unit at its 232,000 bpd Port Arthur, Texas refinery for a few days to repair a cooling water supply leak. The work is expected to last until March 8th.

Pemex plans to carry out maintenance work on a crude distillation unit and gasoline hydrodesulfurization unit at the Minatitlan refinery in May. The work on both units should be completed by mid-June.

An oil leak and fire on a trunk pipeline in Russia has halted flows to the Black Sea port of Novorossiisk and Tuapse on Tuesday and exports are not expected resume in the next three to four days. A port official said the port was not loading crude due to worsening weather conditions and was unlikely to resume operations before March 8th. An official from Ukrainian pipeline monopoly Ukrtransnafta said the Lysychansk refinery was also cut off from Russian supplies but was hoping to get alternative deliveries from a pipeline running through the towns of Samara, Michurinsk and Kremenchug. A source at the port of Odessa also said Transneft informed port authorities that it was working toward re-routing crude previously supplied via the pipeline to a second route via Michurinsk and Kremenchug.

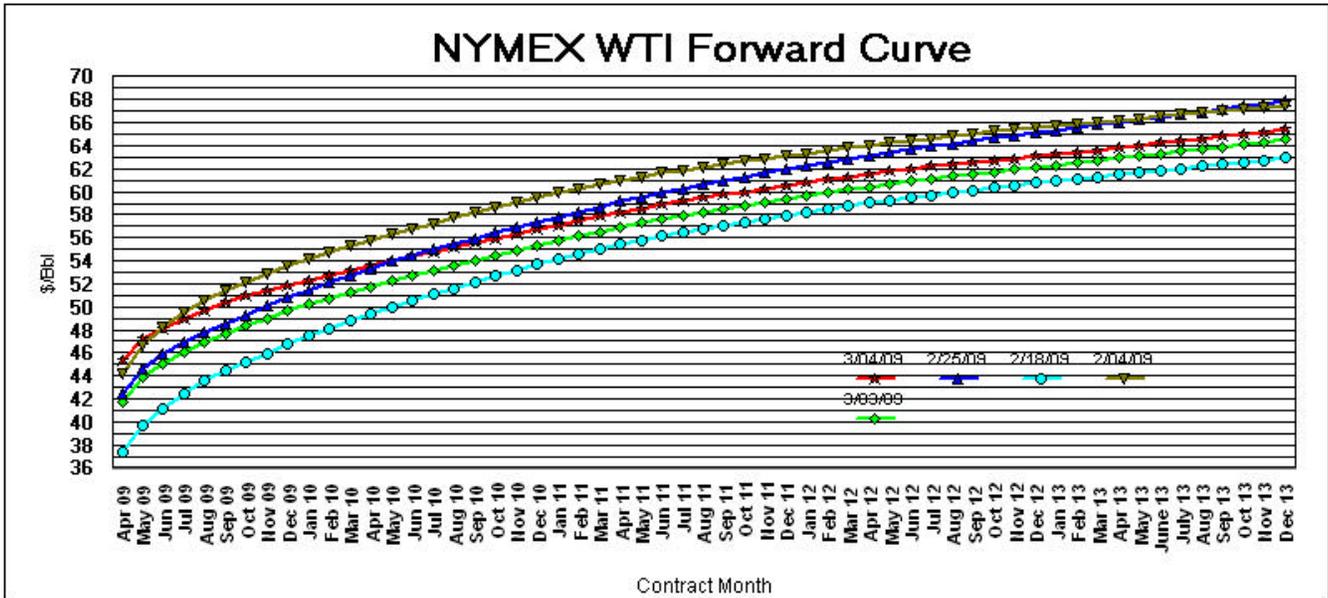
Japan's Idemitsu Kosan Co Ltd shut a 120,000 bpd No. 2 crude distillation unit at its Tokuyama refinery following a fire on Wednesday. The company did not know when operations at the CDU would resume. It said the shutdown did not impact refined product shipments.

Kuwait National Petroleum Co will shut its coker and vacuum distillation unit at its Mina Abdullah refinery for 25 days of maintenance at the end of March.

According to the Petroleum Association of Japan, the country's gasoline inventories increased for the second consecutive week by 250,000 barrels on the week and by 460,000 barrels on the year to 13.73 million barrels in the week ending February 28th. Domestic gasoline sales fell by 6.3% on the year to 950,000 bpd. It also reported that crude stocks fell by 1.82 million barrels on the week but increased by 13.37 million barrels on the year to 106.48 million barrels. It showed that refinery utilization increased by 2.5% but fell by 1.3% on the year to 86.6% with crude runs at 4.24 million bpd. It also reported that kerosene stocks fell by 650,000 barrels on the week but increased by 840,000 barrels on the year to 13.82 million barrels while naphtha stocks built by 1.6 million barrels on the week and by 120,000 barrels on the year to 11.76 million barrels on the week. Separately, the Oil Information Center reported that Japan's gasoline prices increased for the seventh consecutive week to 110.3 yen/liter or \$4.24/gallon in the week ending March 2nd, up 0.7 yen on the week.

Indian Oil Corp's monthly oil import bill has declined by about 67% to \$1.5 billion/month from \$4.5 billion in mid-2008 due to the fall in oil prices.

Production News



Chevron Corp is delaying a gas-to-liquids project, the Escravos gas plant phase 3 and Usan oilfield in Nigeria. It also said the Agbami oilfield is estimated to cost about \$7 billion to develop, up 30% from its previous estimate.

PetroChina has cut its 2009 production targets by 10-20% at several oilfields due to declining demand. The cuts however will apply to fields except its Daqing and Changqing field. Daqing will maintain its output at about 40 million tons or 800,000 bpd for another 10 years while PetroChina aims to increase output at the Changqing field.

Iraq's South Oil Co will focus its efforts to increase production by 400,000 bpd next year on the Luhais, Majnoon and Bin Umar fields. It is hoping that drilling and repair of service facilities will help increase its output by 400,000 bpd next year.

Saudi Aramco increased its April official selling prices for crude oil sold to Europe, the US and Asia. Its Arab Extra Light crude bound for Northwest Europe was priced at BWAVE minus \$2.00, up 90 cents; its Arab Light was priced at BWAVE minus \$2.45, up \$1.30; its Arab Medium was priced at BWAVE minus \$3.10, up \$1.45 and its Arab Heavy crude was priced at BWAVE minus \$3.70, up \$1.55. Its Arab Extra Light bound for the US was priced at WTI plus \$2.35, up 20 cents; its Arab Light crude was priced at WTI plus \$1.90, up 90 cents; its Arab Medium crude was priced at WTI plus \$1.15, up \$1.15 and its Arab Heavy crude was priced at WTI plus 65 cents, up \$1.25. Its Arab Super Light crude bound for Asia was priced at the Oman/Dubai average plus \$2.80, up 65 cents; its Arab Extra Light crude was priced at the Oman/Dubai average plus \$1.55, up 35 cents; its Arab Light crude was priced at the Oman/Dubai average plus 90 cents, up 65 cents; its Arab Medium crude was priced at the Oman/Dubai average plus 50 cents, up \$1.00 and its Arab Heavy crude was priced at the Oman/Dubai average minus 65 cents, up \$1.30.

Iran's National Iranian Oil Co concluded its 2009 term supply deal at a premium of about \$14-\$15/ton to Middle East quotes. NIOC will supply up to 400,000 tons a month to lifters, steady to contracted volumes in the previous year.

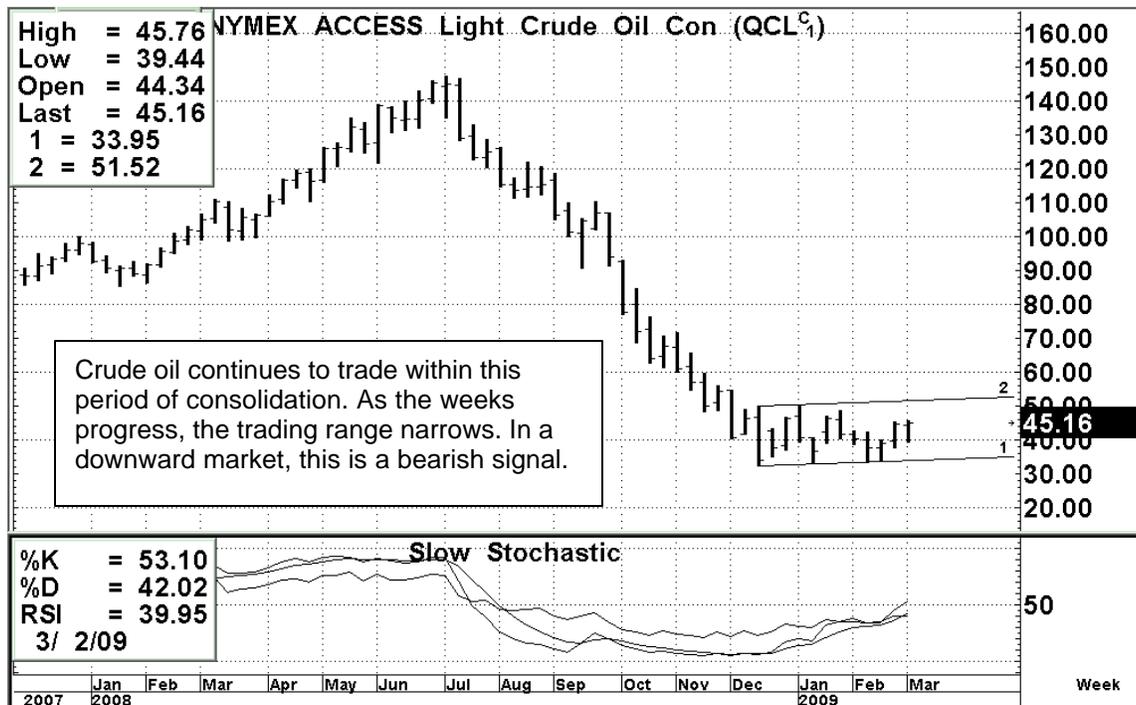
Qatar has cut its February retroactive official selling price for Qatar Marine crude to \$43.17/barrel, down 59 cent from January. It has also cut the Qatar Land price by 75 cents to \$44.32/barrel.

OPEC's news agency reported that OPEC's basket of crudes fell to \$41.77/barrel on Tuesday from \$42.98/barrel on Monday.

Market Commentary

An unexpected drop in crude oil inventories coupled with a possible economic stimulus package to be put forth by China's Premier Wen Jiabo, sent crude oil higher for the second straight day. China, the world's second largest crude oil consumer behind the U.S, is expected to announce new stimulus measures, adding to a 4 trillion yuan (\$585 billion) spending plan. This is hopeful for the global economic situation and will help boost demand for oil. Crude oil stocks fell 757,000 barrels and are currently set at 350.6 million barrels. A 1 million barrel build was expected. Stockpiles at Cushing, OK, the NYMEX delivery point, fell 553,000 barrels to 34 million barrels, after posting record levels in the week ended Feb. 6. Gasoline stock levels increased by 200,000, with demand based on a four-week average set at 9.0 million barrels per day, up 2.2% for the same period last year. Distillate stocks increased by 1.7 million barrels, with demand based on a four-week average set at 4.1 million barrels per day, down by 4.5%. Jet fuel demand is 15.1% lower over the last four weeks compared to the same four-week period last year. The trading range for crude oil has narrowed over the past few weeks, narrowing from \$17.65 during the week of December 16 to \$7.65 last week. This narrowing of a trading range in a declining market is an indication that prices will head lower. Propping up prices is the upcoming OPEC meeting on March 15th. For now we would look to buy and sell against listed support and resistance numbers.

Crude Oil (CL) APR.09 273,716 -4,623 MAY.09 171,610 +5,188 JUN.09 153,105 +1,330 Totals: 1,191,724 +4,315 Heating oil APR.09 58,748 -2,212 MAY.09 39,651 +1,080 JUN.09 37,122 +240 Totals: 255,954 +1,345 NEW YORK HARBOR RBOB GASOLINE APR.09 62,362 +115 MAY.09 32,050 +1,017 JUN.09 24,338 -62 MAY.09 31,033 -286 Totals: 180,753 +1,634



Crude Support	Crude Resistance
41.00,40.00,38.95, 32.25, 29.66, 28.63, 26.65, 25.50	46.65, 48.77, 50.07, 54.75, 55.98, 57.20
Heat Support	Heat resistance
1.1359, 1.10951.0520	1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.3280,1.3050,1.2800,1.2700, 1.1680,1.0128,9590, .8978, .8755, 7850	1.4100,1.4400, 1.4760