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Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 13, 2009

An OPEC delegate said most OPEC members believe the group should comply with their output quotas for now. Debate between ministers during the OPEC meeting on Sunday is expected to center around whether tightening compliance with existing output cuts would be enough for now or whether further cuts are needed.

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said OPEC still has to decide on whether it will cut its production further at its meeting this weekend and added that all options are open. He said he is satisfied with the current level of compliance by OPEC

with the cuts already agreed to by the group. Venezuela's Oil Minister Rafael Ramirez said OPEC members need to fully comply with the group's existing production cuts. He said the market is oversupplied by between 1.5 million and 1.6 million bpd. He also added that the floor for oil prices should be \$70/barrel. He also stated that OPEC should lobby non-member countries to cut oil production and join forces with the group to increase the price of oil. Meanwhile, the head of Libya's OPEC delegation Shokri Ghanem said the country will prefer OPEC do more than comply with existing output cuts when it meets on Sunday.

Market Watch

Floating storage of North Sea Forties crude oil in tankers has fallen sharply over the past few weeks, partly due to the narrowing contango in crude prices has made floating storage increasingly uneconomic. The total number of VLCCs being used for storage of Forties crude fell to 2-5 from 8 last month.

Citigroup has lowered its forecast for the 2009 average oil price to \$48/barrel from \$65/barrel this week. It cut its 2010 average crude oil price to \$55/barrel from \$75/barrel.

CFTC Commissioner Bart Chilton said the CFTC should have acted sooner to investigate trades executed to profit at the expense of the US Oil Fund. The CFTC is investigating multiple market participants, including the US Oil Fund. The investigation is focused on an increase in the price difference between March and April futures contracts on the NYMEX on February 6.

Morgan Stanley said investors invested more than \$12 billion in products linked to gold, energy and grains since the start of 2009. It said gold was the main beneficiary of this year's inflows into commodities, with investments of \$9 billion while investments in oil and energy-linked funds totaled \$3.4 billion. Agriculture-linked ETPs generated more modest inflows of \$461 million.

Sunoco Inc said it will cut 750 jobs, about 20% of its workforce to reduce costs in the face of falling demand for gasoline and diesel fuel. It hopes to cut costs by more than \$300 million this year and will take a charge of \$35 million to \$40 million in the first quarter.

March Calendar Averages**CL – \$44.47****HO –\$1.1905****RB – \$1.3214**

The IEA cut its 2009 world oil demand forecast by 270,000 bpd to 84.4 million bpd, which is down 1.2 million bpd or 1.5% on the year. The IEA also cut its forecast for China's oil demand this year by 10,000 bpd. China's oil demand in 2009 will increase by 0.6% to 7.9 million bpd. The IEA said strict adherence with OPEC supply cuts already in place would cut oil stocks in developed countries even though demand is expected to contract further. It said full compliance will take OPEC's output 1.6 million bpd below 2009 demand for the group's oil. It estimates global oil supply in February at 83.9 million bpd while OPEC supply stood at 28 million bpd, down 1.1 million bpd on the month. In regards to refineries, the IEA forecast crude runs will average 72.3 million bpd in the second quarter, down 1.8 million bpd on the year as fuel demand remains weak. World refineries are estimated to process an average of 71.4 million bpd of crude for the first quarter, down 2.7 million bpd on the year.

In its latest monthly report, OPEC said world oil demand is contracting faster than expected. It estimates world oil demand will fall by 1.01 million bpd in 2009 to 84.61 million bpd. It previously estimated demand will fall by 580,000 bpd. It states that OPEC's action so far has managed to help halt the steep downward pressure in prices. It also estimates that demand for OPEC's oil will fall by 1.8 million bpd in 2009, up from its previous forecast of 1.7 million bpd. The report shows that in February, the 11 members with supply targets, cut output by 649,000 bpd to 25.72 million bpd.

Iran's President Mahmoud Ahmadinejad dismissed international sanctions against Iran as a "childish idea" on Friday. His comments came a day after US President Barack Obama said he is extending economic sanctions against Iran as it continues to pose an extraordinary threat to the national security, foreign policy and economy of the US.

Turkish warplanes carried out new bombing raids against Kurdish rebel positions in northern Iraq.

Refinery News

Valero Energy Corp shut most of its main processing units at its 210,000 bpd Delaware City, Delaware refinery as it works to repair a coking unit.

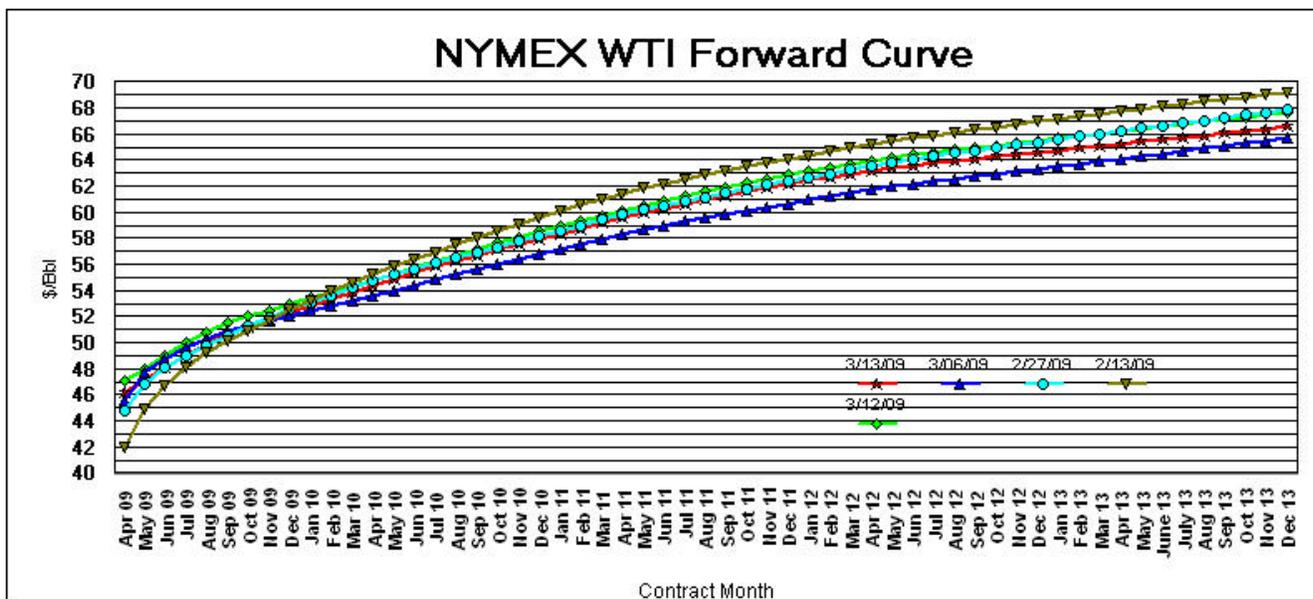
ConocoPhillips is restarting its 139,000 bpd refinery in Wilmington, California after the refinery was shut due to a power outage on Wednesday. It is in restart mode and plans to resume normal operations over the next few days.

Bharat Petroleum Corp shut half of its 240,000 bpd Mumbai refinery on March 7th for scheduled maintenance and will shut a 60,000 bpd crude unit at its Kochi refinery starting March 30th.

Germany's MWV said the country's total sales of oil products in February increased by 10.2% on the year to 6.76 million tons. It reported that heating oil sales increased by 36.2% on the year to 2.41 million tons while diesel sales increased by 0.6% on the year to 2.32 million tons and high sulfur fuel oil sales increased by 5.7% to 500,000 tons. It also reported that gasoline sales fell by 3.5% on the year to 1.53 million tons.

According to Reuters, China's apparent oil demand fell for the third consecutive month in January, by 8.9% on the year to 6.486 million bpd.

North Asia's crude imports totaled 10.731 million bpd in the fourth quarter of 2008, down 1% on the year and from the third quarter. The year on year decline in North Asian crude imports would have been deeper if not for China, which imported 12% more in the fourth quarter to feed new refineries, such as the 200,000 bpd Qingdao refinery and upgrades refineries, such as the 410,000 bpd Dalian refinery.



PetroChina will set up a joint venture refinery with Venezuela in 2009 as the Chinese oil major pushes forward a plan to process more Venezuelan crude. PetroChina won state approval to build a refinery in southern Guangdong province to process heavy crude from Venezuela with a capacity of more than 200,000 bpd.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the week ending March 13th fell by 44 to 1,126. The number of rigs searching for oil fell by 13 to 228 while the number of rigs searching for natural gas fell by 32 to 884 on the week.

Britain's North Sea Flotta crude oil stream is scheduled to load 65,000 bpd in April, up from about 63,000 bpd in March.

Maersk Oil said that total February DUC oil and condensate production was 244,300 bpd. Separately, Denmark's DUC crude oil stream is scheduled to load 160,000 bpd in April, up from about 155,000 bpd in March.

Iraq has tendered to build a 50,000 bpd crude production facility at the Halfaya oilfield, which has an estimated production capacity of 250,000 bpd.

Iraq's autonomous Kurdistan region is expected to begin exporting oil via Iraq's pipeline network in the coming months. Norway's DNO International is in the final stages of connecting its Tawke field to the network. However investors are concerned that a dispute between Iraq's central government and the Kurdish region on oil revenue sharing will delay deliveries.

Kazakhstan's State Statistics Agency reported that the country's oil and gas condensate production increased by 4.4% on the year in the first two months of 2009 to 10.01 million tons. It reported that its crude oil production in February alone increased by 4.7% to 4.778 million tons.

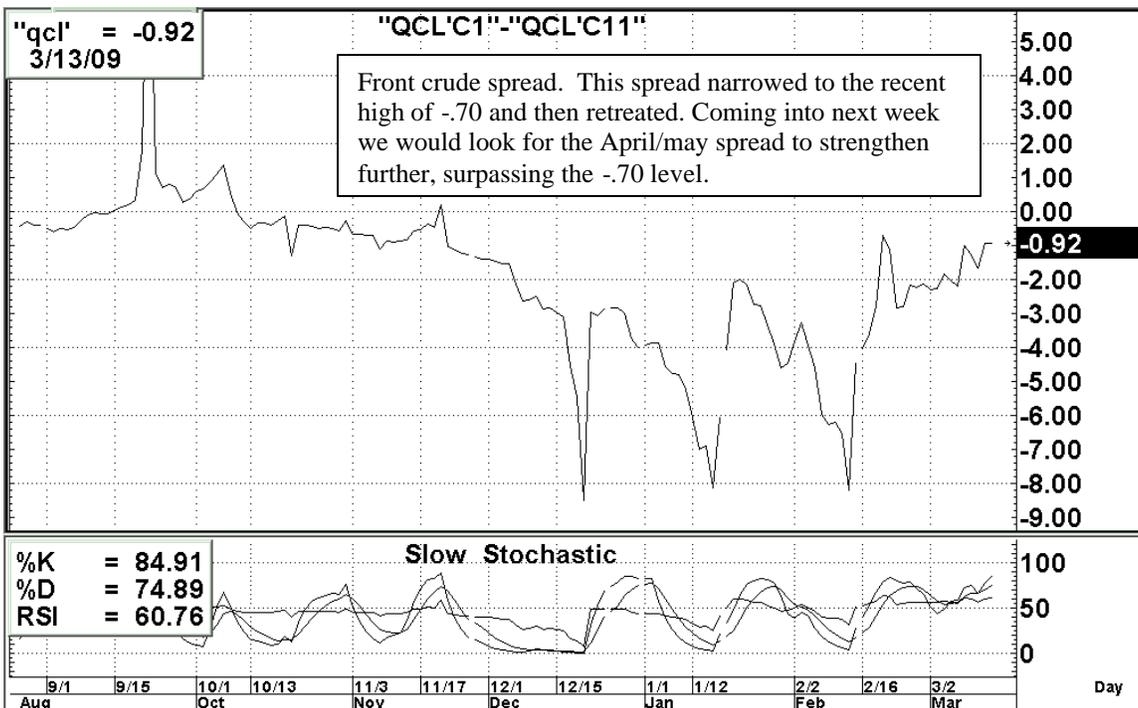
Kazakh Energy and Mineral Resources Minister Sauat Mynbayev said that Kazakhstan's KazMunaiGas and India's ONGC Mittal Energy will sign a final agreement to start exploration of Satpayev oil block in the Caspian Sea.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$42.14/barrel on Thursday from \$42.70/barrel on Wednesday.

Market Commentary

Crude oil prices fell today in reaction to a monthly report that the IEA, which advises 28 developed nations on energy policy, lowered its consumption forecast by 270,000 barrels a day to 84.4 million barrels a day. OPEC also reduced its 2009 oil-demand outlook, saying the global economy was in a "dreadful situation." The reason for the change was because of the recession in major consuming countries. The Organization of Petroleum Exporting Countries lowered its estimate for 2009 global demand by 520,000 barrels a day to 84.6 million barrels a day. Demand will contract by 1.01 million barrels a day this year, or 1.2 percent. OPEC forecast a decline of 0.7 percent last month. Despite this fall in prices the April09/May09 crude oil spread strengthened, settling at \$0.78. Behind this spread strength are stock levels at Cushing, OK, the NYMEX delivery point, which can hold a larger than expected 47.5 million barrels of storage space. "The 47.5 million barrels of capacity, along with another 2.5 million barrels in tankage facilities to be added this year, ensure there's little risk of a supply glut at Cushing distorting the price of NYMEX futures", said Bob Levin, director of energy research for NYMEX. This means that more crude oil than originally thought can be held in storage, taking less off of the open market. This scenario is bullish for the front spread. The spot month for crude oil settled higher for four straight weeks, with moving oscillators supporting further upside potential. The trading range for next week, based on a weekly spot continuation chart is \$34.22 - \$5179. The April gasoline crack once again gained against the April heating oil crack spread. Moving oscillators have crossed to the upside, a supportive signal for the gasoline crack to move at a faster rate than the heating oil crack spread. As refiners come off of turn around, more gasoline will be produced. The one factor that will impact this spread significantly will be demand. We would be cautious buyers of the gasoline crack and sellers of the heating oil crack, reason being the current global economic situation, which will have the greatest impact on demand, than turnarounds would.

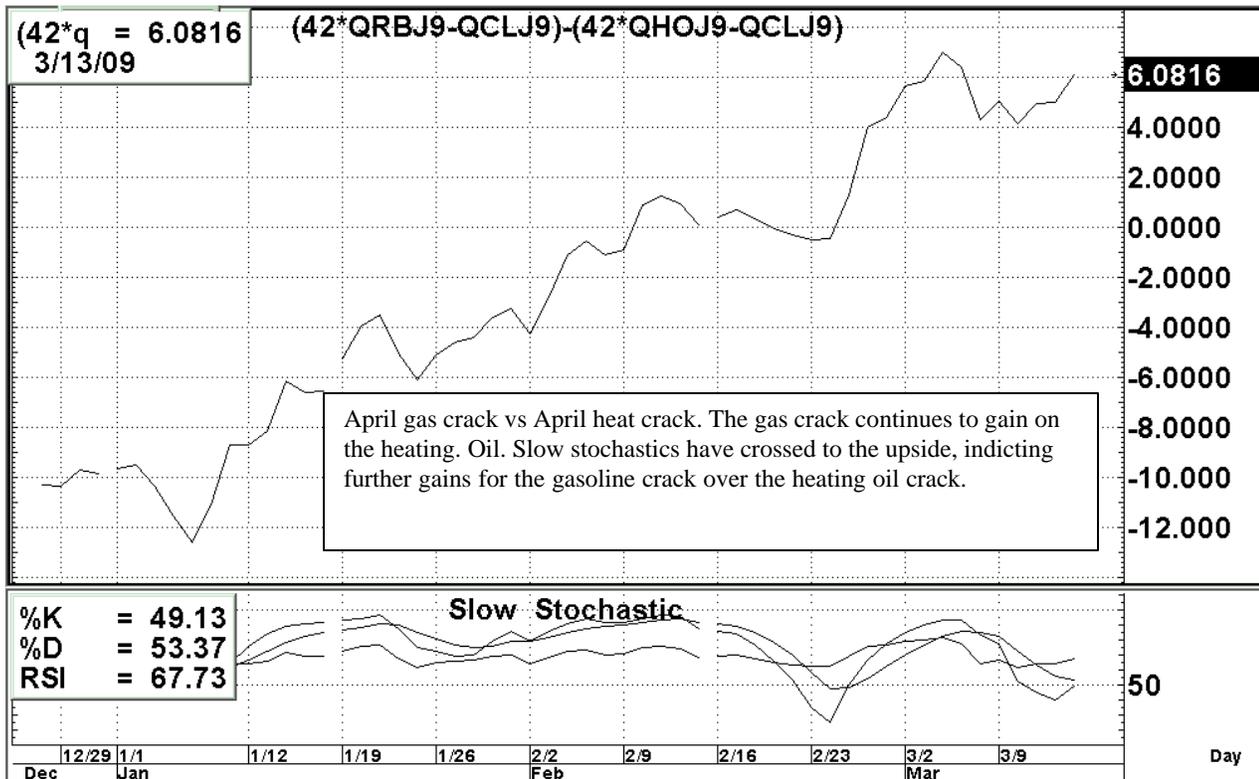
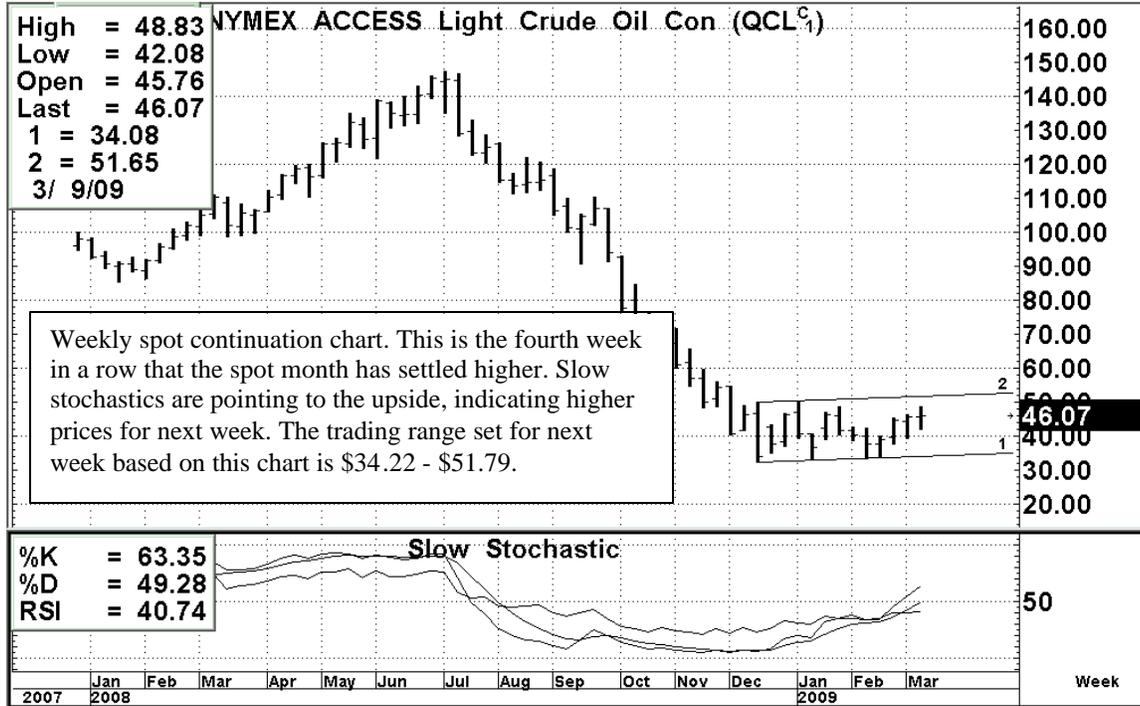
(CL) APR.09 129,240 -21,175 MAY.09 321,693 +20,413 JUN.09 161,295 +6,547 Totals: 1,241,333
 +7,382 Heating oil APR.09 39,795 -2,789 MAY.09 50,776 +3,890 JUN.09 40,939 +1,756 Totals:
 266,620 +4,630 NEW YORK HARBOR RBOB APR.09 39,955 -5,494 MAY.09 60,764 +4,883 JUN.09
 27,739 +173



Totals:
199,931 +
122

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net short position by 5,438 to 6,015 contracts in the week ending March

10th. The combined futures and options report showed that non-commercials cut their continued to cut their net long position by 6,152 contracts to 71,566 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials in the product markets increased their net long positions on the week. The funds in the heating oil market increased their net long positions by 2,513 to 9,722 contracts while funds in the RBOB market increased their position by 1,370 contracts to 50,108 contracts.



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| Crude Support | Crude Resistance |
| 41.00, 40.00, 38.95, 32.25, 29.66, 28.63, 26.65, 25.50 | 48.77, 50.07, 54.75, 55.98, 57.20 |
| Heat Support | Heat resistance |
| 1.1359, 1.1095, 1.0520 | 1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500 |
| Gasoline support | Gasoline resistance |
| 1.2800, 1.2700, 1.2625 1.1680, 1.0128, 9590, .8978, .8755, 7850 | 1.3845, 1.4100, 1.4400, 1.4760 |