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ENERGY MARKET REPORT FOR MARCH 17, 2009

OPEC's President Jose Botelho de Vasconcelos said there is nothing to suggest that OPEC will opt for a new oil production cut when it meets in May.

Algeria's Energy Minister Chakib Khelil said OPEC held back from making further cuts on Sunday because it was waiting for compliance with existing cuts to increase. He said he was called by US Energy Secretary Steven Chu ahead of Sunday's OPEC meeting and added that the US Energy Secretary called other OPEC oil ministers. Algeria's Energy Minister said he expects Algeria to fully comply with existing OPEC supply cuts by May. Algeria's production is currently at 1.229 million bpd, which is 95% in compliance. He said he is disappointed Russia and other non-OPEC oil producers had not joined the group in reducing output. Algeria's Energy Minister also said

Market Watch

The US Commerce Department said new US housing starts unexpectedly increased in February by 22.2%. It said the increase in housing starts to a seasonally adjusted annual rate of 583,000 units was the largest percentage increase since January 1990. It was the first increase since April last year.

The Labor Department said the seasonally adjusted producer price index increased by 0.1% in February compared with an increase of 0.8% in January. Core producer prices, excluding energy and food, increased by 0.2% in February compared with an increase of 0.1%.

India's Oil and Natural Gas Corp plans to propose construction of a 2.5 million metric ton strategic petroleum reserve in the western state of Rajasthan. It plans to build the 18 million barrel SPR in underground salt caverns in Bikaner. The facility will store imported crude oil and could tap into a crude pipeline that connects one of the northern refineries to western ports. Separately, India is building three strategic storage facilities in southern India that will hold a combined 5 million tons or 36.7 million barrels of crude oil.

Royal Dutch Shell PLC's chief executive Jeroen van der Veer said the oil industry is bouncing along the bottom of its cycle in 2009. He said Shell is planning on the basis that the downturn will last longer than a year. Meanwhile, its exploration and production chief Malcolm Brinded said its oil and gas production in 2009-2010 will be flat or slightly down.

According to consultancy IHS Herold and Harrison Lovegrove & Co, the value of US oil and gas deals fell by 22% in 2008 to \$38.1 billion amid falling energy prices and a slowing economy.

Archer Daniels Midland Co and Valero Energy Corp are competing in an auction for assets of VeraSun Energy Corp, which declared bankruptcy in October. In February, Valero reached an agreement to buy five of VeraSun's production facilities for \$280 million, subject to the bankruptcy court auction process. A court hearing to approve the winning bidder is scheduled for Wednesday.

API Stocks

Crude – up 4.655 million barrels

Distillate – up 327,000 barrels

Gasoline – up 383,000 barrels

Refinery runs – down 1.4%, at 82.3%

OPEC may cut output again if the G20 fails to take measures that supports demand. He said he assumes that an April meeting of the G20 will come up with the necessary measures. He expects oil prices to increase to \$60/barrel by the end of the year if demand increases. Separately, he said renewable energy sources and oil production from deep offshore fields in Brazil are only economically viable if oil

prices increase to about \$70-\$80/barrel.

Saudi Arabia's Oil Minister Ali Naimi warned that a premature shift from dependence on fossil fuels could add to market speculation and higher energy prices. He also stated that lower investment in fossil fuels will impact the ability to meet energy demand when the economy stabilizes.

Iranian Foreign Minister Manouchehr Mottaki called the current price of oil unrealistic and unjust. He said oil producing countries should take initiatives beyond the traditional norms of OPEC.

Venezuela's President Hugo Chavez said oil prices are still low and added that it will likely slow down the development of his ventures. He did not say which government project may suffer delays due to lower oil revenues. Separately, Ecuador's Mines and Petroleum Minister Derlis Palacios said OPEC should decide to further cut its oil production at its next meeting on May 28 only if oil prices were to fall further. He acknowledged that his country and OPEC are at odds over what Ecuador's production should be after recent cuts in the output quota. He hopes OPEC and Ecuador can resolve the dispute this week.

US Energy Secretary Steven Chu said some of the \$40 billion in loan guarantees Congress authorized in 2005 for advanced technology low-carbon energy projects are beginning to be released.

China denied it was flexing military might by sending a fishery administration vessel to the South China Sea. China's Foreign Ministry said the vessel was heading to the South China Sea for a routine fishery administration mission.

Refinery News

Valero Energy Corp said more time is needed to repair a 26,000 bpd fluid catalytic cracking unit at its refinery Ardmore, Oklahoma. It however said it will complete the work soon after it was shut on March 11th. Valero Energy is in the process of shutting down its 110,000 bpd No. 4 crude unit and a 63,000 bpd vacuum unit in the East Plant section of the 340,000 bpd Corpus Christi, Texas refinery for brief repairs to fix a leak in an exchanger. The units are expected to be shutdown for one day. There should be no material impact to refinery production. Meanwhile maintenance work has not started yet on a 36,000 bpd hydrocracker unit at Valero's 144,000 bpd Benicia refinery in California.

A sulfur recovery unit at Alon USA Energy Inc's 67,000 bpd Big Spring, Texas refinery was closed on Monday due to a malfunction. The problem occurred at the No. 2 sulfur recovery unit late Monday. Alon said there was no impact to production from the sulfur unit malfunction.

A 250,000 bpd sweet crude unit at BP's 410,000 bpd Whiting, Indiana refinery is currently undergoing 30-40 days of maintenance. The unit was shut earlier in the month and is expected to resume operation in late March or early April

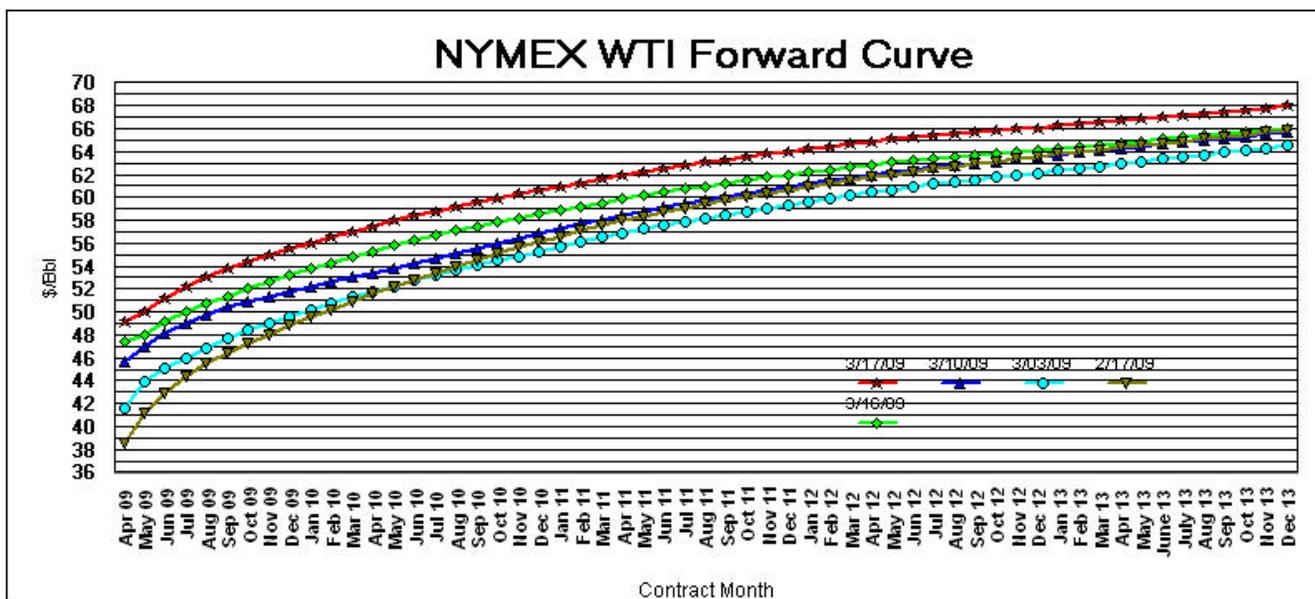
Bahrain restarted its 50,000 bpd crude unit at its 260,000 bpd BAPCO refinery following scheduled maintenance for nearly a month. BAPCO will restart a 47,000 bpd catalytic cracker by the end of the month while its 60,000 bpd hydrocracking unit will restart in early April.

March Calendar Averages

CL – \$45.10

HO – \$1.1994

RB – \$1.3338



South Korea's Yeochun Naphtha Cracking Center plans to shut one of its three naphtha crackers, with a capacity of 555,000 metric tons, starting June 1 for a two week maintenance period. YNCC will adjust down the average operating rates of its three crackers to 85% for about one week from late March.

CNOOC started a new 120,000 bpd crude unit in east China, shortly after it acquired a teapot refinery. It is operating a 120,000 bpd crude unit, in Daxie Island off port city of Ningbo, at 60% of capacity ahead of the final start of its first major refinery in Guangdong.

Traders said about 555,000 tons of Asian gas oil has been booked for loading bound to Europe in the second half of March, down from the February shipments of 635,000 tons. The arbitrage window was briefly open last week, prompting sellers to move cargoes to the West.

Saudi Arabia bought about 300,000 barrels of April loading, low-sulfur gas oil off the spot market, increasing its inventories ahead of peak summer demand. Saudi Arabia has already purchased over 10 million barrels of gas oil on contract for 2009.

Iran's March gasoline imports will fall by 27% to 117,670 bpd from last month, scaling back its stock building that started three months ago. In February, trading sources said Iran was storing at least 2 million barrels of gasoline on a supertanker and about 2 million barrels of gas oil on mid-sized oil tankers.

China's Unipet, the trading unit of Sinopec, is offering large volumes of crude oil for delivery in Asia. Unipet is offering to resell up to 7 million barrels of spot crude oil on a delivered basis to Singapore on Tuesday via Platt's trading screen.

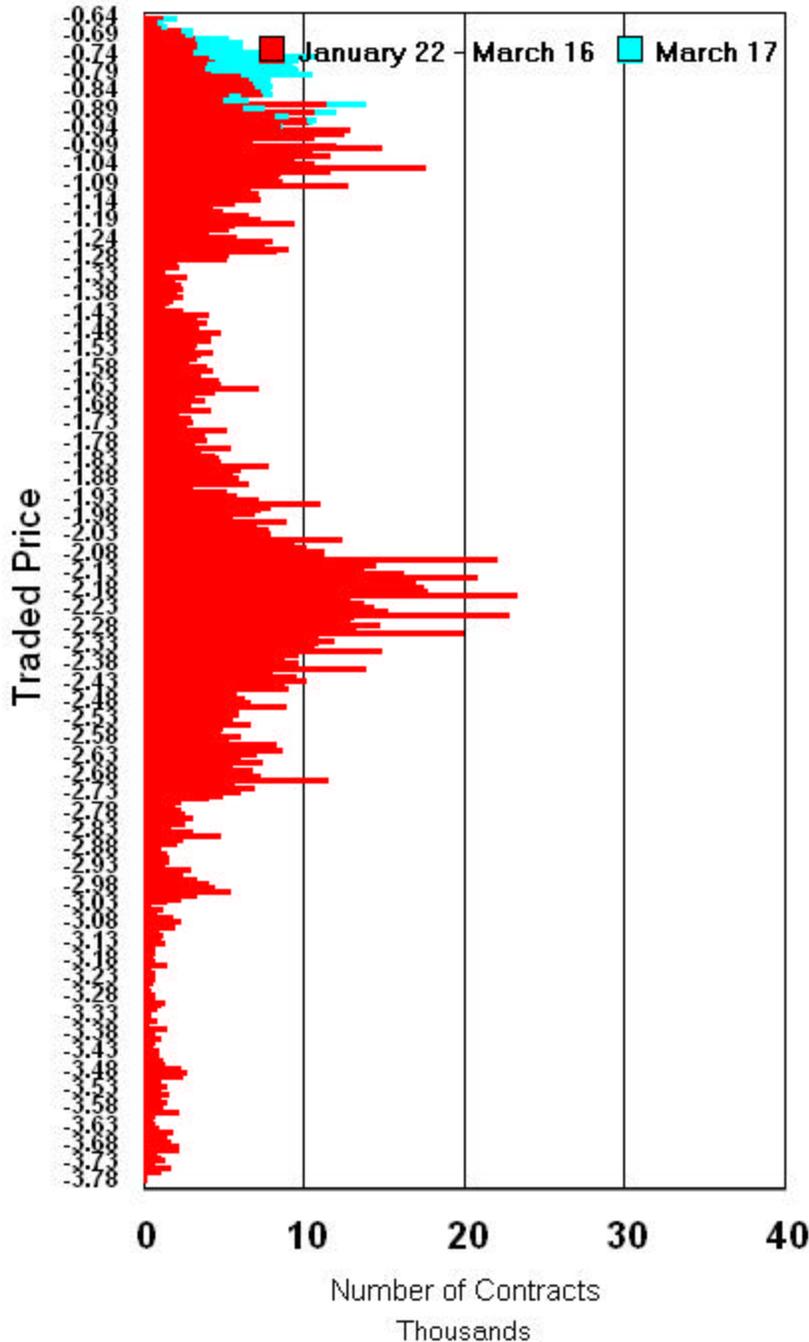
Production News

According to Reuters, the loading rate for the nine main North Sea crude streams will average 2.371 million bpd in April, up from 2.263 million bpd in March and 2.345 million bpd in February. The North Sea Brent crude stream is scheduled to load 121,000 bpd in April, down 17,000 bpd on the month while the Forties crude stream is scheduled to load 680,000 bpd, up 41,000 bpd on the month. Its Oseberg crude stream is scheduled to load 222,000 bpd, up 9,000 bpd while its Ekofisk crude stream is scheduled to load 423,000 bpd, up 44,000 bpd on the month. The DUC crude stream is scheduled

NYMEX WTI: April May Spread

Price Vs Volume for January 22 - March 17, 2009

Trade Weighted Avg 3/13 -0.89, 3/16 -0.81, 3/17 -0.78



to load 160,000 bpd, up 5,000 on the month, the Flotta crude stream is scheduled to load 65,000 bpd, up 2,000 bpd and the Gullfaks crude stream is scheduled to load 257,000 bpd, up 9,000 bpd on the month. The Staffjord crude stream is scheduled to load 200,000 bpd, up 7,000 bpd on the month while the Troll crude stream is scheduled to load 243,000 bpd, up 8,000 bpd on the month.

Royal Dutch Shell PLC said its net reserves were unchanged at the end of 2008, compared with 2007, at 11.9 billion barrels of oil equivalent. Its average oil and gas production in 2008 stood at 3.25 million bpd of oil equivalent. It said that production in 2009 and 2010 will remain unchanged or fall but will have increased by 2-3% on current levels by 2012 as new projects come onstream. It also stated that it may sell up to 5% of its world refining capacity this year as it considers exiting the oil products markets in Germany and New Zealand.

Azerbaijan produced 3.786 million tons of crude oil in February, up 4.4% on the month. The BP-led consortium that operates Azerbaijan's Azeri-Chirag-Guneshli field in the Caspian Sea produced 3.1 million tons in February, up 6.9% on the month. Socar produced 686,740 tons in February, down 5.7% on the month.

Russia's Deputy Prime Minister Igor Sechin said the Russian government should delay producing hydrocarbons on the country's continental shelf until market

conditions improve. According to Russia's Natural Resources Ministry, total estimated hydrocarbon resources in the country's continental shelf total 90.4 billion metric tons of oil equivalent.

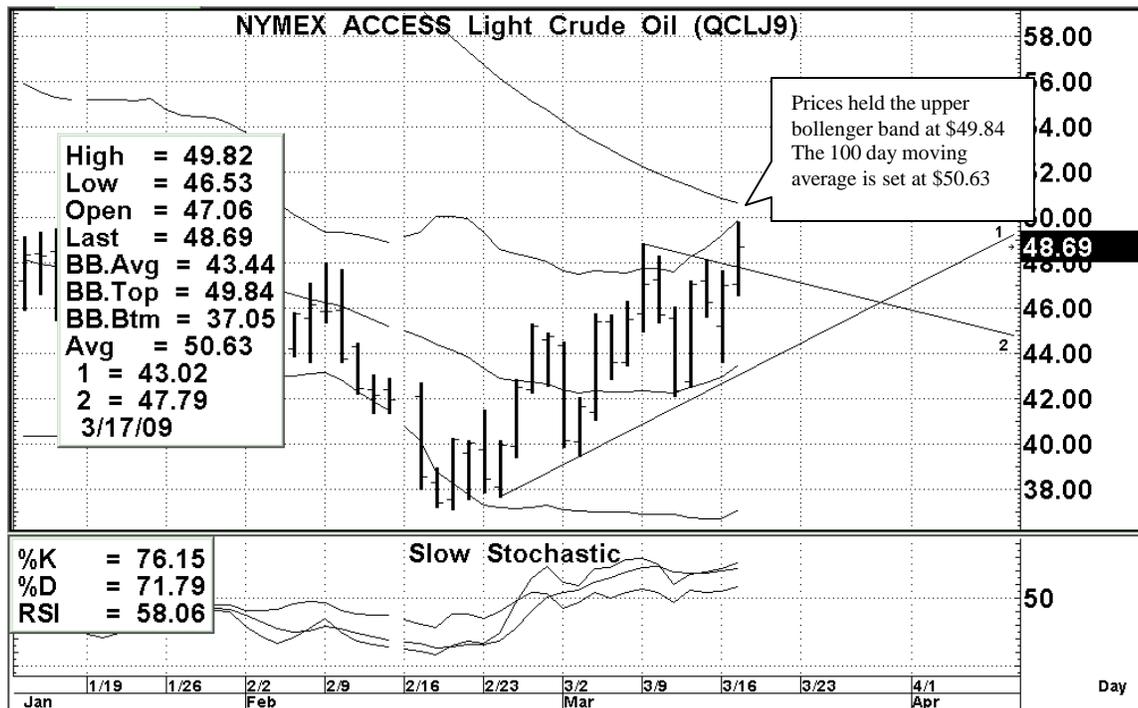
Brazil's Petrobras said its total oil and natural gas production increased by 1.3% on the month in February to 2.247 million bpd of oil equivalent. Its domestic production increased by 0.9% to an average of 1.94 million bpd in February, up from 1.923 million bpd in January.

Pemex plans to increase power supplies to the Ku-Maloob-Zaap oil field in an effort to optimize output at the field while other fields decline. In January, the Ku-Maloob-Zaap oilfield produced 787,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$43.05/barrel on Monday from \$44.15/barrel on Friday.

Market Commentary

Economic optimism spread across the marketplace after the release of a government report indicating that new home starts increased 22% from January. The unexpected gain in housing starts also pushed U.S. equities higher. Adding to today's higher prices in crude oil was the expiration of the April crude oil options. The April \$50.00 call was the most actively traded contract yesterday. Calls provide an opportunity for the buyer to go long the underlying futures contract. The April crude oil contract traded above the upper trendline of the symmetrical triangle that can be drawn on a daily bar chart. As mentioned in yesterday's wire, a settlement above this line sets prices up for a test at \$52.58. The April contract is approaching its 100-day moving average which is currently set at \$50.63. We would remain cautious about any moves higher and their ability to hold. Inventory levels over the next couple of weeks will be crucial, as we await a clear indication that OPEC cuts are in fact entering the market. Regurgitated news from yesterday concerning the shutting down of Valero's 210,000 bpd Delaware City refinery sent heating oil skyrocketing, with the April contract peaking the session at \$1.2873. Hopes that the economy based on the housing start number, helped to propel products higher, as demand sentiment rose. The price earned by refiners for turning three barrels of crude into two of gasoline and one of heating oil rose 76.12 cents to \$8.6776 a barrel, the highest since March 6, based on futures prices. Tomorrow's DOE numbers will give a clearer picture of where this market is headed. Based on the projections of eight market analysts, crude oil inventories are expected to rise by 100,000 barrels, gasoline inventories are expected to decrease by 1.3 million barrels and distillate



inventories are expected to increase by 500,000 barrels. Refinery runs are expected to come in at unchanged.

(CL)
APR.09
94,054 -
14,134
MAY.09
323,137 -
1,156
JUN.09
163,428
+1,874

Totals: 1,215,874 -7,335 Heating oil APR.09 37,829 -1,981 MAY.09 52,201 +1,904 JUN.09 40,764 -318
 Totals: 268,527 + 710 NEW YORK HARBOR RBOB APR.09 38,255 -540 MAY.09 62,021 +987
 JUN.09 28,317 +192 Totals: 201,853 +1,496

The API report showed builds across the board, with a larger than expected build in crude stocks of 4.655 million barrels on the week. It reported that crude stocks in Padd 3 alone built by 3.95 million barrels on the week. It reported the build as crude runs fell by 310,000 bpd to 14.336 million bpd on the week. However crude imports fell by 1.265 million bpd to 9.125 million bpd. The API reported a smaller than expected build in distillate stocks of 327,000 barrels. It showed the build as apparent demand fell by 10.9% to 4.113 million bpd while apparent demand basis its three week moving average fell by 1.5% to 4.304 million bpd. It reported that production fell by 260,000 bpd to 4.022 million bpd while imports fell by 156,000 bpd to 138,000 bpd. Meanwhile, gasoline stocks built by 383,000 barrels as gasoline production increased by 334,000 bpd to 9.261 million bpd and imports increased by 133,000 bpd to 245,000 bpd. Apparent gasoline demand increased by 7.4% to 9.451 million bpd while apparent demand basis its three week moving average increased by 0.8% to 9.272 million bpd.

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, 1.10951.0520	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