

W The
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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 6, 2009

Kuwait and Iran notified some Asian customers that they would deepen curbs on supplies to customers this month. Kuwait Petroleum Co notified at least six Asian refiners that it would cut term crude oil allocations loading from January 22 by 5%, which would be equivalent to a 65,000 bpd cut. It is still below its implied target cut of 370,000 bpd. Meanwhile, Iran has informed at least two buyers that their term supplies would be cut by 14% in January. A 14% cut in Iran's crude sales to Asia could be equivalent to a 225,000 bpd cut, below the 545,000 bpd cut promised by Iran last week. Iran's OPEC

Market Watch

Forecasters said Northeastern states will see a major storm as early as Tuesday that would bring snow, freezing rain, sleet and below normal temperatures. This will be followed by even colder temperatures as another cold front moves in Sunday in the Northeast and Midwest, extending into next week.

The Federal Reserve signaled that the US recession could continue well into the year, with economic output contracting in the year. In its December meeting minutes, officials signaled they will make aggressive use of the Fed's balance sheet to stimulate the economy, with some officials even favoring the use of quantitative targets for bank reserves. They agreed to maintain a low level of short term interest rates. They estimated gross domestic product would fall this year and increase at a pace slightly above the rate of potential growth in 2010. They expect the economy to recover slowly in the second half of 2009. The Federal Open Market Committee also stated that inflation would continue to fall and persist for a time at uncomfortably low levels.

The Commerce Department reported that factory orders fell in November by 4.6% following a downwardly revised 6% decline in October. Demand for durable goods fell by a revised 1.5% in November. Non-durable goods factory orders decreased 7.4% after falling by 3.8% in October and 5.8% in September.

The European Union's statistics office said euro zone inflation fell more than expected to a 26 month low in December. Inflation in euro zone was 1.6% year on year, down from 2.1% in November and well below the ECB target of just under 2%.

New York and 10 other northeastern US states, members of the Regional Greenhouse Gas Initiative, agreed to develop new standards for low-carbon fuels to help reduce their emissions of carbon dioxide. The states may try to run more vehicles on biofuels and on electricity. The group of states are required to draw up a plan for a regional low carbon fuel standard by the end of December. Emphasis will be focused on biofuels that do not result in changes in land use or diversion of resources from food crops.

Royal Dutch Shell Plc cut by almost 30% the price of natural gas to be sold in India this month due to competition from cheaper naphtha. Slowing exports and domestic demand in India have forced companies including Tata Motors Ltd and Hyundai Motor Co to cut output, reducing demand for fuels as well as for petrochemicals and plastics made from naphtha.

Governor, Mohammad Ali Khatibi said he expects members to seriously implement oil production cuts announced by the group. Previously, Saudi Arabia announced it would cut its supplies to customers in Asia by 7-10% in January, up from December's cut of 5%. The UAE announced cuts of 10-15% for February supplies while Libya, Venezuela and Angola have also signaled cuts. Qatar has also notified its customers that it will cut supplies of medium heavy Qatar Marine crude by 6% in February and Qatar Land by 3%, against an overall 5% cut for January.

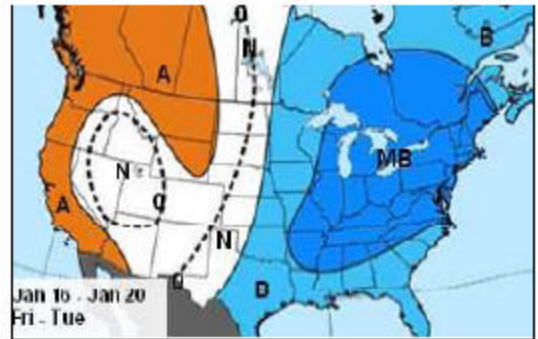
January Calendar Averages
CL – \$47.91
HO –\$1.5610
RB – \$1.1607

An OPEC delegate said OPEC has not informed member countries of any emergency meeting that some countries said may take place in February in Kuwait. The delegate said OPEC does not need to revise its oil output policy at this stage as oil prices are slightly improving. The delegate however said if oil prices fall to \$30/barrel or less, OPEC should cut output further.

According to a Dow Jones Survey, OPEC cut its oil production in December by 570,000 bpd or 1.84% on the month to 30.485 million bpd. Output by the group's 11 members bound by quotas fell by 625,000 bpd or 2.24% on the month to 27.23 million bpd. The survey showed that OPEC was in full compliance with the quota of 27.3 million bpd that was effective in December. It reported that Saudi Arabia produced 8.3 million bpd, down 500,000 bpd on the month while Iran produced 3.8 million bpd. Production in Kuwait was down 50,000 bpd on the month at 2.45 million bpd while Qatar's production fell by 20,000 bpd to 810,000 bpd, the UAE's production fell by 10,000 bpd to 2.36 million bpd and Venezuela's oil production increased by 30,000 bpd to 2.36 million bpd. Meanwhile the Dow Jones survey showed that Iraq's oil production increased by 60,000 bpd to 2.41 million bpd.

BBC News reported that supplies of Russian gas to several European countries have been cut sharply amid a price dispute between Russia and Ukraine. Turkey said all its gas supplies via Ukraine has been cut. Romania reported a 75% cut while Bulgaria, Greece and Macedonia are also seeing shortfalls. Russia's Gazprom said Ukraine has shutdown three of four pipelines for EU-bound Russian gas and is threatening to further reduce supply to the continent. It said it is unable to fully offset the Ukrainian blockade of three gas pipelines. Ukraine's main energy company, Naftogaz, says talks with Gazprom aimed at resolving the crisis are due to resume on Thursday. The European Commission said that supply to some EU members have been substantially cut and added that this situation is completely unacceptable. The Czech EU presidency and the European Commission have demanded that gas supplies be restored and that the two parties resume negotiations. Many countries are tapping strategic reserves, built up to cope with just such a development. Later, the EU said both Russia and Ukraine are ready to resume talks to resolve the dispute.

MDA EarthSat 11-15 Day Morning Outlook

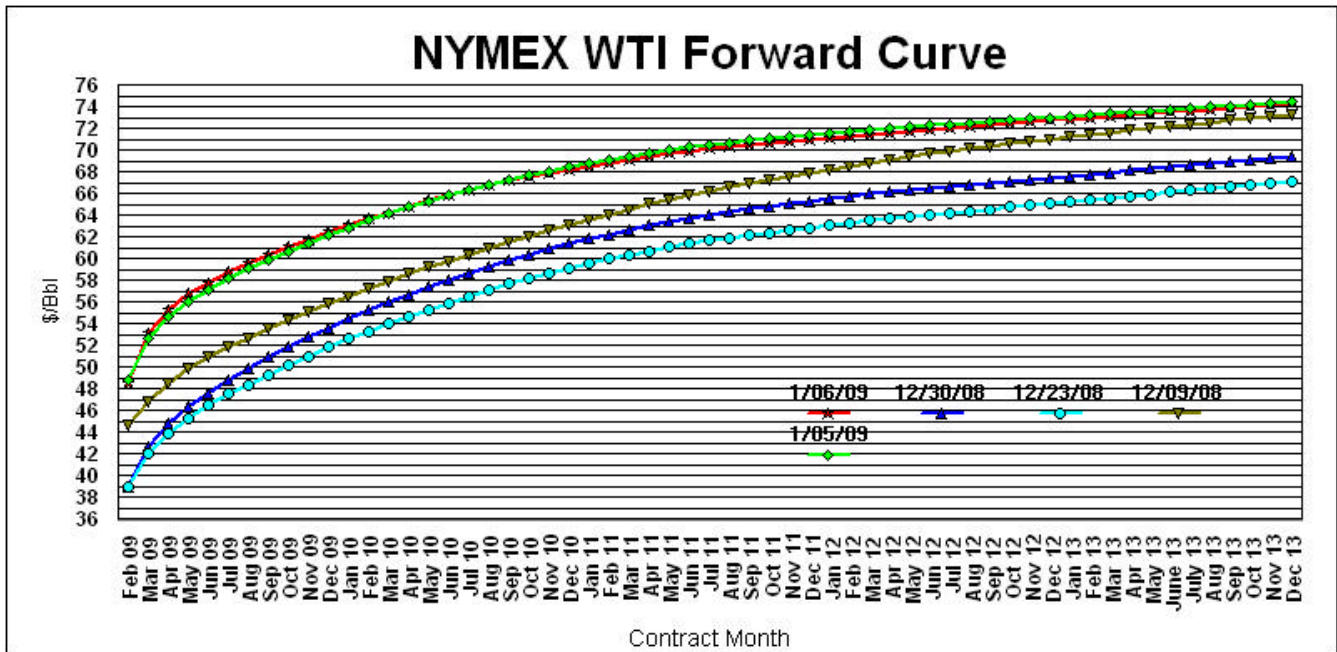


MasterCard's SpendingPulse report showed that US gasoline demand averaged 8.969 million bpd during the week ending January 2, down 1.8% on the week and down 3.5% on the year. US gasoline consumption in 2008 ended 3.2% lower on the year. The four week moving average for gasoline demand was down 4% on the year at 9.152 million bpd. It reported that the average gasoline price fell by another 4 cents last week to \$1.61/gallon.

Refinery News
Late Monday, a spokesman for Alyeska Pipeline Services Co said winds are slowing tanker loading at the Valdez terminal of the Trans Alaska Pipeline System.

The US Coast Guard reported that ship traffic at the ports of Beaumont and Port Arthur in Texas was halted due to fog. Ship traffic was also halted at the Lake Charles, Louisiana Ship Channel due to fog on Monday.

ConocoPhillips plans to start work on Tuesday on the electrostatic precipitators in the fluid catalytic cracking unit at its 153,000 bpd refinery in Borger, Texas.



Sunoco Inc shutdown a diesel hydrotreating unit over the weekend at its 335,000 bpd refinery in Philadelphia for maintenance.

Total SA shut a cogeneration unit at its 232,000 bpd Port Arthur, Texas refinery for work early Monday.

BP expects to restart the 73,000 bpd feeder to the vacuum gas oil hydrotreater at its 420,000 bpd Whiting, Indiana refinery by the end of the week. The unit was shut for planned work in September.

Valero Energy Corp restarted a 100,000 bpd millisecond catalytic cracking unit at its St. Charles refinery in Norco, Louisiana on Tuesday. The unit was shut for work in December.

Tesoro Corp said the planned overhaul of its 120,000 bpd refinery in Anacortes, Washington will begin in mid-February.

Petroplus Holdings AG started most fuel-processing units at its Clessier, Switzerland plant following maintenance last month. The refinery started operation on January 2, as planned.

India's Petroleum Secretary R.S. Pandey said the strike called by officials at India's state-run oil firms starting Wednesday may impact operations at three of the companies' 17 refineries. Officials at refiners such as Bharat Petroleum Corp Ltd, Indian Oil Corp and Mangalore Refinery and Petrochemicals Ltd as well as explorers ONGC and Oil India have called for a strike, demanding higher salaries.

China's Sinopec plans to cut its crude oil processing at its Guangzhou refinery by about 8% in January to 207,200 bpd. Sinopec also plans to cut its crude processing at its Maoming refinery 36% in January. Separately, the Guangzhou refinery is scheduled to begin 45 days of maintenance on its 160,000 bpd crude unit and relevant secondary facilities starting in late March.

China's West Pacific Petrochemical Corp plans to cut its crude oil throughput in January by about 10% on the month due to weak market conditions. The 200,000 bpd refinery is expected to process 153,100 bpd this month, down from about 169,500 bpd in December.

Engen is scheduled to cut its crude runs at its 135,000 bpd crude oil refinery in South Africa by 10-20% in June to conduct scheduled maintenance. The shutdown is not expected to impact supply because the refinery will make up for the loss beforehand.

Western fuel oil flows arriving in Asia in January will probably increase to 3.5-3.6 million tons from 2.5-2.6 million tons last month. Arbitrage flows from the West for February are seen at about 2-2.7 million tons.

Production News

Chevron Corp lifted its force majeure on its Escravos oil terminal in Nigeria on January 1. The force majeure was declared on November 18.

Pirates seized a French owned ship off the Nigerian coast over the weekend, taking nine crew members hostage. Bourbon, which provides boats for the oil and gas industry, said it was working to free the crew.

Mexico's Pemex shutdown a crude oil pipeline on Monday in the Gulf state of Veracruz due to a leak. Pemex discovered a small leak in the Cacalilao-Madero pipeline and closed it for repairs. Pemex said the pipeline closure should not affect crude oil production or operations at the Madero refinery, which is fed by the pipeline.

Iraq's Oil Ministry reported that the country's crude oil exports increased to an average of 1.815 million bpd in December, up from 1.76 million bpd in November. Iraq exported 1.401 million bpd through Basra and 404,000 bpd from the northern Kirkuk oil fields through the Turkish port of Ceyhan.

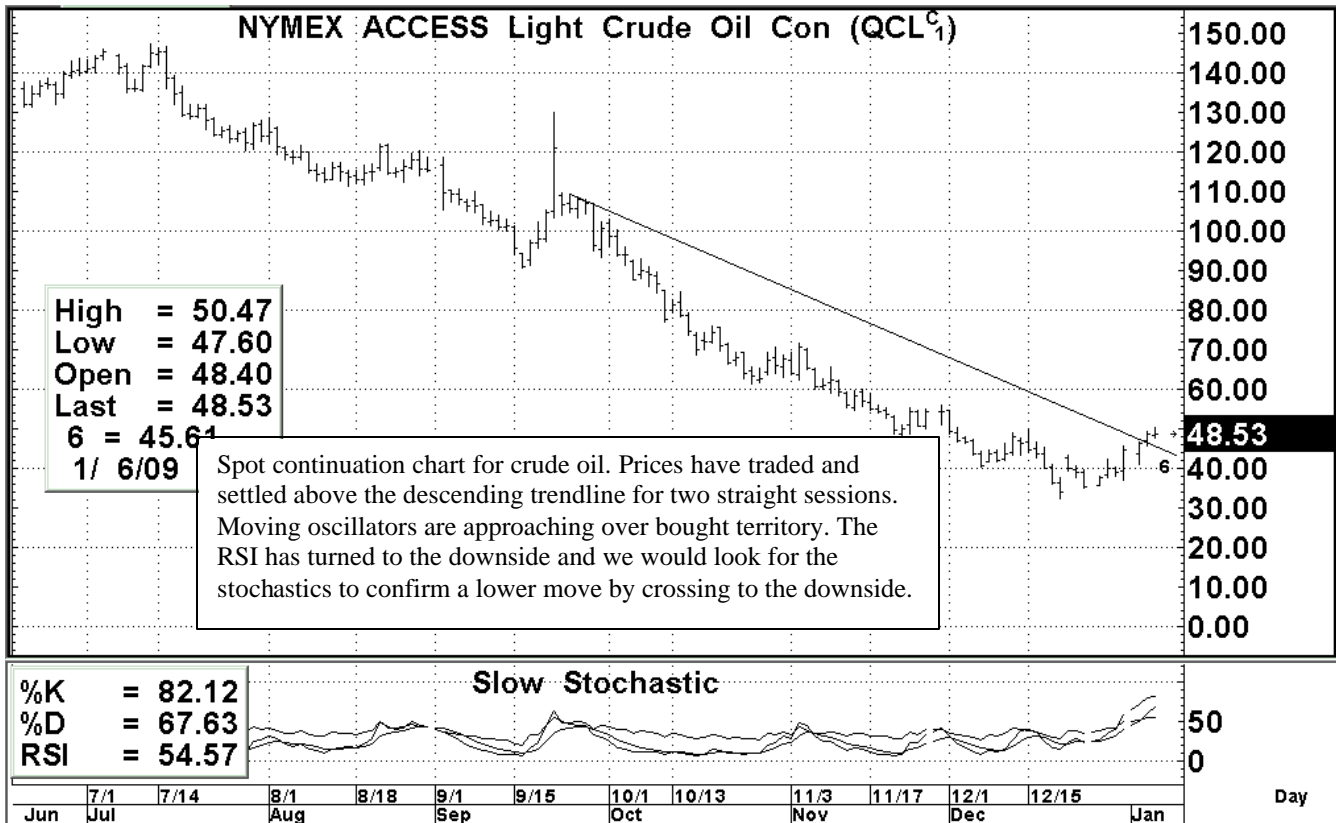
Crude oil output in China's Xinjiang region reached 27.4 million tons or 548,000 bpd in 2008, up 3.8% on the year. Its output accounts for about 14.5% of China's total.

Market Commentary

Energy prices rose to a five-week high today in reaction to several key fundamentals. Among these fundamentals are the tensions between Israel and Hamas, announcements by Kuwait, Iran and Qatar that they will implement cuts voted upon in last month's OPEC meeting and Russian gas supplies through Ukraine to Europe having been cut to less than one-third. Colder temperatures are expected across the U.S. and Europe, further adding to the recent run-up in prices. The DOE/API numbers come out tomorrow and builds are expected across the board. Crude oil inventories are expected to build an average of 0.9 million barrels, distillates 0.8 million barrels and gasoline 1.4 million barrels. Demand, once again will be key here, as the global economy has not yet shown signs of recovering. U.S. unemployment figures are due out this Friday and this number is not expected to indicate an optimistic outlook. While energy prices have been on the rebound, we cannot be too excited about this trend turning to the bullish side of things. The forward curve continues to reflect a market that is oversupplied and weak in demand. The February/March spread settled .67 cents lower on the day; clear indications that prompt supply is ample. Despite the February crude oil contract trading above the descending trendline depicted on the chart within this report, our bias remains to the downside. Technical

indicators are approaching over bought territory, with %K set at 82.12 and %D set at 67.63. The RSI has already turned to the downside. Any penetration back below this trendline, which is set at \$45.61 coming into tomorrow's session, should be considered a selling opportunity. Heating oil is running higher on the tailcoats of gasoil, which in turn is higher due to the Russian-Ukrainian gas situation. With supplies of natural gas to Europe being cut, industry sources are forced to switch to gasoil. This has lead to a scramble in supply. Once this situation is alleviated, we would look for prices to come back down.

Open interest FEB.09 281,902 -4,444 MAR.09 155,364 +6,390 APR.09 63,976 +2,513 MAY.09 42,380 +1,565 Totals: 1,204,376 +11,125 Heating oil (HO FEB.09 52,429 -1,062 MAR.09 34,318 +1,825 APR.09 21,333 +902 Totals: 224,496 +1,931 NEW YORK HARBOR RBOB GASOLINE (FEB.09 78,020 -1,993 MAR.09 32,281 +1,464 APR.09 20,256 +341 Totals: 192,031 - 491



Crude Support	Crude Resistance
45.60, 34.31, 33.75, 32.25, 29.66, 28.63, 26.65, 25.50	52.95, 53.75, 57.20
Heat Support	Heat resistance
1.3605, 1.2785, 1.1895	167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
.9669, .8978, .8755, 7760, .6840	1.2750, 136.14

