

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 6, 2010

The chairman of Libya's National Oil Co, Shokri Ghanem said OPEC will not change its output policy during its March meeting if crude oil prices remain between \$70 and \$90/barrel. He expects price volatility to reach up to \$90/barrel in the first quarter due to speculation and the cold weather in North America and Europe as well as the slight global economic recovery.

Market Watch

Thunder Horse light sour US cash crude sold at parity with WTI crude on Wednesday, up a \$1 from Tuesday.

Traders and shipping sources said cold weather in the east coast of the US is prompting drawdowns of oil products held at sea. Over the past week, about 500,000 tons or 3.8 million barrels of gas oil are estimated to have been shipped from Europe and will be discharged in the US. Oil product volumes in floating storage peaked at about 100 million barrels at the end of last year, with about one third stored in Europe. The National Weather Service said US heating demand is expected to average about 21% above normal across the country.

Commodity Futures Trading Commission Chairman Gary Gensler said there is a need to seriously consider position limits on commodities futures trading and added that governance of trading and clearing venues should not be dealer controlled. He said dealer-to-dealer over the counter swaps markets and some portion of end users must be exchange traded and cleared as part of efforts to regulate the derivatives markets. Separately, CFTC Commissioner Michael Dunn said new regulations to limit the size of positions in commodity futures are not expected soon although the CFTC could issue a proposal soon.

China's National Energy Administration reported that the country's power consumption in 2009 increased 5.96% to 3.643 billion kilowatt hours. Growth was 0.47% higher than in 2008. Separately, China's State Electricity Regulatory Commission reported that cities across eastern and central China are rationing power for industry and urging residents to limit gas use in light of the cold weather. The cold weather has increased energy demand to new highs while transport problems have slowed coal supplies, already low as power and coal companies dispute over prices.

Ecuador's Minister of Oil and Mining, world oil prices will remain in a stable range between \$70 and \$80/barrel in 2010.

DOE Stocks

Crude – up 1.329 million barrels
Distillate – down 233,000 barrels
Gasoline – up 3.737 million barrels
Refinery runs – down 0.4%, at 79.9%

According to an OPEC document called The Oil Market Situation, OPEC may face large increases in oil inventories over the next six months unless members increase their compliance with their agreed output targets. It stated that if OPEC members continue to produce at November's level, oil inventories will increase by 800,000 bpd in the first quarter and 1.6 million bpd in the second quarter. Stocks in

industrialized consumer nations are equal to about 60 days of demand or about 2.74 billion barrels. If OPEC pumped at the agreed level for the next six months, inventories would likely fall to below 2.75 billion barrels by the second quarter.

January Calendar Average CL – \$82.15 HO – \$219.59 RB – \$212.20
--

Negotiations between Russia and Belarus over the supply of Russian oil for 2010 have broken down following talks in Moscow. Earlier on Wednesday, Belarus insisted that Russia should continue billions of dollars in oil subsidies. Russia however says Belarus should pay the full export duty. Russia's Prime Minister Vladimir Putin has stated that Belarus can buy 6 million tons this year for domestic needs without paying duties. However it leaves another 14.5 million tons of crude a year that Russia says Belarus should pay at least the full \$267/ton duty on.

According to a report by Rice University's Baker Institute for Public Policy, the US government needs to rethink promoting ethanol as a way to enhance energy security as production of the fuel is costly for taxpayers and poses economic and environmental risks. It said in 2008, the US government spent \$4 billion in biofuel subsidies to replace 2% of the US gasoline supply. The average cost to the taxpayer of those substituted barrels of gasoline was about \$82/barrel or \$1.95/gallon in addition to the retail price of gasoline.

Refinery News

Frontier Oil expects to run its 52,000 bpd Cheyenne, Wyoming refinery at lower rates in January due to weak economic conditions and higher crude costs. It estimates the refinery will process 37,000 bpd in January, operating at 71% of capacity.

ExxonMobil said its sulfur recovery unit #2 and sour water stripper unit tripped offline at its 348,500 bpd Beaumont, Texas refinery.

BP Plc plans flaring at its 266,000 bpd Carson, California refinery from January 7th-10th, which is the start of a major maintenance period. It is scheduled to shut a crude unit and coker unit for planned maintenance.

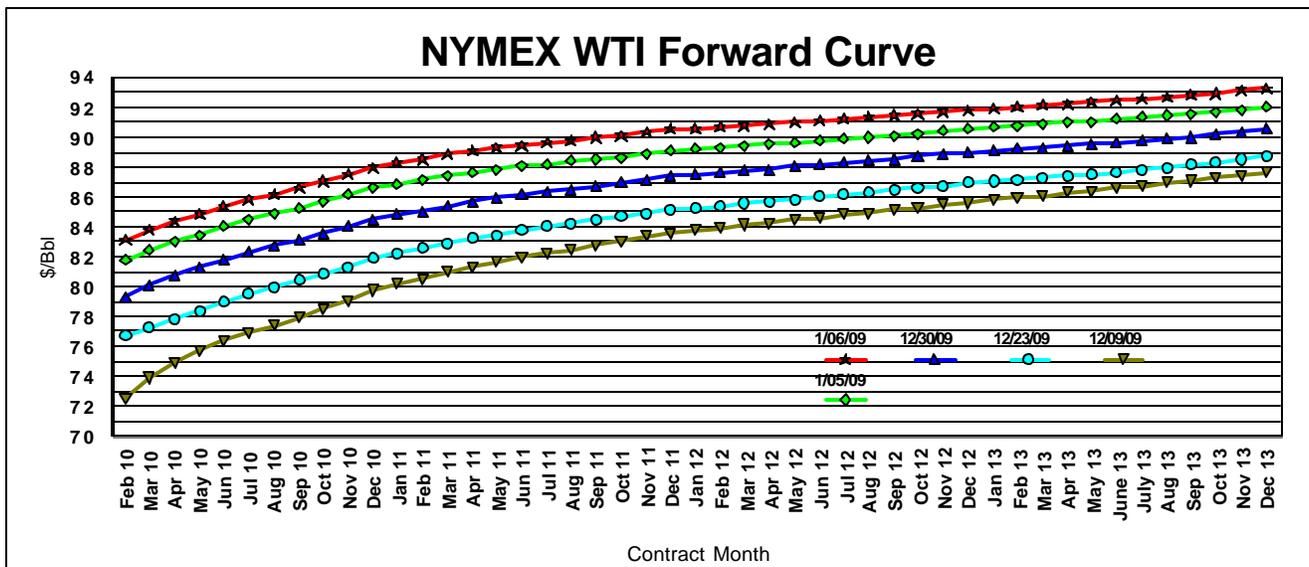
Valero Energy Corp is in negotiations with PetroChina Co Ltd for the sale of its 235,000 bpd Aruba refinery. Valero shut the refinery in July.

Royal Dutch Shell plans to shut a hydrocracker unit for maintenance at its 412,000 bpd Rotterdam-based Pernis refinery in February. The maintenance is expected to last between four and six weeks.

Indian Oil Corp is scheduled to shut half of its 240,000 bpd Panipat refinery for 35-40 days in July-August. It will use the shutdown period to raise the capacity of its crude distillation and vacuum distillation units to 150,000 bpd from 120,000 bpd each, increasing its total capacity to 300,000 bpd.

Indonesia's Pertamina is expected to import 5.96 million barrels of oil products this month, down about 40% from 9.82 million barrels in December. Gasoline imports are expected to fall by about 14% or 870,000 barrels to 5.36 million barrels while diesel imports are expected to fall by 75% or 1.8 million barrels to 600,000 barrels. Indonesia will skip fuel oil imports for January after importing 1.19 million barrels in December.

Lithuania's Butinge oil terminal handled 800,000 tons of crude oil in December, down 0.2% on the year. For January-December 2009, its crude oil imports fell by 7.5% to 8.4 million tons.



Lithuania's oil terminal Klaipėdos Nafta loaded 775,000 tons of oil products in December, up 6.9% from 725,000 tons loaded in the same month a year earlier. For January-December 2009, oil products loaded at the terminal were down 6.1% year on year at 7.7 million tons.

According to the Petroleum Association of Japan, the country's crude oil inventories in the week ending January 2nd fell by 2.34 million barrels on the week and by 16.51 million barrels on the year to 14.74 million barrels. Japan's kerosene stocks built by 170,000 barrels on the week but fell by 2.4 million barrels on the year to 16.77 million barrels while gasoline stocks fell by 620,000 barrels on the week and by 220,000 barrels on the year to 12.65 million barrels. It also reported that Japan's naphtha stocks fell by 740,000 barrels to 9.66 million barrels on the week. The refinery utilization rate fell by 0.6% to 79.2%. The PAJ also reported that Japan's total oil product sales increased by 8.5% on the week and by 3.5% on the year to 3.69 million bpd. Japan's gasoline sales increased by 5.2% on the week but fell by 7.7% on the year to 1.07 million bpd while its kerosene sales increased by 34.4% on the week and by 20.7% on the year to 900,000 barrels and its gas oil sales increased by 24.4% on the week and by 42.1% on the year to 670,000 barrels.

Kuwait Petroleum Corp will delay some naphtha exports to Asian customers by four to five days due to low runs at its Shuaiba refinery after it returned from a four day outage at the end of December.

Production News

Mexico's government said the country's oil ports of Dos Bocas, Coatzacoalcos and Cayo Arcas were reopened on Wednesday morning.

Iraq's State Oil Marketing Organization has made a rare offer of 3 million barrels of Basra Light crude on the spot market for loading in March. Term buyers of Iraqi crude have not been eager to buy Basra Light over the past two months due to increased supplies of other medium-heavy grades, such as from Saudi Arabia, Qatari's al Shaheen crude and the new Russian ESPO blend.

Market Commentary

Bearish DOE numbers were not enough to contain crude oil prices below \$82.00 a barrel as crude oil rose to a 14-month high. Despite the bearish inventory numbers, investors took the initial price dip as an opportunity to buy into this market. The weakness of the dollar also stimulated investor interest in commodities. The true underlying fundamentals remain bearish as stockpiles in Cushing, Oklahoma, the NYMEX delivery point, are at record levels, with demand continuing to decline. One psychologically supportive factor is the cold weather that has gripped the northeastern part of the U.S.

This cold weather snap is expected to last up until January 15. Heating oil demand for this time of year is 11 percent higher than that of a year ago. Once the cold weather subsides, prices are expected to make a turnaround. Open interest for both gasoline and heating oil continue to climb on the heels of hopes for greater demand, while that for crude oil has been fluctuating. With the expectations that investor money will continue to re-enter the market, we would look for open interest in crude oil to level out and increase. All three energy markets experienced an outside trading session, whereby today's activity overshadowed that of the previous days. With higher settlements on all three markets, we would look for the upside movement to continue.

Crude FEB.10 280,580 -9,772 MAR.10 180,702 +2,165 APR. 59,261 +676 Totals 1,231,436 -10,423,
 Heating oil FEB 10 99,281 +4,715 MAR.10 54,168 1,488 APR10 30,198 +981 Totals: 317,155 +7,649
 Gasoline FEB.10 92,315 +335 MAR. 10 45,420 +1,977 APR10 33,135 +1,242 Totals: 246,966
 +6,026.

Crude Support Based on February	Crude Resistance Based on Feb
79.89, 78.50, 77.85, 75.00, 73.50, 72.91, 72.60, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	82.00, 83.19, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
1.8570, 1.8280, 1.7670, 1.7565	2.2120, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.7900, 1.7200 1.6600	2.1600, 2.2270, 2.3350,

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.