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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 14, 2009

Saudi Arabia's Oil Minister Ali al-Naimi said that current oil prices are not reflective of market fundamentals and need to be maintained at a level that encourage future investments. He said the cyclical nature of the oil market was not completely avoidable but added that OPEC will continue to try to stabilize the market. He said OPEC is working to make crude oil prices more predictable. Saudi Arabia's Oil Minister said the steep fall in oil prices in recent months would help the economic recovery and that producers wanted reasonable returns without hurting growth.

Iran's OPEC Governor, Mohammad Ali Khatibi said supply in the oil market still exceeded demand by about 1 million bpd and added that it should be cut. It is the latest signal from Iran that it believes OPEC may have to cut production further. Meanwhile, Venezuela's President Hugo Chavez said that OPEC will make more cuts to world crude production if they are needed to defend oil prices.

January Calendar Averages

CL – \$42.39

HO –\$1.5203

RB – \$1.1287

Market Watch

Royal Dutch Shell Plc has chartered another Very Large Crude Carrier to load North Sea Forties crude with an option for 60-90 days of storage. Shell recently chartered a VLCC for end-January loading at Hound Point for two to three months storage of Forties crude. Shell now has between four and five VLCCs either currently employed in or destined for Forties storage. Meanwhile, Phibro LLC was also heard to be in discussion about chartering a VLCC to store Forties crude. About 15 million barrels or more of Forties crude is either stored or scheduled to be stored on board vessels.

China's National Development and Reform Commission said it will cut gasoline and diesel prices starting Thursday due to the sustained fall in international oil prices. Gasoline prices will be cut by CNY140/ton or \$20.48/ton and diesel prices will be cut by CNY160/ton or \$23.41/ton.

A Commerce Department report showed that US business inventories fell by 0.7% while sales fell by a record 5.1% in November after falling by a revised 3.9% in October. The inventories to sales ratio increased to 1.41 months, the highest reading since September 2001, when the ratio was 1.44 months.

Canada's Prime Minister Stephen Harper said the country's oilsands will be on the agenda when Barack Obama visits Canada on his first foreign trip as President of the US. No date has been set for the trip.

The ICE said physical delivery against the expired ICE January gas oil futures contract was 1,376 lots or 137,600 tons, up from 29,300 tons in December.

The chairman of Libya's National Oil Corp, Shokri Ghanem said OPEC's existing oil output cuts should support oil prices and added that it is too early to tell if a further reduction is needed. He also stated that Libya's has implemented its share of OPEC's output cut. He said Libya has cut 270,000 bpd of its production, which is just

over its quota of 250,000 bpd.

Qatar's Oil Minister Abdullah bin Hamad al Attiyah said oil producers have complied with OPEC's decision to cut production. He also stated that low oil prices are hurting energy related investments and added that a price of at least \$70/barrel is required to maintain those investments. He also said there was a need to work with international bodies for a dialogue between consumers and producers. Meanwhile, Angola's Vice-Minister of Petroleum, Anibal Silva said the country is likely to cut its production to the quota set by OPEC of 1.65 million bpd by February. He said the country's oil production is currently at 1.8 million bpd. However he also stated that Angola is committed to oil exploration and production despite the fall in oil prices.

The IEA's Executive Director, Nobuo Tanaka said the economic slowdown may prompt to make a further cut in its oil demand forecast when it releases its latest monthly report on Friday. Separately, the Deputy Executive Director of the IEA, Richard Jones said OPEC must be careful not to cut output by too much and risk hurting the world economy further. He added that the world needs \$26 trillion in investment by 2030 to meet energy needs. He said the agency is concerned that energy sector projects are being postponed due to wide oil price swings.

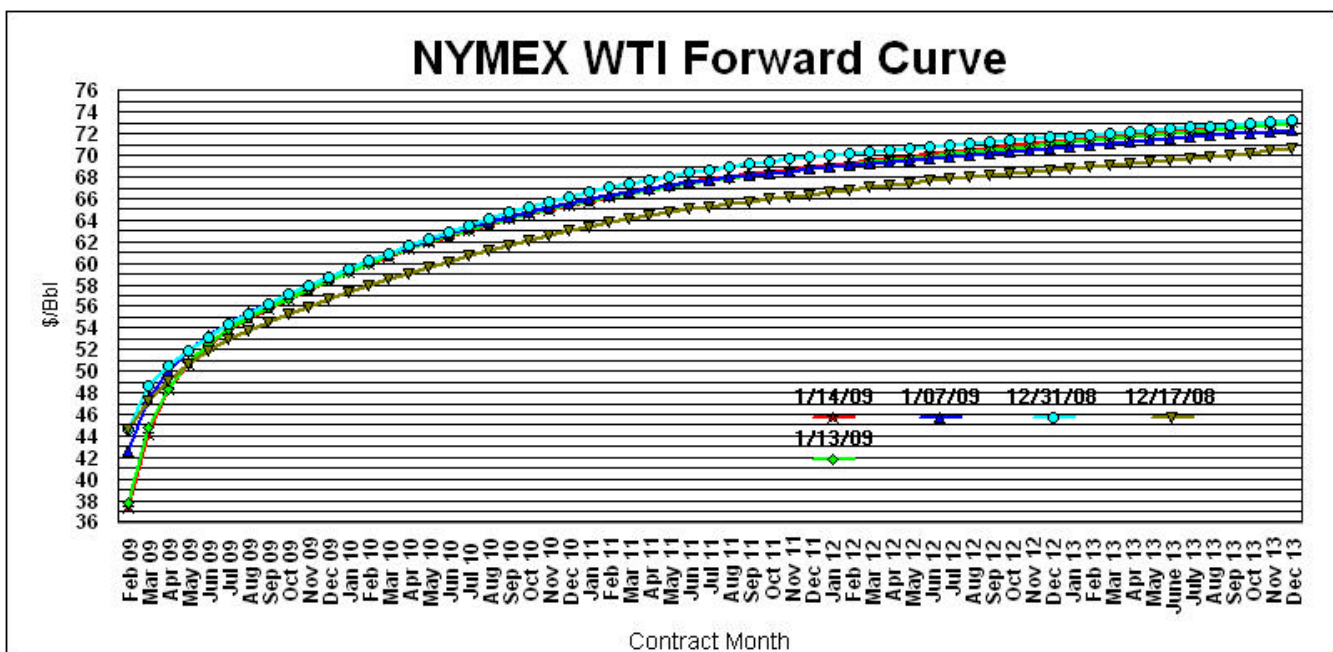
The EIA said US demand for diesel and other distillates fuels fell to the lowest level in five years as an economic downturn impacted trucking and industrial production. Distillate demand fell by 15% in the week ending January 9 to 3.65 million bpd, the lowest since the same week in 2004.

Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, threatened on Wednesday to end its ceasefire and attack military targets in retaliation for the killing of a gang leader in the region. It has decreed every soldier in uniform inside the Niger Delta region as a fair target.

Egypt's Foreign Minister Ahmed Abul Gheit said Hamas has given Egyptian mediators its response to a truce proposal for the Gaza Strip.

Refinery News

Colonial Pipeline co announced the 18th consecutive restriction of distillate product shipments to the Northeast by extending the Capacity Allocation Program to the 5th cycle shipments through its distillate mainline, Line 2, between Collins, Mississippi and Greensboro, North Carolina.



ExxonMobil Corp's 150,000 bpd refinery in Torrance, California was dealing with an upset in an undisclosed unit on Wednesday while it performed a major overhaul on gasoline production units. The problem started Monday night, triggering flaring at the refinery. It is unclear if the problem is still affecting output from the refinery.

Valero Energy Corp said that production at its 210,000 bpd refinery in Delaware City, Delaware was not affected by a problem in the sulfur recovery unit.

Murphy Oil said planned maintenance on an alkylation unit at its 120,000 bpd refinery in Meraux, Louisiana is underway. There is no time frame available for when the unit would be back up.

Motiva LLC reported a problem at its refinery in Port Arthur, Texas. Equipment associated with an alkylation unit was shutdown early Wednesday. A report filed with state environmental regulators did not say if production was impacted.

Output was unaffected after a fire broke out at Kuwait's 460,000 bpd refinery at Mina al-Ahmadi on Wednesday. The fire started in a storage tank that was out of service.

Mexico's Transportation Ministry reported that the country's two main ports of Cayo Arcas and Dos Bocas remained shut on Wednesday while the port of Pajaritos was reopened on Wednesday after it was closed on Sunday due to bad weather. The port of Cayo Arcas was shut since Tuesday afternoon while the port of Dos Bocas has been shut since Monday.

Germany's PCK Schwedt refinery will undergo its next scheduled maintenance shutdown in April or May 2010 at the earliest. The refinery's spokeswoman said a maintenance shutdown usually takes about four weeks.

China Petroleum Corp is expected to build a 200,000 bpd refinery in Caofeidian in the northern Hebei province where the group was preparing a crude terminal and storage tanks. A report did not say if the project had the approval from the National Development and Reform Commission or when construction would begin.

Sri Lanka's Oil Minister A.H.M Fowzie said Iran is contributing \$1 billion to help the country double the capacity of its refinery to 100,000 bpd. He said Sri Lanka has a term contract to buy 60,000 tons/month of Iran Light crude for its refinery.

About 65,000 tons of South Korean gas oil will set sail to Europe from February 12, the first loading for such arbitrage outflows for the month.

Germany's MWV said the country's oil product sales in 2008 totaled 79.729 million tons, up 8.3% on the year with gasoline sales falling by 3.3% on the year to 20.584 million tons, diesel fuel sales increasing by 3.4% to 30.054 million tons, heating oil fuels sales increasing by 35.5% to 23.298 million tons and fuel oil sales falling by 4.8% to 5.793 million tons. In December alone, Germany's total oil product sales increased by 17.1% on the year to 7.13 million tons, with gasoline sales increasing by 4.7% to 1.73 million tons while diesel fuel sales fell by 9.8% to 2.43 million tons, heating oil sales increasing by 48.7% to 2.52 million tons and fuel oil sales falling by 14.8% to 450,000 tons.

Petron Corp is seeking a total of 600,000 barrels of gas oil for February delivery to cover the shortfall due to major refinery maintenance.

Production News

The MMS reported that oil and natural gas production in the Gulf of Mexico shut in following Hurricanes Gustav and Ike continued to improve. The amount of oil production shut in fell by 40,329 bpd from December 16th, leaving a total of 143,532 bpd of crude production still shut in as of Wednesday, January 14th. Meanwhile, the amount of natural gas production shut in fell by 372 mmcf/d, leaving 1.089 bcf of natural gas still shut in.

Mexico's Energy Minister Georgina Kessel said the country's crude oil output should recover to 3 million bpd in 2015. It expects production to total between 2.7 million and 2.8 million bpd over 2009 and 2010.

Latvia's Ventspils Nafta terminals said it shipped 11.6 million tons of crude and refined oil products in 2008, down 1.7 million tons from the 13.3 million tons loaded in 2007. The company shipped 8.7 million tons of diesel fuel delivered by rail and via the petroleum products pipeline, 1.4 million tons of gasoline of various grades delivered by rail and 1.1 million tons of crude oil and petroleum production cargoes delivered by sea.

Russia's Lukoil has found no hydrocarbons in its offshore Caspian exploration development. Lukoil had previously forecast that the block could have about 800 million barrels of oil and 50 billion cubic meters of gas.

Norway's StatoilHydro is maintaining its target for oil and gas production growth for 2012 at 2.2 million bpd of oil equivalent and said its long term strategy remained firm. StatoilHydro's oil and gas output reached a target of 1.9 million bpd of oil equivalent in 2008 and set a new 2009 production target of 1.95 million bpd of oil equivalent.

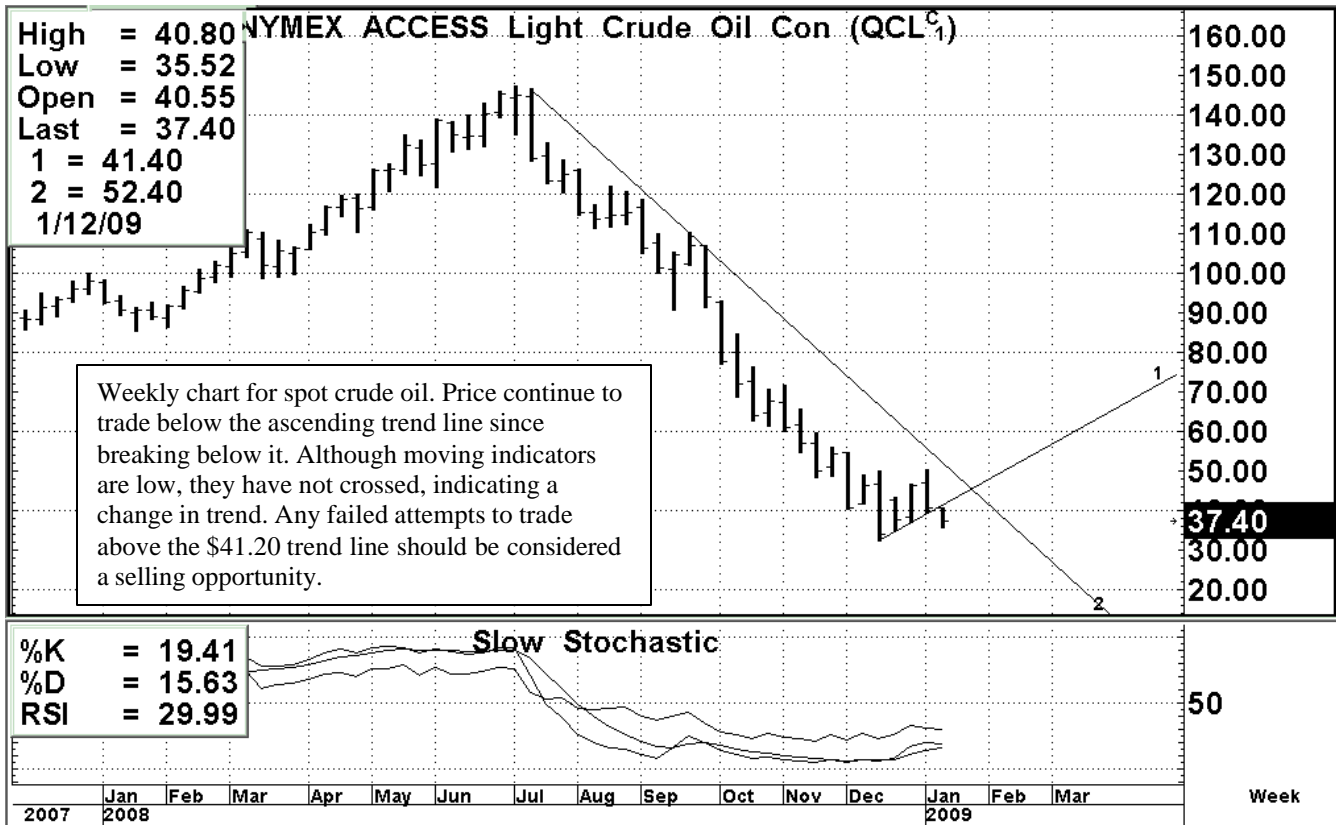
The National Iranian Oil Co and China National Petroleum Corp have signed an agreement to develop Iran's North Azadegan oilfield. Preliminary forecasts suggest the North Azadegan field holds 6 billion barrels of in-place crude oil reserves and is scheduled to produce an average of 75,000 bpd for a 25 year period.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$40.00/barrel on Tuesday from \$40.24/barrel on Monday.

Market Commentary

Crude oil tumbled today after the release of the API/DOE numbers indicated that crude oil stocks hit a 16-month high. Crude oil inventories rose 1.2 million barrels and are currently above the upper limit of the average range. Inventories at Cushing, OK continue to climb, increasing last week by 2.5 percent to a record high of 33 million barrels. The February contract continues to trade at deep discount to the March, making the possibility of putting barrels into storage more attractive. Gasoline inventories also rose last week, increasing by 2.1 million barrels, putting stock levels in the upper limit of the average range. Demand for gasoline based on a four week average is 9.9 million barrels per day, 2.2 percent lower than the same four-week average last year. According to the DOE, distillate stocks increased by 6.4 million barrels at time when we are at the height of the winter heating oil season. With this type of an increase, at this time of year, one can get a clear picture of the impact the economy is having on demand. At this point in time, we would consider any move higher as a minor pause in the market and would take advantage of this move by liquidating length or adding to any short positions. Crude oil continues to trade below the ascending trend line on a spot weekly chart. This trend line is set at \$41.40 this week. Any failed attempts to trade above this level should be considered a selling opportunity. The RBOB market, which continues to hold its support levels settled in positive territory, up 1.88 cents at \$1.1677 after the market traded to its lows earlier in the session in light of the build in gasoline stocks. The Feb RBOB crack spread has skyrocketed to over \$11 while the March has rallied to over \$6.25 and is seen targeting the \$8.00 level.

Open interest Crude Oil FEB.09 123,395 -27,631 MAR.09 314,673 +38,027 APR.09 84,404 +6,026
 MAY.09 52,516 +3,948 Totals: 1,246,827 +34,759 Heating Oil (HO) FEB.09 34,778 -4,746 MAR.09
 42,531 +1,755 APR.09 26,173 +901 Totals: 229,106 - 224 NEW YORK HARBOR RBOB GASOLINE
 FEB.09 43,813 -7,213 MAR.09 59,325 +6,644 APR.09 22,549 +1,189 Totals: 196,328 +2,066



Crude Support	Crude Resistance
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