



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 15, 2009

OPEC's President and Angola's Oil Minister Botelho de Vasconcelos said OPEC could quickly agree to further cut its oil production to stabilize the market. He said a new meeting could be convened to cut the group's production once again. He said he was confident the group's recent agreements to cut production would be enough to counter declining demand for oil but added that OPEC would not hesitate to deepen the cuts if needed. Last week OPEC's Secretary General Abdullah al-Badri said the

Market Watch

Morgan Stanley is seeking a supertanker to store crude oil, joining Citigroup's Phibro LLC, Royal Dutch Shell and Koch Industries. Inc. However it has yet to find a suitable vessel. Frontline Ltd, the world's largest owner of supertankers, said about 80 million barrels of crude is stored in tankers, the most in 20 years.

The release of the DOE's and API's weekly petroleum stock reports will be delayed until Thursday, January 22 at 11 am EST due to the Martin Luther King holiday. Government offices will also be closed on Tuesday, January 20 for the presidential inauguration.

CME Group announced the launch of four new Chicago petroleum products swap futures contracts on CME Clearport. The contracts are scheduled to begin trading on January 25 for trade date January 26. The new swap futures contracts are Chicago unleaded gasoline (Platts) (2C), Chicago unleaded gasoline (Platts) vs. RBOB spread (3C), Chicago ultra low sulfur diesel (Platts) (4C) and Chicago ultra low sulfur diesel (Platts) vs. Heating oil spread (5C).

The Labor Department reported that initial claims for unemployment insurance benefits increased by 54,000 to 524,000 after seasonal adjustments in the week ending January 10. The four week average of new claims last week fell to 518,500 from 526,500. It reported that continuing claims fell by 115,000 to 4,497,000. The unemployment rate for workers with unemployment insurance held at 3.4%. Separately, the Labor Department said US producer prices fell for the fifth consecutive month in December by 1.9%. Wholesale prices fell by 0.9% for 2008 as a whole. Meanwhile, the core PPI increased by 0.2% in December.

The Philadelphia Federal Reserve reported that factory activity in the US Mid-Atlantic region contracted in January. It reported its business activity index at minus 24.3 following a reading of minus 36.1 for December. Separately, the Manufacturers Alliance/MAPI said a composite index of future business activity fell to 28% in December, the lowest level since March 1972 from 48% in September. It is the second consecutive quarter the index has fallen below 50%, a dividing line between growth and contraction.

The National Oceanic and Atmospheric Administration said temperatures will be above normal for the southern half of the US extending into the Mid-Atlantic states in February. In the Pacific Northwest, February temperatures are expected to be below normal in the period. For February-April, NOAA said above average temperatures will appear in the interior southwestern US, the Southern Great Plains and southeastern states. Below normal February-April temperatures are expected in the Pacific Northwest. The NOAA however made no specific comments about temperatures in the US Northeast.

January Calendar Averages**CL – \$41.69****HO –\$1.5170****RB – \$1.1333**

group could cut oil production even further at its meeting in March if the market remains oversupplied.

In a monthly report, OPEC said it expects demand to fall by 180,000 bpd to 85.66 million bpd in 2009, 30,000 bpd over its previous forecast. It said the weakening economy may further erode consumption. It forecast that demand for its crude oil would average 29.48 million bpd in 2009, down 1.4 million bpd from 2008. It also reported that non-OPEC countries are estimated to produce 51.15 million bpd in 2009, up 580,000 bpd from last year and down 70,000 bpd from the previous forecast. OPEC also reported that the group produced an average of 30.282 million bpd in December, down 833,000 on the month. OPEC-12, excluding Indonesia, produced an average of 29.439 million bpd in December while OPEC-10, excluding Iraq and Indonesia, produced 27.111 million bpd, down 197,000 bpd from its 27.308 million bpd target. OPEC said that achieving an acceptable level of oil market stability would take time given the challenges still facing the world economy.

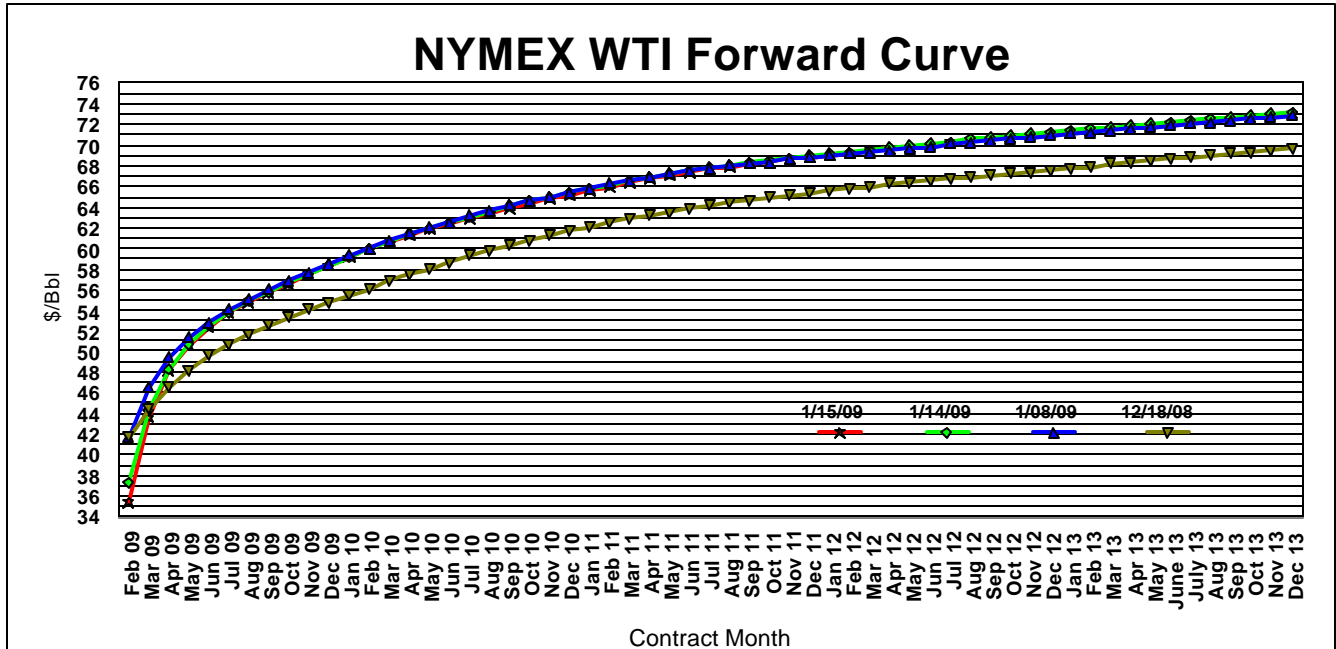
According to Oil Movements, OPEC's crude oil exports, excluding Angola and Ecuador, are forecast to fall by 90,000 bpd in the four weeks ending January 31 to 23.86 million bpd. The reduction of shipments indicates OPEC members continue to make headway in complying with a 2.2 million bpd production cut starting January 1. The drop is expected to be the steepest for Middle East sailings, which are expected to fall by 180,000 bpd in the four week period.

According to the API's monthly report, US petroleum demand in December fell to its lowest levels in five years. US oil demand fell more than 1.224 million bpd or 5.9% to 19.493 million bpd. For the year, demand fell by 1.235 million bpd to an average of 19.455 million bpd, down 6%. Gasoline deliveries fell by 2.2% to 9.043 million bpd while distillate deliveries fell by 5.7% to 3.955 million bpd and jet fuel deliveries fell by 9.4% to 1.453 million bpd. It reported that US production of crude oil fell to 4.963 million bpd. It fell below 5 million bpd for the first time since 1946. Crude oil and petroleum product imports averaged 12.597 million bpd, down 2.1% on the year and the lowest level in December since 2003.

The EIA reported that US crude oil imports fell by 2.9% or 294,000 bpd on the month to 9.817 million bpd in November. Canada was the top oil source for the third consecutive month, accounting for 20.7% of total imports or 2.028 million bpd. Saudi Arabia was the second largest crude source with 1.461 million bpd of crude while crude imports from Mexico increased by 40,000 bpd to 1.296 million bpd. Imports from Venezuela increased by 44,000 bpd to 1.071 million bpd. Crude imports from Iraq fell by 125,000 bpd to 452,000 bpd.

An economic stimulus plan unveiled by the US House of Representatives devotes more than \$50 billion in government spending to several energy projects. The plan earmarks \$11 billion to fund a program to modernize the dated US electricity grid. Among the goals is to build new power lines to transmit renewable energy to population centers. Under the proposal, Congress would also spend \$ 8 billion on loan guarantees for renewable energy power generation and transmission projects. Cash strapped states would receive \$6.9 billion in grants to make energy-efficiency investments. It would award \$2 billion for energy-efficiency and renewable energy research to universities, companies and national laboratories. Another \$6.2 billion would be used to help low income families reduce energy costs by weatherproofing their homes.

Venezuela's national assembly has approved a constitutional amendment that allows the president or any other elected official to stand for re-election indefinitely. The measure, which must be put to a referendum within 30 days is the second attempt by President Hugo Chavez at seeking unlimited re-election. The constitutional amendment will be presented to the National Election Board, which will convene a referendum, expected around February 15.



The International Herald Tribune reported that Venezuela's President Hugo Chavez is quietly courting Western oil companies once again. Until recently President Chavez had pushed foreign oil firms into a corner by nationalizing their oilfields. Senior officials have started soliciting bids from some of the largest Western oil companies in recent weeks, including Chevron, Royal Dutch Shell and Total. The shift also shows how the world economic crisis is hampering President Chavez's ideological agenda. Courting western oil companies may be the only way to shore up PDVSA and the social welfare programs that have been made possible by oil proceeds and have helped raise his support.

Refinery News

Valero Energy Corp began shutting down a 92,000 bpd heavy oil cracker at its 340,000 bpd refinery at Corpus Christi, Texas on Thursday for about 30 days of maintenance. The turnaround in the refinery's west plant includes work for a similar duration on a 12,000 bpd alkylation unit linked to the heavy oil cracker. Valero is also planning a crude unit and coker unit turnaround in February at its 245,000 bpd refinery in Texas City, Texas.

ConocoPhillips shut a unit at its 76,000 bpd refinery in Rodeo, California on Wednesday.

Citgo Petroleum Corp reduced the feedstock going to a hydrotreater, coker and platform in the West Plant of its 156,000 bpd Corpus Christi, Texas refinery on Wednesday to correct a malfunction in the amine unit. The malfunction also caused a sulfur recovery unit to trip offline.

BP Plc shut a reformer unit on Wednesday night for planned maintenance at its 265,000 bpd refinery in Carson, California. It is performing routine maintenance on several units.

Chevron Corp is working to repair a crude gathering pipeline shut by a rupture in Utah on January 7th. The line, which ruptured near Bonanza, Utah, carries crude from oilfields in Rangely, Colorado into larger pipelines feeding the Salt Lake City, Utah area.

Lyondell said operations at its 270,000 bpd Houston, Texas refinery have not been impacted by the recent filing for bankruptcy by Lyondell Chemical Co. Last week, Lyondell received access to \$2 billion

in interim debtor in possession financing and an emergency \$100 million loan to allow key units to continuing operating.

Venezuela's 640,000 bpd Amuay refinery has cut runs at its flexicoker unit due to a fire an operational problem at a related unit.

Japan's Idemitsu Kosan Co restarted its 160,000 bpd No. 1 crude distillation unit at its Aichi refinery in central Japan on Monday after an unplanned shutdown. The refinery shut the crude distillation unit on January 5 to repair and conduct maintenance checks on a unit connected to the CDU that had a problem.

A Kuwaiti oil labor union on Thursday denied a newspaper report it had threatened to halt refinery work and exports if management failed to agree to a pay increase. KNPC's labor union said KNPC senior staff and engineers had submitted a request to the chief executive for more pay but had not threatened to strike.

India's Reliance Petroleum will start fuel exports from its new refinery this month.

India's Essar Oil plans to completely shut its 210,000 bpd refinery for a 25 day planned maintenance period starting March 23.

Mexico reopened its oil ports of Dos Bocas and Cayo Arcas on Thursday after bad weather that had affected the ports since Monday subsided. Its Pajaritos oil terminal was opened on Wednesday after it was shut on Sunday.

Ukraine's State Statistics Committee said the country's gasoline production fell by 22.3% in 2008 to 3.232 million tons compared with a year earlier. It also reported that refineries reduced gas oil production by 12% to 3.651 million tons.

Gas oil stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending January 15th increased by 1.51% on the week and by 79.61% on the year to 2.414 million tons. Fuel oil stocks fell by 0.45% on the week but increased by 1.99% on the year to 666,000 tons while gasoline stocks built by 2.24% on the week but fell by 0.69% on the year to 869,000 tons. Naphtha stocks fell by 6.9% on the week and 9.24% on the year to 108,000 tons while jet fuel stocks fell by 0.97% on the week but increased by 332.98% on the year to 814,000 tons.

Preliminary data from the General Administration of Customs showed that China's imports of gasoline in December fell by 60.8% on the year to 7,025 tons while fuel oil imports increased by 115.5% on the year to 2.64 million tons, diesel imports fell by 90.1% on the year to 80,000 tons and kerosene stocks increased by 46.2% to 580,000 tons. Meanwhile gasoline exports increased by 68.4% on the year to 250,000 tons, fuel oil exports increased by 136.4% on the year to 1.010 million tons, diesel exports increased by 682.7% to 200,000 tons and kerosene stocks increased by 3.3% on the year to 470,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.259 million barrels to 15.945 million barrels in the week ending January 14th. It also reported that the country's light distillate stocks built by 40,000 barrels to 8.189 million barrels while middle distillate stocks fell by 77,000 barrels to 13.125 million barrels.

According to the Petroleum Association of Japan, the country's crude oil inventories in the week ending January 10th fell by 1.11 million barrels on the week but increased by 13.02 million barrels on the year to 108.13 million barrels. It reported that Japan's gasoline stocks built by 220,000 barrels on

the week but fell by 1.26% on the year to 13.09 million barrels while kerosene stocks fell by 1.68% on the week and by 8.54% on the year to 17.49 million barrels and naphtha stocks fell by 60,000 barrels on the week to 12.58 million barrels. Japanese refiners ran their facilities at an average of 79.6% of total capacity of 4.9 million bpd, down 0.5% on the week and 10.8% on the year.

Japan's Information Center said the country's retail regular gasoline prices have fallen to their lowest level since at least April 2004, marking the 22nd straight weekly fall. The average pump price of regular gasoline was 106 yen/liter or \$4.50/gallon.

Total and Itochu will ship 155,000 tons of Asian gas oil to Europe from late-January loading.

Indonesia's PT Pertamina has secured 2.15 million barrels of low-sulfur or sweet crude in its regular import tender for March.

Production News

Iraq's Oil Minister Hussain al-Shahristani said Iraq and Syria plan to reopen a pipeline that pumps Iraqi crude to the Syrian port of Banias. Iraq is seeking new export routes. Improved diplomatic ties could allow pipelines through Syria to the Mediterranean that would provide an alternative route for oil and gas from northern Iraq to reach Europe.

According to a Reuters survey, Russia is expected to produce 9.62 million bpd in 2009, 1.6% less oil on the year, extending its first decline in a decade due to a lack of new Greenfield developments and a sharp decline in crude prices.

Russia's Finance Ministry official said the country is likely to set its February oil export duty at \$100.90/ton, down 15% from current levels. Meanwhile, the export duty on light refined products, such as gasoline and gas oil, were likely to be set at \$80.30/ton, down from the current level of \$92.60/ton. The export duty on heavy refined products, such as fuel oil, is expected to be set at \$43.20/ton compared with \$49.90/ton in January.

China's National Development and Reform Commission said it would adjust fuel prices to follow world oil prices more quickly than in the past but added that it would not adjust the prices very often. It was trying to explain the thinking behind a cut in gasoline and diesel prices that came into effect on Thursday.

OPEC's news agency reported that OPEC's basket of crudes increased to \$41.31/barrel on Wednesday, up from Tuesday's \$40.00/barrel.

Market Commentary

Crude oil fell for the second straight day as OPEC announced its expectations that demand will decline 4.2 percent in 2009 as the recession in the U.S., Europe and Japan curbs fuel use. This latest announcement is 20,000 barrels less than previously expected. This puts demand for crude oil at 85.66 million barrels a day, bringing this year's consumption reduction to 180,000 barrels a day, or 0.2 percent. The crude market posted a high of \$37.99 in early morning trading on Globex before it started to erase its overnight gains. The market extended its losses to over \$4 as it sold off to a low of \$33.20 in afternoon trading. The oil market later retraced some of its losses ahead of the close and settled down \$1.88 at \$35.40, still remaining below its ascending trendline on a spot weekly chart. The Feb/Mar crude spread settled at -\$8.14 and is seen trending towards the -\$8.50 level in light of the increasing stocks in Cushing and the news of companies continuing to seek tankers for crude storage. The crude market is seen finding support at its low of \$33.20, \$32.25, \$31.96 followed by \$29.66 and \$28.63. Unlike the crude market, the product markets ended in positive territory with the heating oil

market settling up 2.4 cents at 1.4871 and the RBOB market settling up 65 points at \$1.1742. The heating oil market posted an inside trading day. It posted a high of \$1.5149 in overnight trading before it erased its overnight gains and sold off to a low of \$1.4249, holding support at its previous low of \$1.419. The market however bounced off its low and retraced more than 62% of its earlier move ahead of the close. The market is seen finding support at \$1.4249, \$1.419 and \$1.3605. The RBOB market posted higher highs and higher lows for the third consecutive trading session. It rallied to a high of \$1.197 ahead of the open outcry session. However the market gave up its gains and sold off more than 6.72 cents to \$1.1005 in mid-day trading. The RBOB market later bounced off its low and rallied back towards its high ahead of the close. The Feb RBOB crack spread continues to widen, settling at \$13.916 amid the strength in the gasoline market while the March RBOB crack spread is also continues to trend higher, with resistance still seen at \$8.

Open interest Crude Oil FEB.09 79,601 -43,794 MAR.09 362,226 +47,553 APR.09 93,983 +9,579 MAY.09 55,707 +3,191 Totals: 1,269,615 +22,788 Heating Oil (HO) FEB.09 33,373 -1,405 MAR.09 45,705 +3,174 APR.09 26,991 +818 Totals: 233,502 +4,396 NEW YORK HARBOR RBOB GASOLINE FEB.09 38,701 -5,112 MAR.09 64,114 +4,789 APR.09 23,645 +1,096 Totals: 198,065 +1,737.

Crude Support	Crude Resistance
33.20, 32.25, 31.96, 29.66, 28.63, 26.65, 25.50	36.15, 37.99, 39.45, 40.80, 43.63, 52.95, 53.75, 57.20
Heat Support	Heat resistance
1.4249, 1.419, 1.3605, 1.2785, 1.1895	1.491, 1.5149, 1.5398, 1.552, 1.6025, 1.6715, 1.7185, 1.7670, 1.8500
Gasoline support	Gasoline resistance
1.1005, 1.092, 1.0691, 1.055, .9669, .8978, .8755, 7760, .6840	1.197, 1.20, 1.2405, 1.2750, 136.14