



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 15, 2010

The IEA said world oil demand this year will reach its highest level since 2007, with increasing demand led by emerging economies in Asia. It however cut its world oil demand growth by 20,000 bpd to 1.4 million bpd in 2010. World oil demand is estimated at 86.3 million bpd. The IEA increased its estimates for China's oil demand in 2009 and 2010 by 80,000 bpd each to 8.464 million bpd and 8.824 million bpd, respectively. In regards to supply, the IEA said OPEC's crude oil production increased by 75,000 bpd in December to 29.1 million bpd. Non-OPEC output is expected to increase to 51.5million bpd, down 150,000 bpd from its previous estimate. The IEA cut its non-OPEC

production estimate due to lower than expected production in Azerbaijan, which is expected to produce 1.2 million bpd. Oil inventories in OECD countries fell to the equivalent of 59.1 days forward demand cover at the end of November, down from 59.4 days at the end of October. Crude oil in short-term floating storage fell to 51 million barrels at the end of December from 55 million barrels at the end of November. The IEA said the volume of oil products stored in floating storage in December fell to 95 million barrels from 98 million barrels in November and may fall further due to an expected

Market Watch

The US Labor Department reported that the seasonally adjusted consumer price index increased 0.1% in December following an unrevised monthly 0.4% increase in November. It is the lowest increase since July of last year. The core CPI, excluding food and energy, also increased by 0.1% in December. It reported that energy prices moderated sharply in December, rising by a monthly 0.2% following a 4.1% increase on the month in November.

The Federal Reserve reported that industrial production in December increased by 0.6%. November industrial production was revised to 0.6%, down from the original estimate of 0.8%. It reported that capacity utilization increased to 72% in December from a revised 71.5% in November.

Alberta's new Energy Minister Ron Liepert said he will not use legislation or regulation to control the pace of development in the Canadian province's oil sands.

The API's weekly petroleum stocks report will be delayed to Wednesday, January 20th at 4:30 pm EST due to the federal Martin Luther King Day holiday. The EIA's weekly petroleum stocks report will also be delayed by one day to Thursday, January 21st at 11 am EST due to the holiday.

The Baltic Exchange's main sea freight index increased by 1.98% or 64 points to 3,299 points amid stronger Chinese demand for capesize vessels. The Baltic's capsize index increased 5.63% on Friday with average capesize earnings increasing to \$42,242. The Baltic's panama index fell by 2.65%, a fourth consecutive decline, with average panama earnings falling to \$30,085.

**January
Calendar Average**
CL – \$81.22
HO – \$2.1507
RB – \$2.1076

increase in heating demand. It said that early 2010 cold weather in the OECD may induce continued product floating storage draws through January. In regards to refining, the IEA estimates world crude oil throughput at 72.7 million bpd in the January-March period, up 900,000 bpd on the year. It is however 65,000 bpd lower than its previous projection. It said outlooks for refiners in developed countries remained weak, with their run rates having hit an average 77.5% in October, the lowest level since January 1995. European refinery runs averaged 12 million bpd, down 1.26 million bpd on the year. They are expected to struggle to increase runs to above the 12.2 million bpd level through April due to weak refining economics and spring maintenance work. In North America, expected regional throughputs through April 2010 are constrained by weak margins and seasonal maintenance, holding runs at or below 16.7 million bpd for the outlook period.

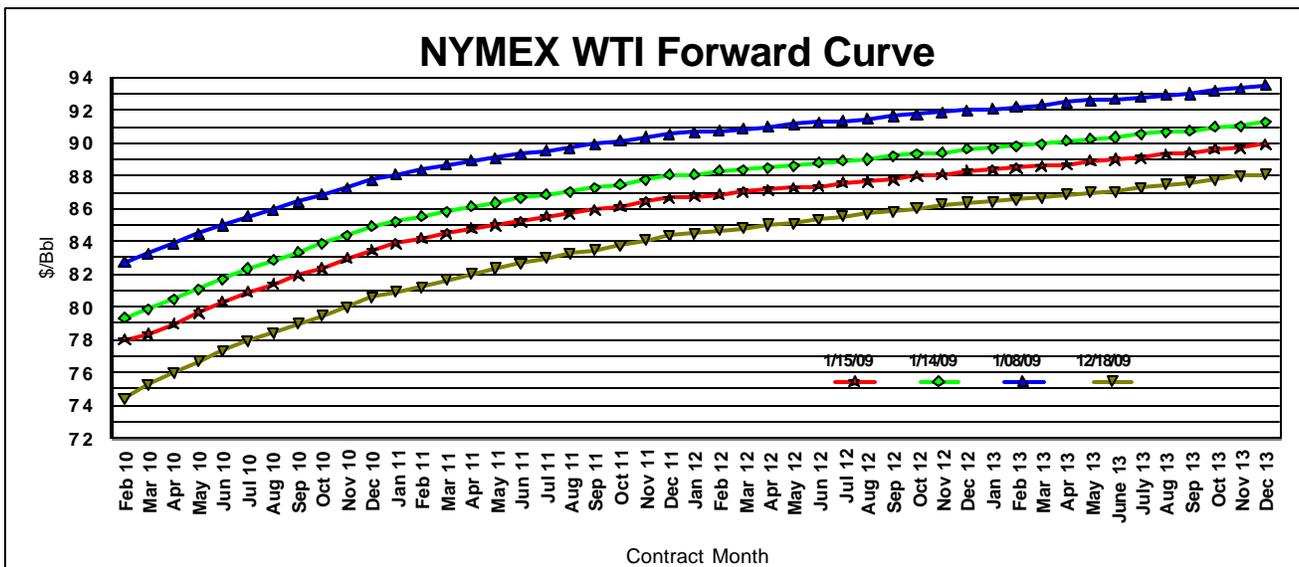
Ecuador's Oil Minister Germanico Pinto said OPEC has not discussed changing its oil output targets for its March meeting.

According to the API, US demand for crude and petroleum products in December averaged 19.251 million bpd, up 0.6% on the year. Demand for 2009 averaged 18.72 million bpd, down 4% from 19.498 million bpd a year earlier. It reported that gasoline demand in December increased by 2.3% on the year to 9.13 million bpd while distillate demand fell by 0.5% to 3.8 million bpd. Crude oil imports in December fell by 8.9% on the year to 8.577 million bpd while oil product imports fell by 33% on the year to 2.137 million bpd. US crude oil production increased by 8.6% on the year to 5.493 million bpd.

ICAP Shipping reported that as of January 12th there was a total of 89.4 million barrels of distillate stocks in floating storage. It said the amount of vessels storing stocks should fall slightly over the coming weeks. It however added that the release of more products may have the twin effects of lowering freight rates and widening the contango and therefore make the storage play more attractive again. Meanwhile, JBC Energy reported distillate stocks in floating storage stood at 80-90 million barrels. It stated that some unloading in heating oil and jet storage has taken place and more could follow if temperatures remain low and refiners keep utilization rates in check.

Refinery News

The Louisiana Offshore Oil Port said it expects brief halts to tanker offloadings in the Gulf of Mexico over the weekend due to rough seas. The LOOP expects minimal impact to the amount of crude it



receives from tankers by any stoppages. The LOOP's onshore storage facilities will continue to supply Gulf Coast refineries, even if offloadings stop.

Buckeye Pipeline said a communication problem could result in unavoidable product delays. The Buckeye Pipeline can carry 1.2 million bpd of gasoline, diesel and other oil products.

Energy Market Consultants said the oil refining industry will need to close about 7 million bpd of primary distillation capacity worldwide within five years to maintain economically feasible plant utilization rates. It said the closures are needed to return to capacity utilization rates of 83-84%. Many refineries have been running at below 80% of capacity since last year. It said the refineries closures will concentrate in North America, Europe and Japan.

Delek US Holdings reported that a sulfur recovery unit No. 2 and SCOT Tail Gas unit at its 58,000 bpd Tyler, Texas refinery shutdown briefly on Thursday due to an unplanned trip of the air blower. The sulfur recovery unit returned to normal operations.

A fluid catalytic cracking unit at Motiva Enterprises' 290,000 bpd refinery in Port Arthur, Texas is in restart mode after it was shut last Friday.

Alon is restarting an alkylation unit at its 70,000 bpd Big Spring, Texas refinery after repairing the damage from an explosion in February 2008. Feedstock is scheduled to be introduced to the unit on January 15th with the startup expected to be completed on January 24th.

The CGT union in France said its workers voted to end the strike at Total's La Mede refinery. Hellenic Petroleum plans to conduct 30 days of maintenance work at its 67,000 bpd Thessaloniki plant in the fourth quarter of this year.

China's diesel exports for January and February liftings could ease from record December levels due to stockpiling ahead of the Lunar New Year. Diesel outflows in January and February are estimated at 300,000-400,000 tons each, down from December volumes of about 400,000-500,000 tons. Gasoline exports in February will likely remain steady at around 350,000-380,000 tons versus January levels due to high refinery runs.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 28 to 1,248 this week. The number of rigs searching for oil fell by 2 to 425 while the number of rigs searching for natural gas increased by 30 to 811.

The Norwegian Petroleum Directorate said that Norway's oil production will fall to 1.87 million bpd in 2010 from 1.99 million bpd last year. It also reported that Norway's gas production is estimated to increase to 105 billion cubic meters in 2010 from 103.5 bcm last year.

Some Chinese oilfields in the Bohai Bay have halted operations as 40% of the sea water there is frozen. Crude oil production at the Shengli offshore oilfield has been disrupted by sea ice in Bohai Bay. The Shengli oilfield produced about 554,800 bpd in 2008. The ice floe disruption at Shengli follows power rationing during an early January cold snap that also cut into Sinopec's crude oil production at the same field. Separately, industry sources said China's refineries off the northeast coast have seen few disruptions to inbound crude cargoes or outbound refined fuel shipments after sea ice floes built up following a cold snap early this month.

According to provisional programs, Angola plans to export six Kissanje crude cargoes of 950,000 barrels and five Hungo cargoes for March loading. Angola also plans to export three Saxi crude cargoes for March.

Kazakhstan's Energy Minister Sauat Mynbayev said the country's crude oil production is expected to increase by 4.6% to 80 million tons this year.

Brazil's Petrobras said its domestic oil and gas reserves increased by 13% on the year to 11.563 billion barrels of oil equivalent at the end of 2009. Its total domestic and overseas reserves increased to 12.143 billion boe at the end of 2009 from 11.191 billion boe at the end of 2008.

Colombia's oil production in 2009 averaged 670,000 bpd. Colombia's crude oil output in December increased to an average 734,000 bpd from 594,000 bpd in December 2008.

Russia's Finance Ministry reported that Russia will increase its oil export duty by about 1.4% to \$270.79/ton starting on February 1st. Export duties on light refined products, such as gasoline and gas oil, will total \$194.70/ton, up from the current level of \$192.20/ton. Export duties on heavy refined products such as fuel oil, will increase to \$104.90/ton in February from the current level of \$103.50/ton.

OPEC's news agency reported that OPEC's basket of crudes increased by 44 cents to \$77.59/barrel on Thursday.

Japan's Federation of Electric Power Companies said the country's 10 utilities burned 340,000 kiloliters of fuel oil in December, less than 50% of the amount they consumed a year earlier. The burning of coal, oil and LNG has been on a steady decline since last year due in part to increased nuclear plant utilization. The utilities generated 84.01 billion kilowatt hours of electricity in December, up 1.3% on the year.

Market Commentary

Crude oil fell for the fifth straight day as the dollar rose and weather forecasters called for milder temperatures in the U.S. Gasoline is appearing to undergo early seasonal buying, as the heating season slowly approaches its end amid ample supplies for this time of year. Trading still appears to be focused on this week's inventory numbers, which reflected builds across the board. The February crude oil contract traded below an ascending trendline, which was set at \$78.39. With a settle below this level and the supply/demand scenario reflecting a lack of demand despite perceived economic growth, this market should continue lower. We would look for a test at \$70.00 and then would re-evaluate the market.

Total open interest for crude oil since the beginning of the New Year, has risen some 154,000 contracts. This is very likely a result of an influx on "new money" into this market as hedge funds look to secure a safe haven in commodities. Should price continue their downside movement, we would look for open interest to decline.

The latest Commitment of Traders report showed that non-commercials in the crude market built by 26,834 contracts to 135,669 contracts in the week ending January 12th. The combined futures and options report also showed that non-commercials in the crude market increased by 26,285 contracts to 208,733 contracts on the week. The funds have continued to add to their net long position as evidenced by the increase in open interest during the past few trading sessions. Open interest has increased by 46,535 contracts since Tuesday. The combined aggregate report showed that producers/merchants increased their net short position by 140 to 233,649 contracts while swap dealers cut their net long position by 25,339 contracts to 11,594 contracts. Managed money funds

increased their net long position by 19,162 contracts to 175,740 contracts while other reportables increased their net long position by 7,124 contracts to 32,993 contracts. Meanwhile non-commercials in the product markets cut their net long positions. The funds in the heating oil market cut their net long position by 937 contracts to 45,837 contracts while funds in the RBOB market cut their net long position by 2,909 contracts to 75,199 contracts on the week.

Crude FEB.10 101,425 -38,648 MAR.10 339,020 +35,350 APR. 111,961 +15,779 Totals 1,347,402
 31,122 Heating oil FEB 10 67,940 -4,063 MAR.10 73,311 971 APR10 34,219 -514 Totals: 321,205 -
 5,194 Gasoline FEB.10 62,619 -6,225 MAR. 10 75,425 +7,950 APR10 40,614 +1,526 Totals:
 273,411 +3,977.

Crude Support Based on February	Crude Resistance Based on Feb
76.85, 75.00, 73.50, 72.91, 72.60, 70.00, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	82.00, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
1.8570, 1.8280, 1.7670, 1.7565	2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.7900, 1.7200 1.6600	2.1930, 2.2270, 2.3350,

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