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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 20, 2010

The UN's IAEA said that a UN brokered offer to supply nuclear fuel to Iran was still on the table, playing down reports that Iran had rejected the proposal. The reports stated that Iran rejected some of the conditions called for by the West and insisted on a simultaneous exchange of fuel. Under the UN deal, Iran would transfer 70% of its stocks of low-enriched uranium abroad and in return receive fuel for a medical research reactor. The IAEA said it will continue to work in good faith as in impartial intermediary.

Separately, US officials said US spy agencies updating intelligence on Iran see growing evidence that Iran has continued its nuclear weapons research but has yet to relaunch its bomb program in full.

Industry sources said floating stocks of refined oil products increased again following the return or normal winter temperatures in Europe and the US Northeast. Floating stock levels are stabilizing at slightly below December peaks.

Freezing weather in the US and Europe had caused some traders to move tankers carrying gas oil ashore to fill up stocks onshore after storage at sea reached record high levels in December close to

Market Watch

The US Labor Department reported that the produce price index for finished goods increased a seasonally adjusted 0.2% on the month in December. The core PPI, which excludes food and energy prices, was flat last month compared with a 0.5% increase in November. Energy prices in December fell by 0.4% in December following a 6.9% increase in November. The fall in energy prices was led by a fall in gasoline prices of 3.2%.

The Commerce Department said housing starts fell by 4% on the month to a seasonally adjusted 557,000 annual rate in December. Building permits in December increased 10.9% to a 653,000 annual rate.

Private weather forecaster, WSI Corp said the extreme cold that has hit Northern Europe in recent weeks is likely to persist throughout February and into March. It said the weather in Scandinavia, Britain and the northern part of the continent will remain colder than normal in February and March until it turns milder than normal in April. The southern part of Europe will be exception, experiencing milder than normal weather in the next three months. Meanwhile, DTN Meteorologix said temperatures would remain below normal in the northwestern and northeastern parts of Europe up to the next ten days.

The US Transportation Department said US highway travel increased 1.4% on the year in November. Five of the last six months have seen increases in vehicle miles traveled from a year ago as gas prices have eased from record highs seen in 2008 and the economy moved towards recovery. The increase of 3.2 billion miles driven by consumers reflects more drivers choosing to travel during the Thanksgiving holiday in 2009.

API Stocks

Crude – down 1.802 million barrels
Distillate – down 3.385 million barrels
Gasoline – up 667,000 barrels
Refinery runs – down 2.5%, at 77.3%

100 million barrels. Sources estimate January floating storage volumes at between 70-90 million barrels. Ship broker ICAP said the number of vessels in floating storage was unchanged in January at 116, with total volumes at 89.4 million barrels. It expected 8.4 million barrels of distillates to unload shortly in locations in Europe, the US and West Africa and estimated that this would be replaced by about 8.3

million barrels.

Refinery News

The Houston Ship Channel was closed to inbound and outbound traffic due to heavy fog. Traffic on the waterway has been halted since Tuesday afternoon. Twenty-eight ships were waiting to enter port and 40 were delayed outbound because visibility was too low for safe passage. The majority of ships were oil tankers serving refineries and petrochemical plants.

BP Plc said an ultracracker unit at its 475,000 bpd Texas City, Texas refinery was shut unexpectedly on Monday after its primary feed pump tripped. The unit is beginning start up operations.

**January
 Calendar Average
 CL – \$80.75
 HO – \$2.1311
 RB – \$2.0985**

ExxonMobil Corp reported an incident at its 503,000 bpd Baton Rouge, Louisiana refinery but declined to say whether or not it impacted production.

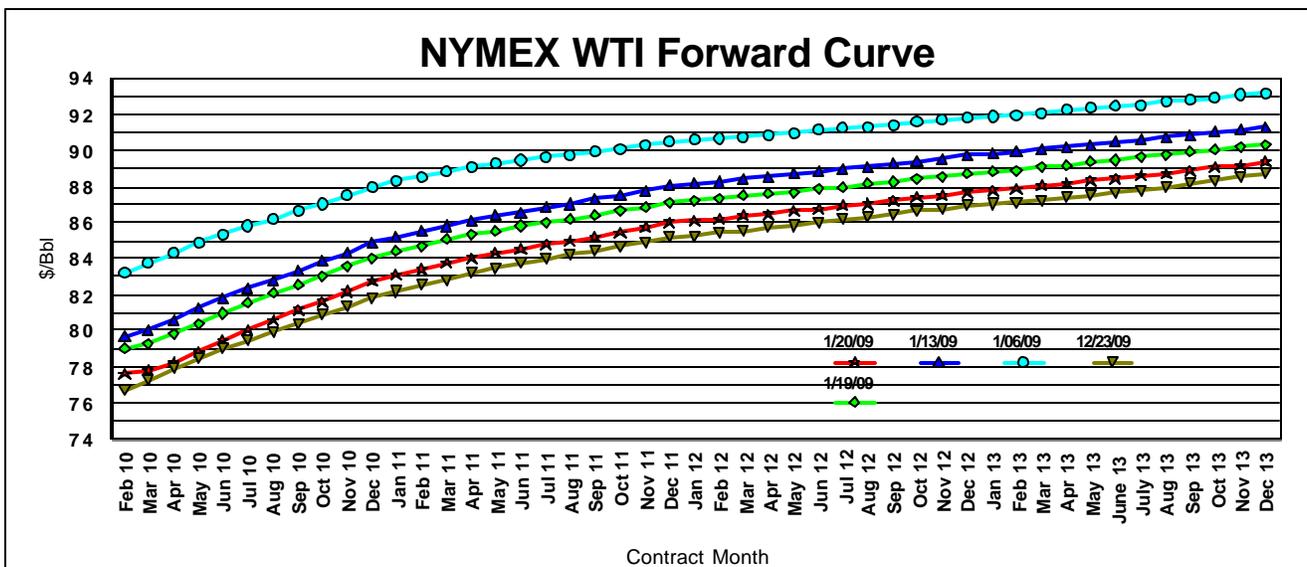
ConocoPhillips said a fire on an unidentified stack at its 139,000 bpd refinery in Wilmington, California was extinguished and did not affect refinery operations.

Valero Energy Corp said that third party supplier issues affected operations at its light ends unit at its 340,000 bpd Corpus Christi, Texas refinery. It said that complex 6 at the refinery was affected.

Statoil ASA's 200,000 bpd Mongstad refinery in Norway will shutdown in September for a month of planned maintenance.

Sinopec Corp said its total crude throughput in 2009 increased by 6.7% over 2008 to about 3.65 million bpd, while its total domestic sales of refined products increased 0.85%. Its crude oil production in 2009 increased by 1.47% to 301 million barrels.

Japan's Nansei Sekiyu KK plans to shut its 100,000 bpd crude distillation unit at its Nishihara plant for



scheduled maintenance starting May 17th for 47 days.

SK Energy Co plans to shut its No. 2 residual fluid catalytic cracking unit in Ulsan in July for maintenance. The unit, which processes fuel oil into gasoline, kerosene and other petrochemical derivatives, will be offline for about a month.

Georgia's Black Sea port of Batumi shipped 6.414 million tons of crude and refined oil products in 2009, down 10.4% from 7.155 million tons in 2008. Its shipments increased to 724,974 tons in December 2009 from 639,400 tons in November 2009 and from 406,200 tons in December 2008.

China's domestic energy information portal C1 Energy reported that the country's crude oil imports in 2010 will likely increase by 12%-15% to 230 million-235 million metric tons or about 4.6 million-4.7 million bpd. China's imports are expected to increase as PetroChina's 200,800 bpd refinery in southwest Guangxi Zhuang Autonomous Region is due to begin operations this year and as the country's two largest oil refiners continue to build commercial crude reserves. China's General Administration of Customs reported that the country's crude oil imports increased 14% to 203.79 million tons or 4.1 million bpd in 2009.

The Petroleum Association of Japan reported that the country's crude oil stocks in the week ending January 16th increased by 7.43 million barrels on the week but fell by 15.74 million barrels on the year to 96.59 million barrels. Its gasoline stocks increased by 480,000 barrels on the week and 830,000 barrels on the year to 14.07 million barrels while its kerosene stocks fell by 860,000 barrels on the week and by 1.07 million barrels on the year and its naphtha stocks fell by 50,000 barrels to 9.14 million barrels. Crude runs increased by 50,000 bpd on the week and by 160,000 bpd on the year to 3.98 million bpd. Refinery utilization increased by 1% on the week and by 3.6% on the year to 81.8%. The PAJ also reported that Japan's total oil product sales increased by 4.7% on the week but fell by 4.4% on the year to 3.48 million bpd. Japan's gasoline sales increased by 3.2% on the week and by 3.5% on the year to 960,000 bpd while its kerosene sales increased by 12.2% on the week but fell by 5.9% on the year to 740,000 bpd and its gas oil sales increased by 15.4% on the week and by 31.6% on the year to 550,000 bpd.

According to government data, India's domestic oil product sales in December increased by 2.7% on the year to 11.89 million tons while its oil product imports fell by 37% to 989,000 tons and its crude imports fell 0.3% to 10.43 million tons or 2.47 million bpd.

Production News

The National Biodiesel Board said soybean-based biodiesel production in the US came to a halt after Congress allowed a \$1/gallon government tax incentive for the industry to expire on December 31st. It said 180 biodiesel plants in the US produced about 450 million gallons of fuel in 2009.

Iraq's Oil Ministry will sign a final deal to develop the 12.9 billion barrel West Qurna Phase Two oilfield with Russia's Lukoil and Norway's Statoil on January 31st. It will also sign a deal to develop the Badrah field with a Gazprom-led group on January 28th and with a CNPC-led group to develop the Halfaya field on January 27th.

ExxonMobil said oil production at its Sakhalin-1 project fell more than 14% last year to 8.2 million tons due to natural depletion. Separately, the Sakhalin-1 consortium, operated by Exxon Neftegas Ltd, plans to start production at the Odoptu offshore field in July-December 2010. The Sakhalin-1 project involves the development of the Chayvo, Odoptu and Arkutun-Dagi oil and gas fields on the shelf northeast of Sakhalin Island. The combined resources at those fields total 307 million metric tons or 2.3 billion barrels of oil and 485 billion cubic meters of natural gas.

Operations at Russia's port of Novorossiisk resumed on Wednesday after it was shut down due to bad weather on Monday. Exports from Novorossiisk are set to reach 3.7 million tons or 870,000 bpd in January, unchanged from an initial December export plan.

Tengizchevroil said it will increase its oil output to 23.5 million tons this year from 22.5 million tons in 2009.

The growth of overseas crude oil production by China National Petroleum Corp increased to 12% in 2009 from 3.3% in 2008. CNPC produced a record 69.62 million tons or 1.39 million bpd of crude oil in overseas projects it operated last year. Its overseas crude oil processing increased to 10.08 million tons or 201,600 bpd last year.

OPEC's news agency reported that OPEC's basket of crudes fell by 22 cents to \$75.53/barrel on Tuesday from \$75.75/barrel on Monday.

Market Commentary

A strong dollar pushed energies lower, along with the equities markets, as short-term traders sold off length. The expiration of the February contract and expectations of inventory builds coupled with warmer weather predictions contributed to today's sell-off. Shorts didn't appear to be anxious to cover as they entered orders to buy on a scale down basis. Crude oil traded in an inside fashion as it was unable to take out yesterday's high and low. Technically, this type of trading session, with a lower settlement indicates additional moves lower. Prices are once again approaching a previous descending channel that can be depicted on a spot continuation chart. With expectations for inventory builds due out tomorrow, we would look for prices to test the top of this channel, which comes into the session set at \$76.51. We would like to use this level as a pivotal area, selling successful penetrations and buying unsuccessful ones. Our overall sentiment of this market is that it should come back to test the \$65.00 level, where we would reevaluate it.

Crude Oil MAR.10 357,061 +13 637 APR 128,210 +11,197 May 68,251 +4,532 Totals 1,324,903 – 5,252 Heating oil FEB 10 50,811 –8,226 MAR.10 79,741 +2,778 APR10 34,408 +40 Totals: 311,199 – 4,590 Gasoline FEB.10 50,400 –4,879 MAR. 10 83,980, +5,972 APR10 40,681 +222 Totals: 273,399 +3,451.

The API report showed an unexpected draw in crude stocks of 1.802 million barrels on the week with draws of 1.182 million barrels and 4.101 million barrels reported in Padd 2 and 5, respectively. It reported the draw in crude stocks despite fall in crude runs of 530,000 bpd to 13.361 million bpd while imports increased by 71,000 bpd to 9.8 million bpd. The API also reported a large draw in distillate stocks of 3.385 million barrels on the week, with a draw of 2.209 million barrels in Padd 1 alone. It reported the draw in distillate stocks as apparent demand increased by 20% to 4.303 million bpd while apparent demand basis its three week moving average fell by 0.6% to 3.975 million bpd. It also reported that distillate production fell by 183,000 bpd or 5% to 3.509 million bpd while imports fell by 98,000 bpd or 24% to 310,000 bpd on the week. The API reported that gasoline stocks built by 667,000 barrels on the week, with a build of 1.611 million barrels in Padd 2. It reported that gasoline production increased by 18,000 bpd or 0.2% on the week to 8.966 million bpd while imports fell by 50,000 bpd or 40.3% to 74,000 bpd. Apparent gasoline demand increased by 10.5% on the week to 8.945 million bpd while apparent demand basis its three week moving average fell by 2% to 8.531 million bpd.

NYMEX ACCESS Light Crude Oil (QCLG0)

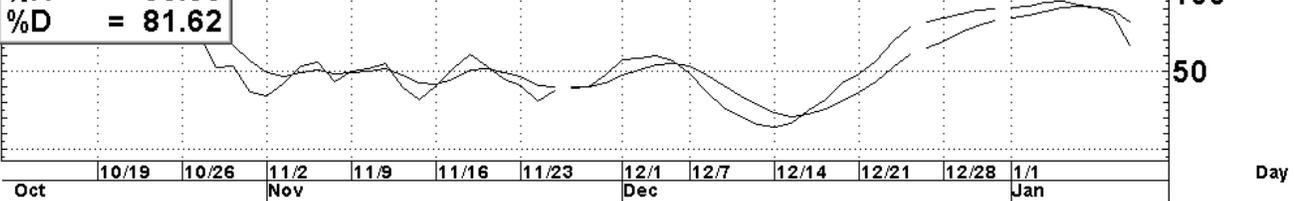
Daily bar chart for February crude oil. Prices penetrated key support at 82.00. We would look for a test at the 38% retracement level of 78.94.

High = 82.34
 Low = 79.93
 Open = 82.07
 Last = 79.98
 1 = 77.45
 0.00% = 83.95
 100.00% = 70.83
 38.20% = 78.94
 50.00% = 77.39
 61.80% = 75.84
 1/12/10



%K = 66.35
 %D = 81.62

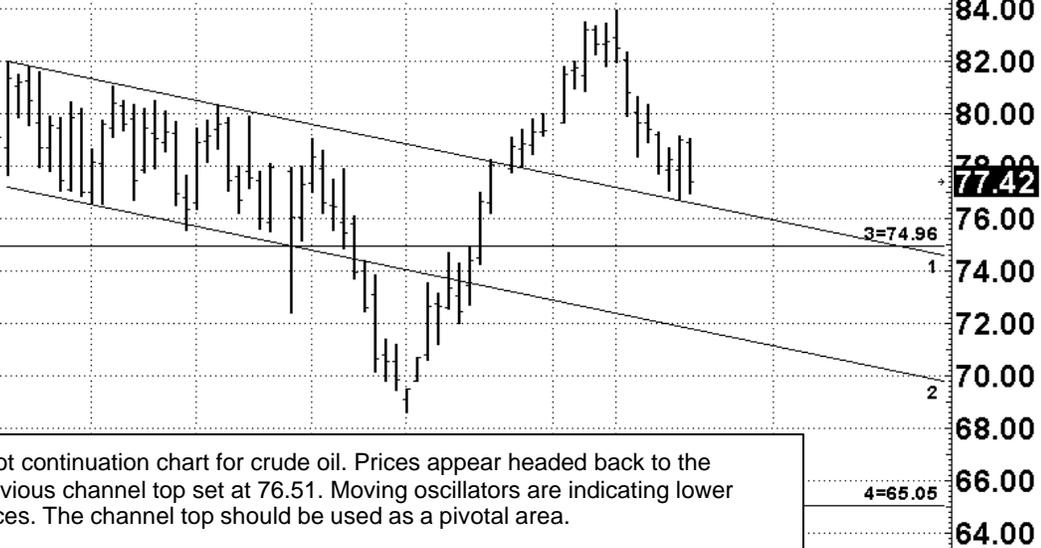
Slow Stochastic



High =
 Low =
 Open =
 Close =
 1 = 76.51
 2 = 71.75
 3 = 74.96
 4 = 65.05
 1/21/10

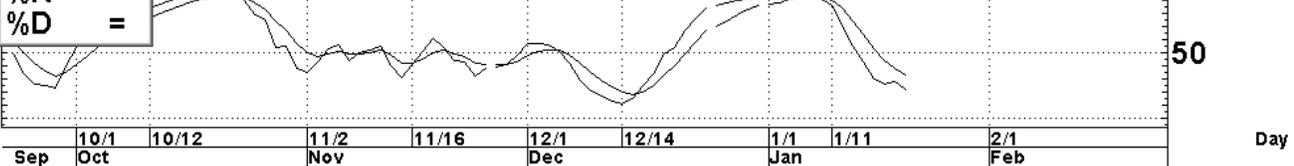
NYMEX ACCESS Light Crude Oil Con (QCL^c₁)

Spot continuation chart for crude oil. Prices appear headed back to the previous channel top set at 76.51. Moving oscillators are indicating lower prices. The channel top should be used as a pivotal area.



%K =
 %D =

Slow Stochastic



Crude Support Based on February	Crude Resistance Based on Feb
76.50, 75.00, 73.50, 72.91, 72.60, 70.00, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	79.30, 81.00 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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