



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 26, 2009

OPEC's President Jose Botelho de Vasconcelos said OPEC could meet before March if Brent crude oil prices fall below \$40/barrel. When asked if OPEC would carry out more cuts if prices did not reach \$75/barrel in March, he said OPEC could continue to carry out more cuts.

Ecuador's Oil Minister Derlis Palacios said the country sees oil prices averaging about \$55/barrel this year.

Market Watch

The National Weather Service forecast US heating demand this week is expected to average 5.4% above normal as cold weather will permeate most of the country. Demand for heating oil is expected to be about 10.3% above normal this week while demand for natural gas is expected to average 7.2% above normal.

A 1 million barrel oil tanker hired by Citigroup Inc's Phibro LLC to store crude off Scotland's Orkney Islands left for the US Gulf on January 23. Oil companies and traders including Royal Dutch Shell Plc and BP Plc have stored as much as 80 million barrels of crude on tankers.

Eni SpA chief executive Paolo Scaroni said the IEA has consistently overestimated oil demand since 2004, leading many market operators to predict an impending oil crisis. He also said the oil industry needs to work towards a new contractual framework which ensures producers can count on stable demand for their oil and stable revenues.

The Conference Board index of leading indicators increased 0.3% to 99.5 in December. Its coincident and lading indicators fell by 0.5% to 104.1 and by 0.4% to 113.3, respectively.

The IMF cut its forecast for 2009 world growth to 0.5% from 2.2% in its previous economic outlook in November. It forecast the US economy to contract 1.6% this year compared to an earlier forecast of a 0.7% decline. It estimates US growth at 1.6% in 2010. It also cut its forecast for the euro zone this year to show the economy shrinking by 2% compared with a 0.5% decline in November. It estimates 2010 growth at 0.2%.

According to the Lundberg Survey, the average price of gasoline increased by about 8 cents to \$1.86/barrel in the last two weeks in January.

The EIA reported that the US average retail price of diesel fell by 2.8 cents to \$2.268/gallon in the week ending January 26th. It is the lowest price reported since the week ending June 6, 2005. Meanwhile it reported that the US average retail price of gasoline fell by 9 cents to \$1.838/gallon on the week.

January Calendar Averages

CL – \$41.98
HO – \$1.4770
RB – \$1.1386

Nigeria's anti-corruption police arrested six Ghanians and a Nigerian for stealing millions of dollars worth of crude oil in the Niger Delta. The suspects were taken into custody after their vessel, carrying a cargo worth about \$2.2 million was seized in Chanomi Creek in late December. Some estimates put the amount of crude stolen from the region at 100,000 bpd worth \$4.6 million

daily at current prices.

The new US ambassador to the UN said the US is committed to direct and vigorous diplomacy with Iran over its suspect nuclear program but warned Iran of increased pressure if it refuses to halt uranium enrichment.

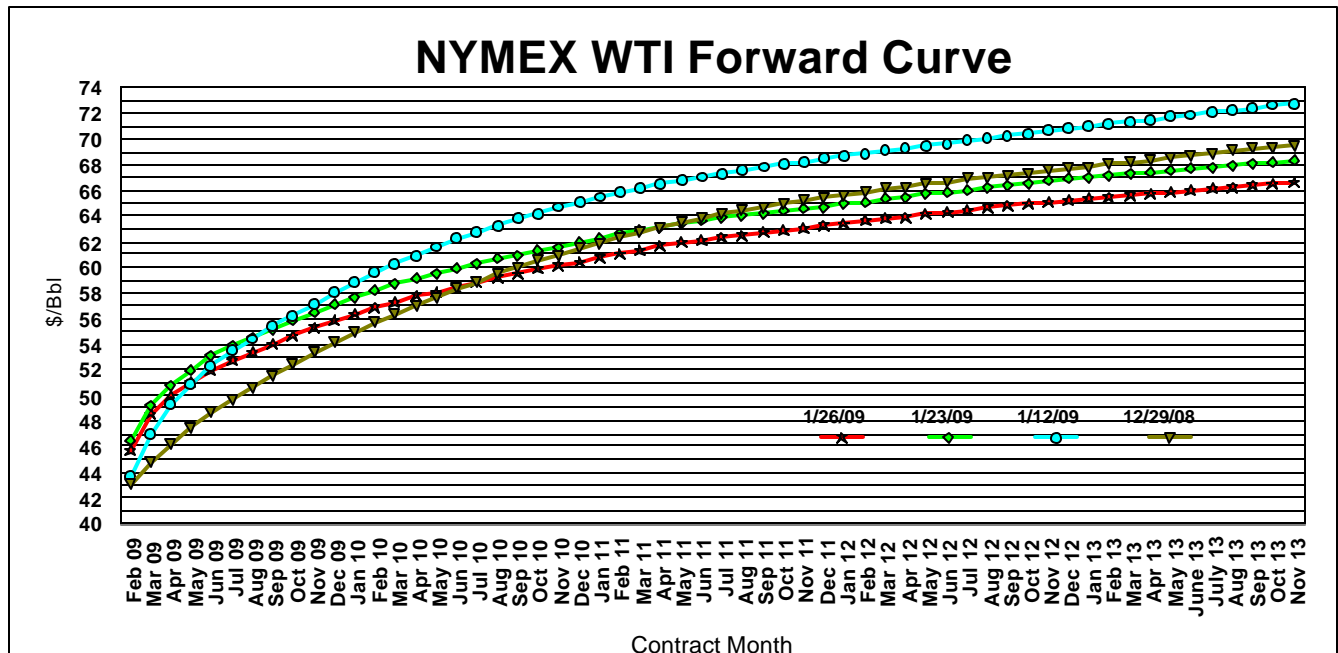
Refinery News

Credit Suisse said US refinery margins weakened in the week ending January 23 due to higher crude oil prices. Midwest margins fell by \$9.88 to \$8.69/barrel while Gulf Coast margins fell by \$7.47 to \$8.80/barrel. Margins in the Rockies fell by \$4.76 to \$12.95/barrel, while margins in the West Coast fell by \$7.28 to \$21.15/barrel and margins in the Northeast fell by 1 cent to \$8.83/barrel.

A 75,000 bpd crude unit and a hydrotreater at BP Plc's 410,000 bpd Whiting, Indiana refinery returned to service and are in the process of returning to normal operations on Monday after maintenance was completed over the weekend. Separately, work continues at an ultraformer at its 437,000 bpd Texas City, Texas refinery after the unit was taken offline on January 6 due to a leak at an associated cooling component. Also a gas oil hydrotreater at BP's 260,000 bpd Carson refinery is expected to return to normal operations this week after it was shut for unplanned maintenance last week.

Alon USA Energy Inc will restart its 55,000 bpd refinery in Paramount, California during the second week of February after it was shut on November 2.

On Sunday, Shell said it will begin restarting a 67,000 bpd selective hydrocracking unit and two sulfur recovery units at its 340,000 bpd refinery in Deer Park, Texas. The units were shut for work on January 2. Its Platformer-2 is still undergoing maintenance.



Valero Energy Corp has decided to shut down its entire 218,000 bpd Texas City, Texas refinery for turnaround.

Refiner negotiator Shell Oil Co and the United Steelworkers union met on Monday for talks on a new US refinery workers contract. USW union spokeswoman Lynne Baker said talks could go down to the wire on Saturday, the day a national basic labor agreement between 30,000 unionized US refinery workers and their employers expires. Both sides have prepared for possible worker strikes or management lockouts if they fail to reach a new agreement. BP has stated that it will shut four of its five US refineries represented by labor unions if there is a strike or lockout.

A fire hit Venezuela's 300,000 bpd Cardon refinery on Sunday, injuring at least three workers without affecting operations. A fire started at Cardon storage tanks that held finished gasoline, later causing an explosion at a nearby pumping station.

Saudi Arabia has postponed to September a bidding round for building an oil refinery with a capacity of up to 400,000 bpd on the Red Sea coast in Jizan. Saudi Arabia had initially set a March 7 deadline for prequalified firms to present detailed proposals to build the Jizan refinery. Jizan is far from Saudi oil reserves and is part of a wider plan to develop the southern region near the border with Yemen.

Separately, Saudi Aramco and Total want bidders for a new joint venture refinery to cut at least \$1.2 billion from costs due to the world economic crisis.

Russia's Black Sea port of Novorossiisk remains closed due to strong winds and heavy sea swells. The port was shut on Friday night. A source estimated are about 15 vessels waiting to load at the port.

Iraq's SOMO has tendered to sell fuel oil produced from the country's southern oil fields. It however did not state how much fuel oil was offered for sale.

Production News

A senior Iranian official said Iranian crude oil has sold for an average price of more than \$80/barrel since March 2008. Iran's Deputy Oil Minister in charge of planning, Akbar Torkan said Iran's crude oil production was averaging about 1.5 billion barrels a year, of which 900 million barrels were exported.

Iraq's Oil Minister Hussain al-Shahristani said Iraq will restore oil exports to 2 million bpd in 2009 and increase its refining capacity to become self sufficient in oil products by the end of the year. Iraq's exports will increase by 150,000 bpd on the year. Iraq started a new 70,000 bpd refinery unit at the Doura refinery, which will increase the refinery's capacity to 160,000 bpd. He said another 70,000 bpd unit would be opened by the end of the year, raising capacity at the refinery to 230,000 bpd. Iraq intends to ask foreign companies during 2009 to bid for a \$1 billion contract to build a fluid catalytic cracking unit at its Baiji refinery, which would eventually allow it to produce enough refined products to become an exporter. Meanwhile, Iraq's Oil Ministry reported that Iraq's revenue from crude oil sales was \$1.943 billion in December, down 18.2% on the month. It exported an average of 1.81 million barrels in December, up from 1.76 million bpd in November. Separately, Iraq's cabinet cut its draft 2009 budget on Sunday, the second time in three months that falling oil prices have forced it to cut spending. The revised budget envisions \$62 billion in spending, more than 22% lower than the \$80 billion initially agreed last year. The 72.9 trillion Iraqi dinar budget assumes an average oil price of \$50/barrel in 2009, down from \$62/barrel in the November revision and \$80/barrel in the original draft.

Brazil's Petrobras said late Saturday that its P-51 platform started production at the Marlim Sul field in the Campos Basin. The P-51 platform has installed capacity to produce 180,000 bpd of oil and 6 million cubic meters of natural gas/day. It is one of four expected to enter production in coming months.

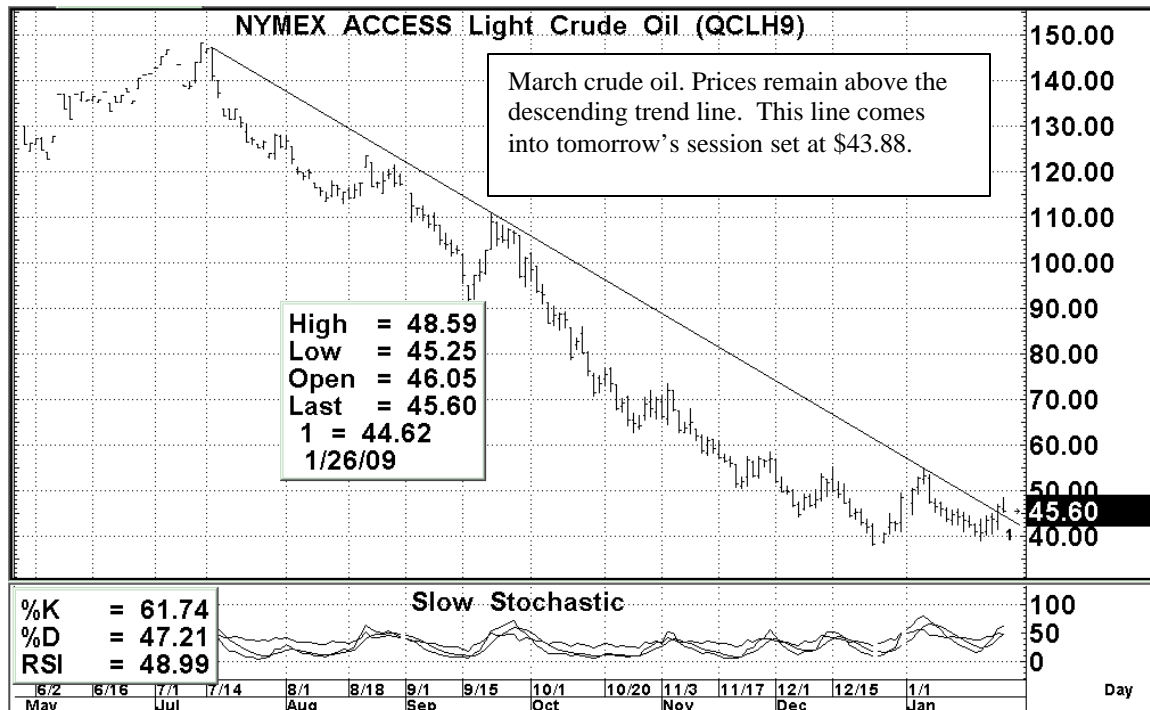
Egypt's production of crude oil, condensates and biogas increased by 3.87% on the year in December to 2.978 million tons.

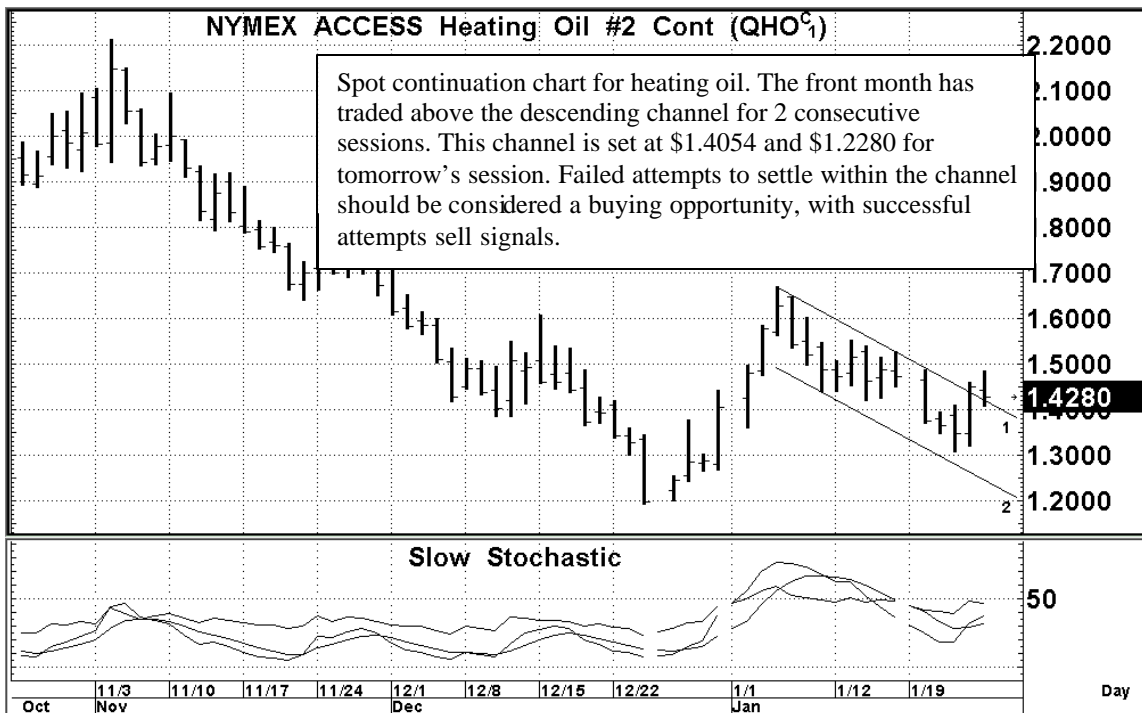
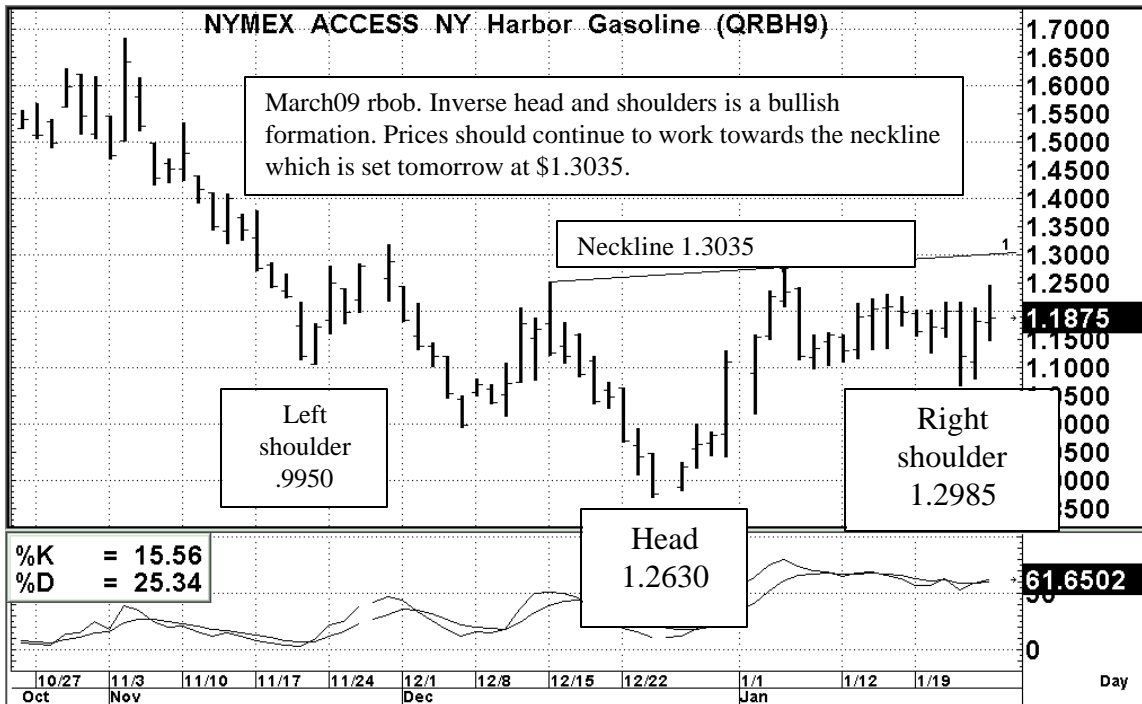
OPEC's news agency reported that OPEC's basket of crudes increased further to \$40.91/barrel on Friday, up from Thursday's \$40.31/barrel level. It also reported that OPEC's basket of crudes fell by 83 cents to \$40.08/barrel in the week ending January 23rd.

Market Commentary

In early session trading, optimism over the economy sent crude oil prices higher, with the March09 contract peaking the day at \$48.59. Stocks were higher along with gold and copper as speculation mounted that a U.S. stimulus package will spark economic growth. The National Association of Realtors said home purchases rose 6.5 percent in December, adding to the optimism. This run-up in prices was short lived, however, as OPEC cuts were deemed insufficient. Prices headed lower with the March09 crude oil contract settling \$0.74 lower on the day. The March09 crude oil contract has traded above the long term descending trend line on a daily bar chart for the second straight session. This trend line begins tomorrow's session set at \$44.62. Moving oscillators are trending higher in neutral territory. Based on both of these scenarios, prices should continue higher. As long as the March contract can remain above the aforementioned trend line, we would look for a test up at the \$50.07 resistance level. Gasoline held on to its strength better than the crude oil and heating oil. The March09 contract worked towards the neckline on the inverse head and shoulders pattern depicted on the chart within this wire. Slow stochastics continue to trend higher in neutral territory. A penetration of this neckline sets prices up for a test at \$1.6856. The spot month in heating oil has traded above a descending channel for two consecutive sessions. Moving oscillators support further upside movement. Failed attempts to settle within the channel should be considered buying opportunities, with successful attempts selling opportunities.

Open interest MAR.09 377,692 +2,493 APR.09 111,504 +2,513 MAY.09 60,984 +662 Totals: 1,239,639 +8,479 Heating oil FEB.09 23,418 -1,076 MAR.09 58,941 -1,274 APR.09 29,146 +29 Totals: 250,997 -1,444 NEW YORK HARBOR RBOB GASOLINE FEB.09 22,658 -1,879 MAR.09 68,194 -745 APR.09 27,319 -480 Totals: 192,461 -2,076





Crude Support	Crude Resistance
41.40, 40.40, 39.11, 32.25, 29.66, 28.63, 26.65, 25.50	48.77, 50.07, 54.75, 55.98, 57.20
Heat Support	Heat resistance
1.3159, 1.3039, 1.2785, 1.1895	167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.1490, 1.0988, 1.0680, 1.0128, 9590, .8978, .8755, 7850	1.2170, 1.2298, 1.2750, 136.14