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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 28, 2010

Saudi Aramco's chief executive Khalid al Falih said world dependence on oil will continue and added that fears over future supplies are overstated. He said there is still plenty of oil. He said Saudi Aramco is comfortable maintaining a cushion of 4 million bpd of spare capacity for the foreseeable future even if world demand increases.

US Secretary of State Hillary Clinton said Iran's stance on its nuclear program is leaving major powers with little choice but to apply further sanctions against the country.

The chief economist of the IEA, Fatih Birol said oil demand in industrialized countries will never return to 2006 and 2007 levels because of more fuel efficiency and the use of alternatives. In its latest monthly Oil Market Report released on January 15th, it forecast oil demand in OECD countries this year will average 45.48 million

Market Watch

The US Commerce Department said durable goods orders increased by 0.3% in December compared to market expectations of an increase of 2%. Non-defense capital goods orders, a proxy of business spending plans, increased by 1.3% in December. Durable goods inventories fell by 0.2% in December after falling by 0.2% in November.

The US Labor Department reported that the number of initial claims for unemployment benefits fell by 8,000 to 470,000 in the week ending January 23rd. The previous week's level was revised to 478,000 from 482,000. It reported that the four week moving average increased by 9,500 to 456,250 from the previous week's revised average of 446,750. The number of continuing claims fell by 57,000 to 4,602,000 from the preceding week's revised level of 4,659,000. The unemployment rate for workers with unemployment insurance for the week ending January 16th fell to 3.5%, down 0.1% on the week.

Speaking at the World Economic Forum, BP Plc's chief executive Tony Hayward said Iraq can increase its oil output to 10 million bpd in a decade, plugging any gaps in world supply. He expects oil to trade within a range of \$60 to \$80/barrel through the remainder of 2010. Meanwhile, Total SA's chief executive Thierry Desmarest said peak oil is approaching and the ability to increase world output is getting tougher. He said world output is unlikely to exceed 95 million bpd of oil in the near future.

Australia and New Zealand Banking Group Ltd said US President Barack Obama's proposed tightening of bank trading rules could cut liquidity and increase volatility in commodity markets, creating a divergence between physical and futures prices. Last week, President Obama outlined a plan to cut proprietary trading and cut financial market risk taking at some of the largest US banks, including Morgan Stanley and Goldman Sachs.

ConocoPhillips is reshuffling its trading arm to expand its worldwide trading activities. The overhaul will take the Houston-based company into markets where it does not have significant oil production or processing assets. The move would mirror trading of its rivals BP Plc and Royal Dutch Shell Plc, which have increased their profits by taking advantage of dislocations in regional oil markets to move less expensive oil to places where prices are higher. Sources said ConocoPhillips has been among the leaders of an attempt to start over-the-counter trading against the Argus Sour Crude Index, the new benchmark selected by Saudi Arabia to price crude oil shipments to US customers.

**January
Calendar Averages**
CL – \$78.72
HO – \$2.0696
RB – \$2.0531

bpd, unchanged on the year.

According to Oil Movements, OPEC’s oil shipments, excluding Angola and Ecuador, are expected to increase by 340,000 bpd in the four weeks ending February 13th to 23.21 million bpd.

The EIA reported that US oil demand in November was revised up by 0.4% to 18.55 million bpd from its previous estimate of 18.484 million bpd. However demand was down 2.63% from 19.052 million bpd reported a year earlier. Gasoline demand in November averaged 8.871 million bpd, down 1.3% from its previous estimate and down 0.4% or 33,000 bpd on the year. The US average retail gasoline price stood at \$2.651/gallon, up 10 cents on the month. Distillate demand averaged 3.549 million bpd, down 0.4% from its previous estimate and down 8.3% or 323,000 bpd on the year. Retail diesel prices averaged \$2.792/gallon in November. The EIA also reported that US crude oil imports in November increased by 143,000 bpd or 1.7% on the month but fell by 1.235 million bpd or 12.4% on the year to 8.709 million bpd. Canada was the top crude oil source for the US, with 1.984 million bpd. Mexico was the second largest supplier, with 951,000 bpd while Nigeria supplied 948,000 bpd. Saudi Arabia was the fourth largest supplier, with 837,000 bpd followed by Venezuela, with 809,000 bpd.

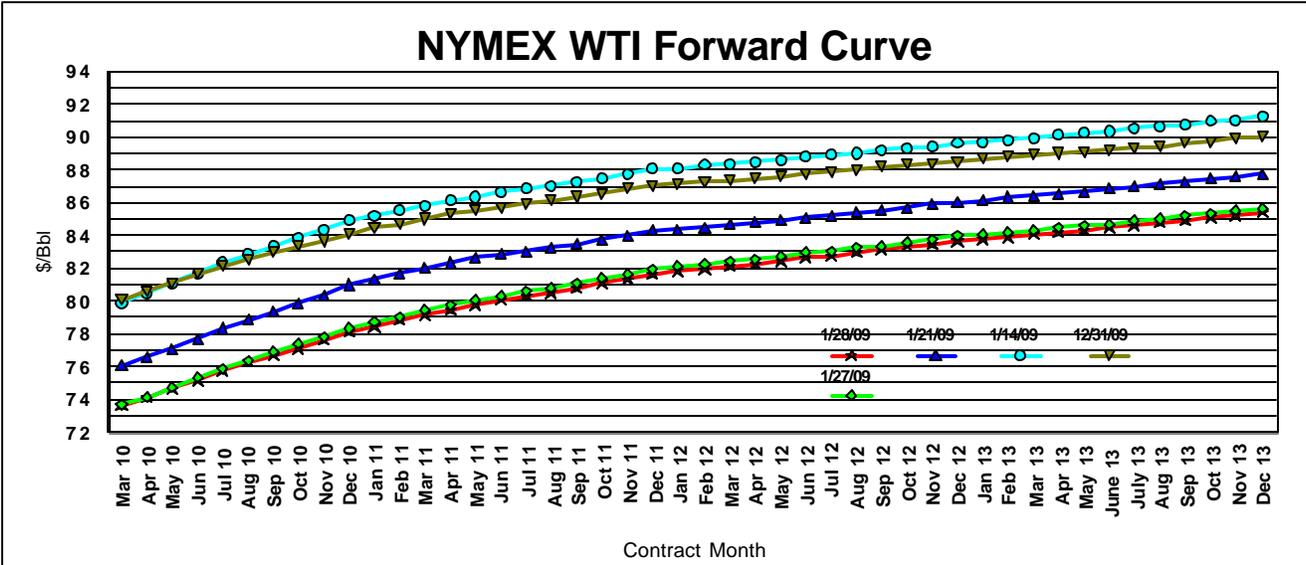
The California State Board of Equalization said the state’s gasoline demand in October fell by 0.4% on the year. It also reported that diesel demand in October fell by 11.1% on year.

Refinery News

Planned flaring at BP Plc’s 265,000 bpd Carson, California refinery are seen as indicators of the end of planned maintenance that started earlier this month. The work on a crude unit and coker unit has been underway since January 6th.

Valero Energy Corp said a fuel gas compressor tripped at its 170,000 bpd refinery in Benicia, California, causing an emission of sulfur dioxide. It said the equipment has been repaired and resumed operations. It also reported that a fire damaged crude unit, with a capacity of 90,000 bpd, at its 243,000 bpd refinery in Texas City, Texas was in restart mode. The unit is expected to reach normal rates within the next several days after it was shut since December 24th.

Motiva Enterprises LLC expects to return its 285,000 bpd Port Arthur, Texas refinery to normal operations with the resumption of traffic on the Sabine-Neches waterway. The refinery had cut its



rates by 100,000 bpd following the closure of the waterway. It said one crude vessel is en route to the refinery while a second is expected to arrive today.

Shell Oil Co said its 156,400 bpd refinery in Martinez, California is operating normally after an early morning malfunction sprayed petroleum coke dust over a nearby marsh.

Sinclair Oil Corp expects the majority of its units at its 80,000 bpd Sinclair, Wyoming refinery to resume operations within the next few days. Some units have already been restarted while others are currently being restarted.

Marathon Oil Co's refinery in Garyville, Louisiana is currently in routine turnaround. It however said it is ready to run at full, expanded capacity of 436,000 bpd. It said a new 180,000 bpd crude unit is ready to operate and actually has operated at full capacity.

Murphy Oil said it is open to opportunities to buy one or two additional ethanol refineries.

Sudan expects to sign a final agreement with China's CNPC in 2010 to expand its Khartoum oil refinery by 50,000 bpd to 100,000 bpd within three years to meet increasing domestic demand.

Oil product inventories held at independent storage in the Amsterdam-Rotterdam-Antwerp mostly fell over the past week. Gas oil stocks in the week ending January 27th fell by 6.83% on the week but increased by 4.86% on the year to 2.674 million tons while fuel oil stocks fell by 16.27% on the week but increased by 1.1% on the year to 736,000 tons, naphtha stocks fell by 46.67% on the week and by 60.49% on the year to 32,000 tons and jet fuel stocks fell by 7.87% on the week and by 0.12% on the year to 831,000 tons. Gasoline stocks however increased by 1.55% on the week but fell by 4.27% on the year to 920,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 418,000 barrels to 18.669 million barrels in the week ending January 28th. It also reported that Singapore's light distillate stocks increased by 656,000 barrels to 10.489 million barrels while middle distillate stocks fell by 923,000 barrels to 14.544 million barrels on the week.

India's Reliance Industries has leased gasoline storage space in the Caribbean as it seeks a larger portion of the US market. Industry sources said the deal on the 500,000 barrels storage facility at the Borco terminal in the Bahamas was secured sometime towards the end of last year.

Production News

Iraq's crude oil export from the southern Basra terminal fell by 50% to 840,000 bpd on Thursday due to bad weather conditions. Iraq exports an average of 1.45 million bpd from the terminal. A shipping source said bad weather is expected to continue for the next two days.

Occidental Petroleum Corp expects to replace 200% of its proved oil and gas reserves in 2009. It also said the company expects production at the Zubair field in Iraq will reach production of about 1.2 million bpd in the next six years, up from the current level of about 200,000 bpd.

Iraq signed a final deal with a group led by Russia's Gazprom on Thursday to develop its eastern Badrah oilfield with estimated reserves of 100 million barrels of oil. Under the contract, Russia's Gazprom Neft, operator of the project, will hold a 30% stake, Turkish Petroleum Corp will hold 7.5%, Kogas will hold 22.5% and Petronas Carigali will hold 15% while Iraq's Oil Exploration Co will hold a 25% stake. Total investment by a consortium during the 20 year contract period will be about \$3.52 billion. The consortium plans to produce about 800 million barrels in total during the period. Meanwhile, South Korea's Korea Gas Corp plans to invest about \$1.05 billion in the development of

the Badra oil field in Iraq over 20 years starting this year. It expects to secure about 20 million barrels in total or 1 million barrels per year for its investment.

Russia's Rosneft has discovered a strategic new field in East Siberia that analysts estimate could potentially add 4% to the company's proven and probable reserves. Rosneft said the Sevastyanovo field could hold more than 150 million tons of crude.

Russia's Natural Resources Minister Yuri Trutnev proposes easing laws restricting foreign participation in offshore energy projects and added that state energy firms OAO Gazprom and OAO Rosneft need foreign capital. He said the amount of money the two companies have been investing in the development and exploration of offshore fields is not enough to develop them with any reasonable timeframe.

Canadian Natural said it will buy 50% of privately held North West Upgrading Inc, which plans to build an upgrader near Edmonton, Alberta, for an undisclosed sum. The two companies will apply to take advantage of an Alberta program aimed at stimulating processing of its vast oil sands within the province, rather than shipping the resources and jobs elsewhere. Canadian Natural said the first phase of the Redwater, Alberta plant will produce 50,000 bpd and two more stages of the same size could be added later.

Chevron Corp and a group of Japanese companies, including Mitsubishi, submitted a joint bid on Thursday in Venezuela's Carabobo oil auction. It was not clear what other companies may have also bid in the auction, the first of its kind since President Hugo Chavez took office 11 years ago. The areas up for bidding could each require an investment of as much as \$30 billion and each winning bidder would form a joint venture with PDVSA. The government hopes the seven blocks could produce 1.2 million bpd by 2015.

Brazil's Petrobras said continued debate over changes to the country's oil laws are generating uncertainties in investment planning.

OPEC's news agency reported that OPEC's basket of crudes fell by 7 cents to \$71.87/barrel on Wednesday.

Russian oil prices for February delivery increased by an average of 11-13% from January at regional metering points. Spot crude was sold at about 7,300-7,700 roubles or \$240.70-\$253.90/ton compared with 6,570-6,900 roubles/ton last month. The export netback for Russia's Urals blend in northwest Europe for loading ex-Primorsk during the trading period of 10 days fell from 8,000-8,200 roubles/ton to 7,000-7,100 roubles/ton on January 27th.

Market Commentary

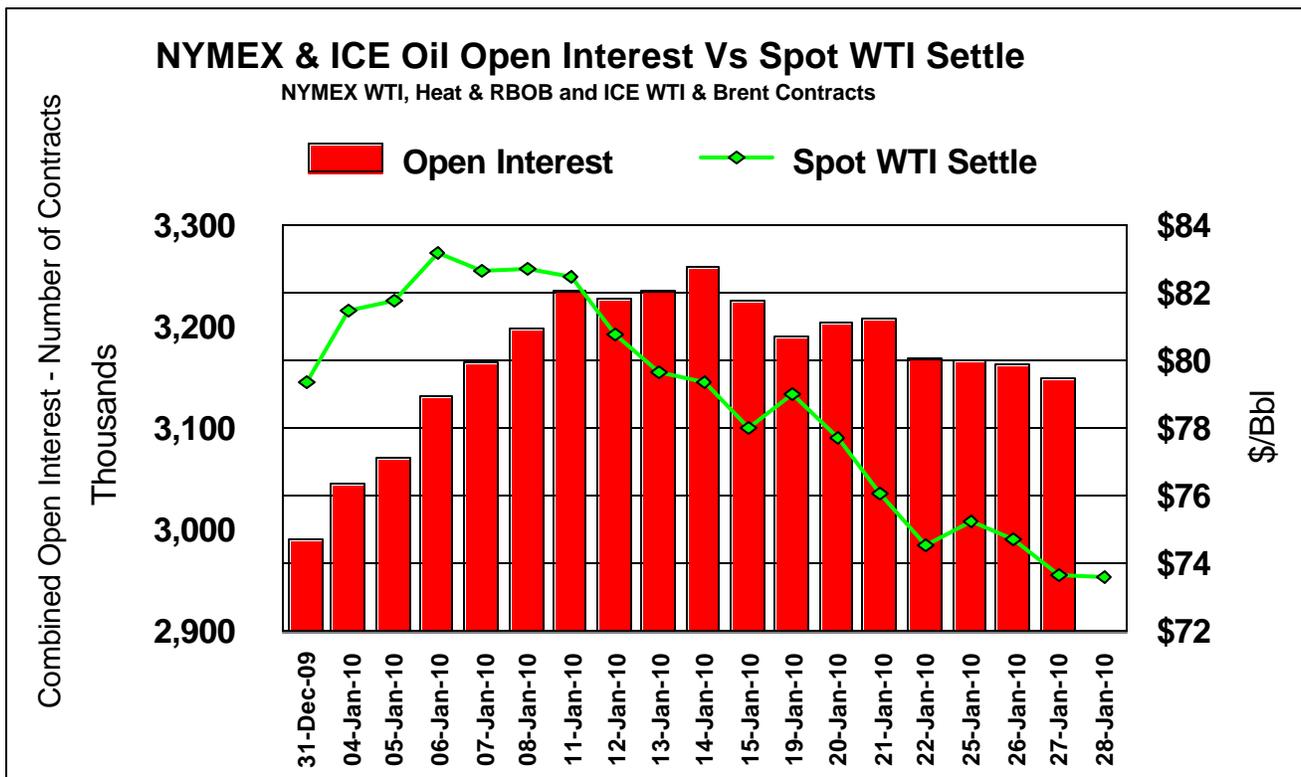
Crude oil settled lower for the third consecutive day as the dollar strengthened and equities fell. Dampening hopes of an economic recovery was a report of U.S. jobless claims, which indicated that claims fell less than expected while durable goods increased less than expected. Still weighing on this market, is yesterday's EIA report, which reflected a 2 percent decrease in product demand from the same four-week period last year. Gasoline also experienced its third day of losses in response to sluggish demand, while heating oil enjoyed late seasonal buying in reaction to predictions of cold weather in the U.S. Prices remain under pressure as it appears that investor interest has subsided. The downward trend in prices should remain in effect given the underlying fundamentals. We would not discount intermittent moves higher, where we would like to be sellers. Based upon the daily spot continuation chart for crude oil, prices continue to trade within a descending channel. Slow stochastics are in oversold territory appearing to be getting ready to cross to the downside. The top of this channel comes into tomorrow's session set at \$75.17, with the bottom of this channel set at \$71.25.

The much talked about 200-day moving average of \$72.00 will continue to act at key support for this market.

Crude oil MAR.10 346,799 -6,079 APR 124,315 -7,240 May 87,233 +4,284 Totals 1,306,913 -14,050 Heating oil FEB 10 17,920 -7,266 MAR.10 95,977 +25 APR10 38,006 +1,468 Totals: 314,589 -739 Gasoline FEB.10 13,211 -4,566 MAR. 92,620 -362 APR10 40,352 +6 Totals: 258,697 -2,887

Crude Support Based on February 72.60, 72.00 , 70.42, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95,	Crude Resistance Based on Feb 75.75, 76.50, 78.36, 79.25-50, 81.00, 82.00, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support 1.8990, 11.8890, 1.8700, 1.8570, 1.8280, 1.7670, 1.7565	Heat resistance 1.9690, 2.0445, 2.2270, 2.2575, 2.4200
Gasoline support 1.8970, 1.85.65, 1.7900, 1.7200 1.6600	Gasoline resistance 2.0045, 2.1930, 2.2270, 2.3350,

Please note our chart last night was incorrectly labeled with the spot crude price as "spot NG price" We have made the correction and updated through this evening.



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