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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 29, 2009

Consumers and producers meeting at the World Economic Forum in Davos agreed that the oil price should increase to ensure investment in future supply. The \$100-plus collapse in oil prices since July has slowed investment and increased the potential of tight supply when demand increases again. OPEC Secretary General Abdalla Salem El-Badri warned the oil market is at risk of cutting too much investment amid the world economic crisis and may end up laying the foundation for sharply higher prices when economic activity recovers. Speaking at the World Economic Forum, he said

Market Watch

Britain's Guardian newspaper reported that officials in President Barack Obama's administration are drafting a letter to Iran aimed at opening the way for direct talks with the country. The draft gives assurances that the US does not want to overthrow the Iranian administration but instead seeks changes in its behavior. The letter will be addressed to the Iranian people and sent directly to Supreme Leader Ayatollah Ali Khamenei or released as an open letter. President Obama has stated that he is prepared to extend a hand of peace to Iran if it "unclenched its fist." Iran said it would welcome President Obama's change of policy if it involved a withdrawal of US troops from abroad and an apology for past crimes against Tehran.

A decline in activity at US ports may extend well into 2009 as the recession deepens, spelling weak demand for diesel from the shipping and trucking industries. According to the Port Tracker survey by HIS Global Insight for the National Retail Federation, cargo volumes at major US container ports have fallen for the 17 consecutive month. The number of loaded shipping containers moving in and out of the busiest US port complex in southern California fell 23% in December on the year and 16.4% on the month. Container volume at US ports may fall 5.6% in the first quarter of the year. According to the American Trucking Association, trucking tonnage carried on US highways has fallen about 20% over the past six months, the largest decline on record. It estimates that truckers can consume about 2.6 million bpd of diesel, accounting for about two-thirds of US distillate consumption.

The US Commerce Department reported that durable goods orders in December fell by 2.6% to a seasonally adjusted \$176.8 billion. Durable goods fell 3.7% in November, revised down from a previously estimated 1.5% decrease. Year over year durables were 5.7% lower.

The Labor Department reported that initial claims for unemployment benefits increased by 3,000 to 588,000 in the week ending January 24th. The four-week average of new claims increased by 24,250 to 542,500. Meanwhile continuing claims increased by 159,000 to a record level of 4,776,000. It is the highest level since the government started keeping track of unemployment in 1967. The unemployment rate for workers with unemployment insurance increased 0.2% to 3.6%, the highest level since August 1983.

The Chicago Federal Reserve Bank said its Midwest manufacturing index fell by 3.6% to a seasonally adjusted 92.2 from a downwardly revised level of 95.7 in November. It fell to the weakest level in over 12 years. Midwest output was down 14.8%, worse than the 10% national decline.

Royal Dutch Shell Plc plans to increase its capital expenditure budget by 5% in 2009 unlike the industry wide trend of cutting investment. Its investments excluding asset sales and acquisitions are expected to be \$31-\$32 billion in 2009, up from \$30 billion in 2008. Royal Dutch Shell expects energy to remain expensive in the long term as the world tries to meet increasing demand without harming the environment.

January Calendar Averages**CL – \$41.94****HO –\$1.4661****RB – \$1.1442**

\$40 to \$50/barrel oil prices were too low for OPEC countries to keep investing in future production capacity. He said OPEC is concerned about the lower oil prices and added that OPEC would not hesitate to act if the oil price remained low. He also stated that OPEC's compliance with a 2 million bpd cut in production

accounted in October was near 100% and he expects to see a similar outcome when he receives a report February 15 on its December decision to cut a further 2.2 million bpd starting in January. The IEA's executive director, Nobuo Tanaka agreed consumers would have to pay more for crude oil to stimulate investment. BP's chief executive Tony Hayward said an oil price of between \$60-\$80/barrel is appropriate. Meanwhile, IEA's chief economist Fatih Birol estimates that about \$100 billion worth of oil and natural gas drilling projects have been either delayed or canceled over the past year due to the world financial crisis and weak oil prices. The reassessments may impact future energy supplies and have implications for oil companies and could lead to longer term problems for consumers if enough potential supply goes undeveloped.

Piracy off Nigeria's southern coast is delaying offshore energy projects in the country. Piracy and kidnappings in the Niger Delta have increased in recent weeks with at least 10 attacks on vessels reported this year. Violence in the Niger Delta has cut a fifth of Nigeria's oil output in the last three years. Oil loading onto shipping vessels at some terminals are restricted to only daylight hours, delaying shipments.

Somali pirates hijacked a German owned tanker carrying liquefied petroleum gas in the Gulf of Aden, the third ship that has been hijacked this year. Meanwhile nine countries signed an agreement enhancing cooperation in the fight against piracy in the Indian Ocean and the Gulf of Aden. The Djibouti code of conduct is the first regional agreement between Arab and African countries against acts of piracy against ships in the Gulf of Aden, the Red Sea and the western Indian Ocean. The code of conduct says coastal states should make the necessary changes in their legislations to facilitate the arrest and prosecution of piracy suspects. The nine signatories are Djibouti, Ethiopia, Kenya, Madagascar, the Maldives, the Seychelles, Somalia, Tanzania and Yemen.

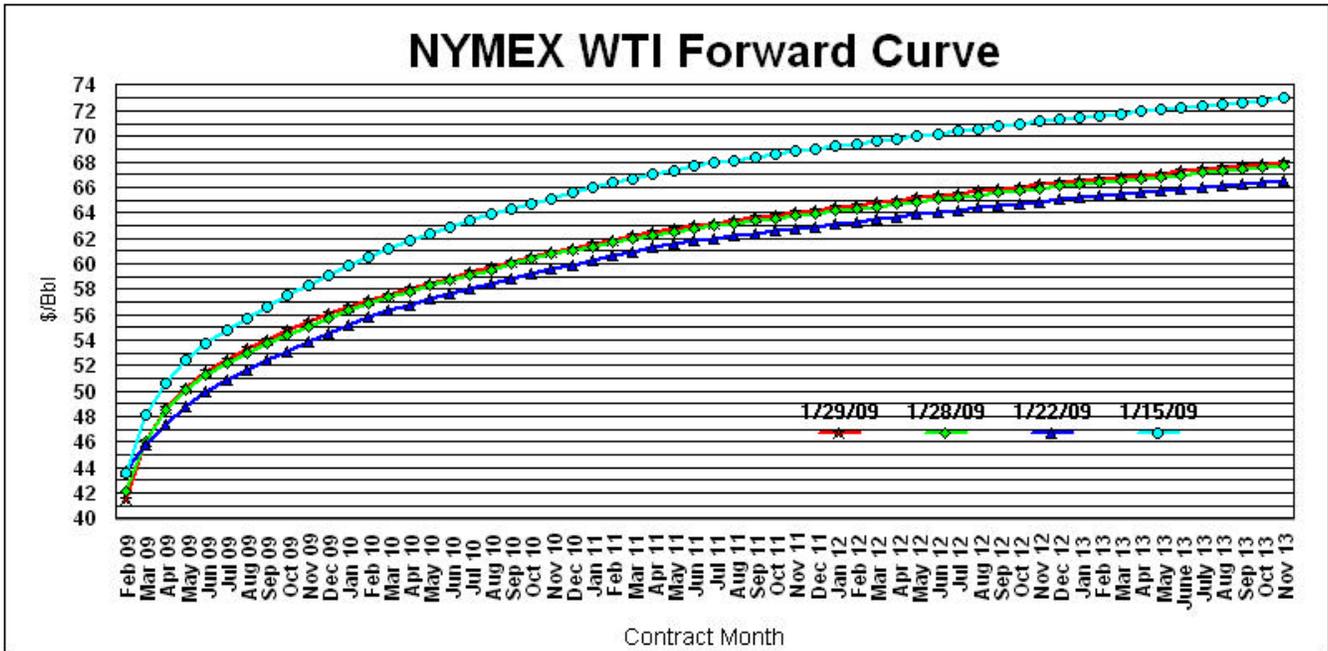
According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, will fall 160,000 bpd in the four week ending February 14th to 23.55 million bpd. The head of Oil Movements said exports would likely fall further through February as OPEC's production cuts feed through to oil flows.

Refinery News

The shutdown of the Osage crude pipeline, which carries 135,000 bpd of crude from Cushing, OK to refineries in Kansas, is likely to build on already high inventory levels at the hub. The pipeline was shutdown on Sunday following the discovery of a leak and was restarted on Wednesday. It is operating at 80% of its capacity. The pipeline shutdown could add more than 400,000 barrels of oil to next week's EIA petroleum inventory report, which showed stocks at Cushing reached 33.5 million barrels in the week ending January 23. Cushing has a capacity of 47 million barrels, however up to 11 million barrels are thought to be reserved for functions other than storage.

Union official said about 30,000 refinery workers that operate half of the country's refinery capacity could go on strike if they fail to renew a union contract that expires February 1st. Talks between the US Steelworkers Union and the lead refiner negotiator, Shell Oil Co, continued on Thursday after the union rejected a third contract offer from Shell.

Valero Energy Corp began maintenance work at its 245,000 bpd refinery in Texas City, Texas involving a crude unit and a coking unit. Valero decided to shut the entire refinery during the maintenance due to other minor work. The main turnaround will be on its 80,000 bpd crude unit, which will undergo work for 35 days and a 52,000 bpd coker unit, which will undergo work for 45 days.



Big West LLC indefinitely suspended operations at its 66,000 bpd Bakersfield, California refinery, which has been unable to secure adequate crude supplies since the bankruptcy of corporate parent, Flying J Inc in December. Big West's struggle to secure crude oil supplies has triggered a California attorney general's investigation into Shell Oil Co's operation of a pipeline supplying the refinery. Shell has stated that it has done nothing wrong and would supply crude to the refinery as soon as an adequate oil supply contract is worked out with Big West.

BP Plc's gas oil hydrotreater at its 265,000 bpd refinery near Los Angeles resumed operations on Wednesday. The unit was shut early last week for unplanned repairs.

Tesoro Corp will shut a 30,000 bpd hydrocracker unit at its Golden Eagle refinery in the San Francisco area in February.

Murphy Oil Corp said it will restart a fluid catalytic cracking unit at its 108,000 bpd Milford Haven refinery in Britain early Friday following an unplanned outage in the middle of January.

Operations at Total SA's Flandres refinery in northern France were not impacted after a truck exploded.

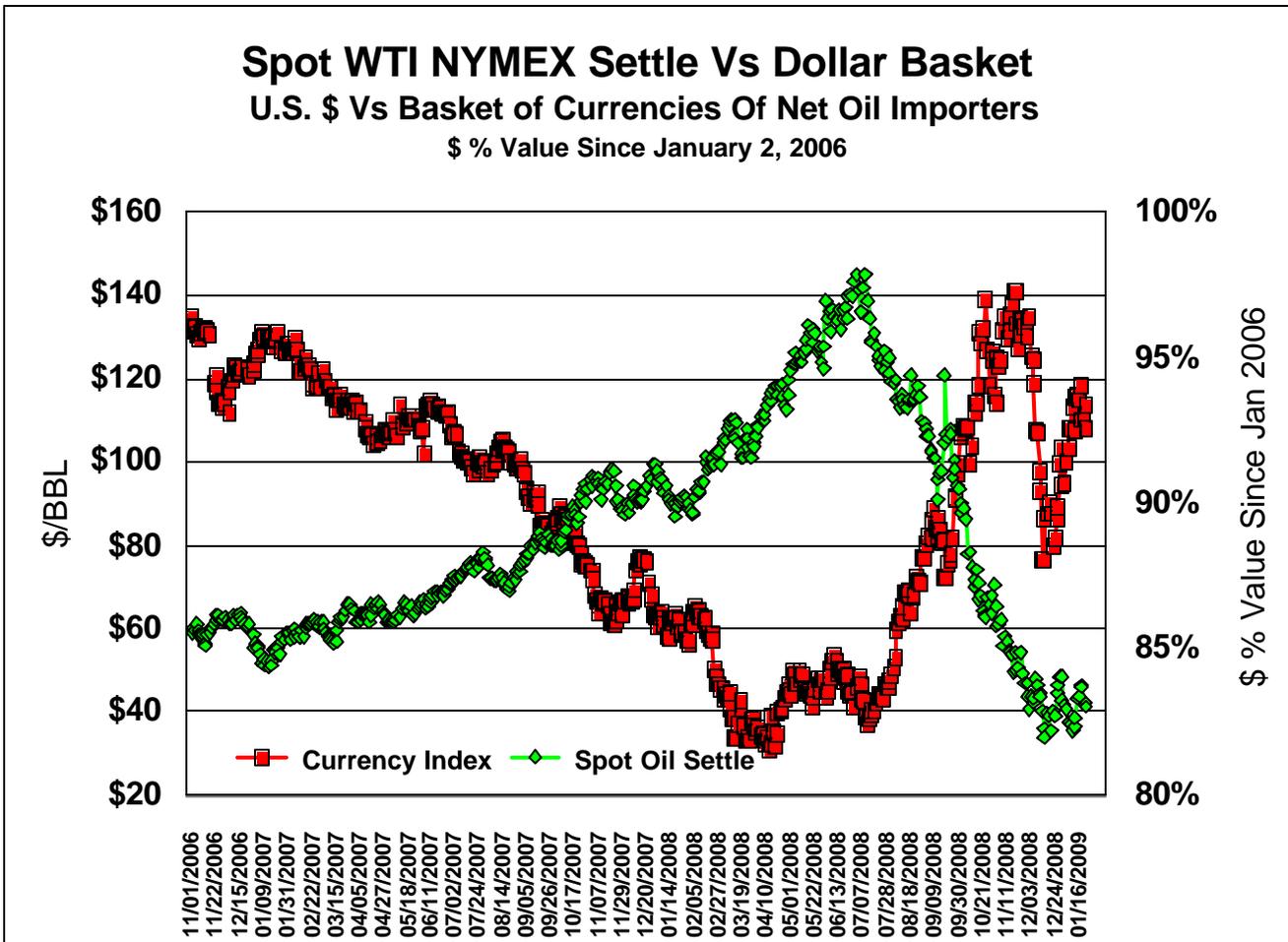
Meanwhile, operations at Total SA's 200,000 bpd Lindsey refinery in the UK were not impacted after about 600 contract workers staged a walkout on Thursday. The workers staged the walkout in protest of a tender that was awarded to Italy's IREM.

Japan's Cosmo Oil Co shut its 13,500 bpd No. 3 catalytic reformer unit at its Yokkaichi refinery following a fire earlier on Thursday. It also shut its 30,000 bpd No. 4 kerosene and gas oil hydro desulphurization unit. The timing of the units' restart remains uncertain. Cosmo Oil is checking on the impact on product shipments.

Nippon Oil Corp plans to refine 4.24 million kiloliters of crude oil in February to meet domestic demand, down 12% on the year. Its January crude refining volume for domestic demand is estimated at 4.18 million kl, down 21% on the year. Separately, Nippon Oil Corp has scheduled maintenance on its 115,000 bpd crude distillation unit at its Osaka refinery from March 8 to April 1, compared with its previous schedule of mid-March to early April.

Spain's Cepsa said it will close two crude distillation units from March 1-13 at its 88,000 bpd refinery.

Gas oil stocks in independent storage in the Amsterdam-Rotterdam-Antwerp terminal in the week ending January 29th increased by 3.24% on the week and by 85.59% on the year to 2.55 million tons ahead of an expected cold snap in February. Gasoline stocks built by 1.69% on the week but fell by 8.04% on the year to 961,000 tons while fuel oil stocks increased by 1.96% on the week but fell by 3.7% on the year to 728,000 tons. Naphtha stocks fell by 16.49% on the week but fell by 5.81% on the year to 81,000 tons while jet fuel stocks increased by 3.74% on the week and by 236.84% on the year to 832,000 tons.

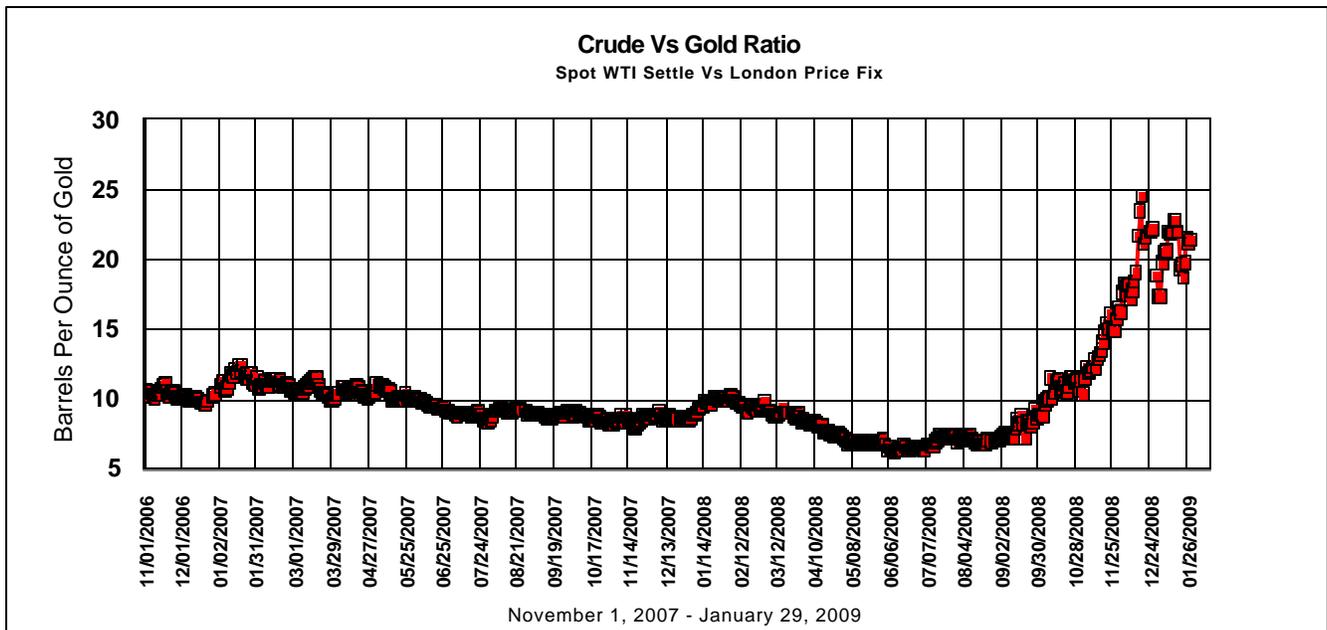


Singapore's International Enterprise reported that the country's residual fuel stocks built by 81,000 barrels to 17.708 million barrels in the week ending January 28th. It also reported that the country's light distillate stocks fell by 439,000 barrels to 9.187 million barrels while its middle distillate stocks fell by 364,000 barrels to 12.848 million barrels on the week.

Production News

Royal Dutch Shell Plc's total crude oil production in Nigeria averaged 360,000 bpd in 2008. Its output averaged 361,000 bpd in the fourth quarter of 2008 compared with an average of 409,000 bpd a year earlier. Its output has been severely hampered by attacks on its facilities by local militant groups in the last year.

Abu Dhabi National Oil Co is expected to increase its supplies of Murban crude to Asia in March. ADNOC will supply 10% below the contracted volumes of Murban in March compared with a 15% cut in February. ADNOC will keep the same level of cuts in supplies of its Lower Zakum, Umm Shaif and Upper Zakum crude grades in March.



Russia's seaborne oil exports in February are expected to fall by 4,974 bpd on the month to 10.257 million bpd. Russia's port of Primorsk is expected to ship 1.44 million bpd in February, down 20,000 bpd on the month. Russia's Black Sea port of Novorossiisk is expected to ship 853,683 bpd of crude in February, down 51,926 bpd on the month while the port of Tuapse is expected to ship 10,214 bpd, down 14% on the month and the port of Yuzhny is expected to ship 61,713 bpd, up 27% on the month.

Indonesia's Energy Ministry expects gasoline and diesel consumption this year to be higher than previously forecast. Gasoline consumption is expected to increase to 20.6 million kiloliters or 122 million barrels from a previous estimate of 19.4 million kl. Diesel consumption is expected to increase to 12.5 million kl from its previous forecast of 11.6 million kl.

Ecuador's central bank reported that the country's oil product export revenues from January through November 2008 increased by 45% to \$1.1 billion from \$757 million in 2007. It exported 13.73 million barrels in the first 11 months of 2008, down 1.5% on the year.

Brazil's ethanol prices have increased following a halt in production due to heavy rains in the country's major sugar crop regions. The price of Brazilian anhydrous ethanol, which is the European specification, is currently in the region of \$435/cubic meter, up from \$420/cubic meter two weeks ago. However the increase in Brazilian prices has not had any impact on European prices.

OPEC's news agency reported that OPEC's basket of crudes increased marginally to \$40.71/barrel on Wednesday from \$40.68/barrel on Tuesday.

Market Commentary

The oil market sold off sharply early in the session following continuing bearish economic news. The market posted a low of \$40.18 in light of the US Commerce Department reporting that durable good orders in December fell by 2.6% to a seasonally adjusted \$176.8 billion. Also, the Labor Department

reported that initial claims for unemployment benefits increased by 3,000 to 588,000 in the week ending January 24th. The market however bounced off its low and retraced its early losses as it traded to a high of \$42.32 amid the strength in the gasoline market. The market later erased some of its gains ahead of the close and settled down 72 cents at \$41.44. The March/April crude spread remained pressured and widened further to -\$4.60. The spread will continue to widen on the possibility that crude stocks in Cushing will increase further following the Osage pipeline leak earlier in the week as well as the reports that oil companies are selling off their crude stored in floating storage. The RBOB market, which lent support to the rest of the complex, was supported on reports that a strike by about 30,000 refinery workers is possible if talks on a contract between the United Steelworkers Union and lead refiner negotiator, Shell fall through ahead of the current contract's expiration on Sunday. The market bounced off a low of \$1.17 and extended its gains to 5.9 cents as it posted a high of \$1.2426 in afternoon trading. The market erased some of its gains and settled up 4.74 cents at \$1.2309. The March RBOB crack spread continued to rally and settled up at \$10.78 from \$8.475 on Wednesday. The crack spread will continue to strengthen ahead of turnaround season. Refineries have already been operating at lower rates due to lower demand. Meanwhile, the heating oil market posted an inside trading day for the second consecutive day. Similar to the rest of the complex, the heating oil market bounced off a low of \$1.3885 and rallied to a high of \$1.456 amid the strength in the gasoline market. It later erased some of its gains and settled up 68 points at \$1.4283. On Friday, the product markets will remain supported ahead of the February product contracts' expiration. The RBOB market is seen finding support at \$1.223, \$1.2075, \$1.1885 and \$1.115 while the heating oil market is seen finding support at \$1.3797, \$1.3687, \$1.3602 and \$1.3039.

Open interest MAR.09 373,014 +4,352 APR.09 117,691 -436 MAY.09 73,095 +3,235 Totals: 1,245,725 -274 Heating oil FEB.09 11,920 -5,292 MAR.09 60,462 +533 APR.09 29,927 +672 Totals: 245,745 -2,445 NEW YORK HARBOR RBOB GASOLINE FEB.09 9,478 -3,717 MAR.09 69,598 +885 APR.09 29,261 +574 Totals: 186,145 -100.

Crude Support	Crude Resistance
40.95, 40.18, 39.11, 38.00, 32.25, 29.66, 28.63, 26.65, 25.50	42.32, 48.77, 50.07, 54.75, 55.98, 57.20
Heat Support	Heat resistance
1.3797, 1.3687, 1.3602, 1.3039, 1.2785, 1.1895	1.4477, 1.4495, 1.465, 1.4813, 1.5469, 1.6715
Gasoline support	Gasoline resistance
1.223, 1.2075, 1.1885, 1.115, 1.0680, 1.0128, .9590	1.2579, 1.2750, 1.2782, 1.3176, 1.3614