



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 4, 2009

Iran's OPEC
Governor
Mohammad Ali
Khatibi said a
continued
increase in world
oil inventories
amidst declining
crude demand
could warrant
further production
cuts. He said
more time is
needed for oil to
increase to the
\$70-\$100/barrel
level.

Nigeria's senior oil
workers' union
has threatened an
indefinite strike
from next week
unless the
authorities take
steps to improve
security in the
region. Three
separate incidents
on Monday and
Tuesday
underline
increasing
insecurity in the
Niger Delta.
Foreign
companies in
sectors ranging

Market Watch

US lawmakers are preparing to draft a new offshore drilling plan that could restrict development in major areas of the Outer Continental Shelf and allow some acreage closed to access to be opened for exploration. The House Natural Resources Committee announced a series of hearings on offshore drilling. Interior Secretary Ken Salazar said he will rewrite a five year plan outlined by the Bush Administration that would have allowed drilling in previously banned areas off the East and West coasts and Alaska.

Separately, the US Interior Department is set to cancel 77 leases in Utah. Environmental groups challenged the sale of the leases and won a victory earlier this year when a federal judge put the sale on hold pending his consideration of a lawsuit.

ADP reported that US private sector companies cut 522,000 jobs in January.

Lukoil said it plans to invest \$8 billion worldwide in 2009 if oil prices are at \$45/barrel.

The General Secretary of the China Electricity Council said the country's electricity consumption fell to an eight year low last year as factories cut production and is expected to continue to see weak growth in 2009. It reported that power consumption grew 5.23% last year compared with a 14.8% growth rate in 2007 while growth is expected to remain around 5% this year.

ETF Securities said exchange-traded commodities (ETCs) investments increased by \$416 million, in addition to the record inflows of \$581 million the previous week. Total inflows in the first four weeks of the year increased by \$1.3 billion, with 57% of the investments in precious metals and 37% in energy. Gold and oil ETCs have been the key drivers behind the increasing volume. Combined flows into Crude oil and Brent increased by \$101 million last week in addition to the \$143 million inflow into long oil ETCs the previous week, bringing the total flows since the beginning of December to \$730 million.

The CFTC has launched a new monthly report based on the commitments of traders data. The reports will show various market statistics for 22 actively traded markets, including for each from energy, agriculture, metals, financials and soft commodities and two from livestock markets. Information in the first report is based on commitments of traders data released on January 30. The new report will be released on a six-month trial basis.

DOE Stocks

Crude – up 7.2 million barrels
Distillate – down 1.4 million barrels
Gasoline – up 300,000 barrels
Refinery runs – up 1%, at 83.5%

from telecoms to construction as well as the oil industry have already cut their staffing levels and tightened security measures.

Refinery News

Kinder Morgan Energy Partners said it expects to transport fuels blended with 5% biodiesel across the South in the

Plantation oil products pipeline this year. The company successfully moved 20,000 barrels of blended fuel via a Mississippi to South Carolina section of the pipeline. It expects to move the blends to markets in Alabama, Georgia, the Carolinas and Virginia.

Alon USA Energy Inc reported flaring on Tuesday due to a problem at a sulfur recovery unit at its 70,000 bpd Big Spring, Texas refinery. Separately, Alon US has postponed the construction of a hydrocracker unit at its 50,000 bpd Paramount, California refinery. However it still plans to increase diesel production at the plant.

Marathon Oil shut a platformer and UDEX unit at its Texas City, Texas refinery on Wednesday for planned annual maintenance and catalyst change. According to an initial report filed with the Texas Commission on Environmental Quality, the shutdown is expected to last four about 24 hours.

A small fire at a deisobutanizer unit in the Girard Point section of Sunoco's 340,000 bpd Philadelphia refinery injured two employees late Tuesday. The fire was quickly brought under control and extinguished. While the incident was not expected to have any impact on production, the status of the unit was unclear.

British unions appear closer to settling a dispute over the use of foreign workers, potentially ending a week of nationwide industrial unrest. Union officials at the Lindsey refinery in England are expected to recommend a return to work at a meeting on Thursday. This follows Total's decision to offer 102 jobs to UK workers for a minimum of nine weeks at the site. Union officials said they hope the deal will be accepted by the workers at the refinery. Workers have been striking over the use of foreign workers for expansion work at the refinery.

Total partially shut its 160,000 bpd Dunkirk or Flandres refinery on Wednesday, February 4 until February 19th for planned work. Meanwhile, Total is also due to partially shut its 231,000 bpd Donges refinery from February 22 for a five to six week period. Separately, Total has brought forward maintenance work at its 352,000 bpd Antwerp refinery to mid-March from April. The maintenance is expected to last until the end of April. It will take about 100,000 bpd of refining capacity off.

Flying J said it wants to sell its Longhorn Pipeline, which gasoline and diesel from Houston to El Paso, Texas after it filed for bankruptcy protection on December 22. The pipeline has a current throughput capacity of 72,000 bpd, down from its total capacity of about 144,000 bpd.

China will cut its gasoline exports in February to 150,000 tons as lower overall fuel demand prompts refiners to cut runs. The February estimate is down from 210,000 tons estimated for exports in January.

According to the Petroleum Association of Japan, the country's crude oil inventories in the week ending January 31 fell by 3.82 million barrels on the week but increased by 6.77 million barrels on the year to 104.17 million barrels. Gasoline inventories fell by 430,000 barrels on the week and by 570,000 barrels on the year to 12.86 million barrels as its gasoline exports increased to 57,518 kiloliters or 362,000 barrels. It

February Calendar Averages

CL – \$40.39

HO –\$1.3316

RB – \$1.1782

reported that Japan's kerosene stocks fell by 310,000 barrels on the week and by 6.79 million barrels on the year to 13.64 million barrels while naphtha stocks fell by 66,000 barrels on the week to 10.78 million barrels. Japan's refinery utilization rate averaged 82% of total capacity of 4.9 million bpd.

Japan's Oil Information Center reported that the country's retail regular gasoline prices increased to 10.8.3 yen or \$1.21/liter or \$4.58/gallon on Monday, up 0.9 yen on the week.

Indonesia's Pertamina plans to export 1.6 million barrels of diesel in February, four times above expectations, to help lower increasing stockpiles as demand from the country's power sector fell. It plans to export six 200,000 barrel cargoes of gas oil from the Dumai refinery and two equal sized cargoes from the Balikpapan refinery.

South Korea's S-Oil Corp will export 270,000 tons of spot middle distillates this month, ahead of refinery maintenance in two month's time. The February volume includes 160,000 tons of gas oil and 110,000 tons of jet fuel.

Production News

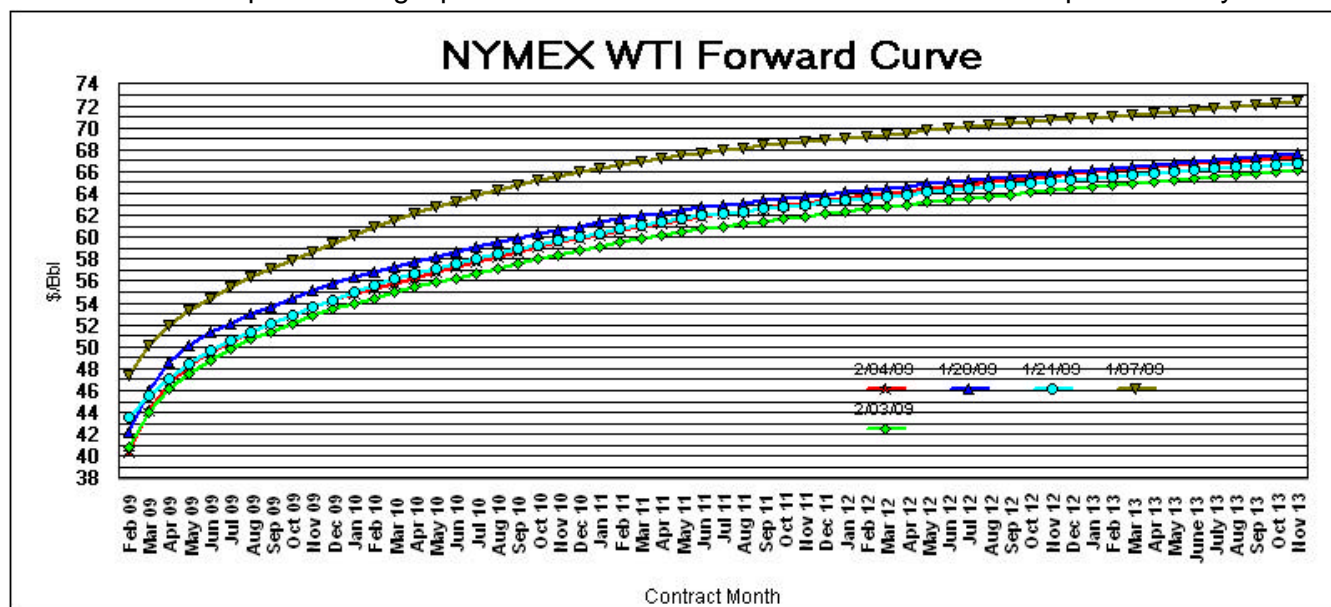
Iran's ISNA news agency reported that workers were attempting to control a fire on a platform in Iran's offshore Abuzar oil field. Production from the platform has been halted for safety reasons.

The Norwegian Petroleum Directorate reported that the country's average crude oil production was 2.198 million bpd in December. During 2008, the average production of crude was 2.1 million bpd. It reported that Norway's oil production fell to a preliminary 2.11 million bpd on average in January. Production of natural gas liquids and condensate increased to 341,000 bpd in January from 273,000 bpd in December.

Iraq's crude oil production from its southern oil fields fell by 100,000-150,000 bpd over the last six months due to maintenance problems and a lack of investment. Production from southern oil fields fell to 1.7 million-1.75 million bpd since August 2008.

Oman's crude oil production in the first 11 months of 2008 increased by 6.6% on the year to 755,300 bpd, according to government data. Oman is targeting an output level of 800,000 bpd in 2009.

Brazil's Petrobras plans to begin production at its Jabuti field in the offshore Campos Basin by the end



of the month or the beginning of March. Petrobras will install the FPSO Cidade de Niterol floating production, storage and off-loading vessel at the field. The vessel has installed production capacity of 100,000 bpd. Petrobras also plans to start long term tests at the Tupi offshore oil and gas field in April. Initial production at Tupi is expected to total 15,000 bpd.

Saudi Aramco raised its crude oil official selling prices for all grades for March delivery. Saudi Aramco set the price of its Arab Extra Light crude bound for the US at WTI minus \$1.60, up \$3.75. Its Arab Light crude was set at WTI minus \$2, up \$3; its Arab Medium crude was set at WTI minus \$4.20, up \$4.20 and its Arab Heavy was set at WTI minus \$5.30, up \$4.70. Saudi Aramco set the price of its Arab Extra Light bound for Northwest Europe at BWAVE minus \$3.65, up 75 cents. Its Arab Light crude price was set at BWAVE minus \$5.45, up \$1.70; its Arab Medium was set at BWAVE minus \$7.20, up \$2.65 and its Arab Heavy crude was set at BWAVE minus \$8.30, up \$3.05. Its Arab Extra Light crude bound for the Mediterranean was set at BWAVE minus \$2.10, up 20 cents; its Arab Light crude was set at BWAVE minus \$5, up \$1.10; its Arab Medium crude was set at BWAVE \$6.80 and its Arab Heavy crude was set at BWAVE minus \$8.10, up \$2.10. Its Arab Super Light crude bound for Asia was set at the Oman/Dubai average plus \$1.15, up \$1; its Arab Extra Light crude was set at the Oman/Dubai average plus 85 cents, up 35 cents; its Arab Light crude was set at the Oman/Dubai average minus 45 cents, up 70 cents; its Arab Medium crude was set at the Oman/Dubai average minus \$1.90, up \$1.40 and its Arab Heavy crude was set at the Oman/Dubai average minus \$3.90, up \$1.95.

Qatar Petroleum has set its Qatar Land crude oil official selling price at \$45.07/barrel retroactively for January term supply, up \$3.77 on the month.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.12 to \$41.52/barrel on Tuesday.

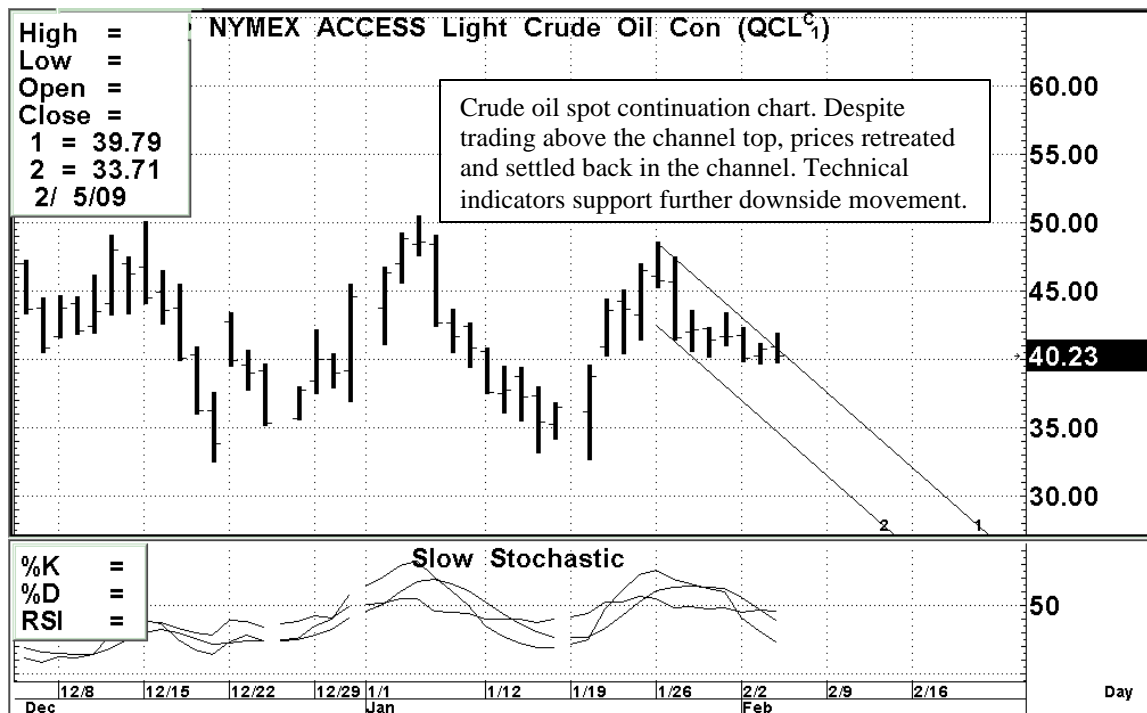
Market Commentary

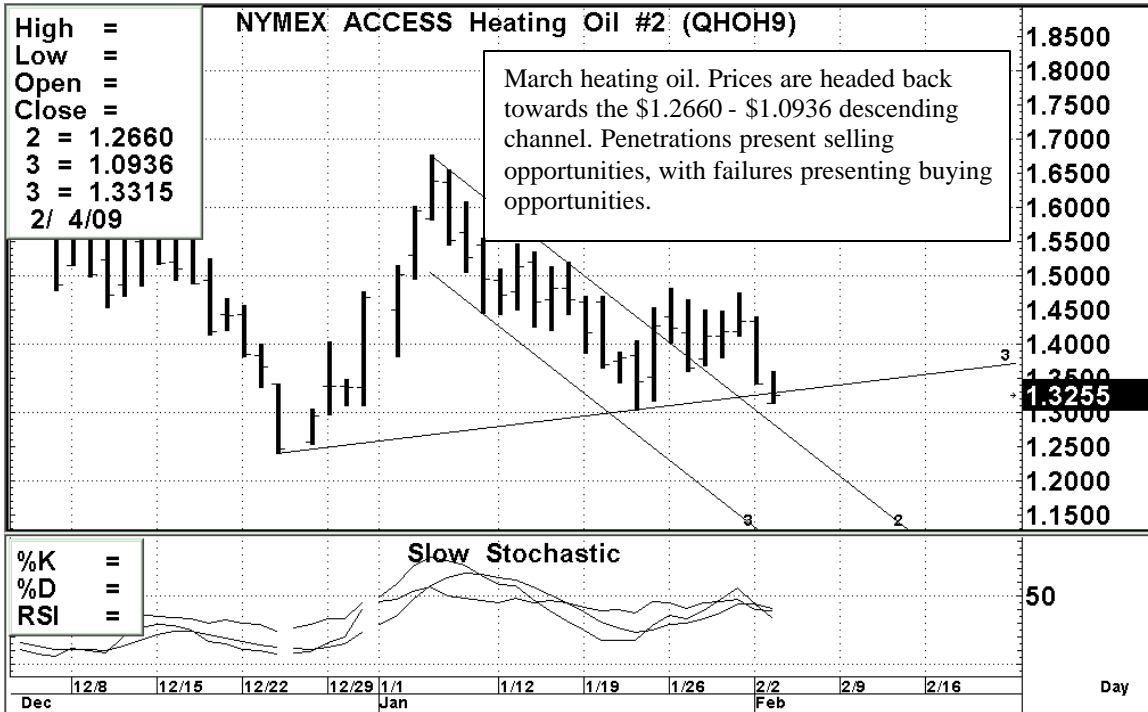
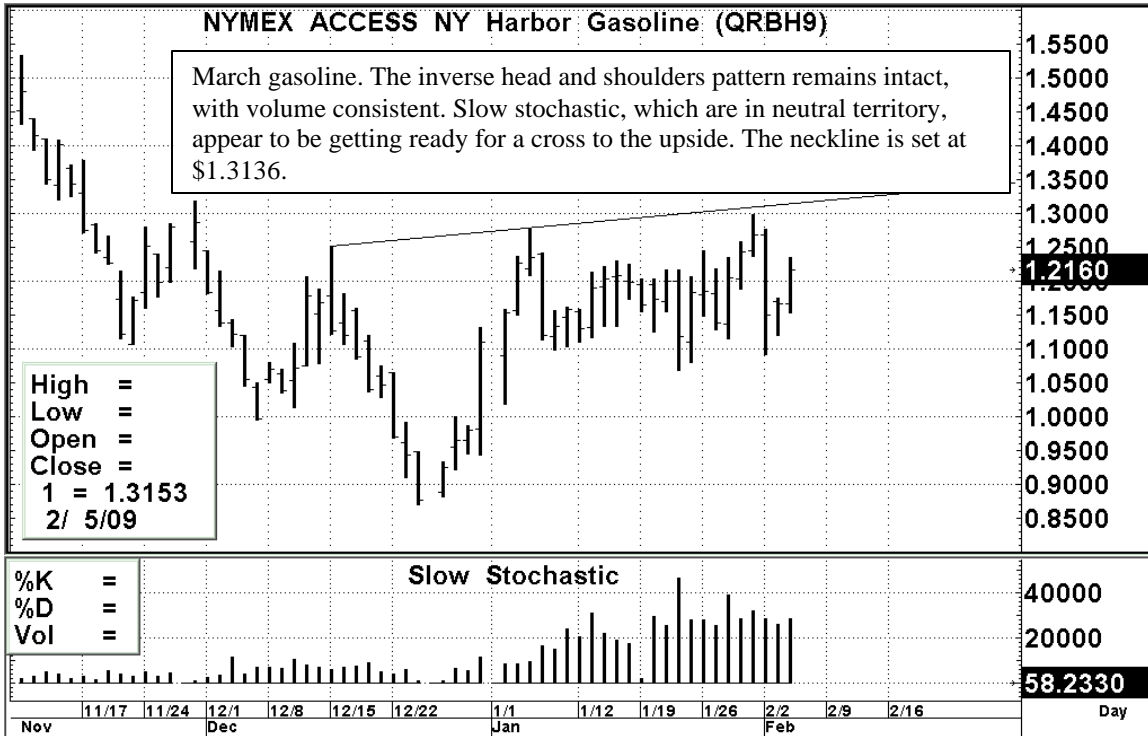
The energy markets were higher early in the session as inventory numbers indicated that gasoline stock levels increased less than expected, and fuel consumption, increased 0.6% from the previous week, but is 0.5% lower on the year based on a four-week average. Gasoline stock levels increased 362,000 barrels last week, forecasters expected builds of 800,000. Gasoline demand, based on a four-week average, is about 8.8 million barrels per day, down 0.5% from the same period last year. Crude oil inventories rose the most since July 2007, rising 7.2 million barrels to 346.1 million barrels. Expectations were calling for an increase of 3 million barrels. Inventories based on a five-year average are running 15% higher. Supplies at Cushing, OK, the NYMEX delivery point, rose 2.5% to 34.3 million barrels, the highest level dating back to April 2004. Distillate inventories fell 1.4 million barrels, in line with expectations. Demand for distillate has averaged 4.1 million barrels per day based on a four-week average, down 3.7% from the same period last year. Jet fuel demand is 13.1% lower for the same four-week period. Despite the early run-up in prices, a late session sell-off in crude oil led to new lows. The March contract traded above the descending channel right out of the gate, gaining more than \$1.10 on the day. Prices however traded back within the channel, settling below the \$40.89 top. For tomorrow's session we would look for prices to trade within the channel, which tomorrow is set at \$39.79 and \$33.71. With Cushing stocks setting yet another high and floating storage becoming available, we would look for the March/April spread to weaken, targeting the -\$4.60 level. A slight spike in weekly demand gave strength to gasoline, with the March contract settling .0514 higher on the day. The inverse head and shoulders pattern we previously spoke about is still intact. Volume has been supporting this pattern and we would look for continued strength. The 3:2:1 crack remains strong, pulled higher by the strength in gasoline. Gasoline versus heating oil also remains strength, and has been on an up trend since mid-November. An influx of new money into commodities markets has been

battling ever-growing inventories. Time will tell which will out pace the other. We would continue to look for crude oil to be range bound between \$35.00 and \$50.00.

Open MAR.09 370,471 -4,881 APR.09 132,237 +2,370 MAY.09 74,741 -1,249 Totals: 1,254,242 - 8,014 Heating oil MAR.09 62,305 -815 APR.09 34,343 +243 MAY.09 27,276 +349 Totals: 244,995 +73
 NEW YORK HARBOR RBOB GASOLINE MAR.09 63,676 -2,308 APR.09 31,395 +736 MAY.09 20,074 +961 Totals: 180,933 + 841

The CFTC's monthly Commitment of Traders report showed that crude open interest increased 6.6% in January, with non-commercials accounting for 40.2% of total open interest and commercials accounting for 52.7% of open interest. It reported that non-commercials in the crude market cut their net long position in January to 51,652 contracts from 64,548 contracts in the previous month. Commercials cut their net short position by 24,057 to a net short position of 40,774 contracts. The combined futures and options report showed that non-commercials increased their net long position by 5,958 contracts to 132,066 contracts in January while commercials cut their net short position by 7,800 to 120,269 contracts. In the heating oil market, the futures only report showed that non-commercials increased net long position by 2,290 to 7,760 contracts while the futures and options report showed that non-commercials in the heating oil increased their net long position by 2,137 to 8,735 contracts. Meanwhile in the RBOB market, non-commercials cut their net long position by 5,173 to 47,161 contracts while the combined futures and options report showed that non-commercials cut their net long position by 5,099 to 46,378 contracts.





Crude Support	Crude Resistance
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
1.3115, 1.3039, 1.2785, 1.1895	1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.0988, 1.0680, 1.0128, 9590, .8978, .8755, 7850	1.2170, 1.2298, 1.2750, 136.14