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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 5, 2010

The US State Department said senior diplomats from the US, Britain, China, France, Russia and Germany held a conference call on Friday to discuss their efforts to persuade Iran via negotiations and sanctions to restrain its nuclear program. They discussed the dual track policy of diplomacy and sanctions. US Secretary of State Hillary Clinton said the US will continue to reach out to China and other partners as it looks at ways to impose sanctions on Iran. Separately,

Market Watch

According to the US Labor Department, the US unemployment rate unexpectedly declined in January. The unemployment rate fell to 9.7% in January from 10% in December. Nonfarm payrolls fell by 20,000 compared with a revised 150,000 drop in December. Last year, job losses were almost 600,000 more than previously reported.

Statistics Canada said Canada's unemployment rate unexpectedly fell in January to its lowest rate since September. The unemployment rate fell to 8.3% in January from 8.4% in December and 43,000 jobs were added. The increase in employment follows a decline of 28,300 jobs in December.

Nigeria's State Minister for Petroleum Resources, Odein Ajumogobia said Royal Dutch Shell Plc denied it plans to sell major Nigerian assets in the coming months. In December, The Wall Street Journal reported that Shell was looking to sell onshore assets holding about 100 million barrels of oil for \$4 billion to \$5 billion.

BlueGold Capital, a hedge fund managing \$1.5 billion, said it is not responsible for the recent decline in crude prices after market talk it had sold long positions. Crude oil futures fell on Thursday in heavy volume. Several traders and brokers at different firms said they thought the sell off in crude was linked to a hedge fund quickly unloading a large oil position. BlueGold said it was continuing business as usual. Analysts said even if there was liquidation of some length by BlueGold, it was not clear what impact this might have. Other factors cited for the fall in crude were the stronger dollar, worries about the health of the euro zone together with weaker stock markets. Separately, sources familiar with BlueGold's performance said the hedge fund lost about 11% this year. It had returns of 55% last year.

The United States Oil Fund said Friday that it should not be blamed for big swings in oil prices because its buying and selling of U.S. oil futures usually makes up a small fraction of total market activity. The oil fund said its total buying or selling of U.S. crude futures averaged approximately \$57 million a day between April 2006 and January 2010, or around 0.1% of average daily activity.

Russia's Foreign Minister Sergei Lavrov warned Iran of the need for a quick response to compromise offers over its nuclear program. He is scheduled to meet Iran's Foreign Minister Manouchehr Mottaki later Friday. A Chinese UN diplomat said the five permanent members of the UN Security Council and Germany should explore whether Iran really wants to accept a UN nuclear fuel exchange proposal. Germany's Foreign Minister Guido Westerwelle told his Iranian counterpart that Iran must stop its blocking tactics over its nuclear program. Meanwhile, Italy's Foreign Minister Franco Frattini

urged Iran to act on its apparent willingness to resume negotiations on its nuclear program with Western powers threatening to impose further sanctions. Iran's President Mahmoud Ahmadinejad this week raised the hopes of progress in the standoff by indicating he may be ready to accept an offer to send some uranium abroad for enrichment.

**February
Calendar Averages**
CL – \$74.59
HO – \$1.9632
RB – \$1.9647

Ship broker ICAP said the number of very large crude carriers holding crude oil in floating storage in the US Gulf is expected to increase to 14 by the end of February from 12 in late January. Two VLCCs have been booked to move to the US Gulf by the end of next month. US Gulf floating storage volumes will increase to 28 million barrels.

Refinery News

Valero Energy Corp reported process issues in an amine unit at the west plant of its 340,000 bpd refinery in Corpus Christi, Texas late Thursday but said there was no major impact on output.

BP Plc restarted a crude unit and a coking unit at its 265,000 bpd Carson, California refinery after it was shut for maintenance in early January. Separately, BP has delayed its 60-90 day overhauls of its crude unit and fluid catalytic cracking units at its Whiting, Indiana refinery by one month until April.

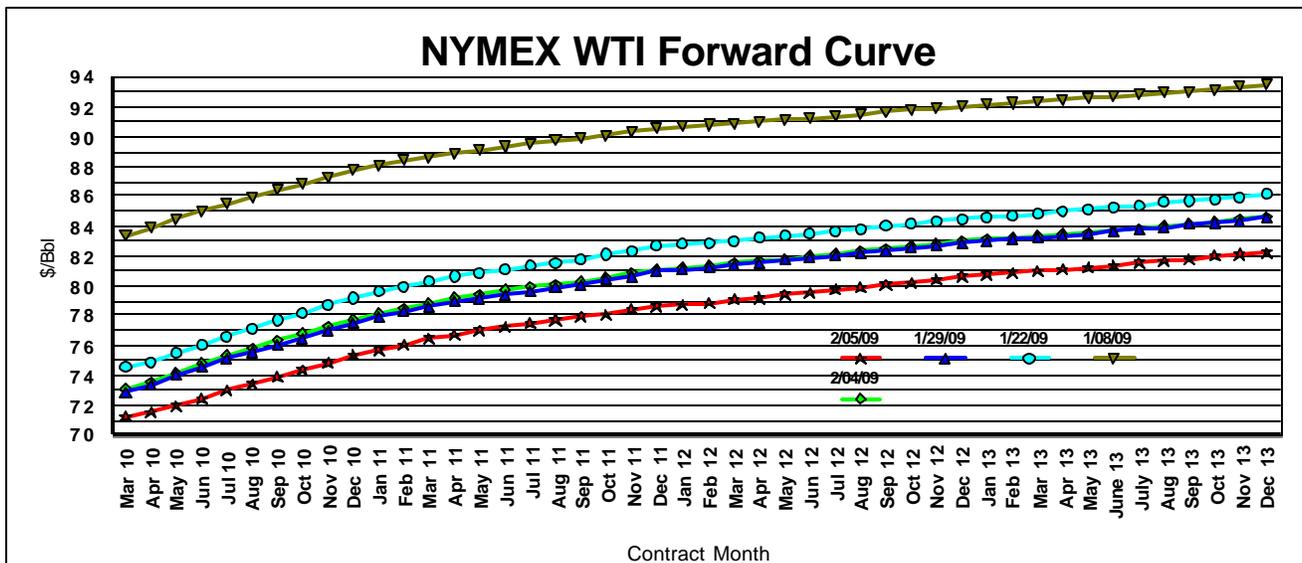
Marathon Oil Corp started raising rates at its 212,000 bpd Catlettsburg, Kentucky refinery that has been operating at reduced rates since last week due to a damaged gate.

Unions at Total SA have called for a strike at its French refineries starting February 17th. Earlier this week, unions at Total set a February 15th deadline for the company's management to restart production at its Flanders refinery. In a statement, representatives for the CGT, Force Ouvriere and Sud unions said that should Total's management fail to restart activities by the deadline, workers there would take control of the refinery.

Kazakhstan's Energy Minister Sauat Mynbayev said the country expects Russian oil supplies to resume within days after Russian producers, fearing an imminent export duty, cut shipments to Kazakh refineries.

China's twelve major refineries plan to process about 2.87 million bpd of crude in February, relatively unchanged on the month. The refineries, likely to operate at 91% of capacity, are taking advantage of strong margins for both domestic and export markets. Meanwhile, China's apparent oil demand is expected to increase more than 5% this year.

Saudi Aramco and Royal Dutch Shell are postponing the start up of their hydrotreating unit that



produces ultra-low sulfur diesel from their joint venture 305,000 bpd Sasref refinery for the third time to March or April due to problems at the new unit. The unit is expected to produce about 90,000 bpd of 10 ppm sulfur diesel, making the refinery Saudi Arabia's first producer that complies with new environmental standards.

Indonesia's Pertamina is seeking to import an additional 400,000 barrels of diesel fuel in February following a recent fire at its refinery in Balikpapan. Pertamina had previously planned to import 3.6 million barrels of diesel in February. The company may restart its 27,500 bpd hydrocracker unit at its Balikpapan refinery by the end of the month after it was shut last month due to a fire.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas increased by 18 to 1,335 this week. It reported the number of rigs searching for oil increased by 1 to 445 while the number of rigs searching for natural gas increased by 17 to 878 on the week.

The North Sea Brent crude stream is scheduled to load 4.333 million barrels or 139,774 bpd in March, up 133,000 barrels from 4.2 million barrels in February.

The North Sea Forties crude oil stream is scheduled to load 18.6 million barrels or 600,000 bpd in March, up 1.8 million barrels from 16.8 million barrels in February.

Oil exports from Iraq's Basra terminal in southern Iraq fell by nearly 50% on Friday to 840,000 bpd from 1.56 million bpd on Thursday due to bad weather conditions. High winds made it difficult for some ships to berth at export terminals. According to Iraq's State Oil Marketing Organization, the country's oil exports fell to 1.926 million bpd in January from 1.977 million bpd in December. It said that average exports from Basra stood at 1.451 million bpd for January.

Japan's Nippon Oil Corp is continuing its negotiations with Iraq's government on the development rights for the Nassiriyah oil field in southern Iraq. The Nassiriyah field has estimated proven crude reserves of more than 4.4 billion barrels.

Dubai's new offshore oilfield discovery is likely to start commercial production within a year. The new field's production capacity and reserve volumes will be announced based on results of current studies.

The National Iranian Oil Co said Iran's total income from crude oil sales during the year ending March 2009 stood at \$78 billion, allowing the country to invest only \$11 billion into oil industry development. The NIOC's managing director, Seifollah Jashnsaz, said Iran needed to attract more foreign investment, which has declined due to the UN and US sanctions over its nuclear program. He said Iran is in talks with five European and Asian energy firms for some \$30 billion worth of oil and gas contracts.

OPEC's news agency reported that OPEC's basket of crudes fell by \$2.41/barrel to \$72.73/barrel on Thursday from \$75.14/barrel on Wednesday.

Market Commentary

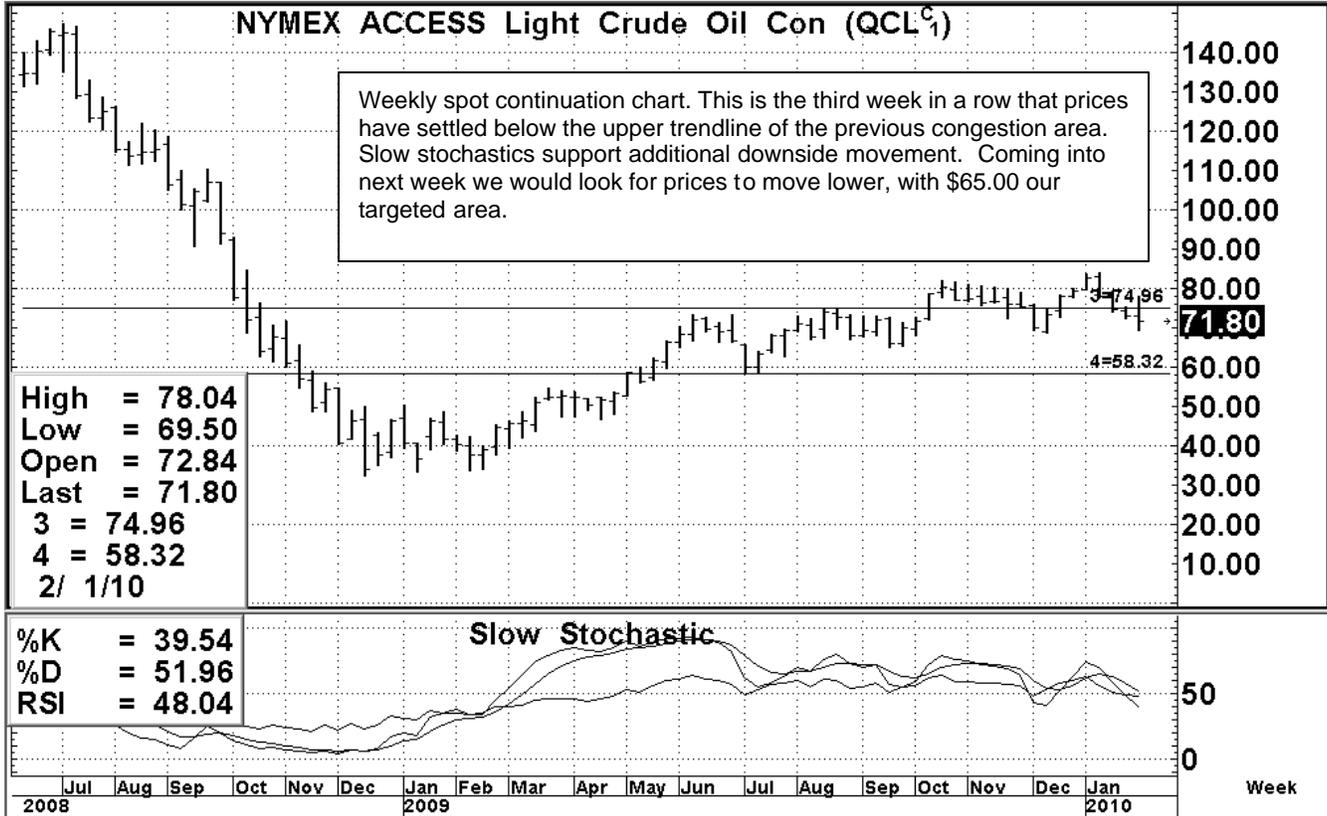
Concerns about the global economy once again weighed on prices, with crude oil trading as low as \$69.50, the lowest level since December 15th. Countries such as Greece, Spain and Portugal dominated the headlines today as rising budget deficits continue to cause recovery concerns. Products followed suit as the dollar gained against the euro. The break through the \$72.49 level sent the March crude oil contract on a free fall with additional accelerations below \$70.50. Concerns regarding the European economy have widened the differential between Brent and WTI, with the March arbitrage gaining 46 cents in two days. This spread is currently running at \$1.55. Given the

aforementioned economic news and the current supply/demand situation of this market, we would look for prices to continue to slide next week. Barring any miracle cures for the European economy and drastic inventory declines, we would look for crude oil to at least test the \$65.00 level.

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 13,593 contracts to 86,027 contracts in the week ending February 2^d. The combined futures and option report showed that funds cut their net long position by 6,898 contracts to 160,232 contracts on the week. The funds have likely continued to cut their positions amid the decline in oil prices and open interest. Open interest on Wednesday and Thursday fell by a combined 43,050 contracts. The combined futures and options disaggregated report showed that producers/merchants cut their net short position by 5,438 contracts to 214,378 contracts while swap dealers increased their net long position by 17,536 contracts to 43,207 contracts on the week. It also showed that managed money funds cut their net long position by 9,535 contracts to 116,263 contracts while other reportable increased their net long position by 2,636 contracts to 43,968 contracts on the week. Meanwhile the combined futures and options report showed that non-commercials in the product markets cut their net long positions, with funds in the heating oil market cutting their net long position by 4,098 contracts to 21,840 contracts and funds in the RBOB market cutting their net long position by 2,869 contracts to 58,970 contracts.

Crude oil MAR.10 311,435 -18,384, Apr. 10 137,702 -377, May 10 102,177 +2,408 Totals 1,317,949 -18,848 Heating oil MAR.10 82,629 -4,033, APR10 46,814 588 May 10 30,021 Totals: 313,591 -2,182 Gasoline MAR.10 84,029 -4,613 APR10 44,825 -906 May 10 29,688 +1,326 Totals: 256,143 -3,489

Crude Support Based on February	Crude Resistance Base d on Feb
72.42, 72.00 , 70.42, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	78.36, 79.86, 81.00, 82.00, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
1.8903, 1.8890, 1.8700, 1.8570, 1.8280, 1.7670, 1.7565	2.0665, 2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.8800, 1.8650, 1.85.65, 1.7900, 1.7200, 1.6600	2.0846, 2.1930, 2.2270, 2.3350,



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