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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR FEBRUARY 6, 2009**

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OPEC's President Jose Botelho de Vasconcelos said OPEC will take whatever action is necessary to balance the oil market when it meets again on March 15. He said OPEC is determined to play its part in restoring balance to the market.

Venezuela's President Hugo Chavez said OPEC's output cuts will stabilize oil prices. He said "with the unity of OPEC, compliance and discipline of the quotas, along with other international factors, our oil price will stabilize sooner rather than later."

Iranian parliament speaker Ari Larijani welcomed as a positive

#### Market Watch

Eni SpA chief executive Paolo Scaroni said oil prices are expected to be around \$40/barrel this year.

The Labor Department reported that US employment fell in January by 598,000, the most since December 1974, when 602,000 workers lost their jobs. It reported that the national unemployment rate increased 0.4% to 7.6%, the highest level since September 1992. January's sharp decline in employment brings the total job losses to 3.6 million since the start of the recession in December 2007, with about 50% of the decline occurring in the last three months. It reported that average hourly earnings increased a modest \$0.05 or 0.3 to \$18.46.

US President Barack Obama said January's employment report demands action. He said a delay on a stimulus bill is inexcusable and irresponsible. His remarks on the stimulus bill came as he introduced his new Economic Recovery Advisory Board on Friday, a panel of dignitaries from the world of economics, business and labor. Led by former Federal Reserve Chairman Paul Volker, the group will meet regularly and give President Obama advice on reviving the US economy.

Port Tracker reported that retail container traffic at major US ports is forecast to fall 11.8% in the first half of 2009 as the world economic downturn cuts shipping volume. In 2008, retail container volume fell by 7.9%. Cargo volume is at its lowest level at US ports since 2004.

US Agriculture Secretary Tom Vilsack said the Agriculture Department is in talks with the EPA to raise the amount of ethanol blended into gasoline. Ethanol demand has declined as gasoline use dropped since last summer. By increasing the blend, demand for ethanol will increase even as gasoline use falls. According to Archer Daniels Midland Co, about 21% of the US capacity for ethanol production is idle.

The US EPA said it will reconsider a decision to stop California from regulating automobile greenhouse gas emissions. It cited significant issues regarding a Bush administration decision to deny California the waiver it needed to go forward.

signal the decision by US President Barack Obama to dispatch his new envoy George Mitchell to the Middle East.

**February Calendar Averages**

**CL – \$40.50**  
**HO –\$1.3444**  
**RB – \$1.2120**

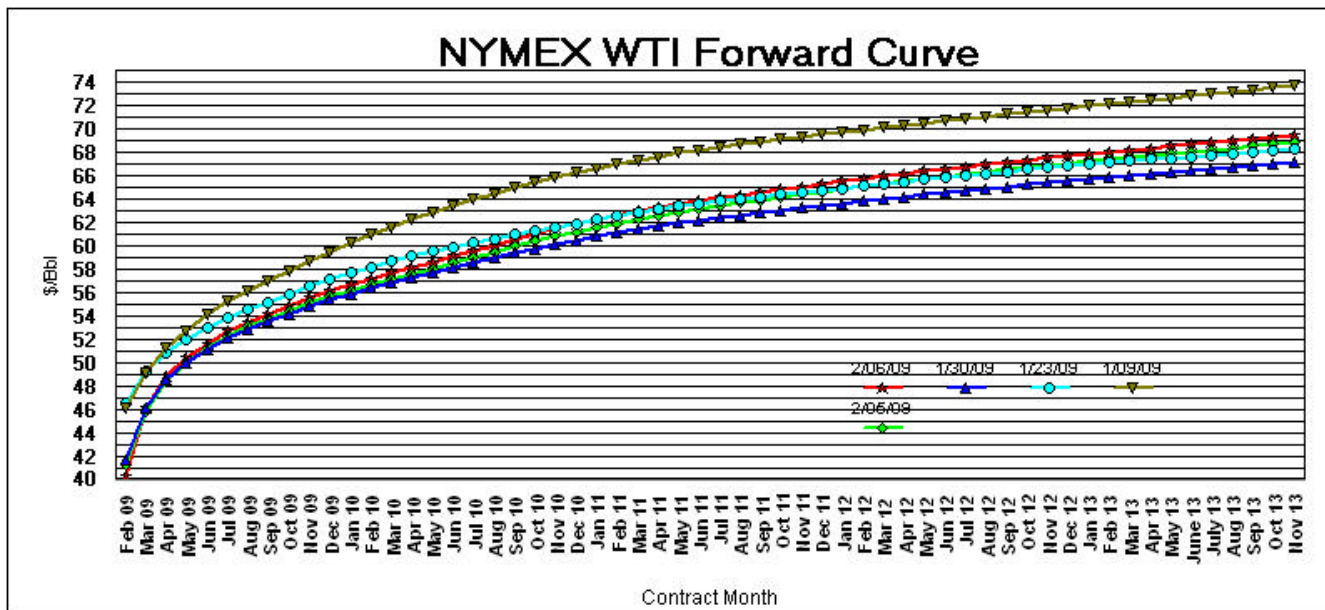
The New York Times reported today that electric power consumption was down nearly 8% in December in the highly industrialized Guangdong province and across China as well. The paper noted that electricity usage is an excellent barometer of the Chinese economy because most usage is industrial. But Guangdong’s actual decline in power usage is much greater. At least one-fifth of all electricity generated in the province until the last few months was produced by tens of thousands of diesel generators in the backyards of factories, because the provincial power grid was unable to keep pace with power demand growth, it resulted in severe power rationing. But this winter all rationing has been lifted and factories now have unlimited access to inexpensive electricity from the power grid, thus signaling a significant drop in diesel usage for power generation.

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**Refinery News**

Planned maintenance is underway at a fluid catalytic cracking unit has been underway at ExxonMobil’s 503,000 bpd Baton Rouge, Louisiana refinery since January 30<sup>th</sup>. The work on the fluid catalytic cracking unit is expected to take 53 days.

China’s twelve major refineries are expected to increase their refinery rates in February, the first time in four months. The refineries plan to increase their runs by 5% to 2.37 million bpd in February from 2.25 million bpd in January. The estimated refinery runs are down from a total capacity of 2.82 million bpd.



Japan’s Cosmo Oil Co expects crude refining between January and March to fall by 4% on the year.

Indonesia’s Pertamina has reissued a tender to buy at least 600,000 barrels of gasoline for February delivery. It has also purchased the same amount for the month via private negotiations. The requirements are part of the minimum 4.7 million barrels of gasoline which Pertamina is seeking for February.

BP will not renew its April 2009-March 2010 naphtha contract with Kuwait at \$19/ton premium to Middle East quotes on a free-on-board basis due to limited stocks. BP has a contract to lift 100,000 tons of naphtha from Kuwait.

The head of German bioethanol industry association, BDBE said Germany's bioethanol production increased by 46% to 458,394 tons in 2008. Germany increased bioethanol blending levels in gasoline to 2% in 2008 from 1.2% in 2007. A further increase to 2.8% is planned for 2009.

### **Production News**

Exports of Iraqi oil from Turkey's port of Ceyhan has been delayed by several days due to a payment dispute between Baghdad and Turkish companies. A dispute over payment between Iraq and Turkish firms has resulted in Turkish authorities requiring the amount of Iraqi Kirkuk crude held in storage at the terminal to be increased by 600,000 barrels to 800,000 barrels. Buyers of Iraqi oil are concerned the dispute could continue and disrupt shipments that have been running at 400,000 bpd.

Britain's North Sea Brent crude oil stream is scheduled to load about 138,000 bpd or 4.264 million barrels in March, down from 4.35 million barrels in February.

The North Sea Forties crude oil stream is scheduled to load 19.8 million barrels in March, up from 18.6 million barrels in February. The North Sea Oseberg crude oil stream is scheduled to load 6.6 million barrels in March.

Petroecuador reported that Ecuador's average oil production fell by 4.6% to 507,557 bpd in December 2008 from 531,927 bpd in December 2007. Petroecuador oil production averaged 283,320 bpd in December while private companies' oil production was 224,237 bpd. Separately, Ecuador's Central Bank reported that the country's oil product exports totaled 1.5 million barrels in November 2008, down 6% on the year. It oil product export revenue fell by 52% in November to \$56 million from \$117 million in November 2007.

Colombia's crude oil production in 2009 is expected to fall by 1.7% on the year to 590,000 bpd and fall further by 6.8% in 2010 to 550,000 bpd.

Azerbaijan's BP-led oil company said its crude oil production increased to 34 million tons or 688,500 bpd in 2008, up from 32.96 million tons or 668,000 bpd in 2007. Meanwhile output at Azerbaijan's Shakh-Deniz offshore gas field stood at 7.2 billion cubic meters of gas in 2008, more than double the 3.1 bcm produced the previous year.

Helmerich & Payne said two of its 11 rigs in Venezuela have been affected by work stoppages by a local union. However it is not clear if the union action affected drilling operations. It said it is not yet clear how long the labor unions will impede transportation of crews to the two rig locations.

Spain's Repsol said it found an oil field in the Gulf of Mexico, which could contain large amounts of oil.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$42.05/barrel on Thursday from \$41.64/barrel on Wednesday.

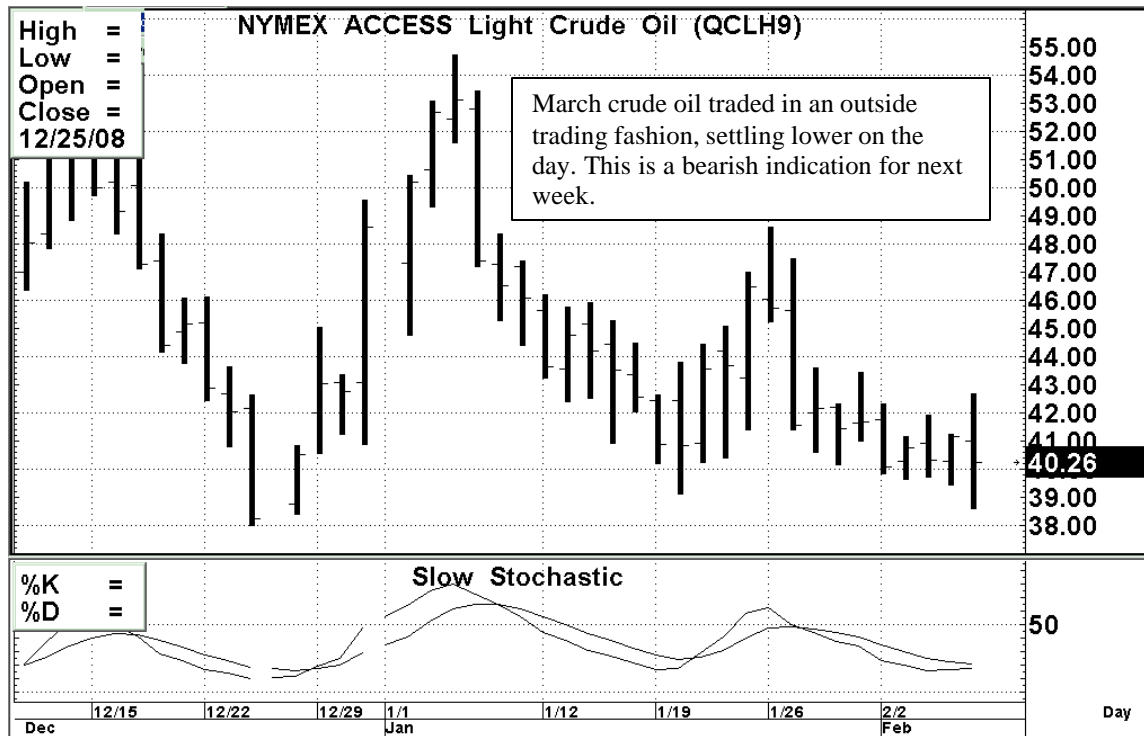
### **Market Commentary**

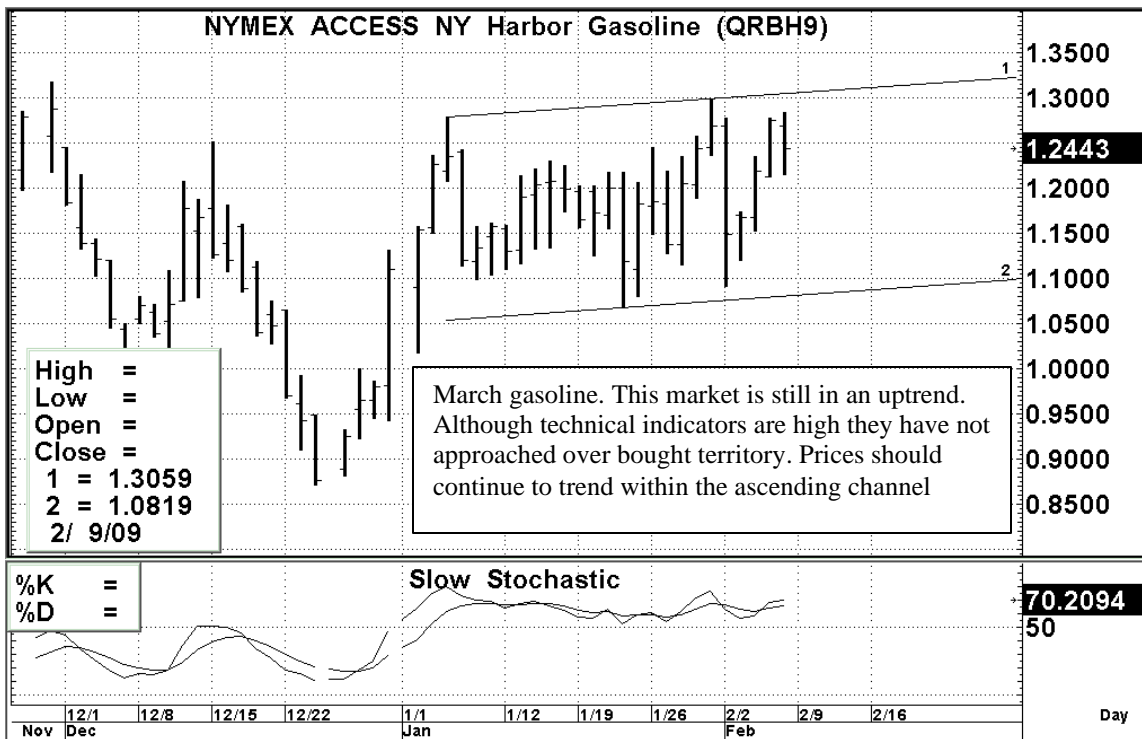
Despite an afternoon rally in prices, crude oil succumbed to economic pressure and could not sustain its strength. Economic woes continue to loom over this market as demand destruction continues. U.S. jobless claims rose more than expected further spreading fear that the recession in the world's largest energy consumer is spreading. The contango condition, where the front months trade at a discount to the deferred, is deepening; giving further credence that demand is not expected to pick up any time

soon. This is the lowest level the March crude oil contract has been in seven weeks. March crude oil experienced an outside trading session, achieving a higher high and a lower low. With settlement being lower than the previous day's range, from a technical standpoint, this is a bearish signal for prices. Technical indicators are in oversold territory basis a daily bar chart but have not given an indication that the trend is turning. Barring any major fundamentals, this trend should continue next week. Gasoline, which has been in an up trend since mid December, remains within the ascending channel. Waning demand will continue to impact the prices of gasoline as we come into the U.S. summer driving season. Although technical indicators are approaching oversold territory, they have not crossed to the downside. Key to the direction of this market will be next week's inventory numbers, with demand being the focus of attention. Prices should continue to work higher, working towards the \$1.3059 trendline.

Crude Oil (CL) MAR.09 363,757 -908 APR.09 134,150 +2,592 MAY.09 74,596 +1, Totals: 1,252,212 +7,616 Heating oil MAR.09 59,089 -2,016 APR.09 34,879 +629 MAY.09 27,194 -65 Totals: 242,815 -367 NEW YORK HARBOR RBOB GASOLINE MAR.09 61,125 +404 APR.09 36,409 +3,792 MAY.09 21,453 +1,092 Totals: 185,948 +5,723

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 22,376 contracts to 29,276 in the week ending February 3<sup>rd</sup>. It showed that that non-commercials increased their total short position by 30,999 to 205,448 contracts on the week. The combined futures and options report showed that non-commercials cut their net long position by 731 contracts to 131,335 contracts on the week. The non-commercials have likely continued to cut their net long position in recent days. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market increased their net long position by 655 contracts to 9,390 contracts while funds in the RBOB market cut their net long position by 2,162 contracts to 44,216 contracts on the week.





<b>Crude Support</b>	<b>Crude Resistance</b>
38.00, 32.25, 29.66, 28.63, 26.65, 25.50	48.77, 50.07, 54.75, 55.98, 57.20
<b>Heat Support</b>	<b>Heat resistance</b>
1.3115, 1.3039, 1.2785, 1.1895	1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.0988, 1.0680, 1.0128, 9590, .8978, .8755, 7850	1.2170, 1.2298, 1.2750, 136.14