



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 9, 2009

OPEC Secretary General Abdullah al-Badri said OPEC is willing to cut its oil output further at a meeting in March. He added that he would like to see full compliance with existing cuts first. He said OPEC's compliance with existing cuts of 4.2 million bpd was about 80%. OPEC's President and oil ministers from member countries Venezuela, Iran and Iraq have also

Market Watch

The National Weather Service reported that US heating demand this week is expected to average about 30% below normal. Demand for heating oil is expected to be about 28.4% below normal this week while heating demand for natural gas is expected to average 29.3% below normal.

ConocoPhillips will load a VLCC with 1.8 million barrels of Norwegian Ekofisk crude this week. It will load two cargoes of Ekofisk in a ship to ship transfer from one of its own vessels and one cargo from an Italian vessel. The tanker's exact destination was unclear. Traders said oil companies are still building up floating reserves of unsold crude on VLCCs at sea. They said stocks probably exceed 80 million barrels.

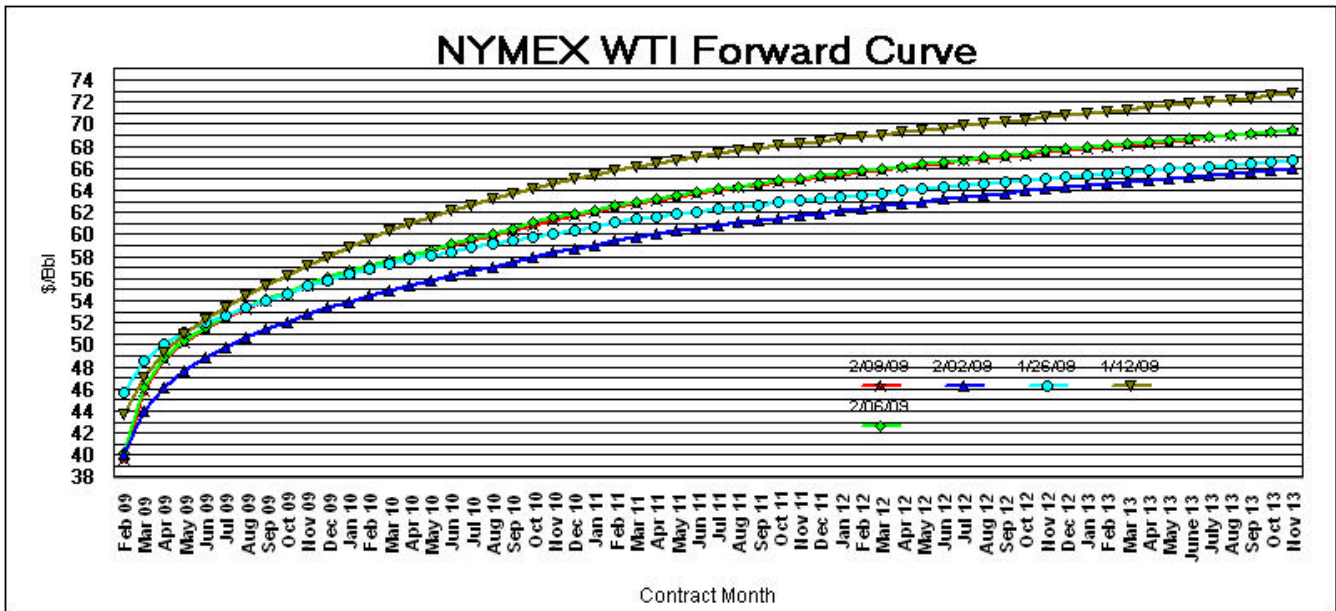
Nippon Oil Corp and other Japanese manufacturers including Toyota Motor Corp said they would set up a research body to develop next-generation cellulosic-derived biofuels. The consortium has set a goal of producing 250,000 kiloliters or 1.6 million barrels/year of bioethanol by March 2014 and producing bioethanol at 40 yen or \$0.437/liter or about \$70/barrel by 2015.

Low water surcharges are still demanded for freight shipping on the Rhine River and Danube River despite the rise in water levels over the weekend. Surcharges are still imposed for shipping from Cologne and from Koblenz along central German stretches of the Rhine River and along the entire length of the Danube River.

Antigovernment protests in Venezuela have intensified in the final days before a referendum that will determine whether President Hugo Chavez can run for re-election indefinitely. Opposition parties and anti-government students claim President Chavez intends to turn Venezuela into a version of communist Cuba. Opinion polls show President Chavez has a slight lead ahead of the February 15 vote on whether to allow him and other politicians to run for re-election as many times as they like. If he loses the referendum, He would leave office in four years when his six year term expires.

February Calendar Averages
CL – \$40.35
HO – \$1.3457
RB – \$1.2179

raised the prospect of the group lower its supply further. He also said OPEC nations have collectively put 35 oil drilling projects on hold indefinitely due to low oil prices. Separately, OPEC's Secretary General said OPEC has about 8 million bpd in total spare production capacity, referring to the nameplate capacity of OPEC oil fields.



Meanwhile, Saudi Arabia will maintain steady its oil supplies to major Asian buyers in March, suggesting the country is waiting to see if three months of deepening cuts are enough to increase prices. Saudi Arabia is planning to pump as much as 300,000 bpd below its formal OPEC target for February. Four major refiners in Asia will receive 7-15% below normal contractual supplies next month, unchanged on the month.

Venezuela's Finance Minister Ali Rodriguez believes oil prices could fall to \$20/barrel but not lower. He said Venezuela's government planned for an average oil price of \$60/barrel in its 2009 budget however the average price so far this year for Venezuela's crude was \$36.16/barrel. He predicted low oil prices would cause world investment in the industry to drop and supply shortages that would result in prices recovering however he avoided saying when.

UAE's Oil Minister Mohammed al-Hamli said crude oil prices at current levels around \$40/barrel are too low to attract enough investments. He said the price of oil is about half the level required to attract adequate investment in the industry. He also warned that weak oil prices and the economic crisis are threatening longer term spending on longer-term Middle East oil projects.

Algeria's oil minister said late today that if the U.S. oil price stays around \$40 per barrel, there will be less pressure on OPEC to cut output at its March meeting. He further noted that he does not expect much further decline in world demand and thus prices should recover to \$60 per barrel by the end of the year. But he did warn that no opec member except Saudi Arabia is able to produce less than its output quota.

Nigeria's white collar oil workers union, Pengassan will not strike on Monday over insecurity in the Niger Delta as originally threatened because talks are still ongoing. Separately, Total workers in Port Harcourt started a three day strike on Monday to protest the kidnappings of oil workers in the Niger Delta. About 500 workers locked Total's gate in the city, calling for an end to abduction and violence in the oil-rich region.

Iran's Parliament Speaker Ali Larijani called on US President Barack Obama's administration to outline its plan for the Middle East and use diplomatic means to present them. During talks with Spain's Prime Minister Jose Luis Rodriguez Zapatero, Iran's Parliament Speaker welcomed the Obama administration's willingness to talk with Iran as a significant policy shift following a speech by US Vice

President Joe Biden at an international security conference in Munich. In his speech, Vice President Joe Biden said the US is open to talks with Iran.

The EIA reported that the US average retail price of diesel fell by 2.7 cents to \$2.219/gallon in the week ending February 9th. It is the lowest level since May 30, 2005. The price of diesel is down \$1.061/gallon on the year. It also reported that the US average retail price of gasoline increased by 3.4 cents to \$1.926/gallon on the week. It is \$1.034/gallon or 34.9% below last year's level.

According to the Lundberg survey, the average price of gasoline increased by 6 cents to \$1.92/gallon in the two weeks ending February 6th.

Refinery News

Colonial Pipeline is allocating distillate shipments on Line 2 north of Collins, Mississippi for cycle 10 as demand exceeds line capacity.

Credit Suisse reported that US refinery margins increased in most markets on stronger product prices in the week ending February 6th. Gulf Coast margins increased by \$1.91 or 17.3% to \$12.97/barrel while Midwest margins increased by 68 cents or 6.7% to \$10.78/barrel. In the Northeast, margins fell by \$1.58/barrel or 15.7% to \$8.48/barrel. Margins in the Rockies increased by \$3.16 or 22.6% to \$17.13/barrel while margins in the West Coast increased by \$3.09 or 12.7% to \$27.45/barrel.

The restart of fluid catalytic cracking unit A at Citgo Petroleum Corp's 429,500 bpd Lake Charles, Louisiana refinery has been delayed for the second time. The unit was expected to begin restarting over the weekend but work continues to prepare the unit to return to service.

ExxonMobil Corp plans flaring at its 149,500 bpd refinery in Torrance, California between Monday and Wednesday. It said it is preparing to restart a unit at the refinery following six weeks of planned turnaround maintenance. While it did not identify which unit was restarting, the units in turnaround since December 30 are a 100,200 bpd fluid catalytic cracking unit, an alkylation unit, an 18,000 bpd hydrotreater unit and a sulfur recovery unit.

Chevron Corp warned of planned flaring at its 260,000 bpd refinery in El Segundo, California.

Ecuador's Esmeraldas refinery halted the production of gasoline and premium diesel fuel last week for 34 days of maintenance. Output at the refinery has fallen to 95,000 bpd, below its capacity of 110,000 bpd. The refinery will also shutdown for repairs between May and June.

StatoilHydro ASA will shut a crude unit at its 189,000 bpd Mongstad refinery in the autumn of next year for regular maintenance. A coker unit will be shut in April this year for a week's maintenance.

Japan's Cosmo Oil Co said it will resume using undersea piping at its Chiba refinery on Wednesday, the first time in about eight months. A leak was discovered while the piping was closed from June 19 last year for other repairs.

Kuwait Petroleum Corp is offering a 450,000 barrel, early-March loading gas oil cargo via a spot tender. The cargo could be sold into the regional market or Europe, as Asia is currently oversupplied.

Production News

A senior Iraqi oil official denied a report that exports of crude from its northern fields were disrupted. The head of State Oil Marketing Organization, Falah Alamri said Iraqi oil exports via Ceyhan have not stopped and are not delayed.

The March loading program for North Sea Statfjord crude scheduled the loading of 5.985 million barrels, unchanged on the month. The North Sea Gullfaks crude stream scheduled the loading of 7.695 million barrels in March, up from 6.84 million barrels in February.

Oman is aiming to increase its total oil production for the second consecutive year in 2009. It has previously stated that it has no plans to cut output in support of OPEC. Oman aims for total crude and oil condensate output of 805,000 bpd in 2009, up from 757,000 bpd in 2008. Its production in 2008 increased by 47,000 bpd on the year.

Petroleum Development Oman increased its crude oil output for the first time in eight years by 5,000 bpd in 2008 to 566,000 bpd. Target output for 2009 is unchanged at 540,000 bpd to 560,000 bpd.

China's Sinopec Corp said it plans to produce 10% more crude oil in its northwest oil field this year despite the falling prices and demand. It said the field will produce 6.59 million tons or 131,800 bpd of crude this year compared with 6 million tons in 2008.

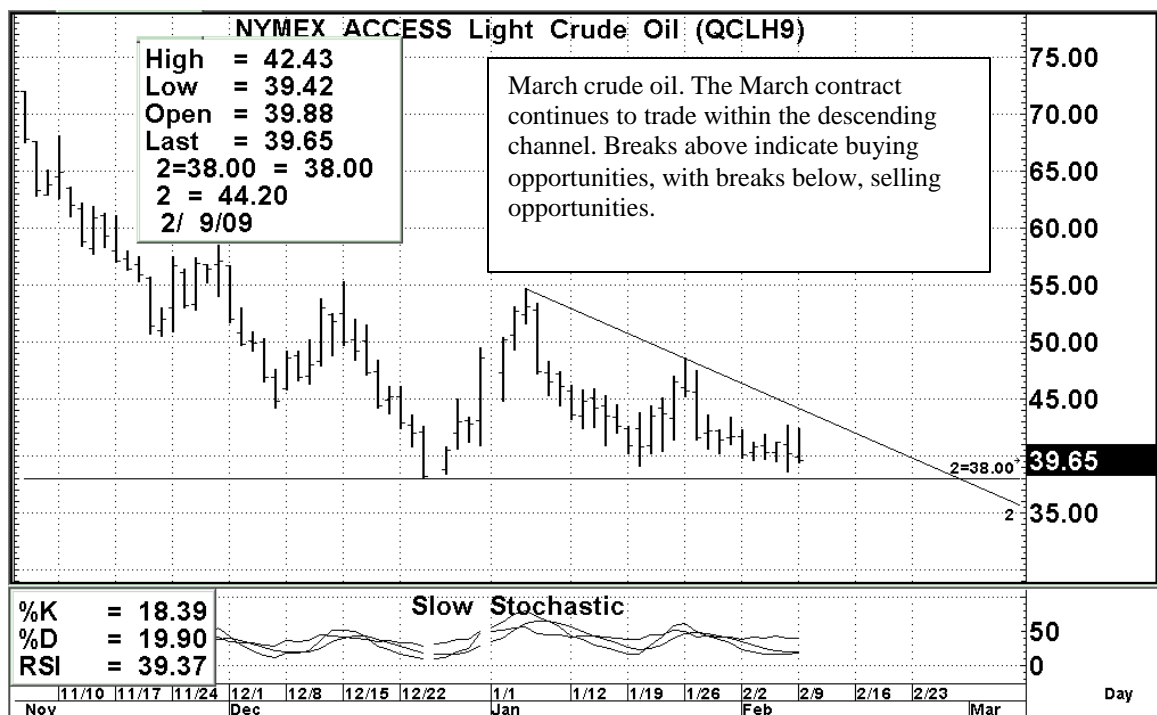
Brazil's ethanol exports are expected to fall in 2009 from 5.1 billion liters in 2008, according to Brazil's Cane Industry Association. However no figures were given for 2009.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$43.30/barrel on Friday from \$42.05/barrel on Thursday. It also reported that OPEC's basket of crudes increased by 80 cents to \$42.23/barrel in the week ending February 6.

Market Commentary

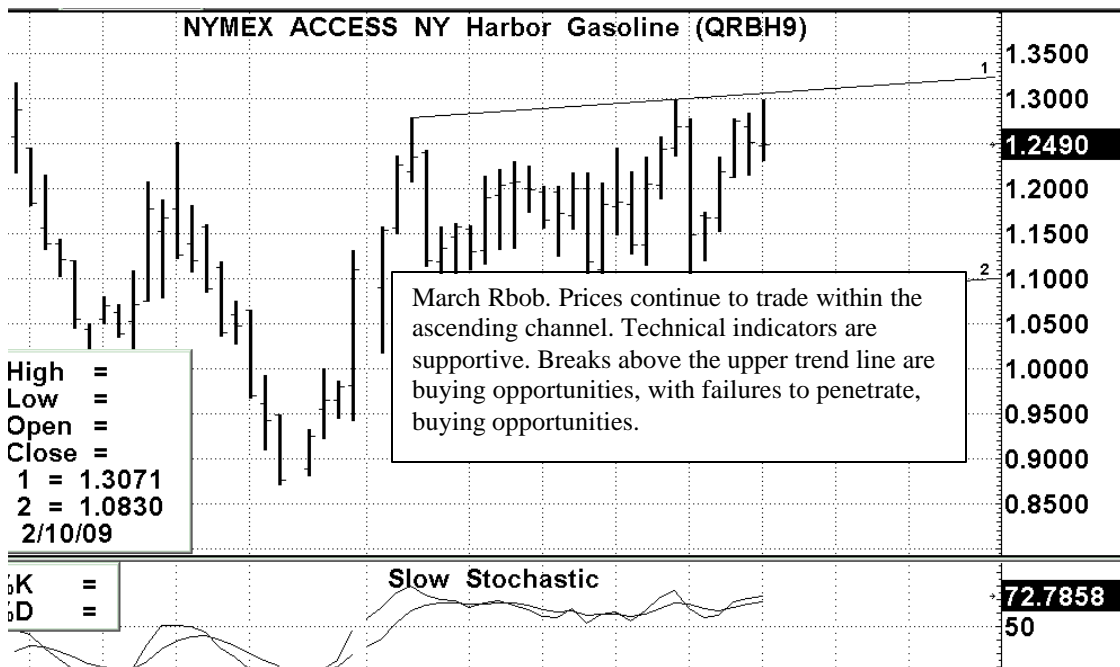
As we await the outcome of the U.S. economic stimulus package, speculation is mounting that it will help spur demand for energies. This stimulus package, worth \$800 billion, is expected to pass tomorrow when U.S. lawmakers make their votes. OPEC, which is within 80% of compliance of their proposed cuts, has approximately 900,000 barrels left to cut. OPEC is scheduled to meet again in March and will make further cuts if necessary, according to Secretary-General Abdalla el-Badri. A weak dollar also contributed to the early strength in energies, as the appeal of commodities grew.

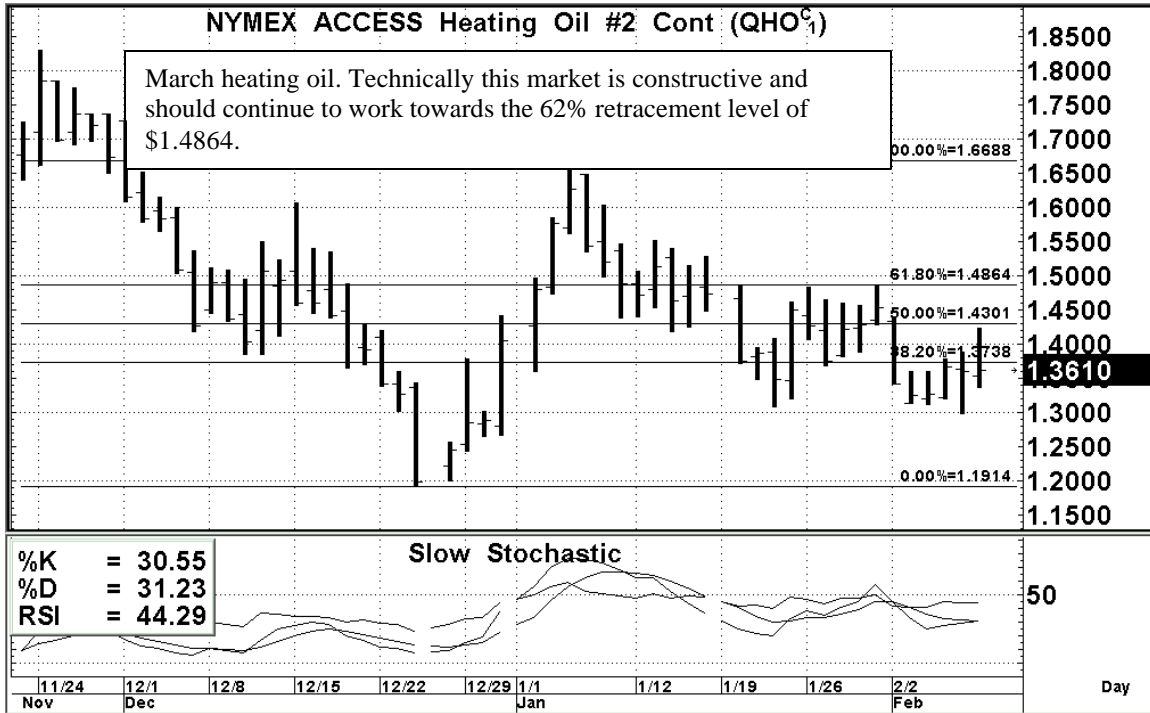
Crude oil continues to be range bound, trading within the \$35.00 to \$50.00 range. The March crude oil experienced an inside trading session, settling lower on the day. Although the slow stochastics are low and



have narrowed, they have not crossed to the upside indicating a change in direction. The descending channel depict on the chart below can prove to be a bullish pattern should prices break to the upside. The measured upside objective based on this pattern is \$71.48. Should price break above the descending trend line, a buying opportunity would present itself. Likewise, should prices penetrate the horizontal line set at \$38.00, a selling opportunity would occur. The March/April spread succumbed to pressure once again. With the index rolls underway, this spread should see additional pressure. Despite settling lower on the day, the March gasoline contract continues to work towards the upper trend line on the ascending channel. This channel will begin tomorrow's session set at \$1.3071. Breaks above this trend line will present buying opportunities, with failures to do so, selling opportunities. Gasoline gained against the crude oil today lending strength to crack spreads. Gasoline cracks are at their highest level since September. Should inventory numbers indicate another shift in demand, we would see these spreads gain further strength. All of this of course will depend on the economic factor and its impact on demand. From a technical perspective, heating oil appears to want to work higher. There have been two previous failed attempts to trade above the fibonacci retracement number of \$1.4864. We would look for another attempt at this level.

Crude Oil (CL) MAR.09 275,342 -88,415 APR.09 188,861 +54,711 MAY.09 81,275 +6,679 Totals: 1,233,392 -18,820 Heating oil MAR.09 56,845 -2,244 APR.09 39,006 +4,127 MAY.09 29,252 +2,058 Totals: 248,202 +5,387 NEW YORK HARBOR RBOB GASOLINE MAR.09 56,854 -4,271 APR.09 39,507 +3,098 MAY.09 22,597 +1,144 Totals: 186,797 + 849





Crude Support	Crude Resistance
38.00, 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