



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 9, 2011

OPEC's Secretary General Abdullah al Badri said there is no need for OPEC to hold an emergency meeting as the oil market is well supplied and the recent price increase is not related to threat to supplies. He said OPEC is currently supplying more than the market needs in the first half of the year.

Earlier this week, he stated that there would be no need for an emergency OPEC meeting even if oil prices reach \$120/barrel.

A supertanker loaded with 2 million barrels of crude oil was attacked early Wednesday morning off the coast of Oman. The vessel was headed to the US Gulf Coast from Mina al Ahmadi, Kuwait.

The EIA reported that US crude imports fell by 105,000 bpd to 8.88 million bpd in the week ending February 4th. Imports from Canada increased by 184,000 bpd to 2.001 million bpd while imports from Mexico increased by 108,000 bpd to 1.268 million bpd and imports from Saudi Arabia fell by 516,000 bpd to 888,000 bpd on the week.

Refinery News

DOE Stocks

Crude – up 1.898 million barrels
Distillate – up 288,000 barrels
Gasoline – up 4.663 million barrels
Refinery runs – up 0.2%, at 84.7%

Market Watch

The Energy Security Leadership Council, a group of business and military figures, said the US government should make cutting reliance on oil a main point of its transportation policies to protect economic and national security. Both the Senate and House of Representatives are set to consider a new long term transportation bill. It said reliance on petroleum has created unsustainable risks to US economic and national security, despite recent progress to improve the fuel efficiency of cars and trucks and the emerging shift toward alternative energy.

A CFTC commissioner said that tight deadlines in the US financial reform law will force the futures regulator to proceed with new rules for over-the-counter swaps without first putting market definitions in place. The CFTC has been challenged by time and funding as it tries to implement new regulations required by the Dodd-Frank bank reform law. The CFTC has proposed regulations to put the law into effect but has yet to define the types of swaps products that will be covered and has not finalized a regulation defining the types of market participants who will be most affected.

Colonial Pipeline allocated Cycle 10 shipments on its Line 20 carrying distillates from Atlanta, Georgia to Nashville, Tennessee, as demand for shipping space exceeded line capacity.

Valero Energy Corp's fluid catalytic cracking unit at its 287,000 bpd refinery in Port Arthur, Texas is increasing to planned rates. It reported that a loss of steam had caused the unit to

shut down on Tuesday.

Citgo Petroleum Corp reported a shutdown of its fluid catalytic cracking unit No. 1 at its 163,000 bpd Corpus Christi, Texas refinery due to a leak in a joint above the regenerator slide valve.

February	
Calendar Averages	
CL	-\$88.90
HO	-\$2.7469
RB	-\$2.4896

Exxon Mobil Corp's Baytown, Texas petrochemical complex has sustained only minimal impact from Tuesday's fire at the Enterprise Products Partners Mont Belvieu, Texas natural gas liquids and petrochemical complex. Main production facilities were not affected by the fire.

Marathon Oil Corp will shut a naphtha pre-treater, catalytic reformer and a crude unit at its 226,000 bpd refinery in Catlettsburg, Kentucky for planned maintenance on Thursday. The maintenance will continue until early March.

Husky Energy Inc said its 82,000 bpd heavy oil upgrader was running at 40-50% of production rates. The upgrader is expected to run at those rates until repairs are completed. Repairs should be completed by month end. It said full rates are expected by March.

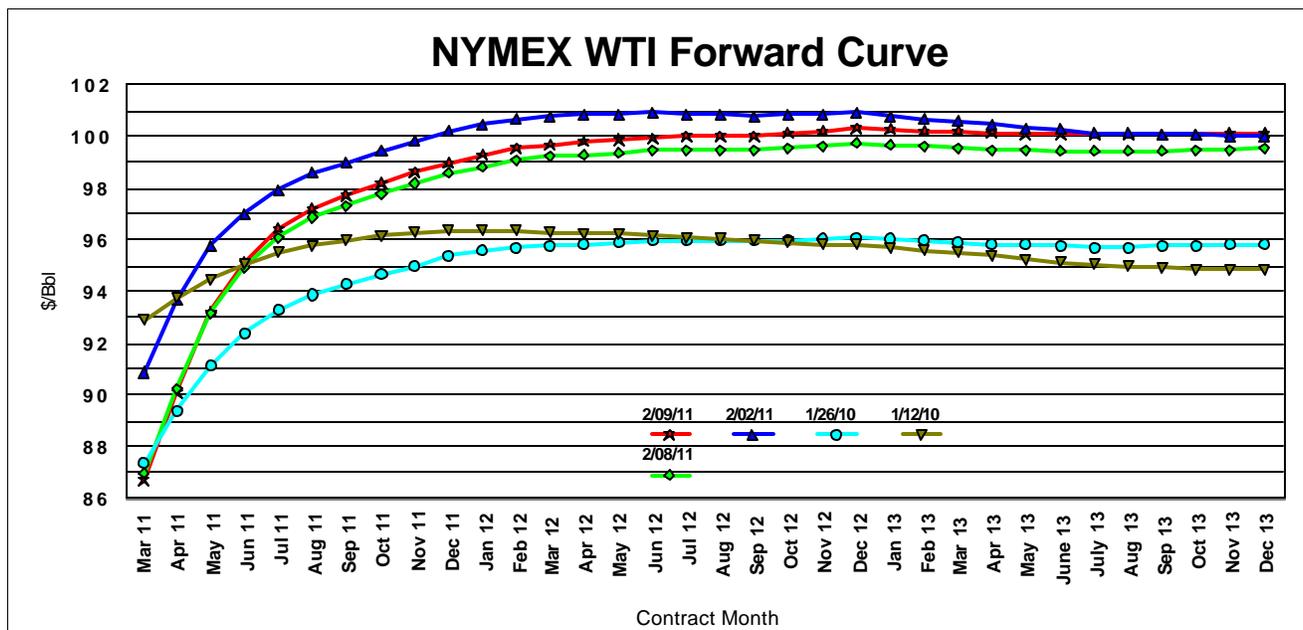
Japan's Cosmo Oil Co restarted its 24,000 bpd fluid catalytic cracking unit at its 100,000 bpd Sakai refinery earlier in the day. The unit was shut on January 29th for unplanned maintenance.

China National Petroleum Corp plans to increase its crude runs in the first quarter by 13.3% to 37.5 million metric tons or 3.04 million bpd and import 600,000 metric tons of diesel to meet increasing agricultural use amid a severe drought.

Austria's OMV AG said it will close parts of its Schwechat refinery in May for maintenance and inspections. The planned shutdown will affect the petrochemical part of the refinery.

Nigeria's four refineries were operating at between 60% and 75% capacity after production restarted last week following closures caused by pipeline sabotage. The refineries have a total capacity of 445,000 bpd.

According to Euroilstock, total oil and oil product stocks in January increased by 1.5% on the month



but fell by 3.4% on the year to 1.125 billion barrels. Crude oil stocks increased by 1.3% on the month but fell by 1% on the year to 463.19 million barrels while gasoline stocks increased by 1% on the month but fell by 9.4% on the year to 115.6 million barrels and distillate stocks increased by 2% on the month but fell by 4.5% on the year to 405.75 million barrels. Its fuel oil stocks increased by 1.8% on the month but fell by 0.9% on the year to 107.25 million barrels while naphtha stocks fell by 1.3% on the month and by 8.9% on the year to 33.44 million barrels. Euroilstock reported that capacity utilization fell to 85.31% in January from 85.44% in December.

The Petroleum Association of Japan reported that country's crude oil inventories in the week ending February 5th increased by 433,484 kiloliters to 15.389 million kl. Its gasoline stocks fell by 15,103 kl on the week to 2.262 million kl while its gasoil stocks fell by 277,394 kl to 1.859 million kl. Japan's naphtha stocks fell by 187,188 kl to 1.818 million kl while its jet fuel stocks fell by 40,406 kl to 771,713 kl and kerosene stocks fell by 46,104 kl to 1.871 million kl. Japan's crude runs increased by 34,390 to 4.486 million kl.

China's net exports of diesel in 2011 could increase as domestic supply outstrips demand and new refinery capacity comes online. Net exports of diesel could total between 3.6 million and 5.5 million tons, up from 2.845 million tons in 2010. China's refinery runs in 2011 are forecast at 8.9 million bpd, up from 8.48 million bpd last year.

The Baku-Tbilisi-Ceyhan oil pipeline is expected to pump 25.4 million barrels of Azeri Light crude in March, up 4.5 million barrels more than February. The March loadings would amount to 819,355 bpd compared with 746,429 bpd in February.

The Rhine River will be open to northbound sailings on Wednesday but closed to southbound sailings for most of the day as salvage work on a capsized tanker continues.

Increasing world demand, a weak dollar and record domestic production are giving US ethanol producers an increasing advantage over Brazil in export markets for the fuel additive. Brazil's increasing domestic demand is keeping more ethanol in the country. The imbalance has helped US ethanol increase its share on the world market. The Renewable Fuels Association said US exports of ethanol have tripled in the past year to an estimated 350 million gallons in 2010 from 113 million gallons in 2009, with Canada, Northeast Europe and Brazil the main destinations. It reported that Brazil exported 502 million gallons of ethanol in 2010, down 61% from 1.3 million gallons in 2009.

Production News

BP Plc plans to conduct maintenance at its Thunder Horse platform in the Gulf of Mexico in March. The platform has a maximum capacity of 250,000 bpd of liquids and 200 million cubic feet/day of natural gas.

Chevron Corp said it expects the federal government to start issuing permits for deepwater drilling in the Gulf of Mexico, which would allow drilling to resume before the end of the year. It said the company is days away from complying with all the requirements set by the Bureau of Ocean Energy Management, Regulation and Enforcement. One of the main issues delaying the permit process is the requirement for companies to demonstrate they have the capacity to intervene and contain an oil spill in a very short period of time.

Oil exports from Iraq's southern Basra terminal fell to 984,000 bpd on Wednesday from 1.896 million bpd on Tuesday due to bad weather.

Mexico's Transport Ministry said Mexico reopened the Dos Bocas oil port in the Gulf of Mexico on Wednesday morning as bad weather subsided. The port was closed on February 7th. Mexico's three oil ports were open.

Output from the four benchmark North Sea crude oil streams is expected to fall to 1.13 million bpd in March from 1.22 million bpd in February. Norway's North Sea Ekofisk crude oil stream is expected to load an average of about 337,000 bpd or 10.45 million barrels in March, down from 373,000 bpd in February.

Statoil ASA said it was not drilling in Egypt due to supply chain concerns. The company's chief executive said it was difficult to say when it would resume drilling in the US Gulf of Mexico. It said drilling may resume later in 2011. The company said it was positioned to deliver a compound annual production growth rate of about 3% from 2010 to 2012. Statoil said that due to constraints of existing production permits and temporary issues at its Gullfaks field, its production growth will not be linear. The issues at Gullfaks will impact about 30,000 bpd of its production in 2011.

Italy's Eni SpA started oil production at Alaska's offshore Nikaitchuq field, which holds an estimated 220 million barrels of recoverable oil reserves. The oil field is expected to produce for over 30 years with peak production of 28,000 bpd.

Russia's Prime Minister Vladimir Putin said Russia must pump at 2010's post-Soviet peak level of 10.1 million bpd but issued a warning on fuel prices and vowed more oversight of the oil trade. He called for a quick decision on tax incentives to keep the country producing at 2010 levels. The government is due out with a new tax package in the next two months.

National Iranian Oil Co cut its crude oil official selling prices for March term supply to Northwest Europe, the Mediterranean and Asia. Its Iranian Light crude bound for Northwest Europe was set at BWAVE minus \$4.20, down \$1.20 on the month; its Iranian Heavy crude was set at BWAVE minus \$5.80, down \$1.10 and its Forozan Blend was set at BWAVE minus \$5.75, down \$1.10. Its Iranian Light crude bound for the Mediterranean was set at BWAVE minus \$5.80, down \$2 on the month; its Iranian Heavy was set at BWAVE minus \$8.35, down \$2.20 and its Forozan Blend was set at BWAVE minus \$8.30, down \$2.20. Its Iranian Light crude bound for Asia was set at the Oman-Dubai average plus \$1.52, down 30 cents on the month; its Iranian Heavy was set at the Oman-Dubai average plus \$1.05, down 15 cents and its Forozan Blend was set at the Oman-Dubai average minus 97 cents, down 15 cents.

OPEC's news agency reported that OPEC's basket of crudes increased by 10 cents to \$96.12/barrel on Tuesday from \$96.02/barrel on Monday.

Market Commentary

Succumbing to pressure from increasing inventories across the board, the March crude oil contract gave up early gains, while Brent futures rose above \$102 a barrel. Brent, still reeling from the uprisings in Egypt, continued to gain against the WTI, trading below -\$15.00. Gasoline inventories reached a 20-year, high causing the March futures contract to drop by 1.3 cents during the trading session. Meanwhile the March/April spread held up fairly well due to the decrease in stockpiles at Cushing. Today's report was overall bearish, especially for refined products. Pressure should remain on crude oil in the months ahead as refiners are looking to cut back on runs due to the inventory increase in gasoline. We remain with our opinion that crude oil will continue to come under pressure, making reaches for the \$83.00 level.

Crude oil: Mar 11 293,484 -41,484 -41,304 April 11 177,406 +14,876 May 11 132,496 +9,545 Totals 1,536,606 -8,655 Heating oil: Mar 11 92,855 -2,527 Apr 11 52,753 +826 May 29,479 +1,751 Totals

310,044 +3,966 Rbob: Mar 11 74,560 -7,313 Apr 11 48,177 +5,747 May 11 36,519 +2,720 Totals
 264,204 +3,764.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8588					
	8955	26680		22560	27085
8387	9385	23685	29500	22050	
8161	103.85	22960	30955	21600	
7945	111.65	22013		20300	
7900		21860		20130	
		21140			
		20702			

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