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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 11, 2009

Saudi Arabia's Oil Minister Ali al-Naimi said low oil prices are as unjustified and unsustainable as record high prices were last summer and the extreme volatility in the market may cut world investment in

Market Watch

China's customs agency reported that the country's exports fell by 17.5% in January, the largest year on year decline in more than a decade. China's imports also fell sharply in January, falling 43.1% over a year earlier. The falling demand for China's exports has impacted the country's export industries. Thousands of factories have closed or laid off workers and according to the government at least 20 million migrant workers have lost their jobs as a direct result of the slowdown. China's government fears that outbreaks of unrest could escalate and threaten their continued grip on power.

Russia's Finance Ministry announced that Russia will set the export duty on oil at between \$114 and \$117/ton from March 1. The export duty has been \$100.90 since February 1.

new projects to meet future demand. He said revenues from oil sales is not sufficient to balance the national budget in 2009 but added that the Saudi economy is still doing well and has accumulated reasonable reserves. He also stated that Saudi Arabia is exporting between 7 and 8 million bpd of crude. He said Saudi Arabia will more than double its spare capacity by the middle of the year to 4.5 million bpd as it starts its Khurais project, which will add 1.2 million bpd to its capacity.

The IEA reported that world oil demand will contract by more than previously expected in 2009 due to extreme weakness in the world economy. Demand is expected to fall by 980,000 bpd in 2009 to 84.7 million bpd. It previously estimated that demand would fall by 500,000 bpd this year. It revised its oil demand forecast lower after the IMF cut its estimate for global GDP growth in 2009 to just 0.5%. Oil demand in OECD countries was cut by 340,000 bpd to 46 million bpd. Estimates for oil consumption this year among developing countries were cut by 230,000 bpd to 38.7 million bpd. It cut its estimate for China's oil demand by 30,000 bpd to 7.92 million bpd in 2009. Stocks at the end of December stood at 57 days of forward supply compared with 56.4 days at the end of November. It said OPEC will have to provide about 28.8 million bpd this year to balance supply and demand. OPEC produced 29 million bpd in January, down 950,000 bpd on the month. The 11 OPEC countries bound by

DOE Stocks

Crude – up 4.7 million barrels

Distillate – down 1 million barrels

Gasoline – down 2.6 million barrels

Refinery runs – down 1.9%, at 81.6%

production quotas produced 26.65 million bpd last month compared with its quota of 24.845 million bpd. It cut its estimate for OPEC's average capacity this year to 35.1 million bpd from 35.5 million bpd in July. The IEA warned that future oil supply growth has come under threat from the collapse in prices, with decline rates in mature oilfields likely to accelerate if oil remains at \$40/barrel. The IEA also

stated that oil held in floating storage will limit gains in prices until production cuts by OPEC members or increasing demand tighten prompt markets. There is an estimated 50-80 million barrels of oil held in offshore tankers, primarily in the US Gulf of Mexico and the North Sea. In regards to refining activity, it forecast that refinery runs in the first quarter will fall sharply on the year amid the economic crisis. It said poor demand, further refinery run cuts and plant maintenance would continue to cut worldwide refinery throughput. It cut its forecast for average first quarter crude oil throughput to 71.9 million bpd, down 300,000 bpd from its previous forecast. It estimates January crude runs at 71.9 million bpd, down 2.7 million bpd on the year. The IEA's Executive Director, Nobuo Tanaka, said the energy sector and the government must invest to ensure future energy supplies and control emissions.

February Calendar Averages

CL – \$39.45

HO –\$1.3365

RB – \$1.2276

Total workers in Nigeria said they will end a strike called in protest of insecurity in the volatile Niger Delta that started on Monday.

Nigeria's main militant group warned that it may launch attacks against Italian companies including Agip because of what it said was an Italian offer of equipment to the Nigerian military. The Movement for the Emancipation of the Niger Delta said Italy's government has made an unsolicited offer of two attack boats to the Nigerian military.

Nigeria's military impounded 22 barges of stolen crude oil in the Niger Delta late Tuesday. A naval patrol close to Chanomi Creek in Delta state discovered the barges while on routine surveillance.

Russia's Foreign Minister Sergei Lavrov said Russia welcomes offers made by the US administration of President Barack Obama to talk with Iran.

Refinery News

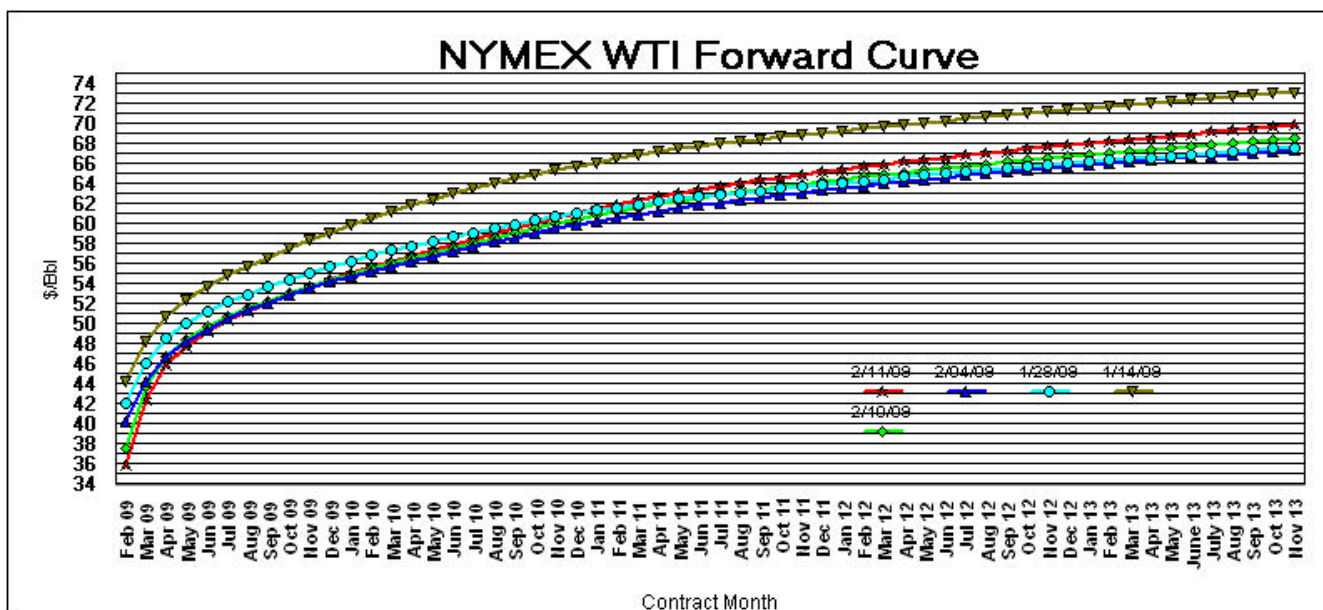
Citgo Petroleum Corp shut a reformer unit and other associated units at its Corpus Christi, Texas refinery to repair a small leak in a pipeline. A report filed with the Texas Commission on Environmental Quality did not specify what other units would be shut. It did not state how much capacity would be taken offline.

Valero Energy Corp said its 90,000 bpd Ardmore, Oklahoma refinery was operating as storms swept over the area on Tuesday night.

ExxonMobil Corp restarted a fluid catalytic cracking unit at its 567,000 bpd Baytown, Texas refinery following planned maintenance. Separately, ExxonMobil Corp started maintenance work on some units at its Gravenchon refinery in France on Wednesday. A source previously stated that ExxonMobil was planning to shut a fluid catalytic cracking unit and an associated alkylation unit for four to five weeks of maintenance.

South Korea's SK Energy, GS Caltex, S-Oil Corp and Hyundai Oilbank cut their processing rates in February by 3% to 2.29 million bpd from 2.36 million bpd in January. SK Energy is operating at 900,000 bpd, while GS Caltex is operating at 600,000 bpd, down 20,000 bpd on the month, S-Oil is operating at 480,000 bpd, down 20,000 bpd on the month and Hyundai is operating at 310,000 bpd, down 30,000 bpd on the month

Taiwan's CPC Corp is considering shutting down its No. 3 naphtha unit in March due to high feedstock costs. The unit is running at 80% of capacity, along with the No. 4 naphtha cracker, which restarted operations in early February. Its No. 5 naphtha unit was running at about 70% capacity, down 10% after the restart of No. 4.



China's General Administration of Customs reported that the country's crude oil imports in January fell by 8% on the year to 12.82 million tons or 3.02 million bpd. Imports of refined oil products totaled 2.39 million tons in January, down 26.2% on the year. According to Reuters, China's net imports of oil products excluding liquefied petroleum gas fell by 22.2% in January from December to 1.26 million tons.

Separately, China will export less gasoline in February as refineries increase runs. Net gasoline exports in February are expected to fall to 150,000 tons from 210,000 tons in January while net exports of diesel are expected to fall to 200,000 tons in February from 250,000 bpd in January.

China National Petroleum Corp and China Petrochemical Corp were ordered by the Chinese government to increase diesel supplies to areas impacted by the worst drought in five decades. China National and Sinopec Group must increase supplies to the remote areas to stabilize the market.

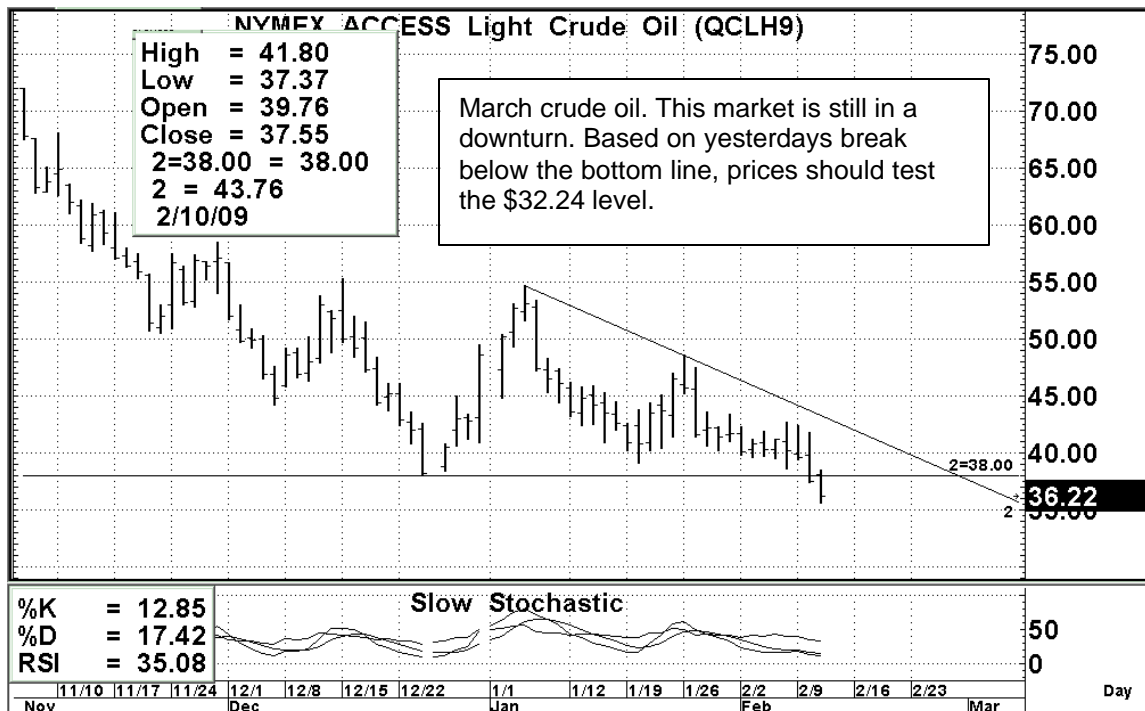
Production News

The US Minerals Management Service said about 9.2% or 119,792 bpd of crude oil and 12.8% or 945 mmcf/d of natural gas production in the Gulf of Mexico remained shut in following Hurricanes Gustave and Ike in 2008. Last month, the MMS reported that 11% of crude oil and 15% of natural gas production was still shut. It expects the majority of the remaining oil production shut in will be restored by late March 2009 while it expects natural gas production to be fully restored by late May.

Kuwait National Petroleum Co said Kuwaiti oil exports are expected to resume early on Thursday after being halted since late Tuesday due to low visibility and high winds. In Saudi Arabia, loading at the country's largest oil export terminal at Ras Tanura has not been affected by bad weather that has halted exports from Kuwait. In Iraq, oil exports from the port of Basra were unaffected by bad weather and continued on Wednesday at 60,000 bpd barrels per hour.

Iraq's South Oil Co issued tenders to drill 40 oil wells in the country's southern fields in a bid to address a sharp decline in southern oil production. It has issued tenders to drill 10 wells in the Nahr Ben Umar field and 30 wells in the Majnoon field. The Nahr Ben Umar field is currently producing about 50,000 bpd. South Oil is seeking to increase its output to 70,000 bpd. The Majnoon field is currently producing about 50,000 bpd and the company is seeking to increase its production to no less than 80,000 bpd.

PDVSA and PetroVietnam have created PetroMacareo, a joint venture company, to develop oil projects. The new company will be controlled by PDVSA with PetroVietnam holding a 40% stake.



Iraq's State Oil Marketing Organization increased its March official

selling prices of its Basra Light and Kirkuk crude to all buyers. Basra Light crude bound for the US in March was set at second month WTI minus \$0.05/barrel, up \$4/barrel from minus \$4.05/barrel in February. Basra Light crude bound for Europe was set at dated Brent minus \$2.05/barrel, up \$2.30 from minus \$4.35/barrel in the previous month. Basra Light crude bound for Asia was priced at the Oman/Dubai average minus \$0.85/barrel, up \$1.30 from minus \$2.15/barrel in February. Kirkuk crude bound for the US was set at spot WTI minus \$0.85/barrel, up \$2.05/barrel from minus \$2.90/barrel in February while Kirkuk crude bound for Europe was set at dated Brent minus \$1.75/barrel, up \$1.50 from dated Brent minus \$3.25/barrel in February.

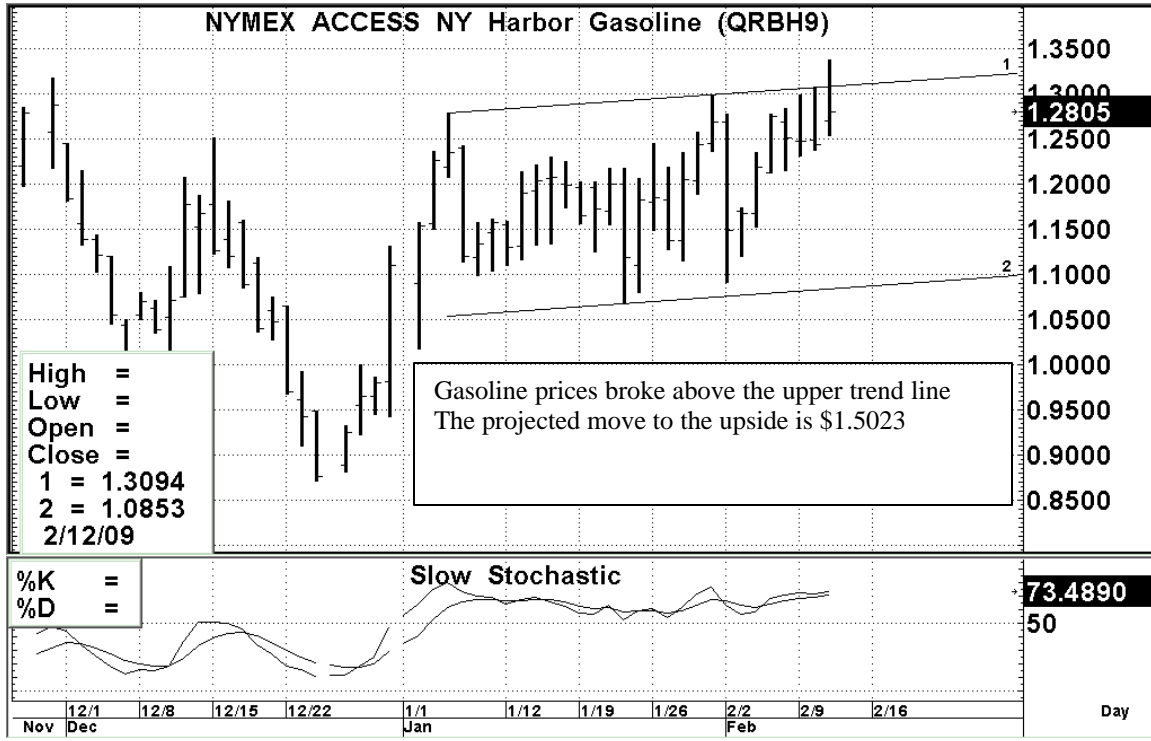
OPEC's news agency reported that OPEC's basket of crudes fell to \$43.47/barrel on Tuesday from \$43.85/barrel on Monday.

Market Commentary

The markets' reaction to the DOE numbers was mixed with both heating oil and gasoline firming, while the price of a barrel of crude oil fell. Gasoline inventories declined by 2.6 million barrels as demand peaked for the second straight week. Crude oil inventories rose 4.72 million barrels to 350.8 million barrels in the week ending Feb. 6. Expectations were calling for an increase of 2.75 million barrels. Distillate stock levels decreased 1.1 million barrels. Stockpiles may continue to dwindle in products as refiners take advantage of the slack in demand. This should lend support to products, in particular the gasoline, and should put pressure on the crude oil. Gasoline broke above the upper trend line drawn on a daily bar chart. The projected upside objective based on this pattern is \$1.5023. Crude oil should remain under pressure and based on the chart depicted with in this wire, the down side target for the March contract is \$32.24. The March/April spread lost ground once again, and for the aforementioned reasons should continue to do so. The heating oil market posted an inside trading day and settled higher in light of the distillate stock draw. The market seems to have found its near term bottom as it holds good support at its lows from \$1.2980-\$1.2967. The market is finding resistance at \$1.4084, \$1.4232 and \$1.4813.

Crude Oil (CL) MAR.09 203,617 -31,411 APR.09 237,693 +26,449 MAY.09 102,390 +12,217 Totals: 1,237,590 +9,310 Heating oil MAR.09 48,393 -5,069 APR.09 44,834 +3,852 MAY.09 32,813 +1,822

Totals: 253,485 +3,998 NEW YORK HARBOR RBOB GASOLINE MAR.09 45,446 -6,378 APR.09 47,413 +4,764 MAY.09 24,796 +1,554 Totals: 187,594 +1,439 Totals: 187,594 +1,439.



Crude Support	Crude Resistance
32.25, 29.66, 28.63, 26.65, 25.50	38.47, 41.80, 42.68, 43.60, 48.77
Heat Support	Heat resistance
1.3014, 1.2785, 1.1895	1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.254, 1.237, 1.2122, 1.1525, 1.0988, 1.0680, 1.0128	136.14, 1.3775, 1.4100, 1.4400