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ENERGY MARKET REPORT FOR FEBRUARY 12, 2010

Nigeria's main militant group, the Emancipation of the Niger Delta, said it will wait to be invited by Acting President Goodluck Jonathan to resume peace talks and added that its ceasefire in the Niger Delta remains suspended. It dismissed claims by another militant group to have blown up oil infrastructure this week but said small attacks by disgruntled communities and oil thieves continued. Separately, Royal Dutch Shell said it had no report of an attack on its operations in Nigeria's Niger Delta following a claim by a militant group to have attacked one of Shell's manifolds. The Joint Revolutionary

Market Watch

The US Commerce Department reported that US business inventories fell slightly in December 2009. Inventories fell 0.2% in December to \$1.311 trillion, mainly as a result of declining wholesale stockpiles. The November data was revised slightly to show inventories increased by 0.5% from a previous estimate of a 0.4% increase. Retail sales increased by a higher than expected 0.5% in January from the previous month. The inventory-to-sales ratio stood at 1.26 at the end of December compared with 1.27 in November and 1.46 in December 2008.

China's central bank, the People's Bank of China, has tightened its monetary policy for the second time this year. It said it was raising banks' reserve requirements by 50 basis points starting at the end of this month in a bid to cool a rapidly growing economy.

The API announced it will delay the release of its weekly petroleum stock report by one day until Wednesday at 4:30 pm EST due to the Presidents Day holiday on Monday. The EIA's weekly petroleum stock report will be delayed until Thursday at 11 am EST.

The International Monetary Fund on Friday joined the EU in pledging support for Greece.

Russia's top energy official, Deputy Premier Igor Sechin, wants the state to take full control of oil and refined products exports, a system that would resemble the Soviet oil export monopoly. The protocol of a meeting held in early January said officials involved should speed up work on proposals that would allow Russia's oil pipeline monopoly Transneft to take full control over export schedules for oil and refined products. Transneft already coordinates exports of about 80-90% of Russian oil and only about 25% of Russia's overall refined products exports. Russia's President Dmitry Medvedev lent his support to the idea of tightening state control over oil and refined products exports flows.

China's National Energy Administration said China's total power consumption reached 353.1 billion kilowatt hours in January, up 40.14% on the year and 2.7% on the month. It said the average utilization rate at power units increased by 90 hours over the month to reach 416 hours. Power shortages have eased as the weather has improved. Coal stocks at the country's major power plants have been rising for the past month, to above 30 million tons by February 10th, enough to cover 12 days of demand.

Nigeria's acting president Goodluck Jonathan approved the disbursal of \$2 billion from windfall oil savings to the country's 36 states and government agencies.

DOE Stocks

Crude – up 2.424 million barrels
Distillate – down 356,000 barrels
Gasoline – up 2.324 million barrels
Refinery runs – up 1.4%, at 79.1%

Council, said earlier it had blown up Shell's Tura manifold connected to the Bonny export terminal early Thursday.

Brazil's Foreign Minister Celso Amorim said Brazil is willing to help create a space for talks with Iran regarding its nuclear enrichment program, although the negotiations should be channeled through the IAEA. Earlier Friday, Brazilian and Chinese diplomats meeting in China reaffirmed the two

countries' position against imposing sanctions on Iran for its nuclear program, calling such a move "counterproductive."

The EIA reported that the US average retail price of diesel fell by 1.2 cents to \$2.769/gallon in the week ending February 8th. It also reported that the US average retail price of gasoline fell by 0.9 cents to \$2.652/gallon on the week.

Refinery News

Colonial Pipeline Co restricted gasoline shipments to the Northeast as nominations continue to exceed the pipeline's capacity and the company's ability to maintain its five day lifting cycle. It issued a Capacity Allocation Freeze Notice for the 11th cycle nominations through its gasoline mainline, Line 01, between Collins, Mississippi and Greensboro, North Carolina.

Vitol will open a new \$126 million terminal on Florida's east coast in April, with crude and storage tanks and a pipeline. The terminal has 24 tanks of gasoline, gasoil, jet fuel, liquid propane gas and fuel oil with a total capacity of 118 million gallons and transportation infrastructure that include barge, vessel and truck. The crude storage assets include about 15% of capacity or more than 6 million barrels in tankage at Cushing, Oklahoma.

Western Refining Inc said it has completed the start up of the south side of its 125,000 bpd El Paso, Texas refinery and units are running at planned rates. Maintenance and inspection activity on the south side was completed and the plant is operating at full capacity. The refinery had been operating at about 50% capacity during a 20 day turnaround that started in January, which included shutting down its crude, alkylation and fluid catalytic cracking units.

Valero Energy Corp's 315,000 bpd refinery in Corpus Christi, Texas plans to restart its light ends unit at the East Plant that was shut for maintenance earlier this week. It also said it expected work on the hydrocracker will be completed by the end of the week after it was shut on Wednesday.

Japan's Toa Oil Co plans to shut its 65,000 bpd crude distillation unit at its Keihin refinery for scheduled maintenance from early April to late May.

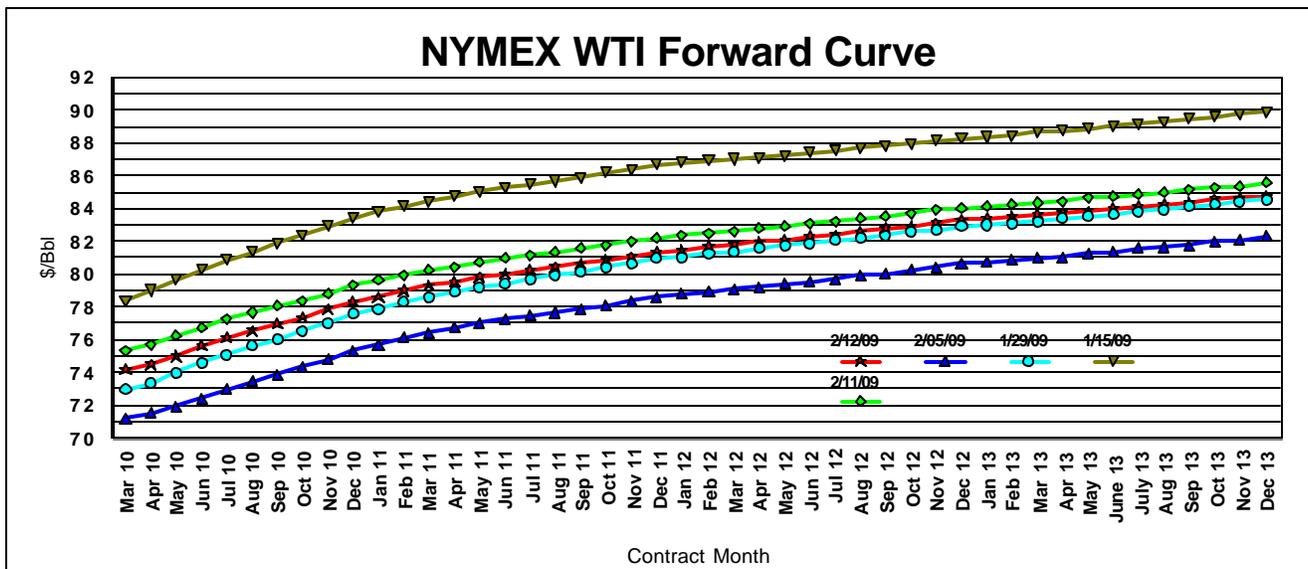
Japan's Seibu Oil Co Ltd has no plans to shut the 120,000 bpd crude distillation unit at its Yamaguchi refinery for turnaround in 2010.

India's Bharat Petroleum Corp Ltd floated a spot tender seeking crude oil for April loading. It is seeking one or more cargoes of 900,000-1 million barrels for April loading.

German residential heating oil stocks fell to 56% of capacity on February 1st from 61% on January 1st.

The Federation of Electric Power Companies of Japan reported that Japan's 10 utilities consumed less thermal coal, fuel oil and crude oil in January than a year earlier as the utilities used more nuclear energy to meet their power

February Calendar Averages
CL – \$74.25
HO – \$1.9468
RB – \$1.9441



generation needs. The utilities consumed 502,000 kl of fuel oil last month compared with 703,000 kl a year earlier.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 11 to 1,346 in the week ending February 12th. The number of rigs searching for oil fell by 2 to 443 while the number of rigs searching for natural gas increased by 13 to 891 on the week.

Suncor Energy Inc reported that its oil sands production in January averaged about 156,000 bpd. It said its production was impacted by unplanned maintenance activities following a fire at one of two upgraders in December.

Venezuela's Energy Minister Rafael Ramirez said the country's exports of refined oil products may fall in 2010 on stronger domestic demand as the country prepares to increase thermoelectric generation amid a power crisis. He said the country's fuel imports are likely to fall this year as refineries that were in maintenance come back online.

Brazil's Petrobras said it maintained its estimate for recoverable oil reserves in its Tupi field off Sao Paulo state's coast at 5 billion to 8 billion barrels.

An official said a fire on an oil well in Russia's Orenburg region will not affect the transportation of oil and oil products from the area. The fire started on Thursday night near the city of Samara at an oil well belonging to Yuzhuralenftegaz.

The National Iranian Oil Co reduced the official selling price for Iranian Light crude bound for Asia by 25 cents to the Oman/Dubai average plus 10 cents. It cut the price of its Iranian Heavy crude by 10 cents to the Oman/Dubai average minus 75 cents while the price of its Forozan crude was cut by 10 cents to the Oman/Dubai average minus 70 cents. The price of its Iranian Light crude bound for Northwest Europe was increased by 15 cents to the BWAVE minus \$2.30, the price of its Iranian Heavy crude was increased by 35 cents to BWAVE minus \$2.55 and the price of its Forozan Blend was increased by 35 cents to BWAVE minus \$2.50. The price of its Iranian Light crude bound for the Mediterranean was cut by 30 cents to BWAVE minus \$3.55, the price of its Iranian Heavy was cut by 25 cents to BWAVE minus \$3.80 and the price of its Forozan Blend was cut by 15 cents to BWAVE minus \$3.75.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$71.81/barrel on Thursday from \$70.78/barrel on Wednesday.

Market Commentary

Additional steps by China to curb economic expansion, aided by larger than expected inventory growth pushed crude oil prices lower for the first time in five days. Despite declining U.S. consumer confidence, U.S. retail sales climbed during the month of January, marking the third time in four months that consumer spending increased. Traders viewed this as a signal that consumer spending is recovering and that demand will begin to show steady growth. For the first time in eleven weeks, the March crude oil contract traded in an inside fashion, following the previous weeks outside trading pattern. This pattern occurred three previous times during May, June and December of 2008. During May and December, the market continued its trend of the previous week, whereby prices headed higher. During the month of June there was a 2-week lag in the trend prior to its continuation. Based upon this previous pattern, we would feel comfortable holding on to length, provided that low of \$69.50 holds.

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 43,967 contracts to 42,060 contracts in the week ending February 9^h. The combined futures and options report showed that non-commercials in the crude market cut their net long position by 31,032 contracts to 129,200 contracts on the week. Non-commercials cut their total long position by 17,889 contracts to 235,333 contracts on the week. The combined futures and options disaggregated report showed that producers/merchants cut their net short position by 7,253 contracts to 207,125 contracts while swap dealers increased their net long position by 24,428 contracts to 67,635 contracts on the week. Managed money funds cut their net long position by 32,839 contracts to 83,424 contracts while other reportables increased their net long position by 1,807 contracts to 45,775 contracts on the week. The combined futures and options report showed that non-commercials in the product markets also cut their net long position. Non-commercials in the heating oil market cut their net long position by 6,823 contracts to 15,017 contracts while non-commercials in the RBOB market cut their net long position by 6,853 contracts to 52,117 contracts on the week.

Crude oil MAR.10 156,710 -28,468 Apr. 10 235,068 +27,721, May 10 144,131 +12,907 Totals 1,331,464 +25,808, Heating oil MAR.10 64,475 -6,265 APR10 52,665 -725 May 10 36,672 +889 Totals: 306,480 -5,782 Gasoline MAR.10 51,260 -10,256 APR10 57,075 +3,822 May 10 39,939 +2,137 Totals: 257,016 -3,830

Crude Support Based on February	Crude Resistance Based on Feb
75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95,	75.02, 76.72, 78.43 79.86, 81.00, 82.00, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
1.8570, 1.8280, 1.7670, 1.7565	2.0110, 2.0574, 2.0665, 2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.0420, 2.0660,2.0846, 2.1930, 2.2270, 2.3350,

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