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ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 17, 2009

President Barack Obama signed the largest fiscal stimulus package in US history into law on Tuesday. He said the \$787 billion plan is the first part of a larger strategy to revive the economy. He promised to launch new initiatives to stabilize the banking system, stop the spread of foreclosures and in the longer term, attack budget deficits. On Wednesday, President Barack Obama will unveil his plan to stem the increase in home foreclosures.

Algeria's Oil Minister Chakib Khelil reiterated that OPEC would be more likely to cut oil production levels at its March meeting if crude

Market Watch

Goldman Sachs said oil product inventories may start to increase as full crude tanks force refiners to increase runs to fill available storage space. It said as crude inventories approach maximum storage levels, prices are adjusting to create incentives to refine the excess crude and store it as refined products, making products a form of storage of last resort. An increase of runs is unlikely to end oversupplies of crude oil given the weakness of end-user demand and current strong levels of refining margins would not be sustainable.

The National Weather Service forecast, US heating demand this week is expected to average about 1% above normal as lower and more seasonal temperatures return to much of the country. Demand for heating oil should average about 0.4% above normal this week.

ExxonMobil Corp will not cut back on investments in new crude production, despite the fall in oil prices. An Exxon official said that even if prices remain at these levels for a number of years, it will have no impact on the company's investment strategy. On Monday, ExxonMobil said it added that 1.5 billion barrels of oil equivalent in 2008 or 103% of its production for the year.

Saudi Arabia's Finance Minister Ibrahim al-Assaf said the country sees no need to borrow to cover a projected budget deficit this year or next year. He said the country's vast reserves would be its first line of defense to meet any deficits. He reiterated that Saudi Arabia's King Abdullah views the fair price of oil to be \$75/barrel.

Russia's Deputy Prime Minister Igor Sechin said Russia is working towards creating a state reserve to buy crude from producers when prices are low, potentially removing up to 16 million tons of Russian oil from export markets. He said the move could help OPEC stabilize oil prices.

Russia's signed an energy deal with China on Tuesday, under which its oil companies will receive \$25 billion in loans in exchange for long term crude supplies. Russia's Rosneft and Transneft signed a long-delayed deal to borrow money from China Development Bank. Russia is seeking to diversify and is targeting China as the main market for oil that will be extracted from its new generation of fields in East Siberia.

Societe Generale lowered its oil price forecast for both US crude and Brent crude in 2009 due to the rapidly slowing global economy. It cut its US crude oil price forecast to \$50/barrel, down from \$57.50/barrel while it cut its average price forecast for Brent crude in 2009 to \$51/barrel from its previous forecast of \$56/barrel.

On Monday, Venezuela's President Hugo Chavez and his supporters celebrated an election victory that allows him to seek another term as president. Opponents complained that his use of state funds had made the campaign unfair. Venezuela's President pledged to repay his poor supporters for his victory by combating crime in the country. He however warned that with the world economic crisis, the government will not be able to accelerate its drive to create a socialist state this year.

February Calendar Averages**CL – \$38.36****HO –\$1.3182****RB – \$1.2179**

stayed under \$40/barrel. He said there will be less pressure on OPEC ministers to cut production at their March 15 meeting as long as oil prices remain above \$40/barrel.

Iraq's Oil Minister Hussain al-Shahristani said OPEC should look to reduce its oil production further if demand is insufficient to absorb supplies. He said OPEC's pledge to cut production by 4.2 million bpd had stabilized the market. He added that the price of crude may begin to recover by the end of the year. In regards to Iraq's oil production, he reiterated the government's plan to increase oil production to 4.5 million bpd in 2013, up from 2.4 million bpd.

Nigeria's Oil Minister Odein Ajumogobia said volatile crude oil prices makes it difficult to call OPEC's next move.

The IEA's executive director Nobuo Tanaka expects world oil demand to resume growth starting next year, rising by about 1 million bpd in 2010.

Nigerian gunmen fired at Royal Dutch Shell oil facilities in the Niger Delta early on Tuesday however the attack did not affect operations. A military spokesman said the attackers delivered a letter to security guards threatening more attacks if Shell did not provide more funds to the local community.

Total said the company is ready to work in Iran when politics permits but sees no change in conditions for now. A change in tone in the US approach toward Iran under President Barack Obama has led oil companies to begin reassessing the risk of investing there.

The IAEA's head Mohamed ElBaradei said Iran has not really added any further centrifuges to refine enriched uranium, which is required for use in nuclear reactors or weapons.

Separately, Iran's Defense Minister Mostafa Mohammad Najjar will seek to convince Russia on Tuesday to deliver air defense systems which could help repel possible Israel and US air strikes. Russia has repeatedly denied it intends to sell Iran the S-300 systems.

The EIA reported that the US average retail price of diesel fell by 3.3 cents/gallon to \$2.186/gallon in the week ending February 16th. It reported that the US average retail gasoline price increased by 3.8 cents to \$1.964/gallon on the week.

Refinery News

Poseidon oil pipeline in the US Gulf of Mexico will end emergency receipt of Auger system crude after March 1.

Valero Energy Corp is restarting a hydrocracker and preparing to restart a coker unit at its 210,000 bpd Delaware City, Delaware refinery. On Monday, the refinery cut rates to the coker, crude unit and fluid catalytic cracking unit after two boilers went out of commission.

ExxonMobil Corp said it is preparing to restart units at its 149,500 bpd refinery in Torrance, California that was shut for maintenance since late December. Separately, ExxonMobil successfully restarted a fluid catalytic cracking unit at its 562,000 bpd refinery in Baytown, Texas after planned work.

Tesoro Corp said its 115,000 bpd Anacortes, Washington refinery is operating at planned rates after completing a restart over the weekend. The refinery began restarting on Thursday after finishing an overhaul that started on January 18.

BP will shut part of its 88,000 bpd Lingen refinery in Germany for two weeks for planned maintenance starting March 16. The refinery will undergo maintenance to change its catalyst.

Repsol will partially halt its crude processing at three of its refineries for maintenance in 2009. It will shut an 80,000 bpd crude distillation unit in Tarragona for a month starting on March 6, a 70,000 bpd crude distillation unit at its Puertollano refinery will close for one month in May and a 60,000 bpd unit will close for 20 days in the fourth quarter.

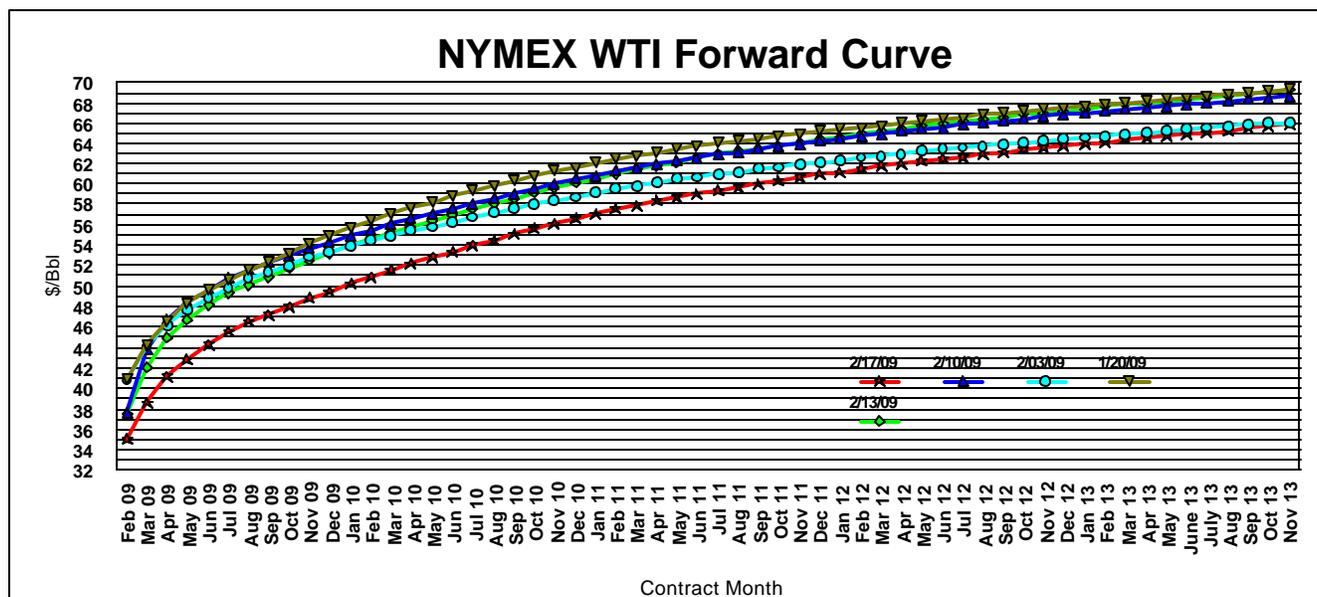
Credit Suisse reported that US refinery margins increased in the week ending February 13th. Midwest margins increased by \$6.14/barrel to \$16.93/barrel while Gulf Coast margins increased by \$4.45/barrel to \$17.42/barrel. In the Northeast, margins increased by 57 cents/barrel to \$9.06/barrel while margins in the Rockies increased by \$3.55/barrel to \$20.93/barrel and margins in the West Coast increased by \$2.05/barrel to \$29.51/barrel.

European refining margins fell last week due to the weakness of middle distillates products. Complex refineries in the Rotterdam area posted an average margin of \$5.94/barrel, down from \$6.60/barrel the previous week. Simple margins on Brent in the Rotterdam area fell to an average of \$4.46/barrel last week from \$5.33/barrel in the previous week. In the Mediterranean, complex margins on Russian Urals fell to an average \$4.87/barrel from \$6.93/barrel in the previous week.

Japan's Cosmo Oil Co Ltd has delayed the restart of its 13,5000 bpd No. 3 catalytic reformer unit at its Yokkaichi refinery after beginning the restart process on Friday. The catalytic reformer and a 30,000 bpd No. 4 kerosene and gas oil hydro desulphurization unit have been shut at the refinery since a fire on January 29. It is unclear when the reformer will restart operations.

Separately, Cosmo Oil is likely to shut five crude distillation units for scheduled maintenance in 2009. It is scheduled to shut its 130,000 bpd No. 2 CDU at its Chiba refinery from April 25 until late June while its 110,000 bpd No. 1 CDU will undergo maintenance starting in mid-September for about 60 days. It is scheduled to shut its 140,000 bpd No. 1 CDU at its Sakaide refinery starting in mid-June for about 50 days of maintenance while its 80,000 bpd No. 1 CDU at its Yokkaichi refinery will undergo maintenance starting on August 22 for about 80 days and its 85,000 bpd No. 6 CDU will undergo maintenance starting early October until the end of November.

Japan's Taiyo Oil Co Ltd has scheduled maintenance on its 32,000 bpd No. 2 crude distillation unit for the second half of June while maintenance on its 88,000 bpd No. 1 CDU is scheduled for July.



According to preliminary data from the General Administration of Customs, China's gasoline exports in January increased by 242.7% on the year to 220,000 tons after increasing by 68.4% in December. Diesel imports in January fell by 87.9% to 100,000 tons while exports increased by 501.7% to 130,000 tons. Fuel oil imports in January increased by 5.4% to 1.58 million tons after increasing by 115.5% to 2.64 million tons in December.

Germany's MWV said the country's oil product sales in January 2009 totaled 6.83 million tons, up 3.8% on the year, with an increase in heating oil sales of 25.6% to 2.67 million tons. It reported that Germany's gasoline sales in January fell by 8.2% to 1.51 million tons while its diesel fuel sales fell by 3.7% to 2.18 million tons and its fuel oil sales fell by 13.3% to 470,000 tons.

Production News

Angola is set to export about 1.62 million bpd of crude oil in April, steady from March. Angola has an implied OPEC output of 1.52 million bpd.

Brazil's Petrobras said it maintained its overall level of oil and natural gas production in January at 2.434 million barrels of oil equivalent. In Brazil, Petrobras' domestic oil production increased by 2.5% in January to an average of 1.923 million bpd compared with 1.876 million bpd in December.

Colombia's Energy Minister said the country's oil production should reach an average of 650,000 bpd this year, up from 587,000 bpd last year.

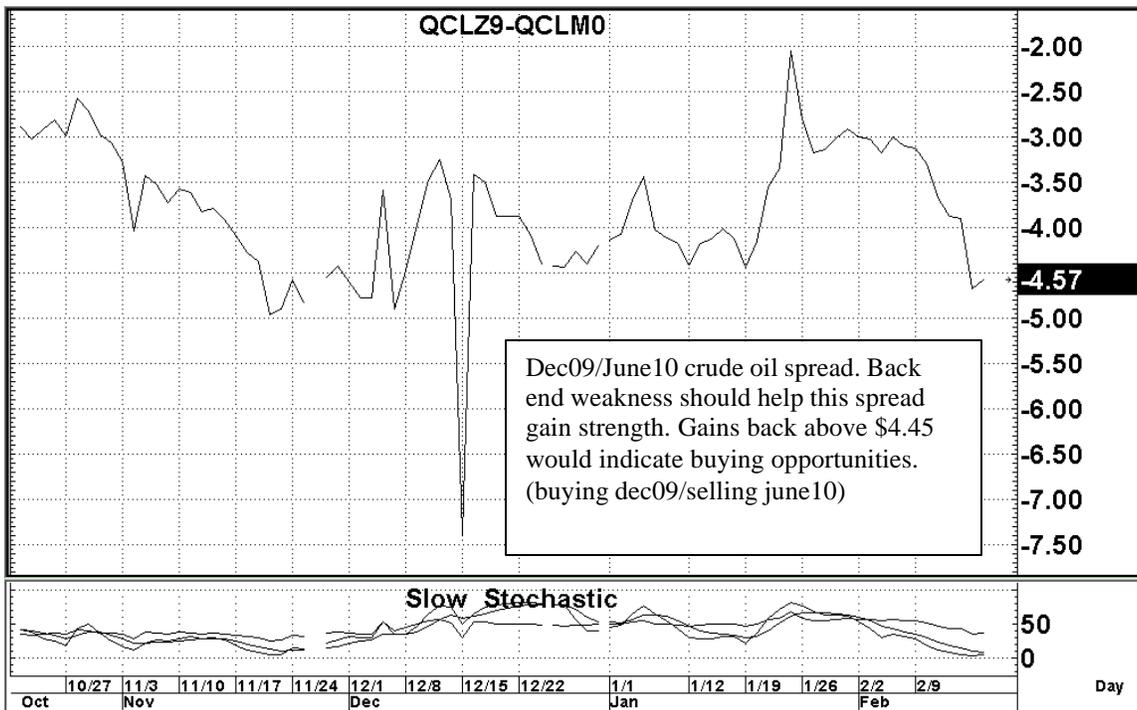
Petroecuador exported 7.45 million bpd of crude in January, up 1.9.5% from 6.23 million barrels in December.

OPEC's news agency reported that OPEC's basket of crudes fell to \$41.49/barrel on Monday from \$42.13/barrel on Friday.

Market Commentary

Commodities across the board tumbled today in response to a recession that is spreading across the U.S., Europe and Asia. Fuel demand once again was at the forefront of market player's minds. OPEC, which has made significant cuts in the past, may have to make further cuts according to Iraqi Oil Minister Hussain al-Shahristani. OPEC is meeting again on March 15th. It is too early to tell if the \$787 billion stimulus package signed today by U.S. President Barack Obama will help save jobs and create new ones. Crude oil inventories are estimated to rise by 1.8 million barrels for the week ending 2/13. Should inventories increase, this will be the 19th increase in 21 weeks. Stockpiling continues as the deep contango in the market reflects demand destruction for the near term. Gasoline inventories are expected to decline by 300,000. We would put more of an emphasis on demand for gasoline, which has risen the past two weeks. Distillate inventories, including heating oil and diesel, are estimated to decline by 1.5 million barrels. The March09 crude oil contract, which expires this Friday, lost \$2.58, hitting a low of \$34.45. Early weakness was seen in the middle to back end of the curve, with the front end gaining against the backs. Although this early back end weakness diminished, this may be an indication that going forward, demand is not expected to pick up or storage is at or near capacity. This should have an overall bearish effect on prices and may artificially inflate the front end in comparison to the backs. For the near term, we would continue to look for prices to work lower, with minor pauses in between.

Crude Oil (CL) MAR.09 121,094 -33,638 APR.09 308,410 +12,821 MAY.09 129,731 +1,196 Totals: 1,263,027 -18,262 Heating oil MAR.09 36,426 -1,639 APR.09 48,903 +1,024 MAY.09 33,437 +1,077 Totals: 253,048 +3,099 NEW YORK HARBOR RBOB GASOLINE MAR.09 32,100 -3,476 APR.09 56,343 +2,169 MAY.09 27,100 +723 Totals: 188,991 + 598



Crude Support	Crude Resistance
32.25, 29.66, 28.63, 26.65, 25.50	48.77, 50.07, 54.75, 55.98, 57.20
Heat Support	Heat resistance
1.1815, 1.1557, 1.10951.0520	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	136.14, 1.3775, 1.4100,1.4400