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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 19, 2009

Members of OPEC's governing board said OPEC is concerned about high oil inventories but it is too early to say if the group needs to cut output further at its meeting next month. Iran's OPEC Governor Mohammad Ali Khatibi said it's difficult to predict what the ministers will decide. Separately, a source said the majority of OPEC governors are opposed to a new output cut.

According to Oil Movements, OPEC's oil exports are expected to fall by 710,000 bpd in the four weeks ending March 7 to 22.8 million bpd. It said the fall in oil exports was due to further

Market Watch

Royal Dutch Shell Plc will sell three new North Sea Forties cargoes to Vitol after a ship-to-ship transfer between the two companies was canceled. Details of the three new deals were not immediately available.

BP said it is about two years away from commercial production of cellulosic ethanol and less than five years away from commercial production of biobutanol. Both cellulosic ethanol and biobutanol are considered advanced biofuel technologies that will offer more efficient and sustainable fuels than traditional biofuels.

According to consultancy Arthur D. Little, world oil demand may begin to peak over the next decade as worries over security of supply, extreme price swings and climate change force a move towards other forms of energy.

The US Transportation Department reported that US highway travel in December fell by 1.6% or 3.8 billion miles to 237 billion miles. December was the 14th consecutive month of declining highway travel. It however saw a smaller drop than the 5.4% decline seen in November or October's 3.7% decline. For 2008 as a whole, the number of miles driven fell by 3.6% or about 108 billion miles less on the year.

The European Commission plans to propose anti-dumping and anti-subsidy duties on imports of biodiesel from the US. The anti-dumping duties would range from 2 euros or \$2.50 to 19 euros per 100 kilograms and the anti-subsidy duties from 23-26 euros per 100 kg. The Commission is expected to propose the measures at a meeting next month of EU national trade officials.

Iraq is planning to allow foreign energy companies to hold as much as 75% stakes in oil drilling projects. An Iraqi Oil Ministry official said the decline in oil prices helped cause the shift in policy. The government's plan unveiled last October for the country's first oil licensing since the end of the US-led war in 2003 would have permitted companies minority stakes of up to 49% in any joint ventures with the government.

The US Labor Department reported that initial claims for unemployment benefits were unchanged at 627,000 after seasonal adjustments in the week ending February 14th. The four-week average increased 10,500 to 619,000, the highest level since November 1982. The unemployment rate for workers with unemployment insurance increased by 0.1% to 3.7%, the highest level since July 1983. According to the report, the number of continuing claims increased by 170,000 to 4,987,000, a record high.

DOE Stocks

Crude – down 200,000 barrels
Distillate – down 800,000 barrels
Gasoline – up 1.1 million barrels
Refinery runs – up 0.7%, at 82.3%

OPEC compliance with quotas.

US Energy Secretary Steven Chu said he expects 70% of the energy funds from the economic stimulus bill signed into law this week to be invested by the end of next year. He also stated that he would have look at the aspects of possibly delaying oil deliveries to the SPR this spring if

more supplies are needed in the market to help keep US gasoline prices from rallying. He however stated that it was his understanding that 13 million barrels of crude scheduled to go into the reserve over March and April was “a done deal.” In regards to OPEC, US Energy Secretary could not say whether the Obama administration was against another oil output cut. He also stated that he planned to talk with energy ministers from OPEC member countries but he did not know if those discussions would take place ahead of OPEC’s meeting on March 15.

The Iranian envoy to the UN called for global negotiations aimed at total nuclear disarmament, saying the elimination of atomic weapons was the only guarantee against their use or threatened use. Separately, the IAEA said Iran is continuing to enrich uranium but has slowed the expansion of its enrichment activities. It said Iran has increased its stockpile of nuclear fuel. According to the IAEA’s report, there are 3,964 centrifuges actively enriching uranium in Natanz, up 164 from November. In addition, 1,476 centrifuges are undergoing vacuum or dry run tests without nuclear material and an additional 125 have been installed but remain stationary. The IAEA conceded that despite six years of intensive investigation, it is no closer to determining whether Iran’s disputed nuclear activity is entirely peaceful as the country claims.

Refinery News

Marathon Oil Corp cut rates to a fluid catalytic cracking unit at its Texas City, Texas refinery after a sulfur recovery unit was shut unexpectedly. Separately, Marathon reported that it restarted a platformer unit at the refinery.

Sunoco Inc reduced rates at its Toledo, Ohio refinery following a crude oil pipeline shutdown on Wednesday. The refinery’s crude processing capacity was seriously reduced by the Maumee pipeline shutdown. Sunoco Logistics Partners LP said there is no timeline for restarting the Maumee Pipeline, which runs from Lima, Ohio to Samaria, Michigan.

Kuwait Petroleum Corp said a crude distillation unit shut on Tuesday following a fire is ready to restart operations.

Qatar plans to shut its crude processing units at its 137,000 bpd Mesaieed refinery for three weeks of scheduled maintenance starting April 5th. The crude units have capacity to process 80,000 bpd.

ExxonMobil Corp will partially shut its 309,000 refinery in Singapore and some petrochemical units at its 296,000 bpd Jurong Island facility for a month starting in March for routine maintenance.

Japan’s Cosmo Oil Co restarted its 13,500 bpd No. 3 catalytic reformer and its 30,000 bpd No. 4 kerosene and gas oil hydro-desulphurization unit at its Yokkaichi refinery on Wednesday afternoon following a five-day delay. The units have been shut following a January 29 fire.

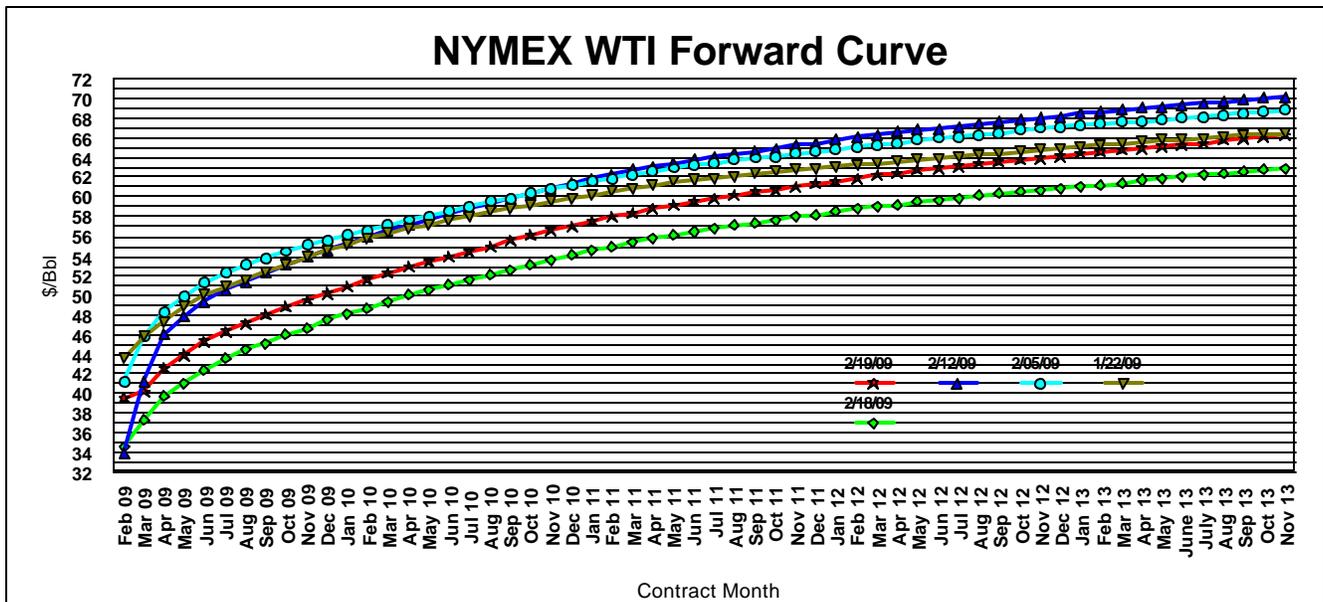
Japan’s Nippon Oil Corp plans to shut four of its 11 crude distillation units at its refineries for scheduled maintenance this year. It is expected to shut its 115,000 bpd crude distillation unit No. 1 at its Osaka refinery from March 8-April 1. Its 24,000 bpd No. 1 crude distillation unit at its Oita refinery will undergo

February Calendar Averages

CL – \$38.16

HO – \$1.2963

RB – \$1.1970



maintenance from May 16 for about 27 days. Its 180,000 bpd No. 2 crude distillation unit at its Muroran refinery will undergo maintenance from May 7-June 27 while its 120,000 bpd No. 1 crude distillation unit at its Negishi refinery is scheduled to undergo maintenance starting October 10 for about 20 days.

Venezuela hopes to reach an agreement with Petrobras on the construction of a joint venture refinery in Brazil despite its dispute over pricing and product marketing. Last week, Petrobras said PDVSA's plan for a 230,000 bpd refinery was not viable.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.075 million barrels to 20.423 million barrels in the week ending February 18th. It also reported that the country's light distillate stocks increased by 901,000 barrels to 8.614 million barrels while its middle distillate stocks built by 2.234 million barrels to 12.919 million barrels on the week.

India's domestic oil product sales growth in January fell to 2.3% on the year amid weak demand. India's domestic diesel sales increased by 2.1% on the year to 4.4 million tons in January. Official data showed that India's crude oil imports increased by 4.5% on the year.

Production News

BP Exploration Alaska Inc shut down a flow line and temporarily halted 1,300 bpd of output from 11 wells at its Prudhoe Bay oil field after a leak was discovered. The leak was discovered Wednesday afternoon.

Denmark's DUC crude oil stream is scheduled to load about 155,000 bpd of oil in March, up from 150,000 bpd in February.

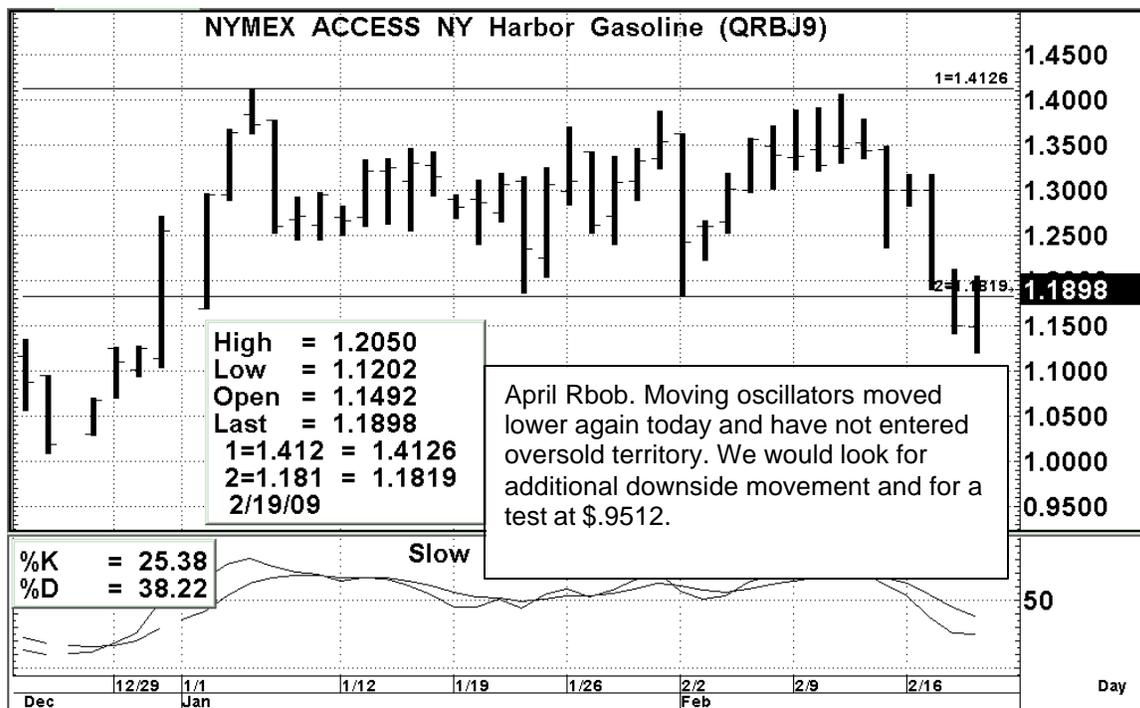
Azerbaijan cut its 2009 oil production forecast by 20% to 45 million tons from 57 million tons due to problems at BP-led Caspian Sea fields and due to low prices.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$38.14/barrel on Wednesday from \$39.89/barrel on Tuesday.

Market Commentary

The price of a barrel of crude oil rose today in response to an unexpected decline in inventories. Crude oil inventories, which were expected to increase by 2.9 million barrels, actually drew by 200,000 barrels. This is the first draw on stock levels for this year. Imports for crude oil fell as well, declining 859,000 barrels per day. This may be an indication that OPEC cuts may finally be taking affect. A stronger euro against the dollar aided in the move higher today, as investors turn to commodities as an investment hedge. A weak dollar tends to spark foreign demand, as crude oil will be cheaper overseas. Stock levels at Cushing, Oklahoma, the delivery point for NYMEX crude oil, were unchanged on the week, also providing support for this market. The front of the forward curve is beginning to rear its head as the March contract approaches its expiration. At this time, it is difficult to tell whether the April contract will hold onto March's strength. There are several factors to consider here, one is the global economic outlook, which does not look any brighter and its impact on demand, two, OPEC output cuts and their ability to prop up prices and three, an influx of new money into the market as hedgers look for a place to invest. Although the contango market conditions have made it attractable to store crude oil for a later date, the credit crunch continues to make storing oil difficult and investors entering the market may lessen the attractiveness to store oil. A power struggle appears to be on the rise and time will tell which side wins. Gasoline inventories rose last week by 1.1 million barrels. Demand for gasoline increased again last week, offsetting the increase in stock levels. Earlier losses were given back at the end of the floor-traded session, with the April contract settling up \$.0493 on the day. From a technical standpoint, this market is still in a downtrend and as long as the April contract can remain below \$1.1819, we would look for a test at \$.9512.

Crude Oil (CL) MAR.09 49,455 -18,838 APR.09 309,540 -3,449 MAY.09 130,756 -2, Totals: 1,219,762 -10,493 Heating oil MAR.09 31,371 -3,089 APR.09 52,767 +866 MAY.09 34,708 +658 Totals: 259,872 + 974 NEW YORK HARBOR RBOB GASOLINE MAR.09 28,588 -1,642 APR.09 61,452 +2,170 MAY.09 27,401 +52 Totals: 193,594 +2,082



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
1.10951.0520	1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.0128,9590, .8978, .8755, 7850	136.14, 1.3775, 1.4100,1.4400