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Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 19, 2010

Iran's envoy to the UN's IAEA dismissed as "baseless" a leaked report expressing concern that it may have been trying to develop a nuclear warhead. Meanwhile, Iran's Supreme Leader and armed forces commander in chief Ayatollah Ali Khamenei said Iran does not believe in and is not seeking an atomic weapon.

Market Watch

A conference call scheduled for Monday between members of the Petroleum Markets Association of America and the CME to discuss the change in heating oil contracts has been canceled. The meeting was called to discuss the NYMEX's new New York Harbor ultra-low sulfur diesel contract. There was no reason given for the cancellation nor was it rescheduled.

The US Labor Department reported that US consumer prices increased in January and core inflation fell for the first time since 1982. The seasonally adjusted Consumer Price Index increased 0.2% in January due to higher energy prices. The core CPI, excluding energy and food, fell by 0.1% on the month in January. It reported that consumer prices increased by 2.6% in January on an annual basis.

Venezuela's President Hugo Chavez said he is willing to buy electricity from Colombia to help his country, which is suffering of power shortages. Venezuela declared an electricity emergency earlier this month as a drought and lack of investment in the sector has left the country without enough supply to meet demand. A few days ago, Colombia offered to sell electricity to its neighbors, saying it has a surplus.

Germany's Chancellor Angela Merkel said a report from the UN's IAEA expressing concern that Iran may have been trying to develop a nuclear warhead confirms its great concerns. Separately, Russia's Deputy Foreign Minister Sergei Riabkov said the country is against crippling sanctions on Iran as demanded by Israel over Iran's suspect nuclear program.

The American Petroleum Institute reported that US demand for crude oil and petroleum products in January averaged 18.407 million bpd, down 3.8% on the year. It is down from its previous estimate of 18.799 million bpd. US gasoline demand increased by 0.9% to 8.77 million bpd while distillate demand fell by 12.2% to 3.578 million bpd. It reported that jet fuel demand in January increased by 0.2% to 1.36 million bpd while residual fuel demand fell by 20.2% to 559,000 bpd. On the supply side, US crude oil production increased by 6% to 5.446 million bpd. Crude oil inventories at the end of January stood at 333.5 million barrels, down 5.5% on the year. Crude oil and petroleum product imports averaged 11.339 million bpd, down 13.9% on the year.

According to Euroilstock, oil refinery output in 16 European countries fell by 0.2% on the month and 6.5% on the year to 11.317 million bpd in January. Gasoline production fell by 2.8% on the month and by 12.2% on the year to 2.846 million bpd while middle distillate production increased by 0.5% on

the month but fell by 4.2% on the year. Fuel oil production increased by 1.9% on the month but fell by 19.8% on the year to 1.359 million bpd while naphtha production increased by 1.9% but fell by 1.4% on the year to 752,000 bpd. It reported that crude runs increased by 1.5% on the month but fell by 9.4% on the year to 752,000 bpd. Capacity utilization fell to 81.37% in January from 81.92% in December and 86.1% last year.

February Calendar Averages CL – \$75.41 HO – \$1.9709 RB – \$1.9708
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The Department of Transportation’s Federal Highway Administration reported that the number of vehicle miles traveled in the US in 2009 increased by 0.2% on the year following a 3.4% decline in 2008. In December, the number of vehicle miles traveled was estimated at 238.5 billion, down from 238.6 billion a year earlier.

Refinery News

BP Plc reported that its fluid catalytic cracking unit No.1 at its 475,790 bpd Texas City, Texas refinery experienced a leaking regulator on Thursday. However it said the leak did not impact the unit’s operations.

Alon USA Energy Inc reported excess emissions at its 70,000 bpd Big Spring, Texas refinery on Thursday. It reported that a boiler and fluid catalytic cracking unit were involved in an incident.

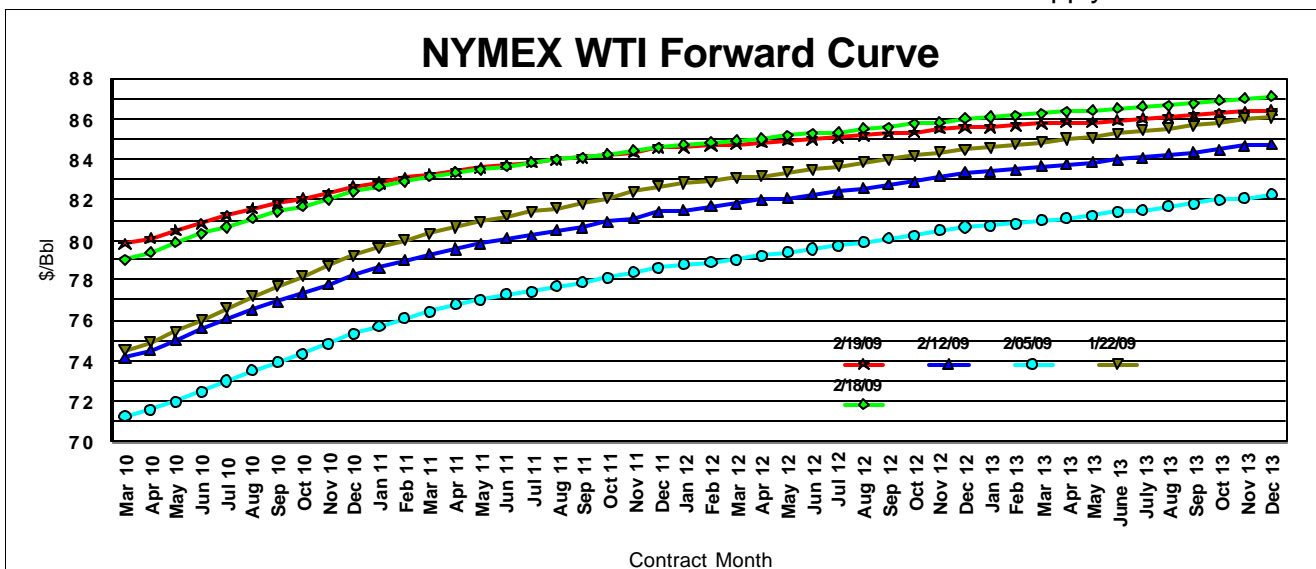
Pasadena Refining shut down a crude silane unit at its 100,000 bpd Texas refinery on Thursday for maintenance.

Murphy Oil Corp reached planned rates of 115,000 bpd earlier this week at its Meraux, Louisiana refinery following its recent startup from maintenance.

A small fire at Kuwait’s 460,000 bpd Mina al-Ahmadi refinery was quickly contained and did not have any impact on its output or exports.

Japan’s TonenGeneral Sekiyu is planning to shut its three crude distillation units at its 335,000 bpd Kawasaki refinery for turnaround for one month starting in May.

The French Petroleum Industry Body (UFIP) said France has 10 to 20 days of fuel supplies to cope with the refinery strike by Total’s workers. Workers at Total’s six French refineries extended their three day strike on Friday and the CGT union said some petrol stations could run out of fuel as soon as this weekend. The UFIP however said there was no short-term risk of fuel supply in France due to



the refinery strike. Separately, the CGT union at ExxonMobil's two French oil refineries called on workers to strike on February 23rd in support of the striking Total workers. Workers at Exxon's 240,000 bpd Port-Jerome refinery plan to halt output on February 23rd. The CGT union has also called for a strike at ExxonMobil's Fos-sur Mer refinery on February 22nd.

Talks between the Unite union and management at the Milford Haven Port Authority to prevent industrial action by ship pilots at the terminal resumed on Friday morning. If no deal is reached 18 pilots are expected to strike for 12 hours on February 23rd and refuse to guide oil and gas tankers in or out of the port in south Wales indefinitely. Although a brief strike is not expected to cause problems for the liquefied natural gas import terminals or refineries at the port, supplies of oil and gas could be affected if the pilots refuse to guide tankers for a prolonged period.

Noble Group chartered two tankers to store gasoline, making it the first trading house to make the rare move. Noble chartered two 90,000 vessels, the Elka Athina will store gasoline from February 25th either in Europe or Singapore while the Ruby Express will store gasoline from the end of February in Europe. Floating storage over the past year has been limited to distillates and fuel oil. Shipbroker SSY estimated the volume of distillates held on tankers worldwide, mainly Europe, fell to 72.67 million barrels at the end of January compared with 85.63 million barrels at the end of December.

The Agricultural Department said about 2.8 billion lbs of US soybean oil will be used to make biodiesel fuel in 2010/11.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas this week fell by 1 to 1,345. The number of rigs searching for oil fell by 3 to 440 while the number of rigs searching for natural gas increased by 2 to 893.

Russia's Lukoil replaced 95% of its 2009 production with new reserves. Lukoil said its proved reserves increased by 782 million barrels of oil equivalent due to geological exploration, production drilling and acquisitions in 2009, slightly below the amount it produced. Its total stood at 17.5 billion barrels of oil equivalent by the end of last year, including 13.7 billion barrels of oil and 22.9 trillion cubic feet of gas.

Brazil's Petrobras said it imported about 1.2 million barrels of gasoline in February from various origins adding to supplies amid an increase in demand. Demand for gasoline has increased since the government reduced a requirement for each liter of the fossil fuel to contain 25% ethanol. The minimum is now 20% and the difference has to be made up with more gasoline.

OPEC's news agency reported that OPEC's basket of crudes increased to \$74.49/barrel on Thursday, up from Wednesday's \$74.33/barrel level.

Market Commentary

Crude oil rose to a five-week high in response to the Federal Reserve's increase of the discount rate, which sent signals of economic recovery across the marketplace. Adding to today's higher move was a strike at Total SA refineries in France and a declining dollar. With the Fed move to increase the discount rate positive thoughts of demand growth also sparked the heating oil and gasoline markets higher. The fundamental outlook of this market is beginning to change hue as the refinery shutdowns in France may lead to a shortage of supplies for products. This is evident in the gasoline and heating oil crack spreads, which have been gaining strength since the report of the refinery strikes. Should these strikes continue, cracks spreads should continue to gain strength. The March/April spread is now at its strongest level since January 20, narrowing to 25 cents. The narrowing of this spread diminishes the appeal to store crude oil to sell at a later date. With this in mind and the

aforementioned refinery strikes, we would look for crude oil to experience some pressure to the down side. Coming into next week, prices should work a little higher, encountering resistance at \$80.56.

Crude oil MAR.10 53,120 -27,137 Apr. 10 255,560 +6,356, May 10 156,192 -202 Totals 1,291,641 -13,949 Heating oil MAR.10 42,371 -6,743 APR10 61,270 +4,235 May 10 37,503 +1,412 Totals: 299,565 +765 Gasoline MAR.10 38,414 -2,146 APR10 64,743 +2,589 May 10 41,259 -173 Totals: 254,501 +694

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 26,376 contracts to 68,436 contracts in the week ending February 16th. The combined futures and options report also showed that the funds increased their net long position by 18,982 contracts to 148,182 contracts on the week. The funds increased their total long position by 11,348 contracts to 246,681 contracts on the week. The disaggregated combined futures and options report showed that producers/merchants increased their net short position by 2,754 contracts to 209,879 contracts while swap dealers increased their net long position by 4,094 contracts to 63,541 contracts on the week. Managed money funds increased their net long position by 31,663 contracts to 115,087 contracts while other reportable cut their net long position by 12,681 contracts to 33,094 contracts. The combined futures and options report showed that non-commercials in the product markets also increased their net long positions. The funds in the heating oil market increased their net long position by 1,499 contracts to 16,516 contracts while funds in the RBOB market increased their net long position by 4,493 contracts to 56,610 contracts on the week.

Crude Support Based on February	Crude Resistance Based on Feb
79.35, 78.71, 76.72, 75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	, 81.00, 82.00, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
2.0125, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	, 2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.0890, 2.1930, 2.2270, 2.3350,

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