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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 23, 2009

Iran's OPEC
Governor
Mohammad Ali
Khatibi said
OPEC may
decide to cut
production further
next month if
crude prices fall
further. Also,
Algeria's Energy
and Mines
Minister Chakib
Khelil said OPEC
is likely to decide
on a new
production cut at
its next meeting
scheduled in
March. He
however warned
that very low
prices could lead
to a fall in energy
sector investment
in the short term,
which could
tighten supply
when demand is
expected to
increase again in
the next two to
three years.

Kuwait's national
representative to
OPEC, Nawal al-

Market Watch

The National Weather Service forecast that US heating demand this week is expected to average about 1.2% below normal this week. Demand for heating oil is expected to be 0.4% below normal this week. Demand for natural gas is expected to average 0.5% below normal while demand for electricity should average 1.6% below normal.

North Sea Forties crude fell after BP Plc sold Total SA a second shipment in as many days. A cargo of Forties loading in 10-23 days cost 5 cents/barrel less than Dated Brent, down from a premium of 13 cents on February 20. BP sold a shipment to Total on February 19 for loading between March 8 and 10 at 85 cents below Dated Brent for April.

Saudi Aramco will halt its fuel oil exports three months ahead of the start of the summer, due to increasing demand for power generation fuels and tighter gas supplies. It is also expected to import residual fuel at the start of the second quarter, between two and four cargoes a month over the summer, as supply of alternative fuels tightens.

India's Reliance Industries will acquire clean storages in the US East Coast and Gulf Coast to sell large volumes of fuel. A Reliance official did not disclose the timeframe or the capacity of the proposed storages. Trade sources however said the size could be about 200,000-250,000 cubic meters and the deal is expected to be signed by the end of March. The firm would use the storages to market large volumes of oil products from its recently commissioned 580,000 bpd refinery.

The Federal Reserve Bank of Dallas' Texas general business activity index was -57.3 in February, up from -50.5. Its production index was down 36.1, more than -15.4 in January.

Diesel prices are falling below that of gasoline after about two years of selling at a premium as the world recession cuts demand and inventories rise. The American Trucking Associations' truck tonnage index fell by 14% on the year in December, the largest drop since 1996. US consumption of diesel and heating oil fell seven times faster than gasoline in January. An analyst at Cambridge Energy Research Associates said the increasing popularity of diesel cars may help keep diesel prices from weakening. However increased production is helping lower prices. US refinery output of diesel and heating oil increased by 18% in the five years through November. Reliance Industries Ltd started operations on a refinery at Jamnagar in Gujarat state in December that is designed to produce about 247,000 bpd of diesel. Total SA is increasing diesel production by 50% in the 10 years to 2015 by returning refineries to make more of the fuel without consuming additional crude. Marathon's 3.4 billion expansion of its refinery in Garyville, Louisiana will increase the plant's distillate output to about 40% from 33% while Valero, which devotes 35% of its capacity to diesel, plans to increase that to about 40%.

February Calendar Averages**CL – \$38.23****HO –\$1.2816****RB – \$1.1786**

Fuzaia said oil prices would have fallen to \$20/barrel with OPEC intervention but added that the oil market will see tough times in 2009 amid the world financial crisis.

According to Petrologistics, OPEC's 11 members with output targets, except Iraq, are expected to produce 25.32 million bpd, down 980,000 bpd from 26.3 million bpd in January. Their production is 480,000 bpd over their target of 24.84 million bpd, indicating they have delivered on 3.72 million bpd of cutbacks totaling 4.2 million bpd. Petrologistics reported that Saudi Arabia cut its supply to 7.9 million bpd, down from 8.05 million bpd in January. Iran cut its production in February but still exceeding its target. It is expected to pump 3.55 million bpd, down 300,000 bpd on the month. Meanwhile Iraq is expected to produce 2.28 million bpd in February.

Frontline, the world's largest tanker company, said world storage of crude oil in VLCCs has increased to a high of at least 80 million barrels despite OPEC's oil supply cuts. Offshore storage levels continued to increase this year despite OPEC's recent decision to cut production by 4.2 million bpd. As many as 45 VLCCs are engaged in crude storage or have been optioned for storage once their cargoes of crude reach their destination. Shell has several VLCCs storing crude off the northeast coast of Britain while Koch Supply and Trading in the US Gulf Coast has been seen making a large storage play as well. Venezuela's PDVSA has also leased a VLCC for the purpose while Iran has often employed tankers for this type of storage. Some traders estimate that more than 30 VLCCs are floating around the Gulf Coast and Caribbean region combined.

The EIA reported that the US average retail price of diesel fell by 5.6 cents to \$2.13/gallon in the week ending February 23rd. It also reported that the US average retail price of gasoline fell by 5.5 cents to \$1.909/gallon.

According to the Lundberg survey, the US average retail price of gasoline increased by 2.55 cents/gallon to \$1.9443/gallon in the two weeks ending February 20th.

Nigerian security forces repelled an attack by gunmen on an oil terminal operated by Italy's Agip in the Niger Delta late on Saturday. Gunmen in speedboats attacked Nigerian troops guarding the Twon Brass oil terminal in Bayelsa state. Oil production at the facility was not affected.

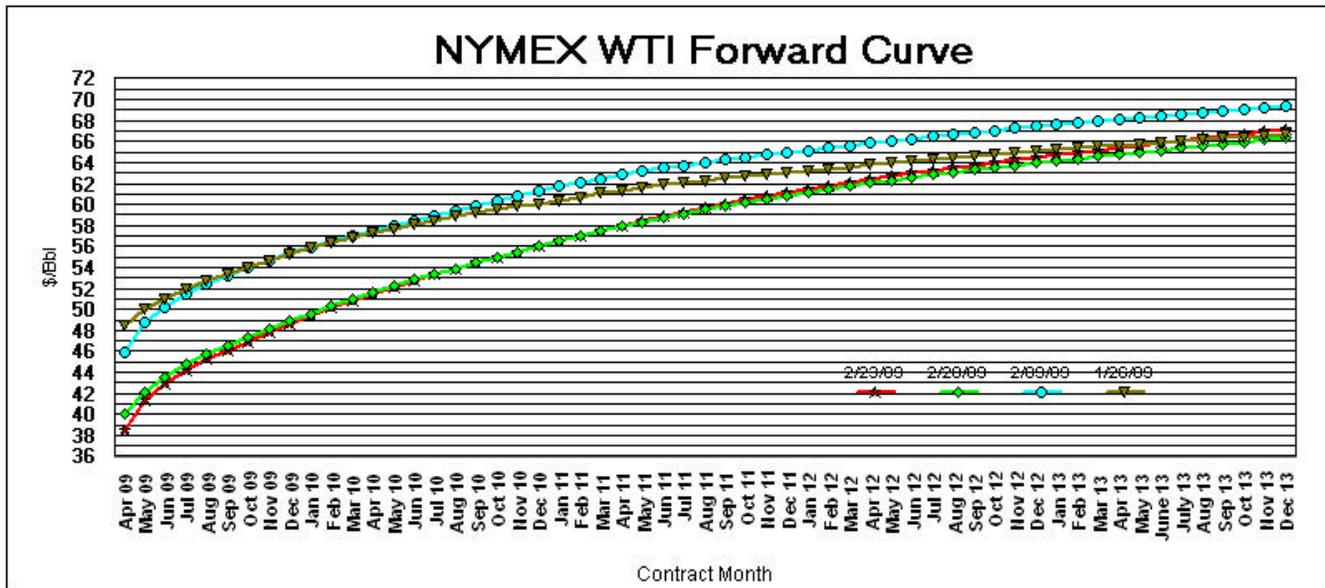
Separately, the governor of Bauchi state in Nigeria imposed a nighttime curfew on Sunday, a day after clashes killed at least 11 people and wounded dozens. It was not immediately clear what triggered the unrest.

Refinery News

Colonial Pipeline is postponing the planned expansion of a new pipeline due to slowing consumer demand. The project, called Project ExCel, calls for the construction of a pipeline that would mostly run alongside Colonial's existing mainlines from Louisiana and Georgia. It will continue to secure and maintain the permits necessary to contract the pipeline but gave no time frame for when construction on the expansion would resume.

Sunoco Logistics Partners LP said the Maumee Ohio-to-Michigan oil pipeline, which was shut last Wednesday due to a leak, resumed service late Sunday.

Credit Suisse reported that US refining margins fell last week. West Coast margins fell by \$13.22 to \$16.28/barrel in the week ending February 20 while Midwest margins fell by \$8.36 to \$8.57/barrel. Gulf Coast margins fell by \$7.44 to \$9.98/barrel while Rocky Mountain margins fell by \$4.26 to \$16.67/barrel and Northeast margins fell by \$1.41 to \$7.65/barrel.



ExxonMobil Corp said a sulfur recovery unit and hydrotreater have been restarted at its 149,500 bpd refinery in Torrance, California while the restart of a 100,200 bpd fluid catalytic cracking unit continues. The units were shut in late December for planned maintenance. ExxonMobil also stated that a fluid catalytic cracking unit at its 562,500 bpd Baytown, Texas refinery reached full rates following its restart from planned work.

Tesoro Corp said production on a 35,000 bpd hydrocracker unit at its 166,000 bpd Martinez, California refinery has been cut to make repairs to a valve. If the valve cannot be fixed with the unit at reduced rates, the hydrocracker will be briefly shut to make the repairs.

BP Plc plans to restart its ultraformer No. 3 at its 475,000 bpd Texas City, Texas refinery. The unit was shut in early January to repair a leak.

Valero Energy Corp said a 50,000 bpd coker unit at its 210,000 bpd refinery in Delaware City, Delaware is still in restart mode. Its 180,000 bpd crude distillation unit and its 82,000 bpd fluid catalytic cracking unit remain at reduced rates.

Royal Dutch Shell started a 50,000 bpd fluid catalytic cracking unit at its 416,000 bpd Pernis refinery over the weekend after a two and a half month closure.

Iraq's Baiji refinery, which has a capacity of 320,000 bpd but operates at less than that, is gradually increasing its operations after it cut its operations on Sunday to about 20% due to a power shortage.

Saudi Aramco and Royal Dutch Shell's joint venture Jubail refinery restarted oil exports on Monday after bad weather interrupted the flow for four to five days.

Taiwan's Formosa Petrochemical Corp has started shutting down its No. 3 naphtha unit due to a technical problem. The outage is likely to last for two weeks.

China's General Administration of Customs said the country's crude imports in January fell by 7.99% on the year to 12.82 million tons. China shipped 101,888 tons of diesel last month, down 87.99% on

the year while gasoline exports increased by 242.66% to 217,814 tons. Fuel oil imports increased by 5.42% to 1.58 million tons while liquefied natural gas imports increased by 7.56% to 203,022 tons.

India's Reliance Industries will import about 25% less crude oil on contract from Iran in 2009. It will buy 90,000 bpd of Iranian crude on term contract this year, down from 120,000 bpd in 2008.

German residential heating oil stocks fell to 60% of capacity on February 1 from 63% on January 1. Last year, German residential heating oil tanks were 52% full on February 1.

Production News

According to a study by the American Energy Alliance, expanding energy exploration and production to US offshore area that were off limits until recently could result in \$1.7 trillion in federal tax revenue and almost \$600 million in state and local taxes throughout the life span of the new fields.

Iran's Oil Ministry said oil production at Iran's offshore Abuzar field is gradually being restored following a gas leakage caused an outage reduction earlier this month. Oil production from the field has increased from 100,000 bpd to 127,000 bpd.

Oil exports from Iran's main terminal at Kharg Island resumed late Sunday after bad weather disrupted the flow for about five days. The flow has been intermittent since last Wednesday due to high winds. The port of Bandar Mahshahr is also operating normally on Monday after the port was shut on Sunday as bad weather disrupted oil exports across the northern Gulf. Meanwhile, Kuwait resumed oil exports on Sunday after exports were halted due to bad weather conditions. Separately, a Saudi Aramco spokesman said Saudi Arabia had no interruptions in its crude flow to international markets. Oil exports from Saudi Arabia's Ras Tanura continued as normal, despite the bad weather. Loading at the UAE's port of Jebel Dhanna was also unaffected despite windy conditions.

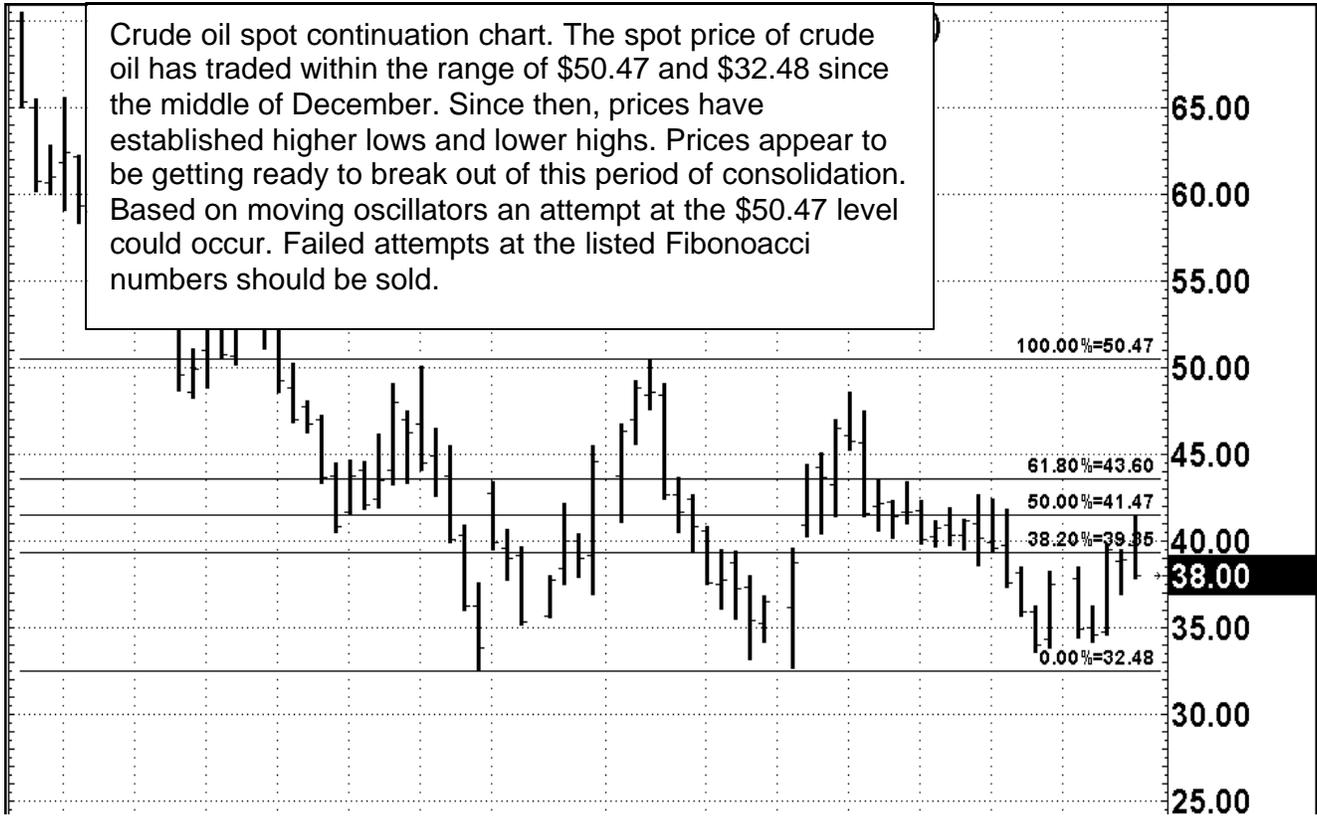
Oil exports from Iraq's southern Basra terminal reached a rate of 1.56 million bpd on Sunday despite bad weather conditions in the region.

Mexico's Dos Bocas and Cayo Arcas export ports remained closed on Monday due to poor weather conditions in the Gulf of Mexico. The ports were closed on Sunday. The port of Pajaritos was reopened on Monday.

Total SA expects delays on its Canadian oil sands projects, pushing back the company's expectations for increasing production. Total previously estimated that production will reach 250,000 bpd within a decade from its Surmont and Joslyn projects. While Total had hoped to reach that target by 2015 or 2016, it said the goal is no longer realistic.

Market Commentary

Despite OPEC's adherence to proposed output cuts, the price of a barrel of crude oil tumbled, succumbing to economic pressure. OPEC has reduced output by 3.8%, bringing the total of barrels to 25.3 million for the month of February. This is down from 26.3 million barrels in January. Any push higher, has been met with resistance as the global economy continues to take center stage. The spot price of crude oil has been trading within the range of \$50.47 and \$32.48 since the middle of December. During this time frame higher lows and lower highs have occurred. This is indicative of a consolidation period, whereby a continuation of the previous trend occurs. The fundamentals of this market are not supporting higher moves and therefore we would look to sell failed attempts to trade above the listed fibonacci retracement numbers listed on the chart within this wire. Based upon an examination of the forward curve, front - end pressure continues. The April contract pulled away from the deferred and it appears that selling pressure was seen out through December 2010. This may be



signs that the economy is not seen to be recovering at least until then. After achieving a higher high and a lower low, the April gasoline settled .0297 lower on the day. Moving oscillators continue to trend lower just above over sold territory. The global economic situation is not helping the demand factor, however the U.S. summer driving season is on the horizon. Gasoline, which traded at a discount to heating oil during last year's summer driving season, should regain its seasonal strength. With the global economy greatly impacting the trucking and shipping industry, diesel demand has been hit hard. Heating oil provides a pricing substitute for diesel. Based on this we would look for the heating oil to come under pressure, giving up its unseasonable strength against the gasoline. .

Crude Oil (CL) MAR.09 3,433 -15,508 APR.09 297,196 -19,340 MAY.09 139,736 +4,562 Totals: 1,173,322 -24,943 Heating oil MAR.09 26,841 -2,693 APR.09 54,332 +919 MAY.09 35,479 +928 Totals: 261,086 -32 NEW YORK HARBOR RBOB GASOLINE MAR.09 24,627 -1,186 APR.09 63,794 +513 MAY.09 28,792 +560 Totals: 196,022 + 509

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