



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 23, 2010

Ecuador's Oil Minister Germanico Pinto said world oil prices should remain in a range between \$70 and \$80/barrel this year and added that OPEC has no need to change output policy at its upcoming March meeting.

China on Tuesday reiterated its call for greater diplomatic efforts to resolve the standoff over Iran's nuclear program, despite growing pressure for strong UN action against Iran. China has

stated that sanctions are not an effective tool for resolving diplomatic disputes. Meanwhile, a nuclear energy official in Iran said the country identified potential sites for 10 new nuclear enrichment plants and construction of two of them could begin this year.

Market Watch

US consumer confidence fell to a 10 month low in February on concerns over jobs. The Conference Board said its index of consumer attitudes fell to 46 in February, the lowest since April last year and down from a revised 56.5 in January. The Conference Board's "jobs hard to get" index increased to 47.7% in February from 46.5% in January. The present situation index fell to 19.4 from 25.2 in January, the worst since February 1983.

According to ship broker E. A. Gibson, the amount of oil held on vessels at sea will remain a critical factor for the tanker market this year amid low energy demand and increasing ship supply. Last year, a price play taking advantage of prompt oil that was less expensive than further forward prices had encouraged traders to store cargoes at sea with a view to selling them later at higher prices. However the contango has narrowed in recent weeks, making it less attractive to hold stocks in floating storage. It reported that 112 vessels were storing crude and clean products globally by February 9th, down from a high of 149 ships at the end of November. It also stated that Iran is storing crude oil on four very large crude carriers at sea in the Middle East.

The European Union's energy strategy could cut a total of 60 billion Euros or \$81.5 billion off its oil and gas imports over the next decade.

The head of the National Iranian Oil Co, Seifollah Jashnsaz said Iran needs to invest \$24 billion to \$30 billion a year in its oil industry to achieve the country's 20 year goals. Separately, a senior oil official said Iran will issue bonds worth \$1 billion in local and hard currency in coming days to help finance the development of its energy sector.

According to MasterCard Advisors LLC, US gasoline demand in the week ending February 19th increased 5.8% to 9.357 million bpd. Gasoline demand was up 1.1% on the year. In the latest four weeks, demand averaged 9.172 million bpd, up 0.5% on the year. On a nationwide average, the retail price of gasoline fell by 2 cents to \$2.60/gallon, the lowest price since December 25, 2009. The price of gasoline is up 34% on the year.

API Stocks

Crude – down 3.137 million barrels

Distillate – down 834,000 barrels

Gasoline – up 1.738 million barrels

Refinery runs – up 0.9%, at 80.8%

Refinery News

Marathon Oil Corp reported a snag during the start up of a propylene unit at its 76,000 bpd Texas City, Texas refinery. The problem caused a leak of a mixture of propane and propylene.

ConocoPhillips Corp reported that a unit, identified at No. 110, was shut at its 120,200 bpd Rodeo refinery near San Francisco, California.

Sunoco Inc plans to start maintenance on a 96,000 bpd fluid catalytic cracking unit and 12,000 bpd alkylation unit at its 178,000 bpd Marcus Hook, Pennsylvania refinery on February 26th. The turnaround at the refinery will last 35-40 days.

French Industry Minister Christian Estrosi said Total will keep its French refineries apart from Dunkirk, which has been shut since September. He added that the government will organize a summit meeting later this year to discuss the future of the energy industry. Earlier on Tuesday, a CGT union official said Total had pledged not to sell or close any French refineries but added a seven day strike would continue until the government pledged to organize a summit meeting with the sector. Meanwhile, strike action at two ExxonMobil refineries was suspended on Tuesday.

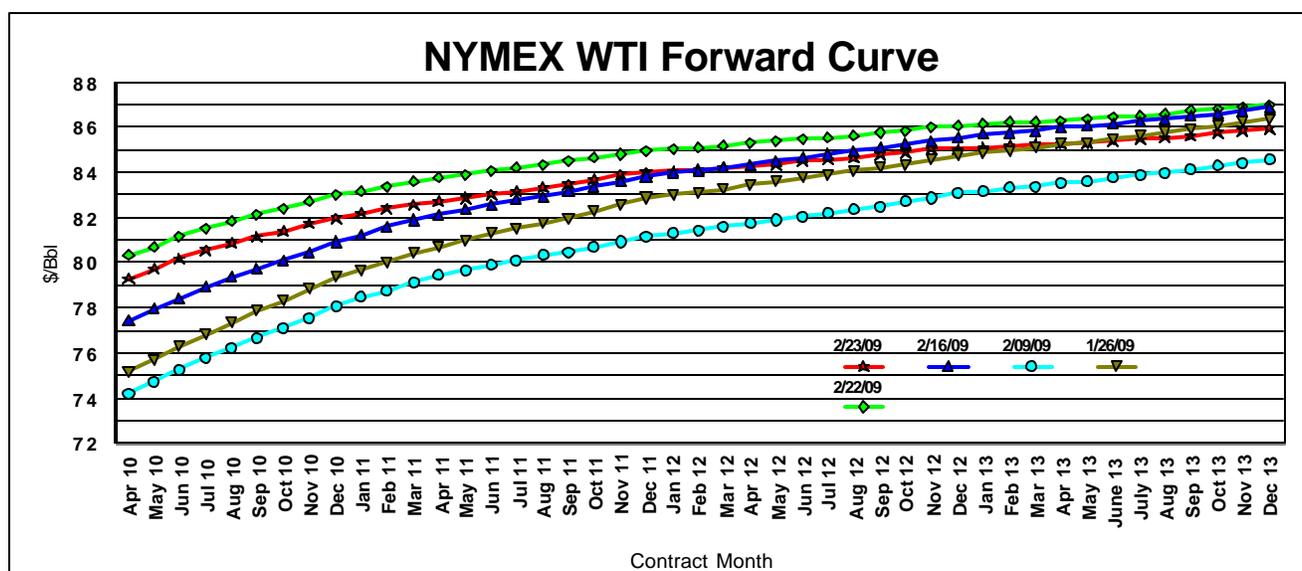
Separately, Total plans to sell its 223,000 bpd Lindsey refinery in the UK. The sale of the Lindsey and the permanent closure of the Dunkirk would allow Total to achieve its goal to cut production capacity by 500,000 bpd between 2007 and 2011.

Nigeria's NNPC said its Kaduna and Warri refineries resumed operations and added that it wanted to get three of Nigeria's four refineries operating at 60% capacity in the coming months. Nigeria's four oil refineries have a capacity of 445,000 bpd but have never operated at full capacity.

Algeria's Sonatrach will shut some units at its Algiers and Skikda refineries for scheduled maintenance between March and June this year and some units at its Arzew refinery in September-October. The maintenance shutdowns are expected to last between 15 days and a month. No impact to exports is expected.

Mangalore Refinery & Petrochemicals Ltd will shut its 1.4 million metric tons a year diesel hydrodesulphurization unit at its 11.82 million ton/year or 236,400 bpd refinery starting Friday for 35 days for revamping and increasing its capacity by 30%.

February Calendar Averages CL – \$75.93 HO – \$1.9815 RB – \$1.9858



Poland's PKN Orlen is scheduled to shut its Lithuanian refinery for two weeks of inspections starting on March 15th.

Japan's Idemitsu Kosan Co plans to refine 2.6 million kiloliters or 528,000 bpd of crude in March, down 3% on the year. It kept its plan to refine 7.9 million kl or 552,000 bpd in the January-March quarter, down 2% on the year. Separately, Idemitsu Kosan plans to begin restarting operations at a 50,000 bpd residue fluid catalytic cracking unit at its Aichi refinery in early March after operations were halted earlier in February.

The Milford Haven Port Authority said Britain's Unite trade union has agreed to suspend strike action planned for Tuesday at the oil and gas port of Milford Haven for 28 days. The port will continue normal operations, including pilotage services. The port and union officials hope the dispute over pensions can be fully resolved during the 28 day strike delay.

South Korea's Korea National Oil Corp reported that the country imported 75.15 million barrels or 2.42 million bpd of crude in January, down 19.5% on the year. South Korean refineries processed 73.17 million barrels of crude in January, down 4.5% on the year and up 4% on the month. The country's commercial crude oil stocks fell by 66.3% on the year to 9.22 million barrels.

China Aviation Oil is seeking up to 120,000 tons of jet fuel for March-April delivery by tender.

Production News

Britain's North Sea oil and gas output will ease further this year to 2.35 million bpd of oil equivalent from 2.48 million bpd of oil equivalent last year.

Two of four Forties crude cargoes that were dropped from loading programs following reduced output at Nexen Inc's Buzzard oil field have been reinstated. Last week, traders said four Royal Dutch Shell Plc cargoes set to load February 26-28, March 6-8, March 12-14 and March 16-18 had been dropped following reduced production at the oilfield.

Statoil submitted its plan for development and operation of the North Sea Gudrun field to the Ministry of Petroleum and Energy for approval. The Norwegian Parliament is expected to approve the development plan before the summer. The platform will have capacity for partial processing of oil and gas, before the hydrocarbons are piped to Sleipner. The Gudrun field contains about 132 million barrels of oil equivalent, of which two thirds are oil. Statoil also said it has proven the existence of oil in a well in the Tampen area in the north-eastern are of the Snorre field in the North Sea. The find, named Lower Lunde, is estimated to hold between 6 million and 19 million barrels of oil equivalents.

Norway's Petoro said oil and gas production in the fourth quarter fell 14% on the year and urged the industry and the government to increase recovery rates. It said output in the fourth quarter fell to 1.089 million bpd of oil equivalents from 1.27 bpd of oil equivalent.

Oil majors said Nigeria's proposed oil industry reforms could drive away billions in investment and slow development of deep water reserves. Under the current version of the proposed Petroleum Industry Bill, the government would be allowed to renegotiate old contracts, impose higher costs on oil companies and retake acreage that firms have yet to explore. Royal Dutch Shell Plc has no plans to leave Nigeria and rumors to the contrary are totally false. A Shell executive however said that the company is concerned over Nigeria's future. The executive also said that Nigeria's pending oil industry bill threatens to make a bad situation worse, if passed in its current form and it will take years to correct its mistakes. Nigeria's proposed oil industry reform could drive away \$50 billion in investment. Separately, Shell said it oil production from onshore operations in Nigeria increased to 500,000 bpd on average in the last quarter of 2009 while 600,000 bpd remained shut in. Nigeria's

offshore oil production is expected to increase to about 1.5 million bpd by 2015. Shell said Angola's offshore oil production is likely to be double that of Nigeria by 2020.

Chevron Corp's joint venture in Nigeria is producing 350,000 bpd of oil equivalent. Chevron Nigeria's managing director Andrew Fawthrop said the company was committed to the country and had invested an average of \$3 billion in Nigeria over the last several years. However the head of Chevron said Nigeria's planned reforms to its energy sector risk slowing down development of deepwater oil projects in the country.

Nigeria plans to ship four 950,000 barrel cargoes of Bonny Light crude as part of its April loading program. Nigeria plans to export seven cargoes of Agbami crude each containing 975,000 barrels, plus five cargoes of Escravos crude each containing 950,000 barrels and four cargoes of Akpo crude containing 975,000 barrels.

Kuwait Gulf Oil Co expects oil production from the al-Khafji oilfield to reach 300,000 bpd by the end of the first quarter. Its current production from the field is at 272,000 bpd. The field has oil production capacity of about 550,000 bpd.

Iraq's oil revenues in January totaled \$4 billion on an average price of \$73.97/barrel for an estimated 59.7 million barrels in exports. A total of 45 million barrels were exported from the southern terminal of Basra and 14.7 million barrels were exported from the northern fields in Kirkuk. Iraq has been producing 2.4 million bpd of crude, of which about 2 million bpd are exported.

OPEC's news agency reported that OPEC's basket of crudes increased to more than \$76.14/barrel on Monday, up from Friday's \$75.17/barrel level.

Market Commentary

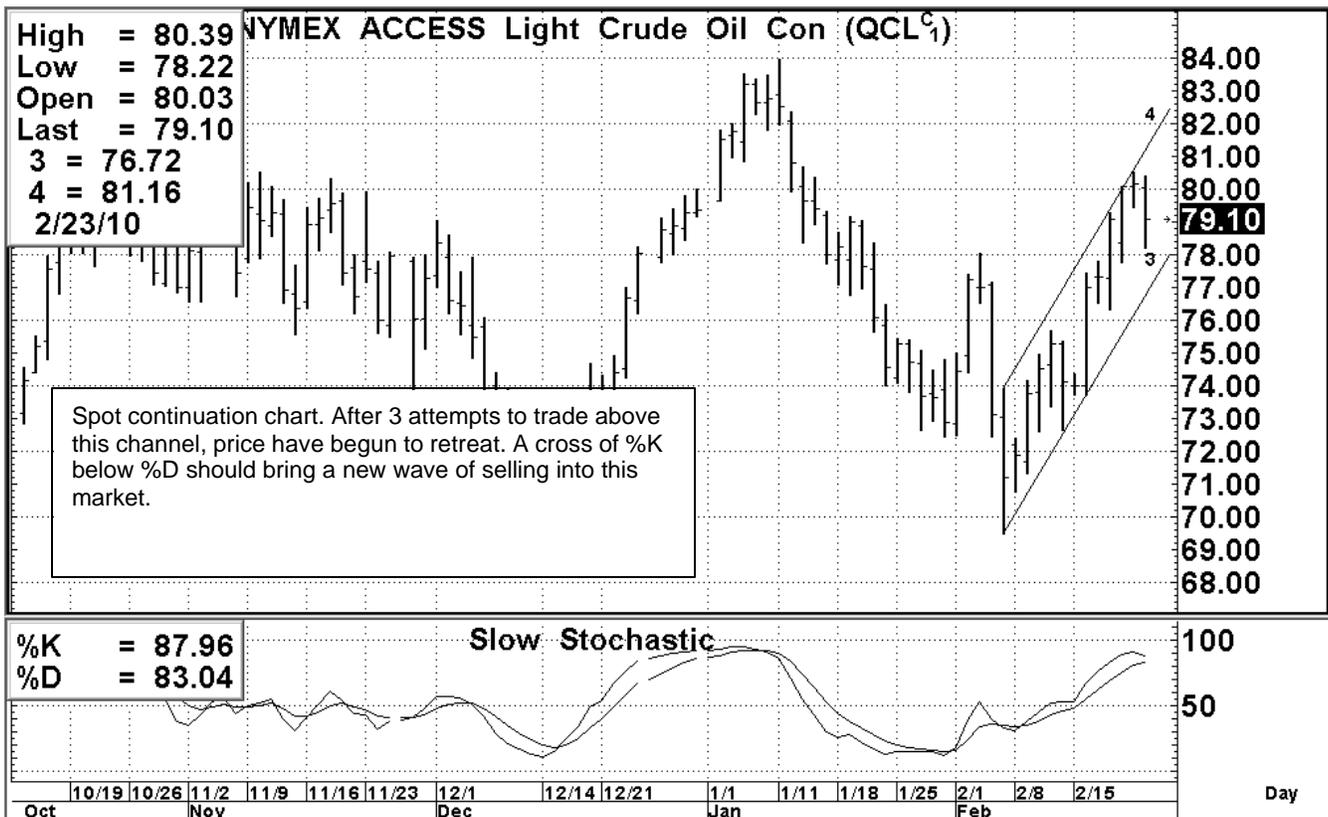
As consumer confidence sank in the U.S., so did the price of crude oil. According to a report by the Conference Board, consumer confidence in the U.S. dipped 2.6 percent in February, falling from a five-week high. This brought to the forefront demand for products or the lack thereof, especially for gasoline, as we approach the in between phase of the winter heating season and the summer driving season. With more jobs expected to be on the chopping block, it is difficult for one to think that demand will pickup any time soon. Union delegates called upon refinery union members to end their strike, as major progress was reported in talks with Total SA. The price of a barrel of crude oil for April delivery fell by 1.8 percent, unable to sustain strength above \$80.00. Technically speaking, crude oil is retreating from the upper trendline of the ascending channel that can be depicted on a spot continuation chart, with moving oscillators appearing to get ready to cross to the downside. It appears that this market experienced some length lightening with possible reversals and tomorrow's release of the open interest should give us a clearer picture. Today's sell off in crude oil occurred under high volume with the April contract having almost 297,000. Should open interest reflect an increase, this would signify shorts entering the market. We would look for the April contract to test the \$76.72 channel bottom.

Crude oil Apr. 10 265,047 -5,551, May 10 159,925 +2,059, June 10 155,724 -2,232 Totals 1,263,472 -34,044 Heating oil MAR.10 32,183 -5,888 APR10 73,667 +6,803 May 10 39,188 +1,301 Totals: 306,863 +5,574 Gasoline MAR.10 30,805 -4,196 APR10 76,619 +6,044 May 10 43,665 +1,558 Totals: 264,307 +5,892

The API reported an unexpected draw in crude stocks of 3.137 million barrels, with draws of 1.624 million barrels, 1.439 million barrels and 1.666 million barrels in Padds 1, 2 and 3, respectively. It reported the draw in crude stocks as runs increased by 224,000 bpd to 13.8 million barrels on the week. Imports however increased by 1.153 million bpd to 9.192 million bpd. Distillate stocks fell by

834,000 barrels on the week, with a draw of 1.195 million barrels reported in Padd 1 alone. It reported the draw in stocks as apparent demand increased by 21.1% on the week and by 0.1% on the year to 4.306 million bpd while apparent demand basis its three week moving average increased by 2.5% on the week but fell by 11.7% on the year. It however reported that distillate production increased by 280,000 bpd or 8.3% on the week to 3.66 million bpd and imports increased by 168,000 bpd or 46.8% to 527,000 bpd. Meanwhile, gasoline stocks saw a larger than expected build in stocks of 1.738 million barrels on the week. It reported the build in stocks as production increased by 1.188 million bpd or 14.6% to 9.317 million bpd and imports increased by 99,000 bpd or 69.7% on the week to 241,000 bpd. The API however reported that apparent demand increased by 15.4% on the week and by 1% on the year to 9.31 million bpd while apparent demand basis its three week moving average increased by 0.4% but fell by 5.3% on the year to 8.566 million bpd.

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	2.1930, 2.2270, 2.3350,



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.