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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 24, 2009

The Obama administration said it is prepared to tap the country's SPR should prices become too burdensome on the economy. A Department of Energy official said it is also considering the creation of a products stockpile. Separately, House Democratic leaders released a \$410 billion spending plan to fund the government for the rest of the 2009 spending year that runs through September 30. They however left out a \$205 million

Market Watch

The oil surplus is showing signs of easing, however the market may soon see a surplus of gasoline. Barring an economic turnaround, the world surplus of crude oil will be converted into a global surplus of gasoline and other petroleum products, thwarting any crude futures price rally off tightening oil inventories.

The Conference Board said its sentiment index in February fell to 25 from a downwardly revised 37.4 in January. The February reading was a new record low for the index, which started in 1967. In February, the expectations index fell to 27.5 from 42.5 the previous month. The present situation index fell to 21.2, the lowest level since 1983 from 29.7 in January.

FCStone Group Inc said it expects to report a pre-tax provision for bad loans for \$60-\$80 million in the second quarter related to losses by a significant energy trading account. It said this was in addition to the \$25.7 million pre-tax bad debt provision it took in the first quarter due to losses in the energy account and two other domestic accounts for which it serves as the clearing firm. It said it may recover part of the losses on the energy account but did not give any guarantee as to the amount and timing of the recovery.

Algeria's Energy and Mines Minister Chakib Khelil said the country will earn about \$30 billion from oil and gas sales this year if energy prices remain at current levels, less than half the \$76 billion reported last year.

NNPC managing director Mohammed Barkindo said Nigeria's plan to transform the company into a profit-driven company able to increase capital independently are still on track despite the world economic downturn. The restructuring will allow NNPC subsidiaries to increase funds by investing in the capital markets instead of relying on government revenues as they do currently.

API Stocks

Crude – up 341,000 barrels

Distillate – up 1.76 million barrels

Gasoline – down 898,000 barrels

Refinery runs – down 0.3%, at 81.9%

request to help expand the SPR's capacity to 1.5 billion barrels. The reserve currently has a maximum storage capacity of 727 million barrels. In the final week of the Bush administration, the Energy Department awarded contracts to add about 17 million barrels to the reserve. The House Democrats' budget plan would not halt those oil deliveries.

A labor union in Kuwait has called on all port workers to go on strike on March 2. It is unclear how many workers are expected to go on strike and that the actual impact could be on the country's over 2 million bpd of crude and fuel exports. The strike will take place in Shuwaikh, Shuaiba and Doha ports.

February Calendar Averages

CL – \$38.34

HO –\$1.277

RB – \$1.1727

The head of Royal Dutch Shell Plc in Africa, Ann Pickard warned Nigeria's top energy officials that uncertainty over a planned radical program of reform in the oil and gas industry was slowing investment. Oil companies fear the new Petroleum Industry Bill will significantly increase the amount of taxes they have to pay Nigeria's government.

Pirates fired on a Russian oil tanker off the coast of Nigeria on Monday. The tanker managed the escape without injuries on board. The attack occurred some 20 nautical miles off the coast of Nigeria, though the report gave no further specifics on the location.

Refinery News

Colonial Pipeline is allocating the 13th cycle of 2009 for its main distillate line north of Collins, Mississippi as nominations exceed line capacity.

Clean-up crews responding to a crude leak in Ohio that spilled into a tributary of Lake Erie and forced Sunoco Logistics Partners to shut its 142,000 bpd Maumee crude pipeline from last Wednesday until Sunday are burning portions of the oil spill residue.

BP Plc reported a fire Monday evening at a coke barn at its 265,000 bpd Carson, California refinery. It said the fire on a conveyor belt was extinguished late Monday and resulted in no damage to the coker unit. The unit is however operating at reduced rates.

Valero Energy Corp plans to restart a vacuum unit at the west plant of its 340,000 bpd refinery in Corpus Christi, Texas following the completion of its maintenance. Valero Energy also said a fluid catalytic cracking unit at its Port Arthur, Texas refinery may resume full operations by Wednesday.

Mexico reopened its oil port of Cayo Arcas in the Gulf of Mexico on Tuesday after it was closed due to bad weather over the weekend. The Pajaritos and Dos Bocas oil ports were reopened on Monday.

India's Reliance Industries Ltd plans to partially shut its 660,000 bpd Jamnagar refinery for at least two weeks of routine maintenance in May-June. It is expected to shut a 325,000 bpd crude distillation unit and a 100,000 bpd diesel hydro desulphurization unit for maintenance. A vacuum gas oil hydrotreater may also be shut down for maintenance.

Japan's Kyokuto Petroleum Industries has scheduled maintenance on its 175,000 bpd No.1 crude distillation unit at its Chiba refinery from March 8 to April 16. Meanwhile, Japan Energy Corp has scheduled maintenance on its 95,200 bpd No.2 crude distillation unit at its Mzushima refinery from March 12 to May 9 and at its 60,000 bpd condensate splitter at its Kashima refinery from September to October. Separately, Japan's Toa Oil Co has scheduled maintenance on its 65,000 bpd No.3 crude distillation unit at its Keihin refinery from April 1 to May 6. Teiseki Topping Plant Co is scheduled to perform maintenance on its 4,724 crude distillation unit at its Kubiki refinery from late May to early June.

Nigeria's Minister of State for Petroleum, Odein Ajumogobia said Nigeria needs to deregulate its energy sector to end its dependence on imported fuel. Nigeria is importing 85% of its petroleum product needs due to the lower refinery operations. An official at NNPC said the 125,000 bpd Warri

refinery is the only one of Nigeria's four refineries currently in operation and is operating at 80% of capacity. The 100,000 bpd Kaduna refinery is expected to remain shut until the end of March due to maintenance delays. It has initially been expected to resume operations in January. Operations at its two other refineries in Port Harcourt were shut last October due to power supply problems and have not resumed operations.

Indonesia's Pertamina may revise up its planned gasoline imports to 5 million barrels in March from 4.7 million barrels previously proposed. It expects to increase its gasoline stocks to 20 days by the end of March from 16 days currently.

Azerbaijan's Socar's tender for 1 million barrels of Urals crude loading in March at the Russian Black Sea port of Novorossiisk was awarded to Glencore. The shipment is scheduled to load between March 18 and 19.

South Korea's S-Oil Corp signed an April 2009-March 2010 contract to sell up to 7.44 million barrels of 92-octane gasoline at premiums about 10 times lower than its current contracts.

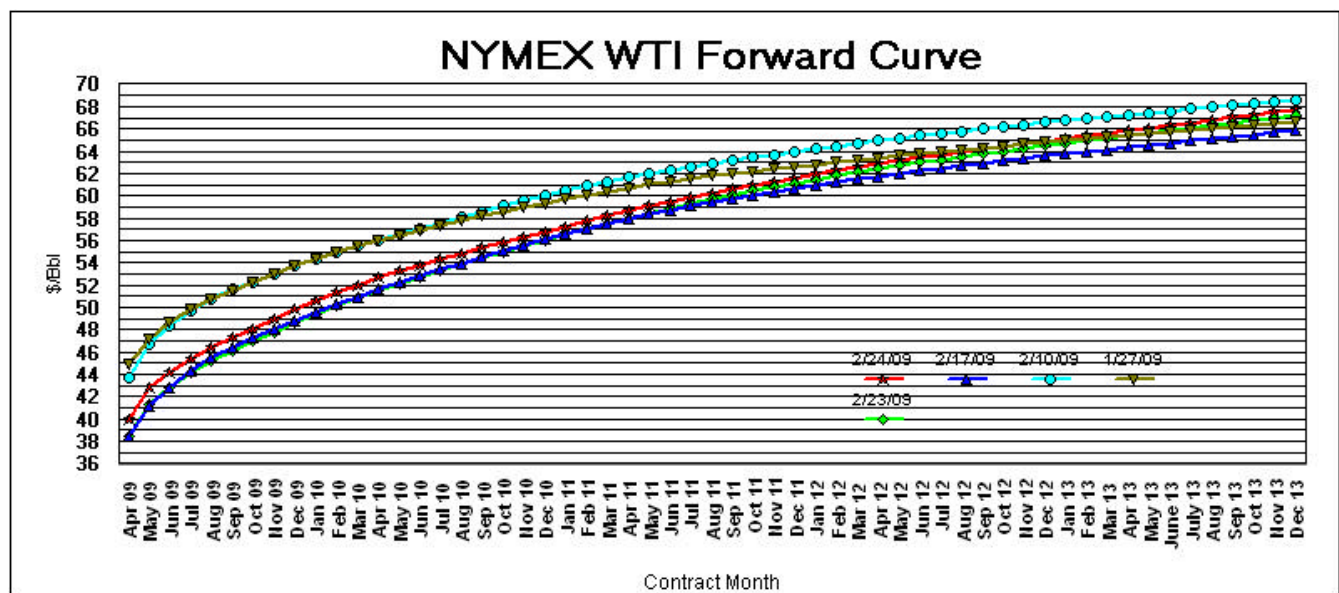
South Korea's Energy Ministry said the country will provide Iraq with \$3.55 billion worth of infrastructure in return for oil field stakes. South Korea will be given rights to the fields in southern Basra and in exchange, South Korea will build infrastructure such as power plants and generators. South Korea and Iraq are expected sign a final agreement by the first half of the year.

Production News

Iraq has allocated more than 2 million bpd in crude oil exports for the first half of 2009 amid expectations of higher production and OPEC cutbacks, which prompted lifters to seek more oil from Iraq. Term contract volume for Basra Light crude has been set at 1.75 million bpd while term contract volume for Kirkuk crude has been set at 489,000 bpd.

The BP led consortium that operates Azerbaijan's Azeri-Chirag-Guneshli block in the Caspian Sea produced 2.9 million tons of oil in January, up 9.8% on the month. Azerbaijan produced a total of 3.63 million tons in January, up 7.7% on the month.

Russia's Lukoil said its overseas division will cut investments by 20% this year but plans to increase production by 7%. The overseas division produces about 5% of Lukoil's total production. It produced 4.82 million tons of oil and gas condensate and over 5 billion cubic meters of gas last year.



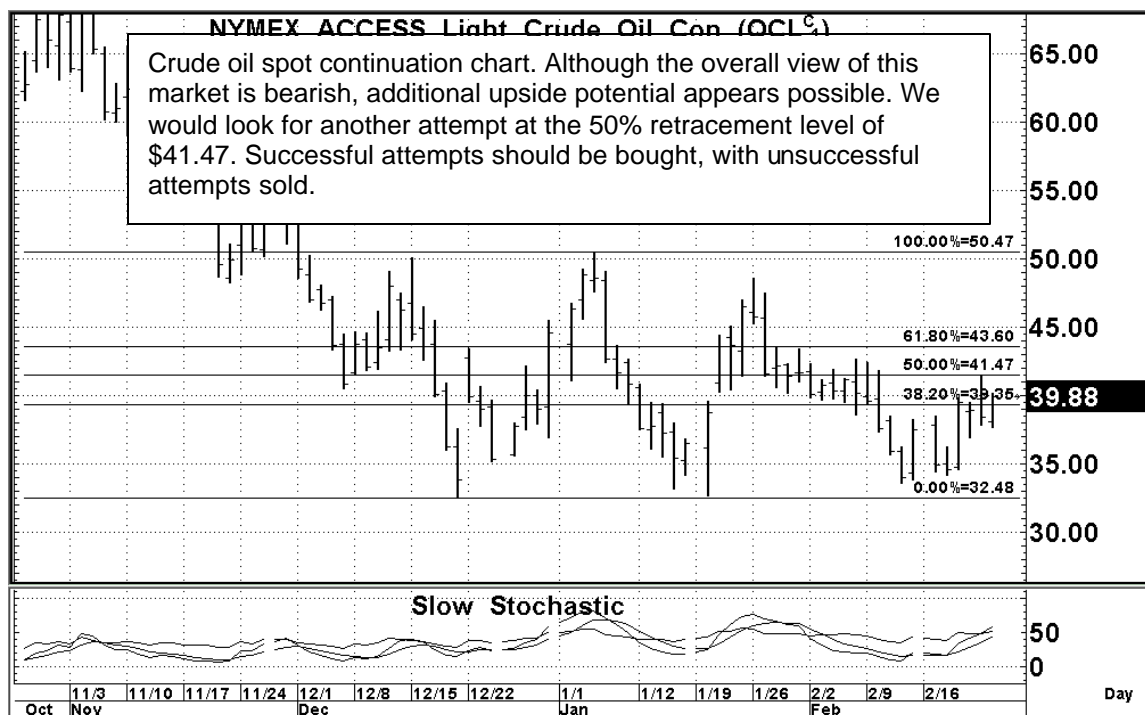
Libya has set the March official selling price for its Es Sider crude at dated BFOE minus 20 cents, up 50 cents from February.

OPEC's news agency reported that OPEC's basket of crudes increased to \$39.53/barrel on Monday from \$39.17/barrel on Friday.

Market Commentary

Gaining strength off of the equities markets, crude oil rose today, gaining back three days worth of losses. It appears that hopes are for some positive reinforcement from U.S. President Barack Obama's speech to a joint session of Congress tonight. The April crude oil contract appears to have found a near term bottom based on a technical perspective. Although our overall view of this market is for further downside movement, we would look for a bit more consolidation, prior to heading lower again. The near term upside target for the April crude oil contract is \$41.47, the 50% retracement level between \$50.47 and \$32.48. Gasoline followed the rest of the complex higher but did not fair well against the crude oil. Gasoline cracks came under pressure as crude oil outpaced gasoline. Inventory numbers and demand will give a clearer picture of where this market is headed. Gasoline stock levels are expected to decrease slightly, down 400,000 barrels, for the week ending 2/20/09. As with the crude oil market, we would expect that any advances would be short-lived. Prices overall may hold strength up until the next OPEC meeting which is to be held on March 15th. Additional cuts are already being discussed, with Saudi Arabia's output expected to average less than 8 million barrels for the month of February. Saudi Arabia had set a target price of \$75.00/barrel from the current level of \$41.00/barrel. While several other members have yet to make any significant cuts, Saudi Arabia's output cuts are near their limit. Perhaps the only thing OPEC may be able to do, is curtail output enough to prevent additional falls rather than force a recovery in prices.

Crude Oil (CL) MAR.09 2 -3,431 APR.09 294,018 -3,178 MAY.09 143,075 +3,339 Totals: 1,170,377 -2,945 Heating oil MAR.09 21,363 -5,478 APR.09 55,960 +1,628 MAY.09 35,466 -13 Totals: 257,849 -3,237 NEW YORK HARBOR RBOB GASOLINE MAR.09 20,782 -3,845 APR.09 62,414 -1,380 MAY.09 30,312 +1,520 Totals: 193,292 -2,730



The API reported a smaller than expected build in crude stocks of 341,000 barrels on the week. It showed stocks are up 12.7% on the year. It reported a build in crude stocks as imports increased

by 68,000 bpd to 9.012 million bpd however crude runs increased by 62,000 bpd to 14.171 million bpd. Meanwhile it showed that distillate stocks built by 1.76 million barrels on the week as apparent demand fell by 9.5% on the week to 4.304 million bpd while apparent demand basis its three week moving average fell by 1.9% on the week to 4.46 million bpd. The API showed that gasoline stocks fell by 898,000 barrels as apparent demand increased by 7.9% on the week to 9.219 million bpd while apparent demand basis its three week moving average increased by 1.5% to 9.049 million bpd.

Crude Support	Crude Resistance
32.25, 29.66, 28.63, 26.65, 25.50	41.64, 44.15, 46.65, 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