



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 25, 2010

US Energy Secretary Steven Chu said US oil imports will remain flat or fall slightly this year.

The EIA reported that US oil demand in December was revised upwards by 0.28% or 53,000 bpd from its previous estimate to 19.163 million bpd. US oil demand is up 0.11% on the year. The EIA also reported that US crude oil imports in December fell to its lowest level for any month since January 2000, averaging 8.133 million bpd.

Market Watch

The US Commerce Department said durable goods orders increased by 3% in January to \$175.75 billion, the largest gain since July, after an upwardly revised 1.9% increase in December. New durable goods orders excluding transportation unexpectedly fell 0.6% last month after increasing 2% in December.

The US Labor Department reported that the number of initial claims for unemployment increased unexpectedly to 496,000, up 22,000 in the week ending February 20th. The four week moving average of new claims increased by 6,000 to 473,750 on the week. The Labor Department also reported that the number of continuing claims increased by 6,000 to 4,617,000 on the week.

According to a Reuters survey, US crude oil is expected to average \$77.70/barrel in 2010, up from a previous estimate of \$77.50/barrel. US crude oil is expected to average \$75.70/barrel in the first quarter of 2010, up from \$75.20/barrel in the previous forecast.

JP Morgan increased its 2010 price for WTI Crude to \$83.50/barrel in light of improving fundamentals, the tightening distillate market and demand growth of 1.7 million bpd. It also increased its 2010 oil demand forecast by 110,000 bpd to 86.3 million bpd.

A CFTC commissioner, Scott O'Malia, said the CFTC should have the power to oversee the over-the-counter energy market. Oversight over energy markets was discussed at a closed door meeting in Tokyo of bankers, executives, analysts and officials on Thursday.

Venezuela's Oil Minister Rafael Ramirez reiterated his position that OPEC should not increase its output quotas at its next meeting in March. He also said that Venezuela has no plans to increase its oil production levels near term. Separately, he also stated that Venezuela is taking ConocoPhillips to court in the US in a dispute with the US oil company over a unit of the Sweeney refinery. Venezuela said in September it was planning to sue over the Meroy Sweeney unit, which Conoco had exercised a buy option on.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to fall by 290,000 bpd in the four weeks ending March 13th to 23 million bpd.

**February
Calendar Averages**
CL – \$76.28
HO – \$1.9851
RB – \$1.9949

Iran's parliamentary speaker Ali Larijani said Iran will study a Japanese offer to enrich uranium for Iran. A Japanese nuclear energy expert however said he doubted Japan now had the technical capacity to follow through on such a proposal. The offer was made in December, with US support, during a visit to Japan by Iran's top nuclear negotiator Saeed Jalili.

Floating storage of North Sea Forties crude has dropped to zero for the first time in nearly one and a half years after the last supertanker discharged. The number of VLCCs used for storage of Forties was stable at a high level of eight between October and early December, but the amount has declined since then as rising freight rates and an increase in demand triggered destocking.

Refinery News

United Refining Co said a 16 day planned maintenance has started at its 70,000 bpd Warren, Pennsylvania refinery, brought up from a previously scheduled mid-March start.

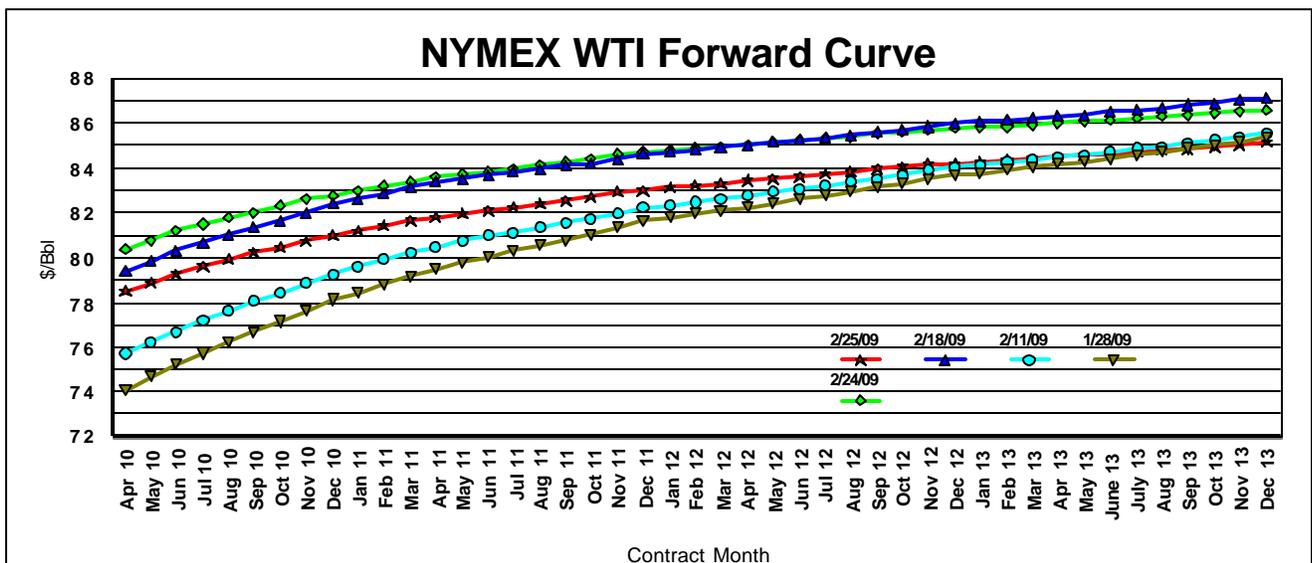
Frontier Corp's 130,000 bpd refinery in El Dorado, Kansas is expected to operate at 123,000 bpd in the first quarter. Its 47,000 bpd refinery in Cheyenne, Wyoming will operate at 37,000 bpd.

Holly Corp said a crude unit at its 100,000 bpd Navajo refinery in Artesia, New Mexico is operating at 90,000 bpd following a fire in January and turnaround. Holly Corp also said that work at its 25,000 bpd refinery in Wood Cross, Utah is planned for later in 2010.

Shell has cut runs at its Dutch petrochemical steam cracker at Moerdijk following a technical problem on February 19th. The cracker produces 900,000 tons of ethylene a year and can use both naphtha and LPG as a feedstock.

Poland's PKN Orlen is planning to conduct maintenance at two of its desulphurization units at its Plock refinery in the first half of 2010. It is also planning maintenance at its cracking and reforming units in the first and second quarters. Separately, PKN Orlen's Lithuanian unit is running below 80% of capacity and there are no plans of increasing that level.

Indonesia's Pertamina plans to shut its 230,000 bpd Cilacap refinery in June for scheduled maintenance.



France's CGT union called on the country's port workers to strike for 24 hours on February 26th in support of striking rights. The union is calling to a national strike to protest against a striking worker at the western Nantes Saint-Nazaire port. Some workers started a strike on February 23 at the port to protest a law to reform state-run ports.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending February 25th fell by 21.22% on the week and by 7.1% on the year to 772,000 tons while gas oil stocks fell by 5.02% on the week but increased by 19.22% on the year to 2.537 million tons and fuel oil stocks increased by 8.32% on the week but fell by 1.73% on the year to 625,000 tons. Naphtha stocks fell by 28.57% on the week and by 6.25% on the year to 45,000 tons while jet fuel stocks fell by 8.84% on the week but increased by 2.87% on the year to 825,000 tons.

Russia's Energy Ministry reported that Russian exports of gasoline increased by 19,200 tons/day, up 32.3% on the month but down 16.3% on the year. Fuel oil exports fell by 8.5% on the month to 125,400 tons/day while gas oil exports increased by 7.7% on the month to 117,500 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.324 million barrels to 22.887 million barrels in the week ending February 24th. It also reported that the country's light distillate stocks fell by 169,000 barrels to 9.52 million barrels while its middle distillate stocks built by 2.309 million barrels to 14.429 million barrels.

China's National Bureau of Statistics said the country's energy use in generating each dollar of GDP fell by 2.2% in 2009. The decline was well below a drop of 4.59% in 2008 and 4.2% in 2007. It said China consumed 3.1 billion tons of standard coal in 2009, up 6.3% on the year, 380 million tons of crude, up 7.1% and 88.7 billion cubic meters of natural gas, up 9.1%.

Production News

The head of Iraq's South Oil Co said Iraq's crude oil production could increase by more than 250,000 bpd by the end of the year in light of some oil deals recently signed with international oil companies to develop Iraqi oil fields. BP Plc and China National Petroleum Corp, which signed a deal for the Rumaila oil field, plan to increase production by between 10% and 15% to 1.15 million bpd from current 1.06 million bpd. The contracts for West Qurna Phase 1, Zubair and Majnoon could add a further 100,000 bpd of production at the end of the year. The four oil deals and six more signed either late last year or the beginning of this year aim to increase Iraq's oil production to 12 million bpd within six to seven years.

Iraq's oil exports from its southern Basra terminal were restored on Thursday to 1.68 million bpd after falling to 792,000 bpd on Wednesday due to adverse weather conditions.

Denmark's DONG Energy has started producing oil at its Nini East field as part of an effort to maintain North Sea output and extend the lifetime of the nearby Siri complex. The field is estimated to hold about 17 million barrels of oil in reserves.

Mexico's Pemex said Mexico's oil production in January increased by 0.9% on the month to 2.615 million bpd, the highest level since April 2009. Mexico's Cantarell oil field produced 607,000 bpd in January, up 7,000 bpd on the month and the first monthly increase in production since August 2009. Production at the Ku Maloob Zaap heavy oil complex was steady at 850,000 bpd while the Chicontepec project saw output increase by 3,000 bpd to more than 32,000 bpd. Crude oil exports in January reached 1.238 million bpd, down 50,000 bpd on the month while gasoline imports fell to 258,000 bpd compared with 408,300 bpd in December.

Brazil's Petrobras said it made two separate discoveries of oil in the Campos Basin with recoverable reserves of 40 million and 65 million barrels. Brazil's oil output is expected to increase significantly over the next decade, mainly due to the discovery of the potentially large subsalt reserves, which analysts estimate could contain between 50 billion and 80 billion barrels of crude.

Nigeria plans to export three 950,000 barrel cargoes of Yoho crude in April. Nigeria is also expected to export six Brass River crude cargoes, comprising one 1 million barrel cargo, three 950,000 barrel cargoes, one 618,000 barrel cargo and one 450,000 barrel cargo. It also plans to export seven Agbami, four Akpo, three Amenam, four Bonny Light, five Erha, five Escravos and twelve Qua Iboe cargoes.

Nigeria has raised official selling prices of several crude oil grades for March. The Nigerian National Petroleum Corp increased the price of its Bonny Light and Qua Iboe crude for March to dated Brent plus \$1.50/barrel from plus \$1.40 for February loading. The price of its Forcados crudes was cut by 10 cents to dated Brent plus \$1/barrel. The price of its Escravos crude was increased by 20 cents to dated Brent plus \$1.10/barrel.

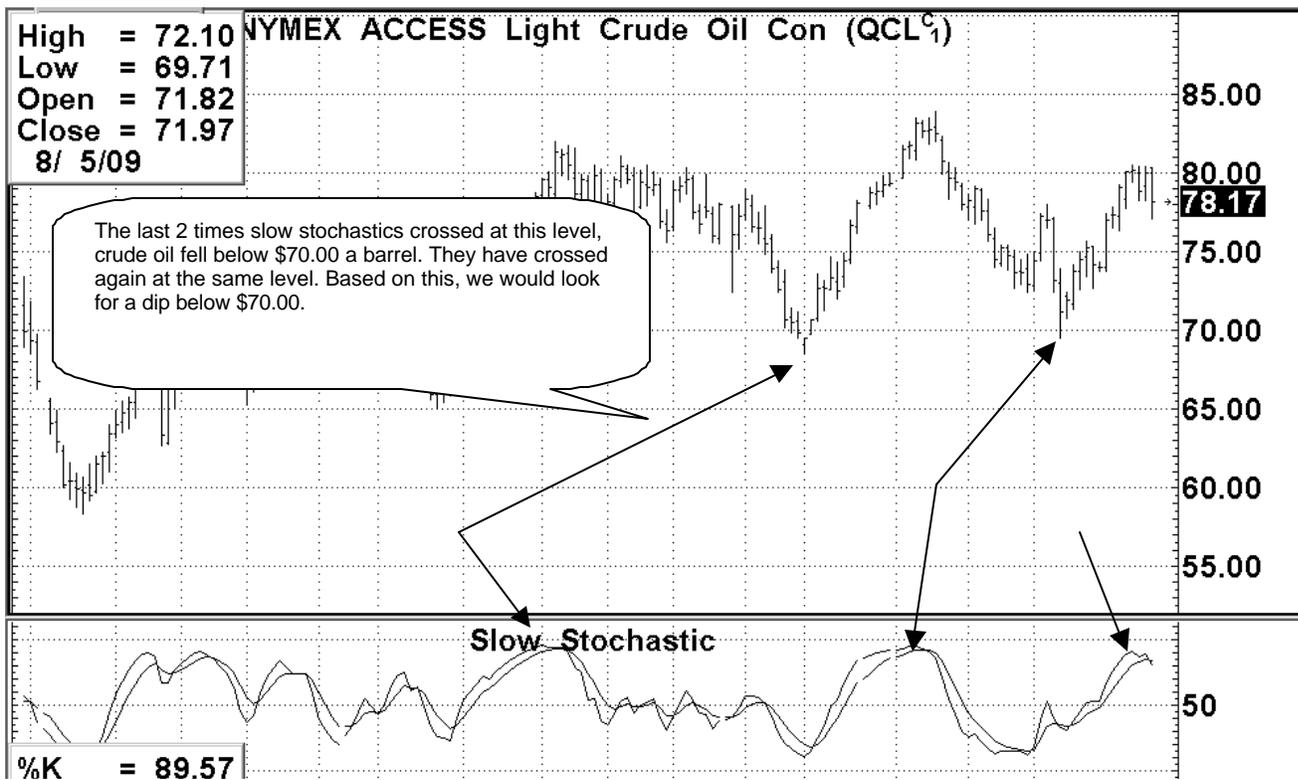
OPEC's news agency reported that OPEC's basket of crudes fell further to \$75.46/barrel on Wednesday from \$75.75/barrel on Tuesday.

Market Commentary

One day after Ben Bernanke announced that the economy is in a "nascent" recovery, durable goods numbers did not meet expectations and jobless claims in the U.S. rose more than expected. Durable goods fell 0.6 percent, while projections were calling for a 1 percent increase and U.S. jobless claims rose by 22,000; expectations were calling for a decline of 36,000. Both these figures put pressure on the energy markets, forcing crude oil to its lowest in five days. Once again, crude oil was unable to sustain its strength above the \$80.00 level as bulls had to succumb to the outside influences of this market. The April crude oil traded below the \$78.32 bottom of the ascending channel, unable to traded back above since penetrating it. Slow stochastics are now at a level where they have previously crossed to the downside, resulting in a fall in crude oil below \$70.00. Given this technical outlook alongside bearish fundamentals, we would look for the April contract to test below this level.

Crude oil Apr. 10 276,051 +6,950, May 10 165,403 +3,816, June 10 169,044 +6,999 Totals 1,296,228 +15,993 Heating oil MAR.10 16,255 -7,096 APR10 77,914 +1,284 May 10 43,835 +2,610 Totals: 305,030 +298 Gasoline MAR.10 13,959 -5,116 APR10 89,298 +4,421 May 10 46,625 +1,456 Totals: 265,111 +558

Crude Support Based on February	Crude Resistance Based on Feb
76.72, 75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95,	78.93,81.00, 82.00, 83.40, 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,



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