



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 26, 2009

OPEC President Jose Botelho de Vasconcelos said oil prices remain low but the latest cuts by OPEC should counter the downward trend in the market.

Venezuela's Oil Minister Rafael Ramirez said oil prices should exceed \$70/barrel to be considered fair. On Wednesday, Venezuela's Finance Minister Ali Rodriguez said Venezuela will support all the output cuts needed to push prices to more acceptable levels for the Venezuelan government.

According to Oil Movements, OPEC's oil exports are expected to fall by 400,000 bpd to

Market Watch

The Labor Department said initial claims for unemployment benefits increased by 36,000 to 667,000 after seasonal adjustment in the week ending February 21st. It is the highest level since October 2, 1982. The four-week average increased by 19,000 to 639,000, the highest level since October 1982. The US has lost 3.6 million jobs since the recession started in December 2007. The number of continuing claims increased by 114,000 to 5,112,000. The Labor Department reported that the unemployment rate for workers with unemployment insurance increased by 0.1% to 3.8%.

The Commerce Department reported that durable goods orders fell by 5.2% in January to a seasonally adjusted \$163.8 billion. It showed manufacturers' durable goods inventories fell by 0.8% last month.

China's National Bureau of Statistics said China's energy use in generating each dollar of GDP fell by 4.59% in 2008. The decline was greater than a previously reported decline of 4.2%. It also said China's energy consumption increased 4% to 2.85 billion tons of coal equivalent for 2008. Of the total, coal consumption increased by 3% to 2.74 billion tons, crude oil increased by 5.1% to 360 million tons, natural gas increased by 10.1% to 80.7 billion cubic meters. Power consumption increased by 5.6% in 2008.

CME Group announced four new average price options contracts scheduled to begin trading on March 8th. The products will be available through the CME Clearport and the New York trading floor. The new average price options contracts include propane (OPIS)(G1), Mt. Belvieu natural gas (OPIS)(E1), Mt. Belvieu ethane (OPIS)(F1) and Mt. Belvieu normal butane (OPIS)(D1). CME Group also announced 13 new petroleum product swap futures contracts, scheduled to begin trading on March 8th. The products will be available through CME ClearPort. The new swap futures contracts include EIA flat tax on-highway diesel (A5), Argus LLS trade month (A4), Argus LLS vs. WTI (Argus) trade month (E5), Argus WTI trade month (V7), New York 0.7% fuel oil (Platts)(Y4), New York 2.2% fuel oil (Platts)(Y3), New York 3% fuel oil (Platts)(H1), Japan naphtha BALMO (E6), freight route TC4 BALMO (V9), Mt. Belvieu propane (OPIS) BALMO (V6), Mt. Belvieu natural gasoline (OPIS) BALMO (V5), Mt. Belvieu ethane (OPIS) BALMO (V4) and Mt. Belvieu butane (OPIS) BALMO(Y5).

The CFTC said it the United States Oil Fund LP is not under investigation, despite the large futures position the fund holds in the US oil futures market. The CFTC and the NYMEX are satisfied with the changes the United States Oil Fund LP implemented amid concerns over the size of the fund's crude futures positions. USO's size earlier this month prompted both the CFTC and the NYMEX to speak to the fund about how it rolls its open positions each month ahead of the expiration of the front month contract. The USO will change its roll period to a four-day roll period starting in March. The CFTC and the NYMEX said they are monitoring the fund's growth and could take further action.

February Calendar Averages**CL – \$38.95****HO –\$1.2758****RB – \$1.1794**

22.76 million bpd in the four weeks ending March 14th.

Iran is storing about 2 million barrels of gasoline on a supertanker as the country builds inventories ahead of the Iranian New Year holidays at the end of March. Iran is already storing about 2 million barrels of gasoil on ships.

Nigerian militants warned on Thursday of attacks on any helicopters being used by the oil industry to transport soldiers in the Niger Delta. The Movement for the Emancipation of the Niger Delta did not claim direct responsibility for the attack but said in an emailed statement that it should act as a warning.

On Wednesday, oil companies pushed US lawmakers to open up the Outer Continental Shelf to oil and gas development, arguing that resource estimates could be multiplied if the federal government would expand offshore drilling access. In the past month, Interior Secretary Ken Salazar has stalled development of a five year drilling plan by six months and said he would draft a new program that would close controversial and sensitive areas but possibly allow development in areas previously closed by the ban. Devon Energy Corp said it estimates about 55 trillion cubic feet of natural gas and 14.3 billion barrels of crude lie untapped off the Atlantic and Pacific coasts and the unexplored eastern coast of the Gulf of Mexico holds an estimated 21.5 trillion cubic feet of natural gas and 3.7 billion barrels of crude.

According to the California State Board of Equalization, the state's gasoline demand in November fell by 2.8% on the year. It also reported that demand for diesel in November fell by 11.4% on the year.

USDA chief economist Joseph Glauber said as much as 15% of US ethanol production capacity will be idle during the 2009/10 marketing year amid the economic recession. He said slowing gasoline consumption and lower prices have reduced incentives for blending ethanol in recent months. He added that excess ethanol production capacity is weighing on ethanol producers' returns as more plant capacity becomes available. The Renewable Fuels Association estimates existing ethanol production capacity at 12.4 billion gallons, with another 2.1 billion under construction or expansion. However the USDA's chief economist added that rising mandates for ethanol use are expected to support corn demand and prices in the 2009/10 marketing year that begins September 1.

Refinery News

Colonial Pipeline froze nominations of oil products shipments on its Atlanta, Georgia region delivery line for the 11th and 12th cycle of 2009.

Enbridge Energy plans to start a new 186,000 bpd crude pipeline called Line 65 by March 1 or immediately following completed line fill. The line runs from Cromer, Manitoba to Clearbrook, Minnesota. The line was built to relieve the bottlenecks in shipment of Midale and Light Sour Blend crudes which are currently shipped on Enbridge's Line 2 crude pipeline.

Citgo Petroleum Corp cut rates to a platformer, a coker and other units at its 156,000 bpd Corpus Christi, Texas refinery on Wednesday due to a snag. It lowered the unit rates at the refinery's west plant to reduce total load on the sulfur recovery unit.

Murphy Oil said a 37,000 bpd fluid catalytic cracking unit at its 125,000 bpd refinery in Meraux, Louisiana is in restart after a brief upset on Wednesday. Separately, Murphy said planned maintenance on a crude unit started on Wednesday and is expected to resume operations soon.

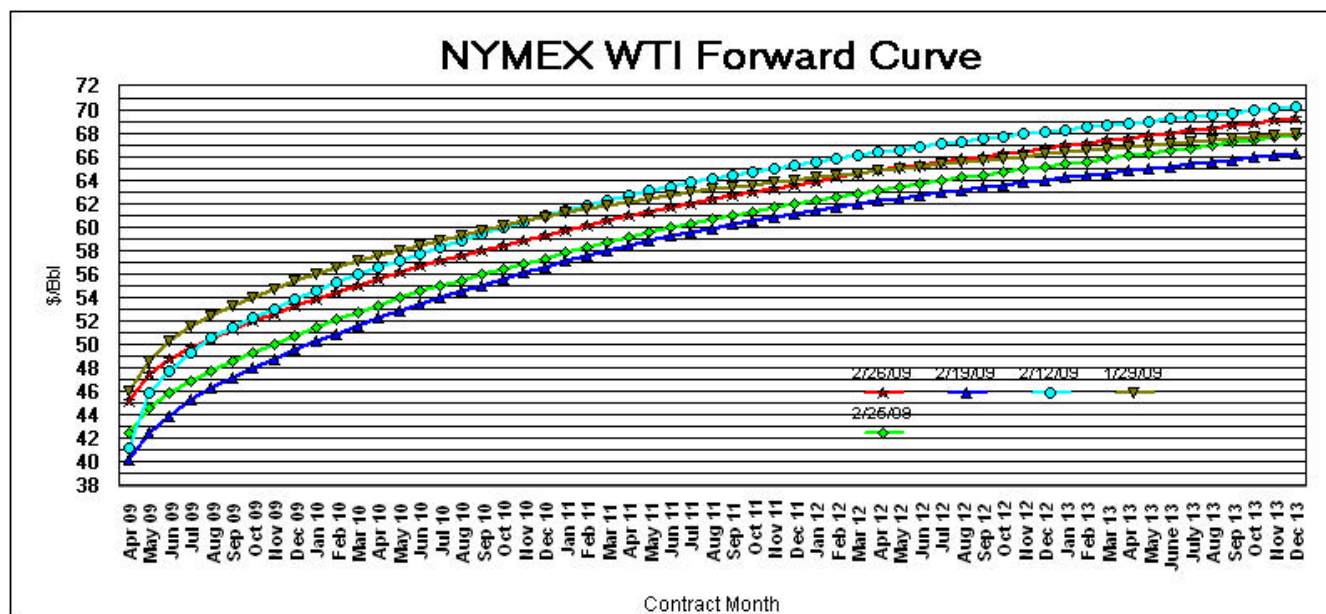
Pemex plans to carry out maintenance and repairs at a naphtha hydrodesulfurization unit and a hydrotreater at its Cadereyta refinery in April. The work is scheduled to last about a month. Meanwhile, Pemex originally expected to shut a catalytic cracking unit at the Salina Cruz refinery in late February but now expects to shut it in early March. It also plans to shut a crude unit in March.

The CGT union has called for a 24-hour strike on March 19 at Total's refineries in protest of Total's restructuring plan. Total plans to cut 200-300 jobs at it restructures its refineries in France. Total is scheduled to meet staff representatives on March 10 to discuss a restructuring plan for its refineries.

Japan's Idemitsu Kosan Co is likely to refine about 300,000 kiloliters or 1.9 million barrels less crude in April than a year earlier due to an adjustment in its refinery maintenance schedule. It has scheduled maintenance on its 220,000 bpd No. 2 crude distillation unit at its Chiba refinery from early April until mid-May. It has also scheduled maintenance on its 140,000 bpd No. 1 crude distillation unit at its Hokkaido refinery and on its 160,000 bpd No. 1 crude distillation unit at its Aichi refinery from early October until late November.

CNPC won approval to build its second refinery in southern China to process Venezuela's heavy oil. The National Development and Reform Commission approved CNPC's plan to build a refinery with over 10 million tons of annual capacity in Jieyang, Guangdong province. The refinery will enable CNPC to start refining operations in China's southeast coastal region and compete with Sinopec Group and CNOOC.

Sinopec has asked many of its refineries to increase its gasoline production and cut its diesel production due to signs of renewed demand for gas since early this month. Sinopec's 230,000 bpd Gaoqiao refinery increased its daily gasoline production to 5,400 ton from 4,800 tons after receiving an urgent order from Sinopec in early February. Gasoline production at its Qingdao refinery will likely increase to 185,000 tons in February while Sinopec's 100,000 bpd Jingmen refinery will produce 63,000 tons of gasoline February and plans to increase its production in March to 90,000 tons. Sinopec's other refineries have also reconfigured their facilities for more gasoline output.



Singapore's International Enterprise reported that the country's residual fuel stocks fell by 2.589 million barrels to 17.834 million barrels in the week ending February 25th. It also reported that the country's

light distillate stocks built by 1.348 million barrels to 9.962 million barrels while its middle distillate stocks fell by 1.289 million barrels to 11.63 million barrels on the week.

Nigeria's Finance Minister Mansur Muhtar said the country is considering ending its fuel subsidies, which cost \$4.4 billion last year, as the world economic crisis tightens government finances. The country currently imports 85% of its petroleum product needs due to condition of its four state-owned refineries. Nigeria's Oil Minister Rilwanu Lukman said Nigeria would revive earlier plans to privatize the refineries as part of a strategy to wean the country off its dependence on imported fuel.

Production News

The UAE deepened its cuts on crude oil supply to Asia in April, possibly signaling a further OPEC cut. Abu Dhabi National Oil Co will supply its customers with less of its Murban crude and three other main grades in April than it did in March. It will supply 15% below contracted volumes of Murban crude in April compared with a 10% cut in March. It will also supply 15% below contracted volumes of Lower Zakum and Umm Shaif crudes compared with a 10% cut in March while it cuts its supplies of Upper Zakum crude by 17% compared with a 15% cut in March. ADNOC will also maintain its shipping limits on exports in place for April, depriving buyers of the option to load an additional 5% above contracted volumes on each cargo.

Royal Dutch Shell Plc expects its South Timbalier 301 platform to resume operations in April after it was damaged by Hurricane Ike. Two other platforms damaged by Hurricane Ike, Bullwinkle and Salsa returned to service in mid-February. Shell's current operated production from the Gulf of Mexico is about 420,000 barrels of oil equivalent/day, down from its normal peak rate of 500,000 bpd.

Brazil's Petrobras started operating a floating production platform in the Jabuti deposits in the Marlim Leste field in Campos Basin. The vessel, a floating production, storage and offloading platform will produce oil and gas about 120 kilometers off the coast of Rio de Janeiro State. It has the capacity to produce 100,000 bpd of crude and 3.5 million cubic meters/d of natural gas.

Chevron Corp reported that its worldwide oil-equivalent production was 2.53 million bpd in 2008, down about 3% on the year. The decline was mostly due to damages to facilities caused by September 2008 hurricanes in the US Gulf of Mexico and the impact of higher prices on some production-sharing and variable royalty agreements outside the US. It estimates that its average worldwide oil-equivalent production in 2009 will be about 2.63 million bpd. Chevron also reported that the costs of the 100,000 b/d expansion in the Athabasca Oil Sands project, which it has a 20% stake in has climbed to \$13.7 billion. Shell, which has a controlling interest in the project declined to confirm the cost increases. The expansion will boost output at the oil sands mine and upgrading project to 255,000 b/d when the project is completed late next year.

Ecuador's 130,000 bpd OCP heavy crude oil pipeline will resume operations in about five days. It halted operations on Wednesday after a rupture, which caused a spill of 14,000 barrels. It said it will not declare a force majeure because the situation is under control.

Total SA said that Nigeria's deep offshore Akpo oil and gas field will start operations in April as expected and begin producing 175,000 bpd by the end of the year.

China's National Bureau of Statistics said the country discovered 1.34 billion tons of proven oil reserves and 647.2 billion cubic meters of natural gas in 2008. It also found 23.11 billion tons of proven coal deposits last year.

Kuwait Petroleum Corp has sold about 500,000 barrels of prompt delivery gas oil to Saudi Arabia. The cargoes each of about 250,000 barrels, were scheduled to be delivered at the end of February and in early March.

Iraq's Oil Ministry and Britain's Mesopotamia Petroleum Co will sign a joint venture on Thursday to drill 60 new oil wells per year, starting with oil fields around the southern city of Basra. The joint venture is expected to increase Iraq's oil production by 120,000 bpd within a year.

Pemex awarded three offshore drilling contracts worth \$249.7 million to privately held MexDrill and a unit of Nabors Industries. The three rigs will be used to drill and complete new production wells at Pemex's Cantarell and Ku Maloob Zaap heavy oil fields in the Gulf of Mexico.

Nigeria has increased its official selling price of its Bonny Light and Qua Iboe crude in March to dated Brent plus \$3.15/barrel, up \$1.15 on the month. It increased the price of its Brass Blend to dated Brent plus \$3.20, up \$1.15 on the month. It also increased the price of its Pennington and Forcados crudes to dated Brent plus \$4.55, up \$1.05 on the month and to dated Brent plus \$3.50, up 70 cents on the month.

OPEC's news agency reported that OPEC's basket of crudes increased to \$40.50/barrel on Wednesday from \$38.95/barrel on Thursday.

Market Commentary

The oil complex was well supported by the strength in the RBOB market in light of Wednesday's larger than expected draw reported in gasoline stocks. The oil market was also supported amid the UAE's announcement of deeper cuts to its crude supply to Asia for April, possibly a signal that OPEC will cut its production further at its next meeting on March 15th. The crude market bounced off an overnight low of \$42.27 and retraced nearly 62% of its move from a high of \$50.88 to a recent low of \$37.12 as it rallied to a high of \$45.25 early in the session. It erased some of its gains and traded back below the \$44.00 level only to see it retrace its losses as it post a high of \$45.30 ahead of the close. The market rallied higher amid the strength in the RBOB market. The oil market settled up \$2.72 at \$45.22. The market, which broke out of its ascending channel and settled sharply higher is seen testing its previous highs, with resistance seen at \$47.99, \$49.85, \$50.47 and \$50.88. The RBOB market, which lent support to the rest of the complex, settled sharply higher at 1.3004, up 13.37 cents as it remained well supported by the larger than expected draw in stocks. The market rallied to a premium of 63 points over the heating oil market for the first since August 31, 2007, when the RBOB market settled at a premium of 97 points. The March RBOB contract opened at its low of \$1.165 and never looked back. It extended its gains to over 14 cents as it rallied to a high of \$1.307 in afternoon trading. Meanwhile, the heating oil market settled up 5.64 cents at \$1.2941 after the market rallied from a low of \$1.235 to a high of \$1.3057 early in the session. The gasoline market traded to a premium over heating oil as the heating oil retraced some of its earlier gains and settled in a two cent trading range in afternoon trading. On Friday, the product markets will remain volatile ahead of the March contract's expiration at the close. The RBOB market is seen finding resistance at its high of \$1.307, \$1.3373, \$1.3614, \$1.3775 and \$1.41 while the heating oil market is seen finding resistance at \$1.307, \$1.3315, \$1.4232, \$1.4748 and \$1.4813.

Crude Oil (CL) APR.09 294,499 +2,156 MAY.09 155,164 +5,896 JUN .09 151,741 +780 Totals: 1,190,264 +11,093 Heating Oil MAR.09 13,069 -3,512 APR.09 60,327 +1,567 MAY.09 37,377 +799 Totals: 259,879 +756 NEW YORK HARBOR RBOB GASOLINE MAR.09 11,867 -2,608 APR.09 63,663 +1,713 MAY.09 30,621 -307 Totals: 189,060 +974.

Crude Support	Crude Resistance
43.91, 42.27, 41.47, 39.40, 37.12, 32.25, 29.66, 28.63, 26.65, 25.50	45.30, 45.62, 46.65, 47.99, 48.77, 50.07, 50.88, 54.75, 55.98, 57.20
Heat Support	Heat resistance
1.10951.0520	1.3057, 1.307, 1.3315, 1.4232, 1.4748, 1.4813
Gasoline support	Gasoline resistance
1.2635, 1.165, 1.079, 1.025, 1.0128	1.307, 1.3373, 1.3614, 1.3775, 1.4100,1.4400