



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 27, 2009

The Energy Department said US Energy Secretary Steven Chu wants OPEC to consider what will help restore the world economy when OPEC meets next month to discuss oil output levels. It said a transparent oil market with stable energy prices and a secure supply of oil is the best policy in the current economic situation.

The EIA reported that US oil demand in 2008 fell by 6% or 1.26 million bpd to a

10-year low of 19.419 million bpd. In December, oil demand averaged 19.199 million bpd, down 1.52 million bpd or 7.4% on the year. Full year gasoline demand averaged 8.964 million bpd, down 3.5% or 322,000 bpd from a year earlier. Demand for gasoline in December fell by 3.6% or 330,000 bpd on the year to 8.921 million bpd. US retail regular gasoline averaged a record price of \$3.246/gallon in 2008, up 16% on the year. In December, the US retail price of gasoline fell by 44% on the year to \$1.687/gallon. Meanwhile, distillate demand in December fell by 9.75% or 4.193 million bpd to 3.784 million bpd.

February Calendar Averages

CL – \$39.26

HO – \$1.2752

RB – \$1.1848

Market Watch

According to the Commerce Department, the US recession deepened further in late 2008 than first reported. GDP decreased a seasonally adjusted 6.2% annual rate in October through December. In its original estimate, the Commerce Department reported that GDP fell by 3.8%. The report showed that business inventories fell by \$19.9 billion in the fourth quarter, instead of rising by \$6.2 billion. Fourth quarter spending by consumers fell 4.3%, down from a previously reported 3.5% and below the third quarter's 3.8% decline. The government's price index for personal consumption expenditures fell 5%.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 105.6 in the week ending February 20th from 107.2 in the previous week. It is the lowest the index has been since April 21, 1995, when it read 105.6. The annualized growth rate was steady at -24.1%, indicating an economic recovery is nowhere in sight.

Total SA has booked a Very Large Crude Carrier to move North Sea crude oil from Hound Point in the UK to the Far East. Total chartered the VLCC Almizan Star with a capacity of 270,000 deadweight metric tons for March 29 loading from Hound Point to either Singapore or South Korea.

The United States Oil Fund LP said it was not aware of any investigation by the US Commodity Futures Trading Commission. It said that while it has ongoing discussions with its regulators, it is not aware that it is a subject of any CFTC investigation regarding its trading on February 6th. It said if there is a CFTC investigation, it will fully cooperate.

The IEA fears that an expected recovery in oil demand from 2010 and oil project cancellations due to low crude prices and the credit crisis will mean no spare capacity at the end of 2013. IEA

executive director Nobuo Tanaka said there is no room for complacency on spare oil capacity. Regarding current oil prices, he urged OPEC not to seek rapid increases in oil prices by cutting supply.

Nigeria's army raided a militant camp in the Niger Delta on Friday, recovering arms and ammunition. A spokesman for the joint military taskforce in the eastern Niger Delta said the camp in the state of Bayelsa belonged to criminals who were behind attacks on oil facilities.

Refinery News

The United Steelworkers Union said it will strike starting Sunday afternoon at Sunoco Inc's two refineries in Pennsylvania if an agreement is not reached in line with a new national contract for refinery workers. Sunoco said the company made an offer to the union consistent with the national agreement reached earlier this month between refiners and the USW.

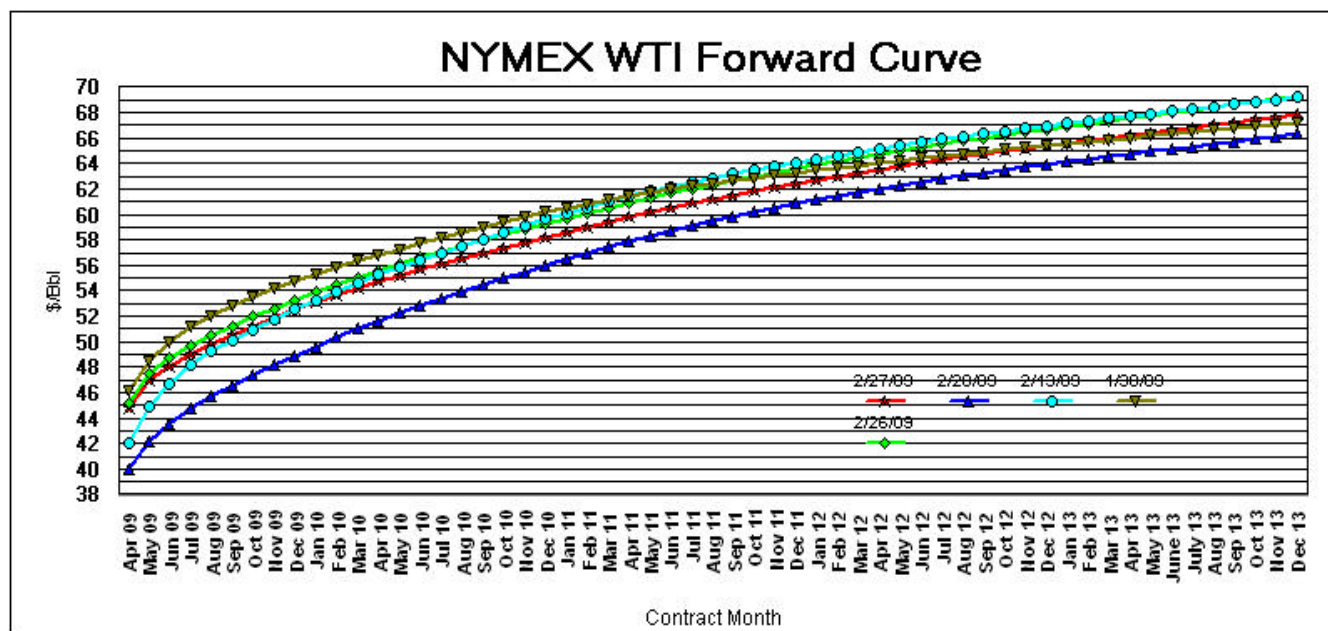
ExxonMobil Corp said production was not affected by the mid-week shutdown of a fluid catalytic cracker CO boiler at its 348,500 bpd Beaumont, Texas refinery. Also a 102,000 bpd fluid catalytic cracking unit at ExxonMobil Corp's 155,000 bpd refinery in Torrance, California resumed operations following a two month turnaround.

Chevron Corp's 72,500 bpd fluid catalytic cracking unit at its 266,000 bpd refinery in El Segundo, California resumed operations after six weeks of maintenance.

Citgo Petroleum Corp reported emissions and said all process units at the Corpus Christi, Texas west plant were cut to a minimum charge. According to a report filed with the Texas Commission on Environmental Quality, loose wiring may have triggered a remote shutdown of the A sulfur train late Thursday.

ConocoPhillips will try to restart the fluid catalytic cracking unit at its 247,000 bpd Alliance refinery in Belle Chase, Louisiana next week after experiencing problems during its previous restart attempt following planned work.

The US' Pacific Ethanol said it has temporarily suspended production at its 60 million gallon/year plant in Burley, Idaho and its 60 million gallon/year plant in Stockton, California due to poor market conditions. The company's 40 million gallon/year plant in Medera, California was previously shutdown. The company also said it secured forbearance agreements from its lenders that extend through March



31. Its previous agreements were due to expire at the end of February.

A condensate splitter jointly owned by Shell and Petrochemical Corp of Singapore will restart within two weeks after an earlier outage. A 70,000 bpd splitter on Singapore's Bukom Island was shut on Wednesday due to a technical problem. If the splitter remains shut until mid-March, the facility will then take in over 1.2 million barrels less of condensate feedstock during the period.

Japan's Nippon Oil Corp plans to refine 3.99 million kiloliters of crude in March, down 22% on the year to meet domestic demand. Its February crude refining volume likely totaled 4.05 million kl, down 16% on the year.

Japan's Ministry of Economy, Trade and Industry reported that the country's total oil product sales in January fell to its lowest in 21 years for the month. Domestic sales of petroleum products fell by 9.2% on the year to 18.3 million kl or 3.71 million bpd in January. It also reported that Japan's crude oil imports in January fell by 19% on the year to 18.71 million kl or 3.796 million bpd, a fourth consecutive month of declines. It reported that the country's oil product exports in January increased by 3.4% on the year to 497,780 bpd. Its refinery output fell by 9.1% to 17.85 million kl or 3.621 million bpd, the lowest level for January in 19 years. Its crude oil inventory at the end of January increased by 5% on the year to 102.751 million barrels while its product inventory fell by 9.8% on the year to 71.816 million barrels.

China is expected to export up to 210,000 tons of gasoline in March, up from an estimated 150,000 tons for February as China ramps up refinery runs this month.

The Caspian Pipeline Consortium pipeline group said Kazakh crude shipments to Russia have not been affected by the partial suspension of the pipeline following an oil leak on Thursday. It said exports have not been affected due to the storage capacity of the system. However an Emergency Ministry official said oil shipments through the Kazakh section of the pipeline have been halted. Meanwhile, Chevron led Tengizchevroil said it stopped sending oil via the CPC pipeline, its main export route. Tengizchevroil is producing at full rates and is leveraging a combination of other crude export outlets and onsite storage. It said it will resume its exports through the CPC pipeline as soon as possible.

Saudi Arabia's Oil Minister said the country has prequalified six foreign companies and eight local firms for the bidding round of the export-oriented Jazan refinery project. The refinery is expected to start operations in early 2015.

Production News

Apache Energy and Santos Ltd shut production from some oil fields on Friday ahead of an approaching tropical cyclone. Apache said it is in the process of shutting down the Stag and Legendre oil fields with a combined capacity of about 13,200 bpd while Australia's Santos said it is suspending output from the 13,800 bpd Mutineer-Exeter oilfield.

Nigeria's crude oil exports are expected to increase to about 1.88 million bpd in April from 1.7 million bpd in March. Loadings of six Nigerian blends were up by 1 cargo compared to March, with Forcados crude expecting an extra three.

Indonesia's crude oil production is expected to increase by 1% to 844,300 bpd in February from 834,000 bpd in January, according to BPMIGAS. The country's condensate production is expected to be stable at 122,000 bpd in February. BPMIGAS also stated that Indonesia expects oil contractors operating in the country to increase exploration spending by 50% to \$2.7 billion in 2009 from \$1.8 billion in 2008.

Murphy Oil Corp said it expects total production in 2009 to average 180,000 bpd of oil equivalent. It reported that its worldwide crude oil, condensate and natural gas liquids production in 2008 averaged 118,254 bpd.

Canada's Talisman Energy will increase its oil production at its Malaysia/Vietnam Northern fields to 40,000 bpd within three months after the field starts output at the end of March.

Total signed an exploration, development and production sharing agreement with Azerbaijan's Socar covering a license on the Absheron offshore block.

GE Energy Financial Services agreed to invest \$150 million in partnership with ATP Oil & Gas Corp. The partnership will own and operate a floating oil and gas production unit in deepwater Gulf of Mexico.

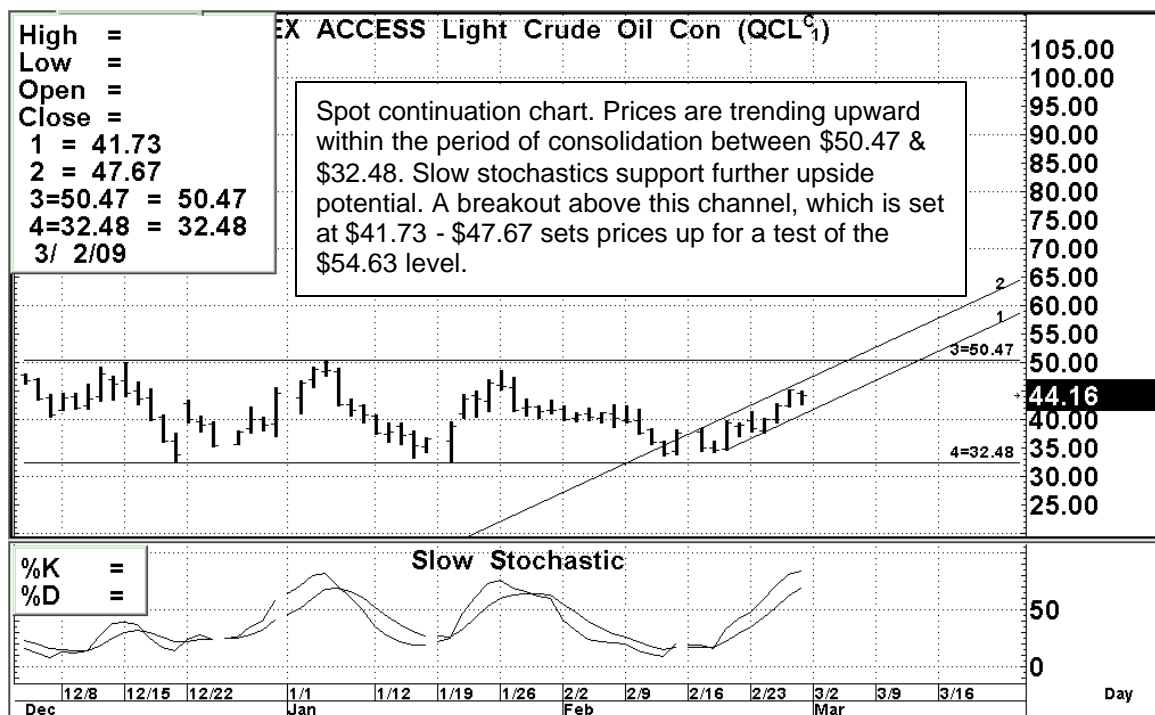
A new joint venture between Iraq Drilling Co and Britain's Mesopotamia Petroleum Co intend to invest a total of \$400 million to enable the Iraqi Oil Services Co to purchase and operate 12 new drilling rigs. The venture will drill 60 new oil wells per year and is expected to increase Iraqi oil output by 120,000 bpd within a year.

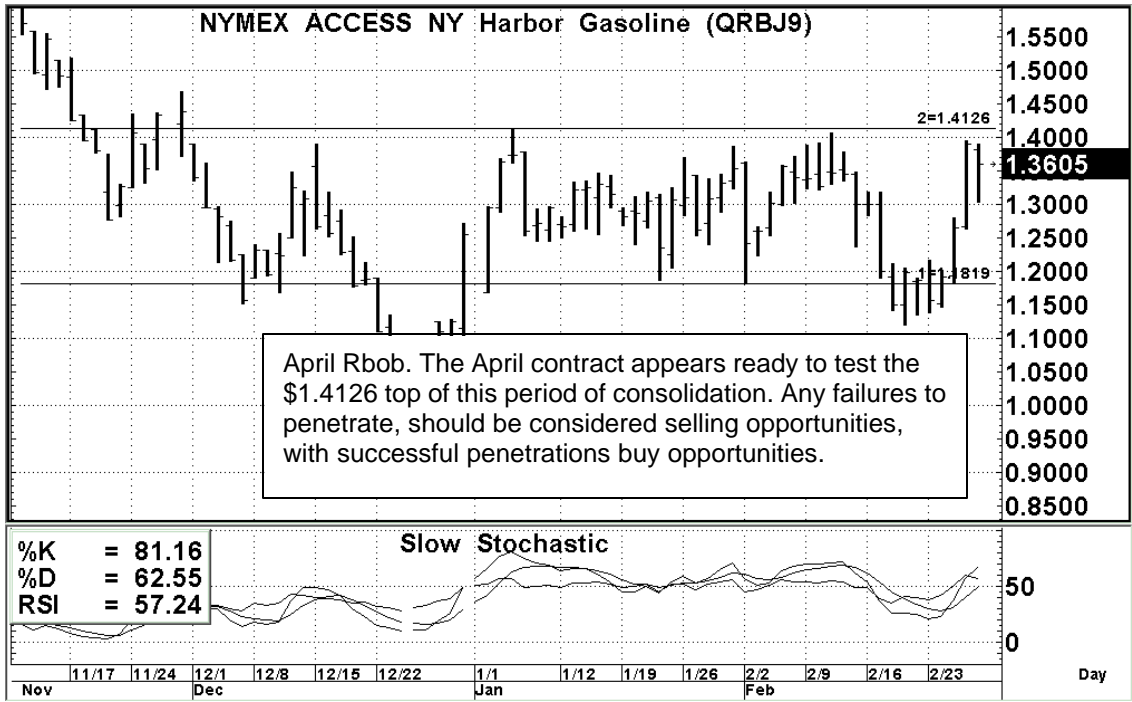
OPEC's news agency reported that OPEC's basket of crudes increased to \$42.95/barrel on Thursday from \$40,50/barrel on Wednesday.

Market Commentary

After posting gains for four straight days crude oil retreated today, settling 0.46 cents lower on the day. A stronger dollar and a GDP that was projected to contract at a 5.4 percent annual pace last quarter, contracted by 6.2%. This decreased the forecast for energy demand by the world's largest energy consumer, the U.S. Japan's factory output also declined, exceeding the record drop of 9.8% seen in December. Household spending fell 5.9 percent from a year earlier, the biggest drop in more than two years. The U.S. and Japan are responsible for about 30 percent of global oil consumption. The April

crude oil continues to trend within the upward fashion within the ranges of the ascending channel depicted on a spot continuation chart. As mentioned previously, we would look for this upward trend to





continue until we get some definitive news from OPEC. The products markets also gave back some of their gains achieved over the past four trading sessions as demand for both continues to be impacted by the global economic situation. Gasoline,

which has been trading sideways since the beginning of January, has not been able to penetrate the \$1.4126 high achieved January 7th. This sideways pattern is between the range of \$1.4126 and \$1.1819. Any failure to take out the top of this range should be considered selling opportunities, with penetrations, buy opportunities.

Crude Oil (CL) APR.09 293,507 -992 MAY.09 161,087 +5,923 JUN.09 151,931 +190 Totals: 1,194,446 +4,182 Heating oil MAR.09 5,820 -7,249 APR.09 60,051 -276 MAY.09 37,603 +226 Totals: 255,098 -4,781 NEW YORK HARBOR RBOB GASOLINE MAR.09 6,034 -5,833 APR.09 63,518 -145 MAY.09 31,017 +396 Totals: 185,912 -3,148

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 16,267 contracts to 28,749 contracts in the week ending February 24th. The combined futures and options report also showed that non-commercials in the crude market cut their net long position for the fourth consecutive week by 13,338 contracts to 97,297 contracts in the latest week. The funds cut their total long position by 14,967 contracts to 235,900 contracts on the week. However, the non-commercials have likely reversed some of their recent move and increased their net long position in the past few trading sessions. The combined futures and options report also showed that non-commercials in the RBOB market cut their net long position by 967 contracts to 40,681 contracts while funds in the heating oil market cut their net long position by 3,461 contracts to 5,194 contracts on the week.

Crude Support	Crude Resistance
41.47, 32.25, 29.66, 28.63, 26.65, 25.50	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	1.3614, 1.3775, 1.4100,1.4400