

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 3, 2009

OPEC's President Jose Botelho de Vasconcelos said OPEC has yet to decide whether to cut output further when it meets on March 15th. He said a first step would be to ensure full compliance with existing cuts. Meanwhile, Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said it is still too early for OPEC to make a decision on any further supply cuts. However, Iran's Oil Minister Gholamhossein Nozari said a solution to lift oil prices will be proposed at OPEC's meeting on March 15th. The official IRNA news agency said he gave no further details about the solution. Libya's

Market Watch

Iran is storing about 200,000 tons of gasoline, mainly offshore, in anticipation of increased travel during the Iranian New Year holiday starting March 21.

China's government is considering plans to tap its foreign reserves to buy crude oil as part of a push to diversify holdings from US treasuries. It has the world's largest foreign reserves of about \$2 trillion. Although the scale of the potential oil purchases is unknown, buying 100 million barrels would amount to about \$4 billion at current prices.

Japan's Mitsui & Co has leased its first tanks in South Korea to store fuel oil targeted at the markets in neighboring Japan and China. Mitsui has leased tanks at Pyongtaek with a total capacity of 40,000 kiloliters for a year and could store various types of fuel oil such as high-sulfur fuel oil LSFO and low sulfur waxy residue.

The European Union moved to impose temporary duties on US biodiesel imports on Tuesday. EU firms have been accusing US producers of importing cheaper biodiesel from countries such as Brazil and add less than 5% of US diesel. The producers then qualify for a subsidy from Washington before exporting it to Europe. Starting March 13th, US firms exporting biodiesel into the EU will have to pay additional tariffs for an initial six months, ranging from 26 euros or \$32.88 to 41 euros per 100 kg.

IntercontinentalExchange Inc said its volume of futures contracts fell by 5% in February to 19.4 million. It said its average daily volume totaled 980,786, down 1.3%.

Low water cargo shipping surcharges have been removed on the Danube River in Germany following a sharp increase in water levels.

Platts announced a new crude oil benchmark focused on Gulf of Mexico sour grades as an alternative to the WTI crude. It said the new marker will capture the value of sour crude oil in the US Gulf of Mexico. The new marker will be named Americas Sour Marker and will reflect the most competitive value of four US Gulf Coast pipeline crudes including, Mars, Poseidon, Southern Green Canyon and Thunder Horse.

API Stocks

Crude – down 463,000 barrels

Distillate – up 1.646 million barrels

Gasoline – down 642,000 barrels

Refinery runs – up 1.6%, at 83.5%

OPEC official, Shokri Ghanem said the world oil market has too much oil that OPEC needs to remove through better compliance with existing supply cuts or a new cut at its upcoming meeting.

The International Monetary Fund said OPEC's output cuts may help to support oil prices if the cuts are implemented close to target. It also stated that commodity prices are unlikely to recover

in the short-term as global activity slows.

A senior US official said US President Barack Obama has written to his Russian counterpart about links between controversial US plans to deploy a missile defense system in Europe and the Iranian threat. The official was responding to a report published in The New York Times that President Barack Obama, in a letter to Russia's President Dmitry Medvedev, offered to halt the deployment of the missile defense shield if Iran ended any efforts to build nuclear weapons and ballistic weapons. Russia has not responded but the issue is likely to come up when US Secretary of State Hillary Clinton meets Russian Foreign Minister Sergei Lavrov Friday in Geneva.

The White House spokesman Robert Gibbs reiterated that it has not taken the military option off the table when it comes to preventing Iran from acquiring a nuclear weapon but added that it is still committed to trying to engage Iran. Separately, Russia's Foreign Minister Sergei Lavrov has urged the US to engage Iran in direct negotiations. He suggested the two countries restore full diplomatic relations.

Refinery News

Talks resumed between the United Steelworkers union and Sunoco on a new contract for more than 550 workers at Sunoco's 178,000 bpd refinery in Marcus Hook, Pennsylvania. The United Steelworkers union and Sunoco reached a tentative contract agreement on a contract covering 700 workers at the company's 335,000 bpd Philadelphia refinery on Monday. Workers at the two refineries came close to starting a strike on Sunday as the union and Sunoco remained deadlocked over the company's desire to reduce employment by 15% at the two refineries. Late on Tuesday, the USW said it expects an agreement on a contract for both Sunoco refineries by the end of the week.

According to a report filed with the Texas Commission for Environmental Quality, a sulfur recovery unit at BP's 475,000 bpd Texas City, Texas refinery malfunctioned. BP was forced to shutdown units and curtail operations. BP expects to restart the unit by Wednesday.

ExxonMobil Corp did not shut any units at its 149,500 bpd Torrance, California refinery on Monday afternoon following a malfunction in an unidentified unit.

Valero Energy Corp restarted a crude unit, which was shut last week following a fire at its 289,000 bpd Port Arthur, Texas refinery. Valero is still in the process of restarting the entire 199,500 bpd Texas City, Texas refinery, which was shut for a turnaround.

ConocoPhillips said the sulfur recovery unit and incinerator at its 146,000 bpd Borger, Texas refinery are scheduled to undergo maintenance starting Tuesday until March 9. It also said an unspecified process unit is undergoing maintenance at its 76,000 bpd refinery in Rodeo, California. Separately, ConocoPhillips successfully restarted the fluid catalytic cracking unit at its 247,000 bpd Alliance refinery in Belle Chase, Louisiana. The unit was among several that was shut for work in mid-January.

Indonesia's Pertamina's 125,000 bpd Balongan refinery is operating at 95% of capacity after crude oil supplies returned to normal. The

March Calendar Averages

CL – \$40.90

HO –\$1.1654

RB – \$1.3028

refinery was operating at 70% of capacity since February 20 following problems at its single buoy mooring.

South Korea's Samsung Total shut its 850,000 bpd naphtha cracker unit due to problems with its cooling system.

South Korea's SK Energy is operating its 275,000 bpd refinery in Incheon at half its capacity. Separately, SK Energy will export four medium range cargoes of gasoline for prompt delivery in March, unchanged on the month.

South Korea's Hyundai Oilbank will maintain its crude runs in March unchanged on the month at 320,000 bpd. It has been running at about 80-82% capacity this year due to weak middle distillates margins.

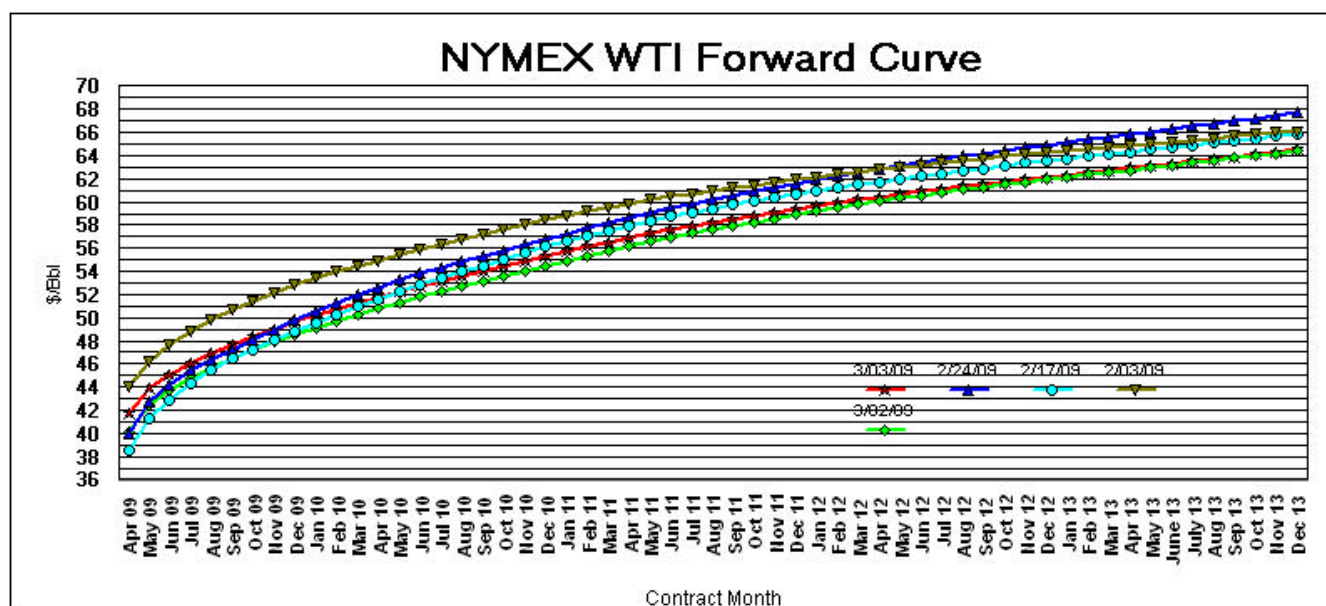
Kuwait Petroleum Corp is scheduled to shut its hydrotreating and desulphurization units with combined capacity of 150,000 bpd at the 270,000 bpd Mna Abdullah refinery for 30-40 days of maintenance starting in April.

Japan's Nansei Sekiyu KK plans to shut its 100,000 bpd crude distillation unit at its Nishihara plant in Okinawa for scheduled maintenance starting in mid-May. The maintenance is expected to last about two weeks.

Japan's Tonen General Sekiyu KK is scheduled to shutdown its 175,000 bpd No. 1 crude distillation unit at its Chiba refinery from March 8-April 16. It is scheduled to shut its 156,000 bpd No. 1 crude distillation unit at its Sakai refinery from May 23-June 25. It is also scheduled to shutdown its 38,000 bpd No. 2 crude distillation unit at its Wakayama refinery from September 10-November 10.

Japan's Nippon Oil Corp plans to shut an additional crude distillation unit at its Mizushima refinery for scheduled maintenance. Its No. 2 110,000 bpd crude distillation unit is scheduled to shutdown from September 1-25.

China's fuel oil imports in February increased by 33% on the month to 2.1 million tons. Based on official customs data, January imports stood at 1.58 million tons, up 5.4% on the year.



Production News

Royal Dutch Shell said the trans-Escravos pipeline, which feeds into the Escravos terminal in southern Nigeria, has exploded due to sabotage. It said it has shut in some Nigerian oil facilities following the pipeline explosion. The incident was first reported by surveillance personnel on Saturday. Shell officials declined to say how much production was affected by the damaged pipeline.

A senior NNPC official said explosions on Nigerian oil pipelines last week shutdown 70,000 bpd of production to 164,000 bpd.

BP PLC said its oil and gas production will increase between 1% and 2% per year between now and 2013, putting 2012 production between 150,000 and 300,000 bpd of oil equivalent lower than its previous target. Its production in 2012 is estimated between 3.99 million bpd of oil equivalent and 4.15 million bpd of oil equivalent. It also said investment in 2009 will be lower at between \$20 billion and \$21 billion, compared with the 2008 total of \$22.66 billion. BP reported that it added 1.7 billion barrels of new oil and gas to its reserve base in 2008. With year-end 2008 reserves of 18.2 billion barrels and a resource base of 43.4 billion barrels, this growth could be maintained until 2020 without any further discoveries.

Suncor Energy Inc said production at its oil sands facility in February averaged 300,000 bpd. Year to date oil sands production at the end of February averaged about 279,000 bpd. It said it is targeting an average oil sands production level of 300,000 bpd in 2009.

Iraq's SOMO said Iraq's crude oil exports fell to 1.804 million bpd in February, down 5% on the month. It exported 1.354 million bpd from its southern oil fields through the Basra oil terminal while the remaining 450,000 bpd was exported from northern Iraqi oil fields via the Turkey's port of Ceyhan. Iraq's revenues from crude oil sales in February fell to \$1.868 billion, down 13% on the month.

Oil production at BP's Azeri-Chirag-Gunashli field in Azerbaijan is close to full capacity of 850,000 bpd. Production at the Central Azeri and West Azeri platforms was halted in September as a precaution following a gas leak near the Central Azeri platform.

Ecuador's second largest pipeline restarted pumping oil early Monday after it shut down last Wednesday due to a rupture.

Italy's Eni is temporarily suspending work on its Nikaitchuq oil development in Alaska's North Slope due to the fall in crude prices. The project was on track to start producing oil late in 2009 or early 2010.

Alberta's Energy Minister Mel Knight said the province will offer a one-year, 5% royalty rate on new oil and gas production and a royalty credit of C\$200/meter drilled, based on 2008 production levels in hopes of increasing drilling during the economic downturn.

Mexico's Cantarell oil field will produce an average of 700,000 bpd of crude in 2009, down from a previous estimate of 756,000 bpd. Output from the field is estimated to average 400,000 bpd between 2009-2017, down from the January estimate of 423,000 bpd. Pemex also said Mexico's gasoline imports will be unchanged this year from 2008 at about 350,000 bpd.

Mexico reopened its three main crude oil exporting ports of Pajaritos, Dos Bocas and Cayo Arcas on Tuesday following closures over the weekend due to bad weather conditions.

Turkish Petroleum Corp said it is holding talks with British Petroleum, Royal Dutch Shell and India's ONGC for oil exploration in Iraq.

Japan's Nippon Oil Corp and two other Japanese companies have proposed to the Iraqi government a project to develop an oilfield and build a refinery and power plant. Italy's Eni SpA and Spain's Repsol are also vying for rights to develop the field.

Russia resumed first quarter exports of Urals crude via Poland's Baltic port of Gdansk despite its initial plans to cut transit supplies.

Saudi Arabia's central bank stated that the average price of Saudi Arab light crude oil stood at \$37.20/barrel in February, up from \$36.90/barrel in January and \$36.50/barrel in December.

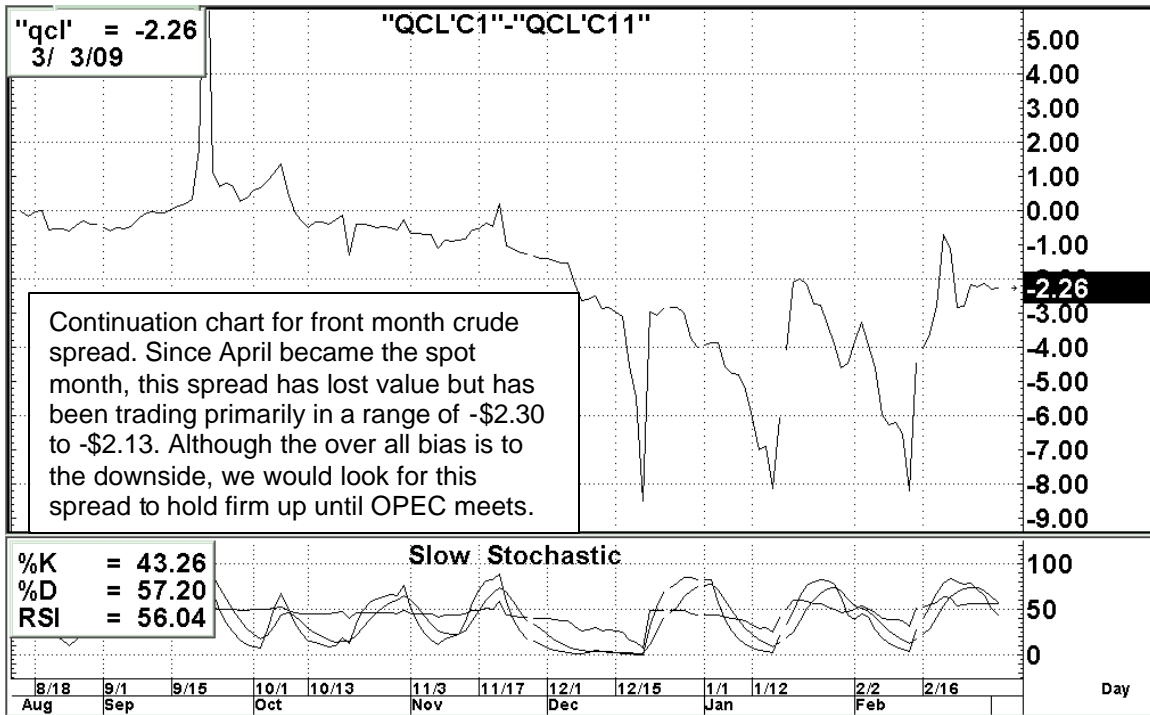
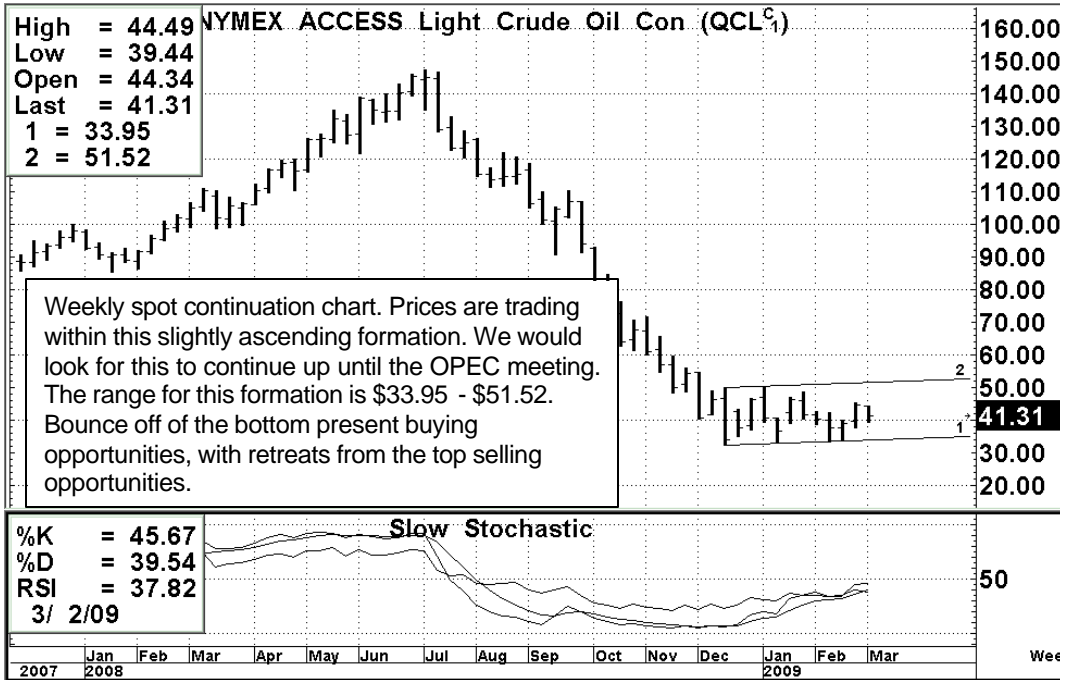
OPEC's news agency reported that OPEC's basket of crudes fell to \$42.98/barrel on Monday from \$43.30/barrel on Friday.

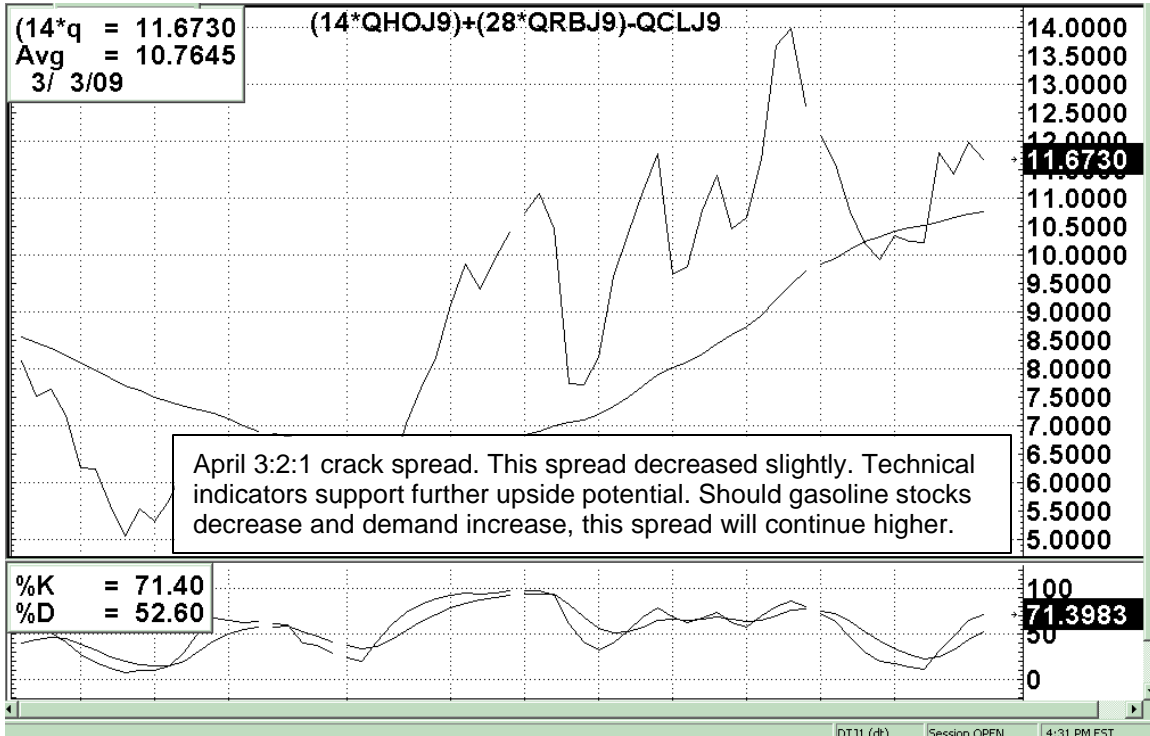
Market Commentary

Crude oil rebounded today on speculation that OPEC may impose further cuts. OPEC, which supplies 41% of the world's oil, is meeting on March 15 and according to Iran's oil minister, further cuts may come. Royal Dutch Shell Plc said it shut some production in Nigeria after a pipeline was attacked over the weekend, giving further strength to prices. Key to the direction of this market will be the DOE numbers due out Wednesday morning. Crude oil inventories are expected to show a slight increase of 0.9 million barrels, with distillates decreasing 1.5 million barrels and gasoline inventories down 0.8 million barrels. The focus of attention will be on stock levels at Cushing, OK, the NYMEX delivering point and gasoline demand. Demand for gasoline in the past three weeks has shown steady inclines. Lower refinery runs are expected as refiners enter turnaround, seasonal maintenance, as refineries prepare to produce more gasoline in order to meet the summer driving season. Upon examination of the forward curve for crude oil, the front end has worked higher on the scale, but the shape is still indicative of an oversupplied market. As mentioned previously, we would look for the April/May spread to trend sideways to higher as we approach the March 15th OPEC meeting. We would expect flat prices to continue to rebound, working towards the \$51.52 channel top depicted on a weekly spot continuation chart. The April 3:2:1 spread lost slight value. Should gasoline stock levels show a decrease and demand rise for the fourth straight week; this spread will surely rebound, working back towards the \$13.9756 high made on February 12th.

Crude Oil (CL) APR.09 278,339 -5,485 MAY.09 166,422 +589 JUN.09 151,775 -478 Totals: 1,187,409 -4,093 Heating oil MAR.09 0 -1,283 APR.09 60,960 +1,409 MAY.09 38,571 +1,224 Totals: 254,609 +4,575 NEW YORK HARBOR RBOB GASOLINE MAR.09 0 -1,118 APR.09 62,247 -381 MAY.09 31,033 -286 Totals: 179,119 -1,983

The API report showed an unexpected draw in crude stocks of 463,000 barrels on the week. It reported a draw of 1.988 million barrels in Padd 3 alone. It reported the draw in stocks as imports fell by 265,000 bpd to 8.747 million bpd while crude runs increased by 286,000 bpd to 14.457 million bpd. The API also reported an unexpected build in distillate stocks of 1.646 million barrels on the week, leaving stocks up 23.3% on the year. It reported a build of 1.126 million barrels in Padd 3. It reported the build in stocks as apparent demand fell by 2.8% on the week to 4.182 million bpd while apparent demand basis its three week moving average fell by 1% to 4.413 million bpd. It however showed that distillate production fell by 111,000 bpd to 4.199 million bpd and imports fell by 27,000 bpd to 218,000 bpd. Gasoline stocks fell by 642,000 barrels on the week, with a draw of 2.196 million barrels reported in Padd 1 alone. It showed that apparent demand increased by 3.7% on the week to 9.561 million bpd while apparent demand basis its three week moving average increased by 0.6% to 9.106 million bpd.





Crude Support	Crude Resistance
41.20,40.00, 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
1.1359, 1.10951.0520	1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.2800,1.2700, 1.1680,1.0128,9590, .8978, .8755, 7850	136.14, 1.3775, 1.4100,1.4400