



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 5, 2009

Saudi Arabia may oppose a further production cut this month as a stronger dollar increases the value of revenue from oil sales. The deputy director of the Center for Global Energy Studies said Saudi Arabia prefers prices in the \$60-\$70/barrel range but can live with \$50/barrel.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, will fall to a five year low in the four weeks ending March 21st to 22.67 million bpd, down 430,000 bpd from 23.1 million bpd in the four week period ending February 21st. It said OPEC has complied with 65% to 70% of its pledged 4.2 million bpd of supply cuts.

The head of the IEA, Nobuo Tanaka said the world economy will effectively receive a \$1 trillion stimulus if oil prices remain around \$40/barrel for the rest of 2009. He also voiced concern that a lack of investment

by OPEC could cut the group's unused oil capacity by 2013. Separately, the IEA's Executive Director Nobuo Tanaka called on G20 governments to coordinate a long term framework to stimulate investment in clean energy. He said progress needs to be made on a global framework for carbon trading and a successor treaty to the Kyoto Protocol on cutting emissions, which expires in 2012.

March Calendar Averages

CL – \$42.70

HO – \$1.1763

RB – \$1.3250

Market Watch

T. Boone Pickens said oil prices are set to increase above \$250/barrel in the not-too-distant future. He sees oil trading at \$60/barrel within two months and \$75/barrel by year's end.

According to the Labor Department, initial claims for unemployment benefits fell by 31,000 to 639,000 after seasonal adjustments in the week ending February 28th. The four-week average increased by 2,000 to 641,750, the highest level since October 1982. The total number of continuing claims fell by 14,000 to 5,106,000. The unemployment rate for workers with unemployment insurance was unchanged at 3.8%.

Separately, the Labor Department also reported that US productivity unexpectedly fell at the end of 2008. Non-farm business productivity fell by 0.4% at an annual rate in the fourth quarter, down from a revised level of +2.2%. Productivity increased 2.8% on average last year.

China's Finance Ministry announced that the country will spend an extra \$10 billion to increase its commodity reserves and increase farm support spending by 20% this year. The budget will increase spending on reserves of grain, edible oils and materials by 61% to 178.1 billion yuan or \$26 billion or 4.1% of its budget. It includes 78.341 billion yuan or \$11.5 billion to stimulate domestic demand by increasing reserves of materials such as grain, edible oils, crude oil, non-ferrous metals and specialty steel and developing storage facilities.

The EIA reported that US gasoline demand in the four weeks ending February 27 averaged 9.032 million bpd, up 2.2% or 192,000 bpd on the year. It also reported that weekly gasoline demand averaged 9.204

million bpd, the highest level in any week since August and a record high for February. Separately, the AAA Daily Fuel Gauge Report said the US average price of gasoline stood at \$1.93/gallon on Thursday, unchanged on the day and down from \$3.178/gallon last year.

Russia's Prime Minister Vladimir Putin told government ministers that the recent increase in the price of oil products is unjustified. He said the increase in prices has taken place against a background of falling tax obligations.

According to a report by the Washington Institute for Near East Policy, Israel is seriously considering taking unilateral military action to stop Iran from acquiring nuclear weapons. It said Israel's time frame for action is getting shorter because Iran may soon acquire upgraded air defenses and disperse its nuclear program to additional locations. It argues that international sanctions against Iran need to be intensified urgently for the engagement the Obama administration is planning with Iran to be effective. It also recommended increasing security guarantees and the supply of missile defenses and other protective measures to allies in the Middle East. The report however noted that Israel is not interested in becoming part of an American nuclear umbrella. Former US ambassador to the UN, Nancy Soderberg said the timetable for an Israeli strike may be significantly moved up if Israel believed Russia was going to supply Iran with the S-300 surface to air missile system.

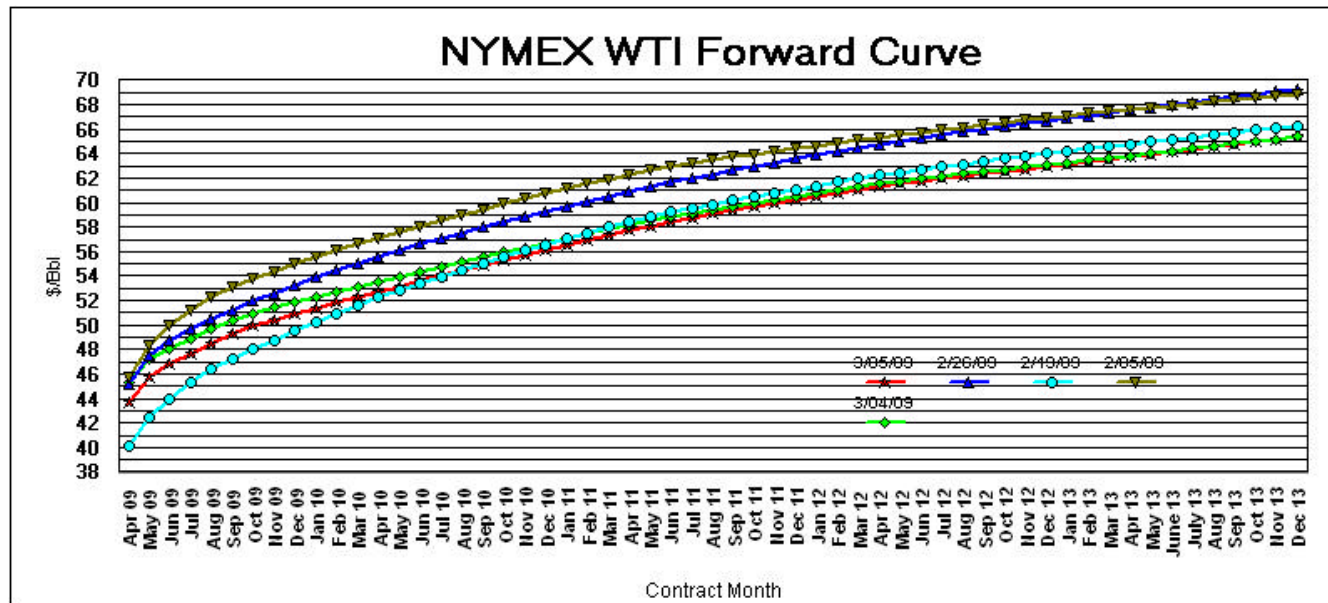
Refinery News

Colonial Pipeline allocated cycle 15 of 2009 for its main distillate fuels line as nominations exceed line capacity.

ExxonMobil Corp's 320,000 bpd Fawley oil refinery is operating normally after a pipeline leak on March 3rd. Refinery and terminal operations at the plant are unaffected.

Delek US Holdings Inc plans to restart its 60,000 bpd Tyler, Texas refinery in May following an explosion last year. Delek has been working on a number of capital projects that will allow the plant to process cheaper crude.

China's Liaoyang Petrochemical Corp plans to keep refining operations steady this year, despite falling demand. It plans to process 5.5 million tons or 110,000 bpd of crude oil in 2009, all of which will be Russian crude.



India's oil production in January fell by 2.6% on the year as weakening global demand for fuels cut runs. Indian refiners processed 3.149 million bpd of crude in January. Crude processing at state refineries fell by 5.1% during the month due to a strike by oil sector officials and shutdowns at some plants.

Russia's Transneft said an oil leak and fire on a Russian oil pipeline on Tuesday has cut off supplies to three refineries and the Black Sea port of Tuapse and Novorossiisk. Supply was cut off to the Volgograd and Saratov refineries in Russia and the Lysychansk refinery in Ukraine.

China Oil, Gas and Petrochemicals reported that China's crude oil inventories increased by 30% over the past year to stand at 37.2 million tons or 272.68 million barrels by the end of January. It is equivalent to 34 days of forward supply. It also reported that diesel stocks reached a record high of 53.8 million barrels by the end of January, up 2.87% on the month while gasoline stocks reached 35.3 million barrels in January, up 0.57% on the month.

Sinopec Corp said China's oil demand is improving. It said that daily refined fuel sales in China increased to 310,000 tons from 280,000 tons in December. Sinopec also said cashflow is fairly tight due to falling sales and falling prices.

The head of China's National Energy Administration, Zhang Guobao said China will consolidate its refining sector as small oil refineries will either be forced to shutdown or be acquired by national oil companies.

Kuwait is offering about 900,000 barrels of gas oil via a spot tender for supply between March and June.

Indonesia has asked Kuwait to cut its second quarter term supplies of diesel by about 80%, as the economic crisis and increasing use of alternative fuel erode demand. Lower Indonesian demand may force Kuwait to export its diesel output to other Middle Eastern buyers at steeper discount levels. Pertamina is seeking to reduce term supplies from Kuwait Petroleum Corp to 1.2 million bpd from 5.4 million barrels.

Ecuador's OCP heavy crude oil pipeline is pumping an average of 200,000 barrels of crude oil on Thursday. It resumed operations early Tuesday after it was shut in due to a rupture.

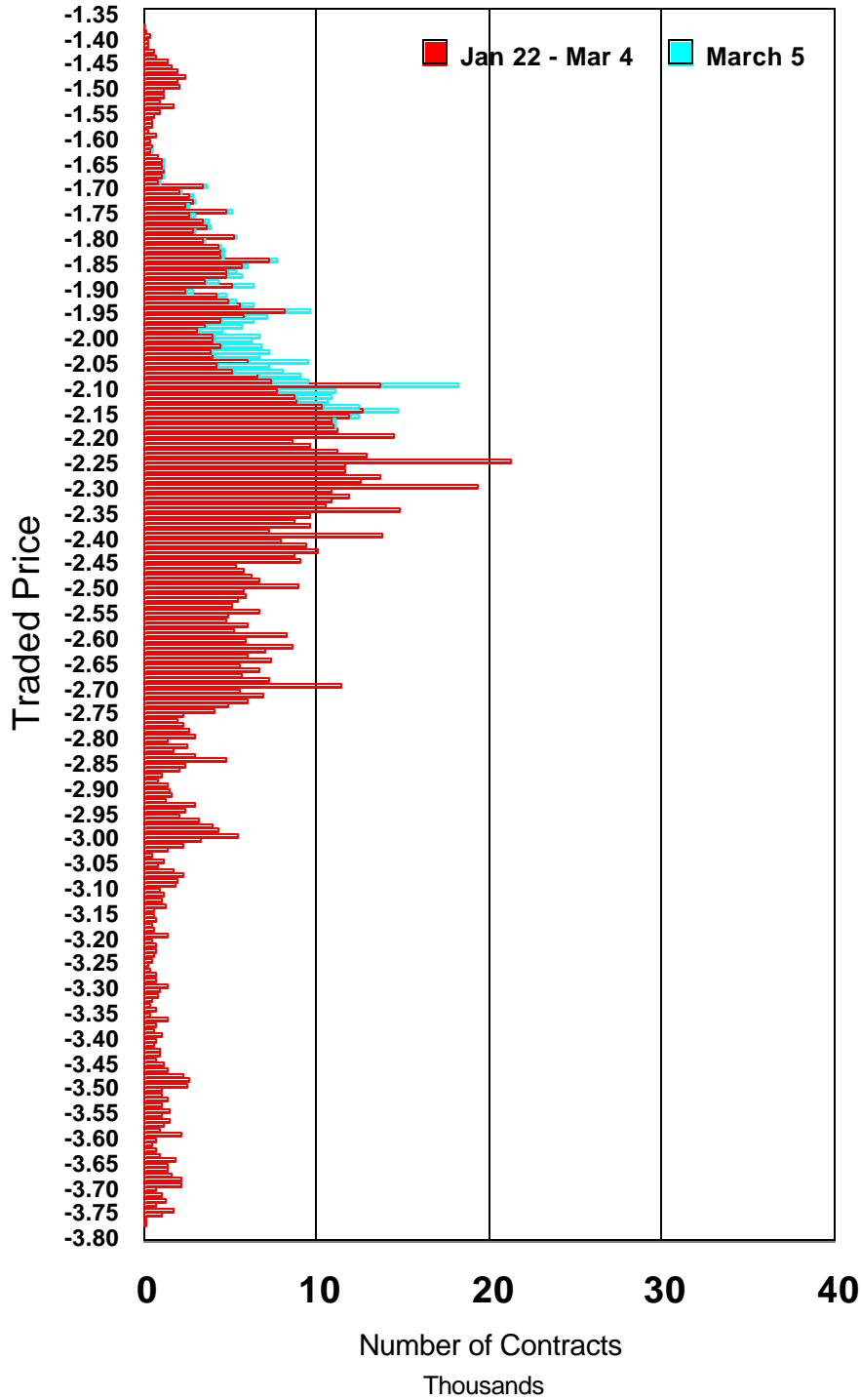
Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.73 million barrels to 19.564 million barrels in the week ending March 4th. It also reported that the country's light distillate stocks fell by 973,000 barrels to 8.989 million barrels while its middle distillate stocks fell by 439,000 barrels to 11.191 million barrels on the week.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending March 5th fell by 3.73% on the week and by 29.9% on the year to 800,000 tons as gasoline was exported to several countries, including Iran. Gas oil stocks increased by 11.75% on the week and by 98% to 2.378 million tons while fuel oil stocks fell by 7.55% on the week at 588,000 tons. Naphtha stocks fell by 37.5% on the week and by 65.91% on the year to 30,000 tons while jet fuel stocks increased by 12.84% on the week and by 487.66% on the year to 905,000 tons.

Production News

ExxonMobil Corp plans to start nine new projects this year that will pump the equivalent of 485,000 bpd, enough to supply one-third of US East Coast refineries. The company plans to produce about 4 million bpd of oil and natural gas in 2009. It expects to spend as much as \$150 billion in the next half decade on drilling rigs, oil platforms and refineries. Capital spending of \$26.1 billion in 2008 failed to

NYMEX WTI: April May Spread
Price Vs Volume for January 22 - March 5, 2009
 Trade Weighted Avg: 3/5 , 3/4 -1.84, 3/3 -2.29,



stem a 6.2% decline in oil and gas output. Its wells produced the equivalent of 3.92 million bpd last year.

Production at Nigeria's Bonny Light crude terminal, operated by Royal Dutch Shell, has increased to about 200,000 bpd after it was cut to about 90,000 bpd three weeks ago due to security concerns in the Niger Delta.

Nigeria's Akpo offshore oilfield started production this week. A senior official with NNPC declined to say how much it was producing. Last month, Petrobras said the oilfield should increase its production to about 185,000 bpd by September or October.

Russia's Energy Ministry reported that the country's Russian oil exports through ports are expected to increase 8.1% on the year to 10.824 million metric tons in March. Oil exports through the Primorsk Seaport on the Baltic Sea are expected to amount to 6.305 million tons in March, oil exports through the Novorossiisk port are expected to total 3.547 million tons, oil exports through the Yuzhny port are expected to total 650,000 tons and exports via the Tuapse port are expected to total 322,000 tons.

Statistics Norway cut its forecast for 2009 investment in the country's oil and gas sector by 5.5% to 137.4 billion crowns or \$19.46 billion. It

also revised lower its 2008 petroleum sector investments to 123.9 billion crowns, down 2.8% from its December estimate.

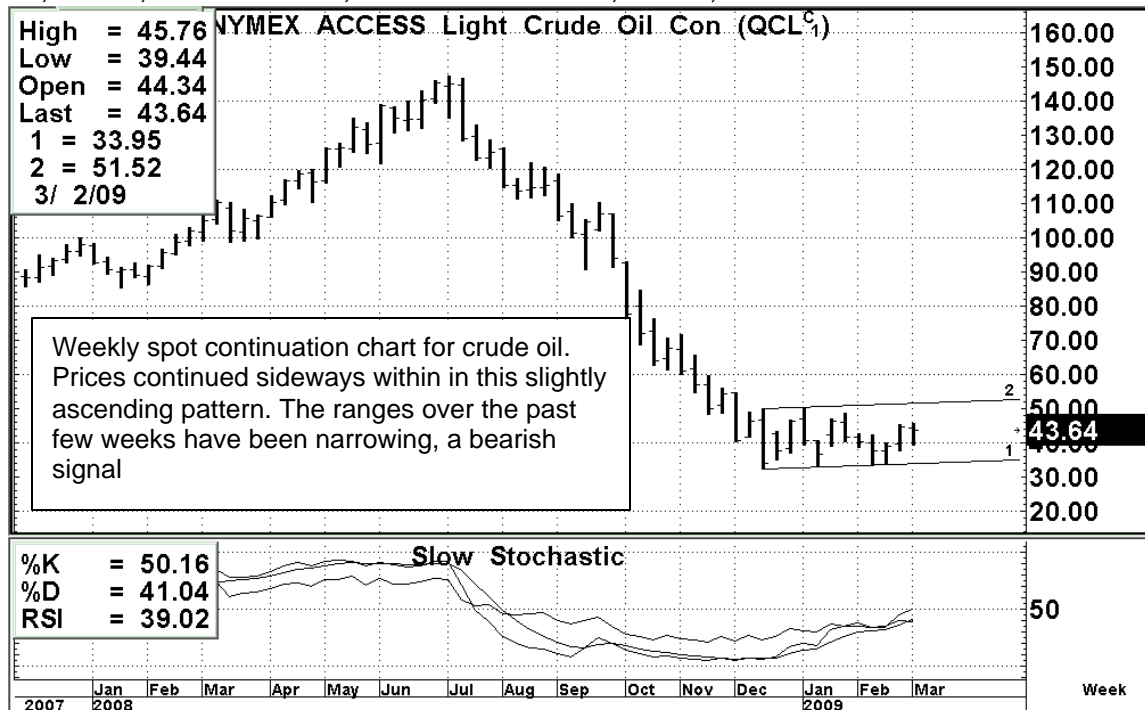
Traffic on the strait of Canakkale, which connects oil shipping ports of the Black Sea with international waters, was opened on Thursday after it closed earlier in the day due to poor visibility.

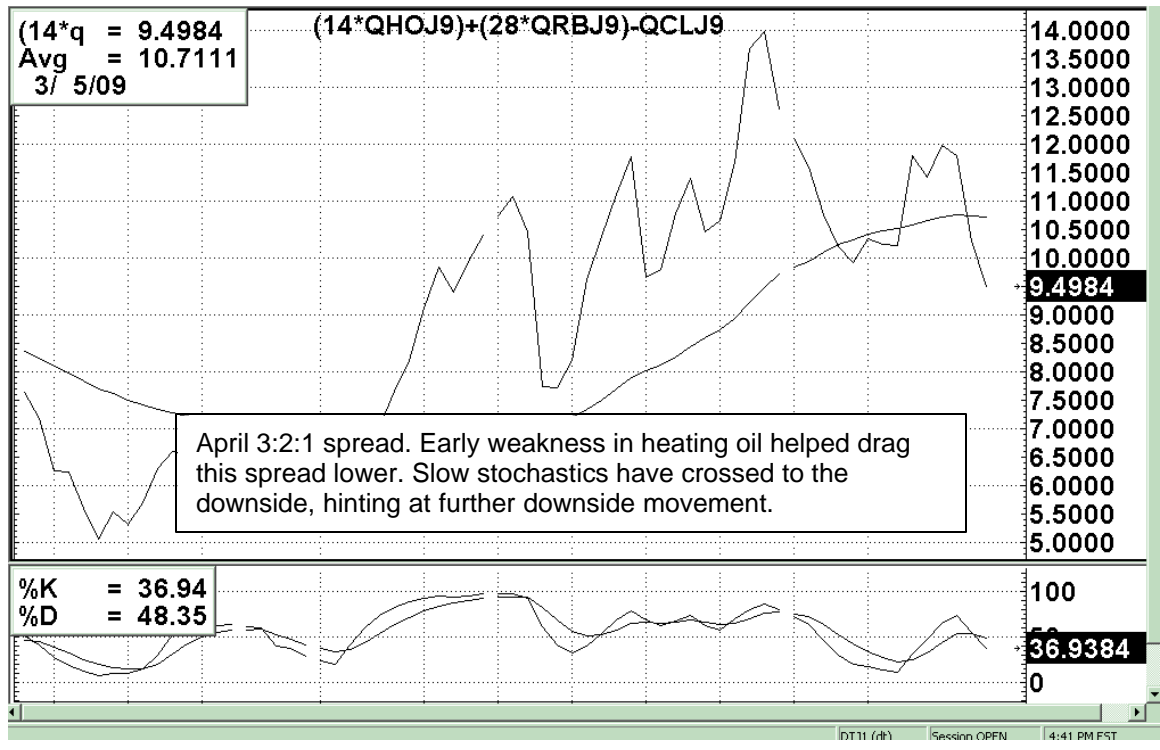
OPEC's news agency reported that OPEC's basket of crudes increased to \$43.79/barrel on Wednesday, up from Tuesday's level of \$41.77/barrel.

Market Commentary

Crude oil prices continued to move lower in a narrowing price range as Chinese Premier Wen Jiabao hinted that he doesn't see the need to increase spending. Adding further pressure on prices was U.S. unemployment figures which showed that 639,000 Americans filed for unemployment benefits for the first time. This is the fifth straight week in a row that U.S. first time unemployment claims came in over 600,000. Factory orders in the U.S. fell in January for the sixth straight month. All of this is a reflection of a deepening recession that has no end in sight. April crude oil settled \$1.77 lower on the day, with the April/May spread losing .23 cents. Based on a weekly spot continuation chart, prices remain within the sideways pattern, experiencing tighter trading ranges. Moving oscillators are trending sideways in neutral territory. At this point in time we believe that the prominent supporting factor is the upcoming OPEC meeting. As mentioned in our previous wire, we would look for prices to continue sideways to higher, trading within the pattern depict on the chart below. Any significant change in Cushing stock levels will greatly impact crude oil prices. Gasoline suffered blows today, in response to the global economic scenario. Given the timely seasonality of this market, we would pay close attention to the inventory reports over the next several weeks, with close attention to the demand factor. Demand has been recovering slightly but time will tell if this is a reflection of refinery turnarounds or an overall increase in demand. Heating oil came under pressure as weather forecasts predicted warmer weather over the next 3 to 5 days. The pressure in heating dragged the 3:2:1 crack spread lower, causing slow stochastics to cross to the downside for this spread. As for the gasoline market, we would look for improvements in demand in order for this spread to strengthen.

Crude Oil (CL) APR.09 268,116 -5,600 MAY.09 184,019 +12,409 JUN.09 155,940 +2,835 Totals: 1,212,891 +21,167 Heating oil APR.09 55,033 -3,715 MAY.09 40,488 +837 JUN.09 37,417 +295 Totals: 257,550 +1,596 NEW YORK HARBOR RBOB GASOLINE APR.09 59,633 -2,729 MAY.09 36,550 +4,500 JUN.09 24,437 +99 Totals: 184,989 +4,236





Crude Support	Crude Resistance
41.00, 40.00, 38.95, 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, 1.1095, 1.0520	1.3315, 1.4813, 1.6715, 1.71.85, 1.76.70, 1.8500
Gasoline support	Gasoline resistance
1.2800, 1.2700, 1.2625, 1.1680, 1.0128, .9590, .8978, .8755, 7850	1.4100, 1.4400, 1.4760