



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 6, 2009

The head of Libya's National Oil Co, Shokri Ghanem said OPEC should finish complying with their announced oil production cuts before it makes further cuts. He said OPEC's cuts in recent months finally started to pare down excess oil inventory.

OPEC Secretary General Abdalla Salem El-Badri criticized the IEA for calling on OPEC to pump enough oil to keep crude prices at its current levels. He urged increasingly cash-strained OPEC countries to keep investment projects going. He reiterated that the low price environment, if it persists, will hurt investment in new oil pumping capacity and could cause much higher prices down the road once economy recovery takes hold.

Energy forecasters look set to cut further their estimates of oil demand for this year as the world economy falls towards its first contraction since WWII. The EIA is due to release its monthly report March 10 and may show a

March Calendar Averages

CL – \$43.26

HO –\$1.1869

RB – \$1.3264

Market Watch

Imports of gasoline from Europe to the US Northeast and Gulf Coast have started amid low freight rates and relatively low European prices. The arbitrage for a 37,000 ton tanker of gasoline from the refineries of northwestern Europe to the US Atlantic Coast is about 20 cents/gallon. Shippers to the US Gulf Coast will make about 16 cents/gallon on each cargo.

The US Labor Department reported that nonfarm payrolls fell by 651,000 in February. The economy has lost 4.4 million jobs since the recession started in December 2007, with almost half of those losses occurring in the last three months alone. The unemployment rate increased by 0.5% to 8.1%, the highest level since December 1983. Average hourly earnings increased by \$0.03 or 0.2% to \$18.47, up 3.6% on the year.

The head of the Federal Reserve Bank of New York warned that even as some financial conditions improve, the economy and markets have some way to go before the economy improves. He said the Federal Reserve is prepared to do whatever it takes to help the markets and economy improve, although he did not say what additional steps the central bank may take.

A senior Nigerian finance ministry official said Nigeria's 36 states cannot depend on the country's oil profits to finance their budgetary spending with federal revenue down sharply due to falling oil prices. The monthly distribution of oil savings to Nigeria's excess crude account fell to \$1.6 billion in February from about \$2.43 billion in January.

cut in its demand forecast. The IEA is due to publish its monthly report on March 13 and it tends to reflect estimates for world economic growth by the IMF. The IMF has steadily cut its 2009 growth forecasts and is forecasting a contraction in the world economy as bank lending stalls, factories close and unemployment increases. Last month, the IEA forecast world oil demand would contract by 980,000 bpd this year to 84.7 million bpd. OPEC is also due to release its monthly Oil Market

Report on March 13 and it will likely cut its demand forecasts.

Deutsche Bank economist Adam Sieminski said OPEC needs to be open to the possibility that world oil demand will fall by more than 1.5 million bpd this year and may need to cut output quotas again this year, even if it does not cut its output at its upcoming meeting on March 15.

Refinery News

The US Coast Guard said an oil tanker is listing in the Gulf of Mexico off the coast of Texas. The SKS Satilla, a tanker carrying 950,000 barrels of oil, reported it had taken on an 8-degree list. The Coast Guard is investigating the cause of the list.

Chevron Corp reported flaring and a mechanical failure on Wednesday at its 360,000 bpd El Segundo, California refinery.

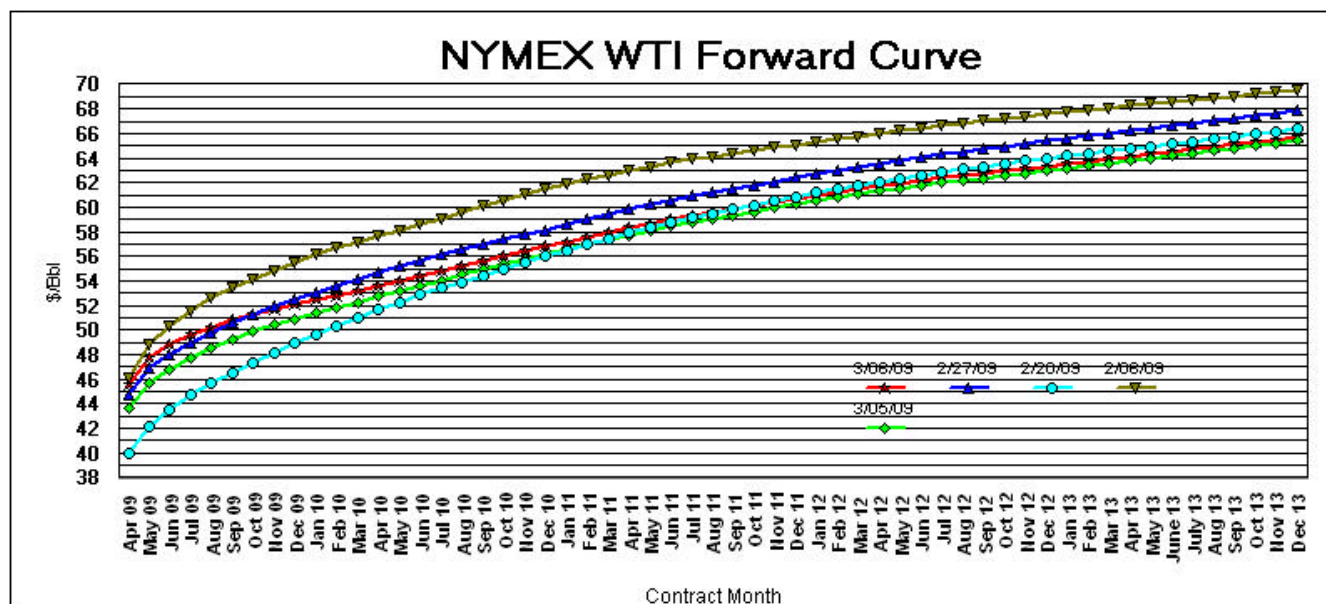
ExxonMobil Corp did not shutdown any units at its 149,500 bpd Torrance, California refinery due to a malfunction Thursday afternoon.

Alon USA Energy Inc plans to finish rebuilding an alkylation unit at its Big Spring, Texas refinery, which was damaged in a 2008 fire. The work is expected to start in the third quarter and conclude by the end of the year.

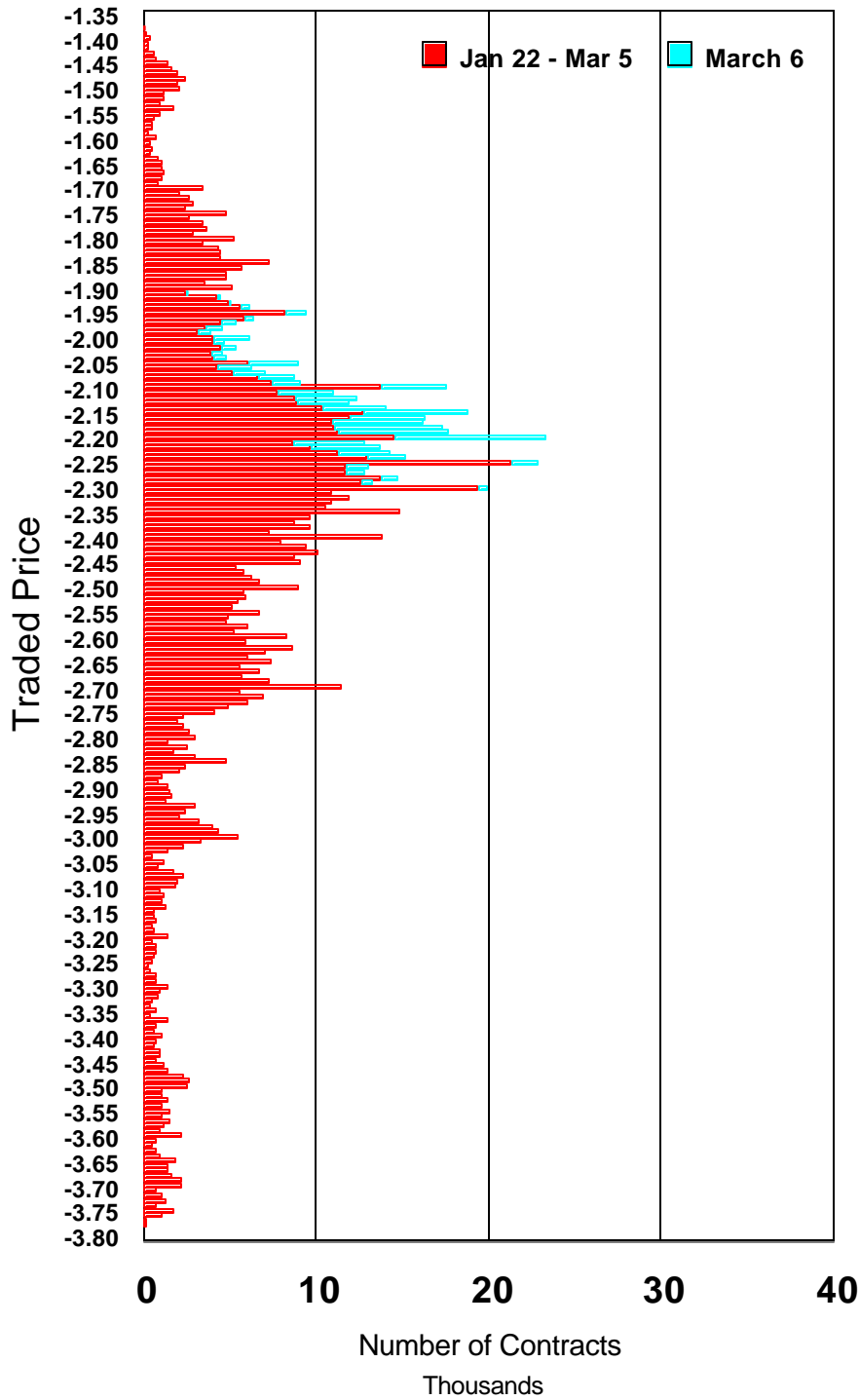
A crude unit shut February 27 due to a fire in a heat exchanger at Valero Energy Corp's 289,000 bpd Texas City, Texas refinery has been operating at planned rates since early Friday. Another crude unit at the refinery was maximized during the repairs to prevent a major impact on production.

China's twelve major refineries will slightly increase its crude throughput in March. The refineries plan to process 2.37 million bpd of crude in March, up 10,000 bpd from 2.36 million bpd in February.

China will export more diesel in March as oil firms attempt to deplete stocks amid poor domestic demand. Net diesel exports are expected to increase to about 170,000 tons this month compared with 130,000 tons in February while net gasoline exports are expected to hold at 150,000 tons. Trade estimates showed that China's total refinery runs increased by 10,000 bpd to 2.37 million bpd in March.



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,



The first units of PetroChina's expanded Dushanzi refinery are expected to go online in April. Production of oil products is due to start next month, while the first output of ethylene is expected to follow in June. Refining capacity at the Dushanzi refinery will double to 10 million metric tons/year or 200,822 bpd while 1 million tons a year of new ethylene capacity is added.

Taiyo Oil Co and Nansei Sekiyu KK plan to keep crude run cuts in March due to weak demand for oil products. Taiyo Oil plans to operate its 120,000 bpd No. 1 crude distillation unit at its Kikuma refinery at 80% of capacity. Nansei Sekiyu plans to cut its runs at its 100,000 bpd crude distillation unit at its Nishihara refinery to 45,000 bpd.

Japan's Cosmo Oil Co Ltd is scheduled to shut its 130,000 bpd No. 2 crude distillation unit at its Chiba refinery from April 25 to June 20 and its 110,000 bpd No. 1 crude distillation unit from September 11 to November 12. It is also scheduled to shut its 140,000 bpd No. 1 crude distillation unit at its Sakaide refinery from June 10 to August 4 while its 80,000 bpd No. 1 crude distillation unit at its Sakai refinery is also shut from August 22 to November 15. Its 85,000 bpd No. 6 crude distillation unit at its Yokkaichi refinery is expected to shutdown from October 2 to November 28.

India's Essar Oil will shut its 210,000 bpd Vadinar refinery for 18 days starting April 13 for planned maintenance. It had previously planned to shut the plant on March 23. Essar plans to raise the

capacity of existing plant to 320,000 bpd by December 2010 and set up another 360,000 bpd unit by December 2011.

Indian Oil Corp plans to conduct maintenance at its major refineries during April to September, including fully shutting its 160,000 bpd Mathura refinery from late June for about a month. In April, IOC plans to first shut a 50,000 bpd crude unit and downstream units for about a month at its 120,000 bpd Barauni plant. It is also scheduled to conduct maintenance on its 274,000 bpd Gujarat plant at Koyali in May to June and August to September. Each shutdown will be of 25-30 days. It will also shut two of its crude distillation units at Koyali for short periods of about a week during June-July. It also plans to shut half of its 240,000 bpd Panipat refinery in September for about 20-25 days for routine turnaround.

Neste Oil will shut its 210,000 bpd Porvoo refinery for more than five weeks of maintenance in 2010. The Porvoo plant was last shut for major maintenance in 2005. It is also scheduled to conduct maintenance at its Naantali refinery in 2011. Separately, Neste Oil said its \$776 million renewable diesel plant in Singapore is on schedule to complete its construction by June 2010 and production is expected to start in the third quarter. The 800,000 tons/year NExBTL plant will use feedstock such as animal fat, palm oil and other types of vegetable oils.

PetroChina Co Ltd officials met with Aruba's Prime Minister Nelson Oduber to discuss a potential purchase of Valero Energy Corp's 252,000 bpd refinery at the end of last year. A follow up meeting has been discussed but has not yet been scheduled. The refinery is geared toward processing low-quality crude from Venezuela. PetroChina has invested in crude oil exploration and production in Venezuela, which could give it access to crude that is suited for the refinery.

Indonesia's Pertamina said diesel oil stocks remain high at 36 days due to slowing demand it plans to give discounts to commercial domestic buyers.

Taiwan's crude oil imports fell by 1.5% in January to 27.47 million barrels from 27.9 million barrels in January 2008 but increased from December as its privately run refinery completed maintenance.

The University of Missouri's Food and Agricultural Policy Research Institute said the expansion of the ethanol industry will support US corn prices and plantings this year and in the future. It forecasts this year's crop will sell for an average \$3.74/bushel, down 15 cents from the 2008 crop average but still the third highest price on record. It estimates an average corn price of \$3.99/bushel for the 2014 crop and plantings of 89 million acres compared with 86.3 million acres this year. The federal target for biofuels use is 10.5 billion gallons this year and peaks at 15 billion gallons annually from 2015. Separately, a researcher for the EPA said that with all the corn ethanol plants built and operating, built and idle or in the process of construction, the US should have the capacity to produce 13 billion gallons per year. He said if the EPA concludes that corn-based ethanol does not reduce greenhouse gases enough to qualify as a conventional biofuel, the fuels production lowest point may fall short by 2 billion gallons of the 2015 level that Congress has envisioned.

Production News

Chevron Corp said it expects to increase its 2009 oil and natural gas production by 4% to 2.63 million bpd. It is said it is considering an expansion of its Tahiti project in the US Gulf of Mexico. In 2008, Chevron produced 2.53 million bpd of oil and natural gas, down about 3% on the year.

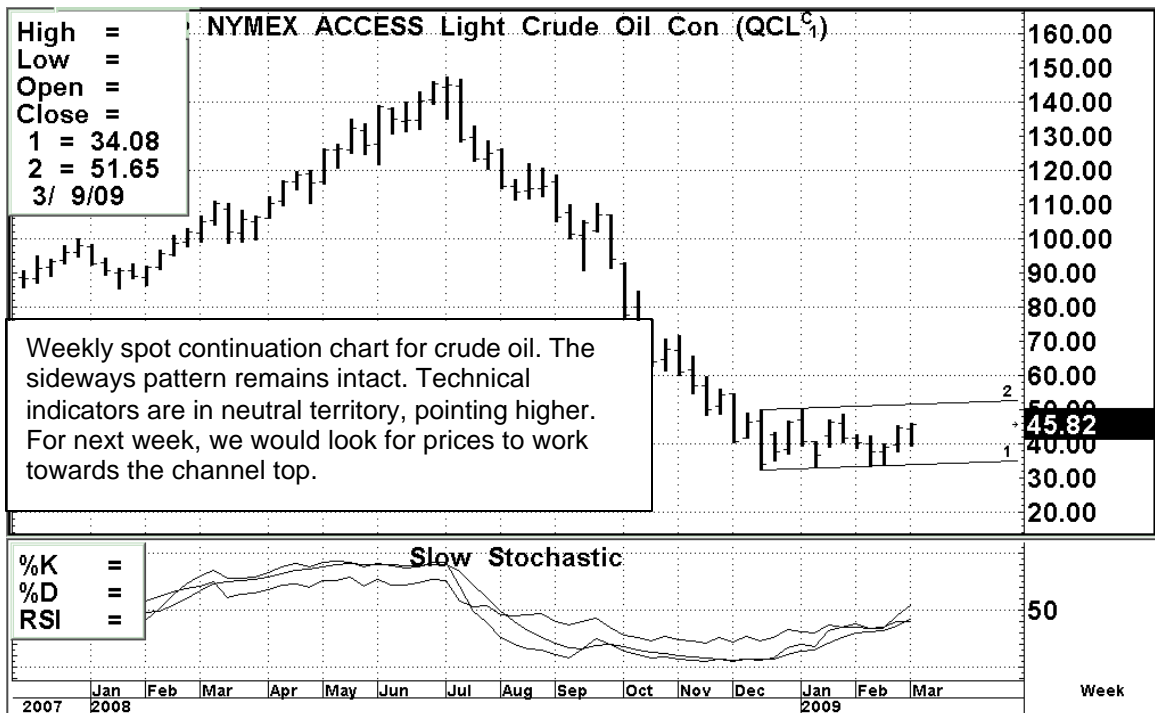
Baker Hughes reported that the number of rigs drilling for oil and natural gas fell in the week ending March 6th as producers continued to pull back on exploration and production. The number of oil and gas rigs fell by 73 to 1,170, with the number of rigs searching for oil fell by 19 to 241 and the number of rigs searching for natural gas fell by 54 to 916.

OPEC's news agency reported that OPEC's basket of crudes increased slightly to \$43.87/barrel on Thursday from \$43.79/barrel on Wednesday.

Market Commentary

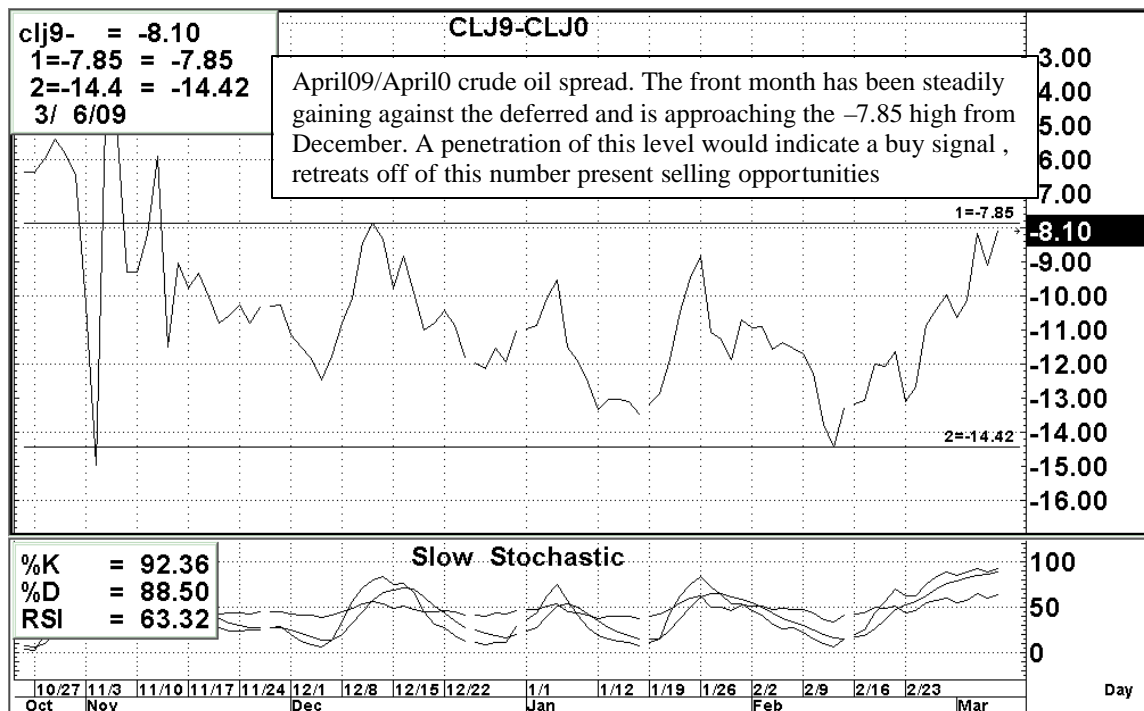
A weaker U.S. dollar against the euro, sent investors running to commodities markets as an investment hedge. Oil climbed as much as 4.2 percent and the dollar fell the most in a week against the euro after unemployment advanced to the highest in 25 years in the U.S. For the first time since December 11, crude oil traded at a premium to London's Brent grade as stockpiles declined in Cushing, Oklahoma, where West Texas Intermediate oil, the U.S. benchmark, is delivered. WTI traded at an average premium of \$1.25 a barrel since Jan. 1, 2000. Stock levels at Cushing, OK, fell, 34 million barrels in the past three weeks, according to an Energy Department report on March 4. Supplies in the week ended Feb. 6 were the highest since at least April 2004, when the department began keeping records. While this market has recovered in response to the weakened dollar, we are awaiting economic reports from Europe and elsewhere. These reports will most likely show a declining economy overseas, which will impact the dollar's strength against the euro, forcing investors back out of the market. Although the shape of the forward curve is still indicative of an oversupplied market, the front end gained against the deferred. This may be attributed to declining stock levels at Cushing, OK and the influx of new money into this market. This scenario may remain up until the upcoming OPEC meeting, however should the dollar gain strength against the euro, as is expected with the release of economic reports overseas, the front end will come under pressure once again. The April 3:2:1 crack spread lost value once again today, as the U.S. unemployment outlook will surely create demand destruction for gasoline and imports of gasoline are expected to increase out of Europe in response to low tanker freights and lower European prices.

Despite the rally in prices today the most actively traded strike in the option market the June 25 put which traded 11,161 times between 17-24 cents. This strike has traded over 55,000 times since Wednesday of last week.



Crude Oil (CL) APR.09 258,290 -9,826 MAY.09 190,638 +6,619 JUN.09 157,195 +1,255 Totals: 1,214,737 +1,846 Heating oil APR.09 52,818 -2,215 MAY.09 40,808 +320 JUN.09 37,095 -322 Totals: 256,783 -767 NEW YORK HARBOR RBOB APR.09 56,662 -2,971 MAY.09 39,095 +2,545 JUN.09 25,425 +988 Totals: 186,902 +1,913

The Commitment of Traders report showed that non-commercials in the oil market switched from a net long position of 28,749 contracts to a net short position of 532 contracts in the week ending March 3rd. It is the first time the funds are net short since the week ending November 11, 2008. The combined futures and options report showed that non-commercials in the oil market cut their net long position by 19,579 contracts to 77,718 contracts on the week. It showed that non-commercials cut their total long position by 13,590 to 222,310 contracts on the week. The non-commercials have likely reversed their recent move as it appears to have found a near term bottom. Meanwhile, the combined futures and options report also showed that non-commercials in the product markets have increased their net long positions. Non-commercials in the heating oil market increased their net long position by 2,009 contracts to 7,203 contracts while non-commercials in the RBOB market increased their net long position by 8,057 contracts to 48,738 contracts.



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, 1.10951.0520	1.3315, 1.4813, 167.15, 171.85, 176.70, 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