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ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 11, 2009

Qatar's Oil Minister Abdullah al-Attiyah said OPEC members need to fully comply with existing pledges to cut production before they consider any further supply cuts. He said there is still about 800,000 bpd of oil to come off the market. He pegged compliance with existing pledges at about 80-85%. Meanwhile, an OPEC delegate said OPEC may not need to cut supply further when they meet on Sunday as the oil market is showing signs of recovery after a \$100 price collapse. He said if bearish news in coming days leads ministers to decide a cut is necessary, they may consider a modest cut of about 500,000 bpd. However Libya's National Oil Corp Chairman Shokri Ghanem said all options are still open for OPEC's March 15 meeting to set oil output policy, including a further cut in production. Algeria and Venezuela have also raised the prospect of an OPEC supply cut. Algeria's Energy Minister Chakib Khelil said the market expects OPEC to cut its production further at its upcoming meeting. He said oil prices will fall if the group fails to cut its output. A member of Kuwait's Supreme Petroleum Council said OPEC is likely to cut supply to support

Market Watch

Analysts believe that while prices are not likely to rally to the highs of \$4/gallon seen last year, the current low prices look unsustainable. US gasoline prices averaging \$1.90/gallon should increase further as the start of the peak driving season from late May through August draws nearer.

Traders said about 150,000 tons of diesel from Japan and South Korea is tentatively booked for Europe for lifting in the second half of March. The East-West arbitrage economics for the front month were in favor of shipments heading to Europe.

A damaged 900 foot tanker finished offloading about 976,190 barrels of crude to other tankers in the Gulf of Mexico on Tuesday. According to the US Coast Guard, the SKS Satilla began lightering the crude to the other tankers on Sunday, two days after it reported tanking on water.

Total expects oil prices to average \$40-\$45/barrel this year and increase to an average of \$60/barrel next year. It expects oil prices to increase further to \$80/barrel in 2011. Meanwhile, Total said it has no plans to sell or close any refinery. Total's Secretary General Jean-Jacques Guilbaud said the company does not plan any layoffs at all as part of the restructuring of its refinery and petrochemical operations in France. On Tuesday, Total said it planned to cut 249 jobs by 2013 at its refining operations in France.

ConocoPhillips outlined plans to focus on operational excellence, maximize the value of existing assets through exploitation and deliver a number of major growth projects, including the Qatargas 3 LNG venture, the Bohai Bay Phase II oil projects, several Canadian oil sands projects, the Kashagan oil field, the Shah sour gas development in Abu Dhabi and planned coal bed methane to LNG production in Australia. It is committed to maintaining its strong portfolio of high quality refining, marketing and transportation assets in the US, Europe and Asia. ConocoPhillips' chief executive, Jim Mulva said world oil demand may recover in 2010 driven by emerging markets. He said the company sees oil prices moving up to \$60 or \$70/barrel over time but not rising more than \$80/barrel.

Tokyo Electric Power Co said its oil and gas consumption fell sharply in February as higher nuclear plant usage and weakening demand cut thermal power generation. Fuel oil consumption fell 34.8% on the year to 437,000 kiloliters and its crude oil fell by 65% on the year to 158,000 kl while its LNG consumption fell by 18.4% on the year to 1.432 million kl. Its coal consumption was unchanged at 333,000 kl.

DOE Stocks

Crude – up 749,000 barrels
Distillate – up 2.108 million barrels
Gasoline – down 2.993 million barrels
Refinery runs – down 0.4%, at 82.7%

prices at its meeting on Sunday. Separately, Kuwait Petroleum Corp Deputy Managing Director Sheikh Nawaf al-Sabah said the oil price is not far below a comfortable level for investment in increasing production capacity.

Iran's Oil Minister Gholamhossein Nozari suggested OPEC will accept Russia as a member if Russia wants to join the group. He also reiterated his call for more cooperation

between OPEC and non-OPEC countries.

US Energy Secretary Steven Chu said he would warn OPEC ahead of its March 15 meeting against creating price volatility in deciding whether or not to cut crude production. He also said he would caution OPEC that a rise in oil and gasoline prices will place a strain on the world economy.

Consultancy PFC Energy said OPEC is considering further supply cuts in line with an anticipated fall in demand but it is not yet clear whether the reduction will result from stricter adherence with agreed cuts or from new cuts.

Refinery News

A pipeline supplying crude oil to Marathon Oil Co's 256,000 bpd Garyville, Louisiana refinery was temporarily shut following an explosion on Tuesday.

Sunoco Inc said ten workers at its 335,000 bpd refinery in Philadelphia, Pennsylvania were treated for exposure following an acid release Wednesday morning. The leak occurred in an alkylation unit.

Western Refining Co LP shut unidentified units at its 107,000 bpd El Paso, Texas refinery following a power outage.

Valero Energy Corp said its 26,000 bpd fluid catalytic cracking unit at its 90,000 bpd Ardmore, Oklahoma refinery is in the process of the shutting down for three days of unplanned maintenance. Separately, Valero Energy Corp has scheduled maintenance at its McKee, Texas oil refinery in May. It plans to shut the smaller of two crude units, which able to process up to 60,000 bpd, for 14 days and its 55,000 bpd fluid catalytic cracking unit for 21 days.

Total Petrochemical USA plans to shut unit 812 at its 232,000 bpd Port Arthur, Texas refinery to repair a cooling water line leak.

Taiwan's Formosa Petrochemical Corp will resume operation of its 700,000 tons/year No. 1 naphtha unit this week after a similar attempt earlier led to an explosion. The company will also proceed with long delayed maintenance at its 1.2 million tons/year No. 3 unit at the end of the month.

China's crude oil imports in February fell by 15% on the year to 11.73 million tons or 3.06 million bpd. During the first two months, crude imports fell by 13% to 24.55 million tons, according to China's General Administration of Customs. Imports of refined oil products totaled 3.38 million tons in February and 5.77 million tons in the first two months of the year, down 6.4% on the year. China exported 1.49 million tons of oil products in February, while the total for the first two months stood at 2.63 million tons, up 8.5% on the year. Separately, China Oil, Gas and Petrochemicals newsletter, citing data from China National Petroleum Corp, reported that the country's crude oil stocks increased by 33.5% on the year to 37.2 million metric tons in January.

March Calendar Averages

CL – \$43.93

HO – \$1.1852

RB – \$1.3145

The Petroleum Association of Japan reported that the country's crude

oil stocks in the week ending March 7th fell by 6.72 million barrels on the week but increased by 7.44 million barrels on the year to 99.75 million barrels. It reported that refinery run rates fell by 4.4% to 82.2% of total capacity of 4.9 million bpd. It also reported that gasoline stocks fell by 20,000 barrels on the week but increased by 300,000 barrels to 13.71 million barrels while kerosene stocks fell by 960,000 barrels on the week and increased by 2.2 million barrels to 12.86 million barrels. Naphtha stocks fell by 600,000 barrels on the week to 11.16 million barrels. Japan's total oil products sales increased by 16.8% on the week but fell by 10.6% on the year to 3.63 million bpd. Meanwhile Japan's Oil Information Center reported that the average retail price of gasoline in Japan increased by 0.8 yen on the week to 111.1 yen/liter or \$4.28/gallon on Monday.

Kuwait Petroleum Corp has agreed to let Indonesia's Pertamina cut its term diesel supply for the second quarter by a third to 3.6 million barrels from 5.4 million barrels.

Production News

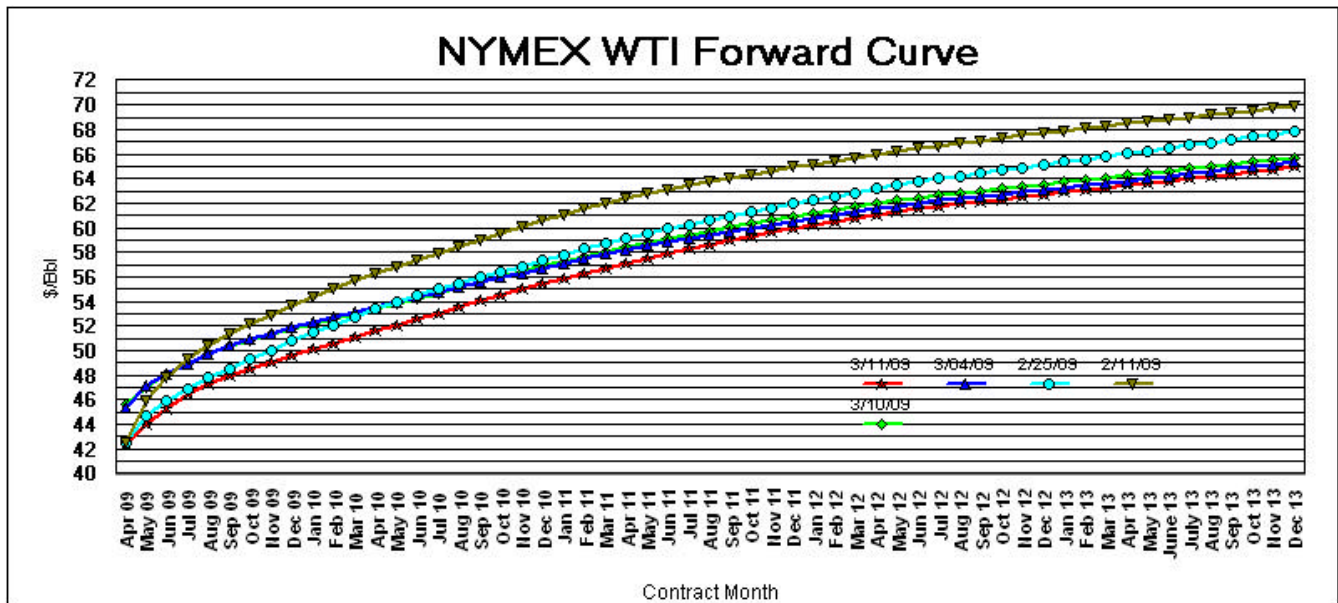
The Norwegian Petroleum Directorate said the country's oil production increased to 2.16 million bpd on average in February from about 2.11 million bpd in January. Production of natural gas liquids and condensate fell to 340,000 bpd in February from 353,000 bpd in January.

Saudi Aramco said it completed drilling on the Khurais oil field in its plan to increase crude capacity to 12.5 million bpd by the end of the year. It will add 1.2 million bpd to the country's capacity, which currently stands at about 11.3 million bpd. The field will give Saudi Arabia about 4.5 million bpd of spare capacity.

Kuwait Petroleum Corp Deputy Managing Director Nawaf al-Sabah said the country expects crude production capacity to reach 3 million bpd by next year. He added that capacity will reach 4 million bpd within five years.

Separately, Kuwait increased the official selling price for its crude sales to Asia for April by \$1 to 10 cents/barrel above the average of the Oman/Dubai average.

Iraq inaugurated an oil project with Chinese National Petroleum Co on Wednesday. Under the agreement, CNPC will operate the al-Ahdab field, which should eventually produce 110,000-130,000 bpd. It is Iraq's first major oil deal with a foreign firm since the fall of Saddam Hussein in 2003.



The chairman of the UK's Oil and Gas Independents' Association, Steve Jenkins, said low oil prices high costs and scarce bank lending are affecting oil exploration in the UK North Sea. He said the breakeven in some UK Continental Shelf fields is \$40/barrel.

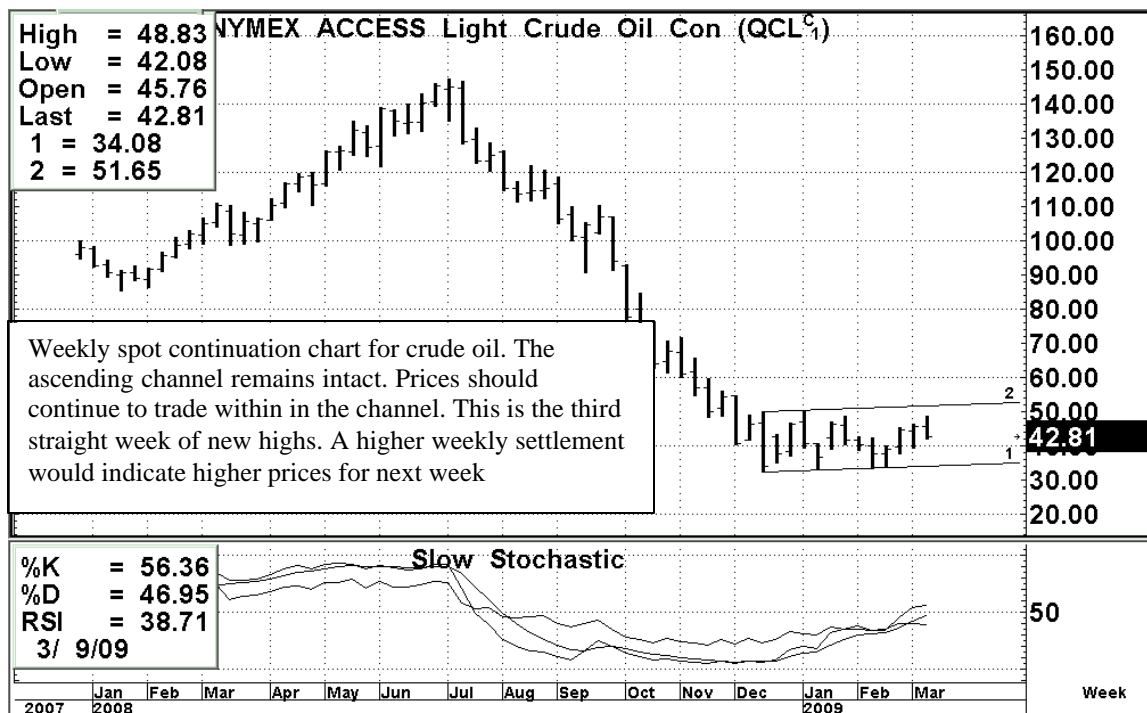
National Iranian Oil Co increased the price of its Iranian Light crude bound for Northwest Europe by \$1.70 to BWAVE minus \$1.75; its Iranian Heavy was increased by \$1.70 to BWAVE minus \$2.15 and its Forozan Blend was increased by \$1.80 to BWAVE minus \$2. The price of its Iranian Light crude bound for the Mediterranean increased by \$1.40 to BWAVE minus \$3; its Iranian Heavy was increased by \$1.95 to BWAVE minus \$3.30 and its Forozan crude was increased by \$2.05 to BWAVE minus \$3.15. Its Iranian Light crude bound for Asia was increased by 70 cents to the Oman/Dubai average plus \$1.20; its Iranian Heavy crude was increased by 97 cents to the Oman/Dubai average plus 55 cents and its Forozan Blend was increased by \$1.09 to the Oman/Dubai average plus 60 cents.

OPEC's news agency reported that OPEC's basket of crudes fell to \$43.69/barrel on Tuesday from \$44.14/barrel on Monday.

Market Commentary

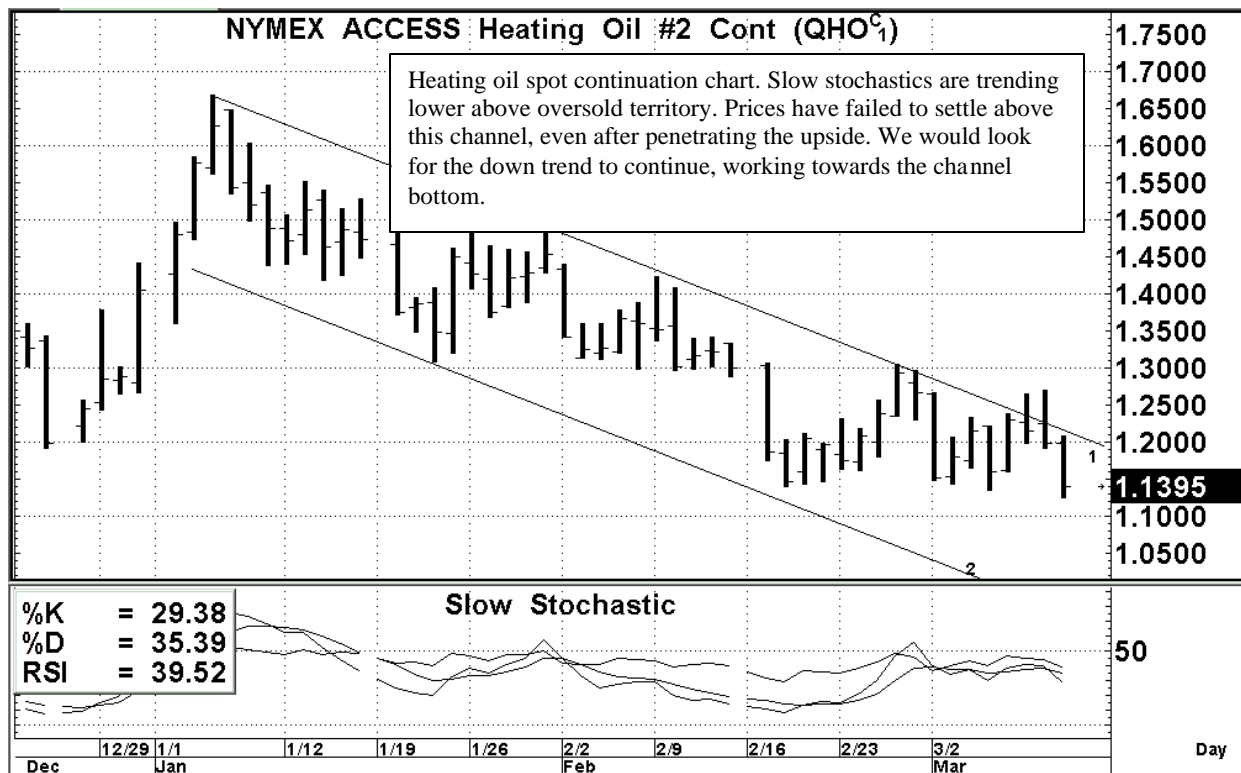
Larger than expected builds in crude oil inventories sent prices tumbling, resulting in a \$3.38 bwer settlement. Crude oil inventories for the week ending March 6th increased by 749,000 barrels over the previous week, much greater than the 250,000 barrel expected increase. Demand destruction continues to plague this market, sending product prices lower as well. Gasoline inventories, which decreased by 2.993 million barrels, suffered from the effects of U.S. fuel consumption. Demand dropped 3.5 percent to 18.9 million barrels a day, the lowest since the week ended Jan. 9. Total daily fuel demand average over the past four weeks was 19.3 million barrels, down 2.1 percent from a year earlier. Distillate stocks, for the week ending March 6th, increased by 2.108 million barrels while distillate fuel demand averaged about 4.0 million barrels per day over the last four weeks, down by 6.1 percent from the same period last year. Refineries operated at 82.7 percent of capacity, down 0.4 percentage point from the prior week, the report showed. Refineries operated at 85 percent of capacity during the first week of March last year. The excess refining capacity that exists will surely meet any short fall in product stock levels. Adding to today's pressure were crude oil imports by China, the world's

second-biggest energy consumer. In a report released today by the Customs Bureau in Beijing, China cut net crude-oil imports to the lowest in at least two years in February.



Prices may firm prior to the upcoming OPEC meeting, which may determine prices movement for next week.

Open interest: (CL) APR.09 165,483 -39,031 MAY.09 268,942 +26,052 JUN.09 154,274 -3,773 Totals: 1,210,253 -12,312 Heating oil APR.09 44,293 -3,420 MAY.09 43,325 +644 JUN.09 38,418 +1,979 Totals: 256,546 +1,523 NEW YORK HARBOR RBOB APR.09 46,849 -5,394 MAY.09 52,280 +5,889 JUN.09 26,613 +806 Totals: 195,144 +1,368



Crude Support	Crude Resistance
41.00,40.00,38.95, 32.25, 29.66, 28.63, 26.65, 25.50	48.77, 50.07, 54.75, 55.98, 57.20
Heat Support	Heat resistance
1.1359, 1.1095,1.0520	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	1.3845, 1.4100,1.4400, 1.4760