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ENERGY MARKET REPORT FOR MARCH 18, 2009

OPEC Secretary General Abdullah al-Badri said low oil prices threaten the long term prospects of the energy sector. He said current prices are not at a level needed to encourage industry expansion.

Saudi Arabia's Oil Minister Ali al-Naimi said OPEC output cuts already in place are more than enough to balance the oil market and added that with the group's adherence to them rising no further cuts are needed. He said compliance with the cuts was about 80% in February and should increase in March. He said oil prices have stabilized due to OPEC's output cuts. He however said cooperation between OPEC and non-OPEC countries was good in terms of dialogue but in terms of collaboration on output it was better in the past. Saudi Arabia's Oil Minister Ali al-Naimi warned that low oil prices will hurt

Market Watch

The Labor Department said the US consumer price index increased 0.4% in February compared with 0.3% in January. The core CPI, excluding food and energy prices, increased 0.2% for the second consecutive month. According to the report energy prices increased 3.3% in February.

The International Monetary Fund's First Deputy Managing Director John Lipsky said financial strains and world economic weakness still threaten the world economy's recovery. He said the world economic crisis has not yet reached its lowest point. He added that stabilizing the world financial system and increasing demand by expansion of government spending remain the top priorities for policymakers worldwide. In regards to oil, he said the decline in oil prices since July is mainly the result of the worsening global economic outlook and added that prices should rise again as the economy recovers but not at its previous pace. He said the \$100 fall in oil prices from their peak last July was the equivalent stimulus of about 1.5% of world GDP. He said OPEC's decision not to make further cuts was in line the intentions of the G20 nations.

Saudi Aramco plans to spend \$60 billion on oil and gas projects through 2014.

Accuweather's Chief Long-Range and Hurricane Forecaster Joe Bastardi expects four tropical storms to strike the US coastline during the 2009 Atlantic season. He said the greatest risk this year may be to the US East Coast but a storm in the Gulf of Mexico could not be ruled out. He forecast three of the storms striking the US coast to be hurricanes with one major hurricane packing winds of at least 111 miles/hour, rated as a category 3.

Merrill Lynch revised up its 2009 Brent forecasts to \$52/barrel from \$50/barrel on tighter than expected oil market balance heading into the second half of 2009. It is however lowering its 2010 WTI and Brent crude price forecasts from \$70/barrel to \$62/barrel. It said in a market with abundant spare capacity and a tightening balance, the pronounced crude contango could lead to backwardation or at the very least a flat curve. It believes that the term structure of WTI and Brent crude prices will continue to flatten from here. It estimates that non-OPEC supply will remain relatively flat on the year at 50.5 million bpd. It reported that from a peak of 30.3 million bpd, OPEC-11 crude oil production has fallen by 4.9 million bpd to about 25.4 million bpd.

The World Bank cut its forecast for China's economic growth in 2009. It said the country remained in good shape to continue expanding despite the world economic crisis. It cut its forecast growth rate from 7.5% to 6.5% due to falling demand for exports. It said the fall in trade will affect investment and job growth. However China should still grow faster than other economic powers due to the government stimulus package and strong banks.

DOE Stocks

Crude – up 2 million barrels

Distillate – up 100,000 barrels

Gasoline – up 3.2 million barrels

Refinery runs – down 0.6%, at 82.1%

industry investment in future production capacity. He warned of a possible catastrophic energy supply shortage without prompt investment. Separately, an OPEC delegate said Saudi Arabia is pumping just under 8 million bpd of oil in March.

Some OPEC members have limited their oil price targets in 2009 due to the weakness in the world economy, despite

OPEC's belief that higher prices are needed to support investment in new supplies. Algeria and Libya said they expect oil prices to reach \$60/barrel by the end of the year. Algeria's Oil Minister Chakib Khelil said the G20 nations need to regulate speculation in oil markets to prevent another speculative bubble. He also said investments in the oil industry should be secured because growth is bound to resume. The head of Libya's OPEC delegation, Shokri Ghanem said OPEC may not need to make further output cuts at its May 28 meeting if market conditions remain favorable. He expects oil demand and the price of oil to increase towards the end of the year as stimulus measures take effect on the world economy.

Separately, Iran's Oil Minister Gholamhossein Nozari said Iran is adhering to its implied output target under OPEC's existing output cuts. He said secondary estimates of Iran's February output, which put it some 250,000 bpd above its target, are incorrect. He also stated that an uncertain outlook for oil demand is threatening OPEC's investment in projects to bring more oil stream and avoid another price increase. He added that \$40/barrel is not a high enough price to develop oil fields. Venezuela's Oil Minister Rafael Ramirez said oil prices need to reach at least \$70/barrel to sustain investments needed to guarantee the growth in OPEC production capacity.

The IEA's Executive Director Nobuo Tanaka said while demand for oil may decline further than previously estimated, the energy sector remains central to worldwide efforts to counter the economic crisis. He also warned that the IEA's oil demand outlook may soon be due for another downward revision.

US Interior Secretary Ken Salazar said oil and gas will remain a central part of the country's energy supply and that the Obama administration will not abandon hydrocarbons amid its plans to achieve energy independence.

According to the API, US oil and petroleum product demand in February fell by 3% on the year to 19.193 million bpd. Gasoline demand in February increased by 179,000 bpd or 2% to 9.021 million bpd while distillate demand fell by 510,000 bpd or 12% to 3.741 million bpd. Jet fuel demand in February fell 6.6% to 1.435 million bpd and residual fuel demand increased by 36.4% to 753,000 bpd. On the supply side, US crude oil production increased by 5.5% to 5.32 million bpd. Crude oil and product imports averaged 12.382 million bpd, down 1.8% on the year due to record production of gasoline and distillate fuel.

Refinery News

Energy Security Analysis Inc reported that refinery runs in the US and Europe should remain low over the next six months as distillate prices remain weak. US refinery utilization rates should be rising after March. It expects a 300,000 bpd year on year decline in US throughput levels to 14.7 million bpd in the next six months, with New York Harbor refining margins averaging \$8.30/barrel during the period, down from \$8.80/barrel a year ago. It estimates throughput in Europe will fall to 11.8 million bpd in the next six months, March through August, down about 680,000 bpd from a year ago.

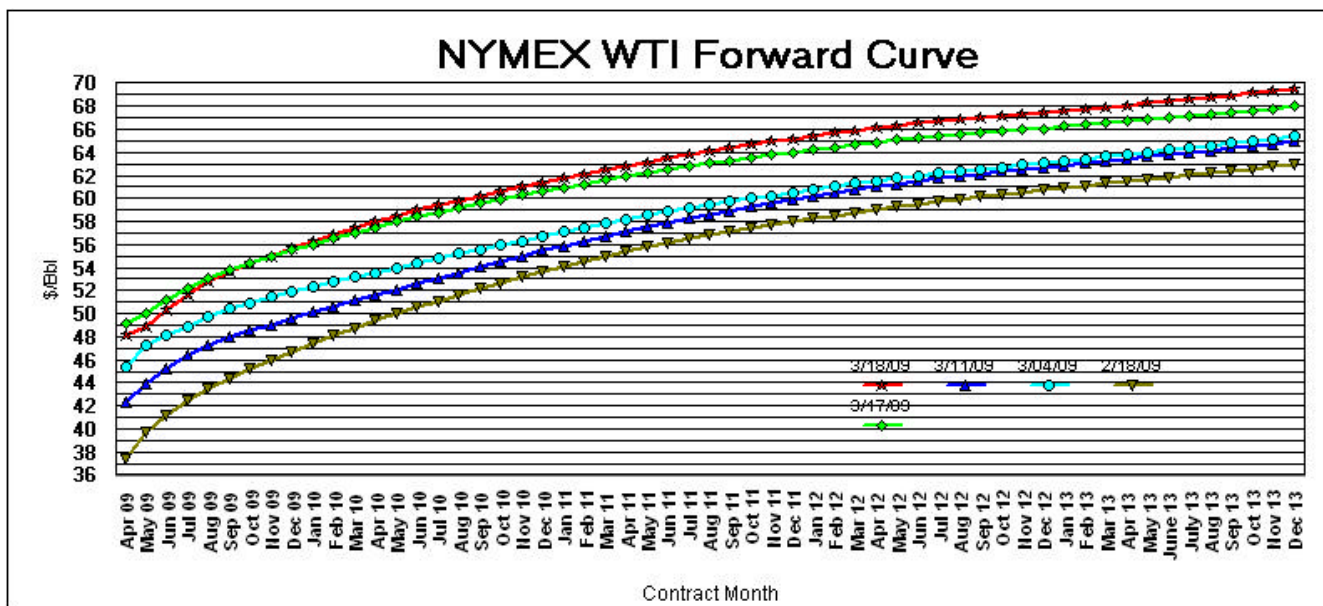
Valero Energy Corp expects to restart a 110,000 bpd crude unit and a 63,000 bpd vacuum unit at the east plant of its Corpus Christi, Texas

March Calendar Averages

CL – \$45.33

HO – \$1.2044

RB – \$1.3362



refinery later Wednesday or early Thursday.

Motiva Enterprises will delay the target date for completing a \$7 billion expansion of its Port Arthur, Texas refinery by more than a year. The project should be finished by the first quarter of 2012 compared with its previous plan to complete the expansion by late 2010.

Workers at Total's Gonfreville refinery started a strike on Wednesday over planned job cuts with staff at five other refineries expected to join the action in Thursday's general strike day.

According to the Petroleum Association of Japan, the country's crude stocks in the week ending March 14th fell by 2.09 million barrels on the week but increased by 400,000 barrels on the year to 97.67 million barrels. It reported that gasoline stocks built by 510,000 barrels on the week but fell by 50,000 barrels to 14.22 million barrels. It increased to its highest level in nearly nine months as production increased about 10% to 1.2 million kiloliters. PAJ also reported that Japan's kerosene stocks fell by 950,000 barrels on the week but increased by 1.22 million barrels to 11.9 million barrels while naphtha stocks fell by 310,000 barrels on the week to 10.85 million barrels. Japan's refinery utilization fell by 3.8% on the week and by 10.5% on the year to 78.4%. Crude runs fell by 180,000 bpd on the week and by 510,000 bpd on the year to 3.84 million bpd. Separately, Japan's Oil Information Center reported that the country's retail price of gasoline increased by 0.3 yen to 111.4 yen/liter or \$4.28/gallon in the week ending March 16th.

Korea Customs Service reported that South Korea's oil product exports fell in February to \$1.5 billion from a record high of \$4.9 billion in July last year.

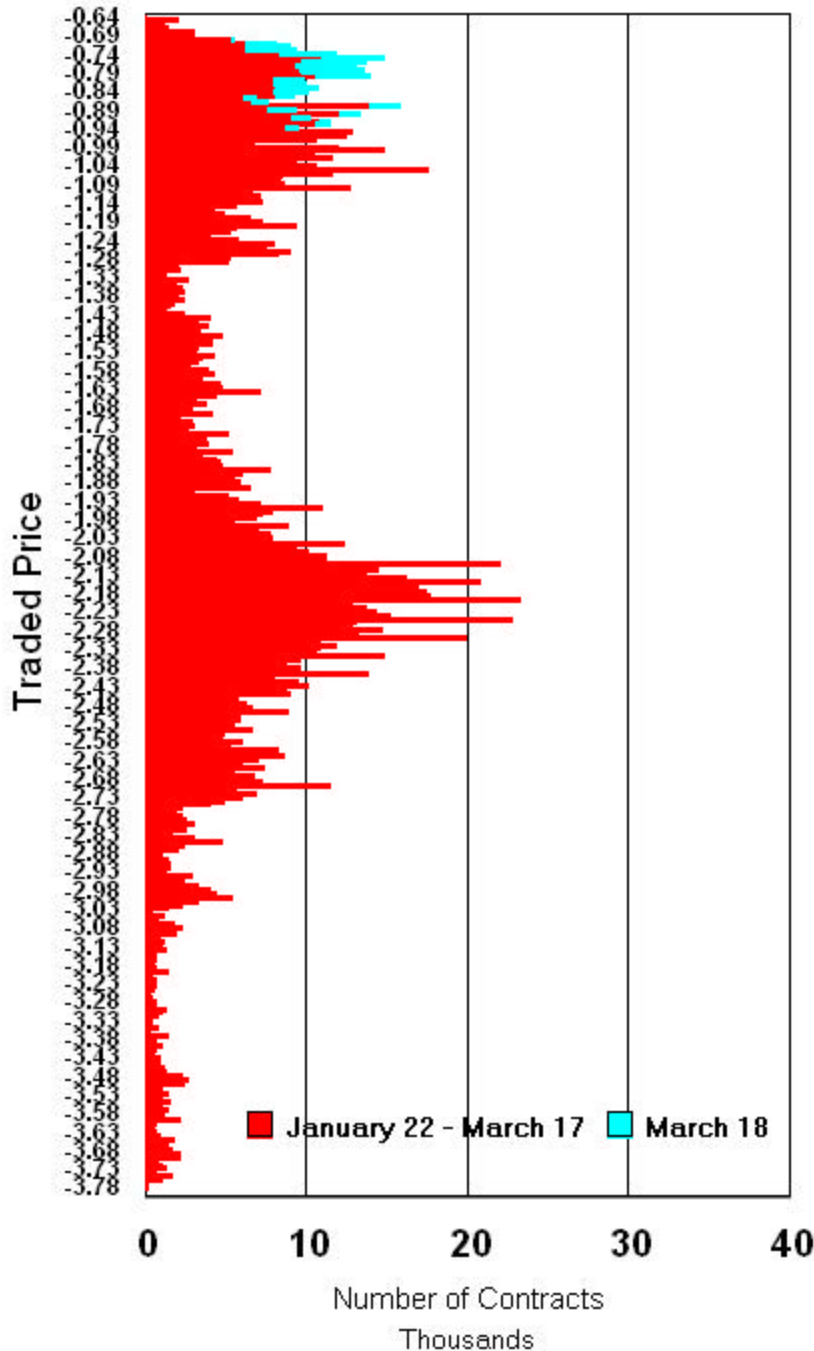
Independent refiners in eastern China's Shandong province are hoping for greater access to crude oil despite years of unsuccessful appeals, as China's fuel taxes increase feedstock costs. The teapot refineries have thrived in the past mainly by processing fuel oil, although they were restricted in efforts to run more profitable crude oil. They hope the central government will lift curbs on processing imported crude and allow 10 million tons of crude oil imports into the province.

Production News

Iraq's Oil Minister Hussain al-Shahristani said Iraq is aiming to produce 100,000 bpd of oil from its Nassiriya oilfield within 18 months. Spain's Repsol, Italy's ENI and Japan's Nippon Oil are competing to develop the field. Iraq has issued a tender to foreign oil companies to drill 30 wells in three oilfields in the southern province of Maysan. The offer for the Halfaya, Noor and Abu Gharab fields closes on

NYMEX WTI: April May Spread Price Vs Volume for January 22 - March 18, 2009

Trade Weighted Avg 3/16 -0.81, 3/17 -0.78, 3/18 -0.80



April 15. He said Iraq may reach an oil production capacity of 6 million bpd earlier than planned. Iraq's Oil Minister said the country requires an investment of \$50 billion over the next six years to reach its target. He also stated that Iraq needs higher oil prices to balance its budget. Iraq's budget is based on a price for its oil of \$50/barrel.

Nigeria's Oil Minister Rilwanu Lukman said the country's oil production is running at about 2 million bpd. He said about 1 million bpd of production is shut in due to technical reasons and militant attacks in the Niger Delta.

Angola's Oil Minister Jose Maria Botelho de Vasconcelos said his country has an oil output capacity of 2.1 million bpd. He also said Angola has no oil projects that are currently delayed. Meanwhile, Angola is set to export about 1.67 million bpd of crude in May, up from 1.65 million bpd in April.

Mexico's proven oil reserves fell by 2.7% in 2008 to 14.3 billion barrels of oil equivalent, according to President Felipe Calderon. He said Mexico found 1.5 billion barrels of oil and natural gas in 2008, up 41% in 2007.

OPEC's news agency reported that OPEC's basket of crudes increased to \$44.71/barrel on Tuesday from \$43.05/barrel on Monday.

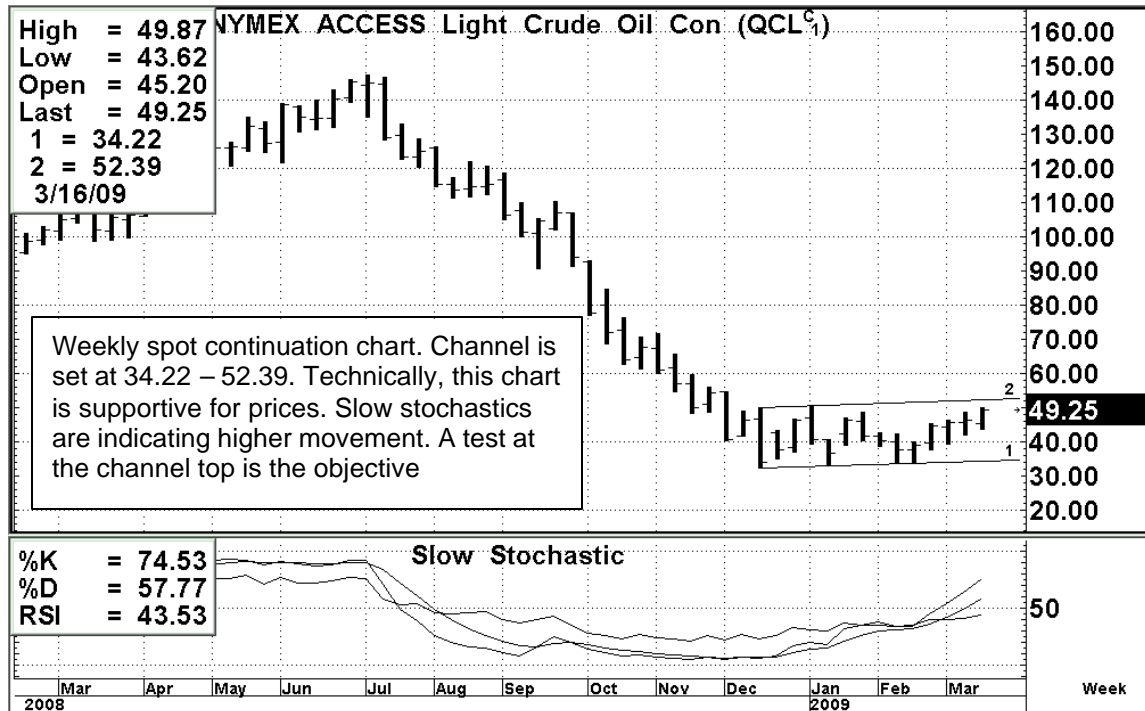
Market Commentary

This week's release of the DOE inventory numbers halted two days

worth of gains for crude oil, gasoline and heating oil. Crude oil stocks increased by 2 million barrels, gasoline stocks increased by 3.2 million barrels and distillate stock levels increased by 100,000 barrels. Stockpiles at Cushing, Oklahoma, where New York-traded West Texas Intermediate crude oil is delivered, increased 368,000 barrels to 33.9 million barrels last week, the Energy Department said. Supplies in the week ended Feb. 6 were the highest since at least April 2004, when the department

began reporting on supplies at the location. Fuel demand fell 0.6% last week to 18.8 million barrels a day, the lowest since the week ended Jan. 9. Total daily fuel demand over the past four weeks was 19.1 million barrels, down 3.2 percent from a year earlier. While all of this paints a bearish picture and prices initially reacted with a sell-off, a weak dollar sent investors into the market as an investment tool, bringing crude oil and heating oil back above unchanged late in the session. The shape of the forward curve is still indicative of an oversupplied market. With spare capacity at Cushing, OK said to be around 45.7 million barrels, this may provide support for the front crude spread. Technically speaking, this market appears to have more room to the upside. Basis a weekly spot continuation chart, prices have been trending within the slightly ascending channel since mid December. Given the current inventory scenario and the current economic situation, we would not look for prices to sustain enough strength to breakout of this channel. Failed attempts to penetrate this channel will provide selling opportunities. The margin profit for cracking three barrels of crude oil into two barrels of gasoline and one barrel of heating oil continues to loose value, making it less attractive for refiners to run crude oil through their refiners. At this point, we believe a struggle will occur between demand, product shortage and OPEC cuts. OPEC still has some 800,000 barrels left to cut but must treat this situation delicately, given the global economic situation. We would look for this crack spread to succumb to further pressure as May crude oil becomes the spot month.

(CL) APR.09 69,903 -24,151 MAY.09 327,664 +4,527 JUN.09 160,876 -2,552 Totals: 1,197,113 -18,761 Heating oil APR.09 35,947 -1,882 MAY.09 52,888 +687 JUN.09 40,460 -304 Totals: 267,784 -743 NEW YORK HARBOR RBOB APR.09 36,368 -1,887 MAY.09 66,445 +4,424 JUN.09 28,310 -7 Totals: 205,255 +3,402



Crude Support	Crude Resistance
41.00,40.00,38.95, 32.25, 29.66, 28.63, 26.65, 25.50	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	142.50, 1.4400, 1.4760