



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 18, 2009

Iran's envoy to the UN's IAEA, Ali Asghar Soltanieh denied saying Iran was ready to hold talks with the West on its nuclear program without preconditions.

State television had earlier quoted the official as saying "negotiations without

preconditions is Iran's main stance on the nuclear issue."

US President Barack Obama has given Iran until September to take up an offer by world powers of talks if it freezes uranium enrichment or face harsher sanctions.

Market Watch

Hurricane Bill, the first hurricane of the 2009 Atlantic season continues to strengthen. The now Category 2 hurricane should continue to intensify as it moves over warmer water for the rest of the week. It should also encounter very favorable upper-level wind flow. The drier air that weakened Ana is no longer a problem in this area of the Atlantic Basin. These favorable conditions should allow Bill to become a Category 3 hurricane on Wednesday and possibly Category 4 hurricane by the end of the week. Most computer models show the upper level high north of the hurricane splitting, creating a weakness. The weakness will cause Bill to track on a more northwest, then more northerly course late this week and this coming weekend. If this happens, Bill will not be a threat to the US but could become a major threat to Bermuda. Meanwhile Ana was downgraded to a tropical wave Monday evening. There is still a slight chance however that remnants of Ana could reorganize over the eastern Gulf of Mexico on Wednesday night and Thursday.

In economic news, the Labor Department said the produce price index for finished goods fell 0.9% in July. The index's July decline put the PPI down 6.8% from its level a year ago. The core PPI, which excludes food and energy, fell 0.1% in July. Energy prices posted a 2.4% decline last month, led by an 11.9% decline in heating oil prices and a 10.2% decline in gasoline prices.

The Commerce Department said housing starts fell 1% to a seasonally adjusted level of 581,000 annual rate compared to the prior month. Building permits in July fell 1.8% to a 560,000 annual rate.

The chairman of the Commodity Futures Trading Commission said it is considering limiting energy positions in an effort to restrict speculation. He said position limits help protect the markets from highly concentrated positions that can be distorting in difficult periods.

Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, said the alleged extrajudicial execution of a civilian by the military was putting a ceasefire in jeopardy. It said such action can jeopardize the current ceasefire if repeated.

API Stocks

Crude – down 6.134 million barrels

Distillate – up 1.529 million barrels

Gasoline – down 847,000 barrels

Refinery runs – up 0.9%, at 83.2%

Refinery News

ConocoPhillips will shutdown a wet gas compressor at its 124,000 bpd Borger refinery in Texas for maintenance from

August 18th-21st. The maintenance shutdown will also involve Unit 40 Fluid Catalytic Cracker.

Tesoro Corp said its 60,000 bpd refinery in Mandan, North Dakota is beginning the restart process Tuesday after it was shut due to the loss of steam and electricity.

August Calendar Averages
CL – \$70.17
HO – \$1.8954
RB – \$2.0208

ConocoPhillips reported an upset at its 153,000 bpd Borger, Texas refinery on Monday. The upset resulted in excess emissions at the refinery on Monday morning.

India's Reliance Industries Ltd has started an 85,000 bpd alkylation unit at its new 580,000 bpd refinery in western Gujarat state.

Oman is scheduling major maintenance in early 2010 at its 116,000 bpd Sohar refinery to repair pipeline corrosion. The refinery is scheduled for a complete shutdown for up to 40 days in the first quarter of 2010.

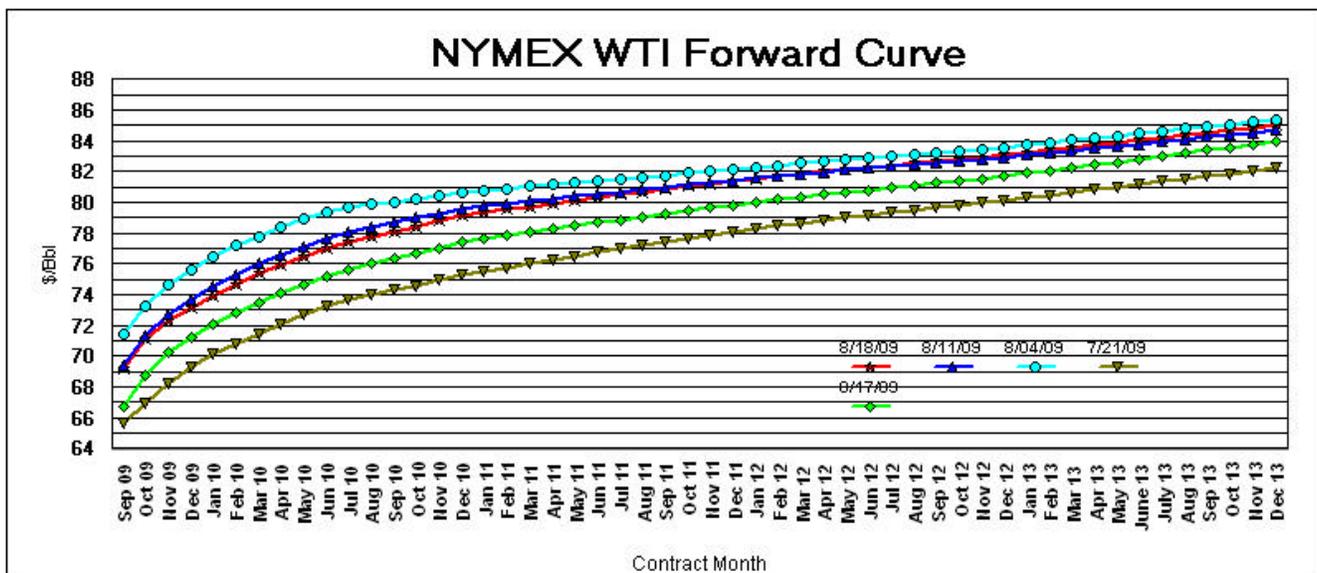
Exxon Mobil Japan group refinery TonenGeneral Sekiyu KK said it plans to increase its middle distillate export capacity further by the end of the next year, expanding it by over 30% of the current volume. The company's total oil product exports increased by 14.6% to 2.683 million kiloliters or 93,000 bpd in the January-June period from a year earlier.

France's Total has signed a deal to lease fuel storage at the UAE's port of Fujairah as it seeks to expand its fuel oil business into East Africa. Total signed a lease to take between 75,000-100,000 cubic meters of storage for residual fuel oil.

Production News

Husky Energy Inc expects to wrap up scheduled maintenance on its 74,000 bpd White Rose oil field in the Atlantic Ocean off the coast of Newfoundland by the end of the week. The four week shutdown was for scheduled maintenance and to add equipment to tie in the 70 million barrel North Amethyst field to increase production from White Rose.

Angola is scheduled to export 62 cargoes or 1.90 million bpd of crude in October, once again exceeding its OPEC quota of 1.517 million bpd. The October scheduled exports figure is the highest monthly rate since December 2008. Angola is scheduled to export 1.85 million bpd of crude in September.



Russia's oil production has increased this year, against expectations, however industry participants and analysts believe Russia is postponing an inevitable decline in production. Russia's oil firms have cut investment programs following a decline in crude prices from last year's record highs but have been able to produce more from maturing fields in Siberia. Industry analysts believe that this may prove unsustainable, with a steep drop in drilling this year pointing to lower production ahead. In total, Russian oil producers pumped 77,000 bpd or 0.8% more in the first seven months of the year than in the same period of 2008. Six new Russian fields launched late last year produced a combined 400,000 bpd, helping to lift total volumes. However the new fields have already reached peak capacity and are now starting to slowly decline, while lower drilling activity could affect output as soon as next year.

Indonesia's BPMIGAS said the country plans to sell up to 5 million barrels of crude oil from its stockpile to compensate for declining production this year. It has a stockpile of about 12 million barrels of crude in several different production areas. Indonesia's average January-July oil and condensate production was 950,600 bpd, below a budget lifting target of 960,000 bpd.

China National Petroleum Corp said it has signed a memorandum of understanding with Abu Dhabi National Oil Co to cooperate in crude oil trading, shipping and storing. It did not give further details. CNPC signed a service deal with International Petroleum Investment Co of the UAE in December to build a 1.5 million bpd crude pipeline from Habshan oilfield in Abu Dhabi to the Fujairah port in the UAE.

OPEC's news agency reported that OPEC's basket of crudes fell by \$3.10 to \$68.04/barrel on Monday from \$71.14/barrel on Friday.

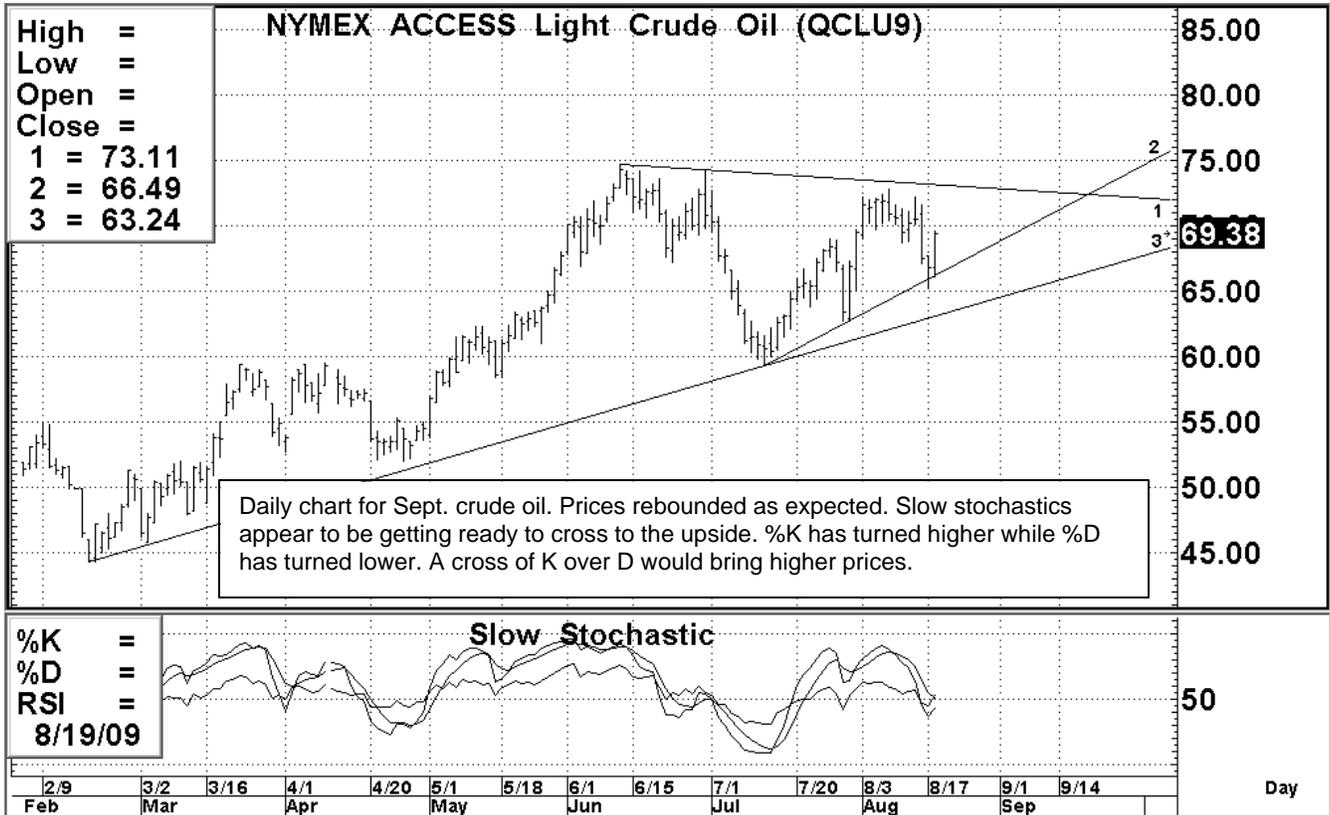
Market Commentary

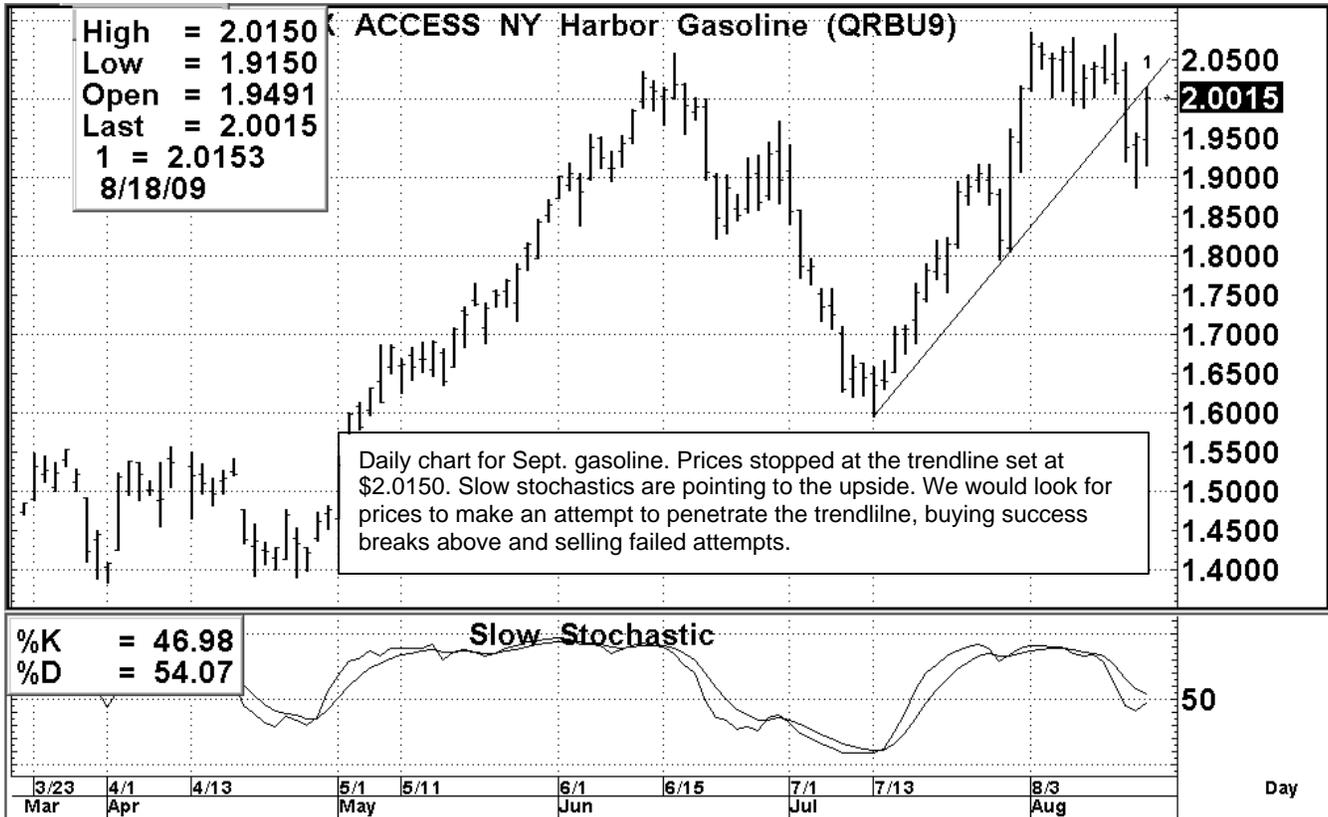
Crude oil surged over \$2.00 higher today, as U.S. equities rose and the dollar grew weaker. Housing starts in the U.S. particularly single-family homes were up 1.7% in July, providing an extra boost to this market. Oil has been mirroring that of the stock market, as it serves to reflect future demand. When the stock market falls off, the true fundamentals of this market kick in. Hurricane Bill has had maximum sustained winds of 105 mile per hour according to the U.S. National Hurricane Center. This storm is heading towards Bermuda, away from the Caribbean and Gulf of Mexico, where offshore oil fields responsible for 24% of U.S. oil last year are located. Both products moved higher as well, as thoughts of increasing demand circulated the market place. The September gasoline contract fell shy of the trendline set at \$2.0153. Coming into tomorrow's session and based on technicals, we would look for gasoline to trade above the aforementioned trendline working towards initial resistance set at 2.0400.

Crude Oil (SEP.09 64,996 -41,785 OCT.09 238,805 +8,379 NOV.09 112,387 +1,981 DEC.09 163,242 -1,677 JAN.10 41,097 +926 FEB.10 30,398 +385 Totals: 1,163,730 -25,627 Heating Oil (SEP.09 44,582 -1,137 OCT.09 58,135 +473 NOV.09 33,427 +353 DEC.09 42,721 -234 JAN.10 22,600 +179 FEB.10 15,529 +21 Totals: 310,600 - 347 Harbor RBOB SEP.09 60,784 -4,852 OCT.09 63,065 +2,489 NOV.09 30,674 +157 DEC.09 29,090 +172 JAN.10 12,365 +28 FEB.10 3,981 +103 Totals: 225,441 -1,394

The API reported an unexpected draw in crude stocks of 6.134 million barrels on the week, with a draw of 6.283 million barrels in Padd 3 alone. Total crude stocks are up 10.3% on the year. It reported the draw in crude stocks as crude imports fell by 1.027 million bpd to 8.876 million bpd. Meanwhile distillate stocks saw a larger than expected build of 1.529 million barrels on the week. It reported the build as imports increased by 75,000 bpd to 239,000 bpd while production increased by just 4,000 bpd to 3.944 million bpd. Apparent demand however increased by 2.3% on the week to 3.965 million bpd while apparent demand basis its three week moving average fell by 3.2% to 4.056

million bpd. Gasoline stocks fell by 847,000 barrels on the week as production fell by 99,000 bpd or 1.1% on the week to 8.844 million bpd. It reported the draw in stocks despite the fall in apparent demand of 2.3% to 9.267 million bpd and a fall in apparent demand basis its three week moving average of 1.3% to 9.317 million bpd.





Crude Support	Crude Resistance
66.75, 63.38, 62.70, 61.61, 60.95,	70.00, 71.60 73.08. 73.38, 74.50, 76.13
Heat Support	Heat resistance
1.7340, 1.4220, 1.4130, 1.3720	2.0000, 2.0420, 204.65
Gasoline support	Gasoline resistance
1.9100, 1.8845, 1.8450, 1.7989, 1.7895, 1.5887, 1.5370, 1.5260, 1.3560, 1.3400,	2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350

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