



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 26, 2009

Iran's OPEC Governor, Mohammad Ali Khatibi said Iran will seek to discuss how to address an expected surplus in oil when OPEC meets on September 9th in Vienna. Demand for oil produced by OPEC is expected to be about 28 million bpd in the first quarter of 2010, which suggests a supply surplus if OPEC production remains at current levels. Separately, Qatar's Oil Minister Abdullah bin Hamad Al Attiyah said OPEC will likely keep its output quotas unchanged at its September meeting.

Market Watch

The US National Hurricane Center said Tropical Storm Danny formed on Wednesday east of the Bahamas. The storm is expected to strengthen into the season's second hurricane later in the week. Several forecast tracks so far show Tropical Storm Danny remaining east of the US and away from Gulf Coast oil and gas production. Accuweather said the system could impact the East Coast late Friday into the weekend.

According to the Commerce Department, demand for durable goods rebounded sharply in July, with the largest gain in two years due to large orders for plans and capital goods. Manufacturers' orders for durable goods increased by 4.9% in July to a seasonally adjusted \$168.43 billion. Overall durable goods orders for June were revised up, estimated to have declined by 1.3% instead of the 2.2% decline previously reported.

Separately, the Commerce Department said sales of single-family homes increased by 9.6% to a seasonally adjusted annual rate of 433,000 compared to the prior month. However year on year, July new home sales were still down 13.4%. June new home sales were revised up to annual rate of 395,000, up 9.1%. The median price for a new home was \$210,100 in July, down 11.5% from \$237,300, the same month a year ago.

Venezuela's Oil Minister Rafael Ramirez said world oil inventories are too high. He added that he did not expect OPEC to raise output at its meeting next month. He said oil could reach an average of \$70/barrel by year end if current conditions hold and could increase to as high as \$75/barrel in the last three months of the year.

DOE Stocks

Crude – up 128,000 barrels
Distillate – up 767,000 barrels
Gasoline – down 1.7 million barrels
Refinery runs – up 0.1%, at 84.1%

Nigeria's Oil Minister Rilwanu Lukman said the country would like to see oil prices remain at between \$70-\$80/barrel and will not push for production changes when OPEC meets in September. Nigeria is producing about 1.7 million bpd, up from 1.2 million bpd at the height of violence in the Niger Delta.

AAA reported that the number of Americans traveling by car

over the September 3-7 Labor Day holiday weekend will fall 11.8% from a year earlier. It said 39.1 million Americans will travel 50 miles or more over the holiday period, down 13.3% or 6 million from a year ago. It expects the US price of gasoline to average \$2.60/gallon.

August Calendar Averages
CL – \$71.04
HO – \$1.8936
RB – \$2.0167

Refinery News

Colonial Pipeline Co placed a fourth consecutive limit on gasoline deliveries along the eastern seaboard to the northeast due to increased demand for line space. The Capacity Allocation Program was enacted on 50th cycle nominations for shipment through its Line 01 gasoline mainline because volumes exceed the company’s ability to meet a five day lifting cycle.

Valero Energy Corp plans to keep its 235,000 bpd Aruba refinery shut indefinitely due to poor economics. Valero shut the refinery in July for what was planned to be a shutdown lasting between two and three months.

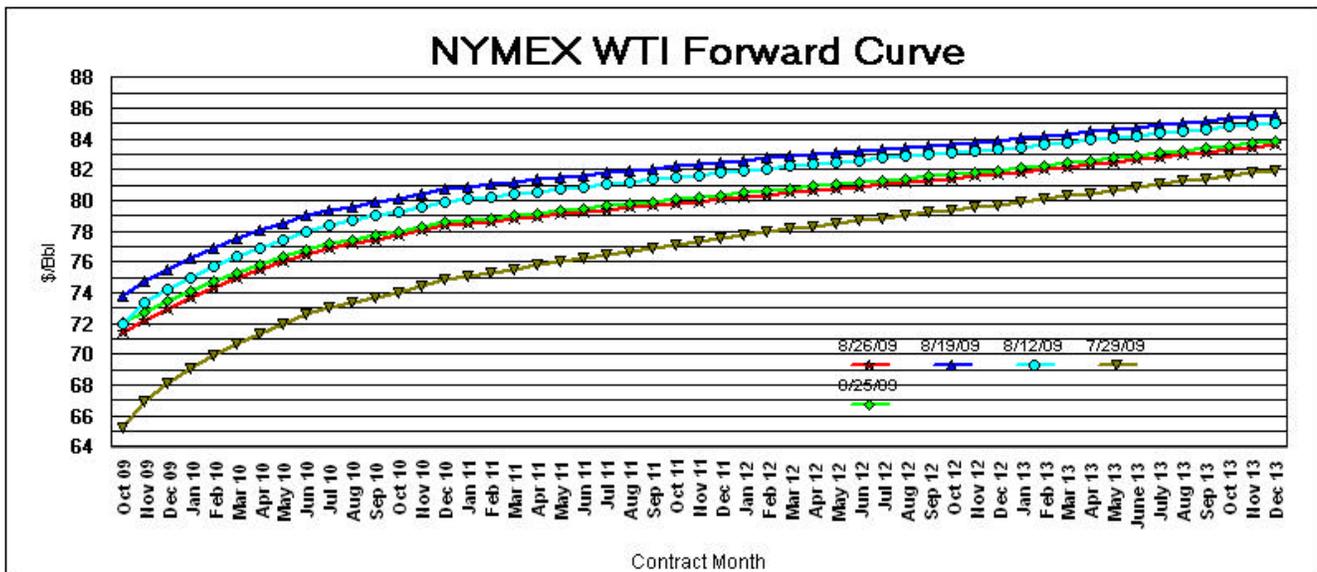
Pasadena Refining said a storm related power outage on August 21st caused some damage to its 100,000 bpd Texas refinery including a control card to its fluid catalytic cracking unit. The unit is operating on a backup system but added that the replacement of the card later on Wednesday could cause a brief shutdown of the unit.

ExxonMobil Corp said a hydrocracking unit was in restart at its 348,500 bpd Beaumont, Texas refinery following an unplanned emergency shutdown on Tuesday. Meanwhile, ExxonMobil Corp said the process unit at its 149,500 bpd Torrance refinery in Los Angeles that was shut unexpectedly on Tuesday was in the process of returning to service.

Separately, ExxonMobil Corp will shut a fluid catalytic cracking unit at its 326,000 bpd Fawley refinery in southern England for the month of September for planned maintenance.

Saudi Aramco and Royal Dutch Shell plans to upgrade their joint venture refinery and add new units to meet environmental standards. The 305,000 bpd Sasref refinery will upgrade its Super Claus units, build a new off-gas treating unit, a sour water stripper and other support utilities. The refinery is on schedule to operate an ultra low sulphur diesel unit in October. The unit is expected to produce about 90,000 bpd ultra low sulphur diesel.

An official from the National Iranian Oil Products Distribution Co said Iran will halt its diesel exports



starting in September as it starts to build inventories ahead of the peak demand period starting in the autumn. Iran has been exporting up to 450,000 barrels/month since the end of the second quarter.

Japan's Ministry of Finance reported that the country's customs cleared crude imports fell by 12.7% on the year to 17.705 million kiloliters or 3.59 million bpd in July. It was the ninth consecutive decline. Meanwhile Japan imported 5.384 million tons of liquefied natural gas last month, down 11.2% on the year.

The Petroleum Association of Japan reported that Japan's crude oil stocks in the week ending August 22nd fell by 720,000 barrels on the week and by 730,000 barrels on the year to 96.67 million barrels. Japan's gasoline stocks fell by 110,000 barrels on the week and by 730,000 barrels on the year to 11.94 million barrels while kerosene stocks built by 550,000 barrels on the week but fell by 2.28 million barrels on the year to 18.25 million barrels. Crude runs increased by 50,000 bpd on the week but fell by 340,000 bpd to 3.76 million bpd. Japan's total oil product sales fell by 7.4% on the week and by 7% on the year to 2.54 million bpd.

Production News

According to the Aberdeen Petroleum Report, UK oil production in May fell by 3.1% on the month to 1.365 million bpd.

A preliminary export schedule shows that Russia's seaborne oil exports from Black Sea and Baltic Sea ports in September are likely to fall in comparison with August. The port of Novorossiisk will load 912,000 bpd in September while exports from Russia's Baltic Sea port of Primorsk will fall to 1.49 million bpd, down 4.5% from 1.56 million bpd in August. September shipments through the Ukrainian Black Sea port of Yuzhny will fall by 26% to 98,000 bpd while exports from Odessa will fall by 61% to 24,000 bpd.

Japan's Nippon Oil Corp and Inpex Corp said they have not yet reached an agreement on the development of Iraq's Nassiriyah oil field. The statement came after Japanese media reported that the two sides had reached a basis accord and will soon come to a final agreement.

Nigeria has raised its official selling price for September Bonny Light and Qua Iboe crudes to dated Brent plus \$1.35, up from dated plus \$1.00 in August.

Indonesia's PT Pertamina Hulu Energi has increased its crude oil output from the offshore North West Java Block by an average 4,000 bpd since acquiring a stake in the block last month. At one point, its daily peak output was 26,000 bpd.

Russia is aiming to produce up to 3.93 billion bpd of oil by 2030 and aims to increase its annual gas production to between 880 billion and 940 billion cubic meters.

OPEC's news agency reported that OPEC's basket of crudes fell to \$71.71/barrel on Tuesday from \$72.89/barrel on Monday.

Market Commentary

Crude oil suffered its second straight loss as the dollar strengthened and commodities lost their appeal as a financial hedge. Inventories showed a modest increase of 128,000 barrels to 343.8 million barrels; a decrease of 1.15 million barrels was expected. One unfelt supportive factor was an increase in new home sales in the U.S, which jumped by 9.6 percent, the most since February 2005. An increase in new home sales is a sign that the economy is turning and should also increase employment and the demand for fuel. The October contract is still shaking out some weak longs with yesterday's failure to trade above the \$75.00 level. For now we would continue to buy and sell against

the listed support a resistance numbers. Should the October contract trade above \$75.00, we would add to any length or put on new length

Crude Oil OCT.09 267,930 -4,491 NOV.09 131,470 +1,469 DEC.09 163,674 +3,047 JAN.10 38,762 +273 FEB.10 28,723 +326 MAR.10 23,069 +870 Totals: 1,159,096 +2,436 Heating SEP.09 24,362 -5,027 OCT.09 68,646 +1,047 NOV.09 36,114 -14 DEC.09 45,368 +152 JAN.10 24,035 +29 FEB.10 16,315 +308 Totals: 313,857 -3,121 Harbor SEP.09 25,374 -9,557 OCT.09 79,231 +3,448 NOV.09 33,476 +407 DEC.09 32,441 +648 JAN.10 14,600 +375 FEB.10 4,202 -145 Totals: 217,791 -4,466

Crude Support	Crude Resistance
69.44, 66.75, 63.38, 62.70, 61.61, 60.95,	75.00, 76.13
Heat Support	Heat resistance
1.7340, 1.4220, 1.4130, 1.3720	2.0420, 204.65
Gasoline support	Gasoline resistance
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