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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 28, 2009

US State Department said the latest report on Iran's nuclear activities by the IAEA shows Iran continues to defy the international community and to enrich uranium. It said it slowed its nuclear expansion and met some demands for better monitoring but allegations of covert atom bomb research look credible and Iran must address them. The report will form the basis for talks on September 2nd to look into harsher UN sanctions against Iran over a uranium enrichment campaign.

Market Watch

The US National Hurricane Center is monitoring a tropical wave in the far eastern Atlantic Ocean that could strengthen into a tropical cyclone during the next 24 hours. The wave about 450 miles southwest of the Cape Verde Islands continued to show signs of organization and had a medium chance, about 30-50%, of becoming a tropical cyclone during the next couple of days. There are no forecast tracks for the tropical wave yet.

The Commodity Futures Trading Commission said it will not publish its expanded Commitments of Traders Report on Friday. It previously stated that it would issue updated reports, which detail the positions held by large traders in commodity futures markets by the end of August. The new reports would account for positions held by swap dealers from commodity producers and end users and separate hedge funds from other non-commercials.

The US Commerce Department reported that consumer spending in July increased 0.2% on the month, the third increase in as many months. Durable goods spending increased 1.3%. It showed that personal income was unchanged in July compared with June. The price index for personal consumption expenditures, excluding food and energy, increased by 1.4% on the year after rising by 1.5% in June. The core PCE increased by 0.1% in July compared to June after climbing 0.2% in June.

Frontline said it estimated that 40-45 Very Large Crude Carriers or about 10% of the world fleet is storing crude oil. The contango price structure has encouraged oil companies to store crude in tankers anchored at sea this year with a view to selling it for a profit later.

Brazil's President Luiz Inacio Lula da Silva is due on Monday to present changes to oil laws governing how energy companies can tap crude reserves deep under water off the country's coast. He wants to increase state control over the massive subsalt fields by changing the current concession regime to a production sharing system, creating a state fund for oil wealth and founding a new state-run energy holding firm.

According to the EIA, US oil demand in June fell by 4.7% or 916,000 bpd to 18.762 million bpd. It said demand in June was up 1.8% or 339,000 bpd from its previous estimate. For the first six months of 2009, revised demand averaged 18.652 million bpd, down 6.3% or 1.248 million bpd below a year ago. Gasoline demand posted its first year on year monthly increase in June since September 2007. It said gasoline demand averaged 9.224 million bpd, up 1.3% or 114,000 bpd from a year ago. US demand for distillate fuel averaged 3.55 million bpd in June, down 5.7% or 213,000 bpd from a year ago. In

August Calendar Averages

CL – \$71.20
HO – \$1.8902
RB – \$2.0197

regards to prices, it stated that the US average retail price of gasoline in June was \$2.631/gallon while the average retail price of diesel was \$2.529/gallon. Separately, the EIA also reported that US crude oil imports averaged 9.172 million bpd in June, up 2.7% from May but down 8.4% on the year. Crude imports in the first six months of the year averaged 9.335 million bpd, down 5% or 500,000 bpd on the year. Canada was the largest crude oil supplier to the US for the 40th consecutive month, with volumes averaging 2.001 million bpd in June, up 3% on the year. Venezuela was the second largest source of US crude oil imports in June, with 1.119 million bpd, down 8.9% on the month but up 3.1% on the year. Crude imports from Saudi Arabia averaged 902,000 bpd, down 94,000 bpd or 9.4% from May and 546,000 bpd or 38% on the year.

The EIA also reported that US daily ethanol production increased about 3.7% in June to 694,000 bpd, up from 669,000 bpd in May.

Refinery News

Colonial Pipeline allocated shipments of distillate fuels on its main line north of Collins, Mississippi for cycle 51 as demand for space exceeds capacity.

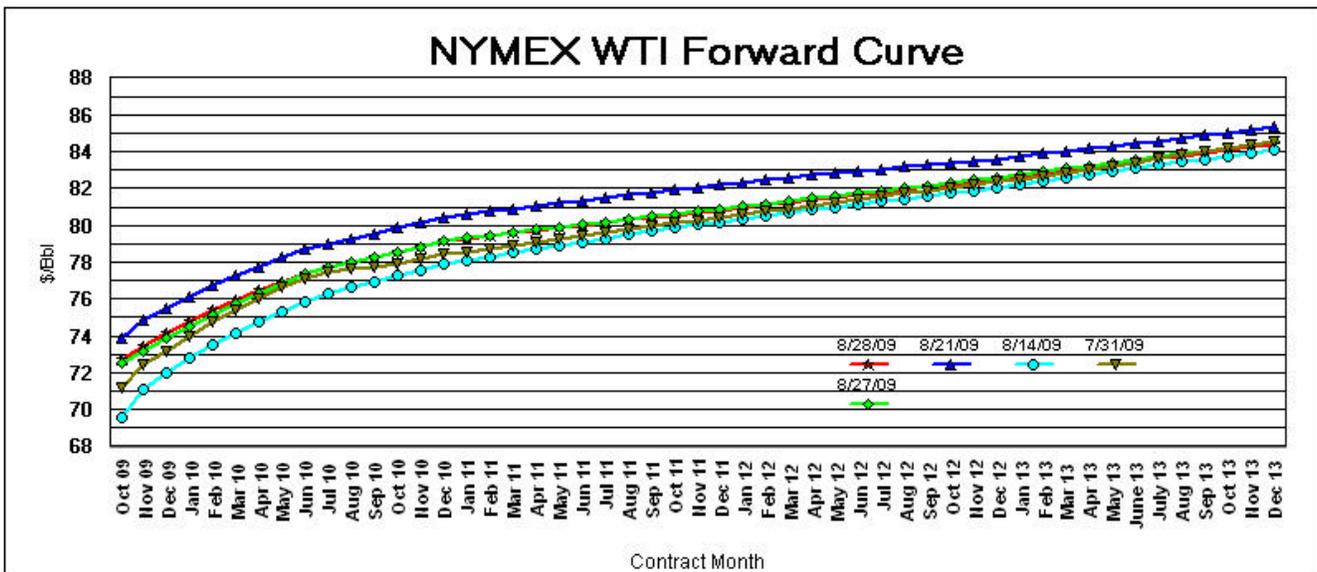
Operations at Marathon Oil's 76,000 bpd Texas City, Texas refinery were normal following a small leak in an alkylation unit.

Alon USA Energy Inc reported a sulfur recovery unit upset on Friday at its 67,000 bpd Big Spring, Texas refinery. Operational adjustments were made due to the upset in the unit during a thunderstorm.

Frontier Oil Corp said a 22,000 bpd reformer unit at its 130,000 bpd El Dorado, Kansas refinery was shut due to a fire early Thursday. A leak of highly flammable materials in the piping sparked a fire at one of the plant's two reformer units. The throughput at the refinery has not been affected by the fire.

Japan's Nippon Oil Corp shut its 41,000 bpd fluid catalytic cracking unit at its 340,000 bpd Negishi refinery in eastern Japan on August 26th for an inspection due to unstable operations. The unit is expected to restart on Monday.

Separately, Nippon Oil Corp will process 3.65 million kiloliters or 765,000 bpd of crude oil in



September, up slightly from 3.64 million kl last year. Its August refining volume for domestic demand was estimated at 3.74 million kl, up slightly from an initial estimate of 3.73 million kl.

Indonesia's Pertamina restarted an 83,000 bpd residual fluid catalytic cracking unit at its 125,000 bpd Balongan refinery following an unscheduled outage last week. The unit is operating at about 60% of capacity.

PetroChina is test running its new 200,000 bpd refinery in northwest Xinjiang region that is designed to process Kazakh crude and will run it at 70% of capacity in September. Once the new plant enters normal operation, PetroChina will switch off an existing 110,000 bpd crude unit at the same site, displacing some local Xinjiang crude oil to other domestic refineries in the region.

Caltex Australia Ltd will shut its 105,000 bpd Lytton refinery for about six weeks of planned maintenance in the next few days. It said the maintenance at Lytton will involve the diesel hydrotreater unit 1 and the benzene removal and reformer units.

Taiwan's Formosa Petrochemical Corp will shut an 84,000 bpd No. 2 residual fluid catalytic cracking unit for up to 10 days or repair work in early October, about 2 months after it was idled for 14 days due to mechanical problems. The unit was restarted from that outage on August 15th. It will also shut the No. 1 RFCC for about 25 days.

Crude oil imports by India's Reliance Industries increased more than 65% in July compared with June, including supplies from Venezuela and a cargo from Russia. Reliance imported about 1.08 million bpd of crude in July, up from about 910,000 bpd in June and about 650,000 bpd last year.

Production News

According to Baker Hughes, the number of rigs searching for oil and natural gas in the US, increased by 14 to 999, in the week ending August 28th. It reported that the number of rigs searching for oil increased by 6 to 286. The number of rigs searching for natural gas increased by 4 to 699 in the week ending August 28th, the sixth consecutive weekly gain.

Nigeria plans to export seven Brass River crude cargoes and five Erha crude cargoes in October, bringing its total exports for October to 69 cargoes or about 2 million bpd. The planned output for October will be slightly lower than September's 2.1 million bpd but still higher than its OPEC quota of 1.673 million bpd.

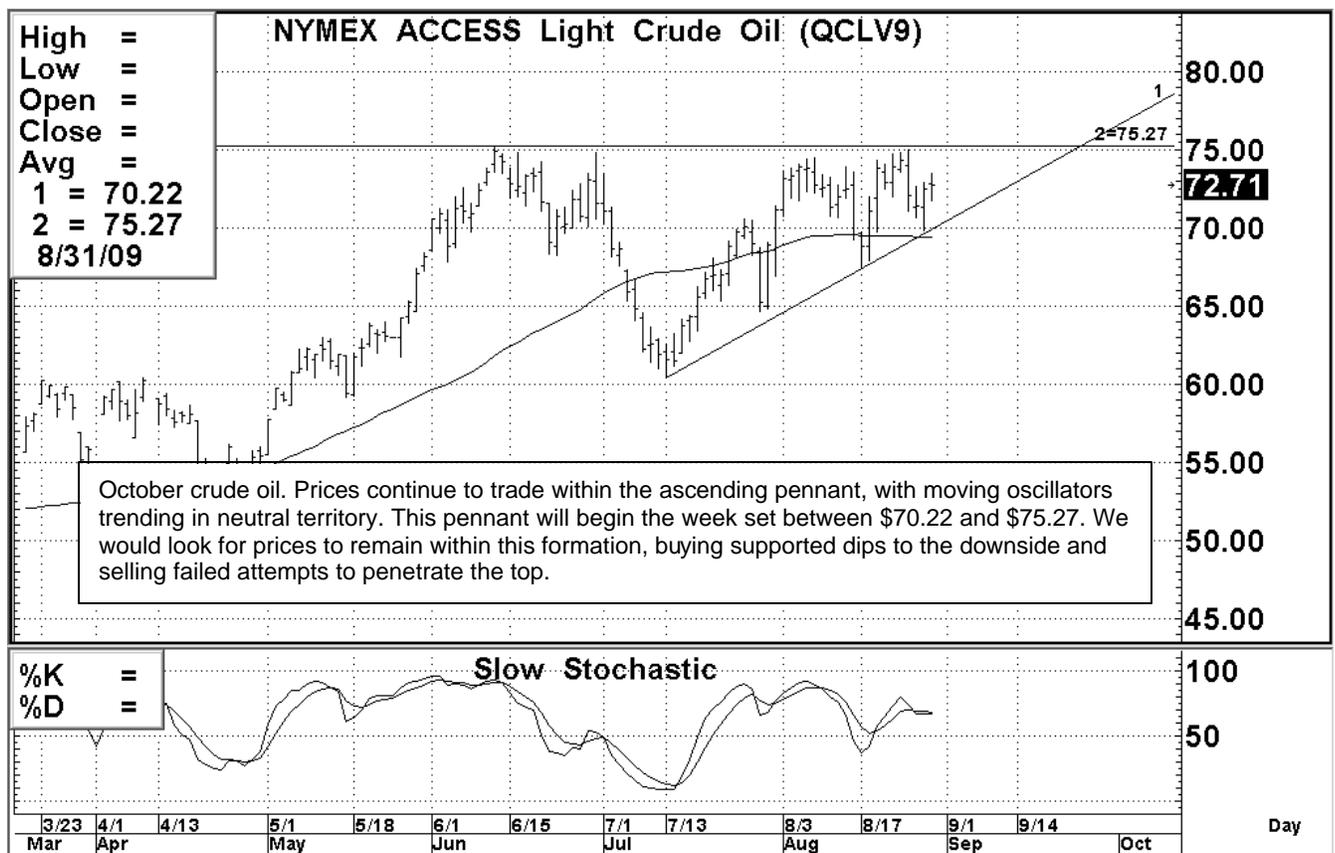
OPEC's news agency reported that OPEC's basket of crudes fell by 8 cents to \$70.36/barrel on Thursday from \$70.44/barrel on Wednesday.

Market Commentary

Crude oil experienced a choppy session as it responded to the equities markets, a less optimistic consumer confidence report and the movement of the dollar. Early session losses were followed by mid-session gains. An abundance of U.S. and global supply coupled with lack of increased interest in Asia has left this market short of definitive signs that the global economy is in recovery. Tropical Storm, Danny has weakened in the Atlantic, thereby removing the threat of supply disruptions and disturbances in the Gulf of Mexico. Technically, October crude oil continues to trade within the ascending pennant, with moving oscillators trending sideways in neutral territory. A strong cash market in the U.S. Gulf Coast gave strength to the futures market ahead of the U.S. Labor Day weekend, as there was a limited amount of product ahead of specification changes. Gasoline continues to try and hold onto late season strength, with the October contract settling up .0115 points on the day. Given the fact that the summer driving season is at its end and supply is still in abundance, we would look for the October contract to come under pressure.

Crude Oil OCT.09 254,897 -6,365 NOV.09 135,684 -371 DEC.09 162,343 -821 JAN.10 38,637 +381
 FEB.10 27,479 +3 MAR.10 26,498 +1,115 Totals: 1,152,088 -4,942 Heating SEP.09 12,619 -3,814
 OCT.09 68,053 +1,146 NOV.09 37,276 +389 DEC.09 47,164 +761 JAN.10 23,789 +65 FEB.10
 16,382 -353 Totals: 305,094 -1,053 SEP.09 12,702 -4,573 OCT.09 79,955 +2,643 NOV.09 35,486
 +919 DEC.09 31,014 -959 JAN.10 15,382 +295 FEB.10 4,782 +393 Totals: 208,967 - 759

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 16,834 contracts to 39,532 contracts in the week ending August 25th. The combined futures and options report also showed that non-commercials in the crude market increased their net long position by 21,382 contracts to 138,228 contracts on the week. It is the largest net long position since the week ending May 13, 2008, when funds were net long 139,477 contracts. The funds increased their total long position by 16,280 contracts to 238,673 contracts. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market cut their net long position by 856 contracts to 33,415 contracts while non-commercials in the RBOB market cut their net long position by 3,564 contracts to 47,887 contracts on the week.



Crude Support	Crude Resistance
69.44, 66.75, 63.38, 62.70, 61.61, 60.95,	73.24, 73.85, 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

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