



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 2, 2009

OPEC's President Jose Bothelo de Vaconcelos said OPEC is set to leave its output quotas unchanged when it meets on September 9th. Separately, a Kuwaiti OPEC delegate said OPEC is likely to keep output targets steady when it meets next week as oil prices remain above \$60/barrel.

The US EIA plans to expand the data it reports on energy markets in a bid to increase transparency in oil and gas trading and the oil industry. The EIA will provide new oil and gas price forecasts that better reflect price volatility, by relying on more statistical analysis of data from futures and options markets. The EIA also plans

Market Watch

Tropical Storm Erika, which formed late Tuesday in the western Atlantic Ocean, was near the Leeward Islands on Wednesday. The US National Hurricane Center said the poorly organized center of Erika was moving west at 10 mph with maximum sustained winds holding at about 40 mph. Little change in strength is expected on Wednesday but some restrengthening is possible on Thursday. Several computer models show the system taking a northwesterly track towards South Florida while others show it steering a more westerly course towards Puerto Rico, the Dominican Republic and Cuba.

US Commodity Futures Trading Commission Chairman Gary Gensler said the CFTC and SEC regulators are committed to bringing full OTC derivatives market under regulation.

Separately, the US Commodity Futures Trading Commission will begin issuing its first expanded reports detailing the positions of large traders on Friday. The new reports will separate traders into four categories, one for producers, merchants, processors and users, another for swap dealers, two others for managed money and other reportables. The CFTC will continue to issue the old version of the report at least through the end of 2009 and plans to release three years of historical data in the new format.

The US Commerce Department reported that orders for manufactured goods increased by 1.3%, its fourth consecutive increase. It is up from a revised 0.9% increase in June. This report comes a day after the Institute for Supply Management reported its manufacturing index for August moved to 52.9 from 48.9 in July and 44.8 in June. Separately, the Labor Department said US productivity increased in the second quarter to post its largest gain in nearly six years. Non-farm business productivity increased by 6.6% at an annual rate last quarter, the most since the third quarter of 2003. Productivity increased 0.3% in the first quarter of the year.

The US Agriculture Department said it was unlikely to subsidize the sale of excess sugar to ethanol makers in fiscal 2010, which begins October 1 due to tight supplies. The feedstock flexibility program aims to reduce excess domestic sugar supplies when stocks outstrip consumption by selling the surplus to ethanol makers. Current sugar market forecasts indicate there will not be surplus sugar in the domestic market in fiscal year 2010 and little likelihood of forfeitures of sugar loan collateral under price support loans.

Canada's Superior Plus Corp said it agreed to buy Sunoco Inc's retail heating oil and propane distribution business for about \$82.5 million in cash, to expand its fuel distribution business in the US. The Sunoco Retail Heat business has a distribution network with operation of two pipeline supplied fuel terminals and 22 retail bulk plants providing up to 20 million gallons of storage capacity in its core markets of Pennsylvania and New York.

DOE Stocks

Crude – down 372,000 barrels

Distillate – up 1.179 million barrels

Gasoline – down 2.969 million barrels

Refinery runs – up 3.1%, at 87.2%

to expand collection and reporting on, commercial oil and petroleum product storage capacity throughout the US starting in January. It plans to issue a report in October on planned US refinery outages that could impact oil and product prices during the winter.

Iran's Revolutionary Guards chief accused former president Mohammad Khatami of seeking to rein in Supreme Leader Ayatollah Ali Khamenei by urging the defeat of hardliners in the June election. Khatami joined forces with the opposition and called for a re-run of the election after candidates Mir Hossein Mousavi and Mehdi Karroubi charged the election was rigged to keep President Ahmadinejad in power.

Refinery News

BP Plc is shutting an ultraformer unit at its 467,720 bpd refinery in Texas City, Texas for a nine day maintenance period.

Flint Hills Resources reported an increased flow to the light olefins unit flare at its refinery in Port Arthur, Texas.

Hovensa LLC said it does not expect to shut its 500,000 bpd St. Croix refinery in the US Virgin Islands due to Tropical Storm Erika. It said it is monitoring the progress of the storm.

Sunoco Inc restarted an alkylation unit at its 335,000 bpd Girard Point refinery in Philadelphia that was shut for unplanned maintenance earlier this week.

Total SA plans to shut its entire 137,000 bpd Dunkirk refinery in northern France due to weak margins. The company will start shutting the unit down on September 12th and the process will take a few days. It plans to reopen the refinery when market conditions allow. Total had already halted a distillation unit at its 331,000 bpd Normandy refinery due to weak demand and refining margins.

Indonesia's Pertamina said its 125,000 bpd Balongan refinery in West Java and 348,000 bpd Cilacap refinery in Central Java were unaffected by an earthquake.

BP said it will close a facility in Alaska at the end of the year that has been used for seven years to test technology that converts natural gas into liquid fuel. BP Exploration Alaska Inc said its facility at Nikiski on the Kenai Peninsula south of Anchorage has fulfilled its mission, successfully demonstrating that diesel fuel and aviation fuel can be reliably produced from natural gas. The plant produced about 300 bpd of fuel, which it sold to Tesoro.

The China Oil, Gas and Petrochemicals newsletter said the country's crude oil stocks built by 2.7% on the month to 38.7 million tons or 282.5 million barrels at the end of July. It is just below a record high of 38.75 million tons reached in May. Gasoline inventories held by CNPC and Sinopec Group totaled 25.4 million barrels at the end of the July, up 7.2% from the end of June while China's diesel stocks increased by 14.7% to 43 million barrels at the end of July.

The Petroleum Association of Japan reported that the country's crude oil stocks in the week ending August 29th increased by 2.37 million barrels on the week and by 890,000 barrels on the year to 99.04 million barrels. Japan's gasoline stocks increased by 730,000 barrels on the week but fell by 1.11 million barrels on the year to 12.67 million barrels while kerosene stocks increased by 550,000 barrels on the week but fell by 2.78 million barrels to 18.8 million barrels. Japan's crude runs fell by 90,000 bpd on the week and by 230,000

**September
Calendar Averages**
CL – \$68.05
HO – \$1.7547
RB – \$1.7954

bpd to 3.67 million bpd. It also reported that total oil product sales fell by 5.5% on the week and by 5.5% on the year to 2.4 million bpd. Japan's gasoline sales fell by 13.7% on the week but increased by 12.2% on the year to 920,000 bpd while its kerosene sales increased by 8.6% on the week and by 27.1% on the year to 150,000 bpd and gas oil sales increased by 26.2% on the week but fell by 4.3% on the year to 540,000 bpd.

Indonesia's Pertamina expects Indonesia's gasoline imports to more than double from existing levels by 2017 if the country does not build additional refineries. Annual domestic gasoline consumption is expected to increase to 192.7 million barrels in 2017 from a forecast of 123.8 million barrels in 2009. Indonesia's domestic refineries can produce 68.5 million barrels of gasoline a year, so imports would have to increase to 124.2 million barrels in 2017 from 55.3 million barrels in 2009.

Production News

BP Plc's new Tiber oil discovery in US waters of the Gulf of Mexico is larger than the 2006 Kaskida discovery in the same geological area, which contains about 3 billion barrels of oil equivalent. It said not all of the oil will be recoverable and BP added that it needs to do more work to figure out how much it will be able to extract.

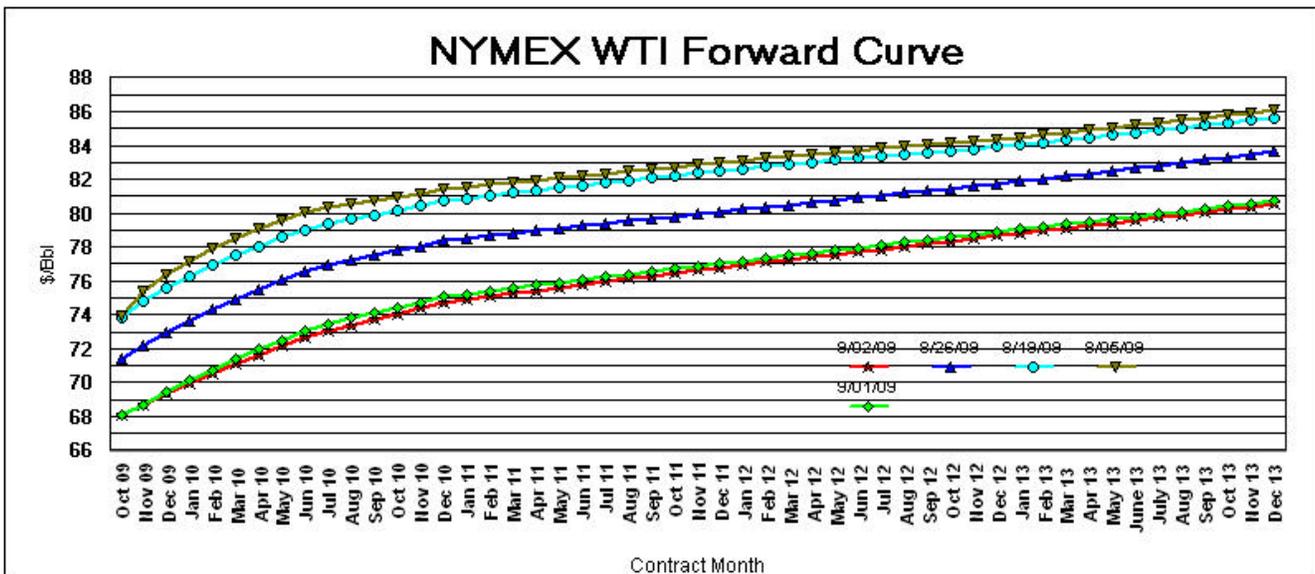
Saudi Arabia plans to keep crude allocations to the US unchanged in October.

Norway's StatoilHydro is on track to meet its 2009 production target of 1.9 million bpd of oil equivalents, with production outside Norway currently running at 500,000 bpd of oil equivalent.

The head of Iraq's State Oil Marketing Organization, Falah Alamri said Iraq's average oil exports in August reached 2.009 million bpd, down from 2.037 million bpd in July.

Nigeria will export 63 full or part cargoes of crude oil in October carrying an average of 1.75 million bpd, down from a revised 1.95 million bpd in September. The exports include seven cargoes or 220,000 bpd of Agbami crude oil. The Nigerian loading program for October includes two and one half cargoes of Bonny Light crude equivalent to 74,000 bpd, down 84,000 bpd from September levels. The loading program is scheduled to load 11.5 cargoes of Qua Iboe crude, up from 11 cargoes loading in September.

Russia's Energy Ministry reported that the country's oil output in August stood at 9.97 million bpd or 42.15 million tons, up from 9.91 million bpd in July while exports via pipeline monopoly Transneft



increased to 4.17 million bpd, up 3.7% from July. Russia's Rosneft this month launched its Vankor oilfield in the Arctic. Energy Ministry data showed Rosneft's oil output in August increased to 2.39 million bpd, up 5.5% or 123,700 bpd on the month. The Vankor field will supply Rosneft with 25.5 million tons or 510,000 bpd, when it reaches peak production in 2014. Meanwhile, Russia's Energy Ministry reported that the country's natural gas production increased by 4.7% to 1.4 billion cubic meters/day, up from 1.34 bcm/day in July.

Lithuania's oil terminal Klaipėdos Nafta said that its loadings totaled 4.9 million tons in the last eight months, down from 5.7 million tons a year ago. In August, loading fell to 540,000 tons from 630,000 tons a year ago.

Georgia's Black Sea port of Batumi shipped 628,973 tons of crude oil and refined products in August 2009, up from 512,200 tons in August 2008 and 533,168 tons in July.

Saudi Aramco cut the official selling price for its Saudi Light crude bound for the US in October by \$1.80/barrel to WTI minus \$2.90. Meanwhile it set the price of its Arab Extra Light crude bound for Northwest Europe at BWAVE minus \$1.35, up 25 cents on the month. Its Arab Light crude price was set at BWAVE minus \$1.80, up 50 cents; its Arab Medium price was set at BWAVE minus \$2.95, up 45 cents and its Arabian Heavy crude price was set at BWAVE minus \$3.20, up 45 cents on the month.

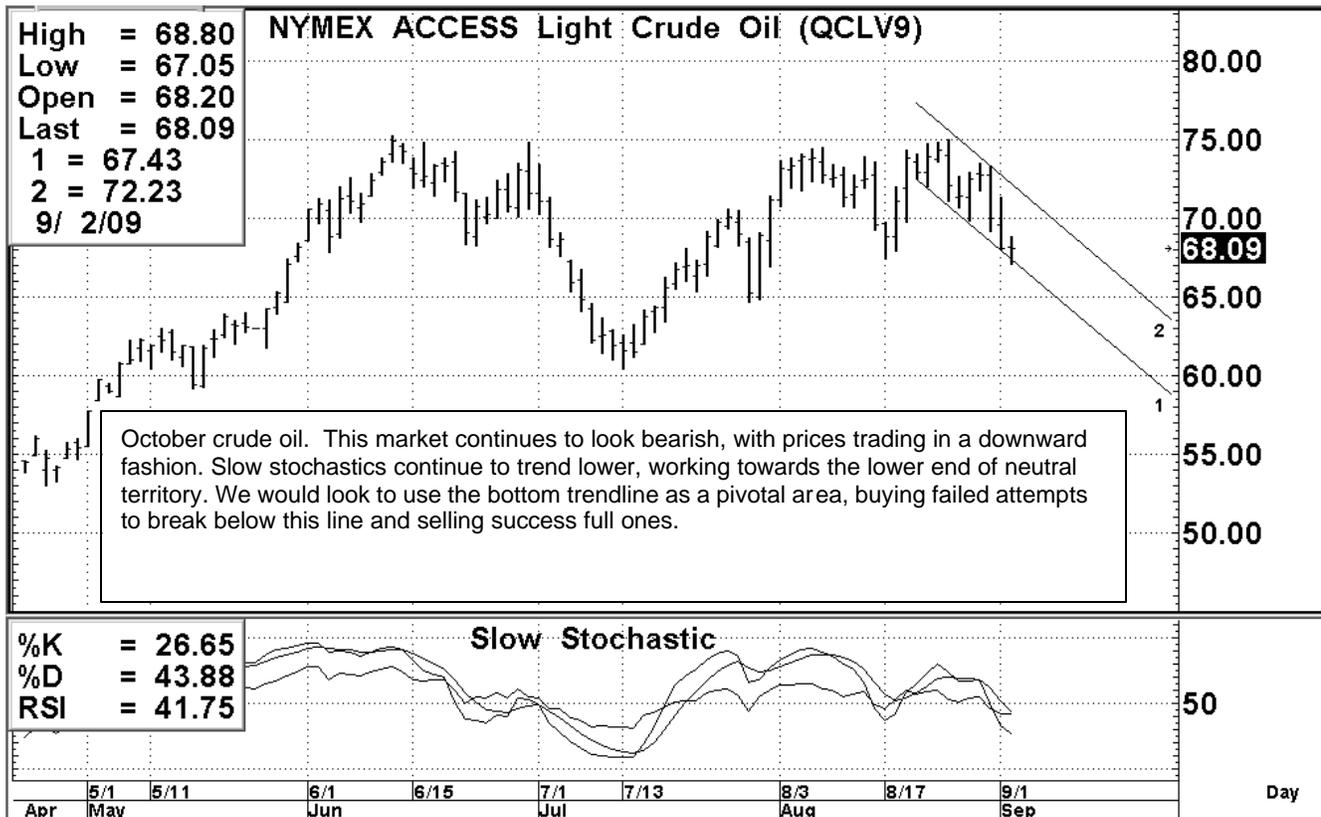
Abu Dhabi National Oil Co raised its August retroactive selling price of its Murban crude by \$6.55/barrel to \$72.75/barrel. It also raised the official selling price for Umm Shaif and Lower Zakum by \$6.55 to \$72.25 and \$72.50, respectively.

OPEC's news agency reported that OPEC's basket of crudes fell to \$68.11/barrel on Tuesday from \$70.37/barrel on Monday.

Market Commentary

Crude oil reached a two-week low today in response to a larger than expected increase in job losses in the U.S. and a lower than forecast gain in factory orders. This sparked concern over the rate of an economic recovery and its impact on demand. Without a definitive pick up in demand or a depletion of supplies, this market will be unable to sustain any strength. Prices initially rose after the release of the DOE numbers, which indicated that crude oil inventories declined 372,000 barrels during the week ending August 28. Gasoline opened the session trading lower but rallied after the DOE numbers showed a decrease in inventories of 2.97 barrels, the biggest decline since the week ending May 15. The October crude oil rose to a high of \$1.8216 and after spending most of the session trading between the range of \$1.8127 and \$1.7938, settled up .0264 on the day. This very well may be a late seasonal rally prior to the U.S. Labor Day weekend. Demand for gasoline will slow and refiners will be curbing their demand for crude oil, as they get ready for turnaround. From a fundamental and a technical perspective, we would continue to look for the energy markets to work lower.

Crude Oil OCT.09 243,543 -7,270 NOV.09 151,910 +5,643 DEC.09 168,904 +2,667 JAN.10 39,099 -29 FEB.10 26,261 -500 MAR.10 29,423 +1,128 Totals: 1,164,511 +1,713 Heating OCT.09 64,328 -3,194 NOV.09 39,548 +1,236 DEC.09 47,673 +863 JAN.10 24,638 +860 FEB.10 16,019 -375 Totals: 295,756 + 451 GASOLINE (RB) OCT.09 83,272 -790 NOV.09 39,668 +694 DEC.09 32,354 -508 JAN.10 16,152 +412 FEB.10 4,384 -210 Totals: 206,875 - 390



Crude Support 66.23, 64.70, 63.38, 62.70, 61.61, 60.95,	Crude Resistance 73.24, 73.85, 75.00, 76.13
Heat Support 1.7340, 1.6600, 1.4870, 1.4220, 1.4130, 1.3720	Heat resistance 2.0420, 204.65
Gasoline support 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400,	Gasoline resistance 1.8559, 1.9551, 2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350

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