

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 3, 2009

OPEC is scheduled to hold its formal meetings in the evenings in Vienna next week, when it gathers to review oil output policy due to the Muslim fasting month of Ramadan. On Tuesday, September 8th OPEC's Ministerial Monitoring Committee is scheduled to meet while the OPEC Oil Ministers' meeting is scheduled for Wednesday, September 9th.

According to a Reuters survey, OPEC oil producers will agree next week to maintain its official output target unchanged to keep prices stable at about \$70/barrel and to help the world economy to remain in a recovery path. Analysts said OPEC will call for

Market Watch

The US National Hurricane Center said Tropical Storm Erika in the northeast Caribbean Sea is expected to gradually weaken over the next couple of days as it tracks towards Puerto Rico and the Dominican Republic. It is expected to continue moving west-northwest for the next day or so with some increase in forward speed and then take a more northwesterly track. Several computer models still show the system taking a northwesterly track towards the Bahamas and South Florida, while some show it steering a more westerly course towards Puerto Rico, the Dominican Republic and Cuba. The NHC also said a tropical wave in the far eastern Atlantic, about 500 miles east-southeast of the Cape Verde Islands could develop over the next couple of days as it moves westward at 10-15 mph. It gave the system a low chance, less than 30%, of becoming a tropical cyclone during the next 48 hours.

The US Labor Department said initial claims for unemployment benefits fell by 4,000 to 570,000 in the week ending August 29th. The four week average of new claims increased by 4,000 to 571,250 on the week. Meanwhile the number of continuing claims increased by 92,000 to 6,234,000. The unemployment rate for workers with unemployment insurance increased in the week ending August 22nd to 4.7%, up 0.1% from the prior week's rate of 4.6%.

CME Group Inc said contracts for heating oil futures and options will not be listed on the NYMEX beyond August 2012, due to expected changes in sulfur content regulations in New York and New Jersey. It said the exchange will continue to monitor these developments in coming weeks and will consult with the industry on how to revise specifications for contracts beyond August 2012. The move comes as ultra low sulfur diesel fuel has essentially become the standard in the US for the grouping of distillate fuel that includes diesel and home heating oil.

The API's petroleum stock report will be delayed by one day to Wednesday, September 9th, at 4:30 pm EDT due to the Labor Day holiday on Monday, September 7th. The EIA's weekly petroleum stock report will also be delayed by one day to Thursday, September 10th, at 11 am EDT.

Threadneedle Asset Management Ltd is seeking to increase its commodity fund to as much as \$1 billion in the next two years as the world economic recovery drives a rally in oil, sugar and metals. The hedge fund, overseeing assets of \$79.6 billion, is targeting a return of up to 15% this year. Based on the Reuters/Jefferies CRB Index commodities increased by 8.8% this year after falling by 36% in 2008, their largest drop in half a century.

**September
Calendar Averages**
CL – \$68.02
HO – \$1.7481
RB – \$1.7945

stricter compliance with existing supply cuts of 4.2 million bpd since September.

Oil Movements reported that OPEC’s seaborne oil exports, excluding Angola and Ecuador, will fall by 240,000 bpd in the four weeks ending September 19th to 22.34 million bpd. It estimates that OPEC is compliance

rate is below 70%, unchanged from last week’s forecast.

Iran’s President Mahmoud Ahmadinejad said Iran is ready for more sanctions after world powers pressed the country to accept an offer of nuclear talks before a key UN meeting in late September. Iran’s President is scheduled to attend the UN General Assembly meeting later this month in New York. Iran’s Foreign Ministry warned that Iran will not bow to threat and pressure in meeting any deadline set by world powers over its nuclear program. Meanwhile, Iran’s top nuclear negotiator Saeed Jalili said Iran will deliver its new package of proposals to world powers in the coming Iranian week, which starts on Saturday.

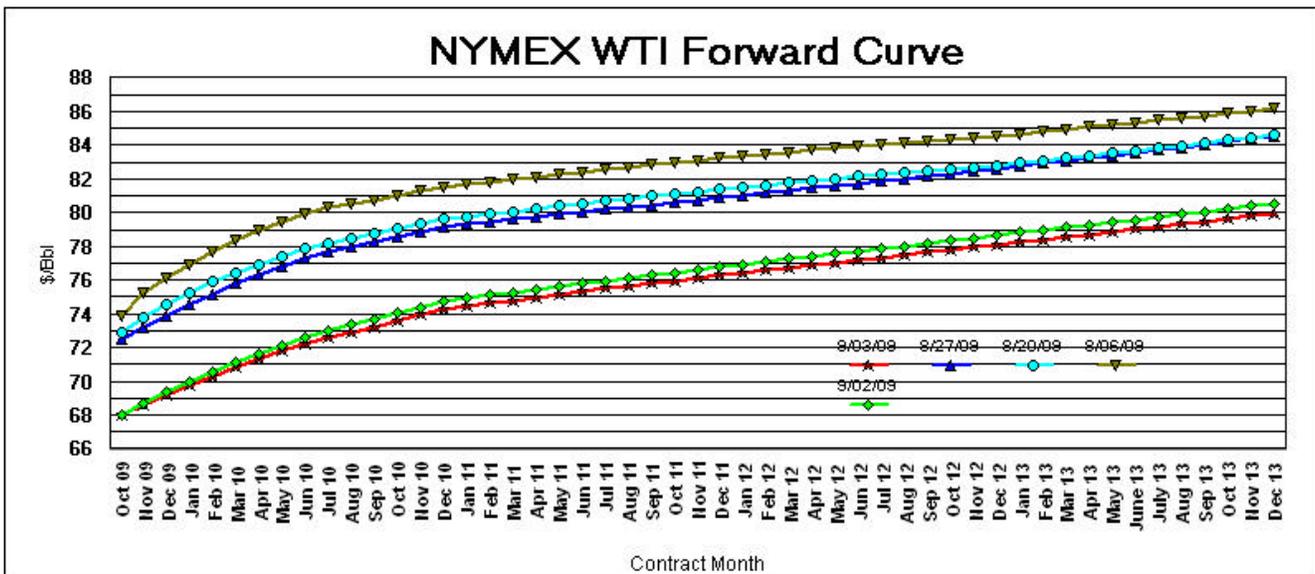
France’s Foreign Minister said the UN’s IAEA should publish annexes of a report on Iran’s nuclear program because they may provide elements that show whether Iran is making a nuclear bomb.

Separately, Iran’s conservative dominated parliament voted for 18 of the 21 members of the new cabinet proposed by President Mahmoud Ahmadinejad for his second four year term. Iran’s parliament approved the nominee for the oil minister position. The Iranian Labour News Agency said Massoud Mirkazemi, currently the commerce minister, has been confirmed by lawmakers as the new oil minister. Iranian lawmakers also voted for President Mahmoud Ahmadinejad’s pick for defense minister, with 227 MPs casting their ballots in favor of Ahmad Vahidi.

Refinery News

Colonial Pipeline Co extended shipping restrictions to its Linden, NJ mixed product delivery line, L3, as current nominations are approaching levels which would exceed the company’s ability to meet its five day lifting cycle.

Traders said gasoline in the Los Angeles cash market increased by 17 cents on Thursday due to heavy refiner buying amid tight supply. Major refiners were buying heavily on Thursday as two San Francisco Bay area refineries were seen taking longer than expected restarting units after planned work. A Shell spokesman declined to discuss operations at its 156,400 bpd refinery in Martinez,



California, where a crude unit and coker unit have been undergoing overhauls since mid-July. A Tesoro Corp spokesman said there was no update on the status of coking unit work underway at its 166,000 bpd Martinez refinery. Separately, a 10 barrel spill of gasoline has occurred at Tesoro Corp's Golden Eagle refinery in the San Francisco Bay area.

Valero Energy Corp reported flaring on Wednesday at its 144,000 bpd refinery in Benicia, California. The flaring was due to a malfunction in a tail gas unit. It said production was not affected by the problem in the tail gas unit.

Hovensa LLC said exports were halted temporarily at its 500,000 bpd St. Croix refinery after the US Coast Guard shut all ports in the US Virgin Islands due to Tropical Storm Erika. It however said that operations at the refinery have not been impacted by the storm and no precautionary shutdowns are planned. The US Coast Guard tentatively plans to reopen the ports to the US Virgin Islands Friday depending on Erika's movements.

The CGT union said Total's Dunkirk refinery will shutdown for several weeks starting in mid-September. On Wednesday, Total said a lack of fuel demand had forced the temporary closure but it did not specify the duration. It said it would start shutting down the refinery on September 12th.

Separately, Total is in the process of restarting the units it had shut last month at its 221,000 bpd Lindsey refinery due to unfavorable market conditions. The units had been shut on August 4th.

South Korea's total crude processing volume in September will fall by 2.5% on the month to 2.190-2.2 million bpd. The volume will be only 78% of total capacity due to weak refining margins. SK Energy will cut its refinery run rates in September to 700,000 bpd or about 63% of its total capacity, due to its planned turnaround, down from 740,000-750,000 bpd in August. GS Caltex will increase its September run rates to 670,000-680,000 bpd from August's 650,000 bpd level. S-Oil will maintain its run rates at over 530,000 bpd while Hyundai Oilbank cuts its run rates to 290,000 bpd from 325,000 bpd.

CPC Corp has shut one of its crude distillation units at its Dalian refining complex since September 1 for operational efficiency and will keep it offline until at least mid-December. The shutdown of the 100,000 bpd No. 9 crude distillation unit will not have a significant impact on its total crude runs as the company has increased the rates of its other crude distillation units.

China National Aviation Fuel Group will build an oil product reserve depot in Shanghai's Wuhaogou area with a total capacity of 300,000 cubic meters. The depot will have a capacity of 140,000 cubic meters in its first phase.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 3.925 million barrels to 23.951 million barrels in the week ending September 2nd. Indonesia's light distillate stocks fell by 177,000 barrels to 10.216 million barrels while its middle distillate stocks fell by 264,000 barrels to 14.011 million barrels on the week.

Gas oil inventories in independent tanks in the Amsterdam-Rotterdam-Antwerp area increased to another record high in the week ending September 3rd. Gas oil stocks increased by 0.27% on the week and by 48.43% on the year to 3.025 million tons. Gas oil imports to ARA tanks came from Japan, India, Russia, South Korea and the US while exports were shipped to Morocco. Gasoline inventories fell by 7.59% on the week and by 14.86% on the year to 682,000 tons due to an increase in exports. Fuel oil stocks fell by 23.78% on the week and by 29.55% on the year to 391,000 tons while naphtha stocks fell by 18.46% on the week and by 42.39% on the year and jet fuel stocks fell by 15.33% on the week but increased by 57.11% on the year to 674,000 tons.

Production News

Chevron said its Nigerian onshore oil production is functioning normally on Thursday. Chevron said on May 25 it had shut in about 100,000 bpd of oil production from its swamp operations in Delta state following an attack by militants. The outage has affected Escravos crude oil production.

Nexen Inc said it discovered substantial additional resources in the Golden Eagle area. Nexen said in a statement the Golden Eagle area contains between 150 and 275 million barrels of oil equivalent of gross recoverable contingent resource. Nexen said a recently completed development well will be tied into the Scott platform and expects it to add incremental production of about 10,000-15,000 bpd of oil equivalent by the year end.

Russia's Energy Minister Sergei Shmatko said the country's oil production will reach 490 million tons this year, up from 488 million tons in 2008.

A joint venture between Saudi Arabia and Kuwait has extended the bidding deadline by over two months for a contract to expand water facilities at the 550,000 bpd al-Khafji oilfield. Saudi Arabia and Kuwait plan to increase capacity to 700,000-900,000 bpd by 2030 in the zone.

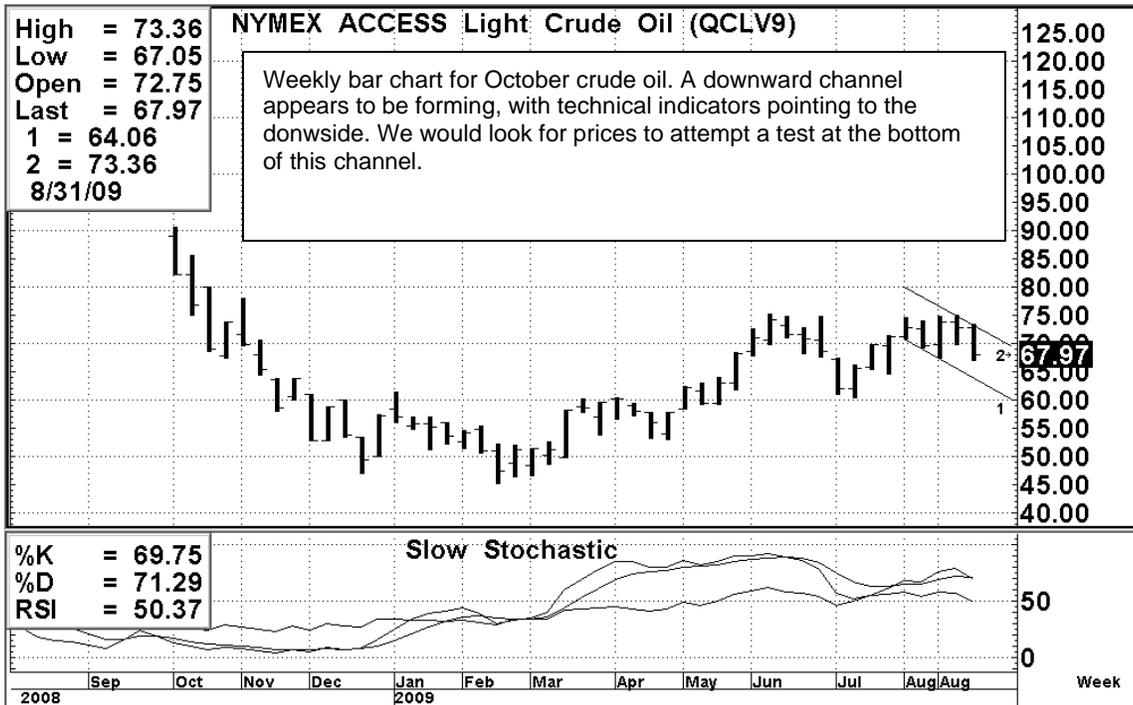
Colombia's crude oil production in July increased to an average 657,000 bpd from 588,000 bpd in the same month last year but was slightly lower than June's production level of 661,000 bpd. Average crude production in the first seven months of the year was 647,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$66.64/barrel on Wednesday from \$68.11/barrel on Tuesday.

Market Comment

Crude oil futures were choppy today as the market reacted to mixed economic news. U.S. unemployment rose more than expected, leaving doubts about an economic recovery, while U.S. retail sales reported better-than-expected earnings. This market continues to struggle with direction as it reacts to the global economy and the supply/demand situation. The shape of the forward curve continues to reflect a market that is oversupplied and demand deprived, yet the front month spread has been holding steady. The October crude oil contract continues to be range bound, trading between the range of \$67.00 and \$75.00 since the beginning of August. Prices should continue to respond to the current economic situation, however our bias remains to the downside. Gasoline edged higher early in the session on hopes that demand has started to turn around. U.S. gasoline stockpiles decreased as refinery runs increased, lending to the belief that the economy is improving. With the winding down of the U.S. summer driving season, demand should taper off, however refiners are now switching over to the production of heating oil, which should deplete the supply of gasoline.

Crude Oil OCT.09 245,186 +1,643 NOV.09 149,516 -2,394 DEC.09 164,765 -4,139 JAN.10 40,683 +1,584 FEB.10 26,183 -78 MAR.10 30,798 +1,375 Totals: 1,165,602 +1,091 Heating OCT.09 62,777 -1,551 NOV.09 40,210 +662 DEC.09 48,657 +984 JAN.10 25,179 +541 FEB.10 16,491 +472 MAR.10 14,059 -57 Totals: 296,123 + 367 GASOLINE (RB) OCT.09 80,248 -3,024 NOV.09 40,002 +334 DEC.09 32,146 -208 JAN.10 17,215 +1,063 FEB.10 4,478 +94 MAR.10 7,118 -65 Totals: 205,245 -1,630



Crude Support	Crude Resistance
66.23, 64.70, 63.38, 62.70, 61.61, 60.95	73.24, 73.85, 75.00, 76.13
Heat Support	Heat resistance
1.7310, 1.6600, 1.4870, 1.4220, 1.4130, 1.3720	2.0420, 204.65
Gasoline support	Gasoline resistance
1.7648, 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400,	1.8559, 1.9551, 2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.