



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 21, 2011

The National Hurricane Center said Tropical Storm Ophelia, the 15th named storm of the 2011 hurricane season, was becoming stronger as it moves across the Tropical Atlantic. Tropical Storm Ophelia, which was 1,245 miles east of the Leeward Islands, was moving toward the west at about 16 mph and this general motion is expected to continue through Thursday with a gradual turn towards the west-northwest on Friday. Computer models put the storm over or near the Lesser Antilles by the weekend and just north of Puerto Rico by Monday.

The EIA said US ethanol production fell 0.9% or 8,000 bpd to 871,000 bpd in the week ending September 16th. Based on a four week moving average, output stood at 884,000 bpd, up 2.3% on the year. Ethanol stocks totaled 17.09 million barrels, down from 17.2 million barrels the previous week.

DOE Stocks

Crude – down 7.336 million barrels
Distillate – down 874,000 barrels
Gasoline – up 3.295 million barrels
Refinery runs – up 1.3%, at 88.3%

Market Watch

The Mortgage Bankers Association said applications for US home mortgages increased slightly last week as an increase in refinancing activity was offset by a lack of demand for purchases. It said its seasonally adjusted index of mortgage application activity, which includes both refinancing and home purchase demand, increase 0.6% in the week ending September 16th. The MBA's seasonally adjusted index of refinancing applications increased 2.2% while the index of loan requests for home purchases fell 4.7%.

The National Association of Realtors said existing home sales increased more than expected in August to the fastest annual pace since March as falling prices and low interest rates drew more buyers into the market. Sales increased 7.7% on the month to an annual rate of 5.03 million units.

According to a study by Ernst & Young Terco and Brazil's Getulio Vargas Foundation, world oil prices will likely surge over the next decade as global demand increases and production stagnates. Oil prices are forecast to average between \$120 and \$134/barrel by 2020.

The Federal Open Market Committee said economic growth remains slow. Recent indicators point to continuing weakness in overall labor market conditions and the unemployment rate remains elevated. It said household spending has increased at a modest pace in recent months despite some recovery in sales of motor vehicles as supply chain disruptions eased. Investment in nonresidential structures is still weak and the housing sector remains depressed. Inflation appears to have moderated since earlier in the year as prices of energy and some commodities have declined from their peaks. Longer term inflation expectations have remained stable. The committee said it seeks to foster maximum employment and price stability. It continues to expect some increase in the pace of recovery over coming quarters but anticipates that the unemployment rate will decline only gradually toward levels that the Committee judges to be consistent with its dual mandate.

The deputy head of the National Iranian Oil Co said Iran is not happy with current oil prices but does not expect them to increase soon in a balanced market. Meanwhile, the head of NIOC's international affairs said he expected China to keep

buying its crude despite political pressure from the US to reduce trade with Iran.

September Calendar Averages CL - \$87.87 HO - \$2.9906 RB - \$2.7826

European Union governments banned European firms from making new investments in Syria's oil industry and added several new entities and two individuals to a sanctions list on Wednesday. The sanctions, which would take effect on Saturday if formally approved in writing by Friday, also include a ban on delivery of Syrian banknotes and coins produced in the European Union.

Refinery News

Colonial Pipeline is allocating Cycle 51 shipments on its Line 27 running from Mitchell to Norfolk. It is allocating its Linden Delivery Line segment L2-IMTT, servicing deliveries to IMTT Bayonne, for Cycle 51. It is also allocating its main gasoline line north of Collins, Mississippi for Cycle 55 as nominations on its line exceed the company's ability to meet the five day lifting cycle.

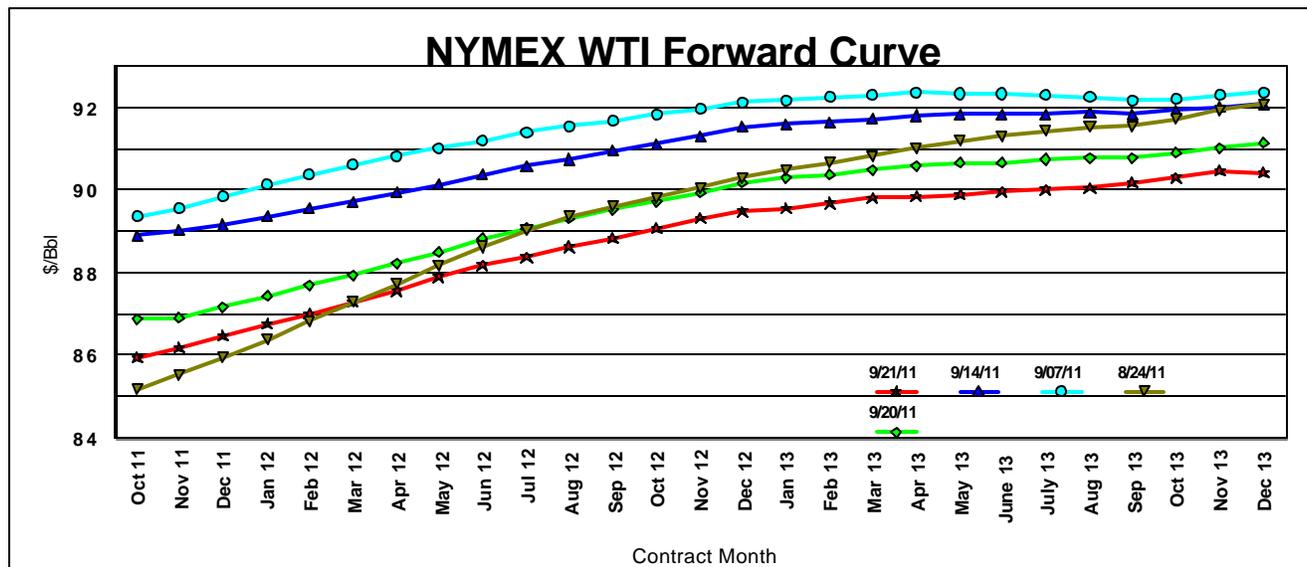
Buckeye Partners said about 70 to 80 barrels of gasoline spilled from a ruptured pipeline from Aubrun to Rochester in New York. The company shut in the line on Tuesday after a farmer hit the pipeline. It did not specify when it expects to resume service on the line.

Alon USA Energy reported unplanned maintenance to repair a leak in the flue gas line at its 67,000 bpd Big Spring, Texas refinery.

Valero Energy Corp restarted a crude unit at its 170,000 bpd refinery in McKee, Texas following the completion of repairs. The company shut one of two crude units at the refinery on Sunday. It also stated that other units such as a hydrocracker, hydrotreater and reformer that were shut during the repairs were also restarted and increasing to planned rates.

Total started a 45 day turnaround at its 232,000 bpd refinery in Port Arthur, Texas late last week. Units undergoing planned work include a fluid catalytic cracking unit, a coker and a crude unit.

Tesoro Petroleum Corp said there was no impact on refinery throughput from a sulfur recovery unit shutdown on Tuesday at its 93,000 bpd Kapolei, Hawaii refinery. The unscheduled SRU shutdown led to venting of excess gas vapors to the facility's flare. The unit was restarted a few hours after it was shutdown and resumed normal operations on Tuesday evening.



A regional environmental organization in Rotterdam said there had been unusual flaring at Shell's Rotterdam refinery due to a pump malfunction on Wednesday.

Euroilstock said European refinery utilization in August increased to just over 84% as better refining margins prompted refiners to increase output. However runs continued to lag behind previous years.

Kuwait National Petroleum Corp shut one of the two heavy oil cracking units at its 200,000 bpd Shuaiba refinery for periodic maintenance. Maintenance work is expected to take about 50 days to be completed and will not affect its overall refining capacity. The unit has a refining capacity of 25,000 bpd.

Tatneft's 140,000 bpd refinery, Russia's newest refinery, has started commercial operations. The refinery processes heavy, sour crude into high value refined fuels. The first phase of the three phase construction project that would ultimately include a petrochemical unit, is scheduled to receive about 90,000 bpd of crude this month. The refinery is offering gasoline and vacuum gasoil on a commercial basis domestically and in Kaliningrad.

According to Reuters, China's apparent oil demand increased by 7.3% on the year to 8.99 million bpd in August.

China's General Administration of Customs reported the country's crude oil imports totaled 21.04 million tons or 4.97 million bpd. It also reported that the country's gasoline and diesel exports continue to decline. It stated that China's gasoline exports fell 19% to 296,790 tons while its diesel exports fell by 45.9% to 214,656 tons. China's gasoline inventories also fell by 1.15% while its diesel stocks fell 1.7%. Meanwhile, China's kerosene imports increased by 26.5% to 553,743 tons while its exports increased by 18.7% to 571,287 tons.

Japan's Ministry of Finance reported that the country increased its crude imports in August by 1.2% on the year to 18.4 million kiloliters or 3.73 million bpd while the country's gasoline imports increased by 30% to 3 million kiloliters. Japan's imports of liquefied natural gas totaled 7.545 million tons in August, up 18.2% on the year.

A total of 3.4-3.5 million tons of Western fuel oil is scheduled to arrive in Asia in October.

Production News

A cargo of North Sea Forties crude has been dropped from the October program. Cargo F1012, which was originally scheduled to load on October 17-19, is the first October cargo to get cancelled. Shipments of North Sea Forties crude are likely to be further delayed following lower than expected production at Nexen's Buzzard oilfield.

Iraq is resuming normal crude oil production from its Rumaila oilfield on Wednesday after a fire was extinguished that started on Tuesday in a gas facility.

Total SA's Libyan joint venture is set to restart oil production at its 40,000 bpd Al Jurf offshore field on Friday. It is the first foreign company to resume crude production following the toppling of Muammar Gaddafi. However exports are expected to take two weeks to resume after oil production restarts.

Mexico's Pemex said it started the first phase of a project using electric pumps to increase output at its declining fields in the southern Gulf of Mexico, estimating the project would add 25,000 bpd of crude oil production during the next 14 years.

Colombian police fought protesters on Tuesday at Pacific Rubiales oil field shutting about 225,000 bpd, forcing the company to declare force majeure.

Exports of Nigeria's Qua Iboe crude are expected to increase in November to 380,000 bpd from 337,000 bpd in October.

Angola's Sonangol is offering the new Pazflor crude via a tender. The firm is expected to offer a cargo for November loading.

Azerbaijan's SOCAR said the country will continue its crude deliveries to India and China in 2012 in order to diversify its oil supplies. It also plans to increase supplies of crude oil to European and Asian markets in 2012. It said it was ready to export about 2 million tons of oil to Czech Kralupy refinery and the same amount to two refineries in Ukraine in 2012.

OPEC's news agency reported that OPEC's basket of crudes fell to \$108.29/barrel on Tuesday from \$108.68/barrel on Monday.

Market Commentary

Demand for gasoline continues to weigh on prices, forcing a drop of 1.96% on the day. Supplies increased by 3.3 million barrels, greater than the expected 1.35 million. Distillate stocks also drew as refiners gear up for turnaround. The decline in product prices eventually dragged crude oil lower, after its initial bullish response to the 7.34 million-inventory draw. Had the global economic situation improved, prices most likely would have held on, working towards the \$90.00 level. Prices are maintaining an inside week, with the sideways pattern of \$90.50-\$85.00 remaining intact thus far. A late session sell-off took prices down to the bottom of the range but lack the ability to penetrate. This market has recently tried to trade above the top of the aforementioned range, encountering great difficulty. We would anticipate a run towards the \$85.00 level and for prices to extend below it, looking for a test at the \$83.12 support area.

Crude oil: Nov 11 322,165 +1,393 Dec 11 192,214 -3,506 Jan 12 100,638 +1,470 Totals 1,365,197 -16,049 Heating oil: Oct 11 57,103 -4,967 Nov 11 77,794 +2,066 Dec 11 54,705 +16 Totals 327,640 -3,478 Rbob: Oct 11 51,727 -4,881 Nov 11 72,893 +3,763 Dec 11 49,974 -237 Totals 276,096 -1,589

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8500		27020	32777	25145	33369
8486	9060	26680	33370	24240	35915
8312	9122	27375	33510	23631	36310
7552	9726	23685		23414	
7487	9872	22960			
7365	10071				
6423	10222				
6394					
50-day MA	89.41				
200-day MA	95.46				

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