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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 17, 2009

Iran's Oil Minister Gholamhossein Nozari shrugged off the impact of any Western sanctions targeting the country's gasoline imports, saying all necessary measures have been taken to meet its needs for the fuel. To pressure Iran to halt its nuclear program, the US Senate last month voted to ban firms that sell gasoline and other refined oil products to Iran from also receiving Energy Department contracts to deliver crude to the SPR.

The EIA reported that the US average retail price of diesel increased by 2.7 cents at \$2.652/gallon in

Market Watch

With Claudette downgraded to a tropical depression over southern Alabama, the energy markets started to focus on Tropical Depression Ana as it marched toward, Hispaniola, Cuba and Florida. The US National Hurricane Center however does not expect much from Tropical Depression Ana. The system will likely be a remnant of a depression when it reaches the Florida Panhandle later this week near where Claudette struck the coast. Meanwhile Tropical Storm Bill has strengthened to become the first hurricane of the 2009 Atlantic season early Monday. It is expected to spare the Caribbean Islands and the Gulf of Mexico as it targets Bermuda and the US East Coast. The NHC predicts Hurricane Bill will reach the Bermuda area by this weekend as a Category 3 hurricane with winds of 111 to 130 miles per hour.

Deutsche Bank analyst Adam Sieminski said OPEC needs to cut output by 2010 due to declining demand for its oil. He noted that projections from OPEC, IEA, EIA and Deutsche Bank's own forecast show demand for OPEC oil declining in 2010, in part due to growth in non-OPEC supply. He said OPEC needs to cut production by about 600,000 bpd to about 28 million bpd to bring output more in line with demand. It will cut world inventories by an extra 24 million barrels a month and will lower OECD inventory stock cover to OPEC's target level of mid-50s by the end of 2010 compared with 62 days at the end of June. Separately, Deutsche Bank said proposals to cut speculation in energy markets may increase the pricing power of OPEC by reducing liquidity.

BP Plc is likely to move one very large crude carrier of crude oil from the North Sea to the US Gulf of Mexico in early September. It is in talks to book the Front Opalia for September 6-10 loading from the North Sea. Should it be fixed, it would be the tenth VLCC chartered to ship Forties crude to the US since late February.

According to shipbrokers, as much as 1.3 million metric tons of Asian gas oil is in floating storage off the coast of Singapore.

Venezuela said it is renegotiating an oil deal, which gives favorable terms to poor Caribbean and Central American countries. Venezuela now wants beneficiaries of Petrocaribe, to pay upfront for a fixed percentage of the oil they receive. Under the current agreement, the up front payment varies with prices. In a statement, PetroCaribe, said the proposed changes would improve terms for the beneficiaries but did not give details.

Operators continued to request surcharges for freight shipping on the German stretch of the Danube River on Monday due to low water levels. Surcharges were imposed on cargo customers last week to compensate vessel owners for lost revenue, as their ships must sail partly loaded because of low water.

August Calendar Averages

CL – \$70.26
HO – \$1.8982
RB – \$2.0227

the week ending August 17th. It is at its highest level since the week ending November 24th. The US average retail price of gasoline fell by 1 cent/gallon to \$2.637/gallon on the week.

Refinery News

According to Reuters, US refiners on the Gulf Coast processing WTI crude saw average margins increase to \$7.27/barrel last week from \$6.17/barrel. Complex refineries in Europe's refining hub of Rotterdam saw margins increase by almost \$1 to \$1.40 for those processing Brent crude while simple refineries saw margins increase 40 cents to \$1.61/barrel. Complex refineries in Singapore processing Dubai crude saw average profits increase to \$3.82 from \$3.29 while simple refining margins increased to 8 cents/barrels from minus 37 cents the previous week.

Valero Energy Corp restarted a hydrogen making steam methane reformer unit at its 142,000 bpd Corpus Christi, Texas refinery after completing scheduled maintenance.

Citgo Petroleum Corp shut the west plant of its 163,000 bpd refinery in Corpus Christi, Texas on Saturday due to a problem with a hydrotreater.

ConocoPhillips reported a problem at its 146,000 bpd Borger, Texas refinery on Sunday night.

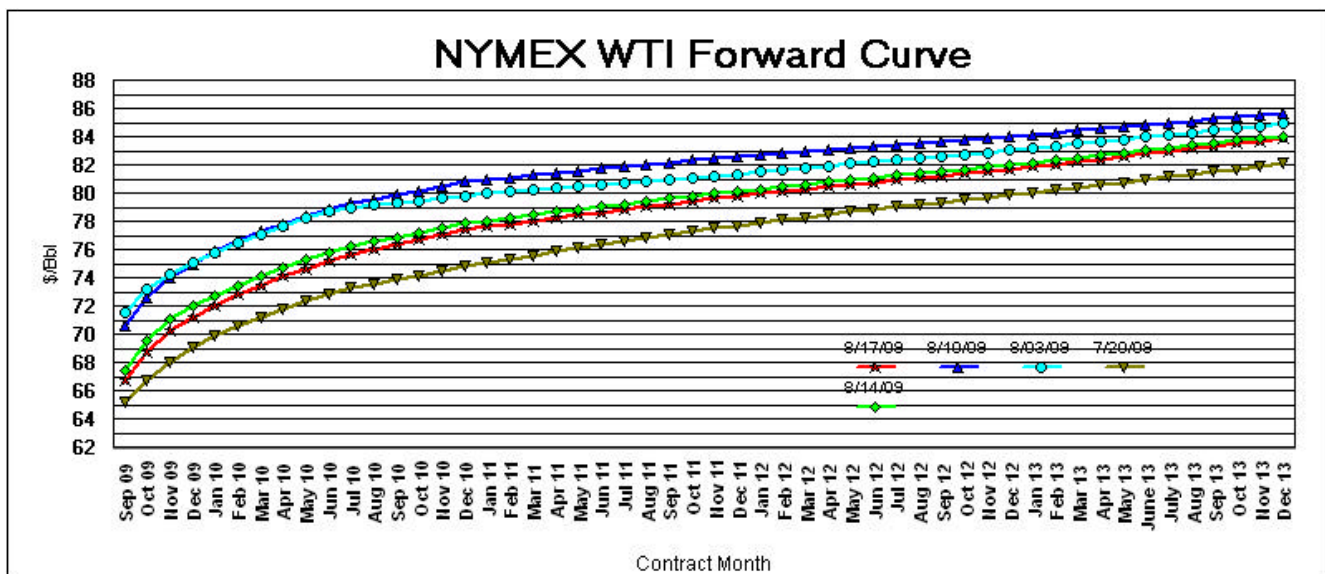
Total Petrochemicals USA said it cut rates to unit 838 after it suffered a problem at its Port Arthur, Texas refinery. It however reported that it restarted a condensate splitter on Sunday afternoon at the 232,000 bpd refinery.

Flint Hills Resources LP plans to take some process units down for maintenance next month. It will shut down a fluid catalytic cracking unit, an alkylation unit and a hydrotreater unit.

Taiwan's Formosa Petrochemical Corp restarted one of its two 84,000 bpd residual fluid catalytic cracking units on Saturday following a 14 day shutdown due to a technical problem.

Oman is expected to shut its 116,000 bpd Sohar refinery for scheduled maintenance in the first quarter of 2010 for up to 40 days. Oman is expected to shut at least part of its 85,000 bpd refinery in Muscat but it is unclear if this will be a partial or complete shutdown of the plant.

The Center for Global Energy Studies reported that China's oil imports increased to 4.6 million bpd in July from 3 million bpd in January. However it said the country's oil imports may fall, possibly



triggering a reversal in the recent surge in crude prices.

Azerbaijan's Socar said the BP Plc led Baku-Tbilisi-Ceyhan pipeline exported 22.1 million metric tons of Azeri and Kazakh crude in the first seven months of 2009, up 5.7% from the same period last year.

Germany's MWV said the country's gas oil sales in July fell 31% on the year to 1.23 million metric tons, the lowest level in more than year. Meanwhile it reported that the country's diesel sales increased by 0.5% to 2.7 million tons in July.

Production News

US Gulf of Mexico offshore oil patch output was unaffected by Tropical Storm Claudette, which was passing far to the east of the main production area. According to the MMS, US regulated areas of the Gulf of Mexico provide 25% of US oil production and 15% of the country's natural gas production. BP Plc said its Gulf operations are normal. Chevron Corp and Anadarko Petroleum Corp said they were continuing production.

Denmark's Maersk Oil started producing oil and gas at the Affleck Field in the British sector of the North Sea. It however did not say how much it was producing at the field. Oil is being exported through the Janice pipeline into Norpipe and then to Teesside.

Norway's Troll oil stream is set to load about 250,000 bpd in September, down from 256,000 bpd in August.

Britain's North Sea Flotta crude oil stream is scheduled to load about 40,000 bpd in September, down from 84,000 bpd in August.

Senior Iraqi oil officials said a technical team from BP has met with Iraqi oil engineers as part of preparations to sign a deal to develop Iraq's Rumaila oil field. The acting chief of Iraq's South Oil Co, Dhiya Jaafar said there are still some technical issues that needed to be resolved before BP and China's CNPC sign the development contract by the end of August deadline.

Qatar's total oil and gas capacity should reach 5 million bpd of oil equivalent in 2014 when planned energy expansion projects are completed. It is up from 2.8 million bpd of oil equivalent combined oil and gas output in 2008.

Russia's Lukoil Holdings said its total hydrocarbon production in the first half of 2009 increased by 2% from the same period last year to 2.22 million bpd of oil equivalent. Its oil production increased by 4% year on year to 1.981 million bpd in the first half of 2009.

Ukraine's State Statistics Committee said the country's crude oil production in January-July fell by 5.5% on the year to 1.716 million tons. It said gas condensate output fell by 7% to 601,000 tons so far. Its gasoline output fell by 7.5% to 1.847 million tons. Ukraine's refineries however increased their gas oil production by 4.5% to 2.143 million tons.

Azerbaijan's State Statistics Agency said the country produced 29.211 million metric tons or 1.01 million bpd of crude oil in January-July, up 1.6% on the year. The BP Plc led consortium that operates Azerbaijan's Azeri-Chirag-Guneshli block in the Caspian Sea produced 24.3 million tons in the first seven months of the year, up 2.4% on the year.

ExxonMobil Corp plans to extend oil and gas production from its resources in the Bass Strait off southeast Australia by at least 30 years. It plans to bring two more fields online for the Kipper-Tuna

and Turrum projects. An extension to the projects' production life could add an extra 140 million barrels of oil and gas liquids production and 1.6 trillion cubic feet of gas.

Russia's Finance Ministry said the country will raise its oil export duty by 7.5% to \$238.60/ton starting September 1st. The duty was set at \$222/ton for August. Export duties on light refined products, such as gasoline and gas oil, will increase to \$173.10/ton in September, up from \$161.90/ton this month. Meanwhile its export duties on heavy refined products, such as fuel oil, will increase to \$93.20/ton, up from \$87.20/ton.

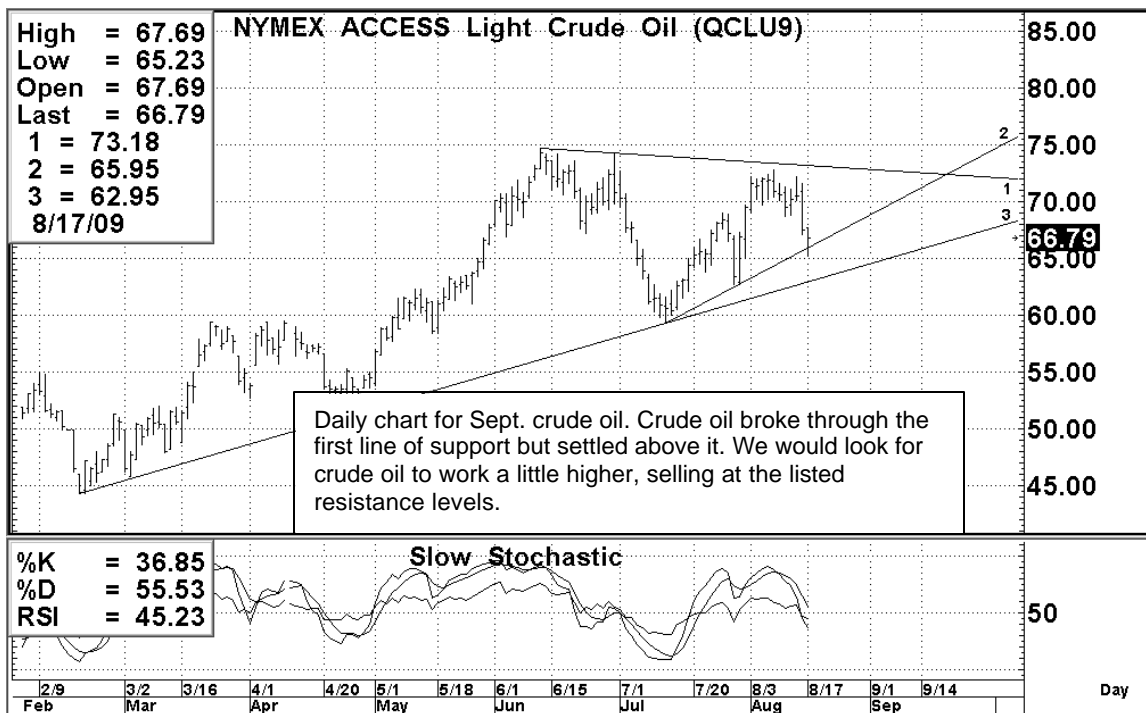
Ecuador's central bank said the country's oil export revenues totaled \$2.39 billion between January and June, down 61% on the year. Ecuador exported 59.73 million barrels in the first six months of the year, down 10% from the 66.21 million barrels reported during the same period of last year.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.08/barrel to \$71.14/barrel on Friday. It also reported that OPEC's basket of crudes fell by 61 cents to \$71.43/barrel last week from \$72.04/barrel the previous week.

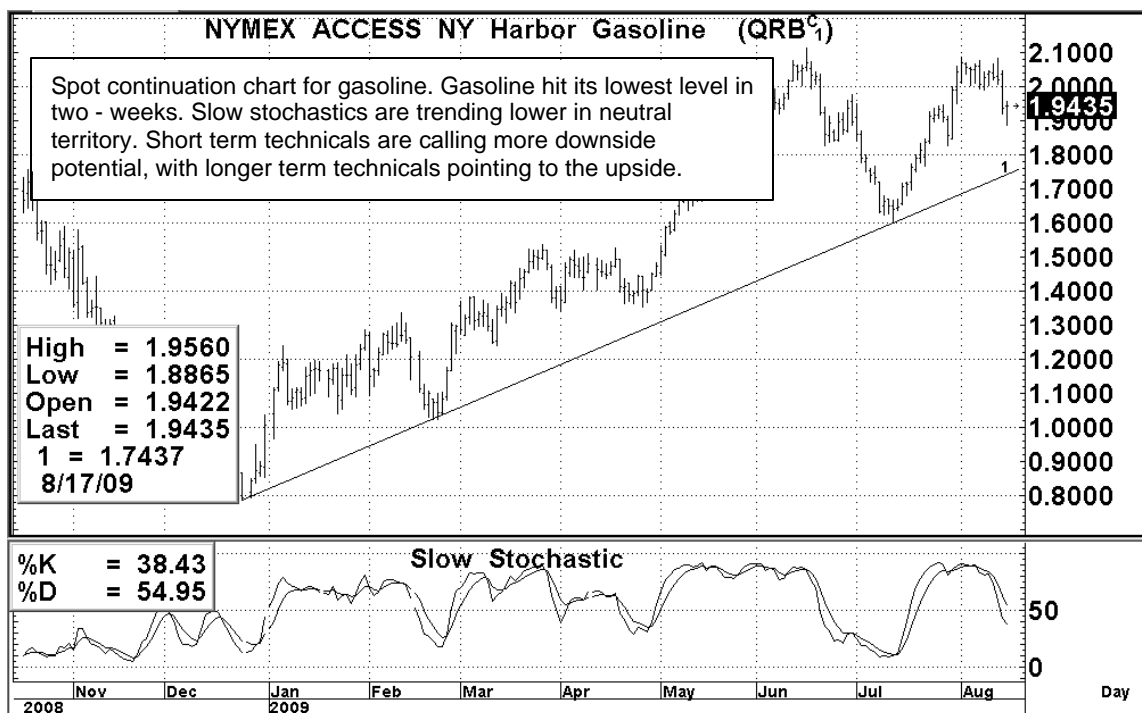
Market Commentary

As the dollar strengthened and the stock market tumbled, crude oil continued to come under pressure as commodities lost their appeal as a hedge. Crude oil fell to a two-week low as concerns about the global economy turned less optimistic. This is the first time in five-weeks that the spot month crude oil contract traded outside the ascending channel that can be seen on a spot continuation chart. The September contract penetrated the \$69.27 channel bottom and is now set up for a projected downside target of \$61.58. Gasoline hit its lowest level in two weeks in response to the economic situation only to rebound on reports of several refineries experiencing problems. With gasoline making new lows only to rally back above unchanged there is an indication that this market still has some stamina. We would look to buy and sell at the listed support and resistance numbers.

Crude Oil (SEP.09 106,781 -24,026 OCT.09 230,426 +6,822 NOV.09 110,406 +3,190 DEC.09 164,919 +1,643 JAN.10 40,171 +609 FEB.10 30,013 -450 Totals: 1,189,357 -7,397 Heating Oil (SEP.09 45,719 -2,833 OCT.09 57,662 -234 NOV.09 33,074 +1,133 DEC.09 42,955 -650 JAN.10 22,421 +194 FEB.10 15,508 -64 Totals: 310,947 -4,083 Harbor RBOB SEP.09 65,636 -8,030 OCT.09



60,576 +1,281 NOV.09 30,517 +907 DEC.09 28,918 +90 JAN.10 12,337 +378 FEB.10 3,878 +148
 Totals: 226,835 -5,131



Crude Support	Crude Resistance
63.74, 62.70, 61.61, 60.95,	67.15, 69.46, 72.85, 73.38, 74.50, 76.13
Heat Support	Heat resistance
1.7340, 1.4220, 1.4130, 1.3720	2.0000, 2.0420, 204.65
Gasoline support	Gasoline resistance
1.9100, 1.8845, 1.8450, 1.7989, 1.7895, 1.5887, 1.5370, 1.5260, 1.3560, 1.3400,	1.9711, 1.9830, 20.567, 2.1100, 2.1600, 2.3350

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