



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shi gueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR AUGUST 19, 2009

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said there is no need for OPEC to change its oil production target at its meeting in September as the oil price is satisfactory.

Market Watch

Hurricane Bill strengthened to a major Category 4 hurricane. It had maximum sustained winds of 135 mph, up from 125 mph earlier today. Some fluctuation in strength will occur over the next couple of days as Hurricane Bill continues to move on a west-northwest track over warm water. Computer models show that Hurricane Bill will not be a threat to the US but could track close enough to Bermuda to cause at least tropical storm force winds. This will most likely occur Friday night into Saturday. Meanwhile weather forecasters said as remnants of Ana drift into the warm waters of the eastern Gulf of Mexico later Wednesday, there is a small chance it could regenerate into a tropical depression as it moves northwest toward the eastern Gulf Coast. The US National Hurricane Center said the system has a low chance, less than 30%, of becoming a tropical cyclone again during the next 48 hours. Accuweather also said there is a small chance the system could reorganize Wednesday-Thursday.

Refinery News

BP Plc said that a sulfur recovery unit at its 475,000 bpd Texas City, Texas refinery tripped on Tuesday.

Citgo Corp reduced rates to its fluid catalytic cracking unit at the east plant of its 163,000 bpd Corpus Christi, Texas refinery early Tuesday. The problem caused brief flaring.

Tesoro Petroleum Corp said its 60,000 bpd Mandan, North Dakota refinery is at planned rates after restarting on Tuesday. The plant had lost steam power on Tuesday, resulting in the shutdown of the refinery.

Indonesia's Pertamina shut a gasoline making unit at its 125,000 bpd Balongan refinery due to a technical problem. Separately, Indonesia's Pertamina has revised up its imports of gasoline in August to 6.6 million barrels from 5.6 million barrels planned previously to increase stocks ahead of Ramadan. Pertamina's gasoline stocks currently stand at 18.4 days while its diesel stocks are at 26.6 days. Pertamina plans to import 5.8 million barrels of gasoline in September, up from an original import plan of 5.6 million barrels.

DOE Stocks

Crude – down 8.397 million barrels
Distillate – down 650,000 barrels
Gasoline – down 2.177 million barrels
Refinery runs – up 0.5%, at 84%

Taiwan's CPC Corp shut its No. 3 naphtha cracker on Tuesday due to mechanical issues and expects to restart it tomorrow.

Japan's Cosmo Oil Co said its 80,000 bpd Sakai refinery will undergo maintenance starting August 22nd to October 30th.

Saudi Aramco and ExxonMobil will shut its 400,000 bpd Yanbu refinery in March for maintenance.

August Calendar Averages

CL – \$70.34
HO – \$1.8972
RB – \$2.0219

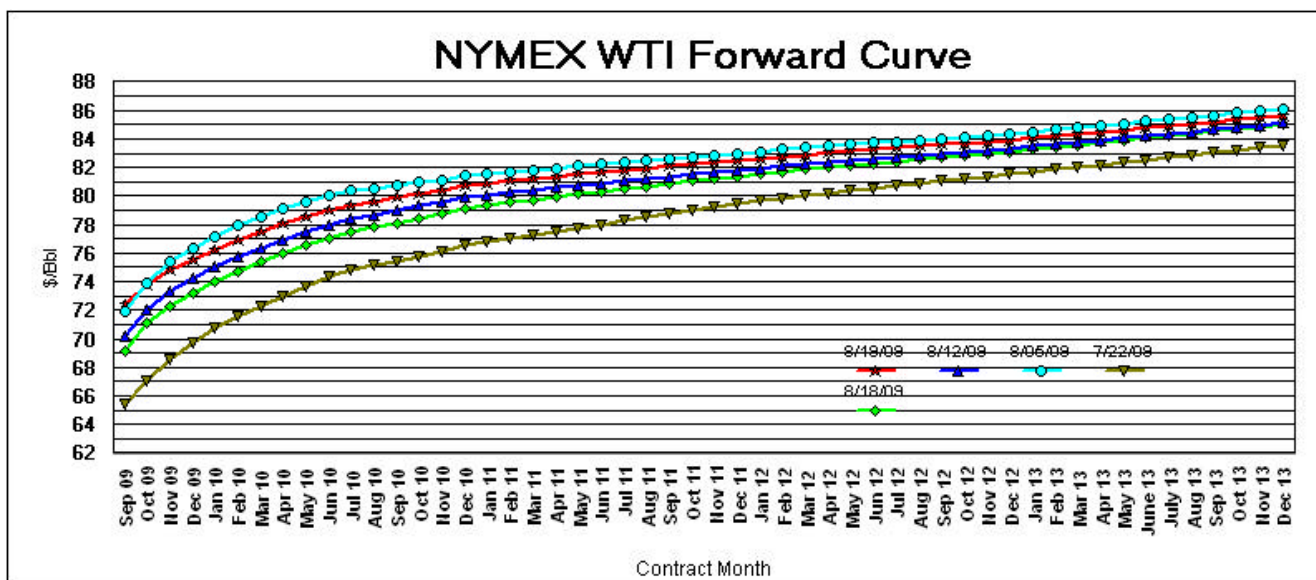
Kuwait may revive a plan to build a refinery in Louisiana to compensate for canceling a \$17.4 billion joint venture with Dow Chemicals Co last year.

Russia's Energy Ministry reported that the country's oil refinery runs in July increased by 1.8% on the month and by 1.2% on the year to 4.89 million bpd.

Ukraine's Fuel and Energy Ministry reported that the country's oil and gas refineries processed 6.245 million tons of crude oil and gas condensate in January-July 2009, down 1.2% on the year. It said refineries received 5.23 million tons of crude oil in January-July, including 1.56 million tons of Ukrainian oil, 3.61 million tons of Russian and 60,600 tons of Kazakhstan oil. The Ministry also reported that refineries has reduced gas oil production by 0.1% to 1.864 million tons in January-July 2009, while gasoline production fell by 7.4% to 1.85 million tons.

The China Petroleum and Chemical Industry Association said China's commercial oil product stocks increased at the end of July due to a significant drop in sales during the month. However it did not specify the amount of the build. According to the National Bureau of Statistics, China's refinery runs increased for the sixth consecutive month in July to a record level of 33.11 million metric tons or 7.83 million bpd. Gasoline output in July increased by 17.7% on the year to 6.39 million tons while diesel output increased by 9% on the year to 12.85 million tons.

The Petroleum Association of Japan reported that the country's crude stocks in the week ending August 15th built by 2.6 million barrels on the week and by 210,000 barrels on the year to 97.38 million barrels. Japan's gasoline inventories fell to their lowest level in three months as it fell by 900,000 barrels on the week and by 570,000 barrels on the year to 12.05 million barrels. Meanwhile, Japan's gasoline sales increased by 4.2% on the week and by 9.8% on the year to 1.22 million bpd. Japan's kerosene stocks built by 810,000 barrels on the week but fell by 1.08 million barrels on the year to 17.7 million barrels while naphtha stocks fell by 500,000 barrels to 9.56 million barrels.



Japanese refiners ran their facilities at an average 76.2% rate of total capacity in the week ending August 15th, up 1.7% on the week but down 10.4% on the year. Its crude runs increased by 100,000 bpd on the week but fell by 530,000 bpd on the year to 3.71 million bpd.

Production News

The US Interior Department said it received \$115 million for new leases to drill for oil and natural gas in parts of the western Gulf of Mexico. The lease sale may produce as much as 423 million barrels of oil and 2.64 trillion cubic feet of natural gas.

Separately, the US Minerals Management Service said BP Exploration and Production submitted the apparent high bid of \$28.1 million on Wednesday in a generally weak Gulf of Mexico oil lease sale.

Dana Petroleum Plc said the North Sea Etrick oilfield has started production and will reach output of 20,000 bpd.

Iraq aims to sign a contract for the Rumaila oil field with BP Plc and China National Petroleum Corp in September. Separately, Iraqi officials said Japan's Nippon Oil Corp and partners have a good chance of winning a contract to develop the Nassiriya oilfield but negotiations are continuing over the financial terms of the project. Japanese state banks supporting the consortium in its bid for the oilfield will meet Iraqi Oil Ministry and Finance Ministry officials next week in Istanbul.

Petrobras' production in Brazil increased in July to 1.938 million bpd from 1.927 million bpd in June. It is up 3.8% on the year.

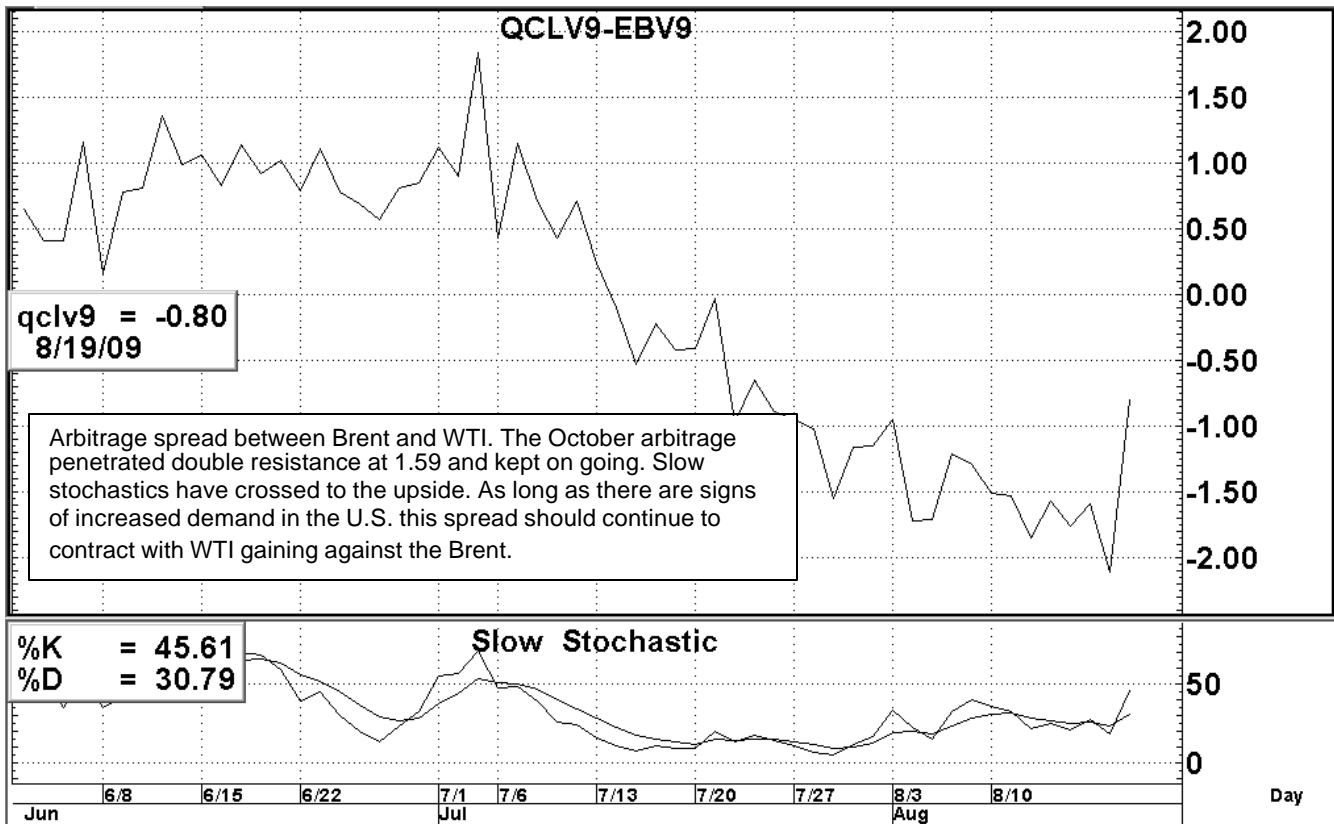
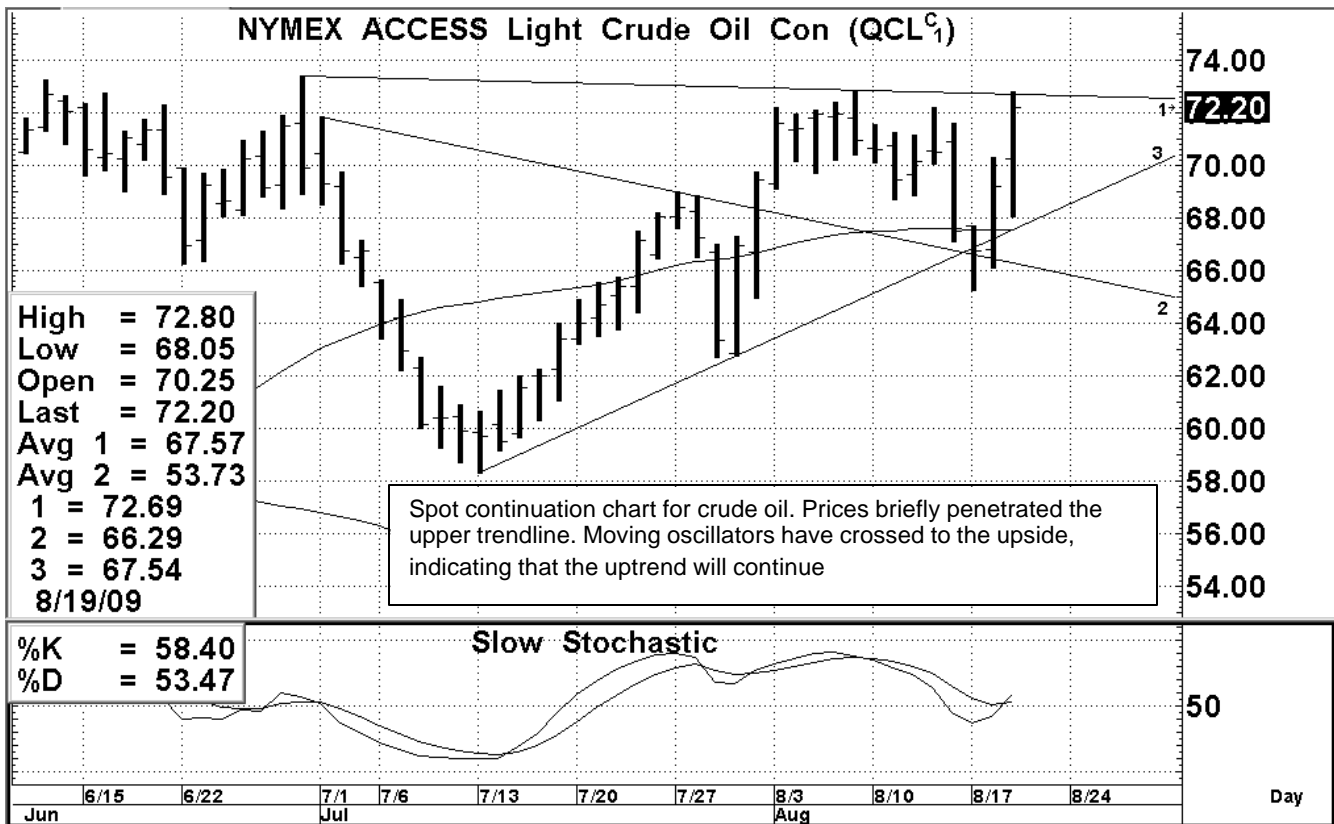
Norway's DNO International said it has not yet been paid for about three months of oil exports from Iraq. It said it hoped its Kurdish partner, the Kurdistan Regional Government, would soon sign an agreement with Baghdad authorities over dividing oil revenues. DNO launched export production from its Tawke oilfield in the Kurdish north Iraq on June 1. It has increased its output to 50,000 bpd and exports to 45,000 bpd, which at current Brent prices is worth about \$100 million per month.

OPEC's news agency reported that OPEC's basket of crudes increased to \$69.47/barrel on Tuesday from \$68.04/barrel Monday.

Market Commentary

Early losses were quickly regained as the energy markets reacted to the release of the DOE's which indicated that demand is making a come back. Lower imports and refinery runs were behind the dip in crude oil inventories. Contributing to the lowest import levels in nearly a year could be the discount that WTI has had against the Brent. The October WTI/Brent arbitrage settled yesterday's trading session at -\$2.11 and at the time of this writing was trading at -.80 cents. Despite the slight increase in both products, gasoline season is winding down and refiners remain skeptical about the economy. This will leave refiners reluctant to purchase crude oil and increase runs. Crude oil gained \$3.23 today and from a technical standpoint should continue higher.

Crude Oil (SEP.09 50,824 -14,172 OCT.09 254,951 +16,146 NOV.09 115,024 +2,637 DEC.09 165,020 +1,778 JAN.10 40,304 -793 FEB.10 30,954 +556 Totals: 1,173,172 +9,442 Heating Oil (SEP.09 41,571 -3,011 OCT.09 60,238 +2,103 NOV.09 33,736 +309 DEC.09 43,490 +769 JAN.10 22,715 +115 FEB.10 15,635 +106 Totals: 311,666 +1,066 Harbor SEP.09 55,982 -4,802 OCT.09 64,626 +1,561 NOV.09 30,618 -56 DEC.09 29,613 +523 JAN.10 12,316 -49 FEB.10 4,014 +33 Totals: 223,214 -2,227



Crude Support	Crude Resistance
66.75, 63.38, 62.70, 61.61, 60.95,	73.08, 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,	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.