

**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 4, 2009**

---

Iran's new Oil Minister Massoud Mirkazemi will attend OPEC's next meeting in Vienna on September 9<sup>th</sup>. Iran's Governor to OPEC, Mohammad Ali Khatibi said one of the Oil Minister's goals was to maintain Iran's position at OPEC's second largest crude producer. The appointment of the new Oil Minister was approved by parliament on Thursday, along with 17 other of President Mahmoud Ahmadinejad's proposed ministers.

About 200

Nigerian rebels and their leader Ebikabowei Victor Ben threatened to resume attacks in the Niger Delta if they are not paid for handing over their weapons as part of a federal amnesty program. They agreed two weeks ago to halt fighting in return for clemency during a public ceremony in Bayelsa's state capital Yenagoa. The amnesty program appears to have exposed divisions within the militants'

#### Market Watch

The US National Hurricane Center is monitoring Tropical Storm Erika in the northeastern Caribbean Sea and a tropical wave in the far eastern Atlantic Ocean. However both systems have low chances of further development into tropical cyclones in the next 48 hours. It said Tropical Storm Erika will be closely monitored for signs of regeneration. The tropical wave, located about 175 miles east southeast of the Cape Verde Islands, has the potential for slow development over the next couple of days. There is a low chance, less than 30%, of it becoming a tropical cyclone during the next 48 hours.

The US Labor Department said nonfarm payrolls fell by 216,000 in August, compared with a fall of 276,000 in July. However the unemployment rate increased to its highest level since June 1983. The unemployment rate increased to 9.7%, the highest level since June 1983 when the rate was 10.1%. According to Friday's employment report, average hourly earnings increased by 6 cents last month to \$18.65.

Saudi Arabia's Prince Turki al-Faisal said the US has no alternative to oil to meet its energy needs and should recognize its energy interdependence with the Middle East. He said energy independence was an unrealistic, groundless and harmful concept, which is likely to re-emerge once economic recovery pushes oil prices higher.

The US plans to call on the Group of 20 to eliminate fossil fuel subsidies in five years and increase oil market transparency when the group meets at the end of the month. The US intends to argue fuel subsidies distort oil and product markets and artificially increase fuel demand, leading to higher greenhouse gas emissions. The US proposal also calls for tighter monitoring of over-the-counter markets in G20 nations, similar to steps taken in the US.

Mexico's President Felipe Calderon said Mexico needs more reforms to explore the deep waters of the Gulf of Mexico and increase domestic oil production. He said BP Plc's deepwater oil discovery in the Tiber field, should serve as a wake up call for Mexico. He said Mexico needs more legal reforms to allow the country to tap deepwater oil fields as fast as possible.

September  
Calendar Averages  
CL – \$68.02  
HO – \$1.7412  
RB – \$1.7900

ranks, with some factions ready to accept the offer while MEND's spokesman warning that attacks on oil infrastructure will resume again once a ceasefire ends later this month.

**Refinery News**

BP Plc shutdown an ultracracker unit at its 467,720 bpd refinery in Texas City, Texas for maintenance expected to last until September 11<sup>th</sup>. Earlier

this week, BP said it was shutting an ultraformer unit at its Texas City refinery for a nine day maintenance period.

Tesoro Corp restarted a coking unit at its 166,000 bpd Golden Eagle refinery in Martinez, California. The unit was shut down for several weeks for scheduled maintenance. It is currently running at planned rates.

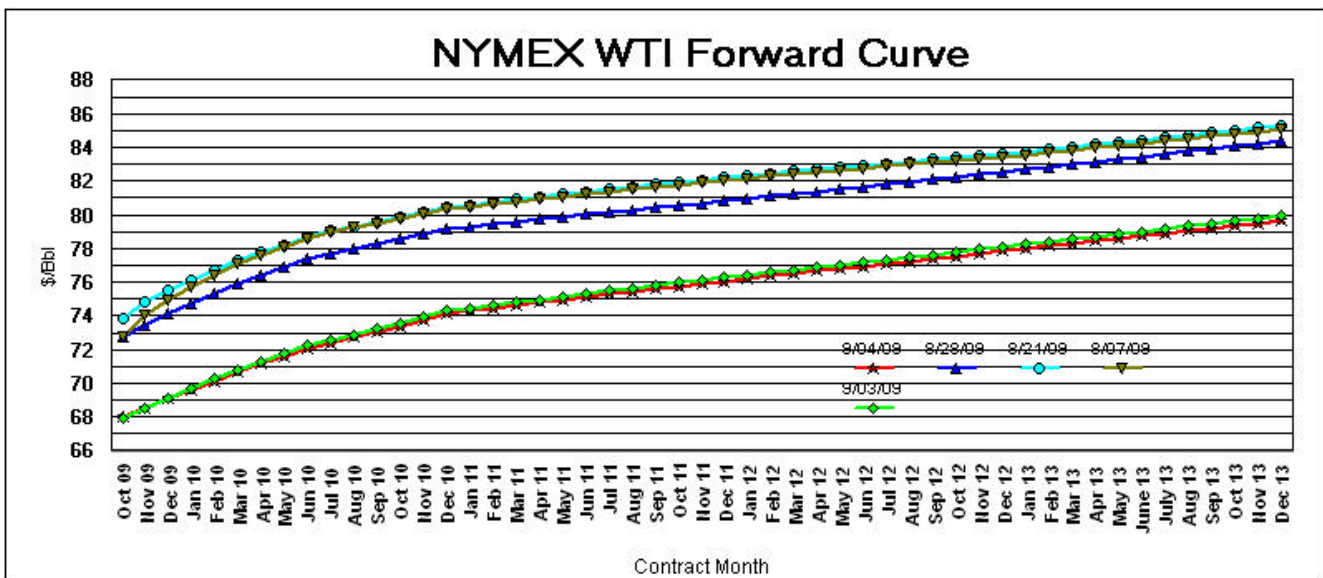
Hovensa LLC said a temporary export halt at its 500,000 bpd St. Croix refinery ended after the US Coast Guard reopened all ports in the US Virgin Islands following Tropical Storm Erika. It said the passing storm did not impact operations at the St. Croix complex.

PDVSA said it is restarting its fluid catalytic cracking unit at its El Palito refinery following a month long expansion project and will increase its production to 70,000 bpd.

Total SA's chief executive Christophe de Margerie said demand for refined petroleum products remains low and added that the refining industry has too much capacity. Separately, traders said Total has fixed to VLCCs to load Forties crude on September 10-15 at Hound Point, with an option of 30-90 days of storage at a cost of \$35,000/day.

Japan's Nippon Oil Corp shut all the refining units at its 127,000 bpd Marifu refinery in western Japan on Friday afternoon due to a blackout that followed a lightning strike. It does not know when the refining units, including its 127,000 bpd crude distillation unit will resume operations.

China's WEPEC is expected to shut its 3 million ton/year residual fluid catalytic cracking unit for a 15 day routine maintenance starting at the end of September. The shutdown will likely see the refiner reduce its exports to 60,000 tons in October.



Three major South Korean refiners plan to export a combined 1.5 million barrels of spot diesel in October, maintaining their September export volumes. SK Energy and GS Caltex will export 600,000 barrels each next month while Hyundai Oilbank Corp will export 300,000 barrels.

Indonesia's total term and spot imports of gasoline, diesel and fuel oil for September are expected to be stable compared with August at about 10.7 million barrels. Pertamina is expected to maintain its gasoline imports this month largely stable at about 6.2 million barrels compared with 6.5 million barrels in August. Diesel imports in September are also expected to remain steady at 3.6 million barrels compared to 3.5-4 million barrels in August. Fuel oil imports in September will remain unchanged at 850,000 barrels.

At least eight supertankers holding mostly fuel oil are anchored in south Malaysian waters, up from seven, as a shortage of tanks spurs an increase in floating storage. Trading firms are leasing Very Large Crude Carriers to store and blend fuel oil due to a lack of long term storage terminals in Singapore.

Oman Refineries and Petrochemicals Co is exporting light naphtha for the first time, following the startup of its aromatics plant. The firm has offered 30,000 cubic meters of light fuel for September 14-16 lifting from Sohar in a tender that closes next Tuesday.

### **Production News**

Baker Hughes reported that the number of rigs searching for oil and natural gas in the week ending September 4<sup>th</sup> increased by 10 to 1,009. The number of rigs searching for oil increased by 9 to 295 while the number of rigs searching for natural gas increased by 2 to 701.

Saudi Arabia plans to keep supplies steady in October to major firms with global refining systems. The steady allocation is an indication that OPEC will not make any formal change to output ceilings when it meets on September 9<sup>th</sup>.

OPEC's news agency reported that OPEC's basket of crudes increased to \$66.65/barrel on Thursday from \$66.64/barrel on Wednesday.

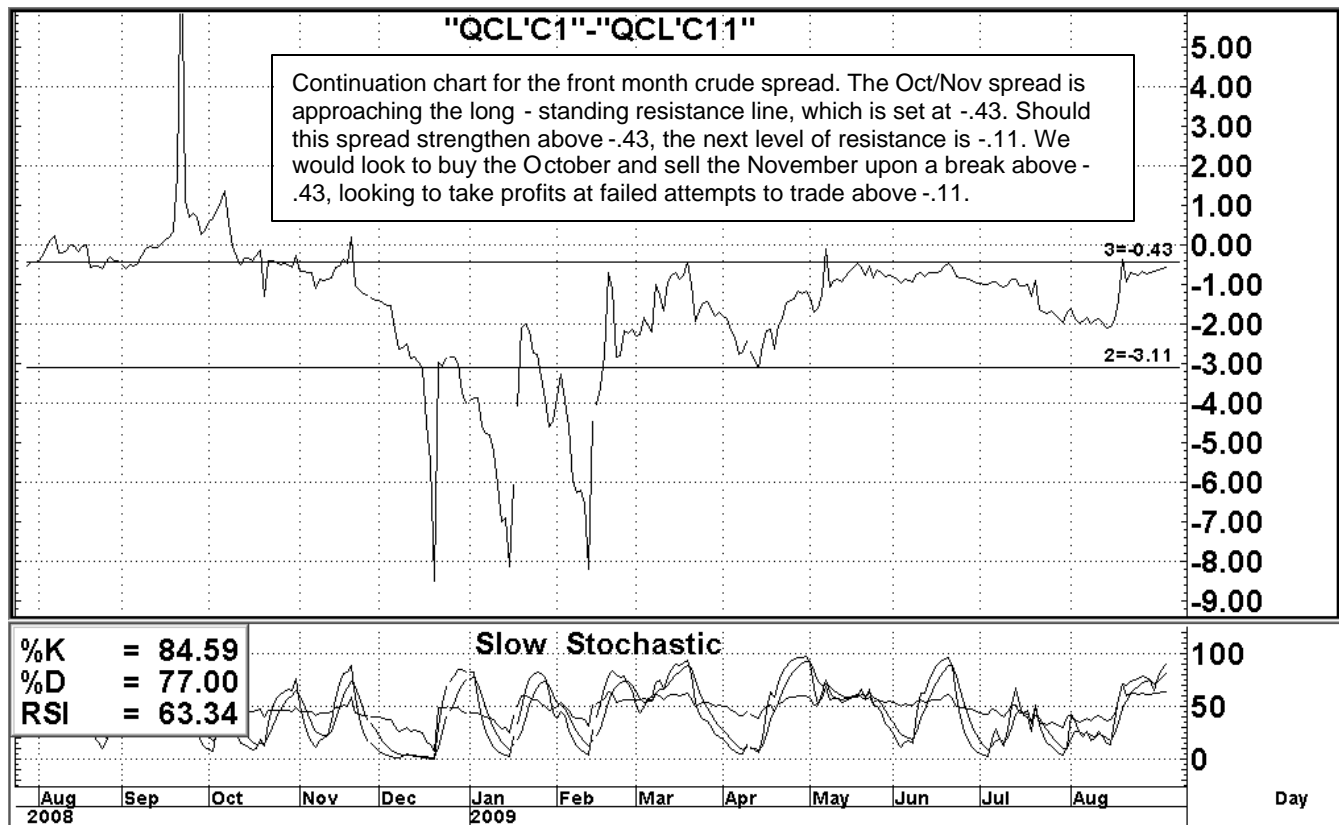
### **Market Comment**

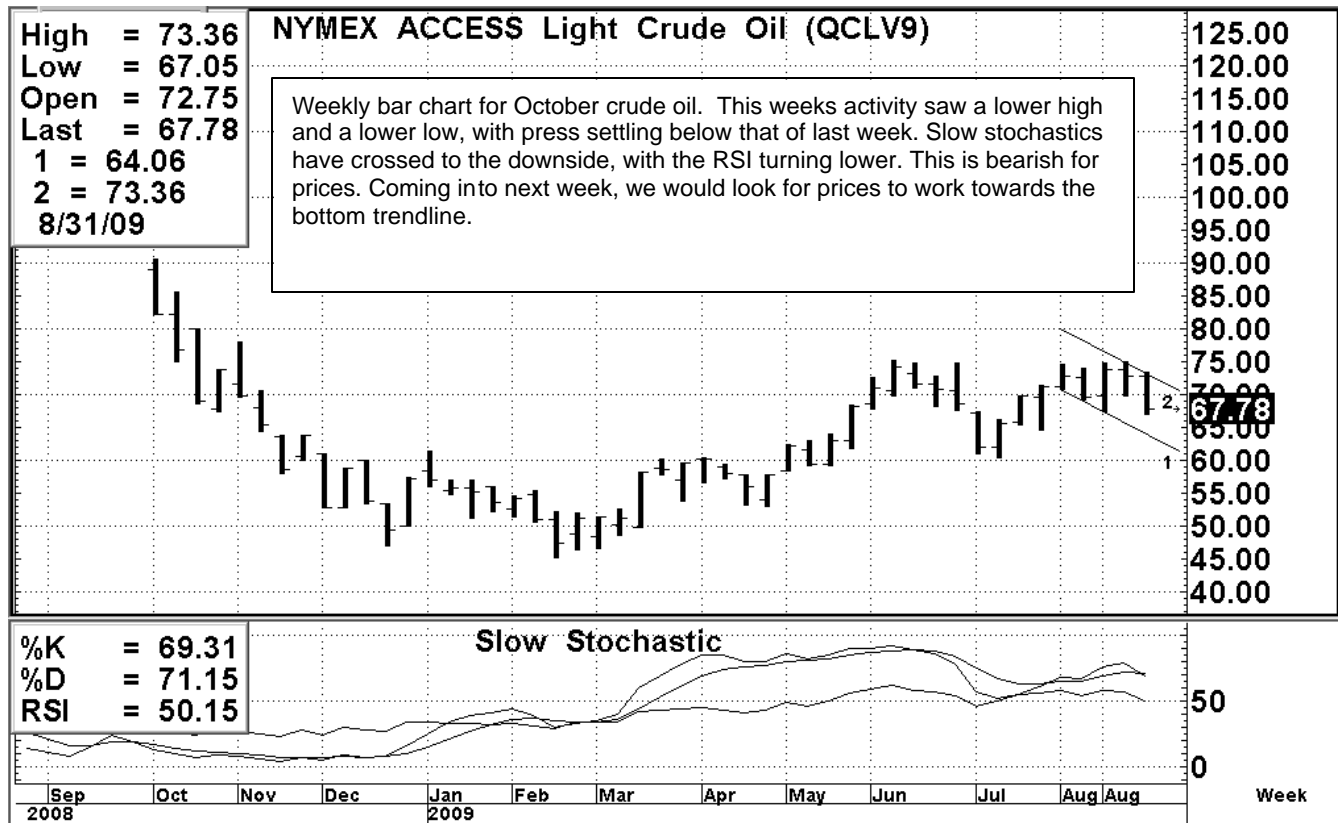
Once again crude oil experienced an erratic trading session, as it responded to various economic data. U.S. job losses fell less than expected, however, they are at a 26 – year high. The dollar gained against the euro and the equities market was higher. The upcoming September 9 OPEC meeting is at the forefront of everyone's mind as the oil industry awaits the out come of this meeting. OPEC is faced with making output decisions as the oil industry sits on high inventories and sluggish demand. The front month crude oil spread has been gaining strength since the middle of August. One possibility for this maybe that investors who, were awaiting word from the CFTC as to regulating speculative positions, had rolled over to the ICE contracts. With the approach of expiration and no definitive decision from the CFTC, investors came back into the NYMEX contract. The October/November spread is approaching long - standing resistance, which is set at -.43. Should this spread trade above this level, a buy (buying October) opportunity would present itself. We would buy the October sell the November, looking for this spread to test the -.11 level.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 10,938 contracts to 28,594 contracts in the week ending September 1<sup>st</sup>. The combined futures and options report showed that non-commercials cut their net long position by 12,145 contracts to 126,083 contracts on the week. The funds cut their total long position by 12,923 contracts to 225,750 contracts on the week. The CFTC's expanded report showed that producer/merchants were net short 158,952 contracts and swap dealers were net long 23,736

contracts. The managed money were net long 83,564 contracts while the other reportables were net long 42,518 contracts. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market cut their net long position by 5,670 contracts to 27,745 contracts. The expanded report showed that producer/merchants were net short 109,261 contracts while swap dealers were net long 69,643 contracts. The managed money were net long 13,947 contracts while the other reportables were net long 13,797 contracts. The non-commercials in the RBOB market cut their net long position by 5,324 contracts to 42,563 contracts on the week. The expanded report showed that producer/merchants were net short 84,155 contracts while swap dealers were net long 37,780 contracts. Meanwhile, the managed money and other reportables were net long 37,677 contracts and 4,886 contracts, respectively.

Crude Oil OCT.09 238,294 -6,892 NOV.09 153,786 +4,270 DEC.09 167,163 +2,398 JAN.10 43,581 +2,898 FEB.10 27,062 +879 MAR.10 30,266 -532 Totals: 1,168,169 +2,567 Heating OCT.09 62,991 +214 NOV.09 41,190 +980 DEC.09 47,722 -935 JAN.10 25,784 +605 FEB.10 16,487 -4 MAR.10 13,871 -188 Totals: 298,219 +2,096 GASOLINE (RB) OCT.09 78,423 -1,825 NOV.09 40,367 +365 DEC.09 32,381 +235 JAN.10 17,644 +429 FEB.10 4,493 +15 MAR.10 7,016 -102 Totals: 204,724 -521





<b>Crude Support</b> 66.23, 64.70, 63.38, 62.70, 61.61, 60.95,	<b>Crude Resistance</b> 73.24, 73.85, 75.00, 76.13
<b>Heat Support</b> 1.6600, 1.4870, 1.4220, 1.4130, 1.3720	<b>Heat resistance</b> 1.7310, 2.0420, 204.65
<b>Gasoline support</b> 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400,	<b>Gasoline resistance</b> 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.