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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 8, 2009

Oil Ministers from Iran, Nigeria and Kuwait discussed the quotas Tuesday night with OPEC's Secretary General in meeting of OPEC's Ministerial Monitoring Sub-Committee. Kuwait's Oil Minister Sheikh Ahmad Abdullah al-Sabah said the committee recommended, as expected, that OPEC leave its existing production cuts unchanged. Separately, a Gulf delegate said compliance with output cuts is a big issue and will be discussed at Wednesday's OPEC meeting. The delegate said no official change in production is the most likely outcome.

OPEC's President, Angola's Oil Minister Jose Botelho de Vasconcelos, said he thought the oil market was better but

Market Watch

Goldman Sachs said US distillate demand at 3.5 million bpd, amid high inventories, still stands out as a weak spot in the oil market. It expects a rebound in trucking activity in September and October, increasing diesel demand. It said a tightening in US oil inventories in August reinforces its view of improving supply/demand fundamentals and repeated its forecast for year end US crude price of \$85/barrel.

The head of the IMF said economic recovery may come three months earlier than forecast but policymakers expressed concern that it may not last if governments reverse stimulus programs too early. A document shows that the IMF has increased its forecasts for economic activity this year and next. It is due to publish the report later this week. Governments and central banks are cautious. A senior member of the European Central Bank said in an interview that financial markets may be reacting too optimistically to recent data. In China, a senior cabinet official said the Chinese economy was stronger but recovery was still not solid. State Councilor Ma Kai said China would continue to implement its policies to stimulate growth. Finance Ministers from the G20 economies agreed over the weekend that now was no time to reverse the trillions of dollars of stimulus pumped into the world economy.

The US National Hurricane Center said Tropical Storm Fred, which formed in the eastern Atlantic Ocean late Monday, was strengthening early on Tuesday. It said the tropical storm was gradually becoming more organized and had the potential to become a hurricane within the next 36 hours. It is 285 miles southwest of the southernmost Cape Verde Islands and moving west at about 15 mph. A gradual turn to the west-northwest and northwest with a decrease in forward speed is forecast over the next two days. Tropical Storm Fred's anticipated immediate track will keep it far from the Gulf of Mexico.

Two commissioners at the US Commodity Futures Trading Commission are raising concerns about the agency's decision to alter the format of its weekly report without seeking public comment. The new report provides greater detail into the positions of large traders by breaking them down into four categories, one for producers, merchants, processors and users; another for swap dealers; and two for managed money and other reportables. They applauded CFTC Chairman Gary Gensler's efforts to increase transparency in the markets but said they feared that the lack of public input surrounding the methodology for re-classifying traders may compromise its usefulness.

**September
Calendar Averages**
CL – \$68.64
HO – \$1.7495
RB – \$1.7978

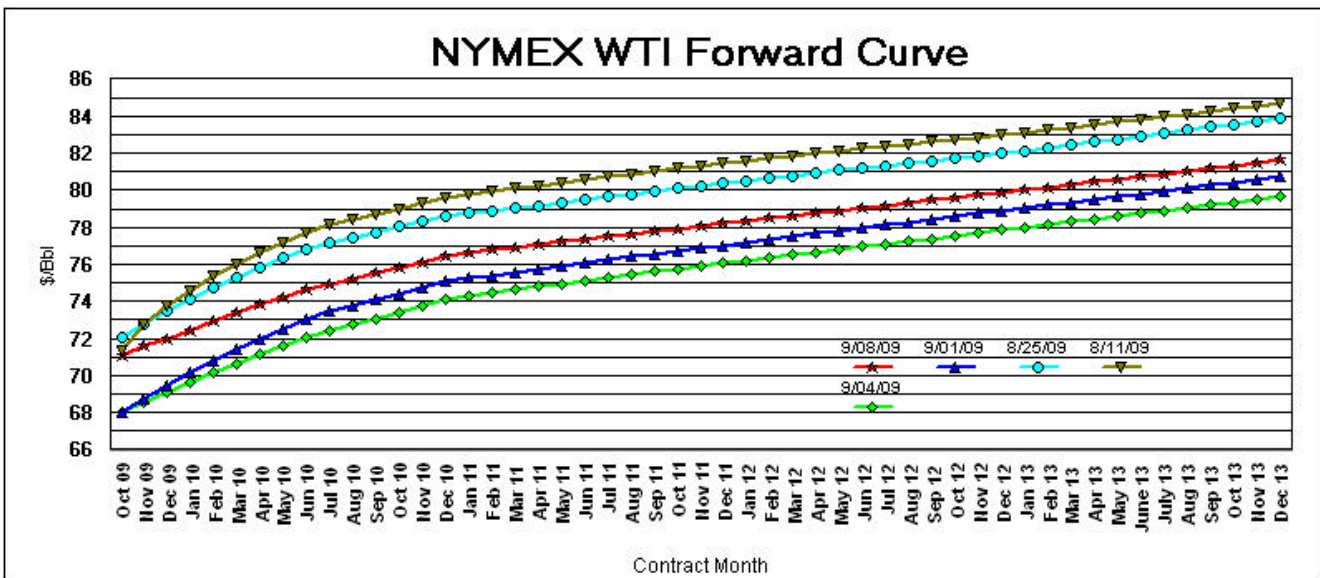
added that the group was still not comfortable with high levels of inventory. Saudi Arabia's Oil Minister Ali al-Naimi said the oil market is in good shape and both consumers and producers are happy with the current price between \$68 and \$73/barrel. The Oil Minister said the market is very well supplied, ahead of the OPEC meeting on Wednesday. Kuwait's Oil Minister Sheikh Ahmad al-Abdullah said current oil prices are reasonable and acceptable. He said OPEC is expected to maintain its output unchanged when it meets on Wednesday. He said OPEC members are in a general consensus to keep output levels steady. He said members will be urged to show better commitment to the reduced quotas set earlier to sustain market stability and keep prices within an acceptable range. Algeria's Oil Minister Chakib Khelil said also said there is no need for a new cut in OPEC's quotas. He said that because of the application of OPEC cuts, things will stabilize within the next six months and inventories will stop rising. He expects prices to rise early in 2010. Meanwhile, Iran's Oil Minister Massoud Mirkazemi said he thought the oil market situation is improving but added that the level of oil inventories is high. Qatar's Oil Minister Abdullah al-Attiyah said oil stocks are high. He said OPEC would not want to damage the world economy with a new cut in supplies.

According to HIS Cambridge Energy Research Associates, world oil demand will continue growing next year, returning to pre-recession levels by 2012. It said it expects demand to increase by 900,000 bpd in 2010 from a 2009 low of 83.8 million bpd. It expects oil demand to return to its 2007 high of 86.5 million bpd by 2012 and rising to 89.1 million bpd in 2014. Non-OECD countries, including China, will account for 83% of demand growth.

Iran's Foreign Minister Manouchehr Mottaki said Iran will present proposals aimed at resuming negotiations over its nuclear program to world powers on Wednesday. He said Iran's package of proposals has been updated in light of developments in the world and different events that have taken place.

Militants in Nigeria's Bayelsa state have staged a protest over what they said was the government's failure to compensate them from laying down their arms. The militants were demanding payment of 10 million naira or \$65,272 they claim the government has promised each militant before they surrendered their weapons last month. A Bayelsa state government spokesman said no money had ever been promised to the militants beyond a relatively modest monthly allowance.

The EIA reported that the US average retail price of diesel fell by 2.7 cents/gallon to \$2.647/gallon in the week ending September 7th. The current price is down \$1.412/gallon from last year's level. The



EIA also reported that the US retail price of gasoline fell by 2.5 cents/gallon to \$2.588/gallon on the week. It is the fourth consecutive decline that put gasoline prices at its lowest level since August 3rd.

Refinery News

According to Credit Suisse, Gulf Coast margins fell by \$1.25 to \$5.67/barrel last week. In the Midwest, margins increased by 80 cents to \$8.49/barrel while in the Northeast, margins increased by 56 cents to \$6.16/barrel. Margins in the Rockies increased by \$2.46 to \$18.51/barrel while margins in the West Coast increased by \$4.03/barrel to \$14.83/barrel.

Frontier Oil said a 22,000 bpd reformer unit at its 130,000 bpd refinery in El Dorado, Kansas was restarted on Thursday and is now back on target rates after it was shut in late August due to a fire. The refinery is expected to run at 118,000 bpd in September, up from 115,500 bpd in August. Meanwhile, Frontier's 52,000 bpd Cheyenne, Wyoming refinery will operate at 41,800 bpd in September, down from 42,600 bpd in August.

Shell Oil Co will conduct planned maintenance on a unit at its 155,000 bpd Scotford refinery near Edmonton, Alberta, Canada.

Royal Dutch Shell has shut some refining units, including a crude distillation unit and a hydrocracking unit at its Godof refinery in Germany for scheduled maintenance. The maintenance began at the start of September and will last until early October.

Sunoco Inc has delayed the restart of a fluid catalytic cracking unit in the Girard Point section of its 335,000 bpd Philadelphia refinery. The unit was shut for one month of planned work on August 7th.

Valero Energy Corp will fire hundreds of workers and shut several major processing units due to lower fuel demand in the recession. Valero said it intends to shut a coker unit and gasifier complex at its Delaware City, Delaware refinery and keep a fluid catalytic cracking unit and coker unit idled indefinitely at its Corpus Christi, Texas refinery all for economic reasons. The plant wide shutdown of the 275,000 bpd Aruba refinery is now expected to be for an extended period.

China's twelve major refineries will process 2.65 million bpd of crude in September, up from 2.63 million bpd in August. The September volumes will represent about 89% of their total refining capacity.

Sinopec's 270,000 bpd Maoming refinery will reduce crude throughput in September by about 13% on the month to 243,300 bpd.

China's West Pacific Petrochemical Co will shut a 3 million metric ton/year residual fluid catalytic cracking unit for maintenance starting at the end of September. It will be shut for about two weeks.

Japan's Nippon Oil Corp shut a 24,000 bpd continuous catalytic cracking unit and its associated units at its Marifu refinery on Tuesday after a fire started at the CCR unit earlier in the day. Operations at the refinery's 127,000 bpd crude distillation unit were continuing to operate normally following the fire.

PDVSA will take legal action over ConocoPhillips' bid to buy out PDVSA's share in the Merey Sweeny refinery in the US. On Friday, ConocoPhillips said PDVSA has not been meeting its obligation to supply crude to Merey Sweeny LP and therefore it has the right to exercise its option to buyout PDVSA. A director at PDVSA said PDVSA's decision to cut production and stop sending crude production to the refinery is a sovereign right.

The BP Plc led Baku-Tbilisi-Ceyhan pipeline is expected to pump about 852,000 bpd in October, up from 767,000 bpd in September. The October shipments are scheduled to total 26.4 million barrels.

Production News

The October loading program for North Sea Statfjord crude scheduled the loading of 5.13 million barrels or 165,484 bpd, up 1.71 million barrels from September's 3.42 million barrels or 114,000 bpd. Meanwhile, the October loading program for North Sea Gullfaks crude scheduled the loading of 8.55 million barrels or 275,806 bpd, up 2.087 million barrels from September's 6.463 million barrels or 215,433 bpd.

Royal Dutch Shell said output from a floating production storage and offloading unit supporting Nigeria's 115,000 bpd EA oilfield has been shut for repairs. It said output was suspended on Monday but did not say how much production was suspended.

Russia is surpassing Saudi Arabia in oil exports for the first time since the Soviet Union's collapse as Prime Minister Vladimir Putin exploits OPEC production cuts to gain market share. According to Energy Ministry data, crude and refined products exports from Russia increased to about 7.4 million bpd in the second quarter. The extra barrels may undermine OPEC efforts to reduce inventories and keep members from exceeding their quotas after the group meets on Wednesday.

Qatar offered some weeks ago extra volumes of Qatar Land crude to at least two term buyers for September and October loadings due to high stockpiles. The market is now in the November trading month with additional volumes for the month also being offered. Sources said additional cargoes were offered due to upcoming refinery maintenance works and ample inventories.

Iraq's Deputy Oil Minister Ahmed al-Shamma said Japan's Nippon Oil Corp will visit Iraq next week to finalize a deal on Iraq's Nassiriya oilfield.

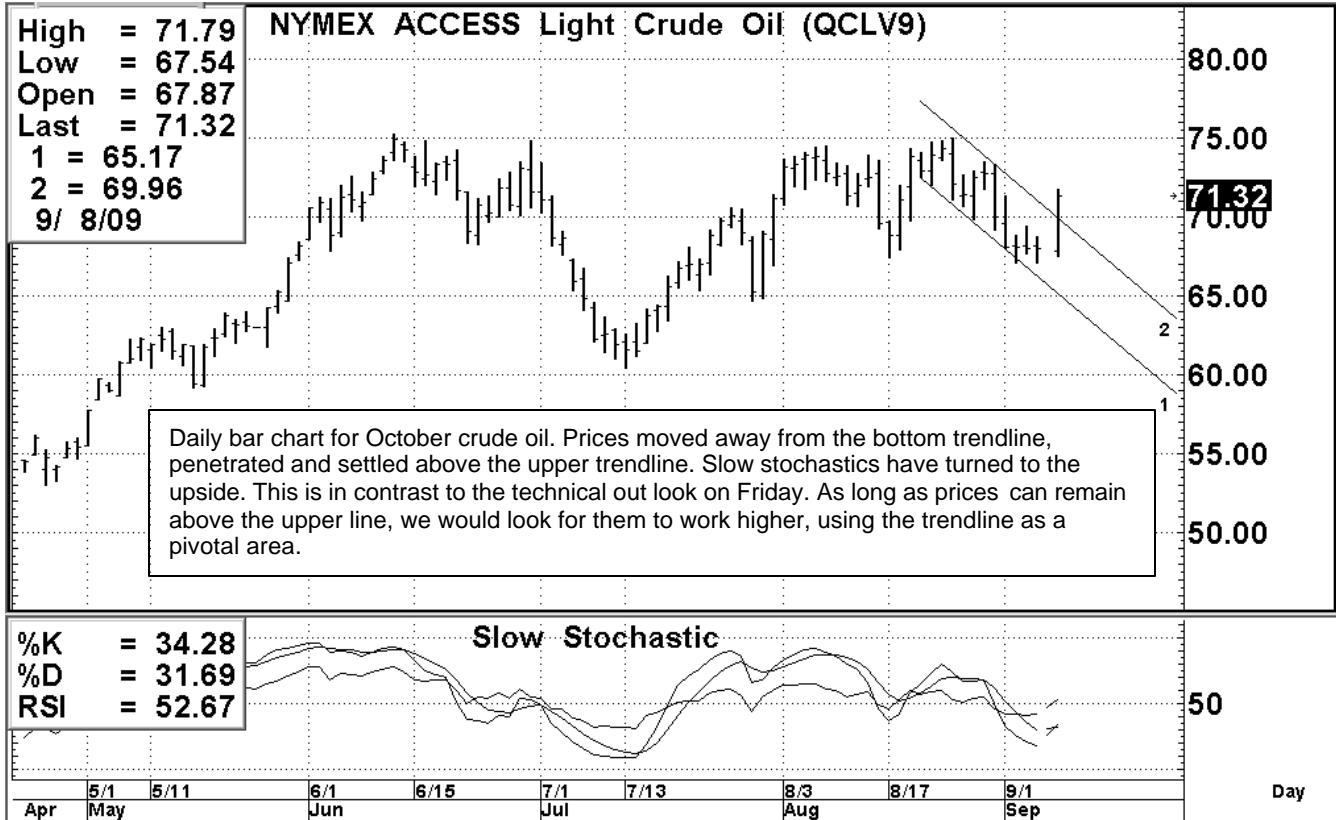
Brazil's Petrobras has resumed oil production tests at its deepwater Tupi field after it halted production in July due to technical problems with key equipment.

OPEC's news agency reported that OPEC's basket of crudes increased to \$66.15/barrel on Monday from \$66.03/barrel last Friday.

Market Commentary

Along with a strong equities market, crude oil rose today in response to a weak dollar and anticipation of the upcoming OPEC meeting. The weak dollar made commodities more attractive to investors looking to hedge against inflation. OPEC, which has reduced output by 4.2 million barrels a day since last December, is expected to keep current output levels unchanged. According to a Goldman Sachs report, oil demand has improved since tapering off as prices rose. Goldman is predicting that oil prices will reach \$85.00 a barrel by the end of this year. This market is still a wash in crude oil, with slight increases in demand apparent. Should demand continue to improve along with the economy, supply will be affected. Both heating oil and gasoline futures gained along with the crude oil but at a slower pace. This may be more a function of investors feeling more comfortable in putting their bets on crude oil as opposed to its underlying products. With OPEC's meeting slated for Wednesday and early inventory numbers calling for a draw in stockpiles, we would look for additional upside price movement.

Crude Oil OCT.09 222,774 -15,520 NOV.09 166,218 +12,432 DEC.09 166,600 -563 JAN.10 44,471 +890 FEB.10 27,133 +71 MAR.10 29,939 -327 Totals: 1,169,864 +1,695 Heating OCT.09 61,477 -1,514 NOV.09 41,556 +366 DEC.09 49,900 +2,178 JAN.10 26,213 +429 FEB.10 16,213 -274 MAR.10 13,965 +94 Totals: 301,789 +3,570 GASOLINE (RB) OCT.09 76,460 -1,963 NOV.09 40,932 +565 DEC.09 32,291 -90 JAN.10 17,822 +178 FEB.10 4,516 +23 MAR.10 7,162 +146 Totals: 203,686 -1,038



Crude Support 66.23, 64.70, 63.38, 62.70, 61.61, 60.95	Crude Resistance 73.24, 73.85, 75.00, 76.13
Heat Support 1.6600, 1.4870, 1.4220, 1.4130, 1.3720	Heat resistance 1.8480, 1.9440, 2.0420, 2.0465
Gasoline support 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400	Gasoline resistance 1.9551, 2.0210, 2.0400 2.0567, 2.1100, 2.1600, 2.3350

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