



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 9, 2010

The National Hurricane Center said Tropical Storm Igor has barely maintained its tropical storm status but is still forecast to strengthen into a hurricane in about three days. It is just south of the Cape Verde Islands in the Atlantic Ocean and is expected to move slowly west northwest later on Thursday. The NHC increased the chance to 40% that another cluster of thundershowers near the Windward Islands will become a tropical cyclone in the next 48 hours, up from a 20% chance earlier on Thursday. The system is moving westward and some computer models show it moving close to the Gulf of Mexico by the end of next week.

Market Watch

The US Labor Department said initial claims for unemployment benefits fell more than expected by 27,000 to 451,000 in the week September 4th. New claims for the previous week, ending August 28th, were revised upward to 478,000 from 472,000. The four week moving average fell by 9,250 to 477,750. It reported that the number of continuing claims fell by 2,000 to 4,478,000 from the preceding week's revised level of 4,480,000. The unemployment rate for workers with unemployment insurance for the week ending August 28 was 3.5%, unchanged from the prior week's unrevised rate.

The US Commerce Department said the US trade deficit contracted sharply in July, posting its largest fall in 17 months. The US deficit in international trade of goods and services fell by 14% to \$42.78 billion in July from a downwardly revised \$49.76 billion the previous month. It reported that the real or inflation adjusted deficit fell to \$47.69 billion in July from \$53.62 billion in June. The US trade deficit with China fell to \$25.92 billion from \$26.15 billion in June. The US bill for crude oil imports in July fell to \$22.47 billion from \$22.6 billion the previous month.

The US Climate Prediction Center said the La Nina weather anomaly strengthened in August and could raise the storm threat for the rest of the Atlantic hurricane season.

In its monthly report, OPEC kept its oil demand forecast mostly unchanged, warning of weakening demand amid forecasts of economic slowdown in industrialized economies. It said world oil demand growth in 2010 would remain at 1 million bpd. It echoed concerns by the Organization for Economic Cooperation and Development that a slowdown in global economic activity would be steeper than anticipated. It slightly increased its global oil demand estimate for 2010 by 10,000 bpd to 85.51 million bpd. Demand for OPEC crude in 2010 was revised down by 100,000 bpd. It reported that OPEC's quota bound output fell by 37,100 bpd in August to 26.8 million bpd mostly due to Nigerian output disruptions. It said Venezuela's oil production increased to 2.31 million bpd in August from 2.29 million bpd in July. OPEC also stated that global refinery runs are forecast to remain low in the coming months amid high

DOE Stocks

Crude – down 1.853 million barrels

Distillate – down 388,000 barrels

Gasoline – down 243,000 barrels

Refinery runs – up 1.2%, at 88.2%

stockpiles of oil products worldwide. August refining margins fell in the US, Europe and Asia as the supply glut offset demand during the US summer driving season.

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|--|
| September Calendar Averages |
| CL – \$74.42 |
| HO – \$2.0642 |
| RB – \$1.9230 |

Genscape reported that oil inventories in the Cushing, Oklahoma crude oil hub fell by 330,495 barrels to 37.56 million barrels in the week ending September 7th.

According to Euroilstock, total petroleum inventories in 16 European countries by 0.2% on the month and by 1.1% on the year to 1.141 billion barrels in August. Crude oil inventories fell by 1.1% on the month and by 0.3% on the year to 476.69 million barrels while gasoline stocks increased by 0.5% on the month but fell by 2.7% on the year to 110.5 million barrels. Middle distillate stocks increased by 0.5% on the month but fell by 4.6% on the year to 407.63 million barrels while fuel oil stocks fell by 0.2% on the month but increased by 2.5% on the year to 109.85 million barrels. Crude intake increased by 0.4% on the month and by 2.9% on the year to 11.261 million bpd. Refinery utilization rates increased to 85.96% in August from 85.56% in July.

Oil Movements reported that OPEC exports, excluding Angola and Ecuador, are expected to fall by 130,000 bpd to 23.17 million bpd in the four weeks ending September 25th.

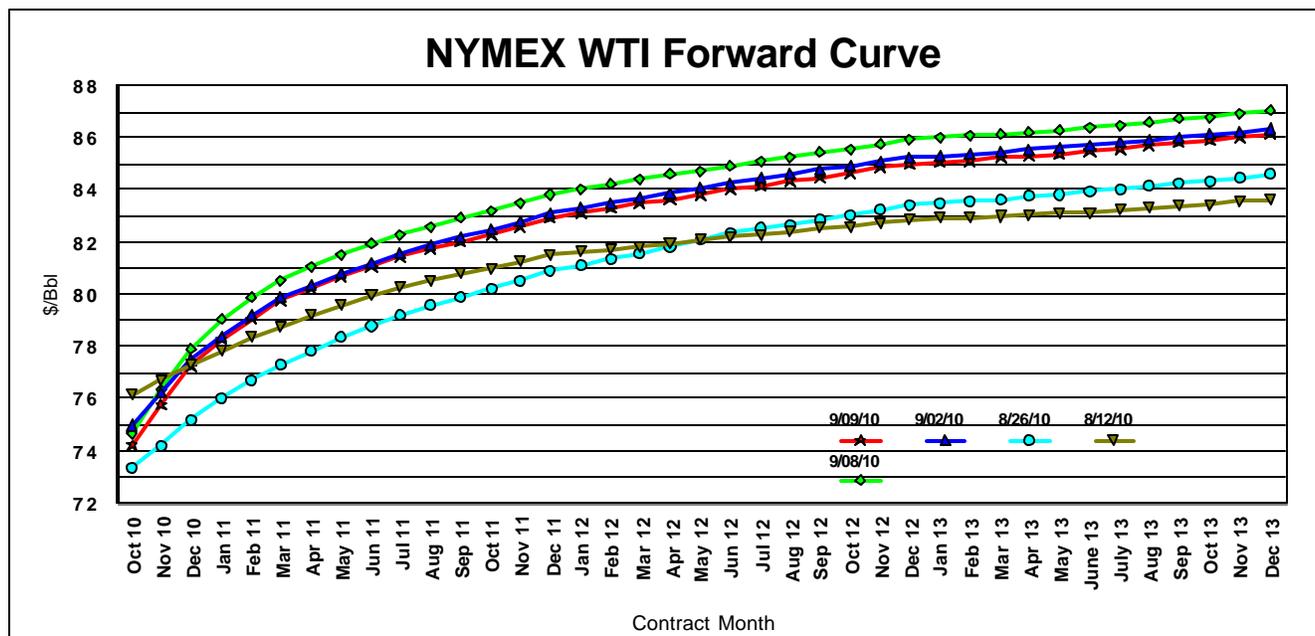
Refinery News

Citgo Petroleum Corp said its 167,000 bpd refinery in Lemont, Illinois has started planned maintenance on some of its units.

Shell Oil Co reported the shutdown of a wet gas compressor at its 156,400 bpd refinery in Martinez, California on Thursday.

BP Plc reported flaring triggered by a breakdown on Wednesday at its 265,000 bpd refinery in Carson, California.

Valero Energy Corp said all units at its 325,000 bpd Port Arthur, Texas refinery affected by a brief power outage on Wednesday are in restart mode. The power outage caused two sulfur recovery units, a diesel hydrotreater and an atmospheric vacuum unit at a crude distillation unit to shut down.



Murphy Oil Corps said crude oil throughput at its 125,000 bpd Meraux, Louisiana refinery have been reduced since late Wednesday when a leak was discovered at the refinery's 35,000 bpd fluid catalytic cracking unit. The refinery has been operating at about 90,000 bpd.

Imperial Oil's 82,000 bpd refinery in Dartmouth, Nova Scotia returned to normal operations on Wednesday afternoon after it was shut late last week ahead of Hurricane Earl.

Mexico's Pemex said the coker unit at its Cadereyta refinery is expected to restart on Saturday after it was shut down following an explosion at a desulphurizing unit. Pemex said it does not expect to have problems with production of ultra-low-sulfur diesel and gasoline and that its initial September production programs will be maintained.

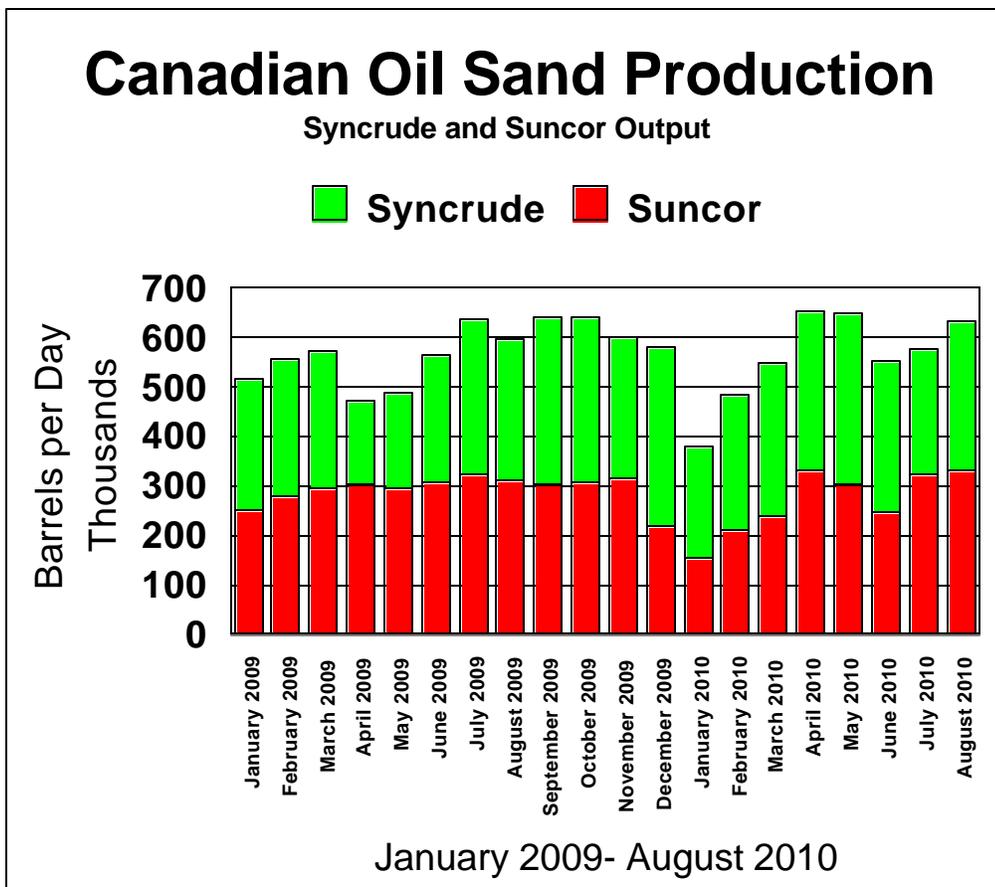
Total SA said workers at the Grandpuits refinery ended their strike while workers at its Donges refinery continue to strike. Operations at the Grandpuits refinery are ramping up.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending September 9th increased by 14.79% on the week and by 15.49% on the year to 947,000 tons. Gas oil stocks fell by 3.35% on the week and by 10.38% on the year to 2.711 million tons while fuel oil stocks increased by 19.07% on the week and by 43.92% on the year to 793,000 tons. Naphtha stocks fell by 23.53% on the week and by 40.23% on the year to 52,000 tons and jet fuels stocks increased by 6.02% on the week and by 0.8% on the year to 757,000 tons.

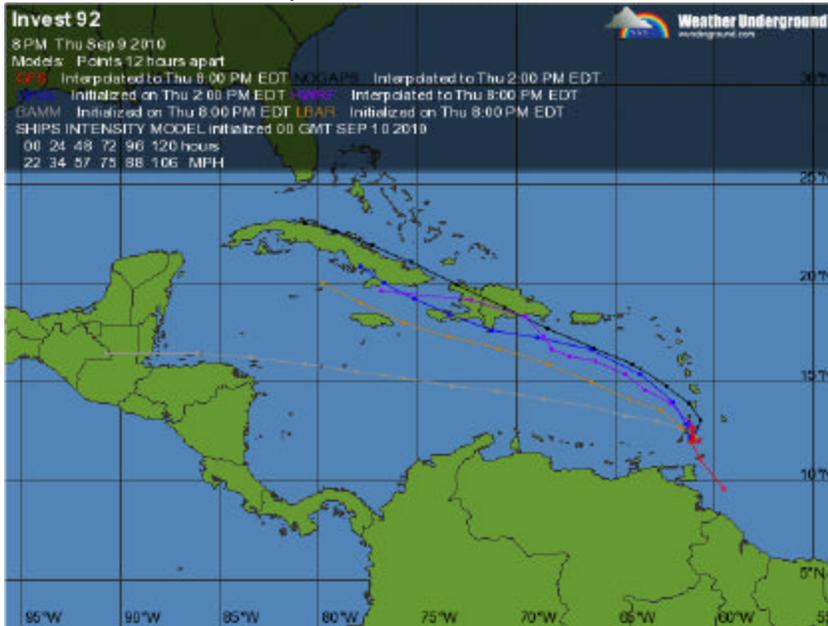
Singapore's International Enterprise reported that the country's residual fuel stocks built by 3.02 million barrels to 23.281 million barrels in the week ending September 8th. It also reported that the country's light distillate stocks built by 236,000 barrels to 11.862 million barrels while its middle

distillate stocks fell by 1.003 million barrels to 13.203 million barrels.

According to India's Petroleum Planning & Analysis Cell, India's oil product demand is expected to grow 5.7% to 146.08 million tons in the year ending March 2011 compared with actual consumption of 138.2 million tons in the year earlier period. Diesel demand is expected to total 61.26 million tons, while gasoline demand is expected to total 174.45 million tons and naphtha demand is expected to total 11.47 million tons.



The Baku-Tbilisi-Ceyhan oil pipeline is expected to pump 26.55 million barrels or 856,452 bpd of crude oil in October, up 2.05 million barrels on the month.



Germany's AGEB said German energy use increased by 5.3% on the year to 243.4 million tons coal equivalent in the first half of the current year. Crude consumption fell by 6% to 81.2 million tons coal equivalent while natural gas consumption increased by 14% to 51.7 million tons coal equivalent.

Production News

A fire on a Mariner Energy Inc platform in the Gulf of Mexico was extinguished and there are no signs of resulting pollution. It was the second incident involving a fire at a platform in the Gulf of Mexico in the past eight days. The latest

incident was at a non-producing structure.

Suncor Energy Inc said oil sands production in August averaged about 331,000 bpd. It added that year to date oil sands production at the end of August averaged about 270,000 bpd. It said planned maintenance has started on one of its two oil sands upgraders.

Saudi Aramco is expected to supply full contracted volumes to Asian buyers in October. Meanwhile, Saudi Aramco left its October term crude oil allocations for European buyers unchanged.

Production of benchmark BFOE crude, Brent, Forties, Oseberg and Ekofisk grades, will total 37.7 million barrels or 1.22 million bpd in October compared with 37.3 million barrels or 1.24 million bpd scheduled for September. The October loading program for North Sea Brent crude is scheduled at 4.31 million barrels or 139,032 bpd, down from 4.37 million barrels or 163,667 bpd in September. The October loading program for North Sea Forties crude is scheduled at 17.4 million barrels or 561,290 bpd, up from 16.2 million barrels or 540,000 bpd in September. The October loading program for North Sea Oseberg crude is scheduled at 4.8 million barrels or 154,839 bpd, down from 4.85 million barrels or 161,667 bpd in September. The October loading program for North Sea Ekofisk crude is scheduled at 11.2 million barrels or 361,290 bpd, down from 11.35 million barrels or 378,333 bpd in September.

The October loading program for North Sea Gullfaks crude is scheduled at 5.985 million barrels or 193,000 bpd, up from 5.13 million barrels or 171,000 bpd in September. The October loading program for North Sea Grane crude is scheduled at 4.2 million barrels or 135,484 bpd, down from 4.8 million barrels or 160,000 bpd in September.

Shipping and all other operations remained closed Thursday morning at PDVSA's BOPEC 12 million barrel oil storage facility on the island of Bonaire after lightning a day earlier set two tanks, which contained crude oil and naphtha, on fire.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.01/barrel to \$74.04/barrel on Wednesday.

Mexico's Finance Minister Ernesto Cordero said Mexico will continue to increase domestic fuel prices in light of the government's policy to gradually eliminate fuel subsidies.

Mexico's Pemex cut the pricing formula for its crudes shipped to customers in the Americas for loading in October. The discount for Maya crude was set at -\$4.30 in October from -\$4.15 in September. The discount for Isthmus crude was set at -\$2.80 in October from -\$2.65 in September while the discount for Olmeca crude was set at -\$1.05 in October from -\$0.85 in September.

Late this afternoon Enbridge reported that its 670,000 b/d Canada to US oil pipeline 6-A was shut Thursday due to a leak discovered near Romeoville, Illinois. The company's 6-B already was shut due to a leak in Michigan.

Market Commentary

The oil market traded higher early in the session in light of a larger than anticipated decline in initial claims for unemployment benefits. The number of new jobless claims fell by 27,000 to 451,000 in the week ending September 4th. The market rallied to a high of \$75.96 following the initial reaction to an unexpected draw in crude stocks of 1.853 million barrels on the week. The market however erased its gains on closer examination of the report, which showed that total petroleum stocks, excluding the SPR, built by 200,000 barrels on the week to 1.144 billion barrels. Total petroleum stocks are 10.6% higher than the previous five year average. The crude market sold off to a low of 73.88 in afternoon trading and settled in a sideways pattern ahead of the close. It settled down 42 cents at \$74.25. The crude market will continue to trade within its recent range, with support seen at \$73.37, \$72.60, 71.90, \$71.09 and \$70.00. Resistance is seen at \$75.15, \$75.96, \$76.47, \$77.03 and \$78.43. The product markets also ended the session in negative territory, with the heating oil market settling down 1.33 cents at \$2.0684 and the RBOB market settling down 40 points at \$1.9354. The heating oil market, which sold off from its high early in the session, is seen finding support at \$2.0580, \$2.0265, \$2.0138 and \$1.9846 while resistance is seen at \$2.0895, \$2.1067 and \$2.1607. The RBOB market is seen finding support at \$1.9257, \$1.9089, \$1.8816, \$1.8737 and \$1.8450 while resistance is seen at \$1.9524, \$1.9661 and \$2.0305.

Crude oil: Oct 10 258,993 -23,715 Nov 10 214,309 +12,225 Dec 10 214,472 +1,366 Totals 1,347,139 -92 Heating oil: Oct 10 74,076 -3,960 Nov 10 52,200 +3,471 Dec 10 60,294 +396 Totals 318,691 +1,839 Rbob: Oct 10 82,054 -3,682 Nov 10 59,675 +4,293 Dec 10 32,239 +141 Totals 241,125 -1,574.

| Crude Oil | | Heating Oil | | Rbob | |
|-----------|------------|-------------|------------|---------|------------|
| Support | Resistance | Support | Resistance | Support | Resistance |
| 7337 | 7515 | 20580 | 20895 | 19257 | 19524 |
| 7260 | 7596 | 20265 | 21067 | 19089 | 19661 |
| 7190 | 7647 | 20138 | 21607 | 18816 | 20305 |
| 7109 | 7703 | 19846 | | 18737 | |
| 7000 | 7843 | | | 18450 | |

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