



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 10, 2009

As expected, OPEC agreed to hold output targets steady. OPEC members saw no need to change production formally although some members called for stricter compliance with existing curbs. OPEC Minister, led by Saudi Arabia's Ali al-Naimi, said high oil prices of above \$71/barrel meant there was no need for action. He said the oil price was driven by economic recovery and high levels of inventory had become irrelevant to the market.

OPEC Secretary General Abdullah al-Badri said OPEC members need to comply more with the group's output target levels. He said a compliance rate of 80-85% was a realistic target. He also said that OPEC members need oil prices at \$75/barrel to undertake new investments. OPEC's Secretary General said it is Russia's turn to visit him in Vienna and added that he was not encouraged by Russia's lack of a cut in oil production. Kuwait's Oil Minister Sheikh Ahmad Abdullah al-Sabah said

Market Watch

US lawmakers called on the Commodity Futures Trading Commission to limit the number of energy futures contracts that speculators can control to prevent a rally in oil and energy prices. The CFTC is considering whether to impose so-called contract position limits on speculators that buy and sell energy futures. The lawmakers also said they wanted all over-the-counter contracts to clear through a CFTC-regulated clearing entity by invoking the commission's emergency authority to respond to events that prevent the market from accurately reflecting the forces of supply and demand. They also said swap dealers should be required to provide daily information to the CFTC on their transactions to help the agency better monitor the markets.

The Labor Department said initial claims for unemployment benefits fell by 26,000 to 550,000 in the week ending September 5th. The four week average of new claims fell by 2,750 to 570,000 from the previous week's revised figure of 572,750. The number of continuing claims fell by 159,000 to 6,088,000 from the preceding week's revised level of 6,247,000. The unemployment rate for workers with unemployment insurance fell to 4.6% in the week ending August 29th, down from the prior week's 4.7%.

The US Commerce Department said the US trade deficit registered its largest increase in over 10 years in July as oil imports caused an unprecedented increase in imports. The US deficit in international trade of goods and services increased by 16.3%, its largest increase since February 1999, to \$31.96 billion. It is up from \$27.49 billion in June.

The National Oceanic and Atmospheric Administration said the weather phenomenon known, as El Nino is likely to strengthen and continue into the coming winter in the Northern Hemisphere. It said weak El Nino conditions were detected in August and is expected to develop to weak to moderate strength in the fall with the likelihood of at least a moderate strength El Nino during the winter of 2009-10.

DOE Stocks

Crude – down 5.9 million barrels
Distillate – up 2 million barrels
Gasoline – up 2.1 million barrels
Refinery runs – unchanged, at 87.2%

OPEC need to achieve better compliance with its existing production target. Algeria's Oil Minister Chakib Khelil said that OPEC's current level of compliance with its output quotas is satisfactory.

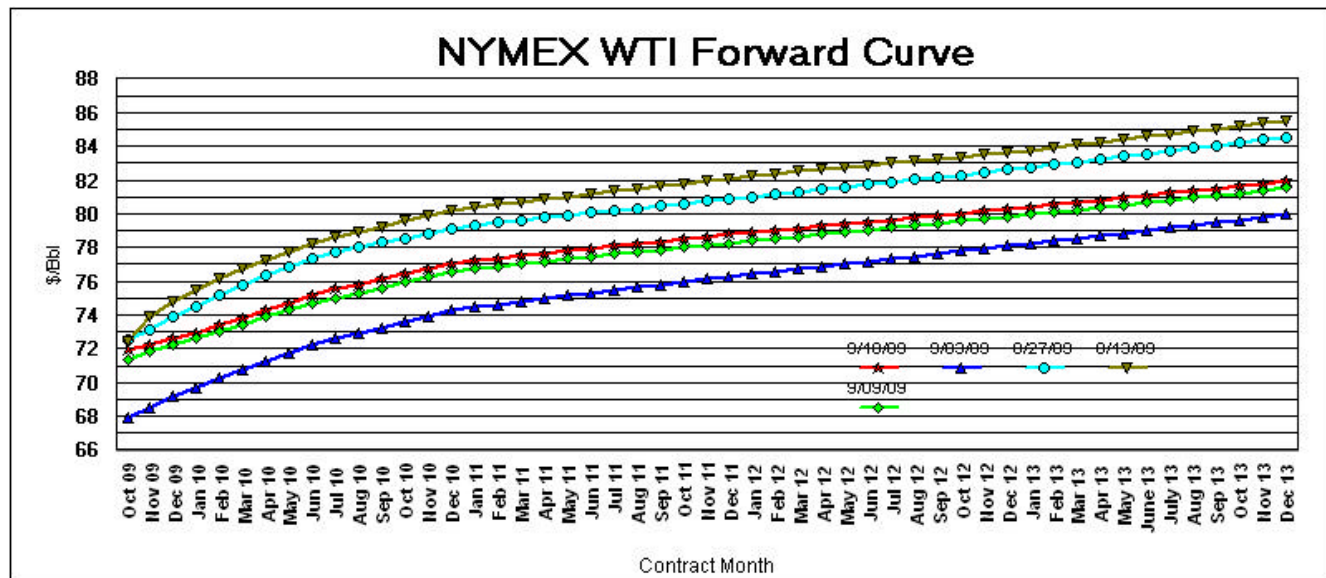
September Calendar Averages CL – \$69.08 HO – \$1.7570 RB – \$1.8028

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, will fall by 280,000 bpd in the four weeks ending September 26th to 22.36 million bpd. It estimates OPEC is complying with less than 70% of its promised cutbacks. Separately, Lloyd's Marine Intelligence Unit estimated average OPEC seaborne exports fell to 20.4 million bpd in the four weeks ending August 30th from 20.54 million bpd in the four weeks ending August 2nd.

The IEA revised up its forecast for world oil demand for the third consecutive month, citing stronger than expected economic growth in developing Asian economies and North America. World oil demand in 2009 and 2010 is estimated at 84.4 million bpd and 85.7 million bpd, respectively. Its demand estimate is up 500,000 bpd from its previous estimate. Despite the increase, projected oil demand this year will still be down 1.9 million bpd or 2.2% lower compared with last year. The IEA said it increased its forecast for China's oil demand in 2009 and 2010 but expressed concern that China may suspend its fuel price mechanism if oil prices rise further, which could trigger widespread destocking. It expects China's oil demand to increase by 4.6% to 8.3 million bpd in 2009 and by 4% to 8.6 million bpd in 2010. It reported that OPEC's oil production in August totaled 28.8 million bpd, up 55,000 bpd on the month. Excluding Iraq, OPEC's oil production in August stood at 26.3 million bpd, 1.4 million bpd above the group's output target. It said Venezuela's crude production in August reached 2.21 million bpd, up 50,000 bpd on the month. The IEA said world refinery runs are forecast to increase in the fourth quarter to 73.4 million bpd, up 600,000 bpd on the year. It however said that poor refining margins will continue to limit any increase in throughput.

Nigeria's Energy Minister Rilwanu Lukman said Nigeria intends to fully deregulate its oil products sector, which will lead to a fall in prices.

Iran's representative to the IAEA said Iran's proposal to world powers aimed at resolving the standoff over its nuclear program talks of world nuclear disarmament but insists that there will be no suspension of uranium enrichment. On Wednesday, Iran's Foreign Minister Manouchehr Mottaki handed over Iran's new package of proposals on its nuclear program to the envoys of the six powers involved in the talks. In response, the US State Department said the Iranian proposal is not really responsive to US concerns over Iran's nuclear program. Separately, the chairman of the House of



Representatives Committee on Foreign Affairs said the panel is likely to vote next month on legislation that would impose sanctions on Iran's gasoline imports. If approved by the House and Senate and signed into law by President Barack Obama, such sanctions would seek to pressure Iran to halt its uranium enrichment program. Meanwhile, Russia's Foreign Ministry said Iran's new proposals for its nuclear program require expert evaluations and added that Russia is now studying them. China's Foreign Ministry also said that the country is studying the new proposals put forward by Iran on its nuclear program and urged all parties to step up efforts to resolve the issue.

Refinery News

Colonial Pipeline will allocate gasoline shipments on Line 1 north of Collins, Mississippi for cycle 53 of 2009.

Flint Hills Resources LP reported flaring from a brief power interruption at its 300,000 bpd refinery in Corpus Christi, Texas.

Valero Energy Corp's 100,000 bpd Three Rivers, Texas refinery is shutting down for about 24 days of planned turnaround maintenance.

Alon Energy Inc shut a wet gas compressor in a fluid catalytic cracking unit at its 70,000 bpd Big Spring, Texas refinery due to bad weather conditions on Wednesday.

Marathon Oil Corp is returning its 226,000 bpd Catlettsburg, Kentucky refinery back to normal operations on Thursday after it lost power as thunderstorms swept through the region.

Murphy Oil Co will conduct a turnaround at its Milford Haven refinery in the UK during the first quarter of 2010. The turnaround will include a debottlenecking project, which will expand the refinery's capacity from 108,000 bpd to 130,000 bpd.

Japan's Kyokuto Petroleum Industries shut a 175,000 bpd crude distillation unit at its Chiba refinery on Wednesday after reporting a blaze resulting from an oil leak in the piping system. It remains unclear when the unit will resume operations.

Japan's Nippon Oil Corp is starting preparations for the restart of operations at its 24,000 bpd continuous catalytic cracking unit at its Marifu plant. A suspension order for the unit was lifted on Thursday after operations were halted on Tuesday due to a fire.

China's Sinopec Corp has started operating a new oil product pipeline in Yunnan, extending its reach in the southwestern province bordering Myanmar. The Kunming-Dali pipeline has a capacity of 2.9 million tons/year. The line is an extension of Sinopec's existing 1,700 km pipeline that pumps oil products from its second largest refinery Maoming to southwestern provinces including Yunnan and Guizhou.

Germany's MWV reported that the country's total sales of oil products fell by 17.7% on the year in August to 5.7 million metric tons. It reported that heating oil sales fell by 62.4% on the year to 860,000 tons while high sulfur fuel oil sales fell by 8.4% on the year to 460,000 tons and diesel sales increased by 6.4% to 2.63 million tons. It also reported that Germany's gasoline sales increased by 5.2% on the year to 1.75 million tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 3.848 million barrels to 20.103 million barrels in the week ending September 9th. It also reported that Singapore's light distillate stocks fell by 810,000 barrels to 9.406 million barrels while its middle distillate stocks built by 105,000 barrels to 14.116 million barrels on the week.

Indonesia's Pertamina expects to import about 5.6 million barrels of gasoline and 3.6 million barrels of diesel in October. It previously said it planned to import 5.8 million barrels of gasoline and between 3-4 million barrels of diesel in September.

Oman Refineries and Petrochemicals Co sold its first light naphtha cargo from its new petrochemical plant to Vitol at a small premium.

Production News

Saudi Aramco has left its October crude oil allocations to Europe broadly unchanged compared with deliveries in September.

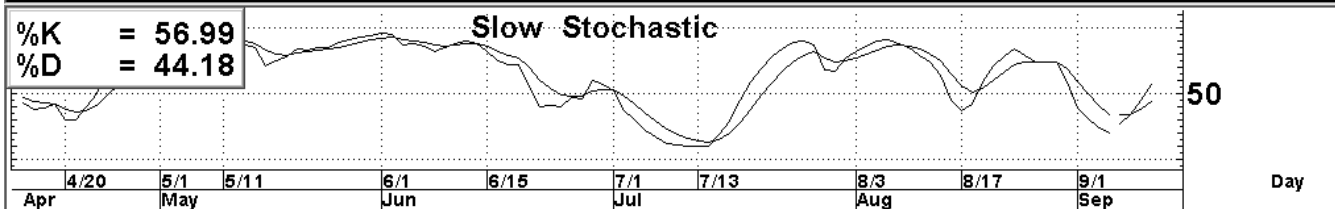
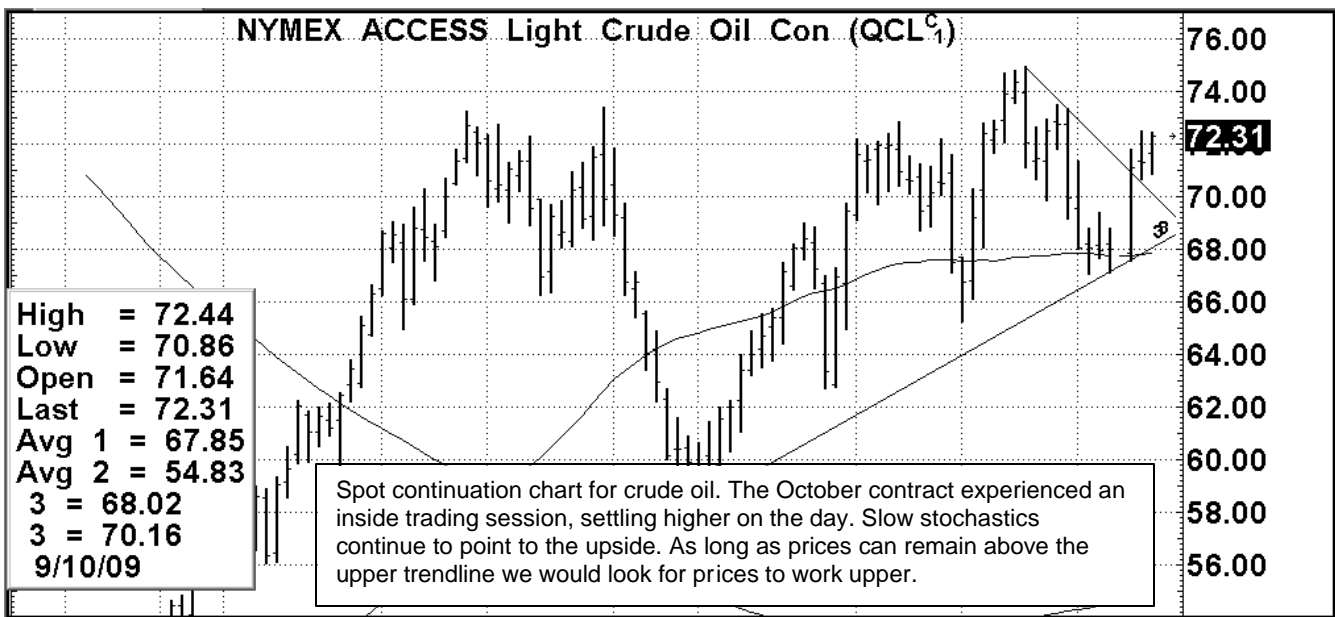
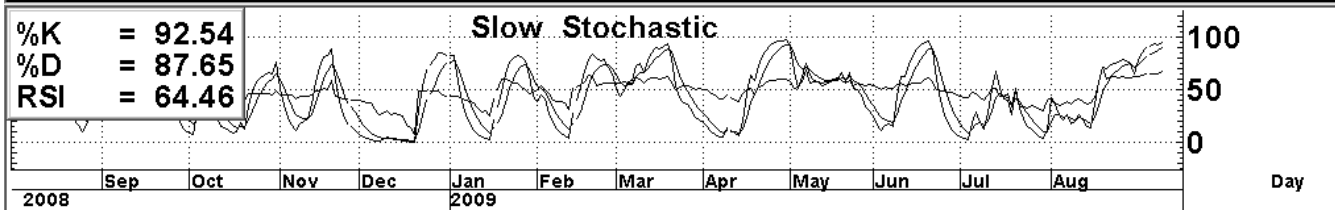
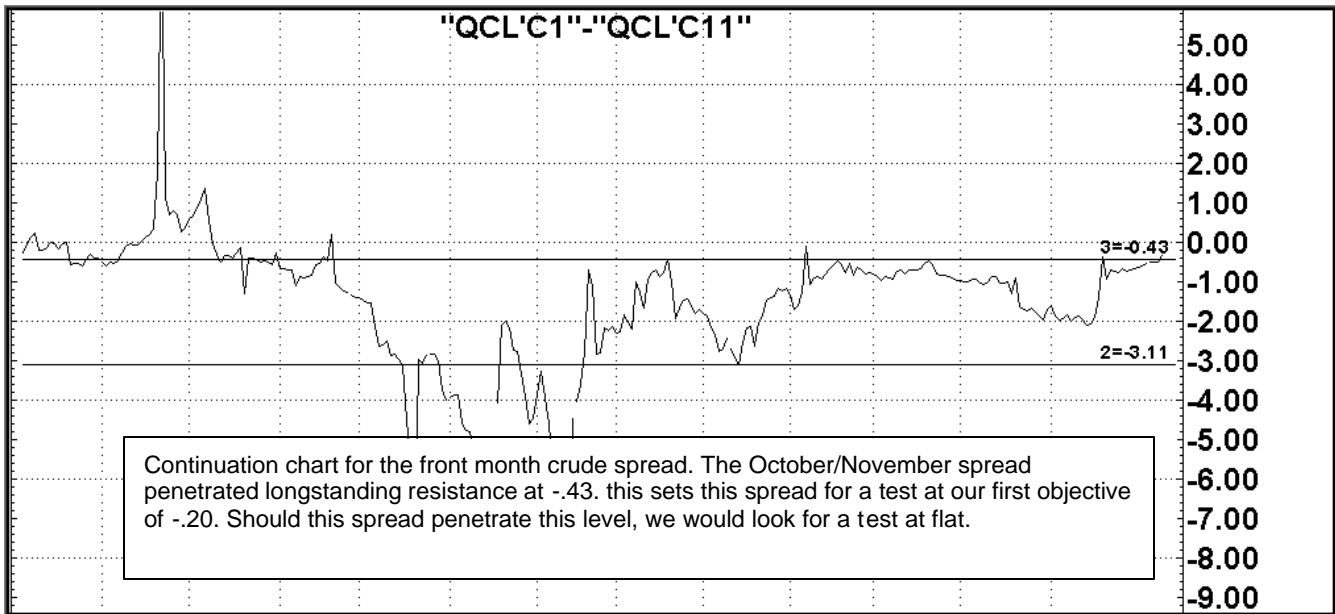
Iraq is considering inviting the most aggressive bidders to rebid for some of its oilfields after it failed to award deals at an auction in June. Iraq's Oil Minister Hussain al-Shahristani said two or three companies who made the best offers will be invited to another round.

Brazil's Petrobras said it will be able to fulfill its planned investments for the next five years with no need for additional capital if the price of oil remained around \$65/barrel. Petrobras CEO Jose Sergio Gabrielli said that if for some reason the capitalization plan collapsed, oil at that level would be enough to provide the company with cash to finance its investment plan.

Market Commentary

Crude oil rose today in reaction to an increase in the IEA's estimate for global demand for 2010. This is the second straight month that the IEA has raised its estimate for global demand. The forecasted increase was 450,000 barrel a day more than estimated in August, putting world oil demand at 85.7 million barrels a day for 2010. A weak dollar and higher equities markets also contributed to the move higher today in crude oil. Gasoline headed lower today after the release of the DOE numbers indicated that gasoline inventories rose 2.07 million barrels to 207.2 million. A decrease of 1.5 million barrels was expected. This week's release covered the period just prior to the U.S. Labor Day holiday weekend, which traditionally ends the U.S. summer driving season. The crude oil inventory numbers, a draw of 5.9 million barrels, may seem alarming, however one must take into consideration the builds in both gasoline and heating, which increased by 2 million barrels. Fundamentally, it is still difficult to be optimistic that this market will be able to sustain strength. We would look for crude oil to attempt another break above the resistance level of \$75.00. Should prices fail at this level, we would look for a test at the 466.20 support area.

Crude Oil OCT.09 194,469 -13,250 NOV.09 200,952 +20,072 DEC.09 173,020 +5,477 JAN.10 50,874 +3,007 FEB.10 27,536 -630 MAR.10 30,617 +673 Totals: 1,193,137 +14,874 Heating OCT.09 57,252 -319 NOV.09 48,005 +2,441 DEC.09 51,325 -425 JAN.10 26,837 +447 FEB.10 16,426 +124 MAR.10 14,206 -117 Totals: 309,658 +3,055 GASOLINE (RB) OCT.09 71,616 -3,564 NOV.09 49,972 +5,671 DEC.09 32,211 -82 JAN.10 18,953 +1,014 FEB.10 4,783 +323 MAR.10 8,377 +928 Totals: 211,134 +4,449



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

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