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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 10, 2010

The National Hurricane Center is monitoring Tropical Depression Igor in the far eastern Atlantic Ocean and one other tropical system in the Atlantic basin on Friday. However neither showed signs

of entering the Gulf of Mexico. It said Tropical Depression Igor should regain tropical storm strength later on Friday. It is expected to become a hurricane in about three days as it moved west across the open Atlantic. Meanwhile, a low pressure system over the Windward Islands had about a 40% chance to become a tropical cyclone during the next 48 hours as it moved west-northwest at around 5 mph. Early track models show the system moving west to northwest in the Caribbean Sea but turning more west towards Mexico's Yucatan Peninsula.

Market Watch

The Commerce Department said inventories at US wholesalers increased in July by the most in two years. Wholesale inventories increased by 1.3% to a seasonally adjusted \$404.98 billion. It said sales of distributors also increased by 0.6% to \$350.06 billion in July. Sales in June were revised up, falling 0.5% instead of 0.7% as originally estimated.

A total of 1,348 lots or 134,800 tons of gasoil was physically delivered against the expiry of ICE September gasoil futures. It is down from 2,300 lots delivered for August.

The IEA said world oil demand will continue to increase as the economy expands but added that the increase in fuel demand will be lower in 2011 than in 2010. It said world oil demand is expected to average 86.62 million bpd in 2010, up 1.9 million bpd on the year, which was 40,000 bpd higher than its previous estimate. In 2011, demand is forecast to increase to 87.89 million bpd, up 1.3 million on the year. Its demand growth estimate for next year is 50,000 bpd lower than its previous estimate. The IEA increased its estimate of 2010 demand for OPEC crude by about 100,000 bpd to 28.9 million bpd. Oil inventories in the OECD increased to 61.4 days of forward supply by the end of July from 61 days at the end of June. It said OECD oil stocks increased by 19 million barrels to 2.785 billion barrels in July. The IEA said that crude oil in floating storage fell to 37 million barrels in August from 59 million barrels in July. The IEA also stated that OPEC's oil production fell by 60,000 bpd to 29.15 million bpd in August while production by the 11 OPEC members bound by quotas averaged 26.83 million bpd. It said Venezuela's oil production in August stood at 2.23 million bpd, unchanged from the previous two months. In regards to refinery runs, the IEA said crude runs could fall by 780,000 bpd to 73.9 million bpd in the fourth quarter. Crude runs in North America are expected to fall to 17.1 million bpd in the fourth quarter from an estimated 17.9 million bpd in the third quarter. In Europe, crude runs are expected to fall to 12 million bpd in the fourth quarter from 12.6 million bpd in the third quarter. Crude runs in non-OECD countries are expected to increase by 700,000 bpd in the fourth quarter to 38.4 million bpd as China and India bring new refinery capacity online.

**September
Calendar Averages**
CL – \$74.71
HO – \$2.0699
RB – \$1.9301

ICAP Shipping estimated that crude oil in floating storage increased to 36 million barrels as of September 10th, up from its estimate of 32 million barrels last week.

Iran said it had no secret uranium enrichment facility after a dissident group claimed it had evidence of a new secret underground nuclear site. The Iranian dissident group said the information came from a network of sources inside Iran affiliated with the exiled opposition group the National Council of Resistance of Iran and the People's Mujahideen Organization of Iran. The US said it had known about the facility for years and had no reason to believe it is a nuclear site.

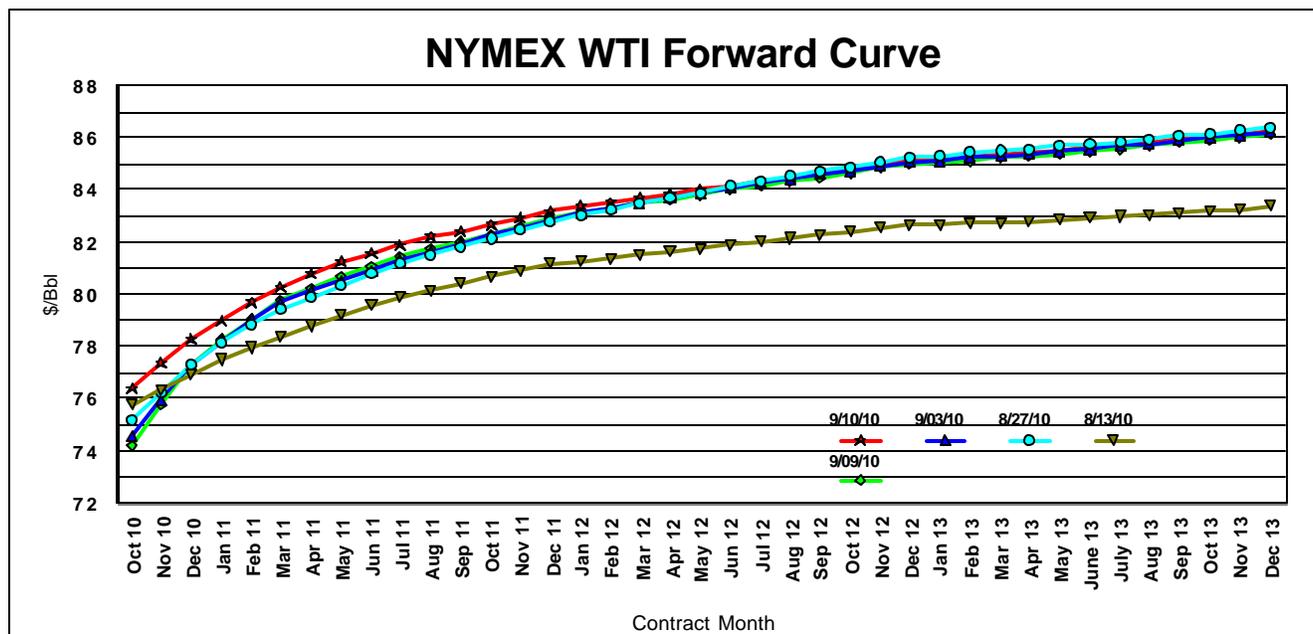
Refinery News

Enbridge Inc said that its 670,000 bpd Line 6A pipeline, which carries crude from Canada to the Midwest and Cushing, Oklahoma, remained shut as the cleanup of an oil leak continued after the leak was discovered on Thursday. Enbridge expects significant impact on oil producers and refiners from the pipeline closure. It said the pipeline is still leaking crude even though the spill has been contained. Cash gasoline differentials in Chicago rallied as a result of the shutdown of the pipeline. Chicago gasoline for cycle 2 traded at 33 cents over the front month RBOB contract, up 19 cents from Thursday. Cycle 3 gasoline in Chicago also traded at 30 cents over the RBOB futures contract, up 16 cents from Thursday. Also, conventional gasoline prices increased 6 cents/gallon on Gulf of Mexico wholesale markets on Friday due to the continuing shutdown on Enbridge Inc's Line 6A.

Citgo Petroleum Corp said its 167,000 bpd Lemont, Illinois refinery was operating at reduced rates on Friday due to planned work on the refinery, scheduled before the shutdown of the Line 6A pipeline.

ExxonMobil Corp reported an instrument failure in the hydrotreater at its 560,640 bpd Baytown, Texas refinery on Thursday. The refinery started an extended turnaround on its crude unit and other units last month. Separately, ExxonMobil said its 238,600 bpd Joliet, Illinois refinery continued operating despite the shutdown of the Enbridge pipeline.

Valero Energy Corp said its crude unit and hydrotreating unit at its 310,000 bpd Port Arthur, Texas refinery are restarting after the units were shut due to a brief power outage on Thursday.



Flint Hills Resources shut its No. 2 fluid catalytic cracking unit in the east plant of its 288,468 bpd Corpus Christi, Texas refinery for planned work. Its No. 2 sulfur recovery unit is also scheduled to shut down for planned work.

France's CGT union said a turnaround is scheduled to start at Total's 339,000 bpd Gonfreville refinery. The turnaround is expected to last about one month.

Petroecuador will import 240,000 barrels of high octane gasoline and 8,500 metric tons of liquefied petroleum gas to cover a deficit caused by an extension of maintenance work at its 110,000 bpd Esmeraldas refinery. The refinery was shut on August 20th for maintenance work on its fluid catalytic cracking unit. The maintenance work was expected to last 18 days but could be extended up to 40 more days.

China's General Administration of Customs reported that the country imported 20.9 million tons or 4.92 million bpd in August, up 13% on the year and 10% on the month. Crude imports in the first eight months of the year increased by 22.6% to 157.87 million tons or 4.76 million bpd.

China National Petroleum Corp started building pipelines in China that will transport oil and gas from Myanmar to China. It also started building a 10 million metric ton/year refining project in Anning city, Yunnan province. The refinery will process crude oil transported via pipeline from Myanmar. The two projects will come online by the end of 2013 and could produce 7.8 million tons/year of oil products. The pipeline will have an initial annual crude transmission capacity of 12 million tons or about 240,000 bpd. The pipeline will eventually be expanded to an annual capacity of 22 million tons/year.

German residential heating oil inventories increased to 60% of capacity on September 1 from 56% on August 1st. It is down from last year's 66% level but up from the average level for 2003-2009 of 58%.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 3 to 980 this week.

The Norwegian Petroleum Directorate said Norway's oil production fell to a preliminary 1.619 million bpd in August from 1.8 million bpd in July. It stated that natural gas production fell to 6 bcm in August, down from 7.6 bcm in July.

A fire that continued for two days at PDVSA's BOPEC oil storage terminal on the island of Bonaire has been extinguished. An official said shipping in and out of the facility remains closed and added that it would be at least until Saturday before operations may begin to resume. The fire started during a storm on Wednesday when lightning struck, setting two oil storage tanks on fire at the 12 million barrel oil terminal.

Colombia's oil production in August increased by 18% to an average of 788,000 bpd from 668,000 bpd a year earlier.

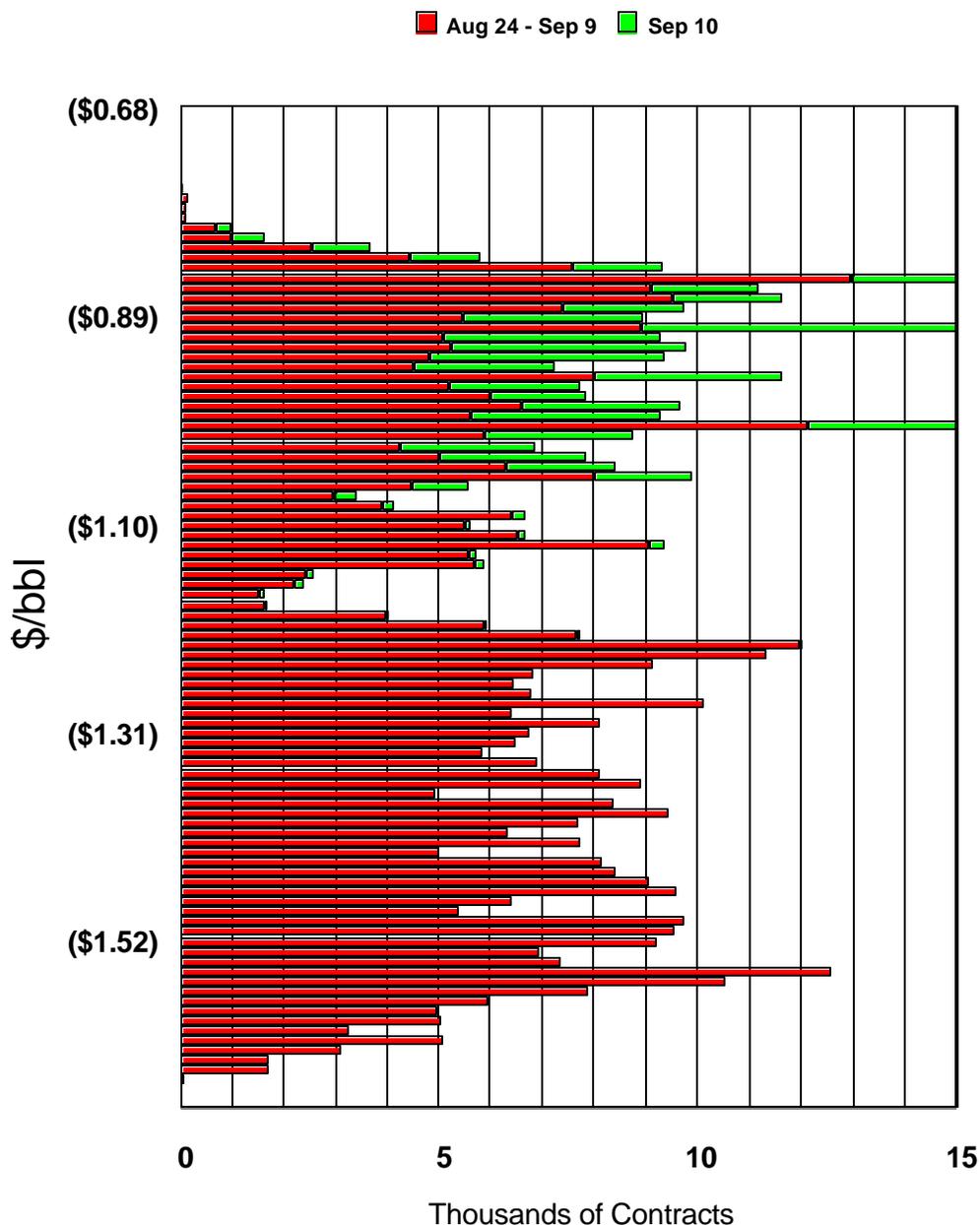
Market Commentary

Reports of a pipeline leak and closure at Enbridge Inc's Illinois location, which feeds Canadian crude oil into U.S. refineries, helped push prices to their highest rise in six weeks. Uncertainty over how long the impact of this leak on supplies would last helped to push the October crude oil contract above \$76.00 a barrel. Asian demand continues to support this market, with Chinese imports for the month of July increasing by 5 million barrels a day. Both China and Japan accounted for 15 percent of world demand for oil, in 2009, making them the second and third largest consumers of oil in the world. The October/November crude oil spread gained 62 cents on the day and experienced high volume. This

NYMEX Nov-Dec WTI Spread

Volume Skew

August 24 - September 10, 2010



may be attributed to concern regarding short-term supply due to the aforementioned leak. We would look for this spread to work back towards the -43 gravitational area. Flat prices on the week are up 2.4 percent and appear to be headed towards the \$81.00 level. For now, it appears that this market has somewhat supportive fundamentals, with the global economic situation lending support as well. Coming into next week, prices should continue higher as we await the further news on Enbridge's pipeline and the release of the weekly inventory numbers. The first line of resistance is the 200-day moving average of \$78.66 and above that the \$81.00 level.

The Commitment of Traders report showed that non-commercials in the crude market increased their net

long position by 2,851 contracts to 103,550 contracts in the week ending September 7th on a combined futures and options basis. The disaggregated futures and options report showed that managed money funds increased their net long position by 6,262 contracts to 84,957 contracts following four weeks of declines. Producer/merchants cut their net short position by 7,535 contracts to 174,315 contracts while swap dealers cut their net long position by 10,908 contracts to 55,188 contracts. Meanwhile, the product markets also increased their net long positions. The combined futures and options report showed that funds in the heating oil market switched from a net short position of 64 contracts to a net long position of 9,995 contracts while non-commercials in the RBOB market increased their net long position by 7,133 contracts to 22,804 contracts on the week.

Crude oil: Oct 10 238,316 -20,677 Nov 10 235,845 +21,536 Dec 10 214,9998 +526 Totals 1,350,192 +3,053 Heating oil: Oct 10 70,573 -3,503 Nov 10 53,298 +1,098 Dec 10 63,063 +2,769 Totals 319,598 +907 Rbob: Oct 10 78,738 -3,316 Nov 10 60,578 +903 Dec 10 33,852 +1,613 Totals 240,943 -182.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7562	7781	18965	22530	18240	
7320	7866	19236	22700	16010	22345
7260	8100	18920	22945		24880
7190			23775		27085
7109					

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