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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 11, 2009

Kuwait's Oil
Minister Sheikh
Ahmad al-Abdullah
said that OPEC
members' compliance
with quotas has declined
to 68% from 77% in
May. He said there
was an extra
700,000 barrels of
oil in the market, in
addition to 400,000
more produced by
non-member states.

Russia's Energy
Minister Sergei
Shmatko said
Russia will make no

apologies to OPEC for increasing its oil production to record monthly highs. He said Russia never had any obligations to OPEC. Russia's output in August reached a record monthly high of 9.97 million bpd. Russia's Energy Minister also said Russia would implement a zero duty on exports from 13 oilfields in East Siberia by the end of September but would step in to regulate the oil sector should world oil prices plunge again.

Market Watch

The US National Hurricane Center said a low pressure system near the Texas Coast has a low chance, less than 30%, of becoming a tropical cyclone during the next 48 hours. Elsewhere in the Atlantic basin, the NHC noted that a tropical wave off the west coast of Africa is moving westward showing some signs of organization. It has the potential for some development during the next couple of days. Meanwhile, Hurricane Fred is expected to weaken later on Friday. Fred is located about 745 miles west of the Cape Verde Islands off the west coast of Africa and is expected to turn west, reaching about 1,000 miles east of the Lesser Antilles in the eastern Caribbean Sea by the middle of next week. It is expected to weaken to a tropical storm by Friday night.

Barclays Capital said investments in commodity products increased to \$2.63 billion in August. Exchange traded product got \$1.74 billion while commodity linked mutual funds took in \$472 million.

Total SA's chief executive Christophe de Margerie said the price of oil will surpass \$145/barrel in 2014/15.

A meeting between world powers at the UN General Assembly and the G20 gathering later this month are unlikely to push immediately for tougher sanctions on Iran. The US, Russia, France, Britain, China and Germany are evaluating a package of proposals submitted by Iran on Wednesday after giving Iran until this month to respond to their demand for talks on its nuclear program. Russia has stated that Iran's proposals are a starting point and has ruled out imposing oil sanctions on Iran. However the US has stated that the new proposals are not really responsive to concerns about its nuclear program. Also, a spokeswoman for the EU's foreign policy chief said Iran's latest nuclear proposals do not answer key questions about its own nuclear program. The Iranian proposals include a global system to eliminate nuclear weapons as well as cooperation on Afghanistan and fighting terrorism. However Iran said it would not discuss its uranium enrichment program. Iran's Supreme

**September
Calendar Averages**
CL – \$69.47
HO – \$1.7576
RB – \$1.7975

Leader Ayatollah Ali Khamenei said that Iran must remain firm on its right to have nuclear technology. He warned opposition groups they will be confronted if they jeopardize the country's security.

Refinery News

BP Plc reported a shutdown of an aromatics recovery unit and a distillate desulphurization unit at its Texas City, Texas refinery. It also said that a fluid catalytic cracking unit will operate during repairs at its associated depropanizer tower. A leaking valve was discovered at the depropanizer tower on Thursday.

Chevron Corp shut a unit for repairs at its Pascagoula, Mississippi refinery on Thursday following a mechanical failure on a compressor.

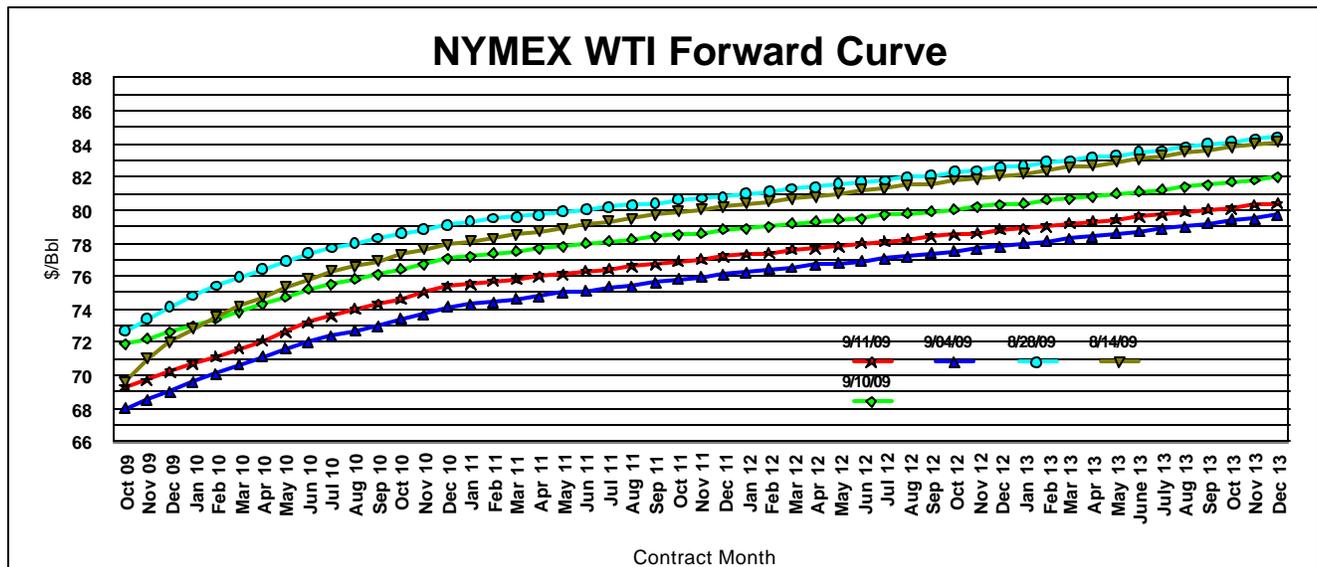
Murphy Oil Corp is planning a turnaround at its 108,000 bpd Milford Haven refinery in the UK during the first quarter of 2010 to expand the refinery's middle distillate production capacity.

Japan's Nippon Oil Corp plans to restart operations at its 24,000 bpd continuous catalytic cracking unit at its Marifu refinery on Saturday.

Japan's Kyokuto Petroleum Industries will need to carry out repairs before it is allowed to restart the 175,000 bpd crude distillation unit at its Chiba refinery followed a fire on Wednesday. It remains unclear when the unit will resume operations.

According to preliminary data from China's General Administration of Customs, China's crude oil imports in August increased by 18% on the year to 18.46 million tons or 4.35 million bpd. It reported that imports for the first eight months increased by 7.4% to 128.9 million tons. Refinery runs increased by 9% on the year to 7.67 million bpd in August, the seventh monthly increase. Crude oil processing in the first eight months increased by 3.4% on the year to 241 million tons or 7.24 million bpd. China produced 16.32 million tons or 3.86 million bpd of crude in August.

China's National Bureau of Statistics said the country's gasoline and diesel output in August continued to increase after refineries increased their crude runs by 9% on the year. Gasoline output increased by 12% on the year to 6 million tons while its diesel output increased by 5.7% to 12.59 million tons. Kerosene production increased by 51% to 1.4 million tons in August, while fuel oil production fell by 22% to 1.4 million tons.



China is expected to keep its diesel and gasoline exports in September largely unchanged at about 150,000 tons and 300,000 tons, respectively. China is estimated to have imported 1.85-1.95 million tons of fuel oil in August, down about 30% on the month. Fuel oil imports for September are seen easing further to about 1.75-1.85 million tons.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US fell by 10 to 999 in the week ending September 11th. The number of rigs searching for oil fell by 7 to 288 while the number of rigs searching for natural gas fell by 2 to 699 on the week.

Denmark's DUC crude oil stream is scheduled to load eight cargoes of 600,000 barrels in October, unchanged from September.

The Norwegian Petroleum Directorate said Norway's oil production fell to 1.91 million bpd on average in August from 2.07 million bpd in July. It reported that production of natural gas liquids and condensate increased to 350,000 bpd in August from 283,000 bpd in July.

A senior Indonesian Mines and Energy Ministry official said Indonesia has awarded five oil and gas blocks to several companies. The move is part of efforts to increase its oil and gas reserves and to lift declining production in the future.

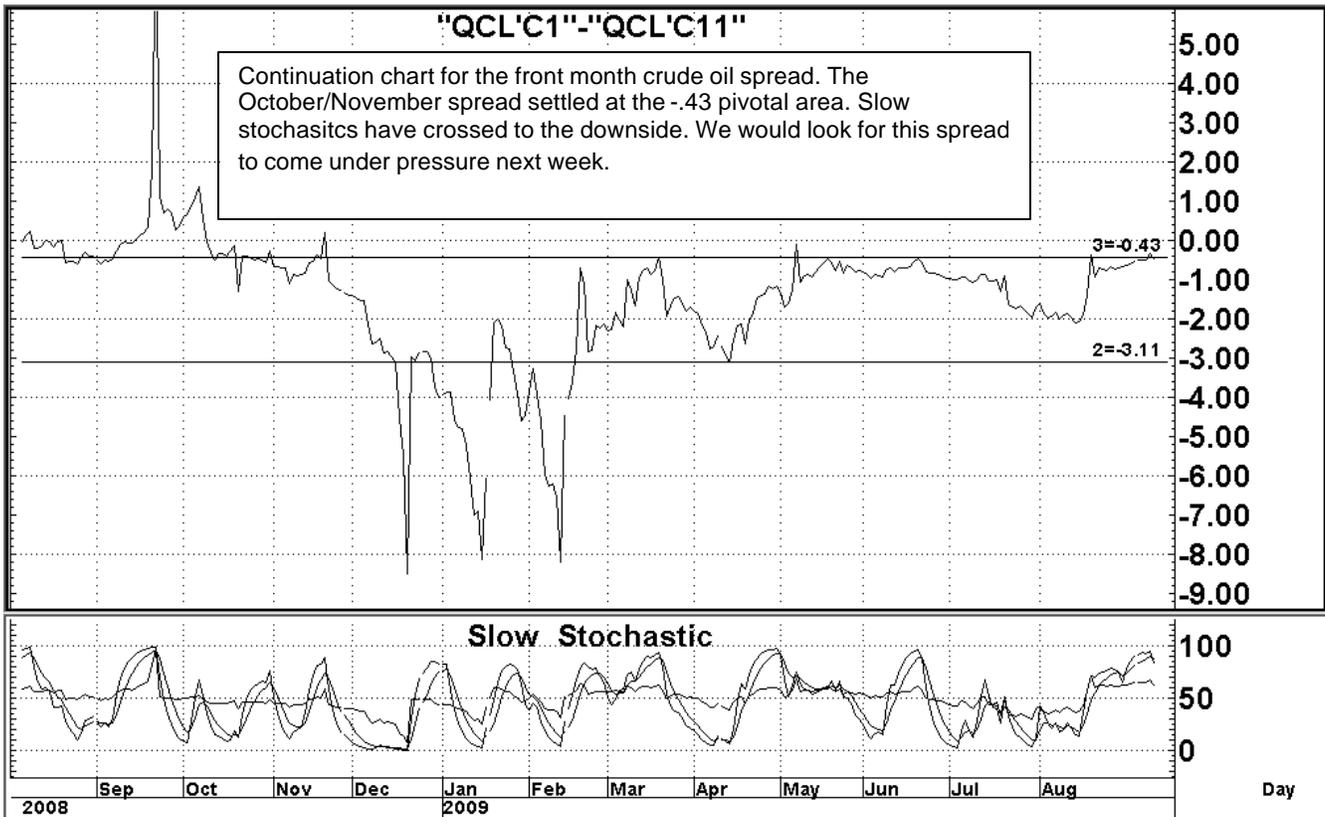
Market Commentary

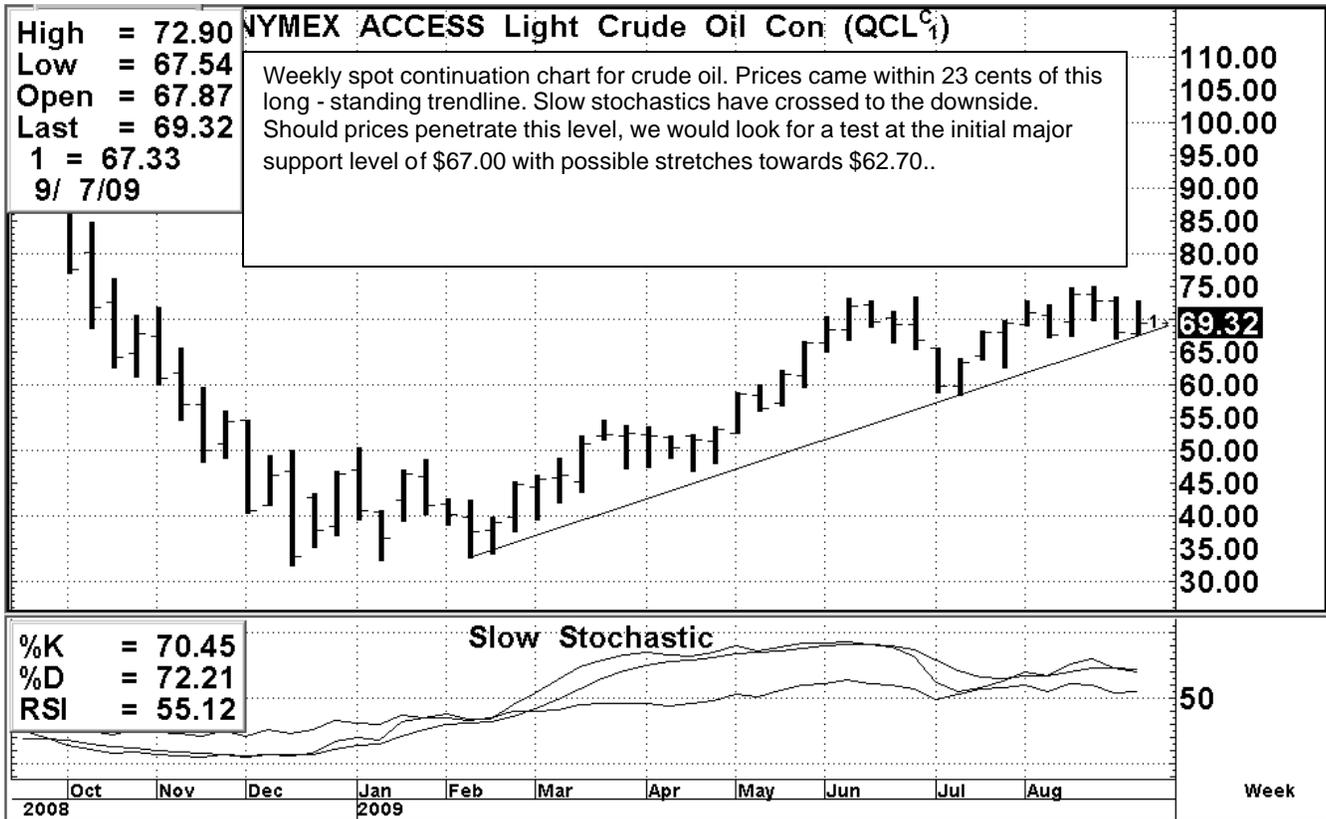
Crude oil headed lower today as concerns regarding demand overshadowed a weak dollar and as equities markets retreated. Products also headed lower based on yesterday's inventory numbers, despite a report that indicated consumer confidence rose in early September. The energy markets have been rising on perceived demand, which has yet to materialize. Without a definitive shift in demand, this market will have a hard time sustaining strength. The front month crude oil spread is still indicative of an over supplied, under demanded market. The October/November spread fell 6 cents shy of our -. 20 objective and settled the week at the -.43 gravitational area. We would continue to look at this level as a pivotal area, buying (buying October) breaks above it and selling breaks below it. Today's market activity was the first weekly gain for crude oil in three weeks, despite today's \$2.65 lower settlement. Fundamentals are not supportive of this market as inventory levels remain high and demand sluggish. Crude oil remains range bound between \$67.00 and \$75.00. Coming into next week, we would look for prices to work towards the bottom of this range. Should prices test and hold the \$67.00 level, we would look for a rebound back towards this week's high of \$72.90.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 4,518 contracts to 33,112 contracts in the week ending September 8th. The combined futures and options report showed that non-commercials increased their net long position by 2,738 contracts to 128,821 contracts on the week. The disaggregated combined futures and options report showed that producers/merchants cut their net short position by 2,750 contracts to 156,193 contracts and swap dealers cut their net long position by 1,062 contracts to 22,674 contracts. The managed money increased their net long position by 10,024 contracts to 93,588 contracts while other reportables cut their net long position by 7,286 contracts to 35,232 contracts. Meanwhile the combined futures and options report also showed that non-commercials in the heating oil market cut their net long position by 3,876 contracts to 23,869 contracts while funds in the RBOB market increased their net long position slightly by 340 contracts to 42,903 contracts on the week.

Crude Oil OCT.09 166,266 -28,203 NOV.09 215,005 +14,053 DEC.09 171,871 -1,149 JAN.10 51,627 +753 FEB.10 28,593 +1,057 MAR.10 30,786 +169 Totals: 1,183,027 -10,110 Heating OCT.09 52,541 -4,711 NOV.09 52,828 +4,823 DEC.09 51,161 -164 JAN.10 27,881 +1,044 FEB.10 16,421 -5

MAR.10 14,508 +302 Totals: 312,786 +3,128 GASOLINE (RBOCT.09 64,166 -7,450 NOV.09 53,122 +3,150 DEC.09 31,666 -545 JAN.10 18,174 -779 FEB.10 4,760 -23 MAR.10 8,556 +179 Totals: 206,425 -4,709





Crude Support 68.25, 67.10, 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, 204.65
Gasoline support 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400,	Gasoline resistance 1.9551, 2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350

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