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ENERGY MARKET REPORT FOR SEPTEMBER 13, 2010

The National Hurricane Center said a low pressure system in the central Caribbean Sea had a 40% chance of developing into a tropical depression over the next couple of days. Computer models projected the system would move west across the Caribbean towards the Yucatan Peninsula and Mexico's Bay of Campeche. It also forecast that neither Hurricane Igor nor Tropical Storm Julia would reach the Gulf

of Mexico. It forecast that Hurricane Igor, a Category 4 hurricane, was heading for Bermuda in about six days while Tropical Storm Julia, near the Cape Verde Islands, was too far away to pose a threat to North America over the next several days.

The UN's IAEA chief Yukiya Amano expressed regret over Iran's decision to bar inspectors from the country, saying it hampered the agency's ability to carry out its investigation.

The EIA reported that the US average retail price of diesel increased by 1.2 cents/gallon to \$2.943/gallon in the week ending September 13th. The price of diesel is up 30.9 cents or 11.7% on the year. The increase followed four weeks of declines, which cut prices by 2% or 6 cents. The EIA also reported that the US average retail price of gasoline increased by 3.9 cents to \$2.721/gallon on the week.

BP Plc restarted drilling a relief well Monday afternoon following the successful installation of a lock-down sleeve at the site of its blown out well in the Gulf of Mexico. BP is preparing the Deepwater

Market Watch

During the last decade, investors such as pension funds and hedge funds have been the fastest growing segment of commodity derivatives markets. In the next five years, however, the increasing use of derivatives as hedging instruments for producers and consumers will reemerge as the priority area. Banks and dealers will search for natural counterparties for all the pension funds and hedge funds seeking to use futures and options as a source of returns, diversification and inflation protection.

Saudi Aramco said the world will continue to rely on conventional energy for foreseeable future. It said over the next five years, the company has the most ambitious capital program in the industry, mostly in the downstream sector. It expects to increase reserves by 40% over time. Saudi Aramco said it expects to increase the rate of recovery from major oil fields to 70%, twice the global average.

China's industrial output increased at a faster rate than estimate in August. Production increased 13.9% on the year compared with estimates of a 13% increase. Consumer prices increased 3.5%, the most in 22 months, as food costs increased. China's retail sales increased by 18.4%. China is poised to replace Japan as the world's second largest economy this year after reporting a larger GDP in the second quarter.

**September
Calendar Averages**
CL – \$75.02
HO – \$2.0765
RB – \$1.9365

Horizon well for the bottom kill operation, which involves flooding a gap between the well casing and the surrounding rock formation with mud and cement via a relief well that is nearly complete.

Royal Dutch Shell's chief executive Peter Voser said prolonging the US government's freeze on new deepwater oil drilling in the aftermath of the BP spill in the Gulf of Mexico could cut global oil supplies as early as 2015. He said the moratorium had had a rather small effect on the oil supply so far due to Saudi Arabia's oil capacity. However he added if the moratorium would be prolonged, impacts on deep water supply will be seen in 2015-2020.

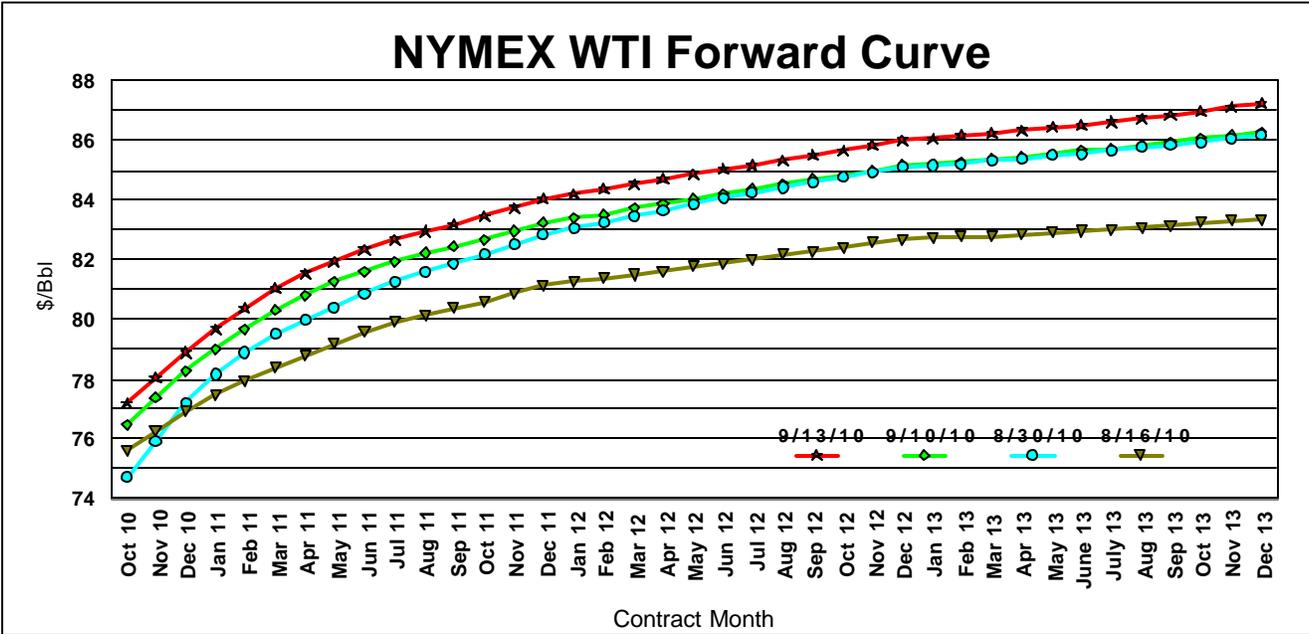
Refinery News

Enbridge's Line 6A pipeline carrying Canadian crude to US refineries and the Cushing, Oklahoma oil hub remained closed on Monday morning as workers continued digging around a leaking section of the pipeline in Romeoville, Illinois. No date has been set for restarting the pipeline, which was shut on Thursday. It halted the flow of 459,000 bpd through the line. The suspension of shipments has the potential to reduce flows to Cushing by about 300,000 bpd. Enbridge said it cleaned up most of the oil leaked from the pipeline.

The 290,000 bpd Olympic Pipeline in Washington state is scheduled to undergo five days of planned maintenance starting next Wednesday. The pipeline carries refined products from four refineries in Washington state to markets in Seattle and Portland, Oregon.

Credit Suisse reported that US refinery margins increased last week with margins in the Midwest increasing the most due to pipeline problems. Margins in the Midwest increased by 25.12% or \$3.01/barrel to \$14.99/barrel while margins in the Northeast increased by 0.32 cents to \$6.29/barrel. Margins in the Rockies region increased by 13 cents to \$27.13/barrel while margins in the Gulf Coast increased by 89 cents to \$9.94/barrel and margins in the West Coast increased by \$1.16/barrel to \$14.17/barrel.

Valero Energy Corp said the units affected by a power outage at its Port Arthur, Texas refinery last Wednesday have resumed normal operations. A crude distillation unit and a hydrotreater were in circulation mode after the power outage. Two sulfur recovery units were also affected.



ConocoPhillips is shutting a portion of a fluid catalytic cracking at its 247,000 bpd Sweeny, Texas refinery for four days to repair a leak.

Shell Oil Co said an unidentified process unit was shut on Monday at its 285,000 bpd Port Arthur, Texas refinery following a fire on Sunday night. Shell Oil also reported a release of sulfur dioxide due to a process upset at its 80,000 bpd Saraland, Alabama refinery.

Koch Industries has restarted a naphtha splitter at its 80,000 bpd Rotterdam refinery in the Netherlands following the completion of planned maintenance.

ExxonMobil Corp reported flaring at its 238,600 bpd Joliet refinery in Illinois on Sunday due to unknown causes. Separately, ExxonMobil Corp's Sarpom refinery in Italy is operating at 30-40% capacity after a larger crude distillation unit was shut following a fire on Saturday.

BP Plc is scheduled to shut the larger of two fluid catalytic cracking units, with a capacity of 110,000 bpd, and adjunct operations at its 420,000 bpd Whiting, Indiana refinery for planned 65-70 days of maintenance starting September 16th. Output losses are estimated to total 4.8 million barrels of gasoline and 2.6 million barrels of distillate.

Flint Hills is scheduled to shut a 45,000 bpd fluid catalytic cracking unit and sulfur recovery unit at its 300,000 bpd Corpus Christi refinery for planned maintenance. The work is expected to be completed September 24th. Output losses are estimated to total 410,000 barrels of gasoline and 220,000 barrels of distillate.

PDVSA said a fire that started on the docks of its 305,000 bpd Cardon refinery on Saturday was brought under control and added that shipping schedules were running on time. The fire on the Cardon refinery started while a cargo ship was receiving a load of oil products destined for Jamaica. The cause of the fire remains under investigation. Separately, PDVSA's 320,000 bpd La Isla refinery in Curacao is unable to restart after a power failure due to lack of sufficient crude. PDVSA is expected to import 300,000 barrels of catalytic naphtha to compensate for losses from a fire at its Bopec oil storage and blending terminal on Bonaire. Bopec, with 5 million barrel capacity, is used mainly to blend and consolidate residual fuel cargoes for shipment to China.

A CGT union official at Total said it is calling on French Total workers to carry out rolling strikes from September 23rd to protest pension reform plans.

Reliance Industries Ltd plans to start a 100,000 bpd vacuum gasoil unit at its 660,000 bpd Jamnagar facility in India by the beginning of next week. The unit is being loaded with a new catalyst.

China's implied oil demand in August increased by 7.4% on the year, up from a 3% rise in July. China processed 35.22 million tons of crude in August.

China's National Bureau of Statistics said the country's refinery runs in August increased by 7.2% on the year to 34.73 million metric tons or 8.21 million bpd. China's crude runs in the January-August period increased by 14.9% on the year to 275.84 million tons. It reported that China's crude oil production increased by 6.5% on the year to 17.428 million metric tons in August. Its gasoline production increased by 6.9% on the year to 6.43 million metric tons while its kerosene production increased by 6.7% on the year to 1.502 million metric tons and its diesel production increased by 5.1% to 13.269 million metric tons.

Taiwan's Formosa Petrochemical Corp reported that Taiwan's total oil product demand in July fell by 0.8% on the year and 0.7% on the month to 4.356 million kiloliters of oil equivalent. Its crude oil imports increased by 14.6% on the year and by 3.1% on the month to 5.352 million kl of oil equivalent.

According to Turkey's Istanbul Exporters Association of Chemical Materials, Turkey did not export any gasoline to Iran in August as the US led sanctions took full effect in July. In July, Turkey exported 35,444 tons of gasoline.

Production News

The production of 12 major grades of North Sea crude oil for October is expected to increase 6% to 77.715 million barrels or 2.507 million bpd from September's 70.975 million barrels or 2.365 million bpd. The rise is mainly due to a sharp increase of Troll production amid the end of planned maintenance.

The October loading program for North Sea Flotta crude is scheduled at 1.95 million barrels, up 650,000 barrels from September.

The October loading program for North Sea Asgard crude is scheduled at 7.695 million barrels, up 1.71 million barrels or 29% from September.

The Central Bank of Ecuador reported that the country's crude oil exports totaled 71.73 million barrels in the first seven months of the year, up 3% from 69.84 million barrels reported last year.

Tullow Oil Plc said that new drilling results and other tests confirm the Owo prospect in Ghana is a major new oil field. It is the second major oil discovery Tullow has made off Ghana's shores.

Crude oil exports through the Caspian Pipeline Consortium are scheduled at 2.877 million metric tons or 21.1 million barrels in October, up 172,500 tons from September's level.

PDVSA's Pacific Rubiales heavy crude oil field is expected to increase its crude output to 225,000 bpd by the end of the year and 280,000 bpd next year from the current level of 150,000 bpd. Proved reserves of 2.8 billion barrels in Quifa and Rubiales fields will allow production to reach 500,000 bpd by 2014.

According to a Brazilian official, Libra, an oilfield off the coast of Brazil could contain up to 8 billion barrels of crude, far larger than initially estimated.

The downstream director of Petrobras, Paulo Roberto Costa said Brazil's growing economy continues to increase domestic demand for fuels. Demand for fuels, including diesel and gasoline, in 2010 is expected to increase by 12% on the year.

The head of Brazil's National Petroleum Agency said Brazil's government could auction more rights to explore for oil and natural gas in early 2011. It would be the first auction of exploration and production blocks since the 10th round was held in December 2008.

OPEC's news agency reported that OPEC's basket of crudes increased by 18 cents to \$74.66/barrel on Friday from \$74.48/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$1.16/barrel to \$73.93/barrel in the week ending September 10th.

Market Commentary

Crude oil reached a four-week high, supported by an increase in Chinese industrial output, strength in the equities markets, along with carry over strength from last week's Enbridge pipeline leak. Chinese

industrial production, which was expected to increase by 13 percent, increased by 13.4 percent an indication that China's economic growth is stronger than expected. Based upon a spot continuation chart, the October crude oil contract has settle above its 50, 100 and 200-day moving averages. These averages are trending sideways but have yet to turn to the upside. We would like to see at least one of these moving averages take a turn to the upside for confirmation that the market trend has turned. For now, we would continue to look for crude oil to range trade between \$70.00 and \$80.00.

Crude oil: Oct 10 192,787 -45,529 Nov 10 256,348 +20,503 Dec 10 214,923 -75 Totals 1,330,228 -19,964 Heating oil: Oct 10 64,891 -5,682 Nov 10 55,649 +2,351 Dec 10 62,683 -380 Totals 316,-3,407 Rbob: Oct 10 70,203 -8,535 Nov 10 66,010 +5,464 Dec 10 35,464 +1,612 Totals 240,363 -580.

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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