



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 15, 2009

In its monthly report, OPEC said that evidence of an impending upturn in the world economy appears to be gathering but recovery will be slow and gradual. World demand is expected to fall 1.56 million bpd in 2009 to 84.05 million bpd before increasing by 500,000 bpd to 84.56 million bpd in 2010. Demand for OPEC's oil will average 28.06 million bpd in 2010, down 460,000 bpd from 2009. It stated that OPEC increased its output in August to 26.33 million bpd, up from 26.2 million bpd in July, cutting its compliance with output targets to 64% from 67% in July. Supply from non-OPEC countries is expected to increase in 2010, with higher output from the

Market Watch

Barclays Capital said crude oil is near a bottom between \$67 and \$68/barrel and may rebound after retreating to its 100 day moving average.

The US National Hurricane Center said a tropical wave a couple of hundred miles west of the Cape Verde Islands off the west coast of Africa has a low chance, less than 30%, of becoming a tropical cyclone during the next 48 hours. The NHC was also watching the remnants of Hurricane Fred, which are now producing thunderstorms about 1,100 miles east of the Lesser Antilles in the eastern Caribbean Sea.

The Labor Department said US producer prices rebounded sharply last month on the back of rising gasoline and other energy costs. The producer price index for finished goods increased by 1.7% on a seasonally adjusted basis in August after falling 0.9% in July. Core PPI advanced 0.2% last month compared with July's decline of 0.1%. The PPI data showed an 8% increase in energy prices in August, the largest gain since November 2007. It followed a 2.4% decline the previous month.

The Commerce Department said US retail sales increased in August as car dealers cashed in on clunkers. Retail sales in August exceeded expectations and increased 2.7% from a revised fall of 0.2% in July. The Commerce Department also said inventories fell by 1% as expected, down from the prior month to a seasonally adjusted \$1.333 trillion. June inventories fell by 1.4%, revised down from an originally reported 1.1% decline. Business sales increased by 0.1% to \$978.4 billion in July. The inventory to sales ratio fell in July to 1.36 from 1.38 during June.

A proposed rule issued by the US Transportation Department is keeping vehicle size as the main way to calculate fuel efficiency. Passenger cars are expected to achieve 33.6 mpg in 2012; 34.4 mpg in 2013; 35.2 mpg in 2014 and 36.4 mpg in 2015. The proposed rule also increases Co2 emissions standard for cars to 264 grams/mile from 261 grams/mile between 2012 and 2016.

Mexico's Finance Minister Agustin Carstens said the government raised 32 billion pesos or \$2.4 billion by selling oil-backed debt to local banks, part of an effort to alleviate budget shortfalls among states. Mexico's declining economy and a 28% drop in oil prices in the past year has cut into tax revenue, widening the 2009 budget deficit to 3% of GDP from 2.1% in 2008.

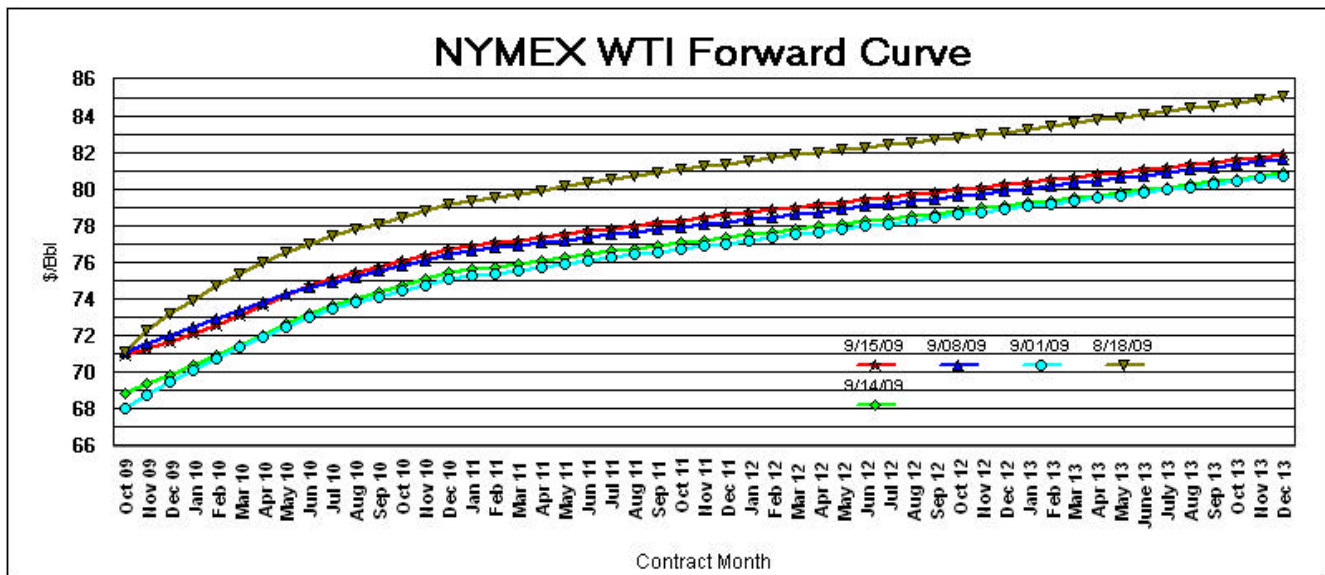
API Stocks	
Crude	– up 631,000 barrels
Distillate	– up 5.197 million barrels
Gasoline	– up 1.347 million barrels
Refinery runs	– down 1%, at 84.6%

US, Russia, Norway and Azerbaijan. Non-OPEC supplies are forecast to increase to 420,000 bpd in 2010, 100,000 bpd less than previously estimated. OPEC said there had been a steady accumulation of oil product stocks as the weak economic environment cut demand for middle distillates. Oil product stocks represent more than 60% of total oil oversupply compared to only 20% in January.

The IEA's Executive Director Nobuo Tanaka said if oil prices continue to increase, they could damage a fragile economic recovery. He however said the impact of current levels around \$70/barrel is difficult to judge.

US Secretary of State Hillary Clinton said Iran must answer concerns about its nuclear program in any negotiations. She said a six power meeting with Iran on October 1st will test Iran's readiness to discuss international concerns about its uranium enrichment program. Meanwhile, EU foreign policy chief Javier Solana said talks between world powers and Iran on its nuclear program will likely be held in Turkey. He urged Iran to respond positively to US engagement in the process. He said western policy remained twin tracked, offering incentives to Iran to abandon a nuclear program while holding out the threat of further sanctions. However he said now was not the time to talk about new sanctions. Iran has agreed to wide-ranging talks with six world powers but has ruled out discussing its nuclear activities, which it says are for peaceful generation of electricity. Russia's Foreign Ministry said Iran is ready to hold constructive talks with the six world powers. Separately, Iranian nuclear energy chief Ali Akbar Salehi said he had agreed on new measures of cooperation with UN inspectors during talks on Tuesday with the director of the IAEA. He declined to say what the new cooperation entailed but it would not cover the IAEA's probe into intelligence reports suggesting Iran covertly researched nuclear weapon designs. Iran has said the reports are fabricated and the issue is closed.

September Calendar Averages	
CL	– \$69.55
HO	– \$1.7583
RB	– \$1.7913



Iran's President Mahmoud Ahmadinejad brushed off US threats of possible sanctions on Iran's gasoline imports, saying Iran's oil industry could overcome any such challenge. He urged the Oil Ministry to make Iran's oil refineries more efficient in meeting domestic demand.

Nigeria's Movement for the Emancipation of the Niger Delta will announce on Wednesday whether a ceasefire in the Niger Delta will be lifted or extended to allow for peace talks. It warned last month it

would lift its ceasefire this week. However a government delegation late on Sunday urged rebel leaders with links to MEND to persuade the militant coalition to extend the ceasefire for at least another month.

According to MasterCard Advisors LLC, US gasoline demand in the week ending September 11th fell by 0.1% on the week and by 3.1% on the year to 8.965 million bpd. In the latest four weeks, demand was down 3.1% on the year at 9.1 million bpd. The US average retail price of gasoline fell by 3 cents to \$2.55/gallon on the week.

Refinery News

Oil flows on Enbridge Inc's Line 4 from Canada to the US fell by 25-40% on Monday from weekend levels.

Wholesale gasoline fell by 24 cents/gallon in the Los Angeles market following the restart of refineries in California.

A Royal Dutch Shell Plc executive said the outlook for world gasoline demand is weak in the long term compared with middle distillate fuels. In the short term, brimming inventories of middle distillates, including diesel, heating oil and jet fuel, will limit refining margins. However an eventual economic recovery will increase the outlook for distillate demand significantly. European refineries are operating at 80% of capacity this month.

BP Plc said an oversupply of refining capacity and the slow world economy is weighing on refining margins in the short term. It said excess refining capacity could also persist in the long term if legislation to reduce carbon emissions discourages fuel consumption. In the US, laws encouraging the penetration of corn based ethanol and more efficient vehicles such as hybrid and electric cars could cut gasoline demand there, posing a challenge for European refiners that rely on gasoline exports to the US.

According to Bloomberg, Europe's refiners plan to idle at least 4.2% of refining capacity or 659,000 bpd for maintenance in October. Idled capacity in November will increase to 893,000 bpd due to maintenance.

Tesoro Corp said a hydrocracker at its 100,000 bpd refinery in Los Angeles, California resumed operations on Tuesday after it was shut on Monday due to a mechanical malfunction. The unit shutdown had a minimal impact on production at the refinery.

ExxonMobil Corp said it will shutdown its fluid catalytic cracking unit No. 3 at its 562,500 bpd refinery in Baytown, Texas for two days of maintenance.

Flint Hills said it will briefly shutdown the flare gas recovery unit at its 300,000 bpd Corpus Christi, Texas refinery to disconnect it from a generator used in the wake of a recent power interruption. Late last week, powerful storms caused a power outage that impacted all units of the plant.

Marathon Oil Corp began restarting its refinery in Robinson, Illinois following a power outage Sunday afternoon after a small plane hit a power line feeding the refinery.

Total has scheduled to shut its Dunkirk refinery later on Tuesday due to poor demand for fuel products.

Strikers have forced Italy's Eni to halt production at its 85,000 bpd Livorno refinery. Strikers have been blocking the refinery for about two days, subsequently resulting in production stoppage.

Repsol has halted one of two crude distillation units at its 220,000 bpd Bilbao refinery due to economic conditions. It said this would cut output at the refinery by 41%. Currently there is no date foreseen for them to return to operation.

Spain's Cepsa will start a hydrocracker unit to increase its diesel production at its Huelva refinery in the second quarter of 2010. Separately, Cepsa is running its three oil refineries at more than 90% of capacity.

Japan's Nippon Oil Corp said it will restart a 24,000 bpd continuous catalytic cracking unit at its Marifu refinery on Saturday, a week after failing to restart it. The unit has been shut since September 8th due to a fire. It also plans to restart a 28,000 bpd fluid catalytic cracking unit and desulphurization and coking unit on Saturday.

China's oil product demand is expected to see prominent growth in the July-December period over the second half of last year and imports of liquefied petroleum gas will continue to be robust on improved local demand. China's oil product consumption in 2009 is forecast up 0.5% at 381 million metric tons, including 64.2 million tons of gasoline and 134 million tons of diesel. Consumption of fuel oil is expected to reach 30.8 million tons while consumption of LPG and kerosene is expected to reach 23 million tons and 13.4 million tons, respectively.

Austria's OMV AG will reduce its crude oil purchases for its refineries by one or two cargoes this month and next month compared to the previous months. The company will instead supply its customers with refined products from storage.

Production News

A CGT union official said dockers in the French port of Marseille were on strike Tuesday to protest at the detention of three of their colleagues for an incident that occurred in June. Port management said operations at the oil terminals in the western dock were disrupted by the stoppage, with 10 ships waiting in the harbor while others were working normally as dockers there were not on strike.

Royal Dutch Shell Plc has suspended production at its Canadian oil sands mine after environmental activists blockaded a massive dump truck and mining shovel to protest the impact of oil sands development. Greenpeace said 25 of its activists locked down the oil sands mining equipment at the Albion Sands Muskeg River mine in northern Alberta on Tuesday morning.

Suncor Energy Inc plans on increasing its focus on oil sands production to between 60%-65% of its total production during 2010, up from 50% currently. It will increase its reliance on oil sands in part by selling some of its underperforming natural gas production assets. It is planning cuts in its natural gas business as it pares down its operations following the company's \$21 billion takeover of Petro-Canada.

Norway's Prime Minister Jens Stoltenberg said the country's oil production is declining faster than envisaged and voiced confidence over solving a heated debate whether to open new Arctic waters for offshore exploration.

Colombia's Ecopetrol said the country's 2009 oil production could increase to 700,000 bpd from 588,000 bpd in 2008. Production in August increased by 15.5% on the year to 660,000 bpd.

A senior Iraqi oil official said Iraq's crude oil exports during the first 10 days of September were less than 2 million bpd, below the level Iraq had exported over the last two months. In August, Iraq exported 2.009 million bpd while in July, Iraq exported 2.035 million bpd.

Ecuador's central bank reported that the country's oil export revenues totaled \$2.96 billion between January and July, down 59% from the \$7.3 billion reported last year. It exported 69.84 million barrels or 329,433 bpd in the first seven months of 2009, down 8% from the 75.92 million barrels or 356,418 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$66.47/barrel on Monday from \$68.21/barrel on Friday.

Market Commentary

Crude oil rose for the first time in three days in response to an economically promising retail sales number and producer prices rising more than twice as much as what was expected for August. Retail sales jumped 2.7 percent, greater than the expected 1.9 percent that some economist projected. Another supportive factor was an announcement by Enbridge Inc that its Line 4, which transports oil from Canada into the United States, was experiencing decreased flows between 25 to 40 percent from weekend levels. Enbridge is the largest shipper of Canadian oil into the United States. Products also rose, with gasoline gaining more than .0459 cents. Crack spreads remained weak, with both the October RBOB and heating oil spreads trading just above the \$4.00 a barrel level. The after floor trading session saw prices trade lower in response to the API inventory numbers, which reflected builds across the board. We are still sitting on an abundance of crude oil and product as we sit in between turnaround and the start of the heating oil season. Refiners are still in turn around, which should help to boost crude oil inventories and bring down production inventories. We would expect that this market will remain economically sensitive and for crude oil to continue to remain range bound between \$75.00 and \$67.00.

Crude OCT.09 134,385 -8,013 NOV.09 265,792 +29,920 DEC.09 172,770 +4,229 JAN.10 58,225 +3,430 FEB.10 29,638 +764 MAR.10 32,585 +1,235 Totals: 1,220,338 +36,204 Heating OCT.09 46,388 -1,945 NOV.09 55,998 +438 DEC.09 54,447 +1,511 JAN.10 29,791 +1,087 FEB.10 16,566 +155 MAR.10 14,956 +132 Totals: 318,477 +2,086 GASOLINE (RB OCT.09 54,328 -4,069 NOV.09 60,056 +3,186 DEC.09 32,835 +1,332 JAN.10 18,146 +451 FEB.10 4,883 +1 MAR.10 9,110 +399 Totals: 205,625 +1,231

The API reported unexpected build in crude stocks of 631,000 barrels on the week, with a build of 2.432 million barrels in Padd 3 while stocks in Padd 2 fell by 1.91 million barrels. It reported a build in stocks as runs fell by 146,000 bpd to 14.735 million bpd on the week. It however reported that crude imports fell by 618,000 bpd to 9.022 million bpd. Meanwhile distillate stocks saw a larger than expected build of 5.197 million barrels, leaving stocks up 29.8% on the year. It reported the build in stocks as apparent demand fell by 9.2% on the week and by 12.4% on the year to 3.689 million bpd while apparent demand basis its three week moving average fell by 4.7% on the week to 3.995 million bpd. It however reported that distillate production fell slightly by 2,000 bpd to 4.271 million bpd while imports also fell by 98,000 bpd or 38% to 160,000 bpd. Gasoline stocks also built by 1.347 million barrels on the week, leaving stocks up 8.9% on the year as apparent demand fell. It reported that apparent gasoline demand fell by 0.1% on the week and by 4% on the year to 9.2 million bpd while apparent demand basis its three week moving average fell by 2.3% to 9.38 million bpd. It showed that gasoline imports increased by 152,000 bpd or 200% to 228,000 bpd while production fell by 47,000 bpd or 0.5% to 9.164 million bpd on the week.

Crude Support	Crude Resistance
67.00, 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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