



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 15, 2010

Venezuela's Energy Minister Rafael Ramirez said \$100 would be a fair price for a barrel of crude, saying such a price takes into account the constant investments needed to maintain production levels. He said he would support OPEC keeping its production policy unchanged at its October meeting and added that for the moment it is best to continue monitoring the oil market.

The EIA reported that Canadian crude shipments to the US increased by 99,000 bpd to 1.854 million bpd in the week ending September 10th. Mexico's crude shipments to the US increased by 302,000 bpd to 1.201 million bpd

while shipments from Saudi Arabia fell by 40,000 bpd to 1.122 million bpd and shipments from Venezuela increased by 133,000 bpd to 1.005 million bpd on the week.

Market Watch

The Federal Reserve said US industrial output increased 0.2% in August, the second consecutive month. July's gain of 0.6% was revised down from a previously reported 1% increase. Capacity utilization also increased to 74.7% from a revised 74.6% the previous month.

The New York Federal Reserve Bank said its Empire State manufacturing activity index fell to 4.14 in September from 7.1 in August.

The Labor Department said US import prices increased more than expected in August from July amid higher energy and food prices. The price of goods imported into the US increased by 0.6% last month, led by an increase in fuel prices. This followed a 0.1% rise in July, revised from a previously reported 0.2% increase.

Schlumberger Ltd said worsening violence in Mexico is undermining energy projects in Mexico. It blamed the drug violence for a worse than expected performance by its Mexican operations. It said the fall in project activity in Mexico has been more severe than it originally anticipated as customer budget problems have been compounded with security issues in the north. The violence has not affected any oil production. However it has rattled private firms working with Pemex, many of whom have increased security precautions and forbid executives from spending time in parts of northern Mexico.

Anadarko Petroleum Corp canceled a drilling contract with Diamond Offshore Drilling Inc because of the US government's deepwater drilling moratorium in the wake of the Gulf of Mexico oil spill.

Iran postponed increasing petrol prices for at least a month despite a plan to phase out subsidies that was due to start by late September. Motorists will continue to receive a monthly quota of 60 liters or 13 gallons of petrol at subsidized prices of about 10 cents/liter until October 22nd. The government will also continue to provide petrol at a semi-subsidized price of 40 cents/liter for a month to consumers exceeding their quotas.

The Transportation Department proposed tougher regulations for oil pipelines, including higher fines for companies that violate safety. The new regulations are designed to improve pipeline safety after

DOE Stocks

Crude – down 2.489 million barrels
Distillate – down 340,000 barrels
Gasoline – down 649,000 barrels
Refinery runs – down 0.6%, at 87.6%

spills in Marshall, Michigan and Romeoville, Illinois. Transportation Secretary, Ray LaHood, said the spills, along with a natural gas pipeline explosion in northern California, have shown that the Transportation Department needs stronger authority to ensure the continued safety and reliability of the country's pipeline network. The proposed legislation would require the agency to review whether

stringent safety standards for high-consequences areas, including urban centers, should also apply to rural areas. It would eliminate exemptions from safety regulations for pipelines that gather hazardous liquids upstream of transmission pipelines.

Refinery News

Enbridge Inc completed repairs on its 670,000 bpd 6A pipeline in Illinois. It said it was preparing to return the pipeline to service but gave no date on when the pipeline will be restarted. The company has not been asked to file a formal restart plan. An engineer from the Pipeline and Hazardous Materials Safety Administration said that the government does not see any systemic problems with the pipeline, which has been shut for six days following a leak in Romeoville, Illinois. The PHMSA however said that it had not set a date to resume flows of crude oil along the pipeline but added that the restart of any pipeline required a comprehensive review. The US EPA said it had no estimate for when the pipeline will resume operations. Enbridge also said it will finish cleaning up most of the Line 6B oil spill in Michigan by the end of the month. The Enbridge Line 6B spill is estimated to have released more than 1 million gallons of oil, flowing from the Talmadge Creek to the Kalamazoo River. Late in the date though Reuters was reporting that according to an Enbridge spokeswoman, government regulators appear to have agreed to a restart of Line 6A on Friday, but this was unconfirmed by the government.

Valero Energy Corp will shut its 36,000 bpd hydrocracking unit in the west plant of its 315,000 bpd Corpus Christi, Texas refinery to repair a leak.

Motiva Enterprise LLC shut a catalytic cracking unit at its 234,700 bpd refinery in Norco, Louisiana on Tuesday due to a problem. It said the problem was corrected and added that the unit will restart soon.

BP Plc reported that planned flaring activity will begin at its 265,000 bpd Carson, California refinery early Thursday morning.

Royal Dutch Shell Plc began the shutdown of its 130,000 bpd Montreal refinery on Monday. It said the phased shutdown of the refinery will be completed by the end of October. Shell is converting the Montreal refinery into a fuel terminal.

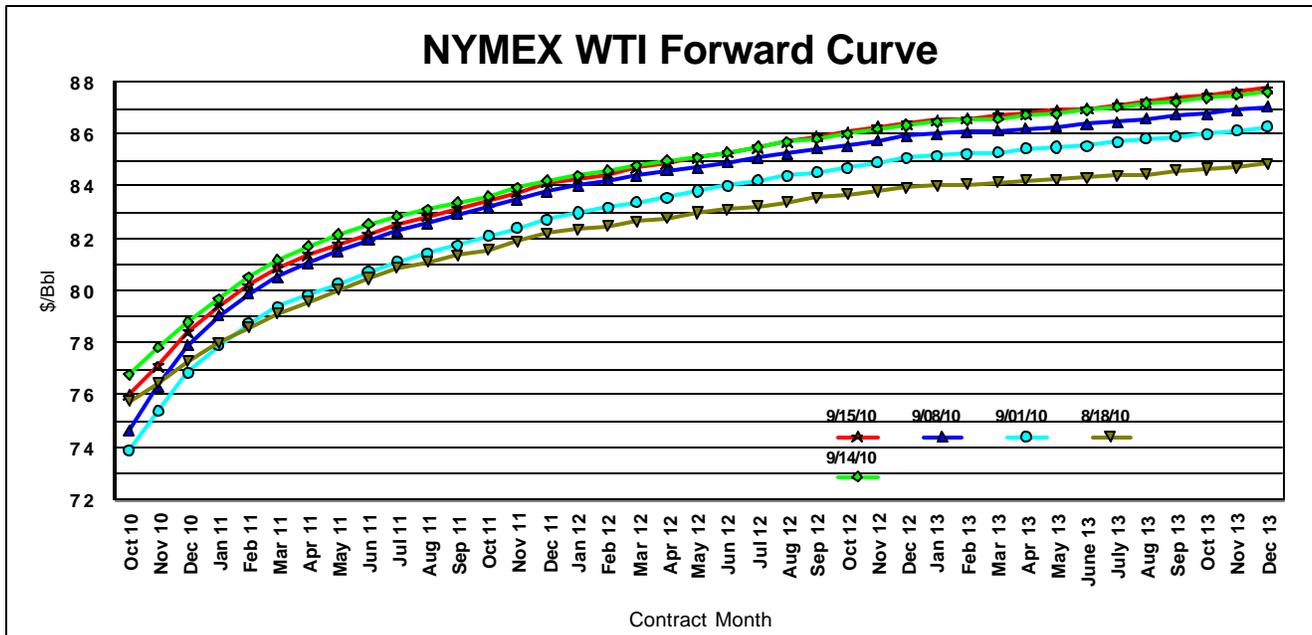
ExxonMobil Corp plans to shut a crude unit at its Fawley refinery in the UK for maintenance early next year. The halt is scheduled to start in the first quarter and last about four weeks.

Sunoco Inc said refining margins are likely to remain under pressure for the next several years as excess capacity in the sector remains high.

India's Reliance Industries imported 1.231 million bpd in January-July, up 38% on the year. The Middle East remained its largest supplier in 2010.

Georgia's Black Sea port of Batumi shipped 513,554 tons of crude and refined products in August, down 8.3% on the month and 18% on the year.

**September
Calendar Averages**
CL – \$75.30
HO – \$2.0874
RB – \$1.9423



Germany's MWV said the country's oil product sales in August 2010 totaled 6.74 million tons, up 19.7% on the year. Germany's gasoline sales fell by 0.8% on the year to 1.74 million tons while diesel fuel sales increased by 5.5% on the year to 2.79 million tons while its heating oil sales increased by 114.9% on the year to 1.76 million tons and fuel oil sales increased by 8.4% on the year to 450,000 tons.

The Petroleum Association of Japan reported that crude stocks in the week ending September 11th fell by 4.11 million barrels on the week and by 2.06 million barrels on the year to 91.66 million barrels. Japan's gasoline stocks fell by 40,000 barrels on the week and by 500,000 barrels on the year to 12.1 million barrels while its kerosene stocks increased by 550,000 barrels on the week but fell by 4.04 million barrels to 15.01 million barrels and naphtha stocks fell by 760,000 barrels to 11.36 million barrels. Japanese refiners ran their facilities at an average 80.7% of total capacity, up 2.5% on the week and 6.8% on the year. It reported that Japan's total oil product sales increased by 2% on the week and by 8.5% on the year to 2.95 million bpd. Japan's gasoline sales fell by 13.6% on the week but increased by 5.1% on the year to 1.03 million bpd while kerosene sales increased by 0.7% on the week but fell by 11% on the year to 140,000 bpd and gas oil sales increased by 0.4% on the week and by 13.9% on the year to 570,000 bpd. Japan's naphtha sales fell by 4.8% on the week but increased by 10.4% on the year while jet fuel sales fell by 26.5% on the week and by 22.8% on the year to 88,000 bpd.

Production News

Royal Dutch Shell Plc started operations at its 100,000 bpd expansion of its oil sands operations in Canada. It added that construction for an expansion of the scotford upgrader is underway and will come onstream in 2011.

Brazil's PDVSA expects to start production from its Cascade and Chinook oil fields in the US Gulf of Mexico by year end.

Total SA said project startups from 2009 to 2014 should produce about 800,000 bpd of oil equivalent. Production in the second half this year should increase from a year earlier while production in 2011 should remain stable. The exact output level depends on oil prices, potential production cuts decided by OPEC as well as a recovery of output in Nigeria. It also said startups planned in 2015 to 2018 should represent 600,000 bpd of oil equivalent. Total said oil markets should not overestimate the near term importance of Iraqi oil production. It said security remains a significant concern.

Russia's Finance Minister said Russia is set to cut its duty on oil exports by 2.6% in October to \$266.50/ton from the current level of \$273.50/ton. The export duty on light refined fuels is expected to fall to \$191.80/ton, down from \$196.50 while the duty on heavy refined fuels is expected to fall to \$103.40/ton from \$105.90/ton.

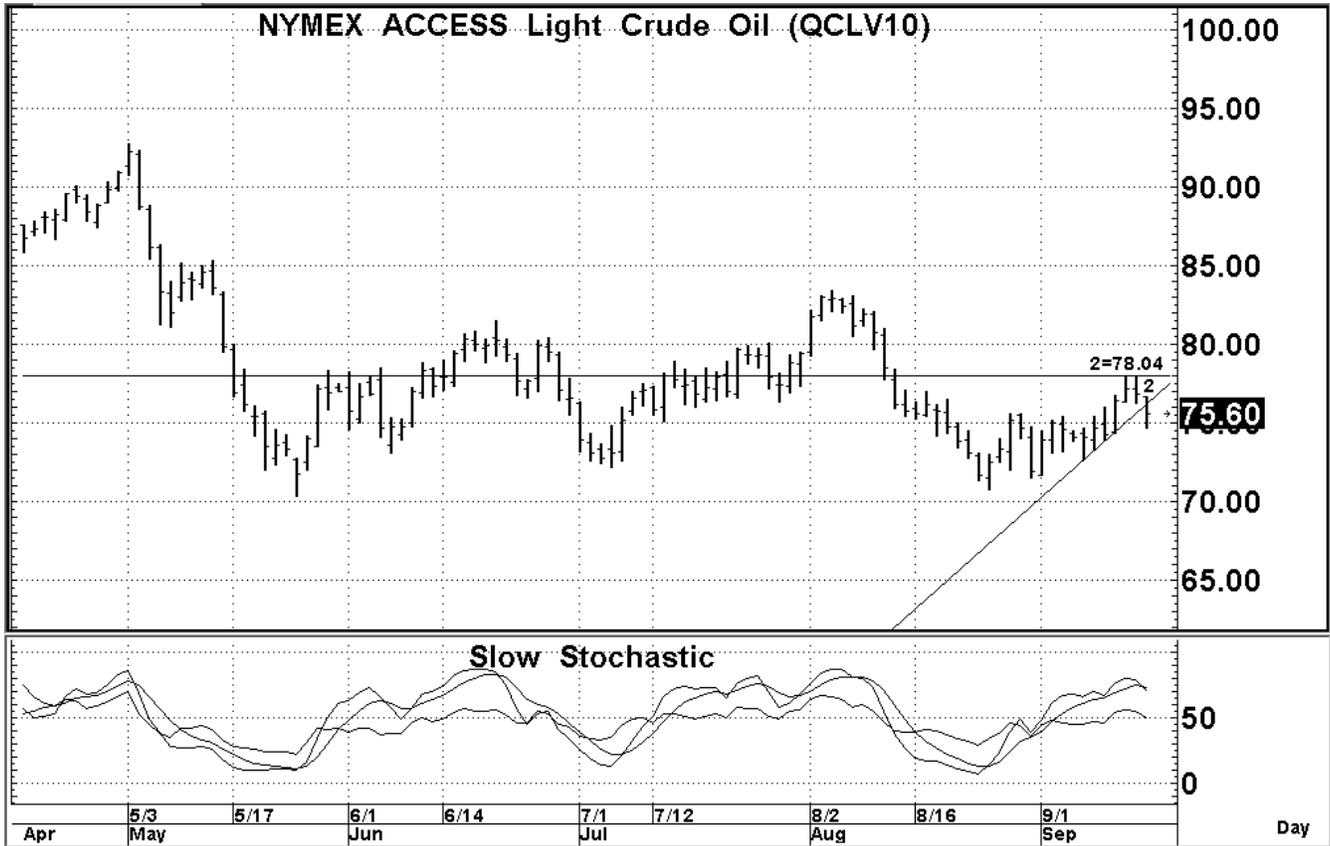
OPEC's news agency reported that OPEC's basket of crudes increased further to \$75.54/barrel on Tuesday from \$75.06/barrel on Monday.

Market Commentary

The 2.5 million barrel decrease in U.S. crude oil inventories was overshadowed by the Pipeline and Hazardous Materials Safety Administration's approval for the resumption of oil flow through Enbridge's Canadian/U.S. pipeline. Crude oil prices fell as much as 4.3 percent from the \$78.04 high achieved on Monday, when the market initially reacted to the closure of the pipeline. Despite the almost one week closure of this pipeline and today's release of the DOE numbers, supplies of crude oil and its products continue to run above 5year averages. Gasoline, after having a lackluster summer driving season has thus far been the weakest of the three markets. Imports of gasoline continue to fall as the profit margin for shipping supplies across the Atlantic continues to shrink. This is yet again, another sign of economic uncertainty. Despite the technical break to the upside of the spot 3-2-1 crack spread, we would not be too optimistic of this spread rallying hard. Like the rest of the complex, we would look for this spread to continue to get its direction from economic influences and not until steady indications of economic growth are seen, do we think that any strength will be sustained. Crude oil has not been able to maintain any gains above the 200-day moving average also adding to sustainable strength. At this point in time we would look for prices to work lower, stretching towards the \$73.20 support level.

Crude oil: Oct 10 142,958 -18,945 Nov 10 307,091 +31,574 Dec 10 212,714 +780 Totals 1,336,392 +12,493 Heating oil: Oct 10 57,320 -2,874 Nov 10 59,396 +2,809 Dec 10 65,529 -4,003 Totals 320,747 -6,386 Rbob: Oct 10 61,483 -3,287 Nov 10 73,609 +2,960 Dec 10 34,943 -1,215 Totals 242,771 +131

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



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