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ENERGY MARKET REPORT FOR SEPTEMBER 15, 2011

The IEA's governing board brought a formal close to the collective action on Libya, during which it released 60 million barrels of oil from emergency stocks earlier in the summer.

Gasoline shipments to the US from Europe may fall 5% over the next two weeks. A total of 19 tankers, which are able to carry about 6 million barrels of gasoline, have been booked or are due to be chartered for loading in the two week period. There are 27 vessels likely to be available to carry trans-Atlantic gasoline cargoes, the fewest since

Market Watch

The Labor Department said the cost of living for Americans continued to increase in August. The Consumer Price Index increased a seasonally adjusted 0.4% from July as gasoline, food and shelter costs continued to increase. In July, consumer prices increased by 0.5%. Compared with a year earlier, prices increased 3.8% in August. The core CPI, excluding energy and food, increased by a more moderate 0.2% in August. Thursday's report showed that energy prices increased by 1.2% in August, less than half the 2.8% increase registered in July.

The Labor Department also reported that initial unemployment claims increased by 11,000 to a seasonally adjusted 428,000 in the week ending September 10th. Claims filed in the previous week were revised to 417,000 from an originally reported 414,000. The four week moving average of new claims increased by 4,000 to 419,500. The report showed that the number of continuing unemployment benefit claims fell by 12,000 to 3,726,000 in the week ending September 3rd. The unemployment rate for workers with unemployment insurance for the week ending September 3rd held steady at 3%.

The US Commerce Department said the US current account deficit unexpectedly narrowed in the second quarter. The broad measure of US international transactions registered a shortfall of \$118 billion during April through June. The first quarter deficit was revised up to \$119.6 billion from an initial estimate of \$119.3 billion. The second quarter deficit was 3.1% of GDP, down from 3.2% in the first quarter.

The Federal Reserve said US industrial production increased in August as manufacturing activity increased. Overall production increased 0.2% in August while industries used 77.4% of their capacity. Production in July increased 0.9% while capacity utilization was 77.3%.

The New York Federal Reserve said a gauge of manufacturing in New York State contracted in September for a fourth consecutive month. The New York Fed's Empire State general business conditions index fell to minus 8.82 in September from 7.72 in August. New orders fell to minus 8 from minus 7.82 while inventories fell to minus 11.96 from minus 7.61.

The Philadelphia Federal Reserve Bank said its business activity index improved to minus 17.5 from minus 30.7 in August. The gauge of factory activity in the US Mid-Atlantic region contracted for a second consecutive month in September.

The European Central Bank said it decided, in conjunction with the US Federal Reserve, the Bank of England, the Bank of Japan and the Swiss National Bank, to conduct three US dollar liquidity providing operations in the last three months of the year. The euro rallied amid optimism about Europe's moves to handle its debt problems.

Euro zone employment increased at its fastest annual rate in almost three years in the second quarter of 2011. The number of employed increased in the April-June period to 147 million people as all sectors except agriculture added jobs during the quarter. Employment during the second quarter increased 0.3% from the first quarter and by 0.4% year on year after 0.1% growth during the January-March period and annual 0.3% increase in that quarter.

The National Oceanic and Atmospheric Administration forecast that above normal temperatures are expected to stretch from the southwest through the Great Lakes region in October to December. Below normal temperatures will be limited to southern Florida and western Alaska. All other regions have equal chances of normal, above-normal or below normal temperatures.

**September
Calendar Averages**
CL – \$88.37
HO – \$3.0018
RB – \$2.8108

August 17th.

Oil Movements reported that OPEC's oil exports are expected to increase by 60,000 bpd in the four weeks ending October 1st.

Goldman Sachs analysts maintained their bullish view of the commodities markets despite persistent concerns over the macroeconomic health of the European and US economies. It expects commodities prices to stay elevated in the medium to long term due to emerging market demand and supply side disruptions.

Russian Foreign Ministry spokesman Alexander Lukashevich said Russia is in favor of lifting the NATO imposed no-fly zone over Libya in a new resolution on the conflict that Britain is drafting.

NATO said about 15% of deposed Libyan leader Muammar Gaddafi's forces are still operational. It said the remaining forces are concentrated in a zone that stretches from Tripoli to the southern desert town of Sebha and to the coastal city of Sirte.

Iran's ambassador to Libya, Ali Asghar Naseri returned to the war torn country in hopes of deepening bilateral cooperation. Iran's Foreign Ministry said Iran hoped the ambassador's presence and expansion of the Iranian embassy's activities in the country would accelerate the process of development and deepening bilateral cooperation.

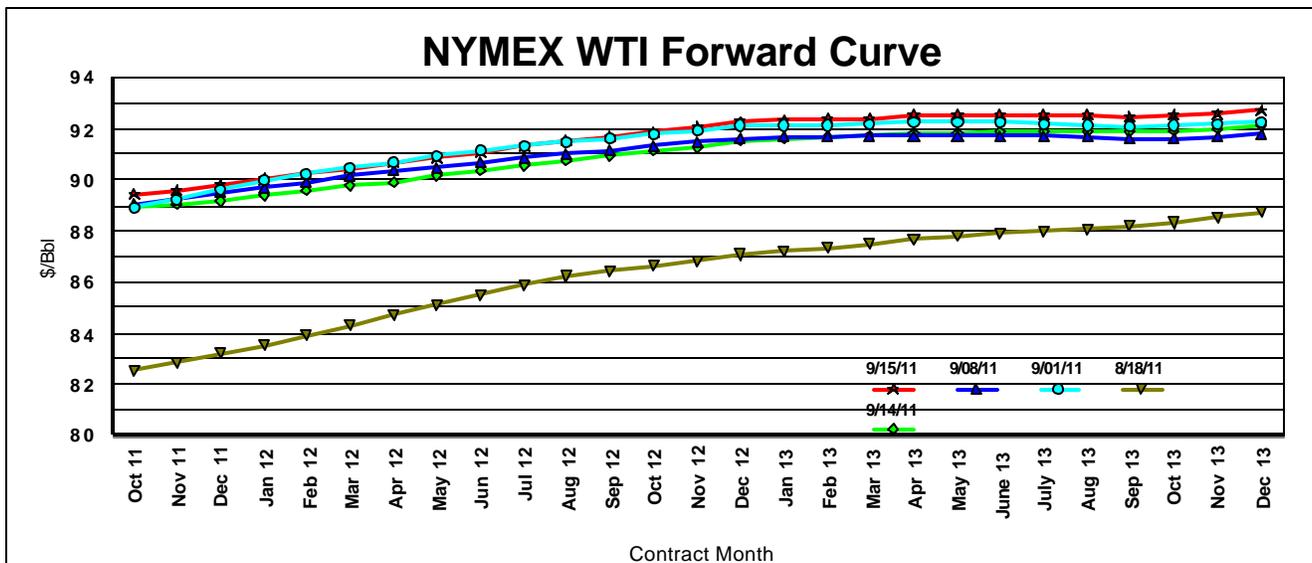
Refinery News

Chevron Corp reported a release of hydrogen sulfide due to a failure of a weld on a pipe at its 330,000 bpd refinery in Pascagoula, Mississippi on Wednesday.

ConocoPhillips reported emissions after starting maintenance work at its 185,000 bpd refinery in Trainer, Pennsylvania. The refinery emitted nitrous oxide on September 12th after the No. 9 boiler was taken down for inspection and maintenance turnaround.

BP Plc reported unplanned flaring at its 265,000 bpd refinery in Carson, California. It plans to continue flaring throughout the weekend.

Germany's 310,000 bpd Miro refinery is expected to restart a fluid catalytic cracking unit next week after about three weeks of unplanned maintenance. The unit is expected to restart around September 20th.



Shell's 412,000 bpd Pernis refinery is scheduled to perform maintenance at several units in mid-October.

China's National Development and Reform Commission said the country's apparent consumption of refined oil products increased to 19.43 million metric tons in August, up 2.2% on the year. Gasoline consumption increased 4.6% while diesel consumption was up 1.2%. Between January and August, China's apparent consumption of refined oil products totaled 159.87 million tons, up 6.1% on the year. It also reported that China's stockpiles of refined oil products at the end of August increased by 1.64 million tons on the year.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending September 15th fell by 3.39% on the week and by 41.4% on the year to 514,000 tons. Gasoil stocks increased by 6.31% on the week but fell by 2.92% on the year to 2.459 million tons while fuel oil stocks fell by 19.48% on the week and by 16.47% on the year to 715,000 tons. Naphtha stocks increased by 15.38% on the week and year to 75,000 tons while jet fuel stocks fell by 8.9% on the week and by 30.95% on the year to 522,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending September 14th increased by 270,000 barrels to 21.275 million barrels. It reported that light distillate stocks fell by 721,000 barrels to 8.436 million barrels while middle distillate stocks increased by 868,000 barrels to 12.849 million barrels on the week.

Libya's Agoco is seeking up to 90,000 tons of gasoline for delivery in the first half of October.

Production News

Chevron Corp said about 8,000 to 9,000 bpd of its Gulf of Mexico crude oil production was offline due to the shut in of a pipeline off the Louisiana Coast. It is still evaluating repair plans for a departing riser at Main Pass 299 pipeline system, which delivers crude from the Main Pass area to a common carrier pipeline system. As of Thursday afternoon, about 6,000 to 7,000 bpd of production that was offline due to the incident has been restored.

Two more shipments of North Sea Forties crude for September loading has been delayed, bringing the total number of delayed September cargoes to 17. Cargo F0918, which was due to load September 22-24, will load September 27-29 while cargo F0923, which was due to load September 28-30 was deferred to October 103. Maintenance at the Buzzard field and a number of other oil fields has led to Forties crude supply disruptions in recent months. Out of 24 originally scheduled September cargoes, 17 have been delayed and two cargoes cancelled.

Production at Nexen's 200,000 bpd Buzzard field has been shut in as a new platform was being commissioned.

Platts reported that workers at the Sullom Voe port in the Shetland Islands have voted for industrial action in response to a decision by the local council to impose job cuts and new working practices. The industrial action may take the form of an overtime ban, a half-hour stoppage or a full walkout. The strike action may cause the port's closure to all tanker shipments and Brent crude production could end up being shut in.

Libya expects its oil production to reach 1.6 million bpd by the end of next year. On Wednesday, Libya's National Oil Co said Libya would begin exporting oil in 10 days via pipeline to the Tobruk complex and could be producing 1 million bpd within six months.

A source at Kurdistan's Ministry of Natural Resources said technical faults on an Iraqi pipeline linking the northern oil fields with Turkey have caused a slowdown in oil exports from Iraq's Kurdish producing area over the last two days. The source said the pipeline was closed most of Wednesday and part of Thursday due to leaks.

In a report to Energy Secretary Steven Chu, the National Petroleum Council said North America's shale oil fields could one day produce as much crude as Venezuela. It said that by 2035, shale oil could produce 2 to 3 million bpd given the right regulatory environment and technology breakthroughs. The increase in supplies would be equivalent to about 50% increase in current domestic output but far from enough to replace imports.

TNK-BP Ltd plans to increase production outside Russia to between 40 million and 90 million bpd by 2021.

Georgia's Black Sea port of Batumi shipped 30% less crude and oil products in August compared with August 2010 and 26% less than a month ago. The terminal shipped 390,990 tons in August 2011, down from 560,040 tons a year ago and from 529,203 tons a month ago.

Russia's Energy Ministry said Gazprom Neft and the National Iran Oil Co will look into the possibility of new companies participating in the development of the Azar oil field in Iran.

India's Directorate General of Hydrocarbons said BP Plc will be able to start work on jointly developing Reliance Industries Ltd's oil and gas blocks in India only after a revised production sharing contract is drafted and signed by the stakeholders. Under the production sharing contract, the explorers agree with the government to bear risks, production and development costs in return for a share of production.

The Press Trust of India reported that India's state run fuel retailers are expected to increase gasoline prices by about INR3/liter on Friday. It is the third price increase since January. India's government lifted its control on gasoline in June last year, allowing state run retailers to set the fuel's price in line with market rates.

Market Commentary

After spending most of the session hovering around the \$89.50 level, the October contract settled up .49 on the day. The European Central Bank's statement that it intended to supply banks with an adequate amount of cash for lending purposes pressured the dollar, which in turn propped up prices. This promising news outweighed less enthusiastic news out of the U.S. where unemployment jumped and manufacturing contracted. The aforementioned helped to widen the discount of WTI to Brent, which dipped below \$26.00 again. Both heating oil and gasoline rose, with heating outpacing gasoline as focus turns towards the heating season. With the lack of any significant change in the global economy, crude oil should continue to trade in a choppy fashion, within the tight range of \$85.00-\$90.00. Moving oscillators are currently in over bought territory but are not indicating a cross to the downside. We would look for a test again at the \$90.00 level and would like to see at least two consecutive settlements above it to indicate a shift in direction.

Crude oil: Oct 11 124,033 -32,519 Nov 11 282,087 +21,163 Dec 11 196,955 -1,821 Totals 1,448,780 -13,427 Heating oil: Oct 11 70,924 -3,611 Nov 11 68,699 +4,217 Dec 11 52,827 +361 Totals 326,732 +2,530 Rbob: Oct 11 65,234 -4,207 Nov 11 60,552 +3,256 Dec 11 45,336 -561 Totals 269,904 -2,718.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8500	9057	27020	32777	25145	33369
7552	9122	26680	33370	24240	35915
7487	9726	27375	33510	23631	36310
7365	9872	23685		23414	
6423	10071	22960			
6394	10222				
6119					
50-day MA	90.21				
200-day MA	95.50				

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