



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR SEPTEMBER 16, 2011**

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The National Hurricane Center Friday afternoon noted that the tropical wave located a few hundred miles southeast of the Cape Verde Islands has a relatively low or just 10% chance of becoming a tropical cyclone over the next couple of days as the system moves westward at 10-15 miles per hour. Meanwhile the computer models which had been calling for some tropical development in the western Caribbean next week appear to have backed away from these forecast calls.

#### **Refinery News**

IIR Energy data released today showed that the research company expects U.S. refiners to shut some 715,000 b/d of capacity for the week ending September 16<sup>th</sup>, from just 297,000 b/d during the prior week.

#### **Market Watch**

In a research report this week released by oil analysts at Bernstein Research, they said that they expect China's oil demand growth to decelerate further in the third and fourth quarters of this year due to a combination of slowing industrial demand growth and slowing consumer spending on such items as autos. It sees demand averaging 9.4 million b/d in the third quarter, lower than the second quarter. Meanwhile HSBC was forecasting Chinese oil demand growth in August-December period to remain at the second quarter's level of around 5% year on year growth.

Platts reported today that it would change its Brent oil price assessment in 2012. It will move its physical dated Brent crude price assessment period to a longer 10-25 day period, rather than the current 10-21 days, starting on January 6, 2012. The company also noted that there was support from the industry for other changes, including the possible use of more crude grades.

A Reuters poll today of 50 European economists found that Greece will likely default on its sovereign debt within a year after it exhausts the patience of its euro zone partners, but that there is only a 20% chance the country would leave the 17-nation euro zone.

The EU reported today that the euro zone had higher than expected trade surplus in July showing a surplus of 4.3 billion euros in July versus a surplus of 4.7 billion euros in July 2010.

Thomson Reuters/University of Michigan preliminary reading on the overall index on consumer sentiment for September edged up to 57.8 from the 55.7 reading in August, which had been the lowest since November 2008. Market expectations had been for the index to reach just 56.5.

The U.S. Treasury reported today that the U.S. suffered a net outflow of \$51.8 billion in July compared to a downwardly revised \$29.4 billion June outflow. This was the third straight month of net outflows.

Flint Hills Resources reported a power failure Thursday at its 290,078 b/d refinery in Corpus Christi.

PBF Energy reported flaring due to a process upset at its 182,200 b/d Delaware City, Delaware refinery.

The planned maintenance at the Shell 412,000 b/d Pernis refinery is expected to start in the middle of next month as the plant's hydrocracker is taken off line until January. Capacity at the refinery is expected to be reduced by least 20-25% during the work.

Reuters was reporting that some independent refiners such as Petrplus, Erg, Eni and Ineos were cutting production as high crude oil prices coupled with weak economic expectations had hurt margins in recent weeks.

BP said it would conduct flaring through September 19<sup>th</sup> at its 253,000 b/d Carson, California refinery, as it completes planned maintenance work. The company said there would be no significant impact to production.

### **Production News**

Production at the Nexen's Buzzard field in the North Sea was ramping back up following its complete shutdown on September 13<sup>th</sup>. Production on Wednesday was reportedly at 25% of capacity or 50,000 b/d Platts reported. Nexen has declined to comment on the production levels but some traders expected production would return to normal levels by late Friday.

A spokesman for Arabian Gulf Oil said yesterday that Libyan oil production is rising by 15,000 b/d since it restarted production at its Sarir and Mesla fields at 50,000 b/d. The company expects to be producing some 200,000 b/d by the end of September and this should allow for one export cargo every ten days. The company estimates that it is currently producing 150,000 b/d from 100 wells.

The Russian government said it is waiting on documents from its Energy Ministry needed to formalize a long awaited cut in the crude oil export duty. Such a reduction is seen as encouraging more oil output. Meanwhile the final export scheduled released for the Transneft pipelines shows that Russian oil exports via this pipeline network will decline by 0.2% in the fourth quarter from the prior quarter to 53.77 million tones.

The Hibernia oil field off Canada's Atlantic Coast is in the path of Hurricane Maria, which is expected pass through the area Friday. Despite expectations for 36 foot waves, officials did not expect the storm to have any major impact on operations.

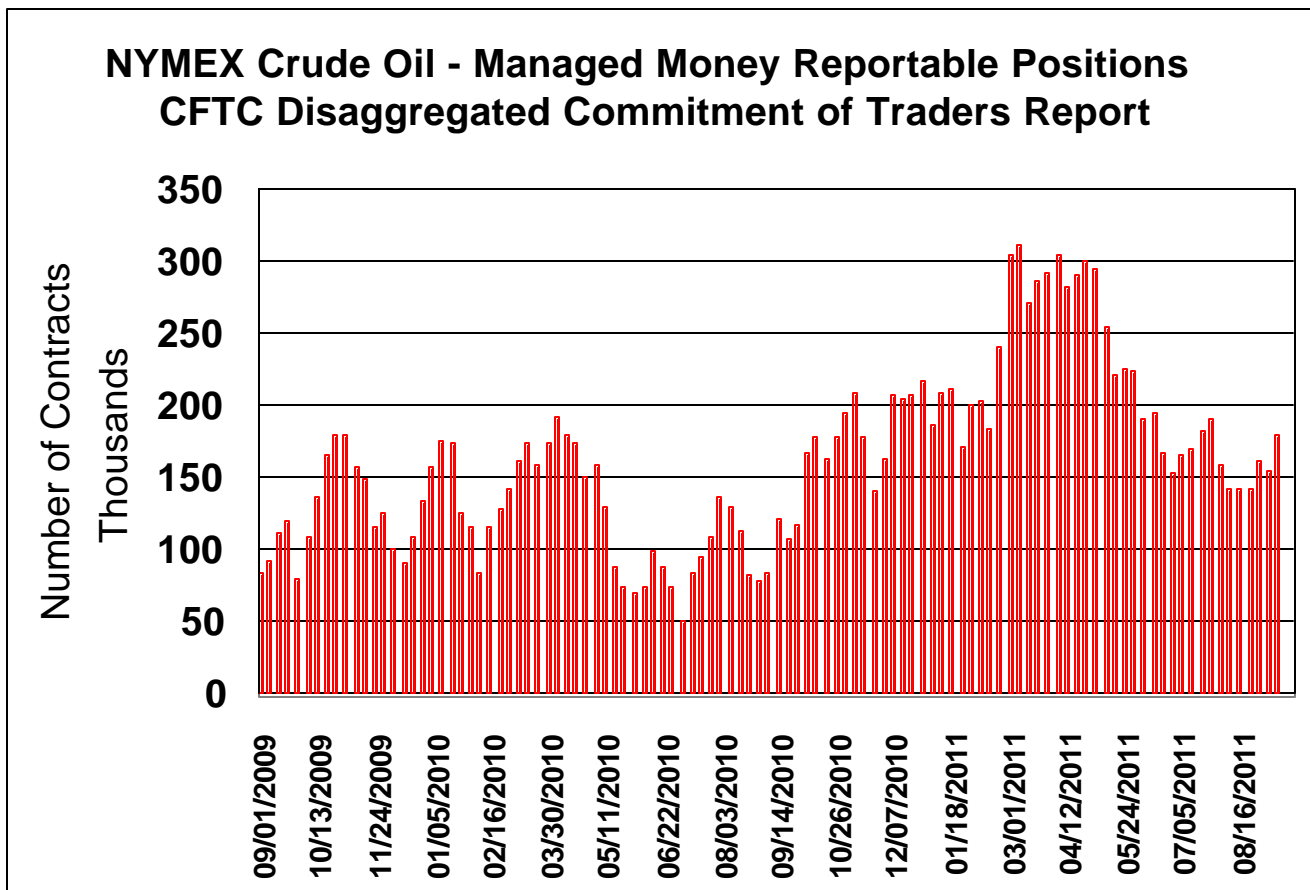
Statoil announced Friday that it has received governmental approval to move forward with the development and operation of the Stjerne and Vigdis North-East fields. The small fields will be tied into the existing infrastructure in the area. Oil and gas flowing from the Vigdis North-East will be carried in a new pipeline to an existing template on Vigdis B and then on to Snorre A. Production from Stjerne will be piped to Oseberg South with the gas used as pressure support in Oseberg Omega North. The combined recoverable volumes from these new fields is estimated at 70 million barrels of oil equivalent and are expected to come on stream by 2012-2013.

Azerbaijan's oil and condensate production for the first eight months of this year fell by 7.1% year on year to 31.7 million tones. The state energy company SOCAR said that the decline was in part due to repair work on some drilling platforms and refineries.

ExxonMobil said today that it expects to get the approval from regulators to restart the 40,000 b/d Silvertip pipeline in Montana after repairing a leak. The pipeline has been shut since July 1<sup>st</sup>, when flooding waters caused the pipeline to leak 1,000 barrels into the Yellowstone River.

The Chinese state media reported that the amount of oil that has leaked from ConocoPhillips oilfield in northern China's Bohai Bay has risen, even though all operations have been shutdown since September 6<sup>th</sup>. Some 6.56 liters of oil was found to have leaked from platform C in the Penglai 19-3

oilfield on Thursday, an increase of 1.66 liters on Wednesday. The field is China's largest offshore oilfield with daily production capacity of 168,000 b/d. Government regulators ordered ConocoPhillips to halt injection, drilling and production at the field because the company had failed to seal leaks that have lasted for nearly three months.



ExxonMobil noted that its recently signed Arctic production agreement with Rosneft was concluded despite a clear tax regime for the potentially capital intensive project. ExxonMobil though expected the terms to be set shortly.

**Market Commentary**

Crude oil finished the session down 1.6 percent from the previous day as the U.S. and Europe grappled with the handling of Greece's debit predicament. In addition to the global economic crisis, demand for crude oil is being hindered by the fact that refiners are going into turnaround as they prepare for heating oil season. Despite posting its fourth weekly gain, crude oil was unable to settle above \$90.00. The October crude oil contract has been struggling to gain momentum above this level, making it difficult for speculators to jump in on the long side. Should next week bring no sign of a solution to the European debit issue, we could see crude dip below \$85.00.

This afternoon's Commitment of Traders report showed that for the week ending September 13<sup>th</sup> commodity funds increased their net length in the NYMEX crude oil futures and options market by 23,710, posting their largest net long position in over seven weeks. Meanwhile commodity funds decreased their net length in heating oil and the RBOB contracts by 7,621 and 7,527 lots respectively.

Crude oil: Oct 11 79,239 -44,794 Nov 11 300,180 +18,093 Dec 11 191,737 -5,218 Totals 1,419,069 -29,711 Heating oil: Oct 11 72,632 +1,708 Nov 11 70,724 +2,025 Dec 11 54,234 +1,407 Totals

334,061 +7,329 Rbob: Oct 11 66,381 +1,147 Nov 11 63,293 +2,741 Dec 11 45,586 250 Totals  
 275,025 +5,121

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					
<b>50-day MA</b>	<b>90.03</b>				
<b>200-day MA</b>	<b>95.50</b>				

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