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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 18, 2009

Iran's President Mahmoud Ahmadinejad said Iran will never abandon its disputed nuclear program to appease Western critics. Iran's President also did not offer a direct response when asked whether there were any conditions under which Iran would develop a nuclear weapon. Iran is scheduled to attend talks on October 1st with major powers worried about its nuclear strategy. US Secretary of State Hillary Clinton said this week any talks with Iran would have to address the nuclear issue. The US Secretary of State on Friday said Iran must now decide to take up the offer from the US and other powers to negotiate a halt to its nuclear program.

Market Watch

The US National Hurricane Center said a low pressure system in the Atlantic Ocean about 950 miles west of the Cape Verde Islands off the west coast of Africa showed some signs of becoming a tropical cyclone over the next day or so. It said some development is possible as it moves west-northwest at about 10 mph, giving the system a medium chance, 30-50%, of becoming a tropical cyclone over the next 48 hours. Most weather models showed the Cape Verde system would continue west over the next five days but it is too soon to say if it would make landfall anywhere, much less reach the Gulf of Mexico. Elsewhere in the Atlantic, the NHC continued to watch the remnants of Fred about 475 miles south of Bermuda but gave the system a low chance, less than 30%, of becoming a tropical cyclone over the next 48 hours.

Goldman Sachs Group and Morgan Stanley are in talks with CME Group Inc to join its credit swaps clearing venture. CME and Citadel Investment Group LLC announced that they had restructured their CMDX venture to focus only on clearing swaps. Alliance Bernstein Holding LP, BlackRock Inc, BlueMountain Capital Management, D.E. Shaw & Co and Allianz SE's Pimco unit are already members of the clearinghouse.

Russia's Prime Minister Vladimir Putin said the world either needs more reserve currencies or world rules on economic behavior to ensure future financial stability. He also said that countries need to ensure order in the trade of oil futures and other derivatives.

SocGen said China's aggressive stockpiling of commodities over the past six months had ended but there are concerns whether the country will be able to consume the volumes it has purchased. It said China's growth fails to keep pace with the commodities buying it has done, there may be an impact on world commodity markets over the next six months. SocGen is closely watching if there is a possibility of a sharp rise in exports of refined oil products out of China that would suggest that the country may be struggling with more stocks than it needs.

Citigroup Inc Chief Executive Officer Vikram Pandit said the bank will restructure its Phibro LLC energy trading business as the bank faces what may be a \$100 million payday for the unit's chief, Andrew Hall. Hall's payout will be determined at the end of the year based on Phibro's profits and may raise concern among lawmakers and regulators who are scrutinizing Citigroup's compensation practices.

September
Calendar Averages
CL – \$70.19
HO – \$1.7752
RB – \$1.8034

North Atlantic Treaty Organization Secretary General Andres Fogh Rasmussen called on Russia to exert maximum pressure on Iran to halt its nuclear program. The call came the day after Russia's Foreign Minister Sergei Lavrov said imposing swift additional sanctions against Iran over its nuclear program would be a serious mistake.

France's Foreign Ministry said it was alarmed by reports of violence towards Iranian opposition leaders demonstrating in Iran against the re-election of President Mahmoud Ahmadinejad. Iranian opposition supporters battled riot police and hardliners Friday as tens of thousands defied the authorities by demonstrating against President Ahmadinejad's election during an annual mass display of solidarity with the Palestinians.

A senior official in the Russian Foreign Ministry said the US is pressing Russia to stop a missile delivery to Iran and support a UN resolution against Iran. The official said the US is expecting these concessions from Russia in exchange for its decision to drop the missile shield in Eastern Europe.

Russia's Energy Ministry said Russia and OPEC have agreed to meet in Moscow by the end of the year. A spokeswoman said relations between Russia and OPEC are developing in a positive direction but noted that Russia will continue to protect its national interests.

Refinery News

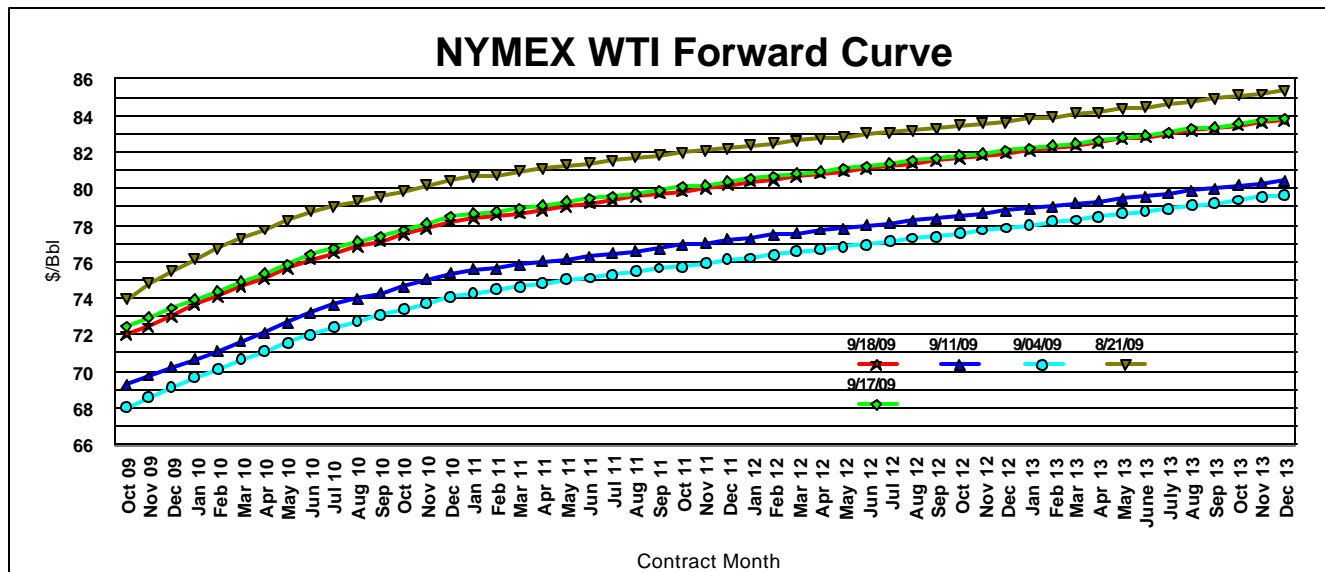
Exxon Mobil Corp said that a fluid catalytic cracking unit at it 238,600 bpd Joliet, Illinois refinery returned to normal operations following the completion of repairs.

ConocoPhillips' 146,000 bpd Borger, Texas refinery reported a process upset at Unit 45 on Thursday.

BP Plc shut a hydrotreater, which feeds its fluid catalytic cracking unit, at its 405,000 bpd Whiting, Indiana refinery. Impact on production will depend on how long it takes to repair the hydrotreater.

Japan's Nippon Oil Corp will delay the restart of a 24,000 bpd continuous catalytic cracking unit and a 28,000 bpd fluid catalytic cracking unit at its Marifu refinery by two days to September 21st. It failed to restart the units, which were shut on September 8th due to a fire.

China's Sinopec Corp has delayed the start up of its new 200,000 bpd refining plant in Tianjin to about mid-December or later. The refinery was originally scheduled for start-up in September, the fourth



new refinery this year after the launch of the CNOOC's Huizhou, Sinopec's Fujian and PetroChina's Dushanzi plant. The new Tianjin facility, designed to process crude oil from Saudi Arabia, is expected to process 3 million tons or 60,000 bpd of Saudi oil in 2010. The refinery will also seek similar crude supplies from Kuwait, Iraq and Iran under term pacts.

India's Bharat Petroleum Corp Ltd will shut a diesel desulphurization unit at its Mumbai refinery for 60 days across November and December to upgrade the unit.

China National Petroleum Corp will add 1 million tons or 7.33 million barrels to its crude oil reserve capacity at its Daqing oil field by the end of 2010. The company is building two new 150,000 cubic meter crude oil tanks at its Daqing depot this year. The two tanks could add storage capacity of about 1.89 million barrels. The combined reserve capacity of the four depots will be between 6 million and 8 million cubic meters or 37.7 million to 50.3 million barrels.

Ukraine's Fuel and Energy Ministry said the country's oil and gas refineries processed 7.315 million tons of crude oil and gas condensate in January-August 2009, down 1.6% on the year. It said refineries received 6.02 million tons of crude oil in January-August, including 1.84 million tons of Ukrainian crude, 4.09 million tons of Russian crude and 87,200 tons from Kazakhstan.

Ukraine's State Statistics Committee said the country's gasoline output fell by 7.4% in January-August 2009 to 2.128 million tons compared to the same period last year. It said refineries had increased gas oil production by 3.2% to 2.488 million tons so far this year.

Production News

According to Baker Hughes, the number of rigs searching for oil and natural gas in the US increased by 11 to 1,010 in the week ending September 18th. The number of rigs searching for oil increased by 5 to 293 while the number of rigs searching for gas increased by 6 to 705 on the week.

Nigeria's National Bureau of Statistics said the country's oil production averaged 2.09 million bpd in the second quarter, up from 2.01 million bpd during the same period last year.

Azerbaijan's State Statistics Agency said the country produced 33.5 million metric tons or 1.01 million barrels of crude in January-August, up 6.3% on the year. The consortium led by BP Plc that operates Azerbaijan's Azeri-Chirag-Guneshli block in the Caspian Sea produced 27.8 million tons in the first eight months of the year, up 8% on the year.

Ecuador's Central Bank said the county exported 10.11 million barrels or 326,258 bpd of oil in July, up 4% from 9.71 million barrels or 313,161 bpd last year. Ecuador exported 69.84 million barrels in the first seven months of 2009, down 8% from the 75.92 million barrels reported last year.

Russia's OAO Lukoil Holdings is in talks to acquire upstream assets in Russia and abroad. Lukoil expects to increase oil production by 2% this year compared with 2008.

Russia's OAO Gazprom and Royal Dutch Shell Plc may expand cooperation on the shelf off Russia's Sakhalin Island. The companies have agreed to set up a working group to work on issues related to the development of the Sakhalin deposits.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$70.27/barrel on Thursday from \$68.69/barrel on Wednesday.

Market Commentary

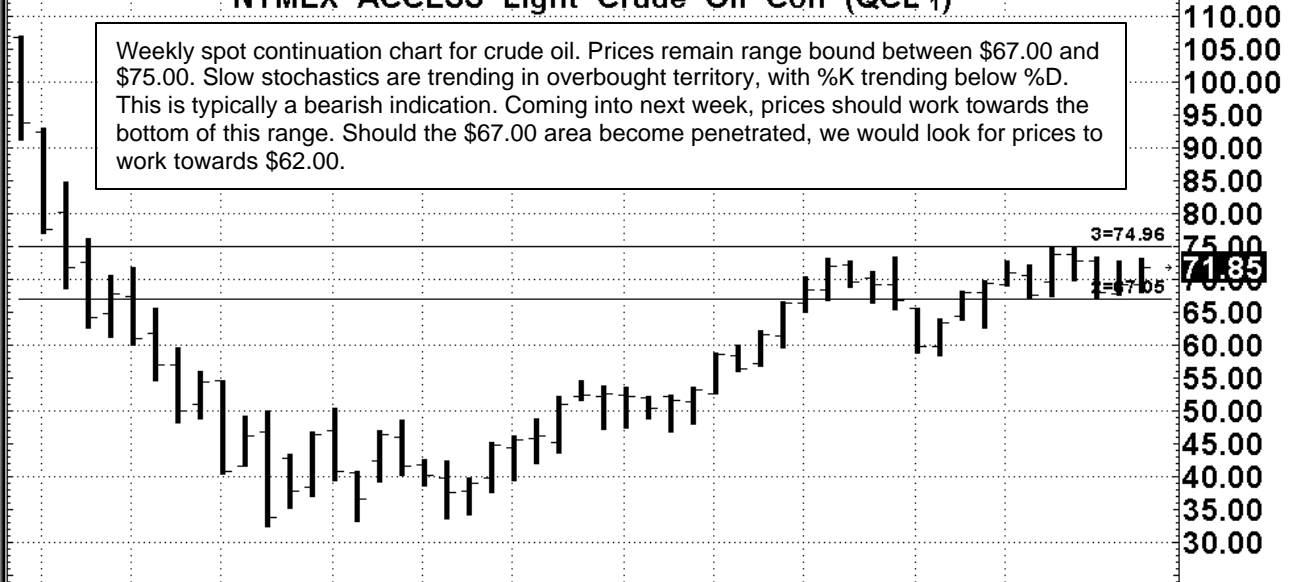
Crude oil experienced another financially driven trading session this week as it responded to a weak dollar, higher equities, and investors turning to commodities looking for a safe haven against inflation. Inventory levels remain high and are likely to increase given the fact that refiners are in turnaround and will not be looking for crude oil to run through their refineries. Product inventories also remain high as we sit between the end of the U.S. summer driving season and the winter heating season. Demand continues to be sluggish, as consumers remain economically cautious. Coming into next week would look for crude oil to remain range bound between \$75.00 and \$67.00, working toward the lower end of this range. Should the bottom of this range become violated, we would look for crude oil to work towards the \$62.00 support level. Overall, it is difficult to justify prices at their current level given the supply situation. Inventories for crude oil are 7.9% above the five-year average, despite this week's 4.73 million barrel decline. Distillate supplies are at their highest level since 1983 and are 24% higher than the five-year average. Gasoline inventories built 547,000 barrels and should continue to climb. There is plenty of capacity out of OPEC, despite their agreement to adhere to quotas. The energy markets will continue to be financially sensitive, reacting accordingly but the true fundamentals of this market should continue to impede moves higher.

Crude OCT.09 74,237 -18,081 NOV.09 299,177 +13,323 DEC.09 172,017 +6,066 JAN.10 62,128 +6,317 FEB.10 30,632 +1,697 MAR.10 32,539 +769 Totals: 1,198,299 +13,577 Heating OCT.09 35,767 -1,639 NOV.09 59,769 +980 DEC.09 55,713 +807 JAN.10 30,696 +320 FEB.10 17,096 -259 MAR.10 15,757 -17 Totals: 316,942 + 524 GASOLINE (OCT.09 47,055 -3,545 NOV.09 71,521 +3,206 DEC.09 33,857 +923 JAN.10 20,697 +619 FEB.10 5,852 +238 MAR.10 10,239 +296 Totals: 216,502 +2,079

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 12,445 contracts to 45,557 contracts in the week ending September 15th. The combined futures and option report showed that non-commercials increased their net long position by 11,803 contracts to 140,624 contracts on the week. It reported that funds increased their total long position by 8,475 to 229,241 contracts on the week. The disaggregated combined futures and options report showed that producers/merchants in the crude market increased their net short position by 9,755 contracts to 165,948 contracts and swap dealers increased their net long position by 242 contracts to 22,916 contracts. Meanwhile, managed money increased their net long position by 17,071 contracts to 110,659 contracts while other reportables cut their net long position by 5,268 contracts to 29,964 contracts. The combined futures and option report showed that non-commercials in the heating oil market increased their net long position by 3,029 contracts to 26,898 contracts while funds in the RBOB market cut their net long position by 8,314 contracts to 34,589 contracts on the week.

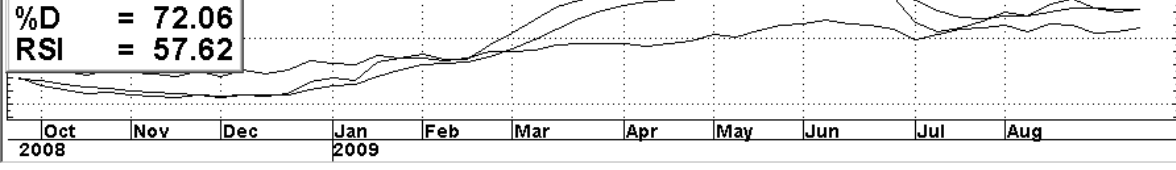
NYMEX ACCESS Light Crude Oil Con (QCL₁)

Weekly spot continuation chart for crude oil. Prices remain range bound between \$67.00 and \$75.00. Slow stochastics are trending in overbought territory, with %K trending below %D. This is typically a bearish indication. Coming into next week, prices should work towards the bottom of this range. Should the \$67.00 area become penetrated, we would look for prices to work towards \$62.00.



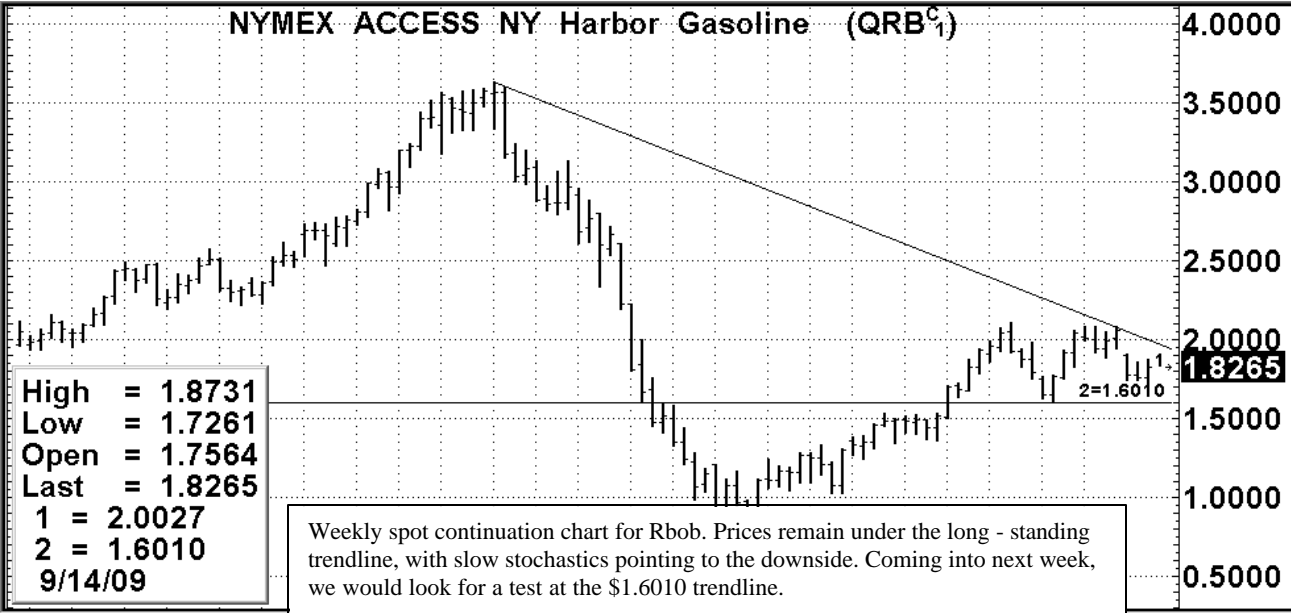
%K = 71.80
 %D = 72.06
 RSI = 57.62

Slow Stochastic



Oct 2008 Nov Dec Jan 2009 Feb Mar Apr May Jun Jul Aug Week

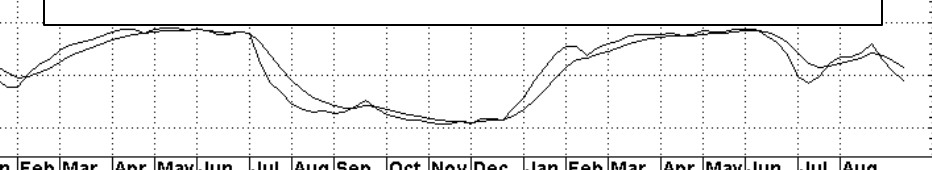
NYMEX ACCESS NY Harbor Gasoline (QRB₁)



High = 1.8731
 Low = 1.7261
 Open = 1.7564
 Last = 1.8265
 1 = 2.0027
 2 = 1.6010
 9/14/09

Weekly spot continuation chart for Rbob. Prices remain under the long - standing trendline, with slow stochastics pointing to the downside. Coming into next week, we would look for a test at the \$1.6010 trendline.

%K = 45.55
 %D = 57.87



Sep 2007 Oct Nov Dec Jan 2008 Feb Mar Apr May Jun Jul Aug 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, 204.65
Gasoline support	Gasoline resistance
1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400,	1.9551, 2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350

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