



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 20, 2010

Iran's nuclear chief Ali Akbar Salehi said the UN's IAEA is biased and unfair during the annual general conference of the IAEA. He said the IAEA was suffering from a moral authority and credibility crisis. He said the IAEA's latest report on Iran did not coincide with the

norms and procedures of the agency's mandate and was not based on impartiality and fairness.

The IEA's executive director, Nobuo Tanaka, said the world needs to increase its efforts to reduce greenhouse gas emissions and use all available energy generation options, including nuclear power and carbon capture and storage. In a report, the IEA outlines a way to achieve a 50% reduction in carbon emissions by 2050 from current levels. It estimates additional investment needs in the energy sector of \$17 trillion between now and 2050 to reach its target or on average \$400 billion a year.

The EIA reported that the US average retail price of diesel increased by 1.7 cents to \$2.96/gallon in the week ending September 19th. The price of diesel is 33.8 cents or 12.9% higher on the year. The EIA also reported that the US average retail price of gasoline increased by 0.2 cents to \$2.723/gallon on the week. The price of gasoline is 17.1 cents above a year ago.

**September
Calendar Averages**
CL – \$75.08
HO – \$2.0932
RB – \$1.9397

ExxonMobil, Chevron, ConocoPhillips and Shell established a marine well containment company to provide emergency response services in the US Gulf of Mexico. ExxonMobil announced that it agreed with BP to provide its underwater well containment equipment to the marine well containment company. The equipment would be made available to all oil and gas companies operating in the US Gulf of Mexico and said the equipment could

be deployed to capture and contain oil from a potential underwater well blowout.

Market Watch

The National Bureau of Economic Research said the US recession ended in June 2009, making it the longest downturn since WWII.

Weather Services International expects temperatures in October to December to average higher than normal in Scandinavia and Britain. However it expects temperatures to be colder than normal in mainland Europe.

Moody's Investors Service said the platform set up by the IntercontinentalExchange to clear credit default swaps is now a systematically important part of the world financial market. ICE's CDS platform clears over \$1 trillion in net CDS contracts.

The US Transportation Department said US highway travel in July increased by 0.8% on the year or 2.2 billion miles to 270 billion miles. The number of miles driven so far this year is up 0.2% or 2.9 billion miles from the same period in 2009.

Refinery News

On Friday, crude shippers on Enbridge Crude Line 6A did not receive any shipping information or schedule from Enbridge despite a planned restart of the pipeline.

Credit Suisse said US refined product margins fell by 6.3% last week. The exception was on the West Coast, where margins increased by 19 cents to \$14.37/barrel. In the Northeast, margins fell by 41 cents to \$5.88/barrel, margins in the Midwest fell by 91 cents to \$14.08/barrel and margins in the Gulf Coast fell by 50 cents to \$9.44/barrel. In the Rockies region, margins fell by \$2.09 to \$25.04/barrel.

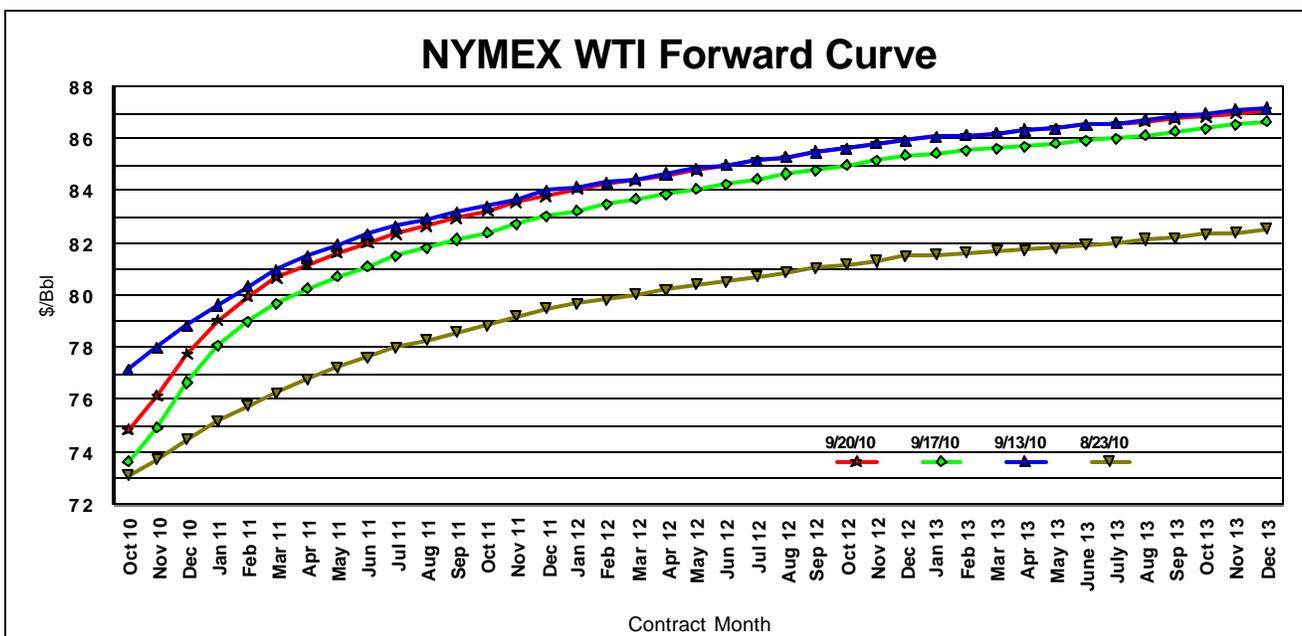
Hess Corp reported a hole in a pipe near its Port Reading, NJ refinery. There was an oil spill into the Arthur Kill waterway. It was the small release was related to dock piping at its terminal and therefore had no impact on its units or production.

Marathon started planned work on its 206,000 bpd refinery in Robinson, Illinois early last week. Work has been scheduled for the entire refinery. The work is currently centered on the gasoline units.

Citgo Petroleum Corp said a fluid catalytic cracking unit at the east plant of its 163,000 bpd Corpus Christi, Texas refinery was shut on Sunday due to a wet gas compressor malfunction. A report filed with the Texas Commission on Environmental Quality said the cause was under investigation and the unit would be restarted when repairs are completed.

Pasadena Refining shut the 56,000 bpd fluid catalytic cracking unit at its 100,000 bpd Pasadena, Texas refinery on Monday. The unit's wet gas compressor malfunctioned on Sunday.

BP Plc restarted a sulfur recovery unit flare gas recovery system at its 475,000 bpd Texas City, Texas refinery on Sunday. The system went offline during a lightning storm on Saturday.



Murphy Oil Corp's 125,000 bpd refinery in Meraux, Louisiana has completed maintenance that started last week. It repaired a pump on the hydrocracking unit.

ConocoPhillips reported flaring triggered by a problem at its 139,000 bpd Carson, California refinery. Separately, ConocoPhillips is planning a major turnaround at its 187,000 bpd refinery in Ponca City, Oklahoma in two weeks. Maintenance will be performed on two crude units, a coker, an alkylation unit and a fluid catalytic cracking unit.

Valero Energy Corp is proceeding with plans to build two 50,000 bpd hydrocrackers at two Gulf Coast refineries. It is reviving plans to spend \$1.5 billion on a unit at its 325,000 bpd Port Arthur, Texas refinery with completion expected by the end of 2012. Meanwhile construction of the unit at its 250,000 bpd St. Charles, Louisiana refinery is expected to cost \$1.4 billion and be completed by the end of 2013.

Spain's Cepsa said it delayed a 10 day maintenance outage on a 130,000 bpd crude unit at its 241,000 bpd Gibraltar-San Roque refinery until the first week of October. Maintenance work on a 12,600 bpd platforming unit will also be postponed until early October.

PDVSA's 12 million barrel oil storage terminal on the Caribbean island of Bonaire remains closed Monday following a fire nearly two weeks ago.

China Customs Statistics Informational Centre said that the country's diesel exports in August fell by about 23% on the month to 400,000 tons while its gasoline exports in August increased by 17% on the month to 370,000 tons. It reported that China's kerosene imports fell by 25% on the year to 370,000 tons. Combined stocks of gasoline, diesel and kerosene held by China's top two oil firms in August fell by 6.4% on the month.

South Korea's Korea National Oil Corp said the country's oil imports in August increased by 3.9% on the year to 75.6 million barrels or 2.44 million bpd. It reported that South Korea's crude runs increased by 5.1% on the year to 75.7 million barrels. South Korea's domestic oil product demand in August increased by 5.9% to 66.1 million barrels.

Production News

ExxonMobil Corp does not expect its Hibernia platform, offshore Newfoundland, to be affected by Hurricane Igor.

Suncor Energy Inc said it expects to continue production at its 80,000 bpd Terra Nova field despite Hurricane Igor.

Husky Energy Inc has been removing some staff from offshore Newfoundland operations ahead of Hurricane Igor. Production at the White Rose field off Newfoundland was not affected by lower staffing.

PDVSA officials said workers have stopped an oil leak from a pipeline leading to Venezuela's 645,000 bpd Amuay refinery, which part of the 955,000 bpd Paraguana Refining Center. PDVSA has suffered three fires at its facilities in the past two weeks followed by a small explosion at its 146,000 bpd El Palito refinery on Saturday and an oil leak from the pipeline in western Falcon state.

Angola is set to export about 1.68 million bpd of crude in November, down from 1.75 million bpd in October.

Norway's Statoil has sent a Transocean rig it had contracted for drilling in the US Gulf of Mexico to Egypt after deepwater drilling in the Gulf was suspended due to BP's well blowout and oil spill.

Iraq and Syria have reached an initial agreement to build three major pipelines across their borders to carry Iraqi crude oil and gas from Iraqi fields to Syria's port of Baniyas on the Mediterranean Sea. One of the crude pipelines will have a capacity of 1.5 million bpd while the second will have a capacity of 1.25 million bpd. An Iraqi government spokesman did not give the capacity for the gas pipeline but said it would have a suitable capacity.

Turkey's Energy Minister Taner Yildiz said the country will increase armed security along pipeline routes crossing its territory to ensure supply security on the lines. At least four explosions in Turkey have temporarily halted oil and gas supplies on pipelines over the past 12 months.

Alberta Energy Resources Conservation Board approved Cenovus Energy Inc's plan to expand its Foster Creek oil sands operations. The approval covers three phases of expansion, which are expected to increase Foster Creek's production capacity to 210,000 bpd from 120,000 bpd. Foster Creek oil sands operations produced more than 51,000 bpd in the first quarter.

Noble Group agreed to acquire Sempra Energy Solutions, the North American retail power, energy and electricity marketing arm of RBS Sempra Commodities, for \$317 million.

OPEC's news agency reported that OPEC's basket of crudes fell by 54 cents to \$74.95/barrel on Friday from \$75.49/barrel on Thursday. It reported that OPEC's basket of crudes increased by \$1.35/barrel to \$75.28/barrel in the week ending September 17th.

Market Commentary

Taking its cue from an advancing equities market, crude oil rose for the first time in five days. Since the onset of the U.S. recession, crude oil has attached itself to the stock market, using its ups and downs as a gauge for economic growth. A release by the National Bureau of Economic Research, declaring that the recession officially ended in June 2009, gave additional strength to the market. Today's higher move comes just ahead of tomorrow's monetary policy meeting by the U.S. Federal Reserve. Expectations are calling for the Federal Reserve to keep its policy steady. With the U.S. hurricane season almost at an end and turnarounds underway, we would look for crude oil to trade in a sideways but choppy fashion between the established range of \$65.00-\$80.00. Technically, it appears that crude oil will most likely head towards the bottom of the aforementioned range.

Crude oil: Oct 10 65,538 -24,163 Nov 10 350,380 +16,763 Dec 10 219,057 +1,891 Totals 1,358,287 +11,012 Heating oil: Oct 10 49,524 -2,089 Nov 10 70,681 +1,486 Dec 10 68,607 -112 Totals 328,747 -338 Rbob: Oct 10 53,074 -2,118 Nov 10 80,906 +1,197 Dec 10 38,601 +348 Totals 246,582 +3,725

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	7781	18965	22530	18240	
7367	7866	19236	22700	16010	22345
7307	8100	18920	22945		24880
7260			23775		27085
7190					

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