



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 23, 2011

The API reported that US crude oil demand in August increased slightly by 0.3% on the year to 19.728 million bpd. It is up from a previous estimate of 19.517 million bpd. It reported that gasoline demand fell by 1.3% to 9.133 million bpd, a ten year low in August while distillate demand increased by 10.8% to 4.245 million bpd. US crude oil production fell to a three year low of 5.14 million bpd, down 5.5% on the year.

Crude oil and petroleum product imports averaged 10.999 million bpd, down 11% on the year.

The European Union said it was lifting sanctions on Libya's National Oil Corp following the fall of Muammar Gaddafi last month. It said it was removing NOC, along with state controlled oil field and port operator Zueitina Oil Co from a list of entities European companies were barred to have transactions with.

Switzerland announced news sanctions against Syria, saying that it would impose an embargo on the import, sales and transport of Syrian oil and oil products.

Refinery News

Buckeye Partners LP expects to restart a Auburn-to-Rochester gasoline pipeline in New York on Friday that was shut in earlier this week following a rupture that spilled up to 80 barrels of fuel. A farmer hit the pipeline resulting in the rupture.

Market Watch

The Economic Cycle Research Institute said its Weekly Leading Index fell to 122.2 in the week ending September 16th from 122.8 the previous week, which was originally reported as 122.4. The index's annualized growth rate fell to minus 6.7% from minus 6.1% a week earlier.

IMF's chief Lagarde said downside economic risks are increasing.

Plains All American Pipeline said it would add 1.2 million barrels of crude oil storage capacity at its St. James, Louisiana terminal. The completion of the expansion is targeted for third quarter 2012. The expansion would increase Plains' total storage capacity at St. James to 8.3 million barrels. The St. James terminal is connected to a barge and ship dock on the Mississippi River and will be capable of loading barges near the end of 2011. The facility is also connected to a crude oil rail terminal with a capacity of 65,000 bpd, which would double to 130,000 bpd in the fourth quarter.

Analysts said crude oil futures could fall further if the economic environment weakens, cutting global oil demand and pushing the price of Brent down towards \$90/barrel in the coming weeks. However prices are unlikely to fall to the 2008-2009 lows of about \$40/barrel in the longer term. Supply disruptions in the North Sea and the absence of Libyan crude exports are providing solid support to the benchmark.

**September
Calendar Averages**
CL - \$86.91
HO - \$2.9695
RB - \$2.7545

Colonial Pipeline is freezing nominations for its Linden Delivery Line L6 for Cycle 50. It issued the freeze notice for the line and cycle effective September 23rd, which means it will not accept any fresh nominations.

ExxonMobil Corp said it received approval from federal regulators to restart its 40,000 bpd Silvertip crude oil pipeline in Montana after repairing a leak. The pipeline leaked about 1,000 barrels of crude into the Yellowstone River on July 1st.

Alon USA Energy Inc said a fire broke out at its 53,000 bpd Paramount, California refinery on Thursday afternoon.

ConocoPhillips said its 185,000 bpd refinery in Trainer, Pennsylvania resumed normal operations after running at reduced rates on Thursday. The refinery was operating at reduced rates after a crude oil release forced a shutdown of an unspecified unit. It said the spill was contained and cleaned up.

Marathon Petroleum Corp said production at its 406,570 bpd refinery in Texas City, Texas was not impacted by a power outage. The power outage caused the refinery to flare emissions. It said it was bouncing back from the power loss and returning units back online.

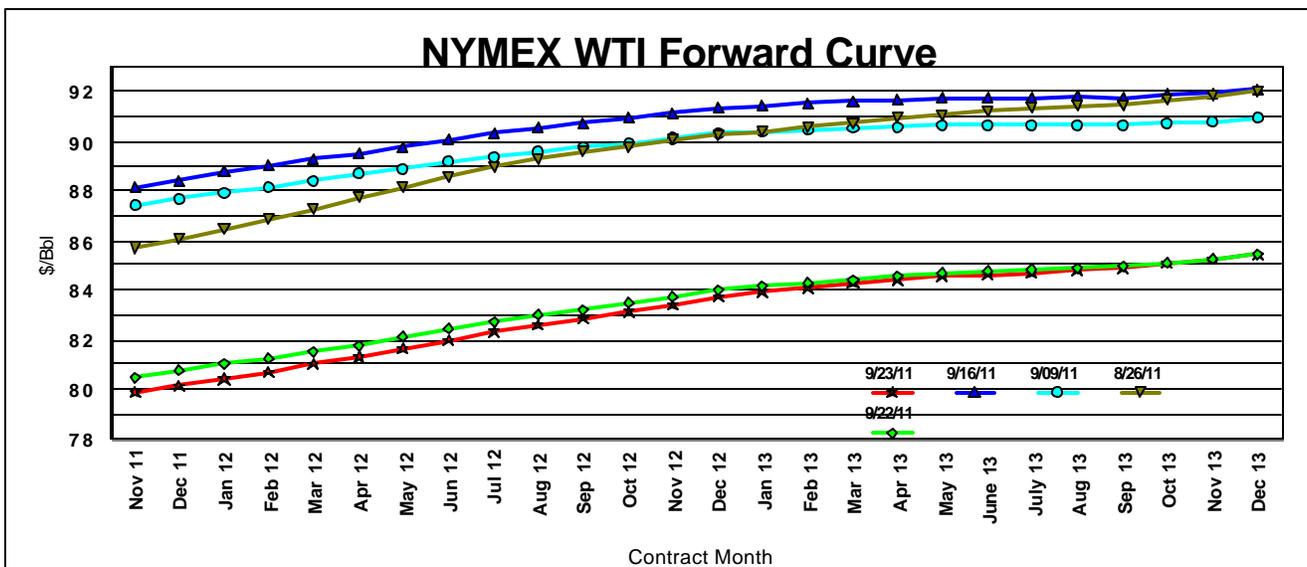
BP Plc's 437,080 bpd refinery in Texas City, Texas was largely unaffected by a substation fire that disrupted power at refineries in the area on Thursday evening.

Valero Energy Corp said power was disrupted at most its 214,000 bpd Texas City, Texas refinery and its steam boilers lost power. The power outage caused the refinery to flare emissions. It said units were resuming normal operations following the power outage.

Production at ExxonMobils 560,640 bpd Baytown, Texas refinery was not affected amid emissions.

Royal Dutch Shell was shutting a crude unit, a delayed coking unit, catalytic reforming unit, hydrotreating units No. 1 and 2 and an amine regenerating unit for planned work at its 145,000 bpd refinery in Anacortes, Washington on Friday.

Indonesia's PT Pertamina will shut a 27,500 bpd hydrocracking unit at its 260,000 bpd Balikpapan refinery in October for two to three weeks of maintenance. It is also scheduled to shut a 27,500 bpd hydrocracking unit at its 120,000 bpd Dumai refinery in November for about two weeks.



India's Oil Ministry reported that India's refiners processed 14.04 million metric tons or 3.32 million bpd of crude, down 3% from 14.48 million tons or 3.42 million bpd in July. It reported that India's crude oil production in August increased by 1.6% on the year to 3.24 million tons or 767,876 bpd. According to India's Petroleum Planning and Analysis Cell website, India's refined oil product sales in August increased by 1.8% on the year to 11.05 million tons. Diesel sales in August increased 6.4% to 4.57 million tons while its gasoline sales increased by 4.5% to 1.22 million tons. Naphtha sales fell by 2.1% to 912,000 tons in August.

Production News

Two more cargoes of North Sea Forties crude for October loading was delayed amid ongoing production issues at the Buzzard oil field. Cargo F1015, which was due to load October 20-22, is now scheduled to load eight days later on October 28-30. Cargo F1019, which was due to load on October 25-27, is scheduled to load October 29-31.

Meanwhile, Nexen Inc said maintenance work and commissioning of the fourth platform at the Buzzard oil field has taken longer than expected and the ongoing work has resulted in disruptions in Forties crude production. It said oil production at the field will remain variable until maintenance work is completed.

Royal Dutch Shell confirmed a partial production shut in of Nigerian Forcados crude due to a leak. The cause of the leak was not yet known.

France's Total said production at its Al-Jurf offshore field in Libya would restart this weekend and that crude shipments were likely to resume in about two weeks.

Mexico's Pemex said the country's oil production increased to 2.552 million bpd in August from July while exports increased to 1.44 million bpd.

Market Commentary

The oil market remained pressured and continued to sell off in overnight trading amid concerns about global economic growth. It traded off a high of \$81.81 and posted a low of \$77.55, a level not seen August 9th in early morning trading. The market however bounced off that level and retraced some of its losses amid some short covering ahead of the weekend. The market's losses were limited amid expectations that central banks would take action this weekend to contain the sovereign debt crisis. Late Thursday, Finance Ministers and Central Bank Governors said they were committed to a coordinated international response to address the renewed challenges facing the global economy. The market traded back above the \$80 level and settled in a sideways trading pattern from \$79.20 to \$80.84 during the remainder of the session. The market settled down 66 cents at \$79.85. The crude market lost \$8.11 or 9.2% this week, the largest weekly percentage loss since the week ending May 6th. The product market also recovered from their earlier losses. The heating oil market settled down 5.27 cents at \$2.7958 and the RBOB market settled down 53 points at \$2.5547. The oil complex will remain pressured so long as it's concerned about the global economy. It will be driven by any news indicating that the central banks would take action to prevent another financial crisis. Technically, the crude market is seen finding support at its low of \$77.55 followed by \$76.61 and \$75.00. Resistance is seen at \$80.85, \$81.81 followed by \$85.00 and \$87.99.

Crude oil: Nov 11 321,074 +2,106 Dec 11 203,766 +7,923 Jan 12 106,514 +3,219 Totals 1,381,547 +14,413 Heating oil: Oct 11 43,398 -5,923 Nov 11 82,506 +3,204 Dec 11 56,938 +1,154 Totals 328,106 +4,491 Rbob: Oct 11 41,398 -4,986 Nov 11 79,854 +2,439 Dec 11 52,758 +1,795 Totals 275,913 -1,509.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 5,430 contracts to 159,965 contracts in the week ending September 20th. The

combined futures and options report also showed that the funds cut their net long position by 12,411 contracts to 212,176 contracts on the week. The disaggregated futures and options report showed that managed money funds cut their net long positions by 12,370 contracts to 167,177 contracts. The funds have likely continued to cut their net long position amid the selloff seen during the past couple of days.

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