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Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 24, 2010

President Barack Obama sees several options if sanctions against Iran fail. He however prefers a diplomatic solution. He also said that a change of mindset is needed in Iran's government for diplomacy to work.

Iran's OPEC Governor said the crude market was in balance and forecast an increase in oil prices in the winter.

JP Morgan forecast oil demand mainly from emerging markets this year will increase the most since 2004. World oil demand will increase by 2.2 million bpd in 2010, up 400,000 bpd from its previous forecast to 87.2 million bpd. It increased its 2010 WTI forecast price by more than 2% to \$78.50/barrel from a previous estimate of \$76.75. It estimates that WTI crude will average \$82.50/barrel next year, up 4% from its previous estimate.

Market Watch

The Commerce Department said new orders for durable goods fell more than expected in August by 1.3% following a revised 0.7% increase in July.

The Commerce Department also reported that new single-family home sales in August were flat at a 288,000 unit annual rate. Year over year, new home sales in August fell by 28.9%. It however reported that the number of new homes available for sale fell 1.4% to 206,000 units, the lowest level since August 1968. The median sale price for a new home fell 0.6% in August to \$204,700, the lowest price since December 2003.

Richmond Federal Reserve Bank President Jeffrey Lacker said the US economy is not at risk of deflation despite relatively subdued price growth. He sees the economy expanding at about 2% in the second half, gradually accelerating next year. He said the Fed will see how the data unfolds before it decides on further action.

JBC Energy estimates that middle distillate oil products stored in tankers globally totaled 25-35 million barrels at the end of September compared with 38 million barrels at the end of August. It also estimated that crude oil in floating storage totaled 18-32 million barrels in September, down from 37.5 million barrels in August.

Refinery News

Enbridge Inc said it expects the 450,000 bpd Alberta Clipper pipeline to begin oil deliveries on October 1st.

ExxonMobil said operations at its 238,600 bpd refinery in Joliet, Illinois returned to normal after Enbridge resumed operations of its Line 6A crude pipeline. ExxonMobil also stated that it is preparing to shut several process units for several weeks of planned maintenance at its 344,500 bpd Beaumont, Texas refinery. It said all customer commitments will be met as arrangements were made in advance of the turnaround.

**September
Calendar Averages**
CL – \$75.06
HO – \$2.0990
RB – \$1.9354

BP Plc began the process of restarting ultraformer No. 4 unit at its 455,800 bpd Texas City, Texas refinery on Friday following an outage to perform maintenance and repair work.

Hess Corp resumed normal operations at its 70,000 bpd Port Reading refinery in New Jersey after it reported flaring due to a power failure on Thursday. The power failure lasted 40 minutes.

A small fire at Chevron Corp's 330,000 bpd Pascagoula, Mississippi refinery shut its isomax unit No. 2 but did not affect operations at any other process units.

Canadian Oil Sands Trust said planned maintenance on its Syncrude upgrader coker unit was extended by up to a week. It said other units at the Syncrude project will require maintenance through 2010. The Syncrude project is expected operate under capacity due to unplanned work for the remainder of the year. Syncrude production is expected to average 285,000 bpd for the remainder of 2010.

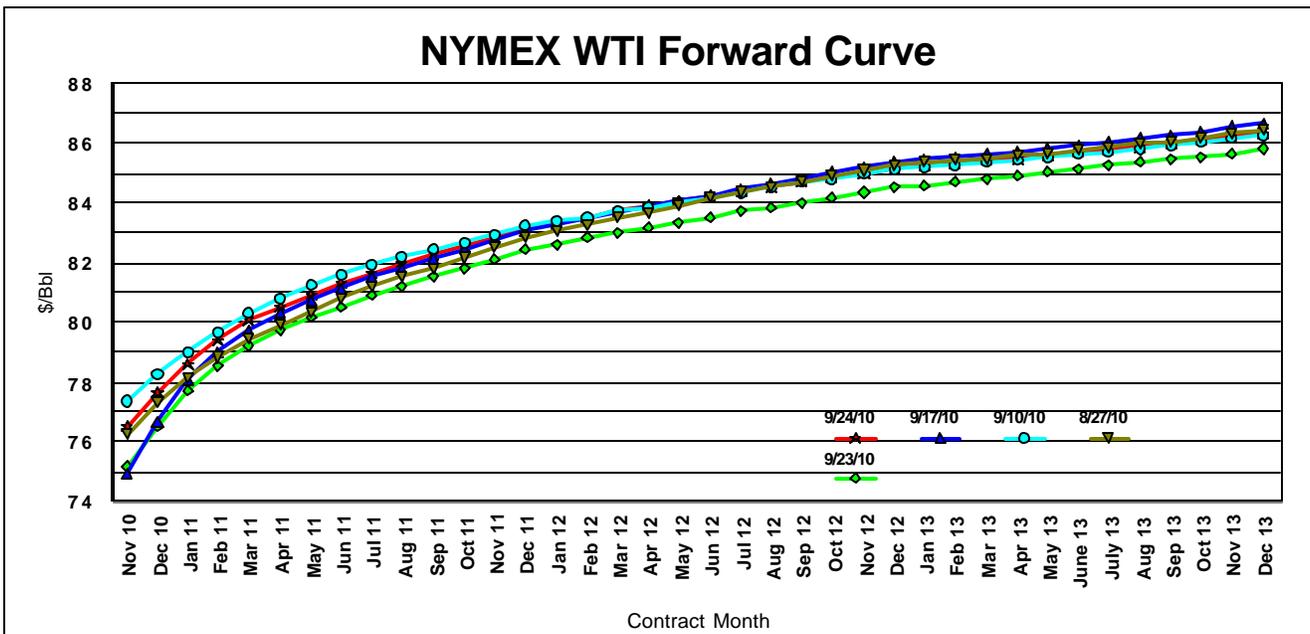
A fire started at the Novoil oil refinery owned by Russia's OAO Bashneft in the city of Ufa. Bashneft said production was not impacted.

Workers at Total's refineries in France continued their strike over pension reform for the second consecutive day on Friday, halting supplies and cutting output to minimum levels. Workers at five of Total's six refineries in France continued to strike while workers at the 117,000 bpd Feyzin refinery returned to work. French unions called on Friday for new protests on October 2nd and a follow up day of action on October 12th.

Unions in France decided to strike on September 24th for 24 hours in five of Total's refineries.

India's Essar Oil Ltd will sell most of the fuel products from its expanded Vadinar refinery in Gujarat state in the Indian market. The capacity of the Vadinar refinery, which has been expanded to 14 million tons/year, will increase to 18 million tons by March 2011.

India's Oil Ministry reported that the country's crude oil imports in August fell about 31% on the year to



9.57 million tons or 2.26 million bpd as some refineries were shut for maintenance. Sales of oil products in August fell by 0.3% to 10.796 million tons from 10.824 million tons/year. Gasoline sales increased by 11.5% to 1.2 million tons while diesel sales increased by 2.7% to 4.3 million tons in August.

China Aviation Oil Corp issued a tender seeking up to 1.2 million barrels of jet fuel for loading in October and November.

The Petroleum Association of Japan reported that crude oil stocks in the week ending September 18th fell by 3.18% on the week and by 4.22% on the year to 14.11 million kiloliters. Gasoline stocks fell by 2.76% on the week and by 7.82% on the year to 1.87 million kl while gas oil stocks fell by 1.92% on the week but increased by 4.12% on the year to 1.85 million kl and kerosene stocks increased by 4.58% on the week but fell by 19.76% on the year to 2.49 million k. Japan's naphtha stocks increased by 3.22% on the week to 1.86 million kl while jet fuel stocks fell by 8.74% on the week and by 3.16% on the year to 940,000 kl. The PAJ reported that refinery runs fell to 78.6% from 80.7% during the previous week.

Production News

Angola's Oil Minister Jose Botelho de Vasconcelos said the country is still producing 1.9 million bpd of oil, well in excess of its OPEC quota of 1.517 million bpd.

According to preliminary loading programs, Bonny Light crude output will average 285,000 bpd in November, up from 245,000 bpd planned in October. Trade sources said repairs to sabotaged oil facilities in the Niger Delta will help to push exports of Bonny Light crude to its highest level since early 2008. The November shipping schedules for most of the major Nigerian crude oil streams showed total exports for the month will exceed 2 million bpd for the fifth consecutive month.

Mexico's Pemex reported that the country produced an average of 2.933 million bpd of crude and other liquids in August, down from 2.948 million bpd in July. Mexico's oil production averaged 2.559 million bpd in August. The country produced an average of 2.585 million bpd between January and August of this year. Pemex exported an average of 1.312 million bpd during the first eight months of 2010.

OPEC's news agency reported that OPEC's basket of crudes fell by 13 cents to \$74.28/barrel on Thursday from \$74.41/barrel on Wednesday.

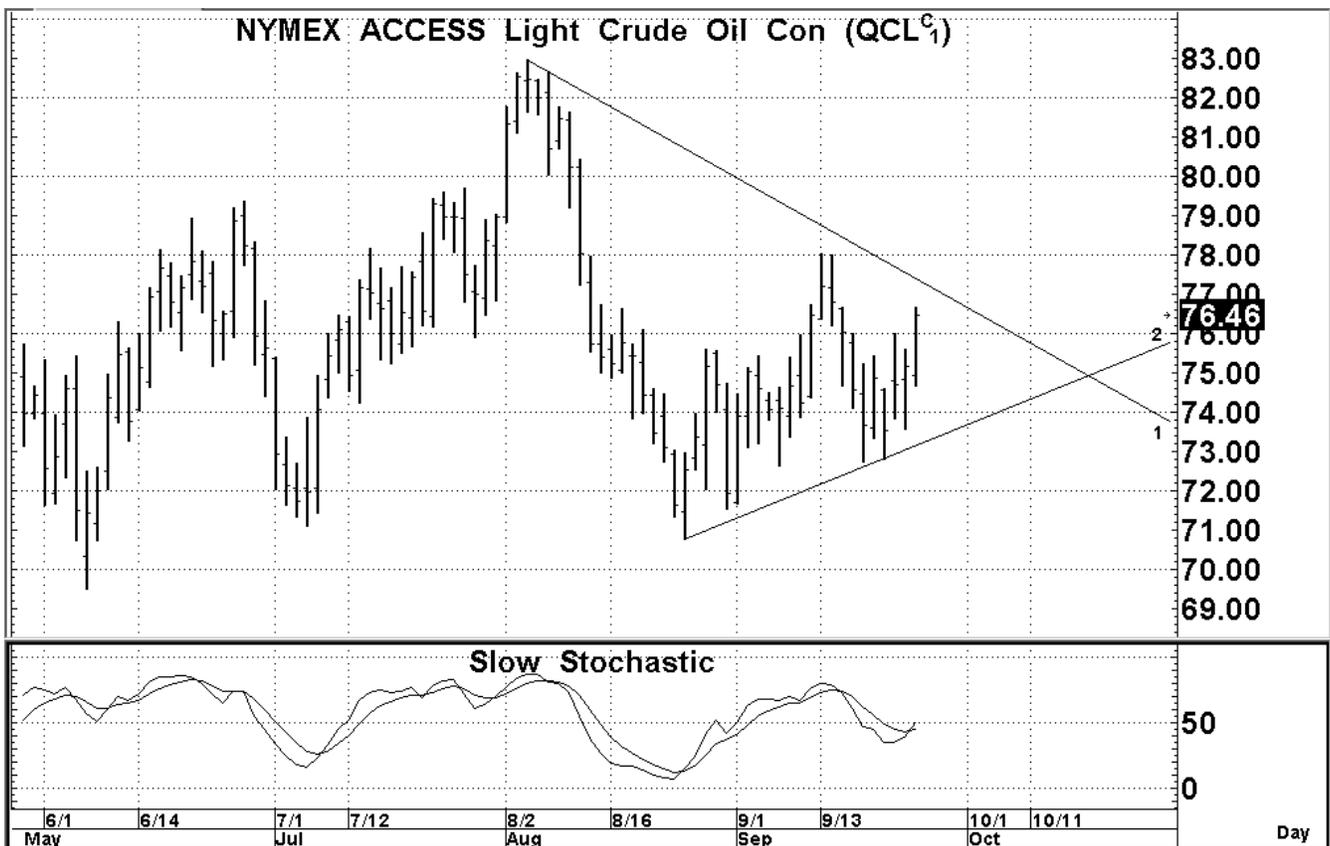
Market Commentary

A rise in the equities markets boosted investor attraction of commodities as an alternative investment tool. Crude oil traded and settled above both the 50 and 100-day moving averages as it reached its highest level in eight days. The underlying fundamentals of this market have not changed drastically; supplies are still in abundance, while demand continues to remain weak. At this point in time one would have to believe that this supply/demand scenario has already been factored into prices and market participants are focusing more on the global economic situation. The attraction of investment money into crude oil does not directly affect supplies and for this reason, any moves to the upside should remain limited. From a technical standpoint, prices appear to be heading back towards the \$80.00 level. Coming into next week there is initial resistance set at \$77.27. A break and settlement above this level set prices up for a test at \$81.30.

Crude oil: Nov 10 360,440 -8,669 Dec 10 218,357 -3,103 Jan 11 89,652 -1,515 Totals 1,318,318 -13,634 Heating oil: Oct 36,341 -2,368 Nov 10 85,669 +6,294 Dec 10 71,657 +833 Totals 333,991 +4,198 Rbob: Oct 10 33,112 -5,223 Nov 10 89,466 +1,295 Dec 10 41,323 +2,303 Totals 242,717 +139

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 4,437 contracts to 43,900 contracts in the week ending September 21st. The combined futures and options report showed that funds cut their net long position by 7,533 contracts to 140,049 contracts on the week. The disaggregated futures and options report showed that managed money funds also cut their net long position by 16,286 contracts to 106,323 contracts on the week. Meanwhile, non-commercials in the product markets increased their net long positions, with funds in the heating oil market increasing their net long position by 6,855 contracts to 22,525 contracts and funds in the RBOB market increasing their net long position by 3,991 contracts to 36,170 contracts on the week.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	7727	18965	22530	18240	
7367	7781	19236	22700	16010	22345
7307	7866	18920	22945		24880
7260	8130		23775		27085
7190					



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