



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 25, 2009

Goldman Sachs said world oil consumption is recovering more quickly than its previous estimates and increased its demand forecast. It expects global oil demand to average 85.106 million bpd in the fourth quarter of 2009. It estimates demand for all of 2009 at 84.727 million bpd, down from 86.304 million bpd last year and then increase to 86.405 million bpd next year. It maintained its oil price forecast because the increased demand will be

Market Watch

The US National Hurricane Center said showers associated with a tropical wave west of the Cape Verde Islands became better organized early Friday. It said some additional development of the system is possible over the next 24 hours. It said there is a medium chance, about 30-50%, that the system will become a tropical cyclone during the next 48 hours.

According to a Reuters survey, the slow pace of demand recovery and signs of building supplies have prompted most analysts to leave their oil price forecasts unchanged in September. The price of WTI crude is expected to average \$68.32/barrel in the fourth quarter this year and \$69.25/barrel in the first quarter in 2010. The price of WTI for all of 2010 is expected to average \$73.46/barrel, up from a previous estimate of \$73.39/barrel.

The US Commerce Department said manufacturers' orders for durable goods fell by 2.4% in August to a seasonally adjusted \$164.44 billion. It is the sharpest decline since a 7.8% decline reported in January. It reported that overall durables in July increased by 4.8%, revised down from a previously estimated 5.1% increase. Durables year to date are down 24.9% in unadjusted terms.

Separately, the Commerce Department said demand for new homes increased for the fifth consecutive month in August. Single family home sales increased by 0.7% to a seasonally adjusted annual rate of 429,000 compared to the prior month.

Russia's Foreign Minister Sergei Lavrov, in a letter to his Iranian counterpart Manouchehr Mottaki, assured Iran that it will not be left out of any decisions to be made on the status of the Caspian Sea. He said cooperation between the littoral states was the key to peace, stability and security in the region. He expressed hope that a third future summit will help solve a range of issues regarding the legal status of the sea.

**September
Calendar Averages**
CL – \$69.70
HO – \$1.7644
RB – \$1.7744

met by an increase in supplies. It expects US crude prices to reach \$85/barrel by the end of the year and average \$90/barrel in 2010.

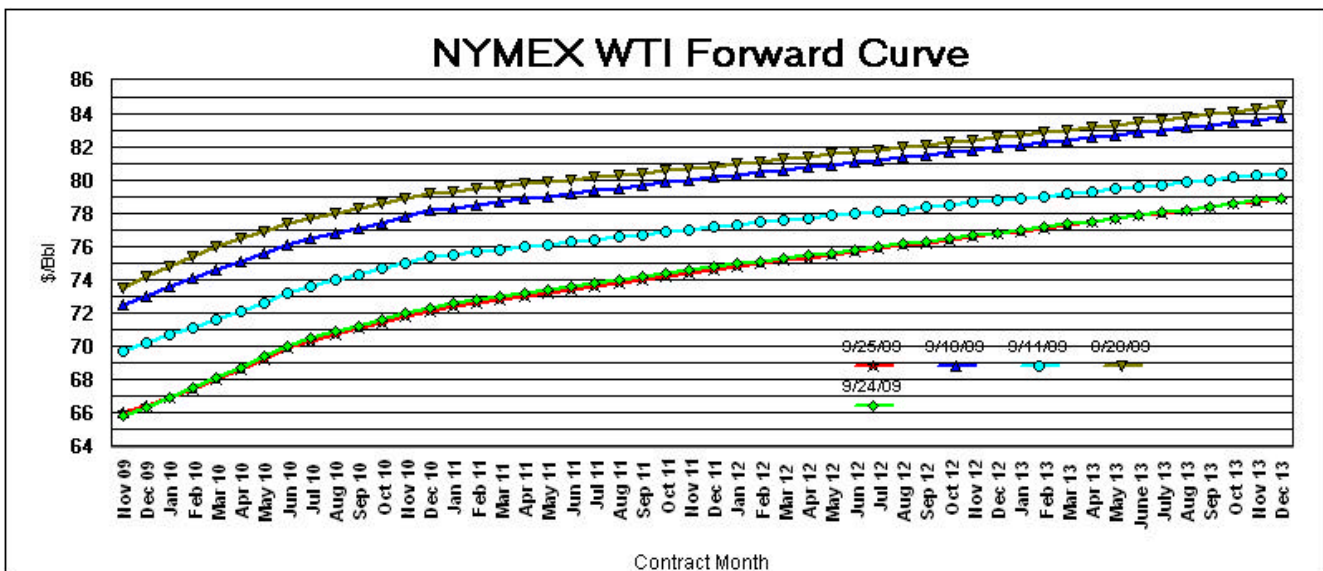
Venezuela's President Hugo Chavez said he expects oil prices to stabilize at a level of at least \$80/barrel by early next year.

Iran has notified the UN's IAEA that it has a second uranium enrichment plant under construction. Iran told the IAEA of the plant's existence in a letter to IAEA Director General Mohamed ElBaradei on Monday. The plant is similar to its first facility at Natanz and is being built inside a mountain near the holy city of Qom. Iranian President Mahmoud Ahmadinejad said the fact that the country has a second, undisclosed nuclear facility involved no secrecy and he does not expect the revelation of its existence to present any problems. He said the facility is "perfectly legal." Iran's nuclear chief, Ali Akbar Salehi said the construction of the second uranium enrichment plant is a guarantee that Iran's nuclear work will never stop. In light of the revelation, a senior White House official said US President Barack Obama and the leaders of Britain and France will accuse Iran of concealing a sensitive plant from the IAEA for year. US President Obama will demand that Iran allow an immediate IAEA inspection of the plant. The official said the plant is believed to be designed for about 3,000 centrifuges for enriching uranium, nominally enough machines to produce material for one nuclear device in a year if run nonstop. Later France accused Iran of committing a serious violation of UN resolutions. China hopes the IAEA will deal with the latest revelation according to its mandate and is calling for negotiations, rather than punishment. China's foreign ministry officials said it is also China's hope that Iran will cooperate with the IAEA on this matter. Meanwhile, Russia's President Dmitry Medvedev acknowledged that Iran's nuclear development program had violated UN Security Council resolutions and called upon the country to comply with inspections.

Libya's leader Muammar Gaddafi said he opposed any military action against Iran even if it pursues building a nuclear weapon. He said action against Iran could set a dangerous precedent, noting that other countries including India, Pakistan, China, Russia and the US and Israel have or in Israel's case are assumed to have atomic weapons.

Nigeria's Defense Minister Godwin Abbe ruled out extending the October 4th deadline for militants in the Niger Delta to disarm. Government Ekpermupolo of the Federated Niger Delta Ijaw Communities and Ateke Tom of the Niger Delta Vigilante force are two militant leaders who have called for an extension of the October 4th deadline.

According to a draft statement, the Group of 20 will agree to phase out subsidies on oil and other fossil fuels in the medium term but will not set a firm schedule for the move. The G20 will also intensify efforts to reach a UN deal on climate change later this year. The leaders will ask their finance ministers to come up with a range of options for climate finance, payments from rich countries to poor countries dealing with global warming, at their next meeting. In response, the IEA's chief



economist Fatih Birol said that an agreement by the G20 to phase out subsidies on oil and other fossil fuels would be good news but should not take too long.

Refinery News

A fire broke out at Tesoro Corp's delayed coking unit at its 96,860 bpd Wilmington, California refinery early Friday morning. Tesoro said the fire was extinguished and added that besides the affected unit, the refinery is still running but at reduced rates.

Chevron Corp said a small fire was extinguished Thursday night at its 245,271 bpd Richmond, California refinery. There was no interruption to service because of the fire.

Saudi Aramco's Ras Tanura hydrocracking unit suffered an outage last week, prompting the company to sell a cargo of A961 fuel oil for loading at the end of September, with more offers expected. Its 44,000 bpd hydrocracker unit is expected to be restarted sometime next week, after undergoing repairs to plug a leak.

Japan's Idemitsu Kosan Co shut a 60,000 bpd fuel oil desulphurization unit at its 160,000 bpd Aichi refinery on Thursday following a fire. The refinery is scheduled to start a turnaround at the end of September until the last 10 days of November.

Japan Energy Corp said it plans to cut its crude oil processing volumes for October-December by 11% on the year to 5.56 million kiloliters or 380,000 bpd due to slow domestic demand. For the July-September period, Japan Energy estimated its crude refining volume at 5.31 million kl, down 9% on the year.

China's Xinhua News Agency reported that the country's longest oil product pipeline project, extending from Lanzhou in the north central province of Gansu to Changsha, will be completed by the end of the year. The annual transmission capacity is 15 million metric tons.

Russia's oil exports in October via the Baltic port of Primorsk are forecast to increase by 6% on the month to 1.58 million bpd. Total shipments from Primorsk are set to increase almost 10% month to month to 6.7 million tons in October. October shipments via the Black Sea port of Novorossiisk are set to fall to 794,477 bpd from 911,852 bpd in September. Total shipments via Novorossiisk are scheduled to fall to 3.36 million tons in October from 3.73 million tons in September. Shipments from Yuzhny are expected to increase to 1.04 million tons from 400,000 tons.

Western fuel oil cargoes arriving in Asia in October are likely to fall between 18% and 22% to 3.1-3.2 million tons from this month's estimated 3.8-3.9 million tons. For the October arrivals, eight of the 18 fixtures are coming from the US Gulf Coast and the Caribbean, with the remainder from Rotterdam, the Baltics, and the Black Sea.

Production News

According to Baker Hughes, the number of rigs searching for oil and natural gas in the US increased by 7 to 1,017 in the week ending September 25th. It reported that the number of rigs searching for oil increased by 4 to 297 while the number of rigs searching for natural gas increased by 5 to 710.

Royal Dutch Shell Plc is set to overtake BP Plc after about \$40 billion of investment from Qatar and Brazil. Shell will increase its oil and gas output by a third, adding 1 million bpd to capacity by the end of 2012 to a total of 4.25 million bpd, more than the 4.1 million bpd BP anticipates for 2012.

Norway's StatoilHydro ASA shut its Statfjord C platform in the North Sea due to a leak. However the impact on the production of the field will be limited as production is expected to start within the day.

Senior Kazakh and Azeri oil and gas officials said Kazakhstan and Azerbaijan are looking into expanding shipping capacity for Kazakh crude to the Black Sea in order to accommodate higher future output. The two countries are expected to assess an existing pipeline, the Baku-Supsa, and a new route to the Black Sea if necessary. Kazakhstan produced 70.6 million metric tons or 1.4 million bpd of oil and gas condensate in 2008. However it hopes to increase its annual oil output to over 100 million tons or 2 million bpd by 2015 and is seeking to diversify its export routes.

Northern Iraq's Kurdish region on Friday said it was hopeful it could settle a dispute with Norway's DNO International, which had led to the suspension of the company's activities in Iraq. Earlier in the week, Iraq's Kurdish Regional Government announced it was suspending for up to six weeks DNO's operations, centered at Tawke oil field. It said Turkey's Genel Enerji will take over DNO's day to day activities in Iraq and that it is too early to say if DNO's suspension would be permanent.

Ecuador's Central Bank reported that the country's average crude oil production fell by 3% to 483,000 bpd or 14.98 million barrels in July from 498,000 bpd or 15.45 million barrels last year.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$65.12/barrel on Thursday from \$67.87/barrel on Wednesday.

Market Commentary

Crude oil fell to its lowest level in four weeks, penetrating the \$67.00 support level. The weakness in the dollar and the strength in the S&P had little impact on crude oil today, perhaps a sign that they are detaching from one another. Despite its slightly higher settlement, the November contract could succumb to additional pressure, as the true fundamentals of this market appear to be kicking in. Coming into next week, we would look for prices to continue lower, working towards the \$62.70 support area. The supply/demand aspect of this market has greatly impacted products and Thursday's release of weak home sales brought with it demand concerns in the future. Gasoline finished the week at its lowest level in a month in response to a 5.4 million barrel increase in stocks. Crack spreads have come under pressure and refining margins shrinking should continue to do so.

Crude NOV.09 301,052 -3,577 DEC.09 188,092 +7,416 JAN.10 66,141 +3,584 FEB.10 31,291 +3,835 MAR.10 31,841 +445 APR.10 15,750 -6 Totals: 1,160,543 +15,986 Heating OCT.09 26,022 -203 NOV.09 64,737 +1,704 DEC.09 59,302 +1,984 JAN.10 32,490 +1,131 FEB.10 17,545 +431 MAR.10 15,428 -19 Totals: 320,275 +5,639 GASOLINE (OCT.09 24,468 -2,901 NOV.09 79,333 +2,956 DEC.09 32,895 +62 JAN.10 23,381 +2,264 FEB.10 6,639 +502 MAR.10 12,027 +556 Totals: 206,683 +4,164

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 16,659 contracts to 62,216 contracts in the week ending September 22nd. The combined futures and options report showed that non-commercials in the crude market increased their net long position by 8,213 contracts to 148,837 contracts on the week. The disaggregated combined report showed that producers/merchants increased their net short position by 9,215 contracts to 175,163 while swap dealers cut their net long position by 2,961 contracts to 19,955. It reported that managed money increased their net long position by 8,471 contracts to 119,130 contracts while other reportables cut their net long position by 257 contracts to 29,707 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials in the product markets also increased their net long positions. The funds in the heating oil market increased their net long position by 6,091 contracts to 32,989 contracts while non-commercials in the RBOB market increased their net long position by 4,109 contracts to 38,698 contracts on the week.

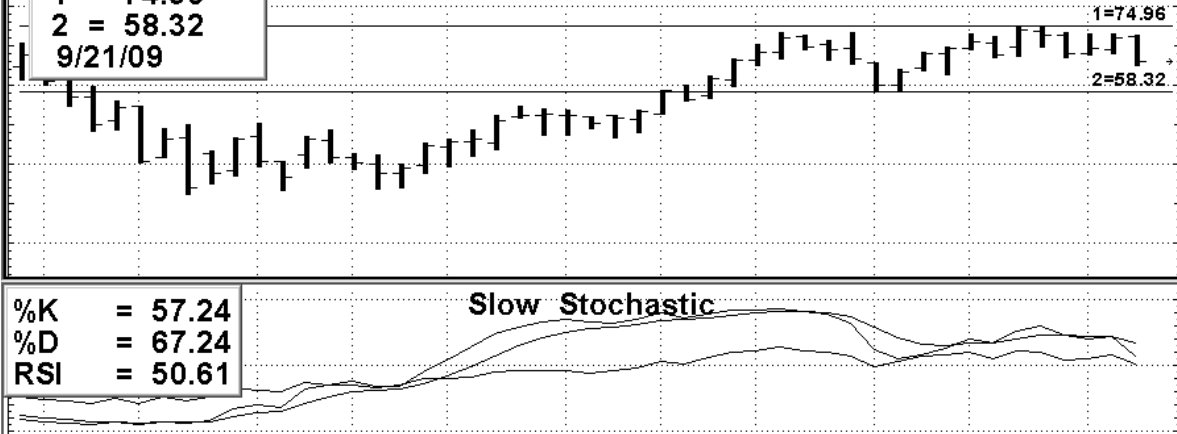
NYMEX ACCESS Light Crude Oil Con (QCL^c₁)

150.00
140.00
130.00
120.00
110.00
100.00
90.00
80.00
70.00
60.00
50.00
40.00
30.00
20.00

Weekly spot continuation chart for crude oil. Prices fell to their lowest level in a month, penetrating support at \$67.00. Moving oscillators are indicating additional moves lower coming into next week. We would look for an initial test at the \$62.70 support area.

High = 72.65
Low = 65.05
Open = 72.21
Last = 66.02
1 = 74.96
2 = 58.32
9/21/09

1=74.96
2=58.32



%K = 57.24
%D = 67.24
RSI = 50.61

Slow Stochastic

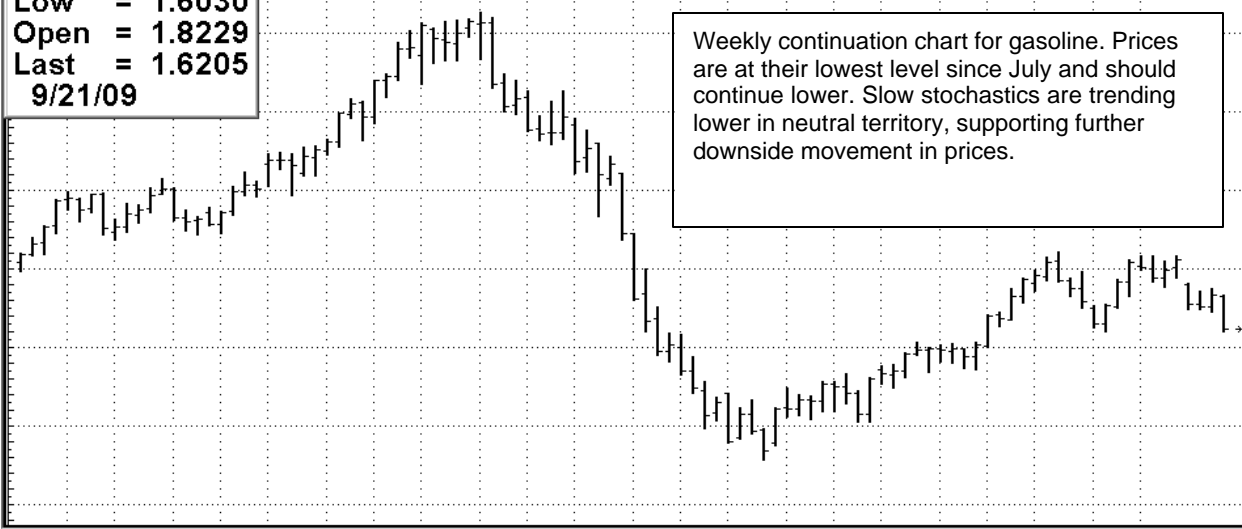
Nov Dec Jan 2009 Feb Mar Apr May Jun Jul Aug Sep Week

NYMEX ACCESS NY Harbor Gasoline (QRB^c₁)

High = 1.8365
Low = 1.6030
Open = 1.8229
Last = 1.6205
9/21/09

Weekly continuation chart for gasoline. Prices are at their lowest level since July and should continue lower. Slow stochastics are trending lower in neutral territory, supporting further downside movement in prices.

3.50
3.00
2.50
2.00
1.50
1.00
0.50



%K = 31.94
%D = 49.35

Slow Stochastic

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

Crude Support	Crude Resistance
64.70, 63.38, 62.70, 61.61, 60.95,	66.64, 67.00, 68.60, 73.24, 73.85, 75.00, 76.13
Heat Support	Heat resistance
1.6585, 1.4870, 1.4220, 1.4130, 1.3720	1.8430, 1.9440, 2.0420, 2.0465
Gasoline support	Gasoline resistance
1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400	1.9551, 2.0210, 2.0400 2.0567, 2.1100, 2.1600, 2.3350

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