



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 26, 2011

Buckeye Partners LP notified shippers that all home heating oil shipped to New York must have a sulfur content of 15 parts per million or less and be undyed by April 15, 2012 to comply with state law. The new sulfur specification for home heating oil goes into effect as of July 1, 2012 in New York. Heating oil with 2,000 ppm sulfur will still be shippable through the Buckeye system after April 15th but not deliverable to New York.

Market Watch

The US Commerce Department said new home sales fell for the fourth consecutive month in August by 2.3% to a seasonally adjusted annual rate of 295,000. Sales in July were revised upward slightly to a rate of 302,000 from a previously reported 298,000.

The Federal Reserve Bank of Chicago's national activity index in August stood at -0.43 from 0.02 in July.

The Federal Reserve Bank of Dallas' Texas monthly manufacturing index fell to -14.4 in September from -11.4 in August.

The International Labor Organization said the world's major economies are heading for a massive jobs shortfall by the end of next year if governments do not change their policy. It said the group of developing and developed countries had seen 20 million jobs disappear since the financial crisis in 2008. At current rates it would be impossible to recover them in the near term and there was a risk of the number doubling by the end of next year.

Low water continued to hamper freight shipping on Germany's Rhine River and levels have again fallen on the German section of the Danube River. Low water levels prevented shipping sailing with full loads on most of the Rhine River from Duisburg and Cologne to southern regions close to Switzerland.

According to the Lundberg Survey, US retail gasoline prices fell by 12 cents over the last two weeks to \$3.54/gallon.

The EIA reported that the US average retail price of diesel fuel fell by 4.7 cents to \$3.786/gallon in the week ending September 26th. Diesel prices are 83.5 cents/gallon or 28.3% above a year ago. It also reported that the US average retail price of gasoline fell by 9.2 cents/gallon to \$3.509/gallon on the week.

Refinery News

Kinder Morgan Energy Partners LP said its Express Oil Pipeline will not be apportioned for October. The Platte Oil Pipeline segment from Guernsey, Wyoming to Wood River, Illinois was apportioned by 64% for October. Its capacity in October is expected to average 169,550 bpd.

**September
Calendar Averages**
CL - \$86.52
HO - \$2.9590
RB - \$2.7436

Colonial Pipeline said it was allocating its Linden Delivery Line segment L2-IMTT, servicing deliveries to IMTT Bayonne, for Cycle 52.

Enbridge Inc said 10 barrels of oil were spilled from an oil pipeline near Berthold, North Dakota Sunday evening. The 25,000 bpd pipeline, called Line 26, was shut down Sunday evening after the leak was discovered and restarted Monday afternoon. The line carries crude from the Bakken formation near Berthold to an Enbridge terminal in Steelman, Saskatchewan. Oil deliveries will not be affected by the shutdown.

IIR Energy said US oil refiners are expected to shut about 501,000 bpd of capacity in the week ending September 30th, down from 763,000 bpd in the previous week.

Credit Suisse reported that US refined products margins were mostly higher in the week ending September 23rd. Refinery margins in the Northeast fell by \$1.18/barrel to \$5.41/barrel while margins in the Midwest increased by \$1.07/barrel to \$31.20/barrel and margins in the Gulf Coast increased by 52 cents/barrel to \$29.21/barrel. Margins in the Rockies region increased by \$4.87/barrel to \$49.95/barrel while margins in the West Coast increased by 7 cents to \$8.37/barrel.

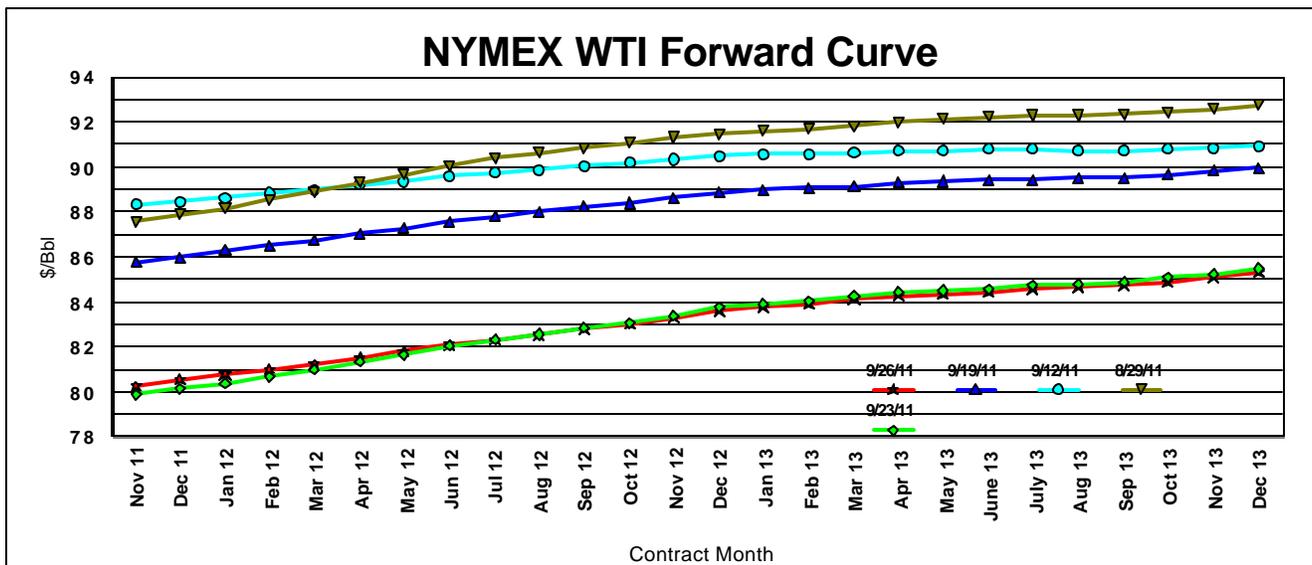
ConocoPhillips reported a compressor restart and flaring at its 120,200 bpd Rodeo, California refinery.

Alon USA Energy Inc said operations at its 53,000 bpd Paramount refinery in California resumed normal operations early Friday morning following a fire on Thursday. It shut a hydro-processing unit at the refinery due to the fire caused by equipment malfunction.

Coffeyville Resources reported reduced rates at its Coffeyville, Kansas refinery due to an equipment failure.

Valero Energy Corp expects no material impact to production at its 287,000 bpd Port Arthur, Texas refinery from an amine regeneration unit problem. Separately, Valero said production units at its 225,000 bpd refinery in Texas City, Texas were at planned rates following a power outage on Thursday.

LyondellBasell Industries NV plans to close its Berre L'Etang refinery in France as it has not found a buyer for it. The group put the refinery on sale in May due to its disappointing results.



Japan's Idemitsu Kosan Co will close several secondary units at its 160,000 bpd Aichi refinery starting this week until late November for planned maintenance.

A fire started late Friday in a coking unit at Sinopec Corp's 250,000 bpd Gaoqiao refinery in Shanghai. It cut its crude oil throughput at the refinery due to the fire.

Platts reported that the 10 ppm ultra low sulfur diesel CIF Northwest Europe premium surged to its highest level since January amid tightening supply linked to an increase in demand from new consumers. Diesel exports from Russia have declined considerably in September with Primorsk exporting half its usual volume in the month with October expected to be similarly low. The market has been further tightened by lower than usual European production with refinery turnarounds and run cuts due to poor refining margins.

About 400 protesters gathered outside Canada's Parliament buildings on Monday to voice their opposition to the construction of TransCanada Corp's Keystone XL oil pipeline, which would transport oil from Canada's oil sands to refineries on the US Gulf Coast. The US State Department's environmental review completed last month found no significant impacts to the environment along its route and is expected to clear the way for an approval of the cross border rights for the project later this year.

Production News

Italy's Eni SpA said its Libyan crude production could reach 140,000 bpd by the end of November following the resumption of the Wafa and Abu-Attifel fields and expected start up of the Bouri facility. It restarted production at 15 wells at the Abu-Attifel field, which is currently producing 31,900 bpd. However the head of an Eni SpA's joint venture, Najmi Karim said the absence of foreign oil contractors is delaying Libya's return to the oil and gas market. He said Libya could resume production of 600,000 bpd of oil equivalent by the end of the year, though that depends on the resumption of Elephant or El Fil field.

Suncor Energy Inc said it was aware that its Libyan partner is taking steps to resume oil production. It however said that it is not yet ready to return staff to Libya due to security concerns.

Two more cargoes of North Sea Forties crude for October loading have been delayed, bringing the number of deferred shipments to at least six amid ongoing production issues. One October cargo has already been cancelled. Cargo F1009, which was due to load October 13-15, will load a week later while cargo F1014, which was due to load October 19-21, has been deferred to October 21-23.

Royal Dutch Shell Plc is still able to deliver its contracted volumes of Nigerian Forcados crude, despite disruption of production from some outlying fields following a pipeline leak last week. The leak on the trans-Forcados pipeline was reported on Thursday and a team has been dispatched to investigate the cause of the incident. Separately, Shell shut in 25,000 bpd of oil production from its Nigerian Imo River field in the Niger Delta from August 28th.

Oman's Finance Ministry reported that the country's crude oil production increased by 3% in the first seven months of the year to 164.28 million barrels. Its average daily production increased to 878,100 bpd from 858,800 bpd in the same period of 2010. Its exports fell to 153.62 million barrels, down 0.50% from the 154.45 million barrels exported last year. Oman increased its average oil production from 876,000 bpd in June to 882,300 bpd in July.

China's CNOOC Ltd will resume normal operations this week at Indonesia's Sumatra oil block following a weekend fire as a tanker cut off some production. About 15,000 bpd of production at four

oilfields, Widuri, Intan, Aida and Indri was shut in due to the fire in the engine room of the floating, storage and offloading vessel.

The UAE's Abu Dhabi National Oil Co or Adnoc announced deeper supply cuts of its Murban crude to term buyers in Asia for November. It reduced November Murban crude oil term supply to Asian customers by 7% compared with 5% for October. Adnoc will ship 5% less than the contracted volumes for its Lower Zakum, Umm Shaif and Upper Zakum grades.

A local oil-tanker trucking firm working for a Chinese owned company has suspended all deliveries after Marxist rebels attacked its vehicles with gunfire on numerous occasions. Colombia's trucking company, Cootransamazonia, is under contract with Emerald Energy, a subsidiary of Sinochem International Corp, to deliver oil from drilling sites in the southern state of Caqueta to other parts of Colombia.

Woodside Petroleum Ltd said first oil was being pumped by the Okha floating production, storage and offloading vessel in the North West Shelf offshore Australia. The Okha vessel is expected to produce about 30,000 bpd from the end of next month.

Total SA increased its outlook for annual production growth to 2.5% from 2% and said project startups should produce about 600,000 bpd of oil equivalent by 2015. It said production in the next four years would increase as new projects come onstream, such as the Usan deepwater field offshore Nigeria and the Pazflor heavy oil field in Angola.

Petroecuador exported 8.6 million barrels of crude oil in August, up 36.5% on the year. Exports of Oriente crude reached 5.5 million barrels in August, while exports of Napo crude reached 3.1 million barrels.

Vietnam is expected to increase its crude oil production next year to 16 million tons.

A tanker is loading condensate at the western Libyan port of Mellitah and another vessel is due to arrive on Tuesday to load a cargo that is most likely to be crude oil.

Market Commentary

An early morning sell-off in crude oil was reversed as traders considered the possibility that interest rates would be cut by the European Central Bank. A rebound in equities provided for support as well. Market movement continues to be more economically related than it does to actual supply and demand. At this point in time, we cannot conceive that traders will begin to load up on longs until definitive signs of economic stabilization begin to surface. In order to keep prices in line with fiscal budgets, we may see OPEC cut production, especially when Libyan production comes back on line. Technically, we are looking for this market to rebound to at least \$85.00. A breach above this level should take prices back towards \$90.00.

Crude oil: Nov 11 306,766 -14,308 Dec 11 202,047 -1,719 Jan 12 108,090 +1,576 Totals 1,368,782
-12,765 Heating oil: Oct 11 37,693 -5,705 Nov 11 82,258 -248 Dec 11 58,073 +1,135 Totals 327,668
-438 Rbob: Oct 11 37,251 -4,147 Nov 11 82,677 +2,823 Dec 11 52,702 -56 Totals 275,798 -115

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7570	8500	27020	32777	25145	33369
7487	9060	26680	33370	24240	35915
7365	9122	27375	33510	23631	36310
6423	9726	23685		23414	
6394	9872	22960			
	10071				
	10222				
50-day MA	88.42				
200-day MA	95.33				

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