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ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 27, 2011

The US National Hurricane Center said a low pressure system centered a couple of hundred miles east northeast of the northern Leeward Islands has an 80% chance of regenerating into a tropical cyclone in the next couple of days. It said upper level winds appear somewhat conducive for additional redevelopment as the low moves slowly northwestward during the next day or two.

Qatar's Energy Minister, Mohammed Al Sada said OPEC is watching the supply and demand situation in the oil market closely as crude prices continue to

Market Watch

The US Conference Board said US consumer confidence was little changed in September. Its index of consumer attitudes increased to 45.4 from an upwardly revised 45.2 in August. Its present situation index in September fell to 32.5 from 34.3 in August while its expectations index increased to 54 from 52.4.

State Street said investor confidence increased slightly in September but remained at levels indicating strong risk aversion. Its global investor confidence index increased to 89.9 in September from 88.1 in August. Its North American index fell to 85.1 from 86.2 a month earlier while its Asian confidence index increased to 100.7 from 95.2 and European confidence increased to 95.7 from 90.1.

The Federal Reserve Bank of Richmond said economic activity among manufacturers in the central Atlantic region is still contracting this month. The bank's manufacturing general business index improved to minus 6 this month from minus 10 in August. The shipment index increased to minus 2 from minus 17 and the employees index increased to 7 from 1. The new orders index however worsened to minus 17 from minus 11.

The S&P/Case Shiller composite index of single family homes in 20 metropolitan areas was unchanged in July from a month earlier when adjusted for seasonal factors. Prices declined 4.1% from July 2010.

The International Council of Shopping Centers and Goldman Sachs reported that US chain store sales in the week ending September 24th fell 0.2% on the week but increased by 2.7% on the year to 516.1.

Dallas Federal Reserve chief economist Harvey Rosenblum said the AUS economy is on the edge between growth and contraction and monetary policy tweaks do not seem to be helping. He said the US job market has lost momentum and could be set for further backtracking. He also said there is credible risk of rising inflation. He however said that the Federal Reserve is not out of bullets to help the economy.

Atlanta Federal Reserve President Dennis Lockhart said the US economy is likely to avoid another period of contraction despite recent weakness in the economy, although the threats to growth have increased.

The New York Times reported that everyday more than 100 million cubic feet of gas is flared. The fires across western North Dakota are not wildfires but the deliberate burning of natural gas by oil companies that are extracting oil from the Bakken shale field. About 30% of the natural gas produced in North Dakota is burned as waste. The flared gas releases at least 1 million tons of carbon dioxide into the atmosphere every year, as much as 384,000 cars or a medium sized coal fired power plant would emit, alarming some environmentalists. With few government regulations that limit the flaring, more burning is also taking place in the Eagle Ford share field in Texas and some environmentalists and industry executives say it could take place in Oklahoma, Arkansas and Ohio as drilling expands in new fields. The oil companies say economic reality is driving the flaring in the Bakken shale field. They argue that they cannot afford to pay for pipelines and processing plants to capture and sell the gas until they actually drill oil wells and calculate how much gas will come out of the oil. With oil prices high and leases as short as five years for land in the Bakken, drillers have found it more profitable to grab the oil and burn the gas.

High frequency trading is estimated to account for about 25% of average daily global spot foreign exchange turnover in 2010, according to the Bank for International Settlements. It said there is indirect evidence that the increase in the US of HFT has been one of the principle drivers of an increase in foreign exchange turnover in recent years. It estimates that about 24.7% of total spot fx turnover for 2010, amounting to \$393 billion, can be attributed to HFT. HFT firms are among the top customers of electronic trading platform EBS, with most participants concentrated in three cities of Chicago, New York and London.

API Stocks

Crude – up 568,000 barrels
Distillate – down 223,000 barrels
Gasoline – up 4.621 million barrels
Refinery runs – up 1.5%, at 85.9%

decline. He said oil prices are falling due to a strengthening dollar, problems in the Eurozone and renewed fears about a double dip recession.

According to a SpendingPulse report by MasterCard, US retail gasoline demand in the week ending September 23rd fell by 2.7% on the year and 2% on the week to 8.734 million

bpd as prices were 31.4% above a year ago. Gasoline demand basis its four week moving average fell by 2.9% last week to 8.727 million bpd. It reported that the price of gasoline fell by 6 cents to \$3.56/gallon.

The American Trucking Association's advance seasonally adjusted For-Hire Truck Tonnage Index fell 0.2% in August from July. Tonnage increased by 5.2% from August 2010. The ATA revised July's figures to show a monthly decline of 0.8% for the month compared with the previous estimate of a 1.3% decline.

There is an increasing interest in moving midcontinent oil output by rail and truck to bypass Cushing. Continental Resources said Cushing was becoming increasingly obsolete, as 92% of the company's 60,000 bpd output is not shipped to Cushing. In the week ending September 17th, the six major Class 1 railroads in the US originated 7,755 tank cars carrying petroleum and refined products. It is up 19.2% from 6,508 tank cars originated at the same point in 2010 and made crude and petroleum products the fastest growing item on the US rail network. The increase in tank car originations has coincided with the widening spread between prices for inland crude around Cushing such as WTI and seaborne oils such as Louisiana Light Sweet to international benchmarks like Brent crude.

The head of Iraq's parliamentary energy committee Adnan al-Janabi said Iraq needs to revise the 12 million bpd oil production capacity target it agreed with foreign oil companies to more reasonable levels of about 5 million bpd. He also said the parliamentary energy committee now has two versions of the country's oil and gas draft law and added that they would study both to come up with an acceptable version.

Libya's ruling National Transitional Council has decided to postpone the formation of a transitional government until the entire country is liberated from forces loyal to Muammar Gaddafi.

Refinery News

Motiva Enterprises reported a controlled shutdown of its fluid catalytic cracking unit at its 234,700 bpd refinery in Norco, Louisiana.

Valero Energy Corp said overall production will not be affected by the ongoing amine line maintenance at its 287,000 bpd Port Arthur, Texas refinery.

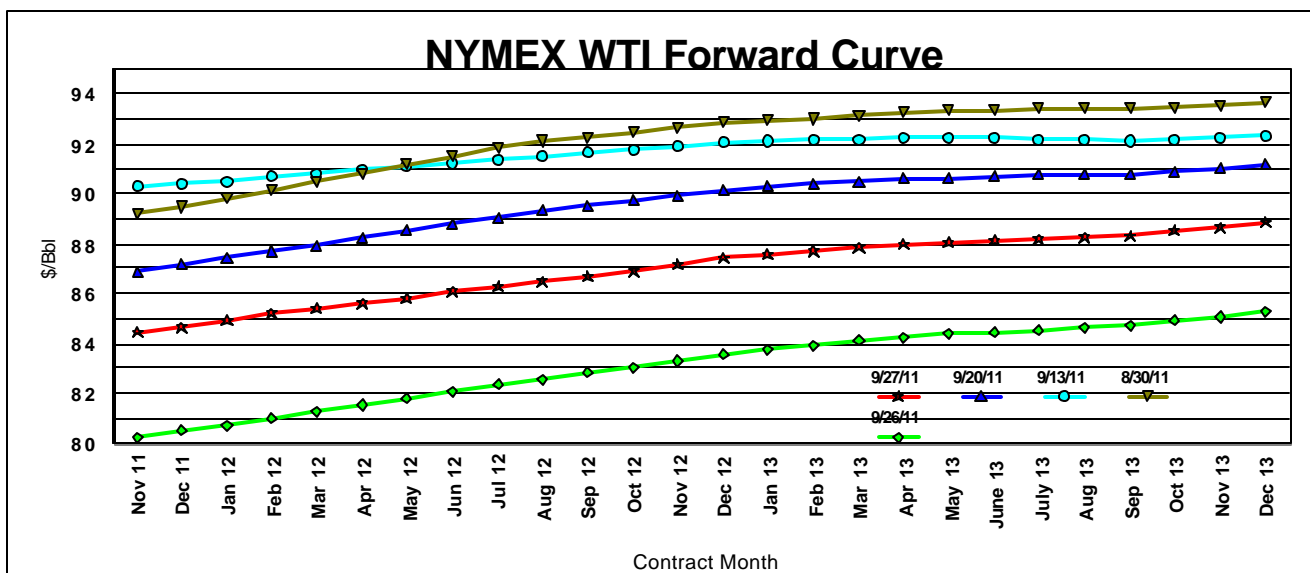
ConocoPhillips is seeking to sell its 185,000 bpd refinery in Trainer, Pennsylvania. It will immediately begin the process of idling the facility and will permanently close the plant in six months if a sale is unsuccessful.

Workers at Lyondellbasell's 105,000 bpd Berre refinery in France voted for an immediate 48 hour strike shortly after the company announced the closure of the plant. Lyondellbasell said it planned to shut down the refinery after failing to find a buyer. Meanwhile, workers at all French refineries are scheduled to hold general assemblies on Wednesday.

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| September Calendar Averages |
| CL - \$86.40 |
| HO - \$2.9545 |
| RB - \$2.7409 |

India's Petroleum Planning and Analysis Cell reported that India's crude oil

imports in August increased 5.6% on the year to 14.15 million metric tons or 3.35 million bpd. It



reported that India's refined oil product imports fell by 8.1% on the year to 1.19 million tons while exports of refined oil products increased by 5.4% on the year to 5.23 million tons. Sales of oil products in August increased by 1.8% on the year, down from July's 3.1% increase.

Production News

Bank of America reported that US oil output from shale prospects such as the Bakken in North Dakota, Eagle Ford in Texas and Niobrara in Colorado and Wyoming can increase to 2 million bpd in the next five years.

Hess Corp CEO John Hess said oil production from US unconventional prospects in North Dakota and Texas is likely to increase to 2 million bpd in the next five to seven years from the current production level of 700,000 bpd. Separately, he stated that security needs to improve in Libya before the country can significantly increase production.

A Yemeni oil pipeline carrying Maarib crude was sabotaged, cutting flows through the Main Maarib pipeline that it feeds by 35,000 bpd since Monday. The output of the trunk pipeline to the Ras Isa terminal on the Red Sea coast is normally about 125,000 bpd.

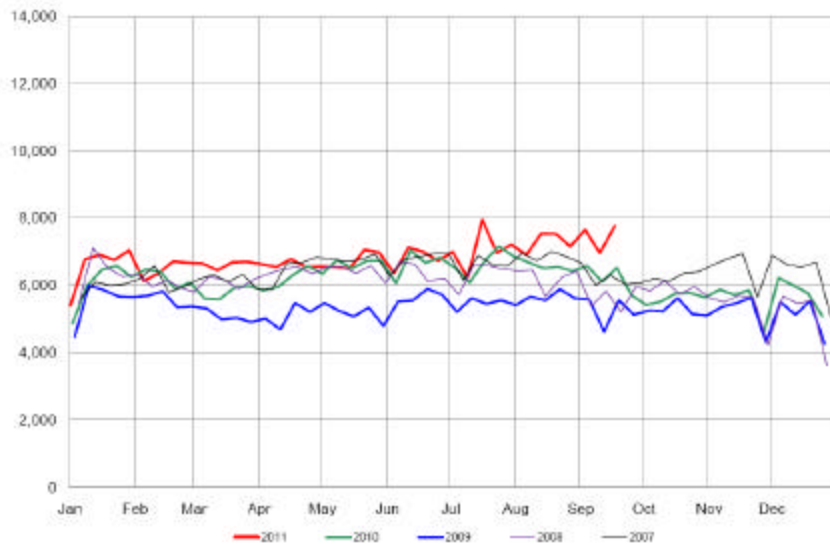
Platts reported that the North Sea Forties differentials fell for the second consecutive day on Monday after the 200,000 bpd Buzzard field resumed production. The Buzzard field restarted late Friday after a four day shutdown linked to the commissioning of a new platform. The field produced 4,000 bpd on Friday and ramped up to 140,000 bpd on Saturday. It was expected to produce 165,000 bpd on Monday.

BP reported that the proportion of crude oil from the Nexen Inc Buzzard field in the North Sea entering the Forties Pipeline System fell to 13% in the week ending September 25th, the lowest level since early August. The ongoing supply disruptions have resulted in a second Forties crude cargo for October loading being dropped. At least five Forties cargoes have already been delayed.

Separately, BP said it was suspending production at three platforms at its Azeri-Chirag-Gunashli Caspian oil field for up to 15 days each. The maintenance work is scheduled to start on October 20th and should last for five weeks. Total production at all three fields is at least 560,000 bpd.

REUTERS

PETROLEUM PRODUCTS: RAILCARS ORIGINATED



Source: Association of American Railroads

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Azerbaijan's crude oil exports in November could fall to 18 million tons in November from 20 million tons in October and 27 million tons last year. The country's oil exports are expected to fall in November and December as BP shuts in Caspian Sea platforms for maintenance work. Azeri Light exports from the Turkish port of Ceyhan may fall for a fifth consecutive month to about 18 million barrels in November from 20 million in October and 27 million barrels last year.

The provisional loading programs for 18 Nigerian crude grades in November indicate that exports will surpass the 2 million bpd level, up by about 133,104 bpd compared with October export programs. Loadings in November are set to total 2,066,168 bpd compared with 1,933,064 bpd in October.

Royal Dutch Shell said crude production from Iraq's Majnoon oilfield is currently about 75,000 bpd. The field was producing about 65,000 bpd in July.

Venezuela's Oil Minister Rafael Ramirez said the country hopes to increase its oil production to 3.24 million bpd in 2012 and 4.03 million bpd by 2014. He said the country's current oil production stood at 3 million bpd, as of August.

Total Sa said the North Sea, written off by other oil majors, should continue to provide growth opportunities. It increased its medium term oil and gas production growth targets, saying exploration efforts were set to pay off after the group repeatedly missed its output targets.

Russia's OAO Rosneft plans to increase production to between 160 million and 180 million tons/year by 2020. Its production totaled 119.6 million tons last year.

Russia's oil exports from Gdansk is expected to increase further as traders expect 3-6 cargoes to be shipped via Poland's Baltic port in October. Last week, traders said Russia would restart oil exports from Gdansk. Meanwhile Russia is expected to cut Urals crude exports from the Baltic Sea port of Primorsk in October by up to 6.6% to 5.5-5.6 million tons or 1.3 million bpd due to maintenance work. Russia is also expected to export 3.74 million tons of Urals crude from the port of Novorossiisk in October, up from 3.63 million tons in September. Five cargoes of Siberian Light crude totaling 390,000 tons are scheduled to load from the Black Sea port of Tuapse in October, compared with 80,000 tons in September.

Glencore's shipping unit, ST Shipping, may reduce the number of oil tankers in its fleet over the next six months because freight rates have cut into profit margins. St Shipping is looking at returning

several crude oil tankers to owners when long term contracts expire in the next few months due to negative freight rates.

Italy's total energy demand is expected to increase 10% to 195.5 million tons of oil equivalent in 2025 from 2011. Its energy demand is expected to increase to 186.6 in 2015 from 177.5 million tons of oil equivalent in 2011. Oil demand is expected to fall to 70.7 million tons in 2025 from 73 million tons in 2011.

OPEC's news agency reported that OPEC's basket of crudes fell to \$101.81/barrel on Monday from \$104.37/barrel on Friday.

Brazil is reducing a tax on gasoline, a measure that could help lift profit margins at Petrobras. The decree comes as Petrobras is importing more gasoline due to increased domestic demand. The reduction in the tax, known as CIDE, could allow Petrobras to raise fuel prices at the pump without passing the higher prices directly to consumers.

Brazil's cane industry association Unica said sugar production from Brazil's center-south cane crop this season is lagging last year by 8%. From the beginning of the season in April through September 16th, sugar output totaled 23.1 million tons, down 2 million tons on the year. It reported that ethanol production since April fell by 18.3% to 15.37 billion liters. The production of anhydrous ethanol increased by 16.4% to 5.9 billion liters while the production of hydrous ethanol fell by 31% to 9.5 billion liters.

Market Commentary

Crude oil continued to move higher today on conjecture that the European Central Bank would be able to resolve their sovereign debt issues. Included in today's run-up was most likely end of the quarter book squaring. Optimism about the global economic situation prompted hopes that demand would increase, supporting gasoline and heating oil as well. The global economic situation is what drove this market down and it is what will continue to manipulate prices. The October crude oil contract pushed towards \$85.00, unable to breach it thus far. Since breaking below the 50-day moving average, prices have not been able to trade back above it. Currently this average is set at \$88.17. It appears that this market has exhausted itself to the downside and is ready to make a run towards \$90.00.

Crude oil: Nov 11 307,326 +560 Dec 11 205,368 +3,321 Jan 12 112,479 +4,389 Totals 1,378,493 +9,711 Heating oil: Oct 11 31,343 -6,350 Nov 11 89,069 +6,811 Dec 11 31,213 +3,140 Totals 333,130 +5,462 Rbob: Oct 11 31,502 -5,749 Nov 11 83,727 +1,050 Dec 11 51,832 -870 Totals 271,738 -4,060

| Crude Oil | | Heating Oil | | Rbob | |
|------------------|--------------|-------------|------------|---------|------------|
| Support | Resistance | Support | Resistance | Support | Resistance |
| 7570 | 8500 | 27020 | 32777 | 25145 | 33369 |
| 7487 | 8817 | 26680 | 33370 | 24240 | 35915 |
| 7365 | 9060 | 27375 | 33510 | 23631 | 36310 |
| 6423 | 9122 | 23685 | | 23414 | |
| 6394 | 9726 | 22960 | | | |
| | 9872 | | | | |
| | 10071 | | | | |
| | 10222 | | | | |
| 50-day MA | 88.17 | | | | |

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|-------------------|--------------|--|--|--|--|
| 200-day MA | 95.32 | | | | |
|-------------------|--------------|--|--|--|--|

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