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Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 28, 2009

Iran's President Mahmoud Ahmadinejad said the disclosure of Iran's new uranium enrichment plant was a firm blow to Western powers opposed to Iran's nuclear program. He said that western powers want to use the announcement as an attempt to undermine Iran. Meanwhile, Iran's nuclear chief said Iran will put its newly disclosed uranium enrichment plant under the supervision of the UN's IAEA.

Market Watch

Saudi Aramco's CEO Khalid Al Falih said oil demand remains slow throughout the developed world and added that growth China is not offsetting the loss. He said it will take time to make up for the millions of barrels of lost demand that the market has experienced.

A forecaster at Commodity Weather Group said the US Northeast may have the coldest winter in a decade because of a weak El Nino. He said about 70-75% of the time a weak El Nino will cause above normal heating demand and cold weather.

J.P. Morgan increased its forecast for the fourth quarter of 2009 by \$5/barrel to \$70/barrel and for 2010 by \$1/barrel to \$68.75/barrel. It said crude demand will likely be pressured by low refinery runs as refiners try to draw down the current oversupply of products inventories.

Government funding is needed to help finance the building of test plants for cellulosic ethanol production, as commercial lenders are proving reluctant to invest in the technology. Industry leaders expect the US to reach its short term target volumes for blending cellulosic ethanol into gasoline one or two years later than planned, while industry development in Europe is seen taking longer due to fewer political incentives. Most executives said they do not expect the industry to really take off on a commercial scale until around 2015-2016 and said that a stable oil price will also be a crucial factor for its viability.

Oman's central bank said the ideal oil price for the country would be \$80-\$90/barrel.

India's Petroleum Secretary R.S. Pandey said India is comfortable with current world crude prices at \$60-\$70/barrel. He said if the price of benchmark light, sweet crude traded at the NYMEX trades above or below that range, it starts to hurt either the producers and consumers.

Iran test fired its two long range missiles, which it says could reach targets in Israel, as the Revolutionary Guards staged war games for the second straight day. The Revolutionary Guards launched the missile maneuvers marking "Sacred Defense" week, which commemorates the start of the eight year Iran-Iraq war. Iran test fired the Sejil and Shahab-3 versions of the long range missiles. In response, the White House condemned as provocative Iran's decision to test fire missiles. France voiced concern over the news that Iran test fired two long range missiles and demanded Iran immediately stop its deeply destabilizing activities. France urged Iran to cooperate by responding without delay to the demands of the international community to reach a negotiated settlement on the nuclear question. UK Foreign Secretary David Miliband described Iran's long range missile test as an

annual provocation and

<p>September Calendar Averages CL – \$69.55 HO – \$1.6909 RB – \$1.7672</p>
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said it should not distract from this week's meeting between Iran and the six powers. Meanwhile, Russia's Foreign Ministry said the world should not succumb to emotions in dealing with Iran after the country test fired missiles. Germany's Foreign Ministry said Iran's missile tests are troubling and will not inspire trust ahead of upcoming talks with the six world powers.

European Union Foreign Policy chief Javier Solana expressed concern about Iran building a second uranium enrichment plant and its new missile tests. He said Iran's recent actions have produced a new context for nuclear talks between the six major powers and Iran on Thursday.

Iran's opposition leader Mir Hossein Mousavi said he opposes sanctions against Iran ahead of talks between Iran and world powers over its controversial nuclear program.

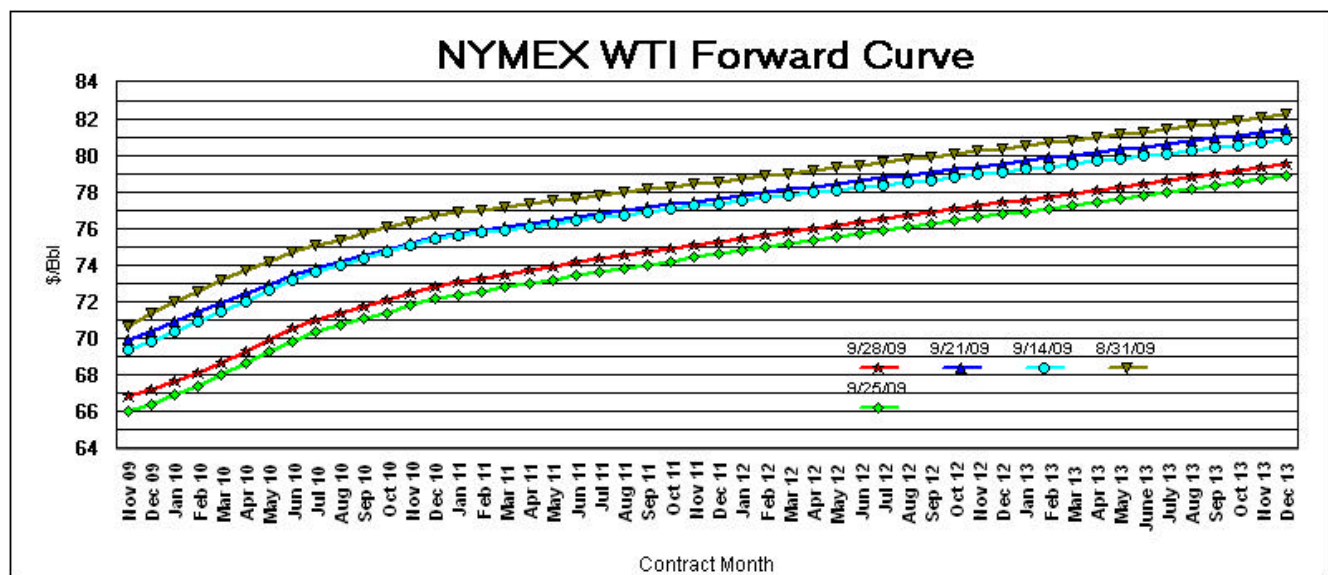
The head of the IEA, Nobuo Tanaka said demand for crude oil has yet to recover from the economic crisis, however lack of investment could lead to a supply crunch in the medium term. He said the IEA was still concerned that current investment in energy may not be enough to meet demand.

The EIA reported that the US average retail price of diesel fell by 2.1 cents/gallon to \$2.601/gallon in the week ending September 28th. The price is \$1.358 or 34.3% below a year earlier. The EIA also reported that the US average retail price of gasoline fell by 5.3 cents/gallon to \$2.499/gallon on the week.

Refinery News

The US Coast Guard reopened the small portion of the Houston Ship Channel that was shut since early Saturday when an oil tanker collided with a barge spilling more than 10,000 gallons of oil into the water. At least 10 vessels were waiting to pass through the closed portion of the channel on Monday morning. Separately, the US Coast Guard said a grounded oil tanker is blocking shipping traffic near the mouth of the Lower Mississippi River. It said the Eagle Tucson was carrying about 14,000 barrels of oil.

Valero Energy Corp said that its 83,000 bpd refinery located along the Houston Ship Channel was not affected by the closure of a portion of the waterway. Separately, Valero is planning a 45-50 day turnaround on its 82,000 bpd fluid catalytic cracking unit at its 210,000 bpd Delaware City, Delaware refinery in late November or early December.



Chevron Corp said a gas oil hydrotreater involved in a fire last week at its 245,271 bpd Richmond, California refinery has returned to normal operation. The unit was restarted Sunday after the fire late Thursday.

According to a report filed with the California Emergency Management Co, an underground pipeline is leaking diesel at Tesoro Corp's 166,000 bpd Martinez, California refinery. The report estimates that only one barrel of diesel was spilled.

Royal Dutch Shell plans to shut several units at its 340,000 bpd Deer Park refinery in the US for maintenance this week. On Sunday, Shell shut an alkylation unit for a six day maintenance period to repair a bank of exchangers that are suspected to be leaking into the cooling water tower. The company plans to shut its light/heavy olefins units on Monday for a scheduled turnaround that will last until October 12th. It will also shut two hydrotreaters, a crude isoprene unit and an isoprene recovery unit.

Credit Suisse said US refining margins fell in markets east of the Rockies. In the Northeast, margins fell by 29% or \$1.51/barrel to \$3.77/barrel while margins in the Midwest fell by 72 cents to \$4.88/barrel and margins in the Gulf Coast fell by 36 cents to \$3.37/barrel. Margins in the Rocky Mountain region increased by 94 cents to \$16.72/barrel while margins in the West Coast region fell by \$1.06 to \$8.98/barrel.

Japan's Idemitsu Kosan Co shut a 160,000 bpd crude distillation unit at its Aichi refinery on Sunday for scheduled maintenance. The unit is set to shutdown until the end of November.

Separately, Idemitsu Kosan Co will process 7 million kiloliters or about 480,000 bpd of crude in October-December, down 5% on the year. It plans to refine 2.1 million kl of crude in October, down 9% on the year.

Japan Energy Corp said it shut a 35,500 bpd fluid catalytic cracking unit at its Kashima refinery earlier in the day following a problem related to a compressor.

Taiwan's CPC Corp plans to reduce its crude runs by up to 50,000 bpd in October due to weak refining margins. The refiner will process 440,000-450,000 bpd in October, down from 480,000-490,000 bpd in September.

China hopes to complete its second phase strategic oil storage tanks, with a total capacity of 170 million barrels, in 2011. The government is seeking an immediate start-up of construction of its second phase strategic petroleum reserve tanks at eight sites. The deputy head of the National Energy Administration, Liu Qi said China will pick a good time to fill the new SPR crude tanks once they are ready. China also plans to build third phase strategic sites that will bring crude oil reserves to 440 million barrels by 2020 or about 105 days of net imports at current rates.

Falling water levels on the Rhine River have severely restricted deliveries of oil products to inland destinations in Northwest Europe.

Production News

Abu Dhabi National Oil Co will keep its November crude supply volume unchanged from October. ADNOC plans to supply Murban, Lower Zakum, Umm Shaif and Upper Zakum crudes at 15% below contracted volumes in November in line with its commitment as an OPEC member.

Kuwait News Agency reported that the country's crude oil exports to China in August fell by 36% on the year to 1.03 million tons or 122,000 bpd. Kuwait provided 2.9% of China's total crude oil imports

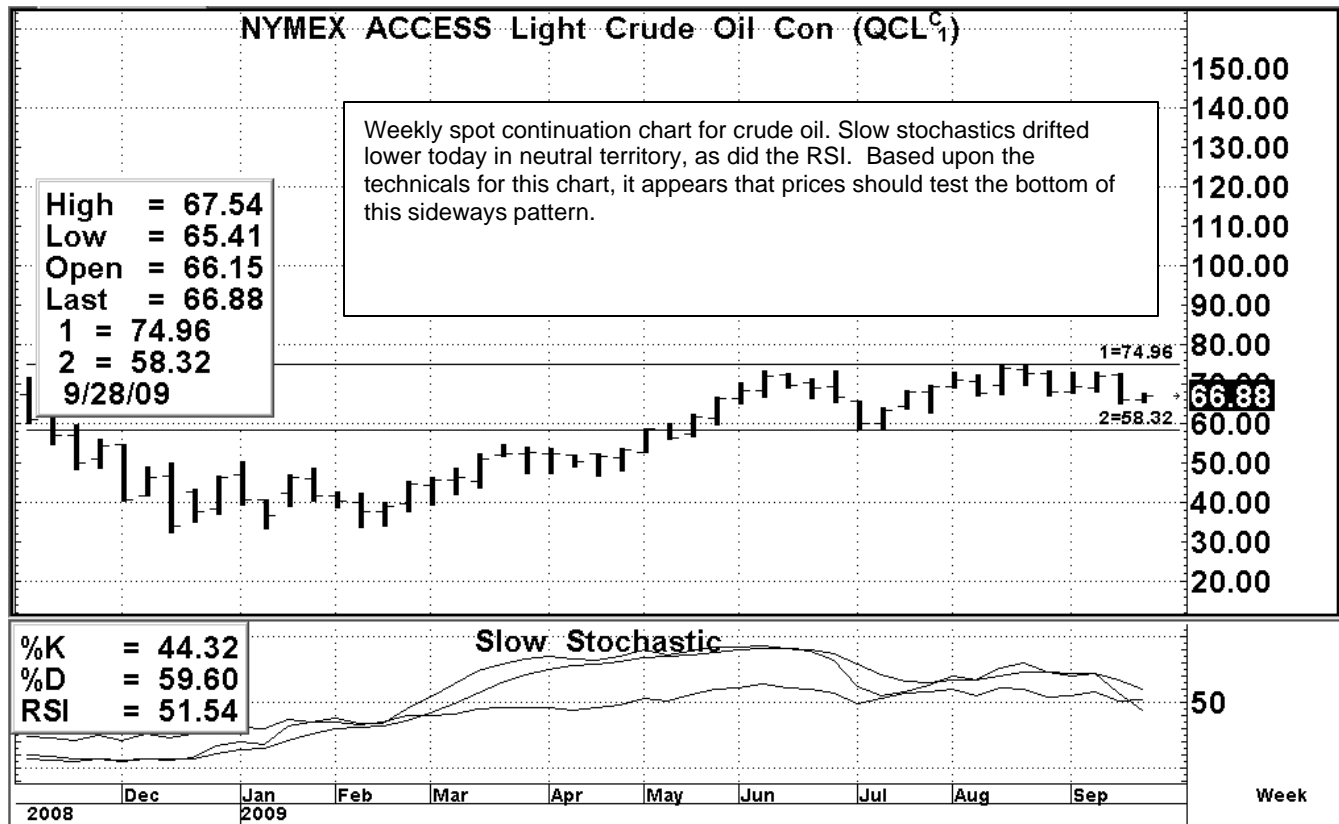
in August compared with 5.1% in the same month last year and 3.1% in July. Overall imports of crude in China increased by 18% on the year during August to 17.09 million tons or 4.37 million bpd.

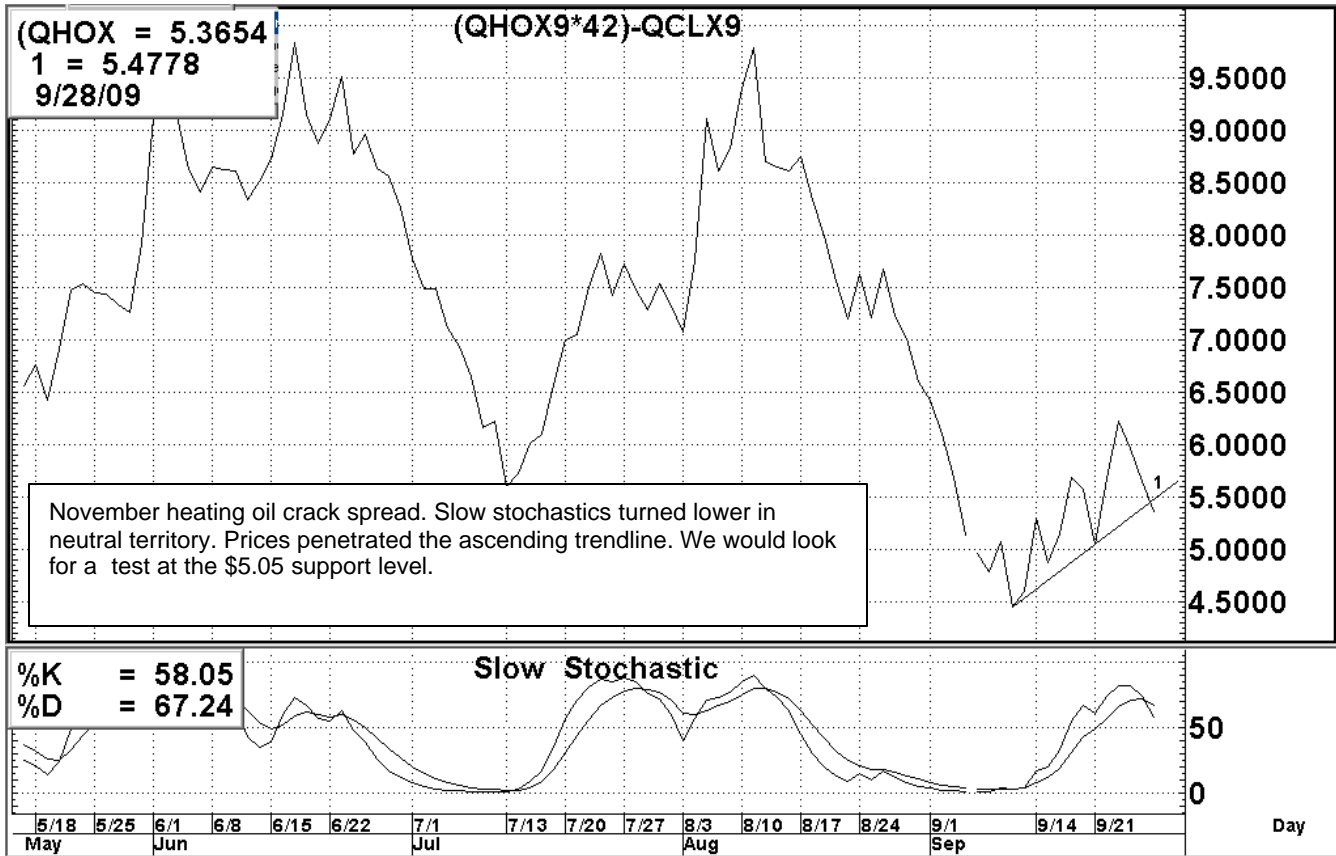
OPEC's news agency reported that OPEC's basket of crudes fell by \$1.12 to \$64.00/barrel on Friday from \$65.12/barrel on Thursday. It also reported that the OPEC basket of crudes fell by \$1.60 to \$66.80/barrel in the week ending September 25th.

Market Commentary

Crude oil began the week on a higher note, rising on concerns about Iran's nuclear power capacity, closure of the Houston Ship Channel after an oil spill and a rise on Wall Street. The rise in prices came despite a stronger dollar against the euro. Hype about Iran's nuclear capabilities provided bulls with enough momentum to dig their hooves in and hold ground. The front end of the forward curve turned slightly higher today, as the November contract responded to the aforementioned factors. The November/December spread settled above the -.43 gravitational area mentioned in previous wires. Given the current inventory scenario and our bearish outlook on prices, we cannot see this spread holding strength. We would look to use -.43 as a pivotal area, buying failures to trade below this level and selling successful attempts. This market will continue to be economically sensitive and fundamentally weak. Based on this, prices should have a difficult time sustaining strength.

Crude NOV.09 303,673 +2,621 DEC.09 187,240 -852 JAN.10 66,567 +426 FEB.10 31,775 +484
 MAR.10 30,463 -1,378 APR.10 16,162 +412 Totals: 1,163,055 +2,512 Heating OCT.09 20,426 -5,596
 NOV.09 66,916 +2,179 DEC.09 58,790 -512 JAN.10 33,945 +1,455 FEB.10 17,430 -115 MAR.10
 15,552 +124 Totals: 318,129 -2,146 GASOLINE OCT.09 16,896 -7,572 NOV.09 81,157 +1,824
 DEC.09 33,305 +410 JAN.10 24,063 +682 FEB.10 6,955 +316 MAR.10 12,221 +194 Totals: 203,001
 -3,682





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

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