



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 28, 2011

While oil prices are down about \$20 from April's \$127/barrel peak, OPEC's Gulf Arab price doves Saudi Arabia, Kuwait and the UAE are not concerned about the decline in prices. A senior official in the Gulf said producers are unlikely to reduce supplies to try to stem a decline in oil prices

unless crude falls below \$90/barrel for a sustained period. According to a Reuters survey, Saudi Arabia needs an oil price of \$73/barrel to balance its budget this year while the UAE needs \$81.80/barrel to balance its budget. Kuwait needs a price of \$82/barrel while Qatar needs a price of \$60/barrel, Oman needs a price of \$65.80/barrel and Bahrain needs a price of \$107.50/barrel to balance their budgets.

BP Plc's chief executive Robert Dudley said he expects crude oil prices to remain in a range of \$90-\$100/barrel.

Refinery News

Colonial Pipeline said it was freezing nominations for its main distillate line north of Collins, Mississippi for Cycle 56, effective Tuesday.

Chevron Corp said a pipeline off the Louisiana Coast in the Gulf of Mexico that was shut in earlier this month due to a small leak resumed full operations. Shippers were notified that service resumed on the Main Pass System effective Tuesday, September 27th.

Chevron closed the pipeline to investigate a leak on the riser, which resulted in the release of 2.3 gallons of crude oil. Between 6,000 and 7,000 bpd of crude was already restarted earlier in the month with an additional 8,000 to 9,000 bpd resuming on Tuesday.

DOE Stocks

Crude – up 1.915 million barrels
Distillate – up 72,000 barrels
Gasoline – up 791,000 barrels
Refinery runs – down 0.5%, at 87.8%

IIR Energy reported that US oil refiners are expected to shut 633,000 bpd of refining capacity in the week ending September 30th, down from 813,000 bpd in the previous week.

September Calendar Averages CL - \$86.13 HO - \$2.9473 RB - \$2.7362

Royal Dutch Shell evacuated all non-essential staff from its 500,000 bpd Singapore refinery as a fire burns at the plant. It shut a hydrocracker unit at the refinery as a precautionary measure due to the fire, which started in an open area where several oil product pipelines are located.

Workers at eight of France's 10 operating refineries held meetings to discuss taking industrial action following the decision by LyondellBasell to shut its Berre L'Etang refinery after failing to find a buyer. Workers at Total's 230,000 bpd Donges refinery voted to reduce production to a minimum level for 24 hours while workers from Total's Gonfreville, La Mede, Feyzin and Grandpuits refineries decided not to take action. Other refineries in France were also discussing possible action and all eyes were on the outcome of a meeting on Friday between the CGT union officials of four refineries based in the Berre industrial site.

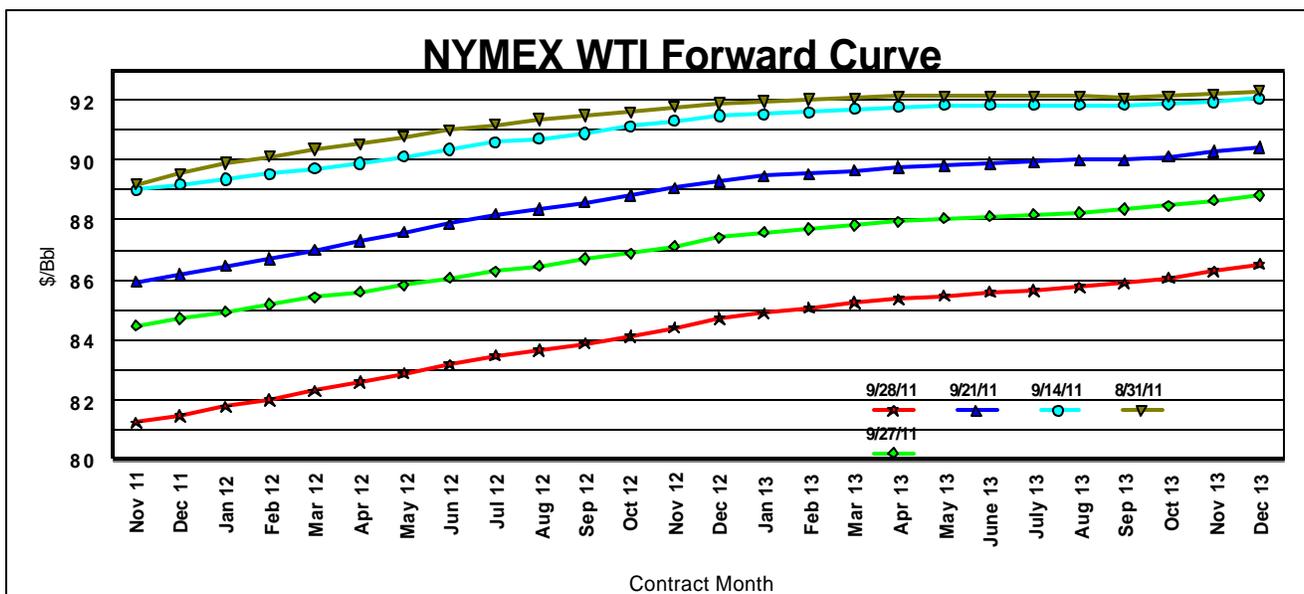
Europe's Petroplus Holdings AG cut refinery runs by more than 15% over the past three weeks due to weak refining margins in Europe.

Italy's Eni SpA is scheduled to shut its 80,000 bpd Porto Marghera refinery near Venice for six months, starting November 1st due to weak refining margins and an absence of Libyan crude exports.

PDVSA said it will delay a planned 70 day maintenance outage of key units at its 645,000 bpd Amuay refinery until January 2012.

Royal Dutch Shell Plc confirmed that output at its 255,000 bpd Scotford upgrader near Edmonton, Alberta will be reduced until the end of October. It is currently conducting maintenance that is expected to last through next month. Shell declined to state how much production will be cut due to the maintenance work. However a source said the work would reduce output by 30,000 bpd.

Japan's JX Nippon Oil & Energy Corp plans to refine 5.3 million kiloliters or 1.08 million bpd of crude oil in October for domestic consumption, down 3% from a year earlier. Its September crude refining for domestic consumption was estimated at 5 million kl, down 10% on the year.



The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending September 24th increased by 3.21% on the week and by 14.7% on the year to 15.52 million kiloliters. Japan's gasoline stocks fell by 5.16% on the week but increased by 13.02% on the year to 2.15 million kl while its gasoil stocks increased by 0.13% on the week and by 13.04% on the year to 2.1 million kl and kerosene stocks increased by 0.61% on the week and 24.41% on the year to 3.28 million kl. Japan's naphtha stocks fell by 1.07% on the week and by 11.69% on the year to 1.72 million kl while its jet fuel stocks fell by 6.66% on the week and by 30.83% on the year to 3.28 million kl. The PAJ reported that refinery capacity fell to 77.6% from 81.3% the previous week.

Production News

A cargo of North Sea Forties crude for October loading has been delayed by 11 days, bringing the number of deferred shipments to at least six as production problems persist. Cargo F1011, which was due to load on October 16-18, will now load October 27-29. Also, a second cargo of Forties crude has been dropped from the October loading schedule.

Libya's Agoco said it is planning to restart three more oilfields by mid-October, increasing its output to 350,000 bpd. The company's current output is about 220,000 bpd following a restart of the Mesla field in the past week.

Venezuela's PDVSA said Venezuela would extend to the end of the year an emergency it declared in its Orinoco crude belt that lets it expedite purchases of equipment and services. PDVSA declared a three month emergency in the Orinoco belt in July, meaning it could speed up the bidding procedures that Venezuelan state bodies must go through to import equipment or contract services.

Chevron Corp expects to begin drilling in its project in Venezuela's Orinoco heavy oil fields by the end of the year, with production expected to begin as early as 2012.

Azerbaijan is expected to sustain oil production at about 1 million bpd in the next few years after maintenance at BP operated platforms reduce flows drastically this year.

Market Commentary

The DOE numbers overshadowed hopes that the European Central Bank would be able to devise a plan to bail Greece out of its economic turmoil. Crude oil inventories reflected an increase of 1.9 million barrels for the week ending September 23. Adding extra pressure to the market was a build of 800,000 barrels in gasoline and an increase of 100,000 barrels in distillates. Despite both products increasing less than expected, demand continues to suffer. The energy markets experienced late session lows, as the dollar strengthened against the euro. As long as the economic issues remain unresolved, prices will continue to encounter pressure. Crude oil's inability to trade above the \$85.00 level and the crossing of slow stochastics back to the downside are indicating that sellers have not left the market yet. Coming into tomorrow's session, we would look for further moves to the downside.

Crude oil: Nov 11 302,877 -4,449 Dec 11 206,499 +1,131 Jan 12 117,220 +4,741 Totals 1,380,562 +2,069 Heating oil: Oct 11 20,507 -10,836 Nov 11 95,813 +6,744 Dec 11 62,210 +997 Totals 329,434 -3,696 Rbob: Oct 11 20,271 -11,231 Nov 11 81,105 -2,622 Dec 11 52,894 +1,062 Totals 267,532 -4,206

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	87.84				
200-day MA	95.28				

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