



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 29, 2010

The National Hurricane Center said Tropical Storm Nicole formed over Cuba midday Wednesday. It is expected to move over the Florida straits and brush past the southeastern coast of Florida during the night. It is projected to stay well clear of

the Gulf of Mexico. The system is not expected to strengthen beyond a minimal tropical storm and forecasters predicted it would dissipate into thunderstorms by Friday. Meanwhile, there is a tropical wave located 700 miles east of the eastern Caribbean Islands. The NHC expects conditions to become less favorable for development as the system moves northwest at 15-20 mph. A second wave is located about 850 miles southwest of the Cape Verde Islands. It said some slow development is possible over the next several days as it moves west at 15-20 mph.

Market Watch

The Baltic Exchange's main sea freight index fell slightly by 1.44% or 36 points on Wednesday to 2,468 points. The Baltic's capesize index fell by 1.11% to 3,393. The panamax index fell by 3.18% or 83 points to 2,524 points while the supramax index fell by 0.32% or 6 points to 1,846 points.

The IEA's chief economist, Fatih Birol said oil may rise above \$80/barrel if global growth is 3-3.5%, though sharp rallies are not expected this year or next due to excess capacity. He said that the fact that oil is between \$70 and \$80 despite a weak global economy and low capacity usage shows the period for low oil prices is over.

Iran's OPEC Governor, Mohammad Ali Khatibi said he saw oil prices reaching \$80/barrel by the start of the winter.

The EIA stated that US oil demand in July increased by 3.5% or 652,000 bpd on the year to 19.278 million bpd. The 652,000 bpd gain was the largest year on year gain in any month since September 2009. July demand was down 0.3% or 65,000 bpd from its earlier estimates. Gasoline demand increased by 0.8% or 72,000 bpd on the year to 9.332 million bpd. Demand was revised down by 0.7% or 64,000 bpd from earlier estimates. Distillate demand increased by 4.9% or 166,000 bpd to 3.561 million bpd. It was revised up by 1.9% or 65,000 bpd from the previous estimate. The EIA also reported that US crude oil imports in July reached its highest level in 20 months due to stronger demand. Crude imports in July increased by 8.8% to 9.89 million bpd from 9.094 million bpd a year earlier. Canada remained the US' largest oil supplier during July, though supplies were down 3.5% on the year at 2.055 million bpd. Saudi Arabia fell from second to fourth place in July, exporting 1.033 million bpd to the US. Mexico was the second largest

DOE Stocks

Crude – down 475,000 barrels
Distillate – down 1.265 million barrels
Gasoline – down 3.469 million barrels
Refinery runs – down 2%, at 85.8%

supplier of crude to the US, with an average of 1.174 million bpd. Nigeria was the third largest supplier, with 1.143 million bpd while Venezuela supplied 1.016 million bpd.

<p>September Calendar Averages CL – \$75.33 HO – \$2.1061 RB – \$1.9397</p>
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Japan's Inpex Corp decided to withdraw from the Azadegan oil field development project in Iran due to pressure from the US government. Sources stated that the US notified Japan of the possibility that Inpex may be added to the list of companies not cooperating with unilateral US sanctions against Iran's nuclear development program. Japan's Ministry of Economy, Trade and Industry and Inpex aim to carefully map out the withdrawal from the project because Iran may seek damages.

Iran's atomic chief, Ali Akbar Salehi said the country's first nuclear power plant will be ready to generate electricity by January, two months later than previously expected. He said the process of placing fuel rods at the Bushehr facility would be completed by the middle of the Iranian month of Aban, around November 7th. Electricity generated by the plant will be connected to the grid two or three months from then.

Refinery News

A brief fire in the coking unit's compressor at Valero Energy Corp's 144,000 bpd refinery in Benicia, California on Saturday did not significantly impact operations.

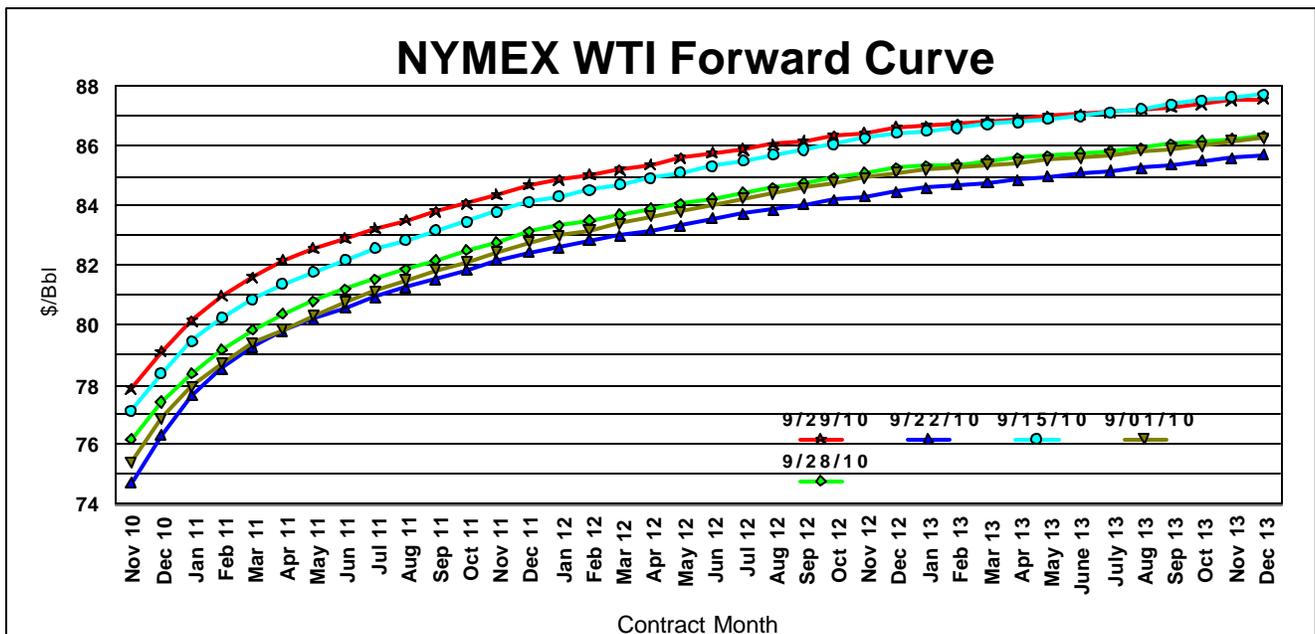
Citgo reported opacity exceeding permitted levels from a fluid catalytic cracking unit at the east plant of its 163,000 bpd refinery in Corpus Christi, Texas.

BP reported an exchanger head leak at its 437,080 bpd refinery in Texas City, Texas refinery due to an equipment failure on Tuesday.

The unplanned flaring at ExxonMobil Corp's 149,500 bpd refinery in Torrance, California did not have an impact on production. It said the flaring activity was not related to a unit shutdown.

Irving Oil is starting six weeks of planned turnaround on several major process units at its 300,000 bpd refinery in St. John, New Brunswick. The turnaround will include work on the refinery's No. 3 crude unit, No. 2 reheniformer, its fluid catalytic cracking unit and sulfur plant.

Suncor reported an oil spill late Tuesday night in the St. Lawrence Seaway near its 130,000 bpd



Montreal refinery. The spill was a mixture of diesel and water.

Enbridge Inc said it will expand the Edmonton terminal. The expansion is targeted for completion by 2012. It will expand the tankage of its mainline terminal at Edmonton, Alberta by 1 million barrels. Phase 1 is expected to be in service in the third quarter of 2012 while phase II is expected to be completed in the fourth quarter of 2012.

The Fos-Lavera oil terminal in southern France was still blocked Wednesday due to a rolling strike that started on Monday, preventing 34 tankers from offloading their cargo, as port workers protest French harbor reform. In total, 16 refined oil tankers, eight crude oil tankers, six gas tankers, three chemical product tankers and a barge were waiting to unload their cargo. French oil industry body UFIP said operations at seven refineries are being seriously threatened by the strike at the terminal.

Japan's Idemitsu Kosan Co plans to reduce its crude processing volume in the October-December quarter by 1% on the year to 6.7 million kiloliters or 458,000 bpd. The slight cut in planned crude throughput is due to expectations that weak domestic demand will persist.

The Petroleum Association of Japan reported that the country's crude oil stocks in the week ending September 25th fell by 3.64 million barrels on the week and by 1.71 million barrels on the year to 85.11 million barrels. Japan's gasoline stocks increased by 220,000 barrels on the week but fell by 350,000 barrels to 11.98 million barrels while kerosene stocks increased by 880,000 barrels on the week but fell by 3.65 million barrels on the year to 16.58 million barrels and naphtha stocks increased by 520,000 barrels on the week to 12.24 million barrels. It reported that crude runs fell by 240,000 bpd on the week and by 180,000 bpd on the year to 3.41 million bpd. Refinery utilization rate fell by 5% on the week and by 0.2% on the year to 73.6%. The PAJ also reported that total oil product sales fell by 14.8% on the week but increased by 2.8% on the year to 2.45 million bpd.

Production News

Two cargoes of North Sea Forties crude due to be shipped at the end of October have been cancelled. The reason for the cancellation was not immediately clear.

Qatar has notified at least two Asian buyers that it will supply its Qatar Land crude at full contracted volumes for November, unchanged from October levels.

Shell Oil Co is planning a second deep water production hub in the Gulf of Mexico's Mars field. It said first production from the Mars B Olympus platform is expected in 2015. The facility will be designed to process about 100,000 bpd of oil equivalent.

OPEC's news agency reported that OPEC's basket of crudes fell by 19 cents to \$74.87/barrel on Tuesday from \$75.06/barrel on Monday.

Market Commentary

For the first time in seven weeks, the spot month crude oil traded and settled above the 200-day moving average. Led by unexpected decreases in gasoline and distillate stock levels, the November crude oil contract traded above \$78.00 a barrel. Today's weakness in the dollar brought investor interest into commodities, this coupled with economically promising signs out of China added to the support. Despite today's inventory draws, overall levels remain robust. We would have to see a major shift in overall fundamentals in order for crude oil to break out of its trading range. The November crude oil contract is approaching the 62% Fibonacci retracement level of \$78.40, making it the next near-term upside objective.

Crude oil: Nov 10 345,759 –6,378 Dec 10 227,376 –3,671 Jan 11 101,283 +4,276 Totals 1,332,755 –1,906 Heating oil: Nov 10 96,012 +3,139 Dec 10 73,156 +1,834 Jan 11 44,385 +454 Totals 328,344 –598 Rbob: Nov 10 98,226 +2,223 Dec 10 44,710 +4,129 Jan 11 24,748 -464 Totals 242,914 +3,892

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7727		19236	22530	18240	
7367	7840	18965	22700	16010	22345
7307	7866	18920	22945		24880
7260	8000		23775		27085
7190	8130				

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