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Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR AUGUST 24, 2009

Iraq's Oil Minister Hussain al-Shahristani said he saw absolutely no need for OPEC to decide to increase its oil production at its upcoming meeting

next month. He said that signs of global economic recovery would probably lead to increased oil demand in the near future but at the same time crude reserves are higher than they have been in the previous five years.

Market Watch

The US National Hurricane Center said it is monitoring disorganized showers and thunderstorms associated with a tropical wave in the western Atlantic Ocean but gave it a low chance, less than 30%, of becoming a tropical cyclone during the next 24 hours. It said some slow development of the system was possible during the next couple of days as it moved west-northwest at 20-25 mph.

Iran's Foreign Ministry said Iran will continue to cooperate with the UN's IAEA. Foreign Ministry spokesman Hassan Qashqavi also called on the West to seek interaction rather than impose more sanctions on the country. The IAEA is due to release a report on Iran's disputed nuclear program this week. Last week, diplomats said Iran had allowed the IAEA to inspect the Arak heavy water reactor site. The UN agency had urged Iran to grant access so that it could verify that the site under construction was for peaceful uses only. The diplomats also said Iran had recently allowed an upgrade of monitoring at the Natanz uranium enrichment plant. The changes were greeted with skepticism by the West. The US, Britain, France and Germany are expected to urge Russia and China in talks on September 2 to consider a fourth round of UN sanctions on Iran and the latest IAEA report will help form the basis for the discussions.

Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta said it will be compelled to resume attacks on the oil industry at the end of its ceasefire on September 15th. A MEND spokesman said there was deceit in Nigeria's government's amnesty program.

The EIA reported that the US average retail price of diesel increased by 1.6 cents/gallon to \$2.668/gallon in the week ending August 24th. It also reported that the US retail price of gasoline fell by 0.9 cents/gallon to \$2.628/gallon on the week.

August Calendar Averages

CL – \$70.95

HO – \$1.8986

RB – \$2.0195

Refinery News

A sulfur recovery unit malfunctioned on Saturday at BP Plc's 455,790 bpd Texas City, Texas refinery.

Valero Energy Corp said a 70,000 bpd fluid catalytic cracking unit at its 180,000 bpd Memphis, Tennessee refinery was restarted over the weekend and nearing planned rates. The unit was taken out of service August 6th to repair an associated flue gas cooler.

Total Petrochemicals USA is shutting unit 837 and restarting part of unit 838 at its 174,000 bpd Port Arthur, Texas refinery.

Indonesia's Pertamina may restart a gasoline making unit at its 125,000 bpd Balongan refinery this Friday after it was shut on August 19th due to technical problems.

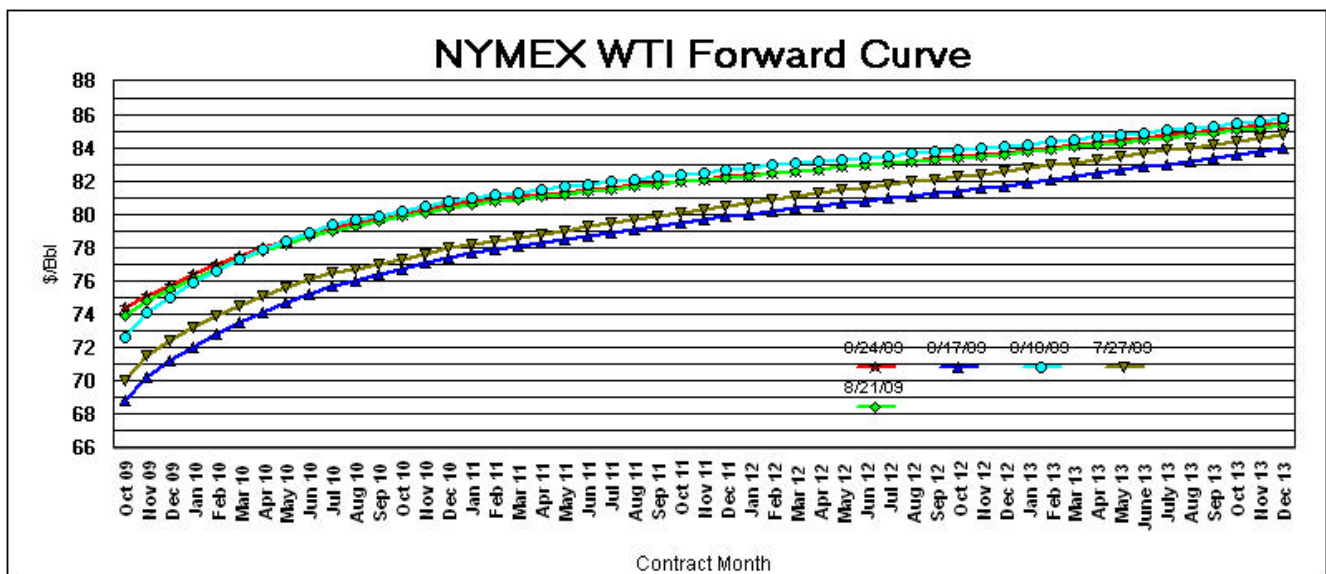
Indian Oil Corp may delay the expansion of its Panipat refinery to July or August next year. It was previously expected to expand the plant by March 2010. The refinery's capacity is expected to increase to 300,000 bpd from 240,000 bpd. It will shut one of its crude units for 30-35 days to increase its capacity.

According to official data, China's implied oil demand in July increased by 3.5% on the year, its fourth consecutive increase, as refiners increased its production to new highs. China consumed 8.15 million bpd of oil in July, up 140,000 bpd on the month. China's net imports of crude increased by 41.9% on the year to 4.521 million bpd while its product imports fell by 47.6% on the year. China's crude oil production fell by 0.3% on the year to 3.801 million bpd.

China's imported 19.6 million metric tons or 4.6 million bpd of crude oil in July, up 42% on the year. It imported 1.338 million tons or 315,000 bpd of Iraqi crude in July, up 450% on the year. Its crude imports from Iraq in the first seven months increased by 354% to 3.556 million tons or 122,450 bpd. Meanwhile, China's gasoline exports in July totaled 297,616 metric tons in July, up 58.3% on the year but down 46.7% on the month. China's diesel exports increased by 12.5% on the month to 424,965 tons.

Production News

A senior Iraqi oil official said Japan's Nippon Oil Corp and partners are close to winning a contract to develop Iraq's 100,000 bpd Nassiriya oilfield after a deal was reached on financing. Iraq's Deputy Oil Minister Abdul Karim Louaibi said the Iraqi Oil Ministry was talking to Japan Petroleum Exploration Co about developing the southern part of the East Baghdad oilfield however Japex may not ultimately be the company picked for a contract.



Iran's Oil Minister Gholamhossein Nozari said over 8.8 billion barrels of crude oil has been discovered in four new layers at the Sousangerd oilfield, the largest in five years.

Russia's Transneft said Russia may slightly reduce crude deliveries to its biggest oil port of Primorsk on the Baltic Sea, after a Siberian oil reservoir was set ablaze on Saturday. The Kanda oil transport station in the Siberian region of Khanty-Mansiisk caught fire after it was struck by lightning. It said four of the Kanda station's eight reservoirs would resume working soon and that this would provide enough crude to the pipeline that delivers oil to Primorsk.

Nigeria plans to export three Bonny Light crude cargoes in October, down from September's five cargoes. Nigeria is scheduled to export five Akpo, five Bonga, five Escravos cargoes, each with cargoes of 950,000 barrels. It also plans to export seven 975,000 barrel Agbami cargoes, two 950,000 Amenam and two 1 million barrel Amenam cargoes. It is also scheduled to export 11 cargoes of Qua Iboe crude of 950,000 barrels each, one 450,000 barrel cargo of Qua Iboe, one 950,000 barrel cargo of Oso and three 950,000 barrel cargo of Yoho. In total, the country will export at least 45 cargoes of crude in October.

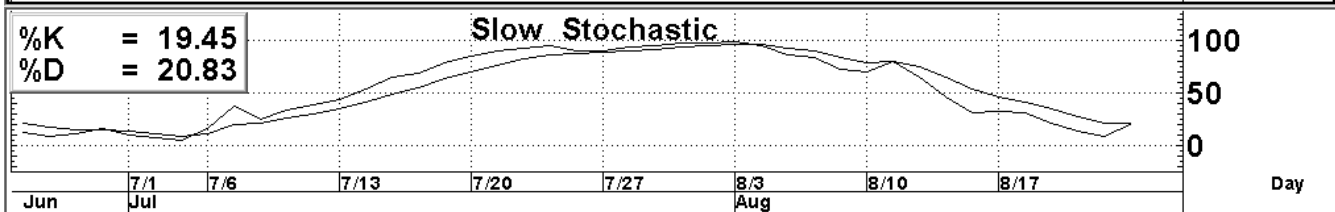
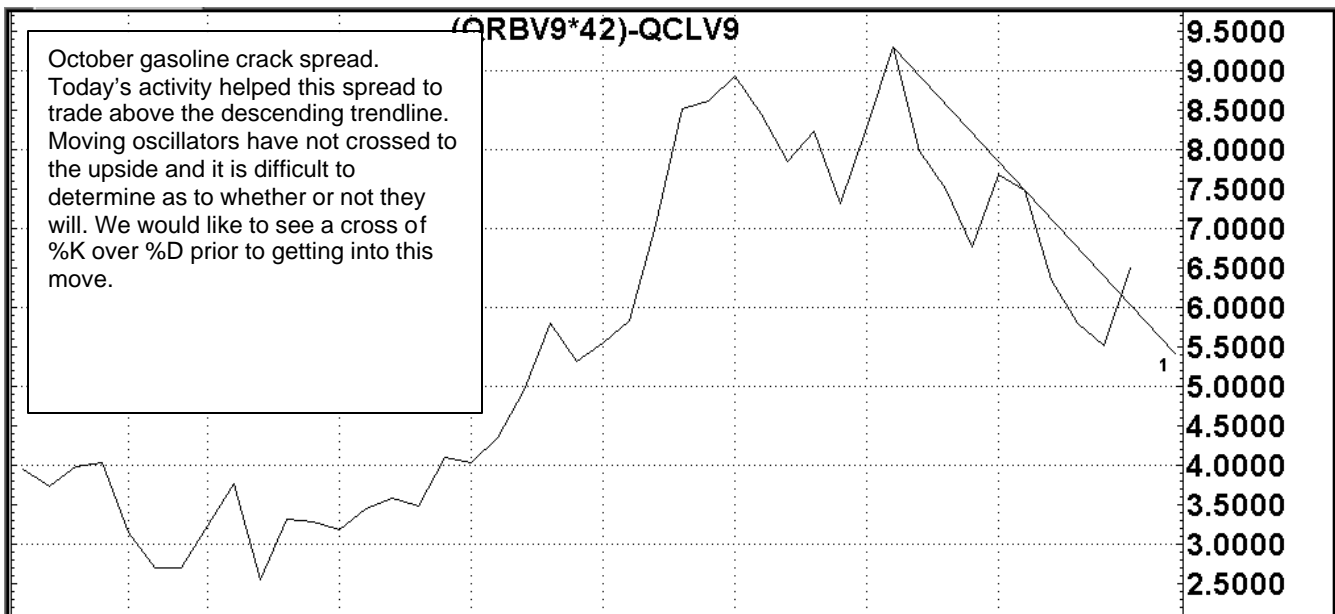
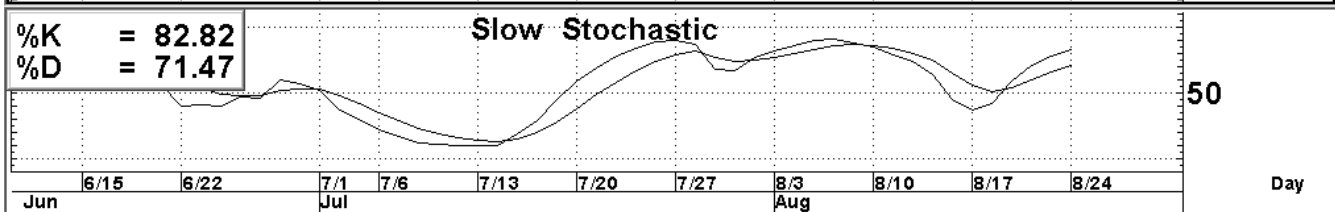
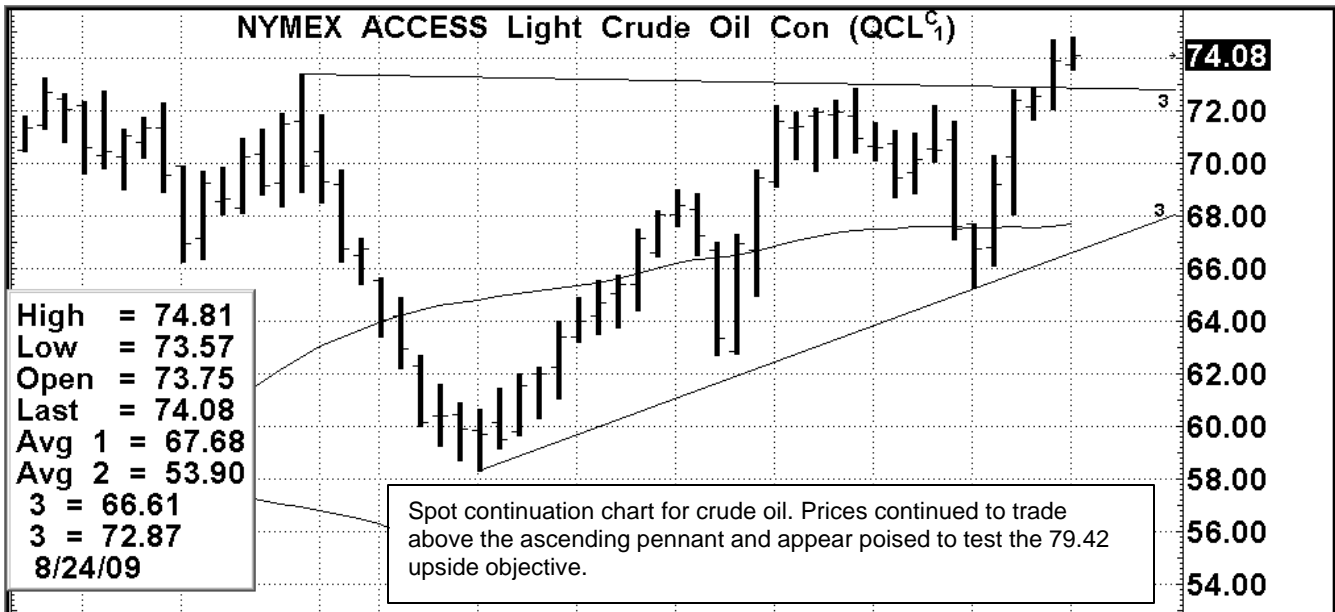
Petroecuador reported oil export revenues of \$393 million in July, down 4% on the month. In terms of volume, it exported 7.02 million bpd of crude in July, down 10% from 6.4 million barrels in June.

OPEC's news agency reported that the OPEC basket of crudes fell to \$72.22/barrel on Friday, down from Thursday's \$72.57/barrel level. It also reported that OPEC's basket of crudes fell by 74 cents to \$70.69/barrel in the week ending August 21st.

Market Commentary

Stronger equities markets and a weak dollar helped push crude oil prices to their highest level in 10 months as optimism over an economic recovery once again surfaced. Stocks have staged their fifth straight rally and the dollar traded near a two-week low. The global economic situation has been moving this market and if the economic situation is showing signs of improvement, crude oil will continue to move higher. Gasoline was the strongest of the three markets, dragging crude oil and heating oil with it. The October gasoline crack spread penetrated a descending trendline, which was set at \$6.1404. Slow stochastics have not yet crossed to the upside, supporting additional moves higher. The EIA report, which is due out Wednesday, is calling for a draw in gasoline stocks. We will have to wait and determine if the draw was due to an increase in demand or lower refining runs. Either way, the summer driving season is winding down and demand for gasoline should taper off.

Crude Oil (OCT.09 275,213 +9,379 NOV.09 125,779 +4,728 DEC.09 161,360 -655 JAN.10 37,611 -663 FEB.10 28,172 -2,331 MAR.10 22,207 +1,203 Totals: 1,151,530 +9,520 Heating Oil SEP.09 34,385 -1,267 OCT.09 65,229 -68 NOV.09 35,864 -650 DEC.09 45,077 -534 JAN.10 23,489 -468 FEB.10 15,932 -12 Totals: 317,261 -1,914 Harbor SEP.09 39,836 -5,603 OCT.09 72,399 +2,299 NOV.09 32,556 +1,113 DEC.09 30,431 -339 JAN.10 13,713 +375 FEB.10 4,237 +99 Totals: 220,765 -1,688



Crude Support	Crude Resistance
66.75, 63.38, 62.70, 61.61, 60.95,	74.80, 76.13
Heat Support	Heat resistance
1.7340, 1.4220, 1.4130, 1.3720	2.0420, 204.65
Gasoline support	Gasoline resistance
1.9100, 1.8845, 1.8450, 1.7989, 1.7895, 1.5887, 1.5370, 1.5260, 1.3560, 1.3400,	2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350

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