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ENERGY MARKET REPORT FOR SEPTEMBER 17, 2010

Russia's Prime Minister Vladimir Putin said Russia will work more closely with OPEC. He however did not specify how Russia would collaborate or whether it planned to attend OPEC's next meeting.

BP Plc completed drilling an undersea relief well that intersects the pipeline responsible for the massive Gulf of Mexico oil spill earlier this year. It said it plans to complete the sealing of its Macondo well on Saturday as Transocean Ltd's Development Driller III rig has drilled the final 45 feet of a relief well.

Diplomats said Iran wants Venezuela's

President Hugo Chavez to have a role in international talks on its nuclear program. Iran has expressed its wish to several Western representatives. Iran would also welcome representatives of Brazil and Turkey and views their participation as a way to reach a concrete dialogue.

Market Watch

Goldman Sachs said gold has more upside potential and added that even range bound oil should rally. It said near-to-medium term fundamentals remain most constructive for crude oil, copper, platinum and corn, with short-term risk/reward looking the best for crude oil.

The Labor Department said US consumer prices increased slightly more than expected in August. Its seasonally adjusted Consumer Price Index increased 0.3% after increasing 0.3% in July. It reported that the gasoline index increased by 3.9% in August following a 4.6% increase in July. In the 12 months to August, the CPI increased by 1.1% following a 1.2% increase the prior month.

US consumer sentiment unexpectedly worsened in early September to its weakest level in more than a year. The Thompson Reuters/University of Michigan's preliminary reading for September on the overall index on consumer sentiment came in at 66.6, down from 68.9 in August. The survey's one year inflation expectations measure fell to 2.2% from 2.7% in August. It was the lowest reading since last September.

According to the Federal Reserve's quarterly flow of funds report, US household wealth fell by \$1.5 trillion in the second quarter to \$53.5 trillion.

The University of Michigan's director of surveys Richard Curtin estimated a 25% chance that the US economy would fall back into a recession. He said the likelihood of a renewed economic contraction remained elevated amid consumers' weakening outlook and a slow housing market.

The ethanol industry group, Growth Energy, which petitioned the US EPA to allow regular gasoline to be blended with higher levels of ethanol said it expects the federal environmental regulators to approve the request. It petitioned the EPA last year for a waiver to allow regular gasoline to be blended with ethanol levels of 15%. It said the EPA will grant the waivers and that E15 should be available in March or April. Separately, the US Agriculture Secretary Tom Vilsack said he expects the Environmental Protection Agency will approve next month gasoline with ethanol blends of 15%.

**September
Calendar Averages**
CL – \$75.10
HO – \$2.0893
RB – \$1.9389

The API said US demand for crude oil and petroleum products in August increased by 0.4% on the year to 19.021 million bpd. US gasoline demand in August fell by 0.8% to 9.225 million bpd while distillate demand increased by 7% to 3.666 million bpd. The API also reported that crude oil production fell by 0.5% to 5.393 million bpd. Crude oil and petroleum product imports averaged just over 12 million bpd in August, up 7.5% on the year.

Refinery News

Enbridge Energy said Line 6A returned to service after it was shut more than a week ago following an oil leak in Romeoville, Illinois. The 670,000 bpd pipeline resumed operations on Friday morning and will increase its throughput slowly under the supervision of the US Department of Transportation’s Pipeline and Hazardous Materials Safety Administration. It was carrying light synthetics oil as well as heavy and medium crude from Superior, Wisconsin to Griffith, Indiana.

Alon USA Energy Inc reported that there was an upset at fluid catalytic cracking unit at its Big Spring, Texas refinery early Friday morning.

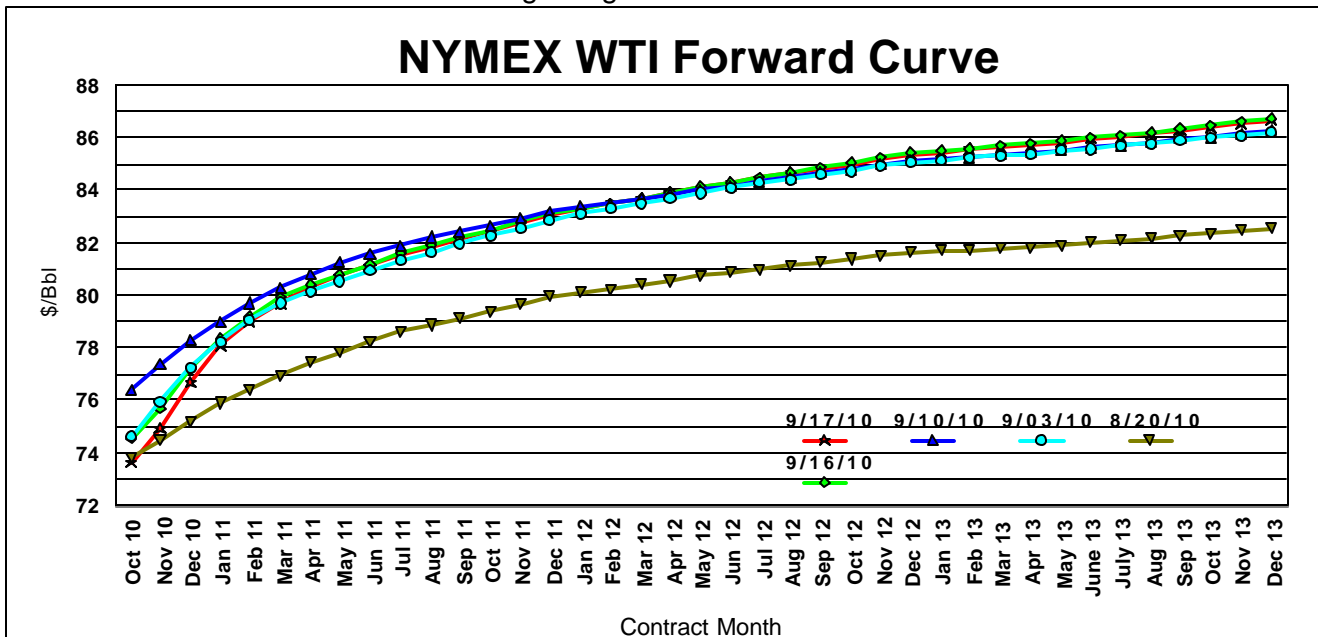
Murphy Oil Corp is performing maintenance on a hydrocracking unit at its 125,000 bpd Meraux, Louisiana refinery on Friday. It did not state what unit was undergoing maintenance.

ConocoPhillips said it would carry out maintenance work on its unit 50 coker at its 146,000 bpd Borger refinery in Texas on Thursday. The maintenance is scheduled to last until late Saturday.

Valero Energy Corp’s 36,000 bpd hydrocracker unit in the west plant of its Corpus Christi, Texas refinery is operating at planned rates. The unit was shut on Tuesday night to repair a leak.

Total Petrochemicals USA reported the release of nitrous oxide and volatile organic compounds from a flare stack at its 232,000 bpd Port Arthur, Texas refinery on Thursday. The cause for the emission was unknown.

PetroChina’s fuel oil loadings have not been affected by a terminal fire at the Caribbean island of Bonaire, operated by PDVSA. PetroChina lifts under a term supply deal most of PDVSA’s fuel oil production with monthly volume of three to four VLCCs or between 5.4 to 7.2 million barrels. The Bonaire terminal remains closed after lightning caused a fire last week.



Indian Oil Corp issued its third tender to buy November loading sweet crude. In its last tender, IOC bought 4 million barrels of West African November loading crude.

Production News

Mexico's Pemex halted production at 14 wells in the Gulf of Mexico and evacuated personnel as Hurricane Karl moves through a key offshore production area. The National Hurricane Center said Hurricane Karl, a Category 3 storm, made landfall on the southwestern Gulf coast of Mexico on Friday.

Meanwhile, Mexico's Communications and Transport Ministry said Mexico's two main oil export ports of Dos Bocas and Cayo Arcas remained closed on Friday.

Whiting Petroleum cut its third quarter production outlook due to pipeline maintenance on the Enbridge system. It expects its third quarter production to be at or below the lower end of its prior estimate of 6-6.2 million barrels of oil equivalent.

Norway's Det norske said a Norwegian oil discovery announced by Sweden's Lundin Petroleum may be the largest one off Norway in years. Lundin estimated the find in its license area, called Avaldsnes, contained recoverable reserves of 100-400 million barrels of oil equivalent.

Azerbaijan's Statistics Committee said the country's oil and condensate production in January-August increased by 2.2% on the year to 34.25 million tons.

Russia's final schedule for crude oil exports and transit via Transneft will remain unchanged at 51.2 million tons in the fourth quarter. Exports from the Baltic Sea port of Primorsk are expected to increase to 17.9 million tons in the fourth quarter from 17.4 million tons in the third quarter. Exports from the Black Sea port of Novorossiisk are expected to fall to 11.59 million tons in the fourth quarter from 11.6 million tons in the third quarter. Exports from the Black Sea port of Yuzhy are expected to fall 40% to 1.45 million tons while the Pacific Port of Kozmino is expected to load 4.09 million tons of crude from the East Siberia-Pacific Ocean Pipeline(ESPO), up 50,000 tons on the quarter.

Russia's Rosneft asked the government to lower an export duty for Vankor in order to increase investment in the large oil field in East Siberia. Russian oil companies are lobbying for a lower tax so they are able to invest in production and exploration as output at mature West Siberian fields are declining.

Angola is likely to export about 1.73 million bpd of crude oil in November, down from about 1.75 million bpd in October.

Ecuador's Minister for Nonrenewable Natural Resources, Wilson Pastor said more than 600 employees have been suspended from Petroecuador due to a conflict of interest. The employees had been buying and selling fuel via a company called Gaspetsa and had been using privileged Petroecuador information.

OPEC's news agency reported that OPEC's basket of crudes increased slightly to \$75.49/barrel on Thursday from \$75.37/barrel on Wednesday.

Market Commentary

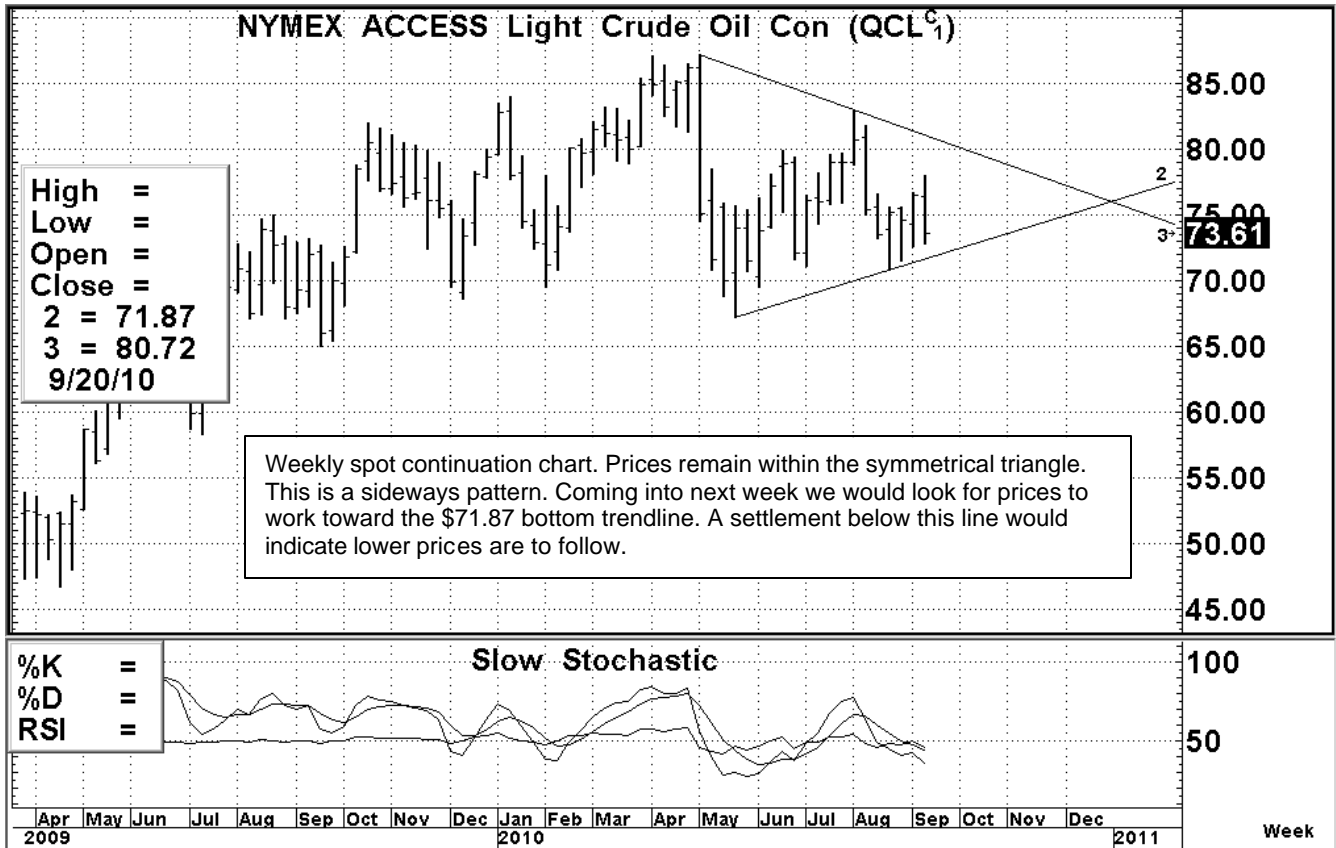
Crude oil prices fell for the fourth straight day due to economic woes. According to a Thompson Reuters/University of Michigan preliminary report, consumer confidence in the U.S. fell to 66.6 in September, down from 68.9 in August, raising concerns that the economy is not improving as most

had hope for. Strength in the dollar also helped to push prices lower. Crude oil's attachment to the U.S. equities market remains in place and the congestion area of \$70.00-\$80.00 that has been established for most of this year is holding. With the inability of crude oil to hold above the 200-day moving average of \$77.01, technical selling entered the market adding to the speculative sell-off. A symmetrical triangle has been forming on a weekly spot continuation chart. This pattern typically means sideways trading. At this point in time and with moving oscillators crossing and turning to the downside, we would look for a test at the lower trendline of the aforementioned formation. This trendline is set at \$71.82 next week. Worth noting is that the ICE gas oil futures have gone from trading in contango, backs over, to trading in backwardation, fronts over. This makes gas oil futures the strongest of all energy markets traded on both the ICE and NYMEX. This move is not however supported by the fundamentals. Although there has been a slight improvement in the underlying fundamentals, it is not significant enough to support this move. Tight supply conditions are not in play and with winter on the horizon, we could be seeing pre-winter buying, which would leave for possible supply overhang down the road.

The Commitment of Traders report showed that non-commercial in the crude market increased their net long position by 37,848 contracts to 48,337 contracts in the week ending September 14th. The combined futures and options report showed that funds continued to increase their net long position by 44,032 contracts to 147,582 contracts on the week. The disaggregated futures and options report showed that managed money funds also continued to increase their net long position by 37,652 contracts to 122,609 contracts on the week. Meanwhile the combined futures and options report showed that non-commercials in the product markets increased their net long positions. Funds in the heating oil market increased their net long position by 5,675 contracts to 15,670 contracts while funds in the RBOB market increased their net long position by 9,375 contracts to 32,179 contracts on the week.

Crude oil: Oct 10 89,701 -33,376 Nov 10 333,617 -17,297 Dec 10 217,166 +6,322 Totals 1,347,275 +6,629 Heating oil: Oct 10 51,613 -2,413 Nov 10 69,195 +5,551 Dec 10 68,719 +2,391 Totals 329,085 +5,426 Rbob: Oct 10 55,192 -3,247 Nov 10 79,709 +2,653 Dec 10 38,253 +2,666 Totals 246,582 +3,725

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	7781	18965	22530	18240	
7367	7866	19236	22700	16010	22345
7307	8100	18920	22945		24880
7260			23775		27085
7190					



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