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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 OCTOBER 1, 2009

US diplomats along with diplomats from Britain, France, Germany, Russia and China held talks with Iran on Thursday on how to end the standoff over Iran's nuclear program. The US said it held the highest level direct talks with Iran in three decades during talks between Iran and the six

<p>October Calendar Averages</p> <p>CL – \$70.82</p> <p>HO – \$1.8274</p> <p>RB – \$1.7579</p>
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world powers. Undersecretary of State for Political Affairs William Burns, head of the US delegation met Iran's chief nuclear negotiator Saeed Jalili. A spokeswoman for EU policy chief Javier Solana said the talks proceeded in a cordial and businesslike atmosphere with the main focus on Iran's nuclear program. He said world powers and Iran agreed in principle on the export of Iranian uranium to third parties for full enrichment. Iran's Foreign Minister Manouchehr

Market Watch

According to the Labor Department, initial claims for jobless benefits increased by 17,000 to 551,000 in the week ending September 26th. The previous week's level was revised from 530,000 to 534,000. The four week moving average of new claims fell by 6,250 to 548,000 from the previous week's revised figure of 554,250. The number of continuing claims in the week ending September 19th fell by 70,000 to 6,090,000 from the preceding week's revised level of 6,160,000. The unemployment rate for workers with unemployment insurance for the week ending September 19th was 4.6%.

The Commerce Department reported that personal income increased by 0.2% in August compared to July while spending increased by 1.3%. Personal saving as a percentage of disposable personal income was 3% compared to 4% in July.

The National Association of Realtors' index for pending sales of previously owned homes increased by 6.4% to 103.8 in August from 97.6 in July. The NAR pending home sales in August was 12.4% higher than the 92.4 it was in August 2008 and is at the highest level in more than two years.

The National Corn Growers Association said US farmers could grow enough corn to produce 25 billion gallons of ethanol in 2030, twice as much as this year's target of 12 billion gallons.

Venezuela's PDVSA said it will set new and final conditions on the Carabobo oil drilling auction on November 12th. It said the auction in which PDVSA will receive oil firms' offers is being pushed back to January 28th. All winners of the auction will by law enter into a joint venture with PDVSA in which PDVSA will control 60% and the company or companies the other 40%.

The head of the Iranian parliamentary energy commission, Hamid Reza Katouzian said Iran has not signed an agreement to import gasoline from Venezuela. In early September, reports from Iran indicated Iran agreed to import 20,000 bpd of gasoline from Venezuela as of October.

Russia's Economy Ministry said the country may speed up introduction of equal duties for heavy and light refined products and level them out from January 1, 2010.

Mottaki also said the talks were held in a constructive atmosphere. Earlier, Iran's nuclear negotiator, Saeed Jalili said Iran will never give up its absolute rights on its controversial atomic program. During the talks, Iran and world powers agreed to hold another round of talks before the end of the month.

Following the talks, EU Foreign Affairs chief Javier Solana said world powers expect Iran will allow a visit by international inspectors to its Qom uranium enrichment plant in the next two weeks.

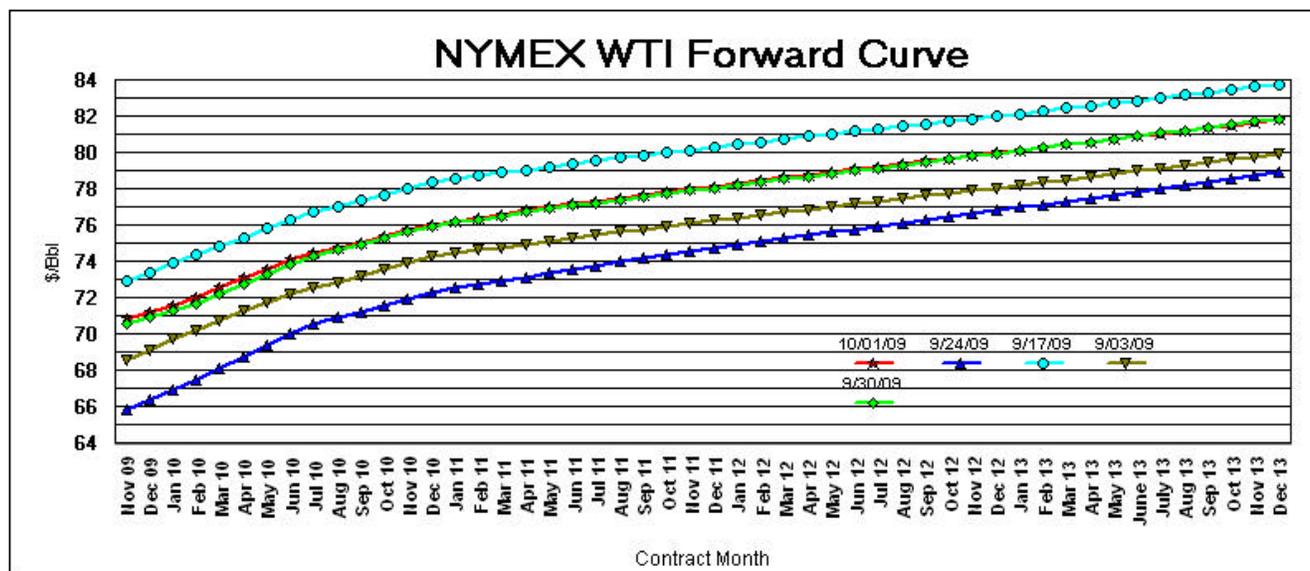
The White House warned that it would consider sanctions if it believed Iran was using dialogue to delay international efforts to open its nuclear program. Meanwhile, US Secretary of State Hillary Clinton said multilateral talks with Iran were productive but added that she wants Iran to move from gestures to results.

Russian news agencies reported that Russia is prepared to enrich uranium supplied by Iran to feed a research reactor in Iran. The idea would involve Russia further enriching uranium and then passing it on to France or Argentina to be made into fuel.

Canadian customs officials said Iran is attempting to acquire clandestine shipments via Canada for its nuclear program. Canadian customs officers seized everything from centrifuge parts to programmable logic controllers being shipped to Iran through third countries. Microchips identified as possible navigational chips from the US, Denmark and Japan were marked as headed for the UAE however officials suspect the end destination was Iran.

A key militant leader from Nigeria's Niger Delta, Ateke Tom formally accepted an amnesty offer in a meeting with President Umaru Yar'Adua. The militant leader and his followers are now expected to surrender their arms under the amnesty program. Nigeria's President had given militants until Sunday to surrender their weapons in return for clemency, rejecting requests from Tom to push back the deadline to allow time for peace talks. It is unclear whether fellow militant hardliners Government Tompolo and Farah Dagogo would also take the amnesty before Sunday's deadline.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 240,000 bpd to 22.58 million bpd in the four weeks ending October 17th.



Sunoco Inc completed the turnaround at its 160,000 bpd Toledo, Ohio refinery. The turnaround of a crude unit, fluid catalytic cracking unit and alkylation unit started in August and was scheduled to be completed in mid-September but was delayed.

Shell will shut its hydroprocessing and catalytic cracking units at its refinery in Deer Park, Texas for maintenance starting October 1st to October 24th. It will also shut alkylation units during the maintenance period.

Total Petrochemicals is restarting unit 837 at its Port Arthur, Texas refinery on Thursday following the completion of maintenance work. The restart will last until October 5th. Separately, Total said a cogeneration turbine at the Port Arthur, Texas refinery tripped offline early Thursday. It said the cogeneration boiler was restarted as soon as possible.

ConocoPhillips will shut its 260,000 bpd Wilhelmshaven oil refinery in Germany in early October for maintenance. The refinery will remain shut for 10 weeks.

Ukraine's Odessa oil refinery could suspend production soon due to a change in the supply route to the refinery. The refinery could be forced to pay more for oil if Ukraine's Ukrtransnafta wins approval of a proposal to use a longer pipeline route to supply oil to Odessa. The use of the longer route would increase transportation expenditures by \$6/ton.

South Korea's S-Oil will shut down its 52,000 bpd No. 2 residue hydro desulfurization unit starting Monday through the end of October for regular maintenance. S-Oil plans to lower its crude runs rates this month to 500,000 bpd from 530,000 bpd last month.

Taiwan CPC Corp will shut a 50,000 bpd fluid catalytic cracking unit at its Taoyuan refinery for 40-45 days of planned maintenance in November. CPC Corp shut a 25,000 bpd catcracker on Thursday at its Kaohsiung refinery for an indefinite period due to poor margins. It has also shut a 30,000 bpd reformer unit at its Talin refinery since August for three months of expansion work to increase its capacity to 39,000 bpd.

Indonesia's 120,000 bpd Dumai oil refinery in central Sumatra, is operating normally after another earthquake hit the island on Thursday.

South Korea's crude runs in October will increase by about 4% on the month in October to 2.27-2.28 million bpd. SK Energy will increase its run rates in October to 800,000 bpd or about 72% of its total capacity from 700,000 bpd in September. GS Caltex is maintaining its crude runs at 670,000-680,000 bpd in October while S-Oil Corp cut its run rates to 500,000 bpd from 530,000 bpd. Hyundai Oilbank will increase its crude runs to 300,000 bpd in October from 290,000 bpd in September.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.066 million barrels to 19.016 million barrels in the week ending September 30th. It also reported that Singapore's light distillate stocks built by 1.11 million barrels to 10.853 million barrels while its middle distillate stocks fell by 201,000 barrels to 14.558 million barrels on the week.

Gasoline inventories in independent tanks in the Amsterdam-Rotterdam-Antwerp area in the week ending October 1st fell by 1.93% on the week but increased by 48.02% on the year to 712,000 tons. Stocks fell as exports were bound for the US, Nigeria and Mexico. Gas oil stocks fell by 0.41% on the week but increased by 41.36% on the year to 2.946 million tons while fuel oil increased by 21.92% on the week and by 37.06% on the year to 662,000 tons. Naphtha stocks increased by 17.58% on the week and by 2.88% on the year to 107,000 tons while jet fuel stocks increased by 6.62% on the week and by 70.33% on the year to 838,000 tons.

Brazil's Foreign Trade Ministry reported that the country's ethanol exports in September fell to 371 million liters from 595 million liters in September 2008. It is up from August's level of 348 million liters.

Production News

According to a Dow Jones survey, OPEC's 11 members bound by quotas increased their crude production by 0.29% or 75,000 bpd to 26.405 million bpd in September, up from 26.33 million bpd in August. The OPEC-11 produced about 1.56 million bpd above their production target of 24.845 million bpd. Total OPEC production, including Iraq, increased by 0.12% or 35,000 bpd to 28.865 million bpd in September. It reported that Saudi Arabia cut its production slightly by 5,000 bpd to 8.14 million bpd. Production in September was helped by Nigeria, where output increased by 30,000 bpd to 1.9 million bpd.

A Reuters survey showed that OPEC-11 produced 26.4 million bpd in September, up from 26.2 million bpd in August. The survey suggests OPEC has complied with 63% of promised supply cutbacks, down from 68% in August. Its production is 1.56 million bpd higher than the implied target of 24.84 million bpd. The rise in output in September was led by Nigeria and Angola. Nigeria produced 1.94 million bpd in September, up from 1.75 million bpd in August while Angola produced 1.85 million bpd in September, up from 1.78 million bpd in August. Saudi Arabia kept its supply relatively unchanged at 8.1 million bpd. Total OPEC production increased by 150,000 bpd to 28.85 million bpd. Iraq's oil production fell by 50,000 bpd to 2.45 million bpd.

The head of Iraq's SOMO, Falah Alamri said the country's oil exports fell slightly to an average of 2 million bpd in September from 2.009 million bpd in August. He said of the 2 million bpd, 1.5 million bpd had been pumped from Basra. Exports from Iraq's Kirkuk fields through the northern pipeline to the Turkish port of Ceyhan stood at 490,000 bpd. Another 10,000 bpd was trucked to Jordan.

Korea National Oil Corp has started drilling a field in northern Iraq that could hold up to 1.2 billion barrels of crude.

Iraq has barred China's Sinopec Corp from participating in a second round of bidding for major oil deals over its purchase of a Swiss oil firm active in Iraq's Kurdistan region. Iraq's Oil Ministry, which deems deals signed independently by Kurdistan and foreign oil firms as illegal, had already threatened to blacklist Sinopec for acquiring Addax Petroleum Corp.

Indonesia's BPMIGAS said the country's oil production increased to 834,500 bpd in September from 817,600 bpd in August. The country's condensate production fell to 118,000 bpd in September from 122,000 bpd in August.

Cenovus, EnCana Corp's spinoff firm, plans to file applications in the second quarter of next year for a project that could produce 80,000-100,000 bpd at a northern Alberta site called Narrows Lake. Plans call for a steam-assisted gravity drainage project, where the company pumps steam into the earth to loosen up the tar-like bitumen so it can be pumped to the surface in wells.

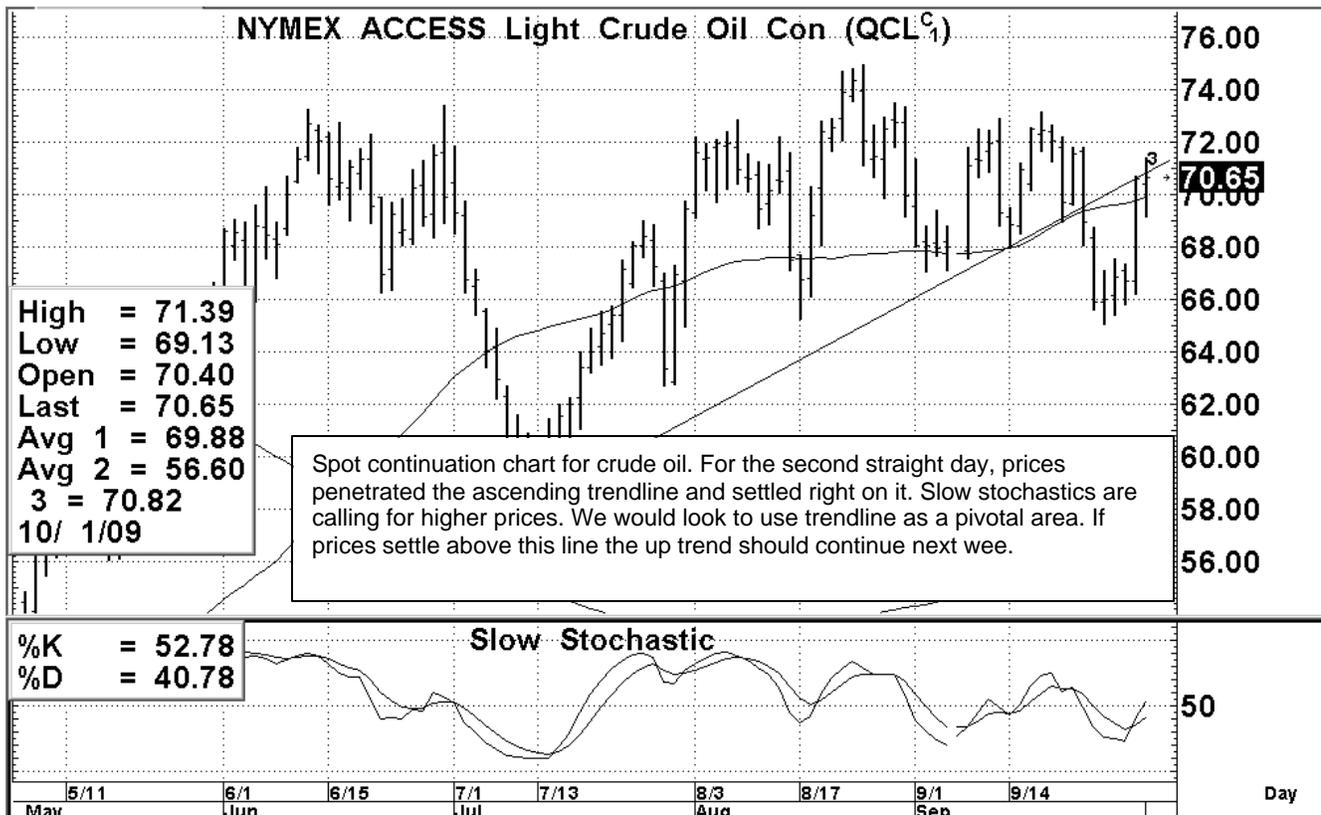
OPEC's news agency reported that OPEC's basket of crudes increased further to \$65.55/barrel on Wednesday from Tuesday's \$64.25/barrel level.

Market Commentary

Crude oil traded erratically above and below unchanged as it responded to several varying economic data. A strong dollar and less than optimistic jobs claims put pressure on prices while concerns regarding Iran's nuclear program lent support to this market. The overall supply/demand situation remains the same and that is that this market is still over supplied and under demanded. The

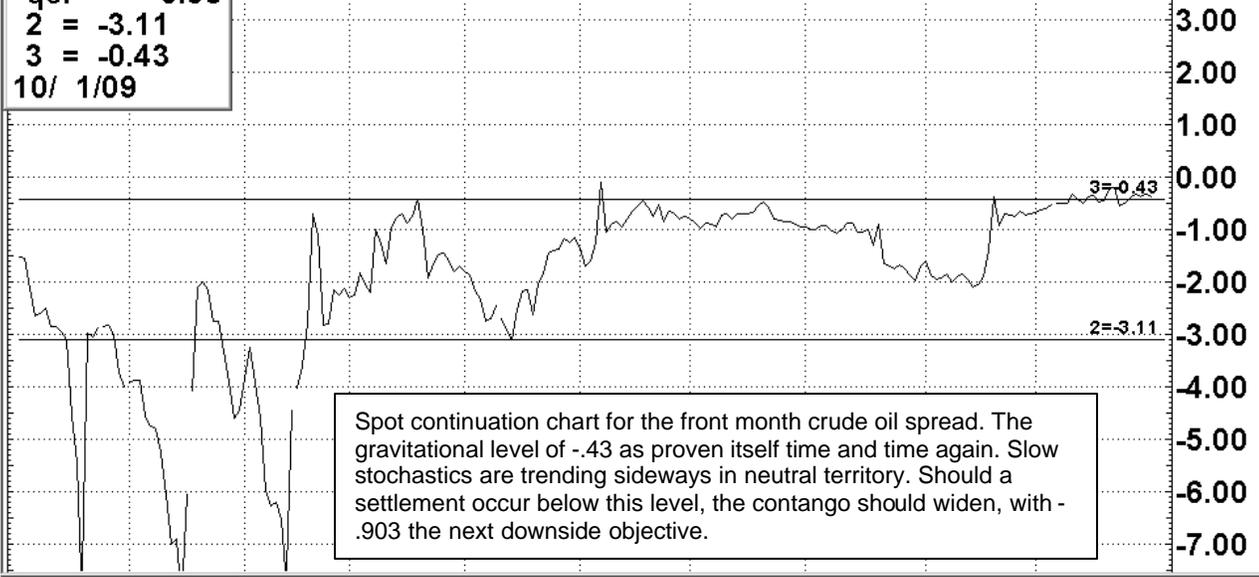
November/December spread weakened slightly today but settled above key support set at -.43. This level continues to prove itself as a gravitational area. Given our fundamentally bearish outlook on this market, we would look for this spread to weaken and trade below the -.43 level. Should a settlement occur below this number, we would look for the contango, deferred months trading at a premium to the front month, to widen further, with the initial downside objective being -.93. This is the second day in a row that the front month crude oil traded above the long standing ascending trendline on a spot continuation chart and settled right on it. Coming into tomorrow's session this trendline is set at \$70.82 and can be used as a pivotal area. Should a settlement occur above this trendline, we would look for prices to work higher next week. Gasoline managed to slightly hold on to its gains due to yesterday's surprise draw in inventories, despite the off – seasonal dip in demand that is expected. Heating oil settled lower on the day, as some refiners are still in turnaround and supplies are ample.

Crude NOV.09 300,090 -3,291 DEC.09 196,373 +2,302 JAN.10 75,161 +3,769 FEB.10 31,961 +526
 MAR.10 29,077 -176 APR.10 17,496 +665 Totals: 1,190,853 +12,378 Heating OCT.09 801 -5,908
 NOV.09 68,302 -1,829 DEC.09 58,088 -1,405 JAN.10 37,133 +697 FEB.10 17,810 +183 MAR.10
 15,761 +488 Totals: 304,349 -7,087 GASOLINE OCT.09 696 -4,517 NOV.09 83,671 +356 DEC.09
 33,812 +462 JAN.10 23,917 -271 FEB.10 7,614 +376 MAR.10 13,078 +444 Totals: 191,358 -3,170



"qcl" = -0.38
 2 = -3.11
 3 = -0.43
 10/ 1/09

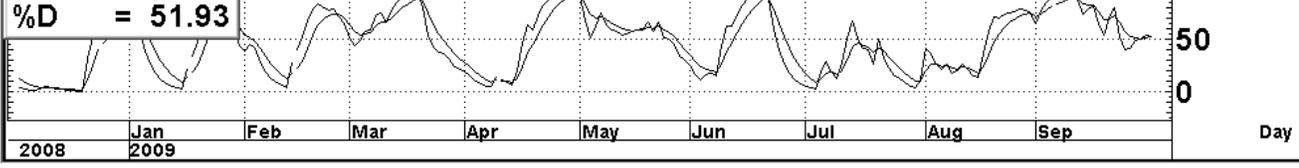
"QCL'C1"-"QCL'C11"



Spot continuation chart for the front month crude oil spread. The gravitational level of -.43 as proven itself time and time again. Slow stochastics are trending sideways in neutral territory. Should a settlement occur below this level, the contango should widen, with -.903 the next downside objective.

%K = 52.34
 %D = 51.93

Slow Stochastic



Crude Support	Crude Resistance
64.70, 63.38, 62.70, 61.61, 60.95,	73.24, 73.85, 75.00, 76.13
Heat Support	Heat resistance
1.6585, 1.4870, 1.4220, 1.4130, 1.3720	1.8500, 1.9440, 2.0420, 204.65
Gasoline support	Gasoline resistance
1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400,	1.9551, 2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350

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