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ENERGY MARKET REPORT FOR OCTOBER 5, 2009

A Kuwaiti OPEC official said Kuwait expects crude oil prices to remain between \$70-\$80/barrel until 2012 due to slow global economic recovery. The delegate said oil prices will remain within that range because there will be enough supply to meet demand and demand levels will take time to reach previous normal levels.

US National Security Adviser Jim Jones dismissed a report that Iran was closer to making an atomic bomb and said Iranian cooperation in the last few weeks was

Market Watch

The US National Weather Service reported that US total heating demand is expected to be near normal this week while heating oil demand will be sharply lower amid above normal temperatures in the Northeast. Demand for heating oil is expected to average 16.9% below normal this week.

Deutsche Bank increased its 2010 oil price forecast by \$10 to \$65/barrel on Monday, still below consensus even as it priced in improved economic prospects and a weaker US dollar. It maintained its 2011 estimate at \$80/barrel. The bank expects oil demand to rebound by 1.2 million bpd next year after a nearly 2 million bpd decline this year.

Bank of America Corp's Merrill Lynch unit said oil may jump above \$100/barrel next year as emerging market demand increases and loose monetary policy weakens the US dollar. It said the global economy will grow 4.2% next year and spare global oil production capacity is 5% of current demand.

New York University professor Nouriel Roubini said stock markets may fall. He said if growth does not rebound rapidly, eventually markets are going to flatten out and correct to valuations that are justified. Investor George Soros warned the bankrupt US banking system will hamper its economy adding that US consumers are overdebted and the country's banking system has been basically bankrupt, highlighting doubts about the sustainability of the world recovery. According to technical analyst Robert Prechter said US stocks may suffer a major decline after climbing to the highest levels in almost a year two weeks ago. Group of Seven finance ministers and central bankers also struck a cautious tone after meeting on the shores of the Bosphorus over the weekend, saying the prospects for growth remain fragile.

Goldman Sachs said commodity markets have priced in financial recovery and not economic recovery but added that the world economy is at a bottom. This is in contrast with views of many other analysts and fund managers who believe economic recovery started in the second quarter.

The Institute for Supply Management's index of non-manufacturing businesses increased to 50.9 from 48.4 in August.

JP Morgan's Global Total Output Index increased to 52.9 in September from 52 in August. The Global Services Index increased to 52.2 in September from 50.5 in August.

**October
Calendar Averages**
CL – \$70.39
HO – \$1.8053
RB – \$1.7509

good for nuclear non-proliferation. This followed a report in The New York Times that a confidential analysis by staff of the IAEA concluded that Iran has acquired sufficient information to be able to design and produce a bomb. He said the next meeting with Iran on October 19th will discuss the methodology for the transfer of about 1,200 kilos of low enriched uranium to Russia. Separately, the IAEA's chief Mohammed ElBaradei announced that the IAEA will inspect Iran's new uranium enrichment facility on October 25th. He praised Iran's cooperation over its nuclear program during his weekend visit to the country. He said the dispute over Iran's nuclear program can be solved through dialogue.

The head of Iraq's parliament's oil and gas committee, Ali Hussain Balou said Iraq is expected to delay passing its oil and gas legislation until after national polls in January. He said all indications point to the fact that there is no hope for putting the oil and gas law on the agenda during the time remaining for this parliament. Iraq is due to hold its parliamentary elections on January 16th, the first national elections since 2005.

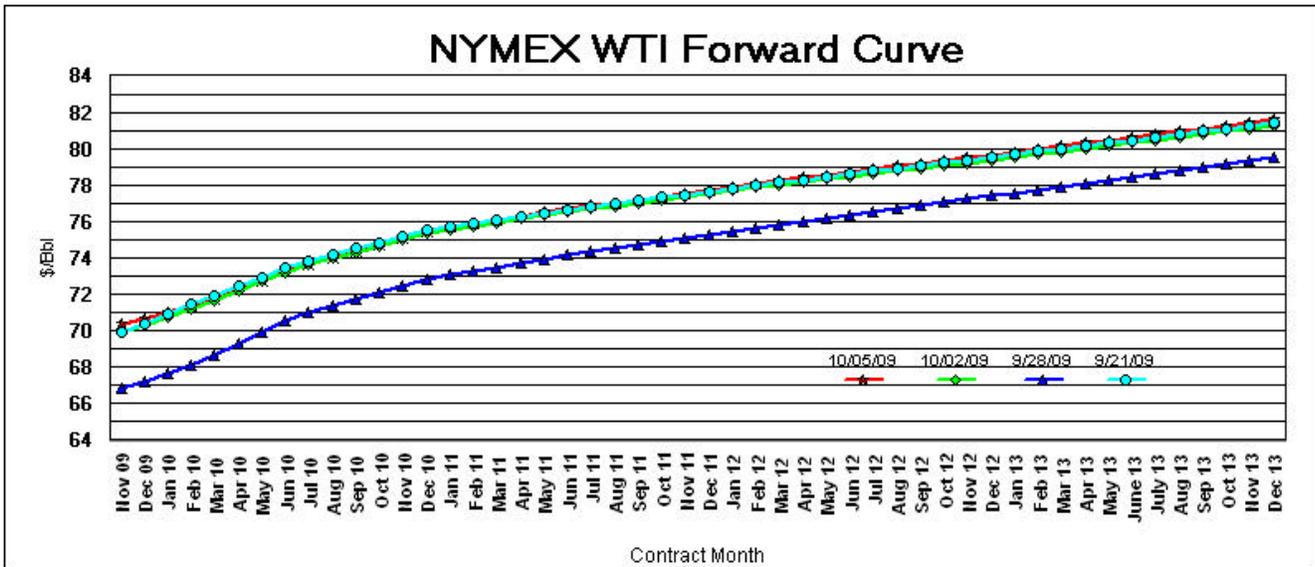
The EIA reported that the US retail price of diesel fell by 1.9 cents to \$2.582/gallon in the week ending October 5th. The EIA also reported that the US retail price of gasoline fell by 3.1 cents to \$2.468/gallon on the week.

Refinery News

Enbridge Inc said it plans to build a \$250 million crude oil pipeline in the Gulf of Mexico. The proposed pipeline would carry 100,000 bpd from the Big Foot ultra deepwater development and would be developed in partnership with Chevron Texaco Corp, Statoil and Marubini Oil & Gas Inc.

Oil refining margins fell around the world last week, as a rally in crude prices hit profits from Rotterdam to Singapore. In Rotterdam, complex refiners posted an average profit of \$3.36 after processing one barrel of North Sea Brent last week, down almost 40 cents on the week. Simple refiners around Rotterdam saw profits ease slightly to \$3.41/barrel from \$3.42/barrel. In the Mediterranean, complex margins on Russian Urals were \$2.06/barrel, down 8 cents over the week. Simple Urals margins increased slightly to \$2.01/barrel. In Asia, simple margins on Dubai crude fell by almost \$1 to 29 cents/barrel. Complex margins fell to \$2.04 from \$3.65/barrel.

Total Petrochemicals USA is shutting down unit 805 for maintenance at its refinery in Port Arthur, Texas on Monday. The work is expected to last until October 8th.



Valero Energy Corp said a coker unit at its Delaware City refinery was shut over the weekend and that a related gasifier unit will be shut in the next couple of days.

ExxonMobil Corp is preparing to restart a 100,200 bpd fluid catalytic cracking unit and an unspecified unit at its 150,000 bpd refinery in Torrance, California as soon as possible following an unplanned shutdown over the weekend.

A planned 40 day shutdown of an upgrader at the Petropiar joint venture between PDVSA and Chevron Corp started on Monday. Petropiar operates the Hamaca project in Venezuela's Orinoco belt. The project has a total design capacity for processing and upgrading 190,000 barrels of extra heavy crude into 180,000 bpd of lighter, higher value synthetic crude.

Shell Oil Co is restarting some units at its 155,000 bpd Scotford refinery near Edmonton, Canada following scheduled maintenance turnaround.

Oil refineries in the port of Antwerp kept operating as Belgian unions maintained a strike threat without actually shutting down the facility.

According to a press report in a French economic and political newsletter, Total's 160,000 bpd Dunkirk refinery, which temporarily halted operations in mid-September due to poor fuel demand, is likely to be dismantled. Total however declined to comment on the report.

Italy's ERG SpA said it will see very weak refining margins this year and early next due to lower demand. It said despite expectations of upcoming economic recovery after the global crisis, world demand for oil products will not increase quickly and an oversupply situation would last for another 3-4 years, impacting margins.

Indonesia's Pertamina plans to shut its 120,000 bpd Dumai refinery to change a catalyst. It however did not disclose the date.

Japan's Toa Oil Co closed one of its two crude distillation units at its Keihin refinery in Kawasaki on October 1 for brief planned maintenance. The 120,000 bpd crude distillation unit is scheduled to restart on October 9th.

Japan's Nippon Oil Corp has delayed the restart of a 26,000 bpd residue fluid catalytic cracking unit at its Oita refinery from October 4th pending extended repair work. The unit has been shut since September 22nd for repairs to the pipeline system.

Japan Energy Corp expects to export about 600,000 kiloliters or 20,700 bpd of gas oil in October-March, down 18% from 730,000 kl a year earlier. For the business year ending in March, the company expects to export 1.24 million kl of gas oil compared with 1.3 million kl a year earlier.

South Korea's SK Energy plans to maintain November spot diesel exports at 600,000 barrels, steady from August but lower than July's 900,000 barrels.

South Korea's GS Caltex plans to export 900,000 barrels of spot diesel in November, higher than October's spot export volume of 600,000 barrels.

PT Pertamina will import 4.6 million barrels of gasoline and 3.6 million barrels of diesel in November.

Low water levels on the Rhine and Danube River are disrupting shipping. Low water surcharges of up to 120% above normal Rhine freight shipping prices have been imposed at Duisburg in north

Germany. In most other parts of the Rhine, surcharges of about 80% over normal prices have been imposed.

Production News

Global supply increased more than demand in September as the July-August field maintenance came to an end and demand showed a slight seasonal easing. The resulting nearly 500,000 bpd of surplus is the first since May and is a setback for OPEC's efforts to balance the crude oil market.

Suncor Energy Inc and Encana Corp plan on selling non-core assets as part of their plan to concentrate on their oil sands operations. It is looking to cut 400 million cubic feet of natural gas production, estimated at \$1.85 billion following its takeover of Petro-Canada.

China National Petroleum Corp has increased its stake in a project to develop Iraq's Rumaila oilfield while BP has lowered its share. CNPC and BP were the only oil majors to secure a deal in Iraq's first bidding round for oilfield service contracts. CNPC's stake is now 37%, up from an original 25% and BP's share has fallen to 38%, down from 50%. Iraq's State Oil Marketing Organization will continue to hold 25%.

Russia's Transneft has scheduled seaborne crude exports of 2.764 million bpd for October, up 110,000 bpd on the month.

Kazakhstan's Tengizchevroil will produce 22.5 million tons of crude oil this year, up from 17.3 million tons in 2008.

Saudi Arabia cut its official selling price for its Saudi Light crude bound for the US in November by \$1.70/barrel to a discount of \$4.60/barrel below WTI. Saudi Aramco also cut the price of its Arab Light crude bound for Asia by 20 cents to the Oman/Dubai average plus 40 cents/barrel. Meanwhile, Saudi Aramco increased its official selling price of its Arab Extra Light crude by 25 cents to BWAVE minus \$1.10, its Arab Light crude by 20 cents to BWAVE minus \$1.60, its Arab Medium crude by 30 cents to BWAVE minus \$2.65 and its Arab Heavy crude by 40 cents to BWAVE minus \$2.80.

Qatar has lowered its September retroactive official selling price for Qatar Marine crude to \$67.97/barrel, down \$3.30/barrel on the month. Qatar set its official selling price for its Qatar Land crude at \$68.23/barrel in September, down from \$71.82/barrel in August.

OPEC's news agency reported that OPEC's basket of crudes fell slightly to \$67.15/barrel on Friday from \$67.70/barrel on Thursday. It also reported that OPEC's basket of crudes fell by \$1.06/barrel to \$65.74/barrel in the week ending October 2nd.

The UK's The Independent newspaper on Tuesday was reporting that Gulf Arab states were in secret talks with Russia, China, Japan and France to replace the U.S. dollar with a basket of currencies in the trading of oil. The yen, yuan, euro and gold would be in the basket that would take effect possibly in nine years.

Total Canada said today that they see that \$80-\$85 oil is needed for new oil sands projects. The company said it would make a decision on the Joslyn project likely by end of 2011.

Market Commentary

The oil market continued to trade lower following Friday's sell off, pressured by concerns over the pace of economic recovery. The Group of Seven finance ministers and central bankers struck a cautious tone after meeting over the weekend, saying the prospects for growth remain fragile. The market retraced more than 50% of its move from a low of \$69.28 to a high of \$73.00 as it sold off to a

low of \$68.05. The market however bounced off its low and rallied higher, posting an outside trading day, as the dollar weakened further and the equities market traded higher. The market was supported by the Institute for Supply Management's index of non-manufacturing businesses increased to 50.9 from 48.4 in August. The crude market rallied to a high of \$70.95 late in the session before it retraced some of its gains and settled up 46 cents at \$70.41. The market is seen retracing its gains on Tuesday as it continues to hold resistance at its resistance line at \$71.47. We are still of the opinion that the market will continue to trade within its range of \$65 to \$75 amid concerns over the prospects for economic growth. The RBOB market also settled in positive territory after it too posted an outside trading day. Similar to the crude market, the RBOB market sold off to a low of \$1.6885 early in the session. However the market bounced off that level and rallied over 7.8 cents as it posted a high of \$1.7674 ahead of the close. It settled up 1.3 cents at \$1.7539. Meanwhile, the heating oil market sold off to a low of \$1.7377 before it bounced off that level and rallied to a high of \$1.8075 in afternoon trading. It however retraced some of its gains and settled down 52 points at \$1.7916. The product markets are seen retracing its gains, with support in the RBOB market seen at \$1.7370, \$1.6885 and \$1.6795 while support in the heating oil market is seen at \$1.7775, \$1.7377, \$1.7110 and \$1.7038.

Crude NOV.09 298,730 +782 DEC.09 209,875 +6,396 JAN.10 83,516 +5,655 FEB.10 36,097 +2,436 MAR.10 31,643 +1,891 APR.10 19,586 +914 Totals: 1,227,674 +24,762 Heating Oil NOV.09 66,156 - 3,804 DEC.09 59,896 -1,721 JAN.10 38,092 +646 FEB.10 18,301 +264 MAR.10 16,182 +289 Totals: 305,984 -5,122 RBOB NOV.09 84,829 +2,357 DEC.09 34,463 +169 JAN.10 25,459 +559 FEB.10 8,126 +400 MAR.10 13,408 +13 Totals: 196,527 +4,055

Crude Support	Crude Resistance
70.00, 68.05, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	71.47, 73.24, 73.85, 75.00, 76.13
Heat Support	Heat resistance
1.7775, 1.7377, 1.7110, 1.6585, 1.4870, 1.4220, 1.4130, 1.3720	1.8075, 1.8500, 1.9440, 2.0420, 2.0465
Gasoline support	Gasoline resistance
1.7370, 1.6885, 1.6338, 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400	1.7674, 1.7824, 1.8734, 1.9551, 2.0210, 2.0400, 2.0567, 2.1100, 2.1600, 2.3350

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