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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 1, 2011

An analyst at the EIA said low inventories of distillate fuel in the Northeast US are a concern but not yet a major one. Stockpiles in the Northeast were 10.8% below the five year average level on October 21st. The analyst said market price differentials suggest refiners in the Gulf Coast region have incentives to ship greater volumes of fuel to the Northeast. Separately, a senior EIA official said the pricing guidelines for signaling a potential supply problem in the Northeast that could lead to a tapping of the emergency heating oil reserve. The EIA plans to use North Sea Brent crude, commonly used by East Coast refiners,

Market Watch

The US Commerce Department said spending on construction in the US increased during September. Construction spending increased by 0.2% to a seasonally adjusted annual rate of \$787.21 billion in September after construction spending increased 1.6% in August. Year over year, overall construction spending was 1.3% lower than in September 2010.

The pace of growth in the US manufacturing sector unexpectedly fell in October. The Institute for Supply Management said its index of national factory activity fell to 50.8 from 51.6 in September. New orders increased to 52.4 from 49.6 while the prices paid index fell to its lowest level since April 2009 to 41 from 56. The employment index fell to 53.5 from 53.8.

Britain's economy is on the brink of recession despite solid growth in the third quarter and the pressure on the government to increase growth is rising as new turmoil in the euro zone creates new risks. Britain's Office for National Statistics said GDP grew by 0.5% on the quarter as business services and finance posted the strongest quarterly increase in four years. The ONS said the annual growth rate eased to 0.5% in the three months through September from 0.6% in the second quarter. However the Purchasing Managers' Index survey released earlier showed that manufacturers saw the sharpest monthly rate of decline since June 2009 in October. The Markit/CIPS Manufacturing Purchasing Managers' Index fell to 47.4 in October, its lowest since June 2009 from a downwardly revised 50.8 in September.

Greece announced that it decided to hold a referendum on its euro zone bailout package. Greek Prime Minister George Papandreou's announcement that he would put Greece's bailout to a referendum immediately cast doubt on the euro zone's plan to give Athens 130 billion euros and arrange a 50% write down on its debt. It raised the possibility of a disorderly default on its debt if Greece votes against the plan. It also threw into chaos the euro zone's wider attempts to stop the debt crisis from spreading to more significant economies such as Italy.

China's manufacturers ran at their slowest pace in October since early 2009, according to the National Bureau of Statistics. China's official Purchasing Managers' Index fell to 50.4 in October from 51.2 in September. The HSBC PMI in October fell to 50.4 in October from 51.2 in September.

API Stocks

Crude – down 156,000 barrels
Distillate – down 3.435 million barrels
Gasoline – down 1.129 million barrels
Refinery runs – up 0.4%, at 83.6%

in the price formula, replacing US benchmark, WTI, primarily used in the Midwest and the Gulf.

Kuwait's chief executive of Kuwait Petroleum Corp, Faruq al-Zanki said current world oil prices are suitable for the market and there is no need for producers to cut output in order to support prices. He said there is a balance between demand

and supply. He said Kuwait had increased its crude production because of high global demand but insisted that OPEC was not flooding the market.

November Calendar Averages	
CL	- \$92.19
HO	- \$3.0379
RB	- \$2.6244

OPEC's Secretary General Abdullah al-Badri said oil consumers and producer countries were comfortable with current oil prices of \$100/barrel and expressed hope that OPEC's member countries would reach a consensus over production targets at its next meeting scheduled on December 14th. He said he does not see oil prices falling below \$100/barrel. He also stated that Iraq's crude production quota is unlikely to be discussed until the end of 2012.

Qatar's Energy Minister Mohammed al-Sada said Qatar is considering hedging some of its oil production for 2012.

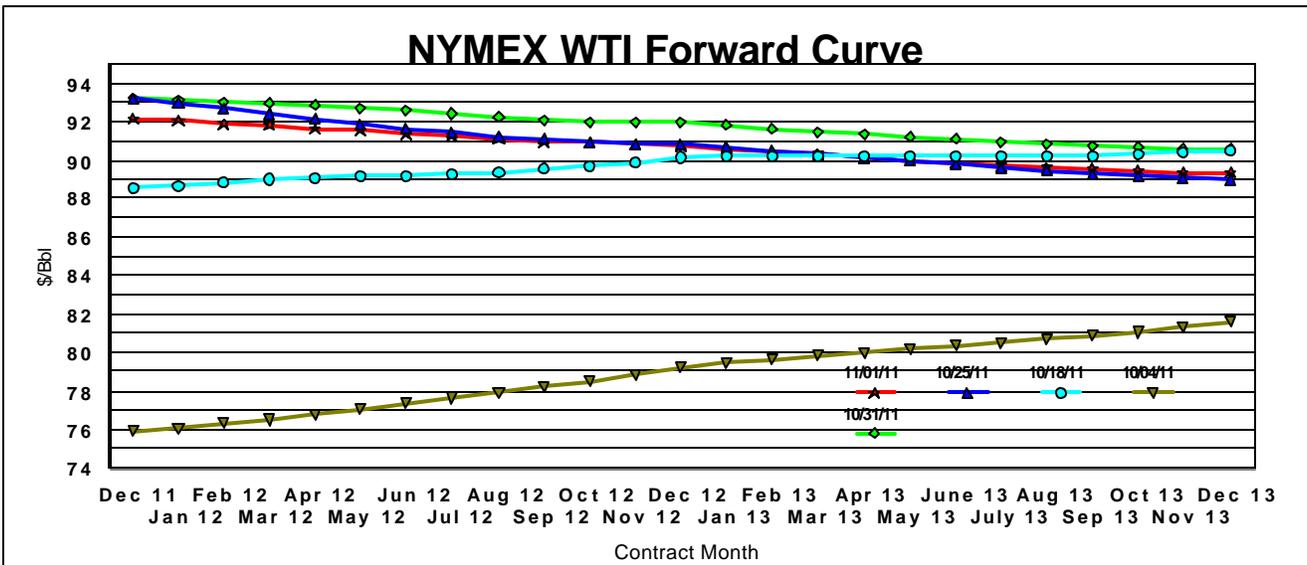
The IEA's Deputy Executive Director said oil prices above \$100/barrel are a threat to the global economy. He said the IEA was not looking at another release of emergency oil stocks.

According to a SpendingPulse report released by MasterCard Advisors LLC, US gasoline demand in the week ending October 28th fell 0.7% on the week to 8.778 million bpd. The decline of 60,000 bpd follows a decline of 137,000 bpd a week earlier and put demand at its lowest level since September 23rd. Demand was down 2.7% on the year. The four week demand fell by 2.8% on the year to 8.844 million bpd. It reported that gasoline prices fell by 2 cents to \$3.45/gallon.

Refinery News

Magellan Midstream Partners, LP announced that it is further expanding its crude oil pipeline distribution capabilities in the Houston area to deliver domestic crude oil and condensate transported via third party pipeline systems from the Eagle Ford Shale production area directly to local refineries. The project includes the construction of a 6 mile crude oil pipeline between the pipeline interchanges of Genoa Junction and Speed Junction, which would connect to the 24 inch diameter crude pipeline along the Houston Ship Channel that was previously announced as part of the partnership's Houston to El Paso pipeline reversal project, allowing Magellan to further distribute product to the Houston area refineries.

Kinder Morgan Energy Partners LP said its Express Pipeline was not apportioned for November while its Platte Pipeline apportioned by 65% for November on the Guernsey, Wyoming to Wood River, Illinois segment. The Platt's Guernsey to Wood River segment is expected to transport 167,400 bpd in



November.

Marathon Petroleum Corp said its No. 3 crude unit and vacuum tower at its 212,000 bpd Catlettsburg, Kentucky refinery were currently operational. Its alkylation unit remained down for maintenance. Separately, Marathon Petroleum Corp said it has installed truck rack at its 73,000 bpd Canton, Ohio refinery to take in 1,000 bpd from its Utica shale output. It plans to build a permanent truck rack to take in up to 12,000 bpd by early 2012. It has started to use small amounts of oil from the Utica shale at the refinery.

Wynnewood Refining Co reported that the sulfur recovery unit was brought online following a snag at its 70,000 bpd refinery in Wynnewood, Oklahoma on Sunday.

Valero Energy Corp said its refineries are expected to run between 92.8% and 95.6% of their combined total throughput capacity in the fourth quarter of 2011. It expects its seven Gulf Coast refineries to have a combined total throughput between 1.52 million and 1.56 million bpd in the fourth quarter as refineries in Three Rivers and Corpus Christi, Texas perform overhauls on select unit. It said overhauls are planned at refineries in Texas, California, Los Angeles, Louisiana and Tennessee in the first quarter of 2012. In January, Valero is scheduled to conduct four weeks of maintenance on a crude and coker unit at its Wilmington, California refinery. In February, it is scheduled to conduct 10 weeks of work on a crude and coker unit at its St. Charles refinery in Norco, Louisiana and its Houston, Texas refinery will undergo seven weeks of maintenance on a fluid catalytic cracking unit. In March, Valero is scheduled to conduct maintenance on a crude unit at its Memphis, Tennessee refinery. Separately, Valero said it is weighing options for its two California refineries due to the state's economic policies.

Japan's Idemitsu Kosan Co will permanently close its 120,000 bpd crude distillation unit at its Tokuyama refinery in March 2014. The closure would meet government regulation intended to promote refining capacity cuts in line with Japan's falling oil demand.

China Aviation Oil bought up to 1.398 million barrels of jet fuel for late November to December delivery via tender at a higher price than a previous deal.

Production News

Loadings of two North Sea Forties crude cargoes have been delayed by a day for the first time since the Buzzard oilfield was reported to have reached normal production levels. Cargo F1110 is now scheduled to load November 15-17 and cargo F1114 is now scheduled to load on November 20-22.

Libya's National Oil Corp, Nouri Berrouin said the country's oil production has increased to 567,000 bpd.

Angola's volume of crude oil exports in December were revised higher as an extra cargo of Hungo crude was added to the schedule. Loading volumes of crude oil from Angola totaled 1.72 million bpd in December, up from a preliminary 1.69 million bpd.

The head of Iraq's State Oil Marketing Organization, Falah Alamri said Iraq's oil exports in October averaged 2.088 million bpd or 0.6% below September's level due to bad weather conditions at the southern export terminals. He said there has been six days of bad weather conditions that has completely shut down exports from its southern terminals for a few days. Exports totaled 1.628 million bpd from southern oil hub of Basra and 460,000 bpd from the northern fields around Kirkuk.

Brazil's Petrobras chief executive Jose Sergio Gabrielli said the country's crude exports are expected to triple to 1.5-1.6 million bpd by 2020 from 520,000 bpd. He said crude exports to the US and China would double to 400,000-450,000 bpd by 2020.

Government data showed that India's oil imports in September increased 14.6% to \$9.2 billion.

Royal Dutch Shell is currently deploying some workers and infrastructure in Alaska to start drilling for oil and gas in the Arctic next summer as the oil company is optimistic that new legal challenges will not derail an exploration plan on which it has spent \$4 billion.

Rio Napo, a joint venture between Petroecuador and PDVSA, will invest about \$1.27 billion in the Sacha oil field during the next 15 years. Petroecuador is the majority shareholder of Rio Napo, with 70% of the shares while PDVSA has 30%. The companies are expected to sign a new contract for 15 years. The field is expected to reach a maximum output of about 64,000 bpd in 2013. The oil field currently produces about 50,000 bpd.

Marathon Petroleum Corp said its production from Libya is unlikely to resume soon as it needs to repair some equipment and make sure security has improved enough to redeploy workers. Separately, Marathon reported that its third quarter profit increased as favorable crude oil acquisition costs contributed to larger than expected revenues. It reported a profit of \$1.13 billion, up from \$277 million a year earlier. Refining and market segment income increased to \$1.71 billion from \$352 million a year earlier, due to favorable crude oil acquisition costs and higher crack spreads. Refining and marketing gross margin increased to \$13.18/barrel from \$3.75/barrel a year ago.

Valero Energy Corp's third quarter earnings quadrupled as a higher refining throughput margin more than offset lower retail fuel margins. Valero reported a profit of \$1.2 billion in the third quarter, up from \$292 million a year earlier. At its refining business, operating earnings more than doubled as the throughput margin per barrel increased to \$13.24/barrel from \$8.13/barrel a year earlier.

Market Commentary

Crude oil tumbled for the third straight on news by Greek Prime Minister, George Papandreou, that Greece would hold a referendum on the aid package put together by the European Community. This unnerved investors in regards to the global economy. Oil pared its losses as analysts tried to come to grips with the situation and the impact it may have on Greece's stance within the European Union. Our expectations for this market, as stated yesterday, are for prices to trade in a sideways pattern holding to the downside of the 200-moving average of \$94.80. Support can be found at \$86.19 and below that at \$83.37.

Crude oil: Dec 11 293,713 -5,424 Jan 12 190,057 +672 Feb 12 70,721 -953 Total 1,344,484 -7,659
 Heating oil: Dec 11 96,646 +2,677 Jan 12 52,478 -413 Feb 12 28,540 +228 Totals 293,652 -2,016
 Rbob: Dec 11 93,211 -1,148 Jan 12 42,679 +385 Feb 12 20,523 +1,006 Totals 270,366 -4,052

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9052	9489	26975	32777	24670	33369
8961	9960	26680	33370	24240	35915
8507	9726	27375	33510	23631	36310
8337	9872	23685		23414	
7570	10071	22960			
7487	11483				
7365					

50-day MA	86.19				
100-day MA	89.40				
200-day MA	94.80				

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