



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 2, 2011

Iran's armed forces chief of staff General Hassan Firouzabadi said Iran is on alert and will punish any Israeli strike against it. He made this comment amid Israeli media speculation of plans for an attack.

Refinery News

Colonial Pipeline is allocating nominations on its Linden line 2, for Cycle 59.

Magellan Midstream Partners cut the estimated cost of reversing the 135,000 bpd Houston to El Paso pipeline, making it more viable to ship crude from West Texas to refineries along the US Gulf Coast. It estimates it will cost about \$245 million to reverse the pipeline, down \$30 million from earlier estimates. Magellan said it does not have commitments for the full 135,000 bpd of capacity.

Market Watch

Goldman Sachs expects the spread between US WTI futures and ICE Brent futures to narrow in the next 12 months as surplus supply in the US Midwest is expected to fall. Its 12 month target is minus \$6.50/barrel for the spread, which currently stands at minus \$17.33/barrel after coming in from a record minus \$27/barrel in September. It said sufficient rail capacity would come on line in the first half of next year to clear the crude oil surplus in the Midwest, which would eventually drive the WTI-Brent spreads toward rail costs.

According to ADP, private businesses added slightly more jobs than expected in October. It reported that private sector jobs in the US increased by 110,000 in October. The September data were revised to show a rise of 116,000 versus 91,000 reported a month ago. The report showed that large businesses with 500 employees or more cut 1,000 employees from their staff while medium sized businesses added 53,000 workers in October and small businesses that employ fewer than 50 workers hired 58,000 new workers.

The world's manufacturing economy stagnated in October with the euro zone the worst performing region. The JPMorgan Global Manufacturing PMI increased slightly to 50 in October from 49.8 in September. It noted growth in China, Russia and India while manufacturers in the US stagnated and the euro zone factory activity saw an alarming decline last month. The downturn in euro zone manufacturing in October was higher than previously believed.

The decline in euro zone manufacturing in October was larger than previously reported. The final Markit Eurozone Manufacturing Purchasing Managers Index for October fell to 47.1, revised down from a preliminary reading of 47.3 and down from 48.5 in September. It is the third consecutive month the manufacturing PMI has fallen below the 50 level that divides contraction for growth with the output and new orders indexes plunging to levels not seen since mid-2009. The new orders index for euro zone manufacturers fell for the fifth month to 43.4, the fastest decline since May 2009.

Bank of Japan board member Sayuri Shirai said that global financial markets are likely to remain under severe strains as there is little chance that Europe's debt problems will be resolved soon. She said the risks to Japan's economy were somewhat tilted to the downside due to strong uncertainty about Europe's crisis. Japan stepped into the currency market on Monday to stem the yen's rise to record highs against the dollar.

China's Vice Finance Minister Li Yong said the country's economy is moving in the right direction. GDP grew 9.1% on the year, the third quarterly slowdown in growth after 9.5% growth in the second quarter and 9.7% in the first quarter.

IntercontinentalExchange Inc said that the Brent crude futures and options average daily volume increased 49% in October compared with a year ago. It said 606,199 contracts were traded daily in October, up from 408,249 lots last year.

DOE Stocks

Crude – up 1.826 million barrels
Distillate – down 3.575 million barrels
Gasoline – up 1.356 million barrels
Refinery runs – down 0.5%, at 85.3%

Valero Energy Corp reported emissions due to the startup of a sulfur recovery unit train at its 142,000 bpd refinery in Corpus Christi, Texas.

Chevron Corp is performing maintenance on a fluid catalytic cracking unit at its 280,000 bpd El Segundo refinery that is expected to last another three weeks. The work should be

finish by November 20th.

US Oil & Refining Co reported a sulfur recovery unit at its 37, 850 bpd refinery in Tacoma, Washington resumed operations.

Japan's Cosmo Oil aims to partially resume operations at its 220,000 bpd Chiba refinery by December, with the restart of one of two crude distillation units by the beginning of 2012. The refinery was closed after a fire engulfed 17 of its 25 liquefied petroleum gas tanks following the earthquake in March. It initially plans to restart a 36,000 bpd No. 10 ABM hydro-desulphurization unit by December after obtaining approval from local authorities.

China National Offshore Oil Corp will restart its 240,000 bpd Huizhou refinery next week after about a month of maintenance. It may process 198,300 bpd of crude this month, up from an average of 21,200 bpd last month.

Chesapeake Energy Corp announced an agreement to supply Enterprise Products Partners LP with ethane for its proposed pipeline connecting the Marcellus Shale to the US Gulf Coast. Increased natural gas drilling in the Marcellus Shale formation in the Northeast is leading to an increasing supply of co-product ethane. Chesapeake said it will supply 75,000 bpd of ethane over the next five years for Enterprise's pipeline.

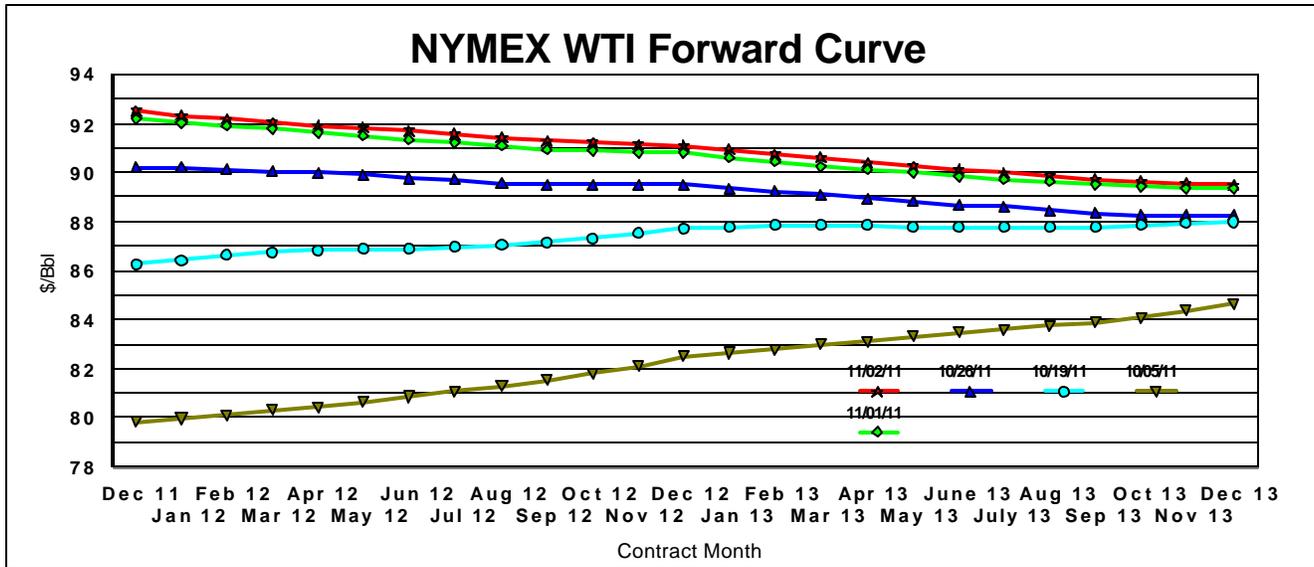
Production News

According to a Dow Jones Newswire survey, OPEC's oil production in October fell as cuts in Saudi Arabia and problems in Iraq more than offset the recovery in Libya's production. It reported that OPEC's total oil production was 30.195 million bpd in October compared with 30.275 million bpd in September. Libya's oil production increased to an average of 370,000 bpd in October as fields continued to restart. Saudi Arabia produced 9.45 million bpd in October, 400,000 bpd below its peak of 9.85 million bpd in August. Iraq's oil production fell to 2.65 million bpd from 2.78 million bpd in September.

Venezuela's Oil Minister Rafael Ramirez said that the country will keep crude production levels at 3 million bpd in 2012. He justified his government's conservative \$50/barrel base price for crude in next year's budget.

Enterprise Products Partners said it sees current crude oil production from the Eagle Ford Shale play in southwest Texas at between 200,000 and 250,000 bpd. It sees Eagle Ford production reaching as much as 750,000 to 850,000 bpd. Meanwhile, Enterprise said it was looking at exporting crude oil out of the Utica Shale play but added that it depended on how much crude from the project was used by regional refineries. Separately, Enterprise Products Partners LP is considering two options to move crude oil landlocked in Oklahoma to Gulf Coast refineries. It is in talks to buy ConocoPhillip's 50% share of the 350,000 bpd Seaway Pipeline. The pipeline transports oil from the Gulf of Mexico to the storage hub in Cushing, Oklahoma. It said it is still committed to the Wrangler Pipeline with Enbridge to carry crude out of the Midwest to the US Gulf Coast.

**November
Calendar Averages**
CL - \$92.35
HO - \$3.0193
RB - \$2.6258



Norway opened its 22nd licensing round on the Norwegian Continental Shelf by asking oil and gas firms to nominate areas where they would like to explore.

Royal Dutch Shell's Nigerian venture has lifted a force majeure on exports of Forcados crude following the completion of repairs to a pipeline. It declared force majeure on Forcados loadings in October, November and December on October 10. Shell did not comment on how much production was affected by the damage to the Trans Forcados Pipeline.

Canadian Oil Sands Ltd said scheduled maintenance at the Syncrude coker 8-2 is now complete. It said Syncrude Canada production averaged 243,000 bpd in October, down from the year to date average of 294,700 bpd.

Colombia's oil production in October increased by 17.4% on the year to 940,000 bpd. It is up from September's level of 891,161 bpd as labor protests paralyzed operations in the country's largest oil field.

Russia's Energy Ministry reported that the country's oil production in Russia reached a new post-Soviet high of 10.34 million bpd in October compared with the previous record high of 10.3 million bpd reached in September. Exports via Transneft fell by 0.3% to 4.25 million bpd in October from 4.26 million bpd in September. Russian seaborne crude oil exports supplied to ports by Transneft fell to 2.55 million bpd in October from 2.73 million bpd in September.

Georgia's Black Sea port of Batumi shipped 471,928 tons of crude and oil products in October, up 3.5% from last year but 1.1% less than a month ago.

BP Plc said investments in Azerbaijan's Azeri-Chirag-Guneshli and Shah Deniz fields in the Caspian Sea totaled \$33 billion to date. Investments include construction of the Baku-Tbilisi-Ceyhan and the South Caucasus pipelines.

India's Oil Secretary G.C. Chaturvedi said India's state run fuel retailers are yet to decide on raising gasoline prices. He said he expects the finance ministry to compensate oil marketing companies for losses on the sale of diesel and cooking fuels.

Saudi Aramco increased its official selling prices for December term contracts for customers in the US and Europe. The price of its Extra Light crude bound for the US in December was increased by 5

cents to the Argus Sour Crude Index plus \$1.85/barrel; the price of its Light crude was increased by 15 cents to ASCI minus 5 cents/barrel; the price of its Medium crude was increased by 25 cents to the ASCI minus \$1.90/barrel and the price of Heavy crude was increased by 35 cents to the ASCI minus \$3.40/barrel. The price of its Extra Light crude bound for Northwest Europe in December was increased by 10 cents to BWAVE plus \$1.25/barrel; the price of its Light crude was increased by 15 cents to BWAVE minus \$1.25/barrel; the price of its Medium crude was increased by 25 cents to BWAVE minus \$3/barrel and the price of its Heavy crude was increased by 15 cents to BWAVE minus \$5.25/barrel. The price of its Super Light crude bound for Asia was cut by \$1.70 to the Oman-Dubai average plus \$3.95/barrel; the price of its Extra Light crude was cut by 70 cents to the Oman-Dubai average plus \$3.95/barrel; the price of its Light crude was cut by 20 cents to the Oman-Dubai average plus \$2.50/barrel; the price of its Medium crude was cut by 5 cents to the Oman-Dubai average plus \$1.10/barrel and the price of its Heavy crude was increased by 20 cents to the Oman-Dubai average minus 25 cents/barrel.

Market Commentary

Crude oil moved higher after a report from ADP indicated that jobs in the U.S. expanded and after the dollar weakened. This move came despite bearish inventory numbers. Market participants awaited word from Federal Reserve Chairman, Ben Bernanke, who offered nothing new in respect to an economic stimulus package. Brent also edged higher as it extended increases above the 100-day moving average of \$111.19. The December crude oil remains wedged between the 100 and 200-day moving averages as it continues to move sideways. With the lack of any new news, the sideways pattern in prices should continue, with a slight tinge to the downside.

Crude oil: Dec 11 293,877 +164 Jan 12 195,203 +5,146 Feb 12 68,951 -1,770 Total 1,345,024 +540
 Heating oil: Dec 11 97,156 +510 Jan 12 53,325 +847 Feb 12 30,091 +1,551 Totals 296,818 +3,166
 Rbob: Dec 11 90,628 -2,583 Jan 12 41,868 -811 Feb 12 21,345 +822 Totals 267,417 -2,949

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	86.34				
100-day MA	89.33				
200-day MA	94.82				

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