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Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 2, 2009

An Iranian cleric called the country's newly disclosed uranium enrichment facility a source of pride and said the country would never relinquish its nuclear program. He said "the enemies of the Islamic republic must know that Iran will never back down from its position" on Iran's nuclear program.

The UN's IAEA chief Mohamed ElBaradei will travel to Iran on Saturday. Separately, Russia's Foreign Minister Sergei Lavrov said that the Geneva talks between the six world powers and Iran was a cause for cautious optimism.

Russia's Energy Minister Sergei Shmatko said OPEC has invited Russia to attend its next meeting in December. The next OPEC meeting is scheduled for December 22nd in Angola.

Two more militant leaders

Market Watch

The US National Hurricane Center said a tropical wave east of the Lesser Antilles in the eastern Caribbean Sea has a low chance, less than 30%, of becoming a tropical cyclone during the next 48 hours. It is too soon for the weather models to indicate where the system may be headed over the next few days.

Frontline, the world's largest independent oil tanker shipping group estimated there were 40-45 VLCCs storing crude at sea.

According to the Labor Department, nonfarm payrolls fell by 263,000 in September. The largest job losses were in construction, manufacturing, retail trade and government. Economists had expected a 175,000 decline. The unemployment rate increased by 0.1% to 9.8% in September. The average hourly earnings increased by \$0.01 last month to \$18.67. Separately, on Thursday Fed Chairman Ben Bernanke reiterated that unless economic growth is high, it could take some time for the labor market to improve.

The US Commerce Department said US factory orders in August fell by 0.8%, more than was expected. July orders increased by 1.4%, revised from a previously estimated 1.3% gain. Durable goods fell more than first thought, down 2.6%.

The Institute for Supply Management said its manufacturing index for September fell to 52.6 from 52.9 in August.

CME Group announced the launch of trading and clearing services for four new five-decimal place natural gas liquids average price options contracts. Trading and clearing is scheduled to start on October 11 for trade date October 12.

Pro-government candidates won the majority of seats in Thursday's elections to lead Venezuela's main federation of oil workers. FUTPV electoral commission chief Jose Sanchez said Wills Rangel, whose Platform 7 group was viewed as both pro-Chavez and pro-management, won the presidency of the United Federation of Venezuelan Oil Workers. The winners in the vote will be part of the board that sits down with PDVSA management to propose a new three year labor deal, which will affect most of PDVSA's 100,000 employees.

**October
Calendar Averages**
CL – \$70.39
HO – \$1.8121
RB – \$1.7494

from Nigeria's Niger Delta are expected to accept an amnesty offer before it expires on Sunday. Ateke Tom, a key militant leader is expected to hand over weapons at a ceremony on Saturday after publicly accepting the amnesty on Thursday. Farah Dagogo, the leader of the Movement for the Emancipation of the Niger Delta is in the capital Abuja to meet the authorities and Government Tompolo is expected to join him there on

Saturday.

Refinery News

ExxonMobil has shut a fluid catalytic cracking unit at its 500,000 bpd Baton Rouge, Louisiana refinery on Friday due to a possible line leak. Sources expect the repair to take 10-12 days.

Separately, ExxonMobil Corp's chief executive, Rex Tillerson said US gasoline demand peaked in 2007 and will decline into the future as efficiency and the development of biofuels and high-tech cars like hybrids increase. He said biofuels, including ethanol and biodiesel, will continue to cut gasoline demand. US mandates require steady annual increases in the blending of biofuels into gasoline and will peak at 36 billion gallons of the alternative fuel by 2022. He said oil products demand totaled 20 million bpd in 2007 and should fall to about 17 million barrels by 2020.

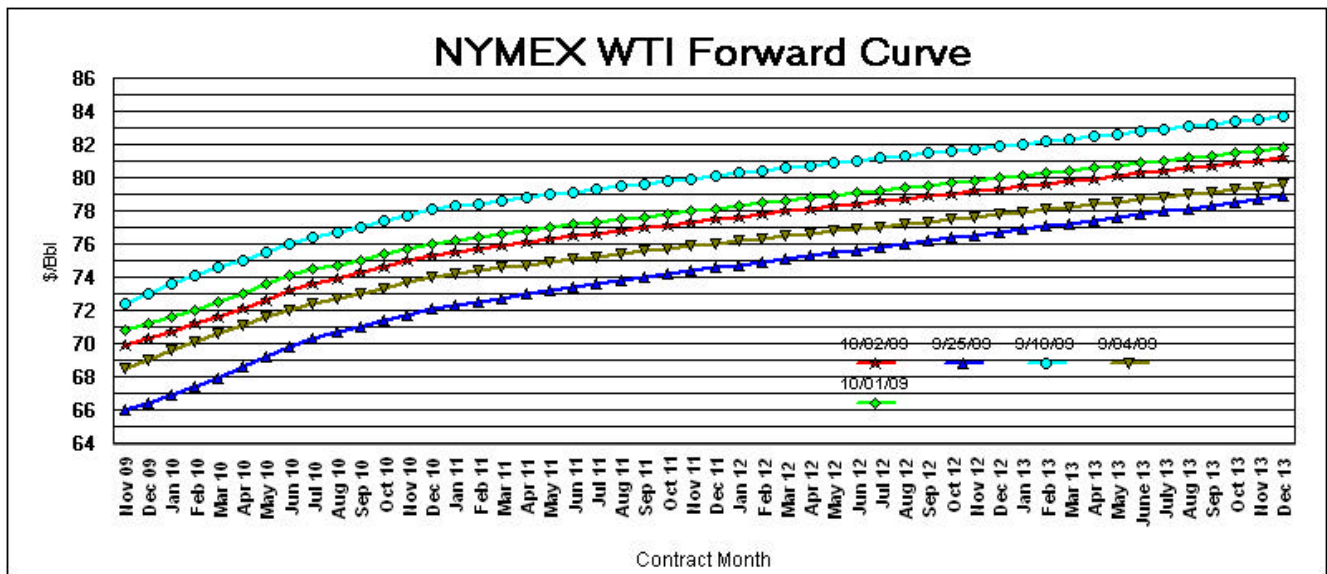
Valero Energy Corp said it will shut a complex at the west plant of its Corpus Christi, Texas refinery for maintenance starting October 2nd through October 5th. Separately, Valero said the plant wide turnaround of its 100,000 bpd Three Rivers, Texas refinery was complete and units will restart over the next several days.

Citgo Petroleum Corp is repairing a fire damaged alkylation unit at its 163,000 bpd Corpus Christi, Texas refinery during October. The planned restart led the United Steelworkers Union to ask the US Occupational Safety and Health Administration to investigate the unit's safety ahead of the planned restart. Citgo is speeding repairs to the unit for a planned restart on October 18th and 19th.

BP is performing seasonal maintenance at its 155,000 bpd Toledo, Ohio refinery. A source said none of its major units are involved in the turnaround. The work is expected to last 30 days.

Frontier Oil said it shut its fluid catalytic cracking unit at its 130,000 bpd El Dorado, Kansas refinery. The refinery will also shut a gofiner for planned work on October 4th.

ConocoPhillips confirmed it has started maintenance at its 260,000 bpd Wilhelmshaven oil refinery in



Germany for planned maintenance. The refinery is expected to remain shut for at least 10 weeks.

Iran plans to start maintenance at its 360,000 bpd refinery in Isfahan on Saturday. The work is expected to take about 30 days.

Russia's Lukoil has halted oil product output at its Odessa refinery in Ukraine due to crude shortages. On Thursday, market sources said crude deliveries to the Odessa refinery were halted on October 1, as Ukrtransnafta refused to supply crude to the refinery via the Kremenchug-Odessa pipeline. Ukrtransnafta planned to deliver light seaborne crude to the Kremenchug refinery from the port of Odessa in reverse mode in October.

Suncor Energy announced it is resuming the expansion of its St. Clair Ethanol Plant near Sarnia, Ontario. The construction project, expected to be completed in late 2010 or early 2011, will double the plant's current ethanol production capacity from 200 to 400 million liters/year. The expanded St. Clair Ethanol Plant, along with Suncor's investment in four wind power projects across Canada, is expected to offset about 1 million tons of carbon dioxide per year.

Saudi Aramco has sold a second prompt fuel oil cargo from its Ras Tanura refinery in about a week, at a slightly lower premium than an earlier deal following an outage at the plant's hydrotreater. Saudi Aramco's 44,000 bpd hydrocracker unit suffered a hydrocarbon leak and was shutdown about two weeks ago. About 3.1-3.2 million tons of Western arbitrage cargoes are bound for East Asia next month, down from 3.7-3.8 million tons in October and below average levels of 3-3.5 million tons, as global refiners cut runs due to poor margins.

India Oil Corp has purchased 1 million barrels of Azeri Light crude for December loading via tender from BP.

Royal Dutch Shell Plc booked a super tanker to store Indian gasoil. It is the latest company to take advantage of available vessels in the face of weak demand to store gasoil at sea. Shell's VLCC is the sixth known supertanker chartered this year for floating storage.

Kazakh and Russian oil exports via the Caspian Pipeline Consortium increased by 4.2% to 745,992 bpd in September from 716,130 bpd in August.

Azerbaijan and Kazakhstan agreed to develop plans for additional routes to deliver Kazakh oil to the Black Sea, including possibly a new pipeline. Azerbaijan's Socar and Kazakhstan's Kazmunaigas agreed to study the opportunity to jointly build a new pipeline from the Caspian coast near Baku to the Black Sea coast for the transit of Kazakh oil through Azerbaijani territory. The deal will also see the two companies cooperate on a feasibility study on building the so-called trans-Caspian system, which would create the infrastructure for Kazakhstan to significantly increase oil tanker shipments to Azerbaijan across the Caspian Sea. The oil would then be exported through the Baku-Tbilisi-Ceyhan pipeline. The system's initial shipment capacity will stand at 500,00 bpd and will eventually increase to 750,000-1,200,000 bpd.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas this week increased by 7 to 1,024. The number of rigs searching for oil increased by 6 to 303 while the number of rigs searching for natural gas increased by 2 to 712.

Chevron Corp's Agbami oil platform in Nigeria reached peak production of 250,000 bpd in August, four months ahead of schedule.

Russia's Energy Ministry reported that the country's monthly oil production totaled 10.01 million bpd in September, up 0.4% from 9.97 million produced in August. Its production exceeded 10 million bpd in September for the first time. Russia's production was increased by the start of the Vankor and several other new fields, including Lukoil's South Khlychuyu deposit and the Uvat, Kammenoye and Verkhnechonskoye fields. Russia also increased its natural gas production in September to 1.52 billion cubic meters/day, up 8.6% on the month. Separately, Russia's President Dmitry Medvedev said that \$80 to \$90/barrel would be a fair price for oil in the current economic climate.

Nigeria will export an average of 1.86 million bpd of crude oil in November, up from 1.8 million bpd in October and well above its implied OPEC production target of 1.67 million bpd. Preliminary loading schedules show the 15 main Nigerian crude oil streams are set to load 64 cargoes or part cargoes in November, unchanged on the month.

Indonesia's BPMIGAS reported that crude production at the country's Cepu block reached 11,500 bpd on Friday and is expected to increase to 15,000 bpd in the near future. The Indonesian government expects Cepu's peak production to reach about 165,000 bpd by 2014.

An Iraqi oil official said BP Plc and China National Petroleum Corp agreed to change their stakes in a project to develop Iraq's largest producing field, Rumaila. BP's original stake was 50% and CNPC's was 25% while Iraq's South Oil Co held the remainder. The official said the two partners agreed on the change in stakes during meetings with Iraq's Oil Ministry and the South Oil Co in Iraq that started Tuesday.

OPEC's news agency reported that OPEC's basket price increased further to \$67.70/barrel on Thursday from \$65.55/barrel on Wednesday.

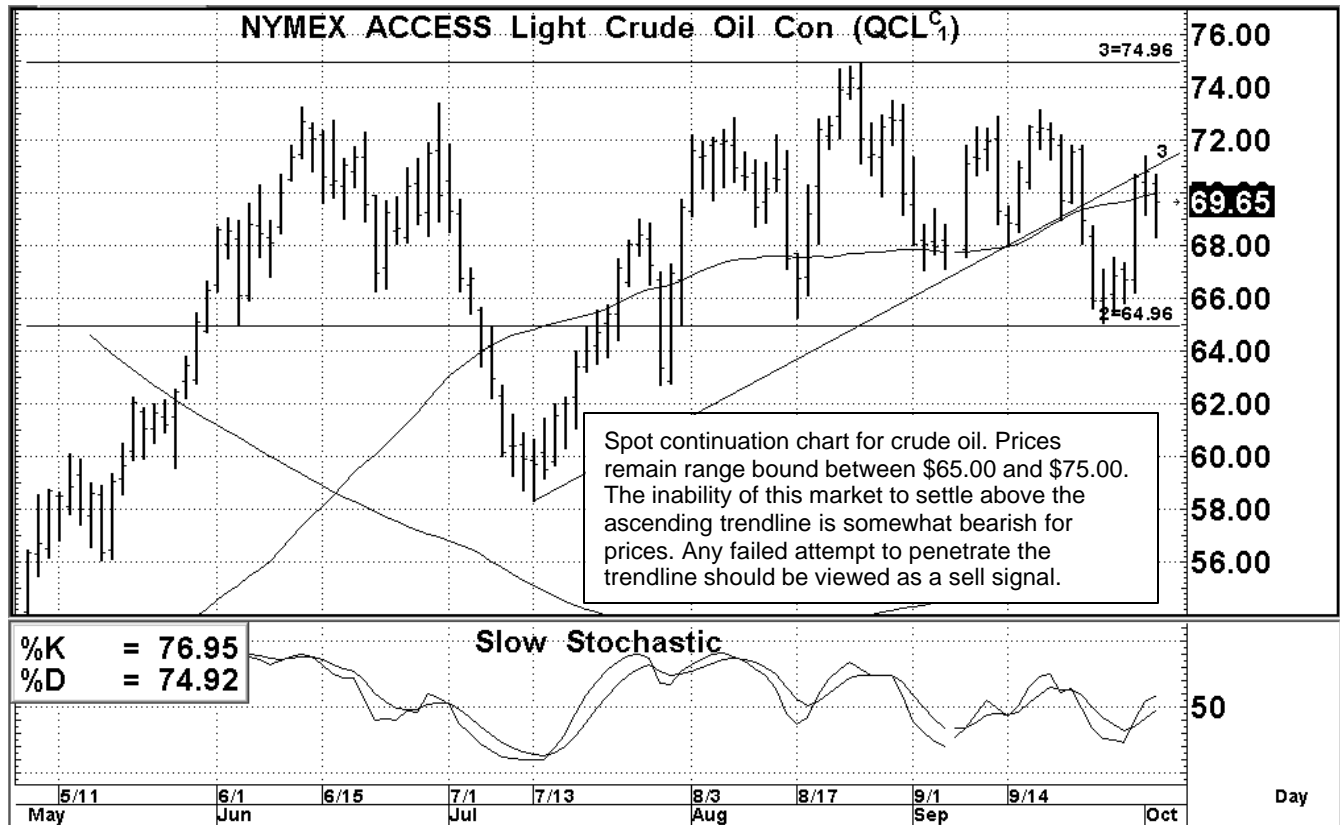
Market Commentary

Energy prices tumbled today as a less promising U.S. unemployment rate indicated that the jobless rate climbed to its highest level since 1983 and U.S. factory orders unexpectedly fell in August. Crude oil gave back the previous two days gains as it followed the equities markets lower. This is all a clear indication that the economy is not making the turnaround investors believed it was making. Bulls have been having a difficult time keeping this market up as they base their positions on an improving economy. With refiners in turnaround and the U.S. over its summer driving season and on the brink of heating season, stockpiles should continue to grow. Based upon examination of the shape of the forward curve, it appears that demand for prompt sweet crude continues. Draws at Cushing also support the demand for prompt crude as the idea of taking delivery becomes more comfortable. With refining margins running tight, hammered by lack of demand for product, we will have to wait and see if this demand for prompt crude oil can continue. Prices have been contained within the range of \$65.00 and \$75.00, barring any major fundamental changes we would look for this range to hold as we await true signs of an economic recovery.

Crude NOV.09 297,948 -2,142 DEC.09 203,479 +7,106 JAN.10 77,861 +2,700 FEB.10 33,661 +1,700 MAR.10 29,752 +675 APR.10 18,672 +1,176 Totals: 1,202,912 +12,059 Heating NOV.09 69,960 +1,658 DEC.09 61,617 +3,529 JAN.10 37,446 +313 FEB.10 18,037 +227 MAR.10 15,893 +132 Totals: 311,106 +6,757 NOV.09 82,472 -1,199 DEC.09 34,294 +482 JAN.10 24,900 +983 FEB.10 7,726 +112 MAR.10 13,395 +317 Totals: 192,472 +1,114

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 20,074 contracts to 42,142 contracts in the week ending September 29th. The combined futures and options report showed that non-commercials also cut their net long position by 25,937 contracts to 122,900 contracts on the week. The funds increased their total short position by 21,813 contracts to 107,711 contracts. The disaggregate combined futures and option report showed

that producers/merchants cut their net short position by 1,477 contracts to 173,686 contracts while swap dealers increased their net long position by 20,212 contracts to 40,167 contracts on the week. Managed money cut their net long position by 38,59 contracts to 80,531 contracts, other reportables increased their net long position by 12,663 contracts to 42,370 contracts and non-reportables increased their net long position by 4,247 contracts to 10,618 contracts on the week. Meanwhile, the combined futures and options report also showed that non-commercials in the product markets cut their net long positions, with funds in the heating oil market cutting their net long position by 7,550 contracts to 25,439 contracts on the week and funds in the RBOB market cutting their net long position by 10,335 contracts to 28,363 contracts on the week.



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, 2.0465
Gasoline support	Gasoline resistance
1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400	1.9551, 2.0210, 2.0400, 2.0567, 2.1100, 2.1600, 2.3350

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