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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 6, 2009

Oil producing nations denied a report that Gulf Arab states are in secret talks with Russia, China, Japan and France to replace the US dollar with a basket of currencies in the trading of oil. The proposal was for trade in crude oil to move over nine years to a basket of currencies including the Japanese yen, the Chinese yuan, the euro, gold and a new, unified currency planned for nations in the Gulf Cooperation Council. Saudi Arabia's central bank chief, Muhammad al-Jasser said the newspaper report that Gulf Arab states are in secret talks to replace the US dollar is wrong.

Market Watch

Energy investor T. Boone Pickens predicted the price of oil is likely to average \$75/barrel by the end of 2009 and \$80/barrel throughout 2010. He said Chinese purchases will help push oil prices to as much as \$90-\$100/barrel next year as output declines and the world economy rebounds. He said China has spent \$200 billion on forward purchases, tying up the world's oil supply. He said he increased his long oil and natural gas position in recent weeks.

The US National Hurricane Center said Tropical Storm Henri formed as a low pressure system in the western Atlantic Ocean is producing tropical storm force winds. It stated earlier on Tuesday that the system has a low chance, less than 30%, of becoming a tropical depression over the next 48 hours. It said the system is expected to move northwestward over the next few days and remain well north of the Lesser Antilles in the eastern Caribbean Sea.

A senior Iranian Oil Ministry official said Iran needs an additional \$6.5 billion to help pay for imports of gasoline and diesel fuel during the 2009-10 budget year. Deputy Oil Minister in charge of planning, Ebrahim Radafzun said the ministry is preparing a draft supplementary budget bill to be sent to the government during the current week.

Shell has chartered a tanker to store diesel for three to six months starting from October, aiming to capitalize on winter demand. Trade sources said a 317,000 ton vessel has been chartered to store the clean fuel for a 100-180 day period. Vitol has provisionally booked as much as 660,000 metric tons of Asian gasoil for shipping to Europe or the Middle East in October. If Vitol stores its latest ships at sea, it will bring the total gas oil volume it holds off the shores of Europe and the Middle East to more than 1.7 million tons. According to estimates by ICAP Shipping, 85 ships were storing 61.51 million barrels of clean products globally by the end of September, up from 64 vessels holding 51.14 million barrels at the end of August.

CFTC Chairman Gary Gensler said he is not ready to comment on House Financial Services Chairman Barney Frank's proposal on over the counter derivatives until Wednesday when he will testify about it. He however stated that he still supports bringing all standard products onto regulated trading platforms and requiring even small market players to have some of their trades cleared, two things not included in the proposal. The bill would force many standard contracts into clearinghouses, which guarantee trades and impose higher capital and margin requirements for customized products not suitable for clearing. Under both Frank's bill and the Obama proposal, the CFTC and the Securities and Exchange Commission would get expanded powers to oversee the over the counter market.

API Stocks

Crude – down 254,000 barrels
Distillate – down 2.913 million barrels
Gasoline – up 544,000 barrels
Refinery runs – up 0.7%, at 84.3%

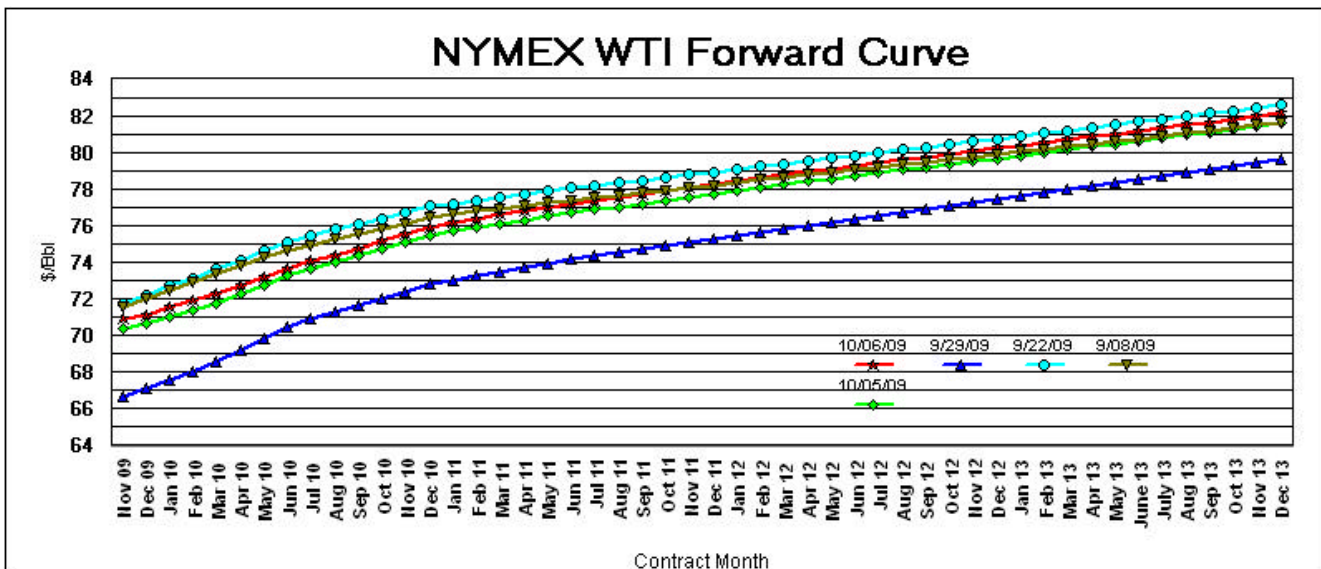
Kuwait's Oil Minister Sheik Ahmad al-Abdullah al-Sabah said there are no talks among Gulf Arab exporters to replace the US dollar for trading oil. A source in the UAE's central bank said Gulf Arab oil exporters will stay with the dollar as the currency for trading crude. Also, Oman's central bank governor Hamood Sangour al-Zadjali said he was not aware that Gulf Arab oil exporters were considering replacing the

US dollar with a basket of currencies. Algeria's Finance Minister Karim Djoudi said there is no need to replace the US dollar as the currency used for oil trade. Separately, Iran's Central Bank Governor Mahmoud Bahmani said the country has profited from its policy of increasing its sales of oil for currencies other than the US dollar.

Algeria's Oil Minister Chakib Khelil said no decision had yet been made on OPEC's policy on crude oil prices ahead of the group's next meeting. OPEC is scheduled to meet again on December 22nd in Luanda, Angola.

In its latest Short Term Energy Outlook, the EIA said world petroleum demand is still expected to fall overall in 2009 to 83.67 million bpd, below the 2008 level of 85.46 million bpd. It estimates world oil demand will increase in 2010, increasing by 1.1 million bpd on the year to 84.77 million bpd. Its 2009 estimate is unchanged from its previous estimate while its 2010 estimate is up 0.22% from its previous forecast. It said sustained economic growth in China and signs of a turnaround in other Asian countries continue to fuel expectations of a global recovery in world oil consumption. China's oil demand was revised upward to 8.17 million bpd for 2009 from its previous estimate of 8.08 million bpd. The EIA raised its forecast for OPEC crude oil production next year to 29.19 million bpd from its previous estimate of 28.89 million bpd. The EIA also raised its projection for oil output from non-OPEC countries in 2010 to 50.26 million bpd from its previous projection of 50.19 million bpd. OECD commercial oil inventories stood at 2.76 billion barrels at the end of the second quarter of 2009. At 61 days of forward supply, OECD commercial inventories are well above average levels for that time of the year. US oil demand in the fourth quarter is expected to fall 1.7% or 330,000 bpd from a year earlier to 18.97 million bpd. Full year 2009 oil demand is expected to fall 3.7% or 730,000 bpd on the year to 18.77 million bpd, led by a 330,000 bpd decline in distillate demand. Its 2009 demand estimate is up 50,000 bpd from its previous estimate. US oil demand in 2010 is expected to increase by 1.68% on the year to 19.09 million bpd, which is up 0.58% from its previous estimate. Gasoline demand in 2009 is estimated at

**October
Calendar Averages**
CL – \$70.52
HO – \$1.8075
RB – \$1.7564



9.02 million bpd, up 0.33% on the year and up 0.22% from its previous estimate while demand in 2010 is estimated at 9.08 million bpd, up 0.66% on the year and up 0.22% from its previous estimate. Distillate demand in 2009 is expected to fall by 8.35% on the year to 3.62 million bpd, unchanged from its previous estimate while distillate demand in 2010 is expected to increase by 2.95% on the year. In regards to prices, the EIA also stated that the average US household will pay \$960 or 8% less in heating fuel costs this winter, with natural gas and propane users enjoying the largest decline in costs. Winter expenses are forecast to be 11.8% or \$105 lower for natural gas, 2.2% or \$40 less for heating oil, 14.2% or \$280 less for propane and 2% or \$20 less for electricity. The average price for heating oil in the Northeast is forecast to average \$2.64/gallon this winter season, down 2 cent from last winter. The EIA expects the price of WTI crude to average about \$70/barrel this winter, up \$19 on the year. The EIA also said the price of crude oil will average \$72.42/barrel in 2010, unchanged from the previous outlook and up 21% from the expected 2009 average price of \$59.90/barrel. Gasoline prices are expected to average \$2.65/gallon, down 5 cents from its previous forecast while diesel prices are expected to average \$2.78/gallon next year, down 10 cents.

The IEA's Executive Director Nobuo Tanaka said the IEA will take into account an improvement in the world economic outlook when compiling a report on oil demand due later this week. The IEA is scheduled to release its Oil Market Report on Friday. Last month, the IEA said world oil demand would increase by 1.5% next year after a 2.2% decline this year from 2008 levels.

According to a report by MasterCard Advisors LLC, US gasoline demand increased by 0.6% or 55,000 bpd to 9.227 million bpd in the week ending October 2nd. It reported that gasoline demand in the past four weeks increased by 2.2% on the year. On a nationwide average, the average retail price of gasoline fell by 6 cents to \$2.45/gallon on the week.

The Nigerian government's offer of an amnesty to militants in the country's oil region is being challenged in court by the group that started the unrest, the Niger Delta People's Volunteer Force. A lawyer for the militant group fears government forces would use the disarmament process to "unleash terror" in the Niger Delta.

Refinery News

ConocoPhillips reported flaring at its 120,200 bpd Rodeo, California refinery on Monday. The flaring is due to a leaking release valve.

Citgo Petroleum Corp has delayed restarting a unit that caused an explosion at its Texas refinery after union officials raised concern for the safety of workers and nearby residents. The restart of its alkylation unit has been delayed by two weeks until the end of October as more repairs are being made at the Corpus Christi plant.

Tesoro Petroleum Corp said it expected to resume operation of its coking unit at its 100,000 bpd refinery in Wilmington, California by mid-October after it was shut last month due to a fire. The unit is expected to operate at full rates, returning the refinery to planned production levels.

Frontier Oil Corp plans to cut its throughput at its El Dorado, Kansas refinery by 51% in October from the previous month due to planned maintenance on a fluid catalytic cracking unit and a gofiner unit. It is expected to process 58,000 bpd during October, down from 118,800 bpd in September. Meanwhile, Frontier's refinery in Cheyenne, Wyoming is expected to process 44,250 bpd, up from 40,200 bpd in September.

ExxonMobil said two unidentified units were restarted Tuesday at its 149,000 bpd Torrance, California refinery after they were unexpectedly shut on Saturday. The refinery resumed normal operations after

the units were restarted. Separately, ExxonMobil confirmed it has restarted a fluid catalytic cracking unit at its 326,000 bpd Fawley refinery in England following the completion of planned maintenance.

Sunoco Inc said it will indefinitely shut its 145,000 bpd Eagle Point refinery in Westville, New Jersey to reduce losses. It will shift current Eagle Point production to its two nearby refineries in Marcus Hook and Philadelphia, Pennsylvania, which will operate at higher capacity utilization.

Flint Hills Resources will conduct maintenance work at its Port Arthur, Texas refinery on October 6th and 7th.

Kuwait has no intention of selling its 80,000 bpd refinery in Rotterdam. The Kuwait Petroleum plant in Rotterdam refines Kuwait crude oil and semi-finished products.

Indonesia's Pertamina plans to import a total of eight 170,000 barrel cargoes or 1.36 million barrels of high sulfur fuel oil for next month, up two cargoes on the month.

Production News

Chevron Corp will rebuild platforms and wells at the Eugene Island 339 block in the Gulf of Mexico that were destroyed last year by Hurricane Ike. Front end engineering and design work of the project is expected to start by the end of January 2010 with production from the site's redevelopment expected to start at the end of October 2012. Eugene Island 339 was producing about 100,000 bpd of oil equivalent before it was impacted by the storm.

Kuwait's Oil Minister Sheikh Ahmad al-Fahad Sabah ruled out any production increase by OPEC this year and predicted that oil prices will remain at between \$60 and \$80/barrel until the end of the year. He also said Kuwait will delay its oil output capacity target of 4 million bpd by 10 years to 2030. He said the delay is due to a lack of "technical know-how" and current market conditions.

Kazakhstan's Deputy Energy Minister Lyazzat Kiinov said the country plans to increase its oil output slightly to 76-77 million tons in 2010 from 75 million tons this year.

Chevron Corp led Tengizchevroil expects to produce more than 23 million metric tons of oil or more than 503,000 bpd in 2010, up from 22.5 million tons forecast for this year.

Nigeria has the capacity to increase its oil output over 2.5 million bpd in mid-term but it will depend on the stability in the Niger Delta region.

Ecuador's central bank said the country's total oil exports increased to 366,280 bpd in August from 340,383 bpd last year.

National Iranian Oil Co set the price of its Iranian Light crude bound for Asia in November at the Oman/Dubai average plus 46 cents, down 45 cents. It also set the price of its Iranian Heavy crude at the Oman/Dubai average minus 31 cents, down 15 cents and the price of its Forozan Blend was set at the Oman/Dubai average minus 26 cents, down 15 cents on the month.

OPEC's news agency reported that OPEC's basket of crudes fell to \$66.81/barrel on Monday from Friday's revised level of \$67.16/barrel.

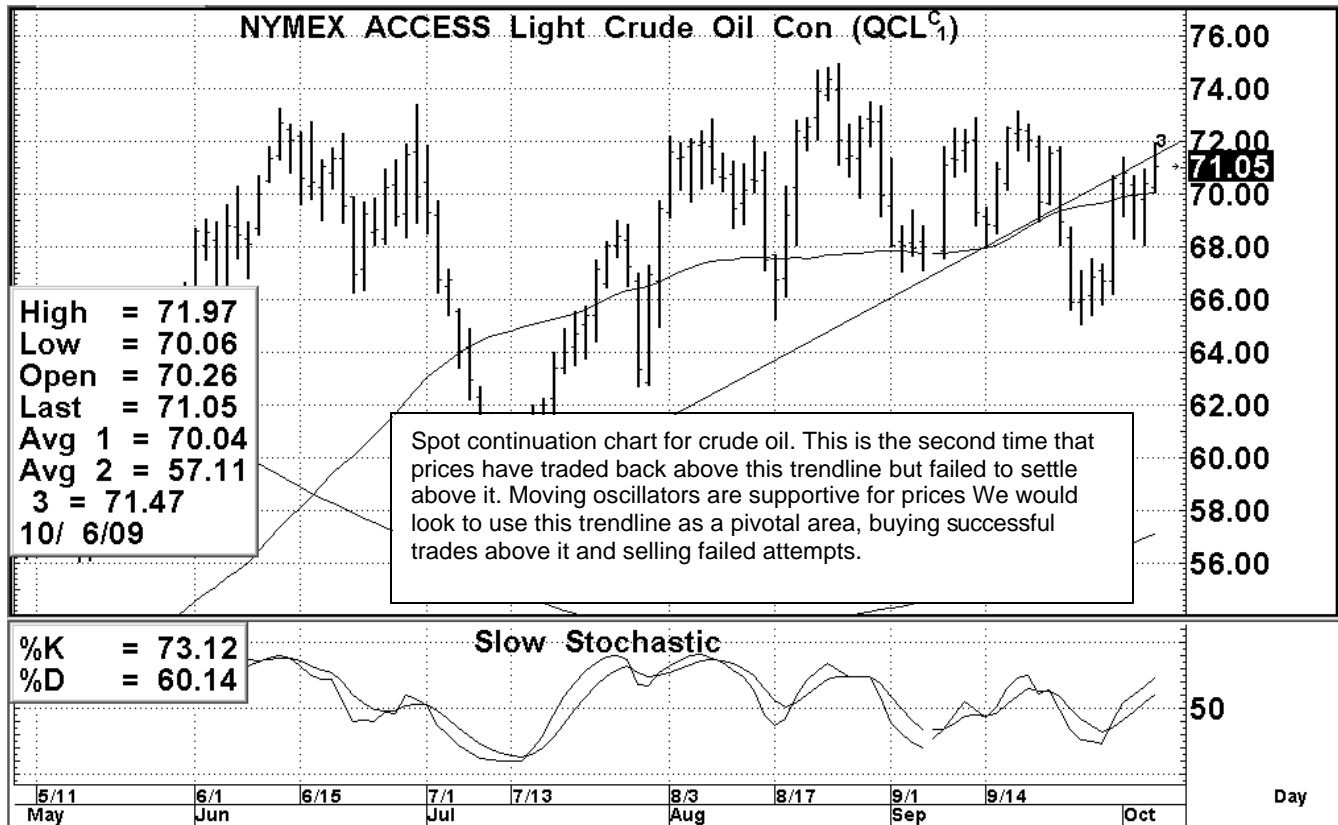
Market Commentary

Crude oil began the session on a high note as it responded to a weak dollar, which prompted investors to turn to commodities as a hedge against inflation. Today's strength was short-lived, however, as the equities markets dipped lower, taking the price of crude oil with it. As in the past,

crude oil is having a hard time maintaining any gains, as the underlying fundamentals of this market are bearish. This week's DOE report is calling for builds across the board, with expectations of an increase in crude oil of 2.2 million barrels, distillates up 300,000 barrels and gasoline up 1 million barrels. Inventories remain high for all three commodities at a time when unused production capacity is also high. This does not paint a very supportive picture for the energy markets and should continue to contain any run-up in prices. The shape of the forward curve appears to indicate strength in the front end with somewhat stagnant movement in the middle. The November/December spread has gained 23 cents since the start of the last GSCI roll, which begins tomorrow. This spread can play out two different ways depending upon which of the following it decides to take its lead from. As refiners continue to sort out sweet crude this spread may hold firm. With the GSCI roll starting tomorrow, longs, which are rolling out of the November contract and into the deferred, this spread may correct.

Crude NOV.09 291,390 -7,340 DEC.09 211,601 +1,726 JAN.10 87,822 +4,306 FEB.10 34,877 -1,220
MAR.10 32,465 822 APR.10 18,527 -1,0596 Totals: 1,222,034 -5,640 Heating NOV.09 64,528 -1,628
DEC.09 58,491 -1,405 JAN.10 38,633 +541 FEB.10 18,565 +264 MAR.10 16,287 +105 Totals:
304,783 -1,201 NOV.09 83,133 -1,696 DEC.09 33,425 -1,038 JAN.10 24,555 -904 FEB.10 8,462
+336 MAR.10 13,459 +51 Totals: 193,629 -2,898

The API reported an unexpected draw in crude stocks of 254,000 barrels on the week, with draws of 843,000 barrels in Padd 3 and draws of 541,000 barrels in Padd 1. It reported that total crude stocks are up 12.6% on the year. It reported the draw in crude stocks as runs increased by 196,000 bpd or 1.3% to 14.792 million bpd. It however reported that crude imports increased by 79,000 bpd to 9.598 million bpd. The API also reported an unexpected large draw in distillate stocks of 2.913 million barrels on the week. Distillate stocks are up 24.6% on the year. It reported the draw in stocks as apparent distillate demand increased by 23.5% on the week and by 12% on the year to 4.814 million bpd while apparent demand basis its three week moving average increased by 9.3% on the week and by 7% on the year to 4.43 million bpd. It showed that the day of forward supply fell from 42.1 days to 37.9 days on the week. It however reported that distillate production increased by 130,000 bpd or 3.2% on the week to 4.24 million bpd while imports increased by 43,000 bpd or 37.4% on the week to 158,000 bpd. Meanwhile, the API reported a smaller than expected build in gasoline stocks of 544,000 barrels, leaving stocks up 10.9% on the year. It reported the build in stocks as apparent demand fell by 3.8% on the week but increased by 8.6% on the year to 9.266 million bpd. Apparent demand basis its three week moving average increased by 0.2% on the week and by 4.1% on the year to 9.041 million bpd. Days of forward supply remained unchanged at 23.6 days. It showed that gasoline production increased by 108,000 bpd or 1.2% on the year to 9.234 million bpd. However imports fell by 148,000 bpd or 57.4% on the year to 110,000 bpd.



Crude Support 64.70, 63.38, 62.70, 61.61, 60.95	Crude Resistance 73.24, 73.85, 75.00, 76.13
Heat Support 1.6585, 1.4870, 1.4220, 1.4130, 1.3720	Heat resistance 1.8500, 1.9440, 2.0420, 2.0465
Gasoline support 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400	Gasoline resistance 1.9551, 2.0210, 2.0400, 2.0567, 2.1100, 2.1600, 2.3350

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