



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 6, 2010

The chairman of Libya's National Oil Corp, Shokri Ghanem said OPEC is unlikely to change its output policy at a meeting on October 14th because the rise above \$80/barrel does not reflect the fundamentals of a well supplied market. He said OPEC should improve its compliance with its existing output targets.

Chevron Corp said the BP Gulf of Mexico oil spill was preventable. He also stated that he believed the US deepwater drilling moratorium will be lifted soon.

Refinery News

The Houston Ship Channel was fully reopened early Wednesday, allowing crude supplies to flow for the first time since early Sunday to four oil refineries. The channel was reopened, allowing 25 delayed outbound vessels to clear the port and 46 inbound ships were later allowed to travel through the waterway. Coast Guard officials said that while it could take up to three days to clear the backed up traffic, priority was given to deepwater drafting vessels and essential crude deliveries.

Magellan Pipeline is allocating ultra-low sulfur diesel at certain terminals in the northern tier of the pipeline. It said the allocation is necessary due to increased demand from the agricultural sector

Market Watch

The ADP Employer Services report showed that US private employers unexpectedly cut 39,000 jobs in September after adding an upwardly revised 10,000 jobs in August. The report was expected to show that the private sector added 24,000 jobs in September.

Germany's Economy Ministry said the country's manufacturing orders increased more than expected in August due to strong foreign demand. Orders increased by 3.4% on the month. The data showed a 6.6% increase in orders from abroad.

The IMF's World Economic Outlook said developing Asia is projected to grow by about 9.4% in 2010 and 8.4% in 2011. It said Asia's emerging economies, led by China and India, are leading the global recovery but added that they need to allow currency appreciation and under structural reforms to ensure long term growth. The IMF forecast China would grow 10.5% this year and 9.6% in 2011, driven by domestic demand. India's GDP is expected to grow by 9.7% in 201 and 8.4% in 2011.

Suspected al Qaeda militants attacked two Western targets in Yemen on Wednesday, firing a rocket at a senior British diplomat's car and killing a Frenchman at a gas and oil installation. Meanwhile, energy group OMV said it has no plans to quit its operations in Yemen after a security guard opened fire at its branch office there.

Senior police officials said at least 10 NATO oil tankers were torched when militants opened fire on a convoy of dozens of vehicles parked in Nowshera in northwestern Pakistan. The attack was the second of the day after militants opened fire on a terminal on the outskirts of the southwestern city of Quetta.

DOE Stocks

Crude – up 3.088 million barrels
Distillate – down 1.124 million barrels
Gasoline – down 2.646 million barrels
Refinery runs – down 2.7%, at 83.1%

which cannot be met with existing and expected supply within the northern tier of Magellan's Central System.

ExxonMobil Corp reported that catalytic hydrodesulfurization unit at its 238,600 bpd Joliet, Illinois refinery was shutdown Tuesday night due to a brief fire its compressor. There is no estimate on the duration of repairs to the unit.

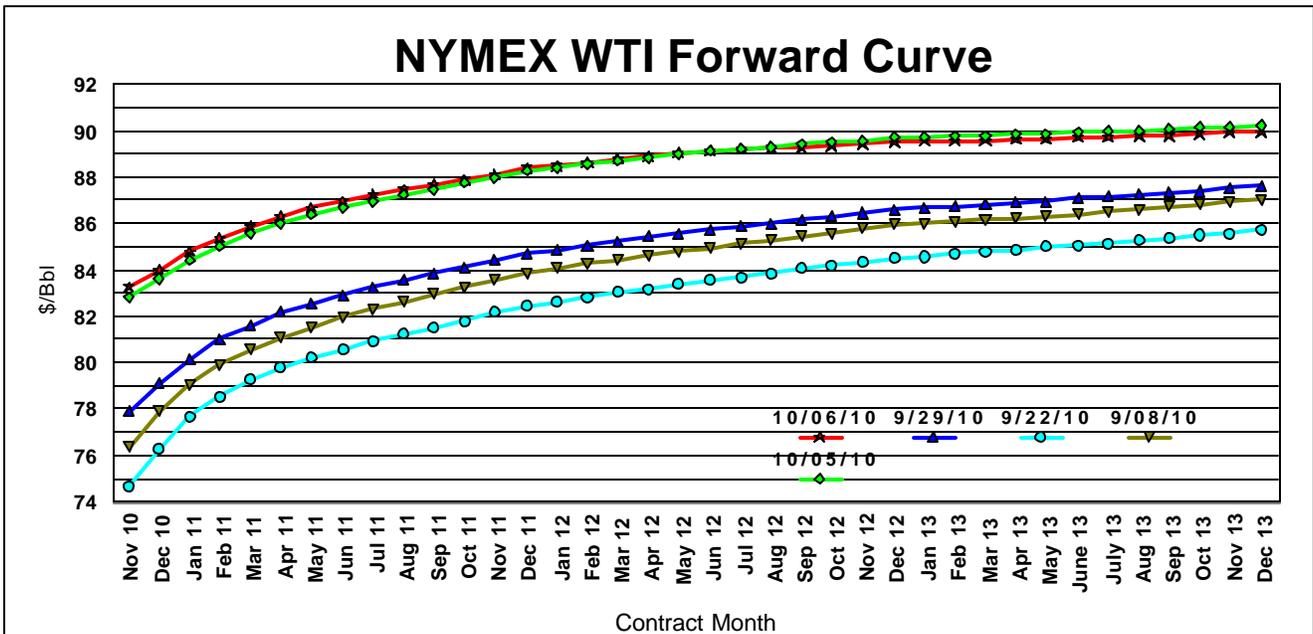
Workers at the Fos-Lavera oil terminal will continue their strike for the 11th consecutive day on Thursday. The workers will meet with management on Thursday afternoon. The port authority said a total of 47 ships are being prevented from unloading due to the continuing strike at the Fos-Lavera oil terminal. It said there were 17 crude oil tankers, 15 refined oil tankers, two barges, four chemical product tankers and nine natural gas tankers were waiting off Fos-Lavera to unload. It said the ongoing strikes could have significant economic consequences for the French terminal of Fos-Lavera and for the region. Workers at the Fos-Lavera port are on strike to protest against reform of France's ports, particularly restructuring the Marseille harbor. Separately, the French Transport Ministry said there is no oil stock issue in France following the rolling strike at the terminal. It said refiners impacted by the strike have enough oil stocks at other refineries in France. French refiners body Union Francaise des Industries Petrolieres on Tuesday warned the seven refineries supplied by the Fos-Lavera port could stop producing within a week if the strike goes on. The Energy Ministry has stated that it is not considering releasing its strategic oil reserves.

**October
 Calendar Averages**
CL – \$82.28
HO – \$2.2972
RB – \$2.1152

French union, CGT, called for open ended strikes beginning October 12th in the country's energy sector against the government's pension reform. Open ended strikes would increase the pressure on President Nicolas Sarkozy's government, which has refused to back down on the reform that would raise the retirement age to 62 from 60 by 2018.

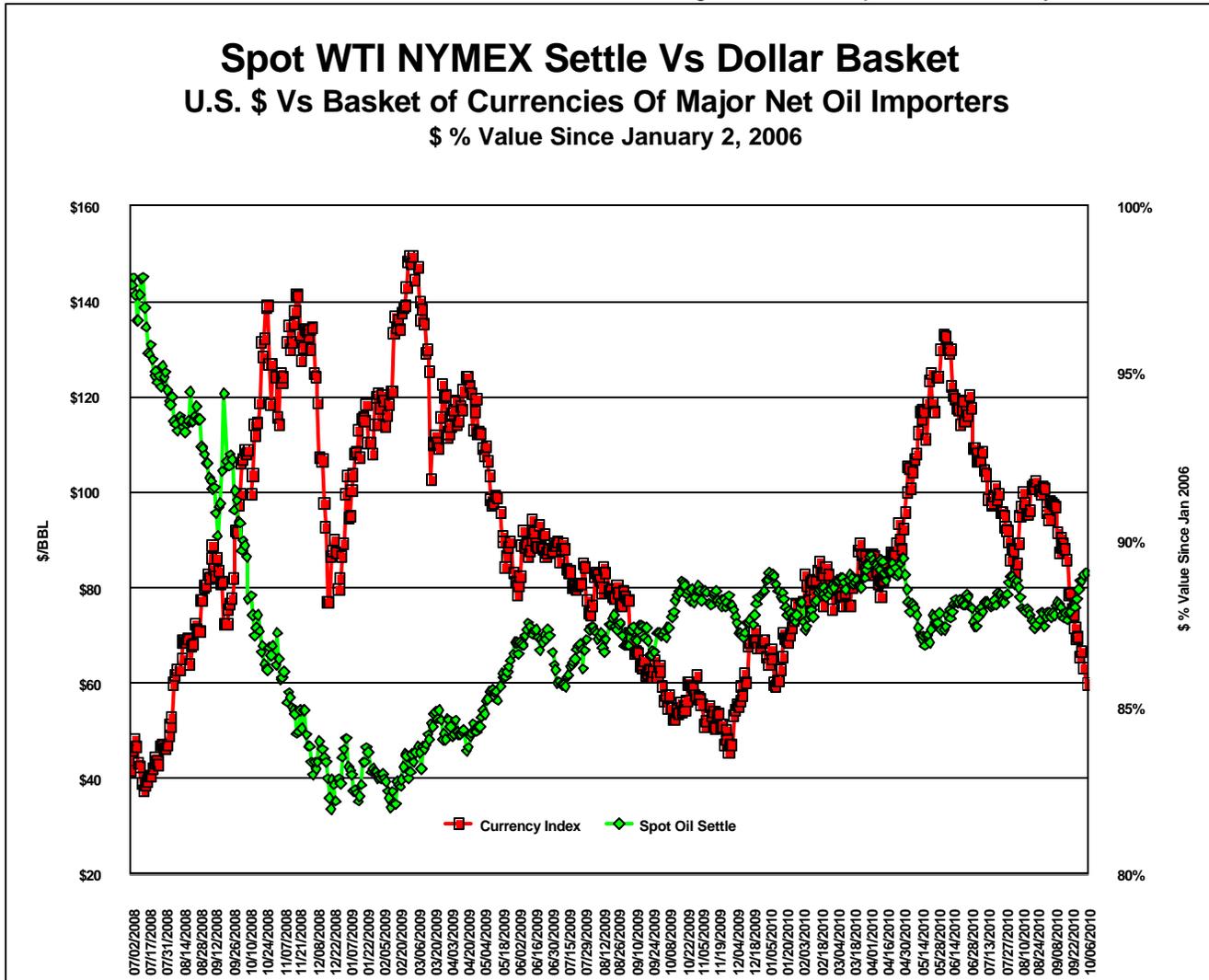
LyondellBasell Industries' 105,000 bpd Berre l'Etang refinery will run out of crude in a few days, if the strike continues.

Iran is expanding one of its main refineries as part of its efforts to rapidly increase its gasoline production capacity. The managing director of the Abadan refinery said the production of gasoline will increase by 4 million liters/day over the next 14 days. Production at Abadan will increase to 20 million



liters from 16 million liters.

Vitol is the latest trader to ship gas oil from Asia to Europe, bringing total East-West diesel arbitrage volumes to 1.095 million tons or 8.21 million barrels loading from mid-September to early October.



The Petroleum Association of Japan reported that crude oil stocks in the week ending October 2nd increased by 11.11% on the week but fell by 0.21% on the year to 15.03 million kiloliters. Japan's gasoline stocks fell by 2.5% on the week and by 11.14% on the year to 1.86 million kl while gas oil stocks fell by 12.04% on the week and by 16.92% on the year to 1.63 million kl. Naphtha stocks increased by 5.69% on the week to 2.06 million kl, jet fuel stocks fell by 0.44% on the month and year to 960,000 kl and kerosene stocks fell by 1.82% on the week and by 20.7% on the year to 2.59 million kl. Japan's average refinery runs fell by 2% to 71.6% on the week.

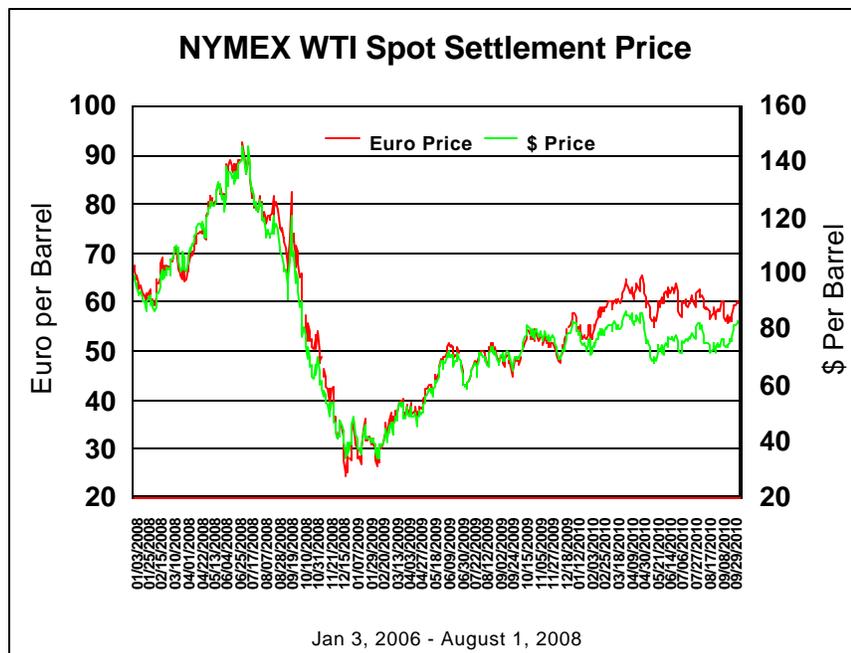
Production News

Brazil's Petrobras said it will not meet its 2010 output target of 2.1 million bpd. It said it will be within 2-3% of its 2.1 million bpd target. Average domestic output in 2010 as of August stood at 2.002 million bpd while average total production stood at 2.153 million bpd. Separately, Petrobras said it expects to produce 500,000 bpd from offshore Espirito Santo state by 2015, up from about 10,000 bpd in 2000. Its output from offshore Espirito Santo will reach between 220,000 bpd and 240,000 bpd by the end of 2010.

OPEC's news agency reported that OPEC's basket of crudes increased by 19 cents to \$80.14/barrel on Tuesday from \$79.95/barrel on Monday.

Market Commentary

The oil markets continued to trend higher on Wednesday following the release of the DOE weekly petroleum stock report. The markets were supported by the larger than expected draws reported in product stocks in addition to the continued weakness in the dollar. The oil complex was led by the RBOB market, which settled up 3.04 cents at \$2.1559, in light of the DOE report showing a larger than expected draw in gasoline stocks. The market continued a week long rally as it traded to a high of \$2.165 by mid-day. It later retraced some of its gains and settled in a sideways trading pattern ahead of the close. Meanwhile, the crude market posted a low of \$82.29 in early morning trading and rallied to a high of \$84.09 on the report. It however erased some of its gains later in the afternoon and settled up 41 cents at \$83.23, the highest level seen since early May. The market will remain supported so long as the dollar remains weak. Technically, the crude market is seen trending higher, with its upside potential still seen at \$84.61. Meanwhile, support is seen at \$82.95, its low of \$82.29, followed by \$81.15, \$80.77 and \$79.70.



Crude oil: Nov 10 318,650 – 1,769 Dec 10 240,139 +7,222 Jan 11 119,901 +8,504 Totals 1,407,933 +40,332 Heating oil: Nov 10 102,738 –3,063 Dec 10 76,506 -2,982 Jan 11 48,653 +928 Totals 337,021 -4,106 Rbob: Nov 10 100,215 -4,075 Dec 10 52,926 +3,161 Jan 11 30,913 +890 Totals 259,571 +2,342

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8295	8461	22819	23341	21114	21650
8229	8610	22800	23775	20840	22225
8115	8715	22605		20759	22345
8077		22050		20301	22864
7970					

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