

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR OCTOBER 8, 2009

Iran's Oil Minister, Massoud Mirkazemi warned companies that sell gasoline not to halt deliveries to Iran in response to Western sanctions, saying they would be dropped from its list of suppliers. Iranian officials have repeatedly shrugged off the threat of any sanctions measures targeting its fuel imports, saying the country would be able to find sufficient supplies. According to industry sources, oil companies that have supplied fuel to Iran in the last few months include Royal Dutch Shell, Total's Totsa, Vitol, Glencore International, Lukoil's Litasco trading arm and China's Zhuhai Zhenrong Corp. Iran's Oil Minister said the government plans to cut the amount of gasoline that motorists can buy at subsidized prices by about 50%. He said the rationed amount of subsidized gasoline available to motorists would be reduced to 55

Market Watch

The US National Hurricane Center predicted that Tropical Depression Henri in the western Atlantic Ocean should soon dissipate. It is located about 165 miles east of the northern Leeward Islands. It is moving west-northwest at nearly 15 mph, with maximum sustained winds near 35 mph. It should dissipate as it nears the Dominican Republic early Saturday. Elsewhere in the Atlantic basin, a tropical wave in the western Atlantic about 350 miles east of the southern Windward Islands remained poorly organized. Development of the wave, if any, would be slow to occur as it moves west-northwest at about 15-20 mph, predicting there was a low chance, less than 30%, the wave would become a tropical cyclone over the next 48 hours.

The National Oceanic and Atmospheric Administration said the weather phenomenon known as El Nino is expected to strengthen to at least moderate strength during the winter of 2009-10. NOAA said it expects winter temperatures in the US to be 1% warmer than last winter and also 1% warmer than the 30 year average.

Royal Dutch Shell Plc chief executive Peter Voser warned that under investment in the oil industry is setting the world up for a critical supply crunch in the next few years when the world economy rebounds. He said investments has declined 20% worldwide and added that if this continues, the supply situation could be critical.

A top Kremlin economic aide said the Kremlin has not heard of talks about dropping the US dollar as the main currency for oil trade.

The US Labor Department said initial claims for unemployment benefits fell by 33,000 to 521,000 in the week ending October 3rd. It fell to the lowest level since early January. The four week moving average of new claims fell by 9,000 to 539,750 from the previous week's revised figure of 548,750. The number of continuing claims fell by 72,000 to 6,040,000 from the preceding week's revised level of 6,112,000. The unemployment rate for workers with unemployment insurance for the week ending September 26th fell to 4.5%, down 1% from the prior week's unrevised rate of 4.6%.

According to the Commerce Department, US wholesale inventories fell by 1.3% to a seasonally adjusted \$381.2 billion in August compared to the prior month. July inventories fell by 1.6%, revised from a previously reported 1.4% decline. Sales of wholesalers increased by 1% in August to a seasonally adjusted \$317.9 billion. The inventory-to-sales ratio retreated in August to 1.2 from 1.23 in July.

The Association of American Railroads said freight car loadings on major US railroads fell by 17.2% in the week ending October 3rd. Rail car loadings totaled 277,734 down from 335,311 in the same 2008 week. Rail shipments of all commodities were lower than a year ago. Intermodal volume fell by 15.7% on the year.

liters per month from 100 liters.

Kuwait's Finance Minister Mustapha al-Shamali said oil trading will remain in US dollars. It is the latest denial of a report this week of a move to replace it with a basket of currencies. He added that Kuwait will keep the oil price assumed in next year's budget the same as the current year at \$35/barrel, as it is unclear if current levels will persist.

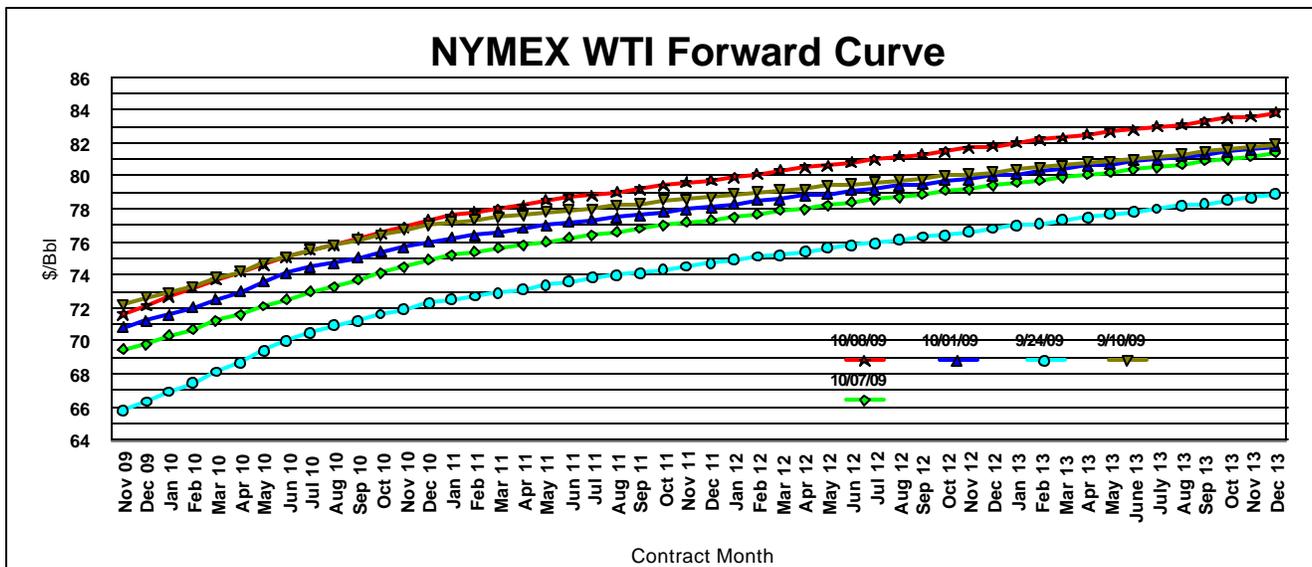
October Calendar Averages CL – \$70.55 HO – \$1.8097 RB – \$1.7542

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador, is expected to increase by 160,000 bpd in the four weeks ending October 24th to 22.65 million bpd. Separately, Lloyd's Marine Intelligence Unit estimated average OPEC seaborne exports fell to 20.32 million bpd in the four weeks ending September 27th from 20.46 million bpd in the four weeks ending August 30th.

A senior economist at the American Petroleum Institute said rising crude oil inventories does not necessarily mean lower prices. Instead inventories are more reflective of the ballpark level of where prices should be, relative to recent movements and not where they are headed. One factor supporting oil prices is that the outlook for non-OPEC production is not especially strong over the next few years. Meanwhile, demand is expected to start rebounding in 2010 as the global economy recovers. In terms of oil contracts shifting out of dollars, the senior economist said if there is a shift, it will occur slowly. There may be some diversification at the margin into euro and yen.

Israel and the US will hold a joint air-defense exercise next week, testing missile interceptors that would serve as a strategic safeguard in any future confrontation with Iran. Admiral Mark Fitzgerald, chief of the US Navy's Sixth Fleet, will oversee the October 12-16 maneuvers, called Juniper Cobra. The US embassy in Tel Aviv said the exercise is not related to or in response to any world events. American forces taking part will include 17 ships and ground personnel operating the Aegis and THAAD missile interceptors, which will be used with Israel's Arrow II missile killer for computer simulated tests.

A senior Nigerian government official said more than 8,000 gunmen in Nigeria's Niger Delta have surrendered their weapons and accepted President Umaru Yar'Adua's unconditional pardon. The official said 8,299 gunmen surrendered about 3,000 weapons, including machine guns and rocket



launchers and 18 gunboats as of Tuesday. The number of participants in the amnesty program, exceeded government expectations and has already raised questions about how such large numbers of former fighters can be rehabilitated and reintegrated.

Refinery News

Citgo Petroleum Corp briefly shut two fluid catalytic cracking units to restore the temperature of regenerator at the Corpus Christi, Texas refinery.

Valero Energy Corp plans to restart its complex 1 unit at its 340,000 bpd Corpus Christi, Texas refinery by Saturday following the completion of maintenance. Separately, Valero Energy Corp said that cooling water pumps at its 182,000 bpd Delaware City, Delaware refinery experienced some problems. However it said this did not affect overall production.

BP Plc has shut a power station boiler at its 455,790 bpd Texas City, Texas refinery for planned maintenance. The shutdown of Power Station No. 4 boiler, is expected to last seven days starting October 7th.

Total Petrochemicals USA is operating its cogeneration turbine at its 232,000 bpd refinery in Port Arthur, Texas at the lowest rate on Thursday in order to fix a leaking exchanger. The work is expected to last until Friday.

Motiva Enterprises LLC shut a reformer unit and is operating a hydrocracker and diesel and naphtha hydrotreaters at reduced rates at the 220,000 bpd Norco, Louisiana refinery. The catalyst reformer unit was shut after a compressor tripped offline yesterday and repairs are expected to take several days.

Alon USA Energy Inc is adding a new ultra low sulfur gasoline unit at its 67,000 bpd Big Spring, Texas refinery. It cut rates at the refinery to about 55,000 bpd during the tie-in work on the new gasoline unit that started on September 21st.

SemGroup Energy Partners LP said Vitol Inc has reached a deal to acquire 100% of the membership interests of SemGroup's general partner. The agreement is subject to a number of customary closing conditions and approvals.

Kuwait National Petroleum Co partially shut a crude unit at its 200,000 bpd Shuaiba refinery for unscheduled maintenance on October 4th. The partial closure puts the current capacity at 130,000 bpd. The maintenance is expected to last until October 27th. KNPC has built up stocks to guarantee delivery buyers during the shutdown.

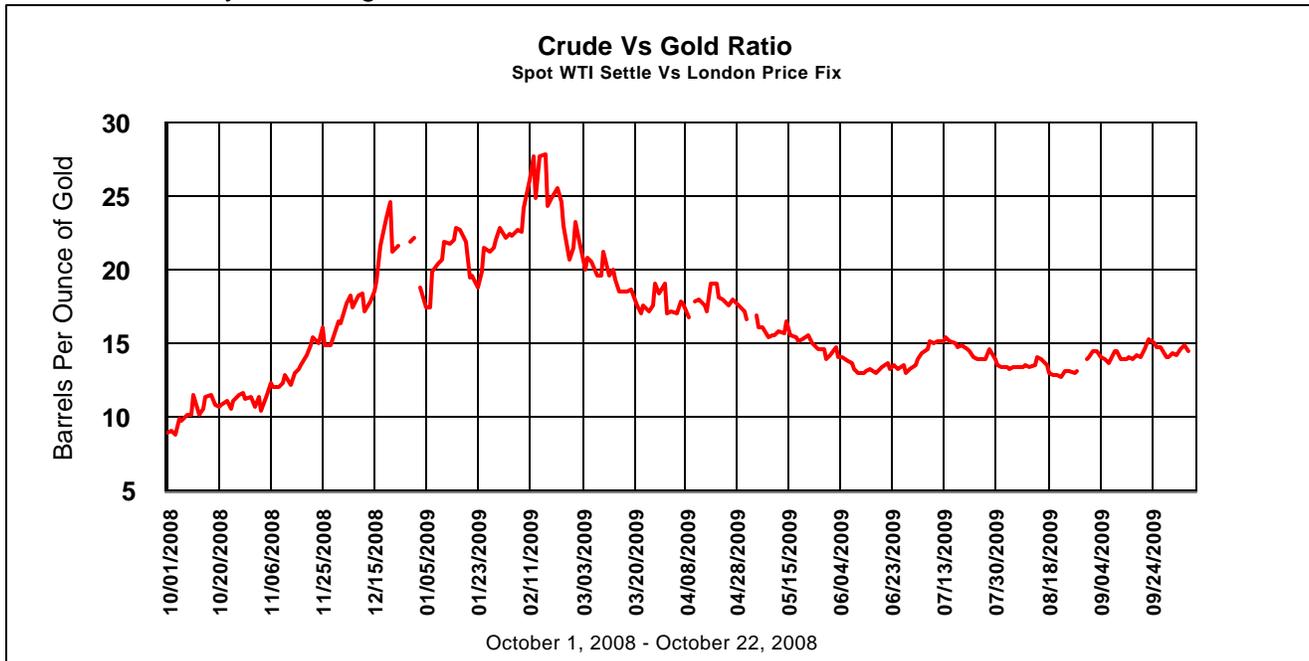
India's Mangalore Refinery and Petrochemicals Ltd will begin processing crude from Cairn India's Rajasthan fields on Friday, reducing its imports of low-sulfur crude. MRPL will process 200,000 tons or 1.43 million barrels of Rajasthan crude by the end of the fiscal year next March. The government allocated volume is set to double to 2.87 million tons in 2010/11.

Brazil's Petrobras began refining its first crude oil from the subsalt layer. The oil from the Tupi field in the Santos Basin, is being processed at the Revap refinery. The first refinery loading is 264,000 barrels of low sulfur oil.

Saudi Arabia imported about 26,000 bpd of gasoline in October, relatively unchanged on the month. It was expected to cut its gasoline imports by the third quarter. However it has been buying spot barrels due to continued technical problems at the new fluid catalytic cracking unit at Rabigh Refining and Petrochemical.

South Korea's Hyundai Oilbank, GS Caltex and SK Energy plan to export a combined total of less than 1.9 million barrels of spot diesel in November. Hyundai Oilbank will export less than 400,000

barrels of spot diesel November, up from 300,000 barrels in October. The refiner expects refining margins to remain poor for some time. South Korea's GS Caltex will export 900,000 barrels on spot markets in November, up from October's 600,000 barrels, in an effort to reduce its inventory before the end of the year. SK Energy will maintain its monthly spot diesel exports at 600,000 barrels in November, steady since August.



Oil shipments through pipelines run by Kazakhstan's KazMunaiGas increased by 7.2% on the year in January-September to 37.7 million tons. About 13 million tons were bound for Russia through the Atyrau-Samara pipeline, up from 12.4 million tons in the same period of 2008. Shipments through the Atasu-Alashankou pipeline to China increased to 5.5 million tons from 4.4 million tons.

Indonesia may skip for the first time in about three years a monthly tender to buy sweet crude for December arrival due to high domestic stocks, talk of refinery run cuts and weak demand.

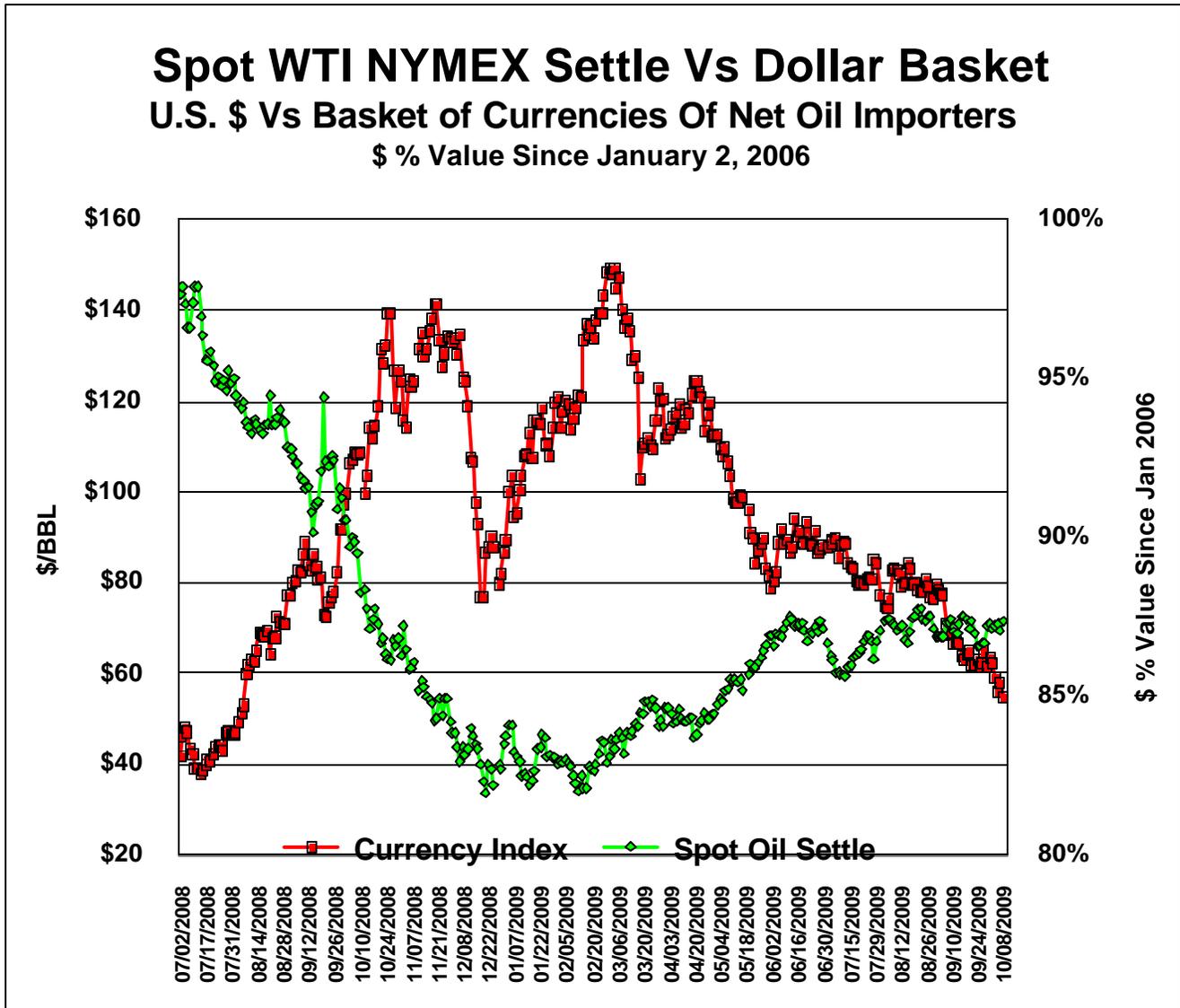
Total oil product stocks in independent storage in the Amsterdam-Rotterdam-Antwerp hub fell by 82,000 tons to 5.18 million tons in the week ending October 8th. Gasoline stocks increased by 9.13% on the week and by 46.6% on the year to 777,000 tons while gas oil stocks fell by 1.97% on the week but increased by 44.11% on the year to 2.888 million tons. Fuel oil stocks fell by 25.53% on the week but increased by 1.23% on the year to 493,000 tons while naphtha stocks increased by 10.28% on the week and by 43.9% on the year to 118,000 tons and jet fuel stocks increased by 8.23% on the week and by 73.42% on the year to 907,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 58,000 barrels to 18.958 million barrels in the week ending October 7th. It reported that Singapore's light distillate stocks fell by 1.477 million barrels to 9.376 million barrels while its middle distillate stocks increased by 865,000 barrels to 15.423 million barrels on the week.

Tokyo Electric Power Co's consumption of crude and fuel oil fell last month as the utility relied on heavier usage of coal and nuclear power to meet its electricity generation needs. It said its crude demand fell by 53.3% to 122,000 kiloliters while the use of fuel oil fell by 89.6% on the year to 61,000 kl. The decline came as TEPCO used 306,000 kl of coal, up 90% on the year.

Production News

Azerbaijan's SOCAR said it does not rule out cooperating with OPEC in the future over cutting production of oil. Separately, Socar said Azerbaijan plans to slightly increase its annual oil production to about 50 million tons in 2010 from 48 million tons planned for this year.



The Norwegian Petroleum Directorate said it was confident about finding oil and gas around the Lofoten and Vesteraalen islands after seismic studies of the seabed. Norway's government said it would decide next year whether to open up the region for oil and gas activities and pledged that no drilling would take place for at least the next four years.

Iraq's Oil Ministry signed a deal with Britain's BP and China's CNPC to develop its Rumaila oilfield. The contract will be referred to the cabinet for approval. Rumaila has a current capacity of 1.1 million bpd, almost half Iraq's total output of 2.4 million bpd. BP and CNPC aim to increase its output to 2.85 million bpd as a plateau target over the life of the 20 year contract. Separately, a senior Iraqi Oil Ministry official said Iraq hopes to award the licenses for its West Qurna-1 and Zubair oil fields in the south of the country by the end of October or early November.

Lukoil Holdings is ready to participate on Iraq's terms in the West Qurna-1 project. Lukoil said it informed Iraq's Oil Ministry that the consortium of Lukoil and ConocoPhillips is prepared to hold direct negotiations on the West Qurna-1 project under the terms earlier announced by the Iraqi Oil Ministry.

Mexico's National Hydrocarbons Commission wants Pemex to suspend work at its technically complex Chicontepec oil field due to poor results. Pemex has spent more than \$3.4 billion so far on Chicontepec however production has lagged its targets. The commission said the field requires a new development plan to improve drilling techniques and increase output.

Ecuador's central bank reported that the country's average oil output fell by 5% to 476,600 bpd in August from 503,194 bpd in August of 2008. Petroecuador's oil production averaged 280,100 bpd in August while private companies' oil output was 196,500 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$67.75/barrel on Wednesday from \$68.14/barrel on Tuesday.

Market Commentary

The oil complex traded sharply higher as it retraced Wednesday's losses as renewed confidence in the economy buoyed the equity markets. The market was supported by the Labor Department report showing that the number of new claims for unemployment benefits fell by 33,000 to 521,000 last week, the lowest level since early January. Also sales at major retailers in September showed their first monthly increase since August 2008, an indication that consumer spending was starting to recover. The Commerce Department reported that US wholesale inventories fell by 1.3% in August. The oil markets were also well supported by the weakness in the dollar. The crude market bounced off a low of \$69.17 and never looked back as it rallied higher. The market traded to a high of \$72.55 in afternoon trading and settled in a sideways trading pattern ahead of the close. It settled up \$2.12 at \$71.69. The market on Friday will likely retrace some of today's sharp gains as it continues to trade within its recent trading range. The market is seen finding resistance at \$72.55, \$73.55, basis a resistance line, followed by \$73.85 and \$75.00. Support is seen at \$71.00, \$69.17 and \$68.65, basis its support line. More distant support is seen at \$68.05, \$66.22 and \$65.05. Meanwhile the product markets settled sharply higher, with the heating oil market settling up 6.58 cents at \$1.8469 and the RBOB market settling up 5.94 cents at \$1.7797. The heating oil market bounced off its low of \$1.7701 and rallied to a high of \$1.8615 amid the strength in the crude market. The heating oil market later retraced some of its gains and settled in a sideways trading pattern ahead of the close. The market is seen finding resistance at \$1.8615, \$1.8878 and \$1.9057 while support is seen at \$1.8260, \$1.80, \$1.7701 and \$1.7679, basis a support line. The RBOB market, which posted a low of \$1.7141 before it rallied to a high of \$1.8086, is seen finding resistance at \$1.8086, \$1.8403, \$1.8565 and \$1.8734. Support is seen at \$1.7480, \$1.7141, \$1.7028 and \$1.6885.

Crude NOV.09 268,321 -22,123 DEC.09 235,425 +12,474 JAN.10 95,054 +6,649 FEB.10 41,095 +1,844 MAR.10 32,782 -604 APR.10 18,736 -944 Totals: 1,243,295 -5,222 Heating NOV.09 58,301 -4,339 DEC.09 59,819 -1,682 JAN.10 41,726 +1,790 FEB.10 20,213 +1,345 MAR.10 16,479 +148 Totals: 306,835 -1,492 Gasoline NOV.09 77,335 -5,470 DEC.09 35,779 +554 JAN.10 26,250 +1,999 FEB.10 8,242 -316 MAR.10 13,565 -510 Totals: 193,296 -2,520

Crude Support	Crude Resistance
71.00, 69.17, 68.65, 68.05, 66.22, 64.70, 63.38, 62.70, 61.61, 60.95	73.24, 73.55, 73.85, 75.00, 76.13
Heat Support	Heat resistance
1.8260, 1.8000, 1.7701, 1.7679, 1.7377, 1.6866, 1.6585, 1.4870, 1.4220, 1.4130, 1.3720	1.8615, 1.8878, 1.9057, 1.9440, 2.0420, 2.0465
Gasoline support	Gasoline resistance
1.7480, 1.7141, 1.7028, 1.6885, 1.6159, 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400	1.8086, 1.8403, 1.8565, 1.8734, 1.9029, 1.9551, 2.0210, 2.0400, 2.0567, 2.1100, 2.1600, 2.3350

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.