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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 12, 2009

Iran's President Mahmoud Ahmadinejad said talks in Geneva on the country's nuclear program was positive and added that he saw no obstacle to continuing discussions with world powers. US Secretary of State warned Iran that world powers were running out of patience. She said the international community will not wait indefinitely for evidence that Iran is prepared to live up to its international obligations. She said the talks on Iran's nuclear program were a "constructive beginning" but said they "must be followed by action." In response, Iran's Foreign Ministry spokesman Hassan Ghashghavi dismissed US

Market Watch

The National Weather Service said US total heating demand will be higher than normal this week as the first seasonal wave of cold weather moves through the Northeast and Midwest. Demand for heating oil is forecast to be 43% above normal as temperatures in the beginning of the week are near normal before falling well below normal by week's end.

White House economic adviser Lawrence Summers said there are signs the US economy is returning to normal but warned that major slack remains and that weak demand will continue to cut output.

Weak winter diesel demand may cause gasoline prices to increase in the spring. Diesel prices have been bucking the usual seasonal trend by falling over the past month along with gasoline prices. While signs of economic recovery have recently started to stabilize falling distillate prices, stockpiles of fuels such as heating oil and diesel are 29% above the five year average, leaving little chance of a price spike that would improve refiners' margins in the near term, unless a bitter cold snap increases demand. Gasoline inventories are also above seasonal norms, however refiners have kept them in better balance by increasing distillate output. The EIA said that this winter relatively tight gasoline supplies are expected to prop up prices at their strongest level for the season in three years, while diesel prices will remain subdued. If refiners cut utilization rates to below 80%, as projected by companies, the most significant impact could be seen in the gasoline market next spring.

ICE announced that a total of 2,102 lots or 210,200 metric tons of gasoil was physically delivered against the expiry of ICE October gasoil futures. The October volume is up 68% on the month from September's level of 125,000 tons.

Nigeria's central labor union warned the government that it opposes deregulation of the oil refining industry because deregulation could lead to higher fuel prices. A spokesman for Nigerian National Petroleum Corp said the deregulation policy will come into force November 1st. The labor congress argues that a petrol price increase would create more hardships for the poor as it would trigger inflation and transport costs.

China's power generation in September may have posted double digit growth for the first time in 16 months, in a further sign of an increase in demand amid the government's economic stimulus. Power generation at plants connecting to the State Grid Corp of China increased about 10% from a year earlier last month.

**October
Calendar Averages**
CL – \$71.05
HO – \$1.8257
RB – \$1.7616

Secretary of State Hillary Clinton's warning over its nuclear program, saying such threats have no impacts on the country. Iran's Foreign Ministry spokesman said Iran will not listen to any deadlines and added that it was committed to following international laws when it comes to its nuclear program.

A spokesman for Iran's atomic body said Iran will enrich uranium to the 20% purity required for its research reactor in Tehran if third party deals fail. Officials from Iran, the US, Russia, France and the IAEA are expected to meet in Vienna on October 19th to work out the terms for deals under which Iran has said it is ready to buy 20% pure uranium from abroad.

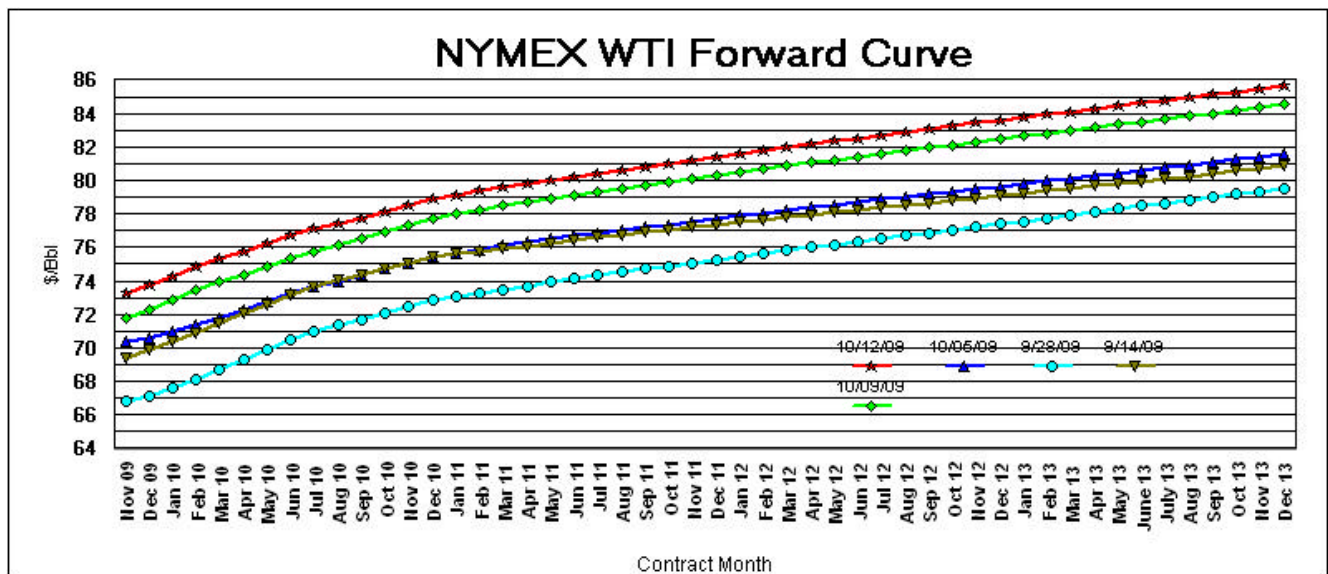
Kuwait's Oil Minister Sheikh Ahmad Abdullah Al Sabah said current oil prices are satisfactory for everyone including importers and exporters. He said prices today are in the desired range of \$60-\$80/barrel. In regards to Kuwait's oil production, he said the country remains on track to increase its crude output capacity to 4 million bpd by 2020.

Refinery News

Credit Suisse said refinery margins increased in most regions of the US last week due to higher product prices. Refiners in the US Gulf Coast saw the largest gains, with an increase of 99 cents to \$3.97/barrel. Margins in the Northeast increased by 94 cents to \$5.72/barrel. Margins in the Midwest increased by 59 cents to \$5.23/barrel while margins in the West Coast fell by \$1.44 to \$7.51/barrel.

Oil refining margins mostly fell around the world last week, with the exception of the US Gulf Coast. In Rotterdam, complex refiners posted an average profit of \$2.90, down almost 50 cents on the week. Simple refiners around Rotterdam saw profits fall by 90 cents to \$2.55/barrel. In the Mediterranean, complex margins on Russian Urals crude fell by 45 cents to \$1.61/barrel while simple margins on Urals crude fell by 84 cents to \$1.17/barrel. In Asia, simple margins on Dubai crude fell into negative territory, falling by 81 cents to minus 52 cents/barrel while complex margins fell by 98 cents to \$1.06/barrel. US Gulf Coast refiners cracking WTI saw profits increase to 76 cents/barrel from 24 cents/barrel the previous week.

In a filing with the Texas Commission for Environmental Quality, BP reported a leak in a unit associated with its fluid catalytic cracking unit 3 at its Texas City, Texas refinery. It said its exchanger was isolated and depressurized so that the leak could be repaired. The fluid catalytic cracking unit is operating at reduced rates as repairs on an associated heat exchanger are underway.



ExxonMobil said its hydrocracker unit 1 at its 562,000 bpd refinery in Baytown, Texas resumed operations over the weekend after it was shut on Friday due to a compressor shutdown. The compressor problem caused the unit to go offline and temporarily reduced rates at associated units. Exxon said there was minimal impact to production and all customer needs were met.

Valero Energy Corp shut a tank at the east plant of its 340,000 bpd Corpus Christi, Texas refinery for

NYMEX Most Actively Traded Spreads Via Globex on October 12, 2009		
Contract	Total	Prior 5 Day Traded Avg
CME-N Calendar: 1xCL NOV09:-1xDEC09	88,083	100,494
CME-N Calendar: 1xCL DEC09:-1xJAN10	27,753	26,048
CME-N Calendar: 1xCL NOV09:-1xJAN10	10,295	10,795
CME-N Calendar: 1xCL JAN10:-1xFEB10	8,766	7,693
CME-N Calendar: 1xCL JUN10:-1xJUL10	3,346	1,096
CME-N Calendar: 1xCL DEC09:-1xDEC10	3,171	6,672
CME-N Calendar: 1xCL FEB10:-1xMAR10	2,890	3,925
CME-N Calendar: 1xCL DEC09:-1xJUN10	2,773	2,976
CME-N Calendar: 1xCL DEC09:-1xFEB10	2,724	1,982
CME-N Calendar: 1xCL MAR10:-1xAPR10	2,450	2,019
CME-N Calendar: 1xCL MAY10:-1xJUN10	2,379	1,377
CME-N Calendar: 1xCL APR10:-1xMAY10	2,011	1,241
CME-N Calendar: 1xCL JUL10:-1xAUG10	1,580	602
CME-N Calendar: 1xCL NOV10:-1xDEC10	1,512	893
CME-N Calendar: 1xCL DEC11:-1xDEC12	1,455	828
CME-N Calendar: 1xCL OCT10:-1xNOV10	1,385	592
CME-N Calendar: 1xCL NOV09:-1xFEB10	1,246	2,043
CME-N Calendar: 1xCL DEC10:-1xDEC11	1,013	1,765
CME-N Calendar: 1xCL JUN10:-1xDEC10	953	1,812
CME-N Calendar: 1xCL AUG10:-1xSEP10	779	521
CME-N Calendar: 1xCL DEC09:-1xMAR10	710	1,200
Calendar: 1xHO NOV09:-1xDEC09	11,944	10,077
Calendar: 1xHO DEC09:-1xJAN10	4,085	3,512
Calendar: 1xHO NOV09:-1xJAN10	2,654	2,205
Calendar: 1xHO JAN10:-1xFEB10	1,273	1,446
Calendar: 1xHO JAN10:-1xJUN10	628	360
Calendar: 1xHO DEC09:-1xJUN10	571	340
Calendar: 1xHO DEC09:-1xDEC10	479	568
Calendar: 1xHO FEB10:-1xMAR10	428	550
Calendar: 1xHO MAR10:-1xAPR10	317	434
Calendar: 1xHO APR10:-1xMAY10	299	362
Calendar: 1xRB NOV09:-1xDEC09	11,663	11,436
Calendar: 1xRB DEC09:-1xJAN10	3,271	4,562
Calendar: 1xRB NOV09:-1xJAN10	2,348	2,976
Calendar: 1xRB JAN10:-1xFEB10	1,044	1,520
Calendar: 1xRB FEB10:-1xMAR10	776	896
Calendar: 1xRB MAR10:-1xAPR10	547	490
Calendar: 1xRB JAN10:-1xMAR10	272	353

inspection on Saturday. The shutdown will result in emissions of pollutants from complex 4 and tank 72 until October 16th. Valero also said it had no timeline for when it would restart its hydrocracker unit at the Corpus Christi, Texas refinery after it was shut due to a fire last week.

Shell Oil said the reformer repair at its 236,000 bpd refinery in Norco, Louisiana was completed on Saturday and added that the unit was restarted. The unit was shut last Wednesday for unplanned repairs to a compressor.

Flint Hills Resources reported a sulfur recovery unit problem in the east plant of its 288,468 bpd refinery in Corpus Christi, Texas on Sunday. The problem was resolved by Sunday evening.

Alon USA Energy Inc said the tie-in of a new ultra-low sulfur gasoline unit at its 70,000 bpd Big Spring, Texas refinery was complete and added that the refinery was operating at planned rates. The refinery was running at around 55,000 bpd during the work.

Total has started planned maintenance work at its 352,000 bpd Antwerp refinery two weeks ago. The maintenance work is expected to last until mid-November. The maintenance is affecting operations at its crude distillation tower and a hydrodesulphurization unit.

Suncor shut a hydrocracking unit at its 80,000 bpd refinery in Sarnia, Ontario following a fire on Sunday in an associated compressor. It does not expect the hydrocracker shutdown to have a major impact on supply. There is no timeline for its restart. Suncor also said flaring will increase at its 135,000 bpd refinery in Edmonton, Alberta beginning late Saturday. Flaring is expected to last two days. Last week, Suncor said it was making operational adjustments at the refinery.

Russia's TNK-BP has invited buyers to bid for Urals crude cargoes for loading at Primorsk and Black Sea ports in 2010. TNK-BP offered up to three 100,000 tons cargoes per month for loading from the Baltic Sea port of Primorsk next year. In the Mediterranean, buyers were invited to lift up to two 140,000 ton cargoes from Novorossiisk and up to three 80,000 ton cargoes from either Novorossiisk or the Ukrainian port of Yuzhny on a monthly basis.

Production News

Saudi Arabia will keep its November oil supplies to Europe steady from October. It will also keep its cuts on contracted volumes of crude it supplies to two Asian term buyers in November. Saudi Arabia will supply about 13%-15% less than the contracted volumes of crude in November.

Forties floating storage will increase to eight VLCC, close to a record high of 9 in early July. The Bunga Kasturi Tiga, chartered by Vitol, is heading to Southwold, England, after loading Forties crude between October 9-10. Arcadia has three VLCCs for Forties storage, the Front Shanghai, Front Tina and Front Falcon tanker while Total has the Olympia, Bunga Kasturi Empat and Maersk Noble tanker. BP has the Front Opalia tanker and Vitol has the Bunga Kasturi Tiga tanker.

Britain's North Sea Flotta crude oil stream is scheduled to load 65,000 bpd of crude in November, up from 42,000 bpd in October.

Norway's North Sea Gullfaks crude oil stream is scheduled to load an average of 256,500 bpd in November, up from 248,200 bpd in October. Meanwhile, Norway's Troll oil stream is scheduled to load 240,000 bpd in November, up from 232,000 bpd in October.

Non-OPEC producer Oman reached its oil production target of 800,000 bpd in September and is expected to exceed that by the end of 2009. The average production from January to September was 806,000 bpd.

The Baku-Tbilisi-Ceyhan pipeline is expected to pump 24.6 million barrels or 820,000 bpd of oil in November, down 1.8 million barrels or 32,000 bpd on the month. Azerbaijan's Socar reported that the country increased its crude oil exports through the pipeline by 4.9% on the year to 27.292 million tons in January-September.

Royal Dutch Shell Plc signed a contract with Saipem SpA for the provision of crude oil flowlines and the installation of other production facilities at its Bonga North-West offshore project in Nigeria. The subsea flowlines will transport crude from Bonga to existing production, storage, and off-loading facilities. Bonga has a capacity of 200,000 bpd of crude and 150 million cubic feet/gay of gas.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.03/barrel to \$68.86/barrel on Friday. It also reported that OPEC's basket of crudes increased by \$2.13/barrel to \$67.88/barrel in the week ending October 9th.

Market Commentary

Global economic optimism and a weak dollar propelled crude oil to a seven-week high. The November crude oil contract peaked the day at \$73.84 as investors put their bets on commodities as a financial hedge. Crude oil continues to trade against the dollar and along side the equities markets, as the world awaits a global economic recovery. From a technical standpoint, prices appear poised to test the \$75.00 level reached at the end of August. This level has been holding since trading below it in October of 2008. Should prices fail to take out this resistance level, we would look for longs, which have been increasing their net long positions, to incorporate some profit taking into their trading. Products followed crude oil higher, although at a slower pace. The fundamentals of this market have not changed and are still indicative of an oversupplied market at a time when demand is slumping. The DOE report, which is due out on Thursday, October 15, is expecting an increase in crude oil stocks of between 700,000-1 million barrels; gasoline stocks are expected to increase between 700,000-1.5 million barrels with distillate stocks calling for a decrease of 100,000 barrels.

Crude NOV.09 192,598 -48,008 DEC.09 253,106 +7,922 JAN.10 118,281 +8,417 FEB.10 432501+257 MAR.10 35,587 +640 APR.10 18,571 -972 Totals: 1,220,766 -29,140 Heating NOV.09 53,967 -3,703 DEC.09 63,522 +1,520 JAN.10 42,130 +694 FEB.10 20,948 +342 MAR.10 16,629 +253 Totals: 308,555 -728 Gasoline NOV.09 68,238 -5,235 DEC.09 43,841 +4,417 JAN.10 29,482 +1,324 FEB.10 8,927 +225 MAR.10 14,813 +869 Totals: 198,014 +2,299

Crude Support	Crude Resistance
64.70, 63.38, 62.70, 61.61, 60.95	73.85, 75.00, 76.24
Heat Support	Heat resistance
1.6585, 1.4870, 1.4220, 1.4130, 1.3720	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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