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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 14, 2009

The IEA's executive director Nobuo Tanaka said the IEA is concerned about the rapid rise in oil prices, noting the risks that a sharp increase could hurt the economic recovery. Crude oil futures surged to a 2009 high above \$75/barrel amid the optimism of a global economic recovery. He said the IEA has agreed to cooperate more closely with China, India and Russia on various energy market issues. He also stated that the economic crisis is an opportunity to reach an agreement at the Copenhagen summit on climate change in December but added that he was still unsure about the outcome of the meeting. Meanwhile, the IEA's chief economist Fatih Birol said underinvestment in the oil and gas industry remains a concern and could push energy prices much higher once global

Market Watch

Accuweather's chief meteorologist Joe Bastardi predicted that the US Northeast will see a colder and stormier winter this year compared with recent years. Cold, snowy weather will cover New England through North Carolina, with some areas receiving above normal snowfall. Cities such as New York, Boston and Philadelphia could see up to 75% of their total snowfall in two or three big storms. Meanwhile temperatures in the Midwest and Central Plains will be comparatively mild. Cities including Chicago, Omaha, Minneapolis and Kansas City could have below normal snowfall.

The US Commerce Department said US retail sales fell by 1.5% in September. While the fall was much smaller than the 2.1% analysts had forecast, August sales were revised down to a 2.2% increase from a previously estimated 2.7% gain. The Commerce Department said reported that US business inventories fell by 1.5% from the prior month to a seasonally adjusted \$1.311 trillion. July inventories fell by 1.1%, revised down from an originally reported 1% decline. It reported that business sales increased by 1% to \$989.6 billion in August. The inventory-to-sales ratio fell in August to 1.33 from 1.36 during July.

The National Association for Business Economics survey of 44 economists showed more than 80% of them believe a recovery has started, with real GDP expected to increase at a 2.9% pace in the second half of 2009 and at a 3% rate next year.

JPMorgan Chase & Co has gradually increased the risk it takes trading commodities by about 36% since the first quarter of 2009 but levels are down 7% on the year. In the third quarter of 2009, JPMorgan risked \$38 million/day, up from \$34 million in the second quarter and \$28 million in the first quarter. At this time last year, JPMorgan's value at risk was \$41 million. It was as high as \$46 million in the third quarter of 2006.

According to official figures released on Wednesday, China's exports in September fell at the slowest pace in nine months, falling 15.2% on the year to \$115.9 billion. Imports over the same period fell 3.5% on the year to \$103 billion, the smallest decline since imports started to fall in November 2008. The better than expected trade data has shown demand for Chinese goods is continuing to improve. Both figures are significant improvements over August data, when exports contracted by 23% and imports fell by 17%. China's \$596 billion stimulus package has helped prop up its economy. Analysts believe the latest trade data may help sway the government to start winding down its stimulus measures in 2010.

API Stocks

Crude – down 172,000 barrels
Distillate – up 219,000 barrels
Gasoline – down 2.658 million barrels
Refinery runs – down 3.1%, at 81.2%

demand recovers. He said there has not been “noteworthy progress” in investment since May. Investments in the oil industry are down 20% on the year. He reiterated the IEA view that oil and gas drilling investment this year globally was about \$100 billion lower compared to 2008 levels due mostly to small and medium sized companies cutting capital expenditures.

OPEC Secretary General Abdullah al-Badri said he sees crude oil trading between \$65 and \$75/barrel in the short term.

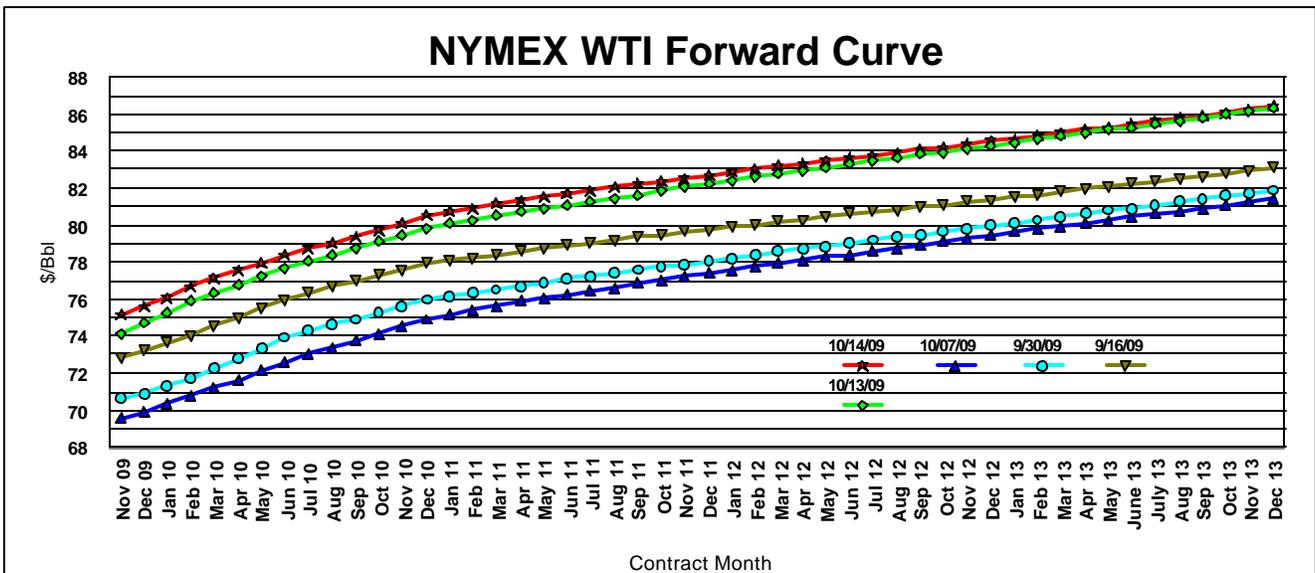
Indonesia’s Minister for Energy and Natural Resources, Purnomo Yusgiantoro said the current rise in world oil prices is due to the onset of winter in the northern hemisphere and will be temporary. He said Indonesia’s government will monitor crude oil prices and their effect on the state budget next year. However he said rising crude prices could become a threat to the balance of the state budget.

Nigeria’s President Umaru Yar’Adua sought to reassure OPEC officials that unrest in the country’s Niger Delta has subsided. Attacks on oil facilities in the past three years have reduced Nigeria’s oil output by 30%. His comments came a day before the expiration of a cease-fire declared by the militant group, the Movement for the Emancipation of the Niger Delta.

The API reported that US demand for crude oil and petroleum products in September increased by 4.1% or 727,000 bpd on the year to 18.566 million bpd. Despite the September increase, demand for crude oil and petroleum products fell 0.9% on the year to an average 18.737 million bpd for the third quarter of 2009. Gasoline demand increased by 561,000 bpd or 6.6% to 9.058 million bpd while distillate demand fell by 56,000 bpd or 1.5% to 3.684 million bpd. In regards to supply, US crude oil production increased by 34.7% to 5.293 million bpd, the highest level since May. Crude oil inventories at the end of September stood at 339.4 million barrels, up 11.6% from a year ago while distillate inventories stood at 168 million barrels. Crude oil and petroleum product imports averaged 11.591 million bpd, up 0.3% on the year.

**October
Calendar Averages
CL – \$71.77
HO – \$1.8471
RB – \$1.7782**

Russia’s Prime Minister Vladimir Putin said it is too early to discuss new sanctions against Iran. He said if further talks “don’t take place or end in a fiasco, we can speak of further steps.” He said the international community needs to exhaust the negotiations route with Iran before considering other options.



Refinery News

Colonial Pipeline allocated shipments of gasoline for cycle 60 on its main gasoline line north of Collins, Mississippi as demand for shipping space exceeds pipeline capacity. It froze the 58th and 59th cycle mainline gasoline shipments earlier Tuesday. The open arbitrage between the Gulf Coast and New York Harbor spot gasoline market is the reason for the increased demand for line space.

Flint Hills Resources reported a leak in a CCR cooling tower at the west plant of its 300,000 bpd refinery in Corpus Christi, Texas.

Tesoro Corp reported an upset that resulted in an emissions event due to a breakdown at its 96,860 bpd Wilmington, California refinery. A report filed with the South Coast Air Quality Management District did not specify which unit or units were involved in the breakdown. It said operations at the refinery are expected to return to planned rates soon.

BP is resuming production on the A side of an aromatic recovery unit at its Texas City, Texas refinery. Output will resume between Wednesday, October 14th and Saturday, October 17th.

Delek US Holdings Inc plans to restart a fluid catalytic cracking unit at its 58,000 bpd Tyler, Texas refinery on Wednesday following a brief unplanned outage due to an unanticipated change in operational conditions.

Chevron's 274,000 bpd El Segundo, California refinery experienced a problem on Wednesday at an unspecified unit, causing a brief period of flaring.

Citgo Petroleum Corp is expected to restart a fire damaged alkylation unit at its 163,000 bpd refinery in Corpus Christi, Texas by October 28th. The company had originally planned to restart the unit in early October but delayed the process after the US Steelworkers Union asked the US Occupational Safety and Health Administration to investigate the unit's safety ahead of the restart.

Royal Dutch Shell Plc said it expects some flaring at its 98,000 bpd Scotford facility in Alberta, Canada due to the restart of units following the completion of planned work.

India's Reliance Industries is looking to expand the capacity of its new refinery in the western Gujarat state to 720,000 bpd. The new refinery is currently operating at 650,000 bpd, about 12% over its nameplate 580,000 bpd capacity. Separately, India's Reliance Industries has halted buying crude feedstock from Iran and no longer sells gasoline to the Islamic Republic.

China's crude oil imports in September increased by 14% on the year to 17.2 million tons or 4.19 million bpd. It is however down from August's 4.35 million bpd and down from July's record high of 4.62 million bpd. Crude imports for the first nine months of the year increased 8.2% on the year to 146.07 million tons or 3.9 million bpd. China's oil product import totaled 2.8 million tons in September. Meanwhile, China exported 390,000 tons of crude and 2.08 million tons of oil products last month.

Indonesia's crude oil imports for delivery in October totaled 9.8 million barrels or 320,000 bpd of which 8 million barrels were term cargoes and the remaining was bought on a spot basis. Indonesia's Cilacap refinery took the highest volume of 4.8 million barrels, followed by its Balikpapan refinery with 3.8 million barrels and its Balongan refinery with 1.2 million barrels.

According to Germany's MWV, total sales of oil products in Germany fell 13.7% on the year in September to 6.55 million metric tons. Germany's heating gasoil sales fell by 39.8% on the year to 1.6 million metric tons while its high sulfur fuel oil sales fell by 17.4% to 410,000 metric tons.

Germany's gasoline sales fell by 1.7% on the year to 1.75 million metric tons while its diesel sales increased by 5.1% to 2.79 million metric tons.

Italy's Unione Petrolifera said the country's demand for refined oil products fell by 8.4% on the year in September to 6.39 million tons. Petrol demand fell by 3.3% to 890,000 tons last month while diesel demand for road vehicles fell by 0.1% to 2.23 million tons and demand for autogas LPG increased by 10.7% to 93,000 tons. Total demand for oil products in the first nine months of 2009 fell by 7.3% to 56.21 million tons with petrol demand fall by 3.7% and diesel demand for road vehicles falling by 3.5%.

Production News

Ukraine's Energy Ministry said Ukraine resumed Russian oil shipments to Central Europe and beyond on Wednesday after power was restored to two pipelines. Oil has resumed flowing through the Druzbha pipeline and should reach full capacity Wednesday morning. The Odessa-Brody pipeline has been returned to 100% capacity. Ukrainian pipeline operator Ukrtransnafta said supplies to Slovakia, Hungary and Czech Republic were interrupted after one pumping station at Karpaty stopped functioning late Tuesday.

Iraqi Kurdistan has halted its oil exports due to a payment dispute with the central government in Baghdad. The two sides have clashed over how oil revenues should be distributed and Kurdish authorities have said they will not resume crude exports until the central government pays the foreign energy companies, which are pumping the oil.

The chief executive of Pemex, Juan Jose Suarez Coppell said the company will continue developing the Chicontepec oilfields as part of its long term efforts to increase crude production. He said Chicontepec is critical to the future of the country. Output from the region totaled 31,000 bpd in August and production from the geologically difficult deposits is likely to end this year well below initial expectations of 70,000 bpd.

The head of Colombia's AHN oil licensing agency, Armando Zamora said the country continues to drill for more oil and by next year production could reach levels seen in the 1990s of over 800,000 bpd. Average crude production this year is expected to approach 700,000 bpd, up from 588,000 bpd in 2008. During a speech, the official laid out plans for the country's new drilling round, called Colombia Open Round 2010, in which the country will offer oil firms exploration and production rights that could lead to even higher production. It will give companies the opportunity to explore and produce oil and gas in nearly 170 blocks.

Eni SpA's chief executive said its Zubair project in Iraq is expected to require investments of about \$10 billion. A consortium of Eni, South Korea's Kogas and Occidental won a contract to develop the field, an award which is still subject to Iraq cabinet approval. The consortium's Zubair project will increase the field's production to 1.125 million bpd from 200,000 bpd within seven years.

Oil analysts at Berstein Research said Russia's oil production is expected to stagnate in 2010 and begin to fall as mature fields lose production capacity and only one new project comes online. Russia produced 10.01 million bpd in September, up 0.4% from 9.97 million bpd in August. It said Russia's production, which recovered in 2009 after falling for the first time in a decade in 2008, was seeing a temporary increase following the launches of eight new fields this year.

Iraq's State Oil Marketing Organization cut the November official oil selling price of its Basra Light crude bound for the US by \$1.45/barrel to second month WTI minus \$4.95/barrel. Its November official selling price of Kirkuk crude bound for the US was cut by \$1.40/barrel to spot WTI minus \$3/barrel. Basra Light crude for delivery to Europe was set at dated Brent minus 80 cents/barrel while its Kirkuk crude price was left unchanged at dated Brent minus 45 cents/barrel. The November official

selling price of its Basra Light crude bound for Asia was increased by 20 cents to the Oman/Dubai average.

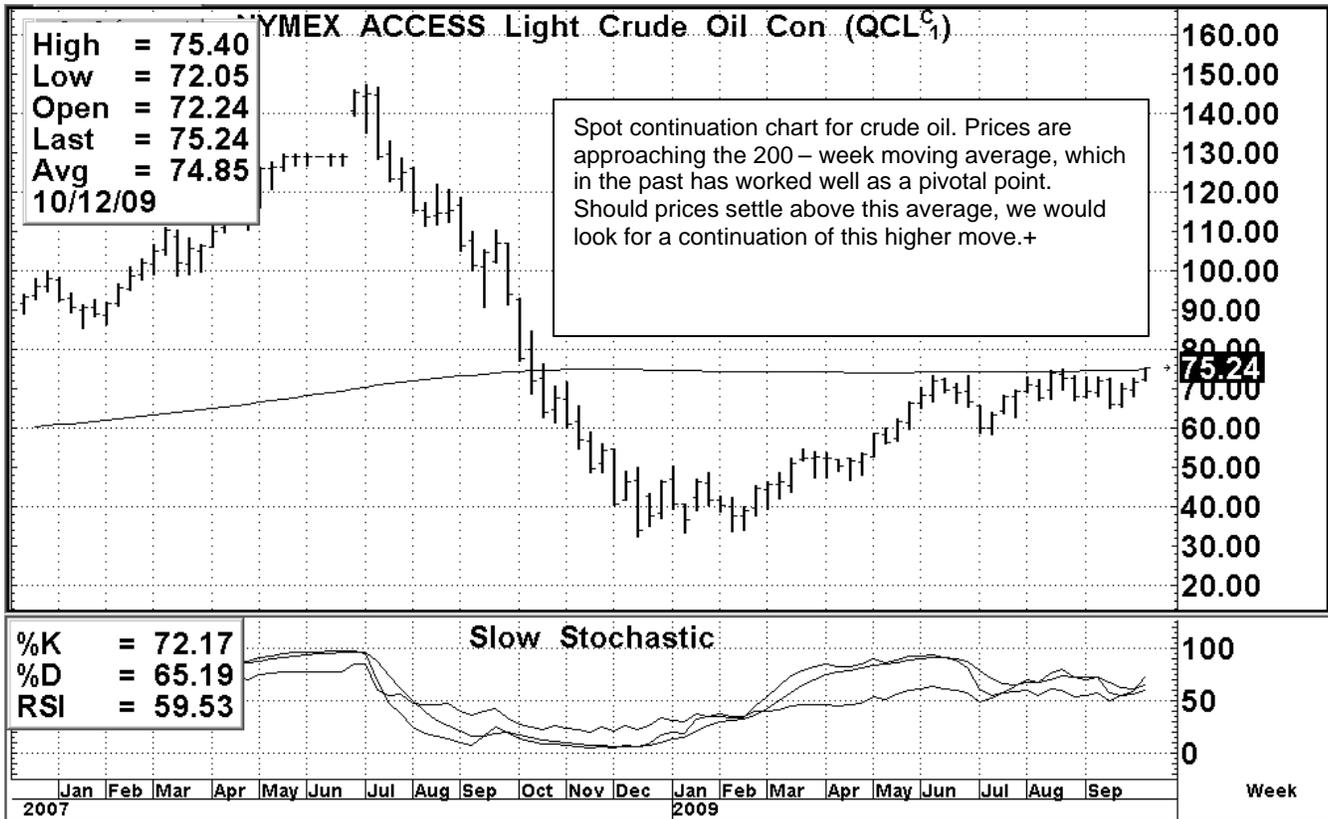
OPEC's news agency reported that OPEC's basket of crudes increased further to \$70.94/barrel on Tuesday from \$70.06/barrel on Monday.

Market Commentary

Crude oil hit a record high for the year as it responded to signs of economic recovery. The Dow Jones average penetrated the 10,000 mark for the first time this year, lending strength to the energy sector. The dollar's weakness also contributed to the rise in prices by making dollar denominated commodities attractive to investors. The aforementioned projectiles of this move higher do not reflect the true fundamentals. Despite the recent market strength, inventories remain high, demand sluggish and supply abundant. Tomorrow's inventory numbers are calling for slight builds across the board and we will have to wait and see what demand reflects. From a technical standpoint, crude oil is approaching a crucial point as it tests the 200-week moving average. Prices have not been above this number since October of 2008. This week's moving average is currently set at \$74.85. A settlement above this number could signal that the uptrend will continue. Should prices retreat from this level, we would look for prices to work lower, back towards support set at \$65.00.

Crude NOV.09 137,590 -27,576 DEC.09 311,986 +34,910 JAN.10 143,411 +14,850 FEB.10 52,585 +5,796 MAR.10 36,519 +2,354 APR.10 19,515 +1,258 Totals: 1,263,193 +37,855 Heating NOV.09 49,213 -2,719 DEC.09 66,122 +2,074 JAN.10 44,673 +1,853 FEB.10 21,689 +498 MAR.10 16,873 +137 Totals: 310,116 +2,050 Gasoline NOV.09 53,218 -8,214 DEC.09 57,060 +7,788 JAN.10 32,521 +2,112 FEB.10 10,793 +1,112 MAR.10 15,224 +399 Totals: 205,367 +5,516.

The API reported an unexpected draw in crude stocks of 172,000 barrels on the week. It reported a draw of 1.953 million barrels in Padd 5 while Padd 3 crude stocks built by 3.086 million barrels. Crude stocks in Cushing, Oklahoma built by 383,000 barrels on the week. The API reported the draw in stocks as imports fell by 584,000 bpd to 9.014 million bpd. However it reported that runs fell by 511,000 bpd to 14.281 million bpd. Meanwhile the API reported that distillate stocks built slightly more than expected, with a build of 219,000 barrels on the week. Total distillate stocks are now up 34% on the year. It reported that distillate stocks in Padd 3 alone built by 1.3 million barrels. It reported the build as apparent demand fell by 12.3% to 4.224 million bpd while apparent demand basis its three week moving average fell by 2.7% on the week to 4.312 million bpd. Also imports increased by 129,000 bpd or 81.6% to 287,000 bpd while production fell by 272,000 bpd or 6.4% to 3.968 million bpd. The API reported a large unexpected draw in gasoline stocks of 2.658 million barrels on the week. Gasoline stocks are up 9.8% on the year. It reported the draw in stocks as apparent gasoline demand increased by 1.9% to 9.445 million bpd and apparent demand basis its three week moving average increased by 4.5% to 9.447 million bpd. Gasoline production also fell by 460,000 bpd or 5% to 8.774 million bpd.



Crude Support 75.00, 64.70, 63.38, 62.70, 61.61, 60.95	Crude Resistance 76.24, 77.70, 85.40
Heat Support 1.6585, 1.4870, 1.4220, 1.4130, 1.3720	Heat resistance 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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