



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR OCTOBER 19, 2009

The US, France and Russia started talks with Iran at the IAEA's headquarters on Monday on the supply of nuclear fuel for a research reactor in Tehran. The head of the IAEA, Mohamed ElBaradei said the talks on a uranium deal "got off to a good start" and were "constructive." Meanwhile, Iranian media networks reported that Iran will steer clear of direct talks with France to procure nuclear fuel for its research reactor in Iran. An informed source close to Iran's negotiating team in Vienna said France did not live up to its previous obligations regarding nuclear cooperation with Iran. The Iran Atomic Energy Organization said it will continue to enrich uranium up to the 5% level and could even raise it to a higher 20% grade if talks on a third party enrichment deal fail.

Market Watch

A private weather forecaster said this winter is poised to be the coldest winter this decade. The El Nino pattern expected this winter argues for more extended and intense cold periods than seen the last several winters. If this winter reached the close of the decade status, it will also be the colder than any winter in the 1990s or the mid to late 1980s as well. It estimates the November to March period heating demand will be 11.2% more than the 30 year normal.

The EIA said the Arctic region holds 22% of the world's undiscovered conventional oil and natural gas resources but added that risks from sovereignty issues to high costs and environmental concerns are deterring development plans. The US Geological Survey said in 2008 that the equivalent of 412.16 billion barrels of oil, gas and natural gas liquids in the Arctic region are considered undiscovered and technically recoverable, predominantly gas and gas liquids.

The Baltic Exchange's main sea freight index reached a two month high on Monday with demand for larger Capesize ships helping to drive gains. The overall index increased by 1.39% to 38 points to 2,766 points on Monday in a third straight session of gains and was at its highest since August 17th. The Baltic's Capesize index increased 2.51% on Monday.

The US CFTC said it will release more than three years of disaggregated historical data from its weekly Commitment of Traders reports on Tuesday. It said the data will cover the 22 commodity futures markets currently contained in its expanded COT reports, starting with the week ending June 13, 2006.

The EIA reported that the US average retail price of diesel increased by 10.5 cents to \$2.705/gallon in the week ending October 19th. It is at the highest level since the week ending November 17, 2008. The EIA also reported that the US average retail price of gasoline increased by 8.5 cents to \$2.574/gallon on the week.

Refinery News

According to Credit Suisse, US refinery margins were mixed last week. Margins in the Northeast increased by 45 cents to \$6.17/barrel while margins in the Midwest increased by 41 cents to \$5.64/barrel. Margins in the US Gulf Coast fell by 4 cents to \$3.93/barrel while margins in the Rocky Mountain fell by \$2.75/barrel to \$9.50 and margins in the West Coast fell by 1 cent to \$7.50/barrel.

**October
Calendar Averages**
CL – \$73.34
HO – \$1.8901
RB – \$1.8225

BP has started partial planned maintenance at its 386,000 bpd Rotterdam refinery. It shut a crude distillation unit earlier in October. The maintenance is expected to last until the end of November. In addition to the crude unit, a fluid catalytic cracking unit has been shut since late September for planned maintenance for about two months.

Valero Energy Corp's 340,000 bpd Corpus Christi refinery reported that it restarted a hydrocracking unit in the West Plant section that was shut earlier in the month due to a small fire. The hydrocracker was unexpectedly taken off line when a small fire broke out early in the morning on October 7^h. It expects to take several days to return to planned rates.

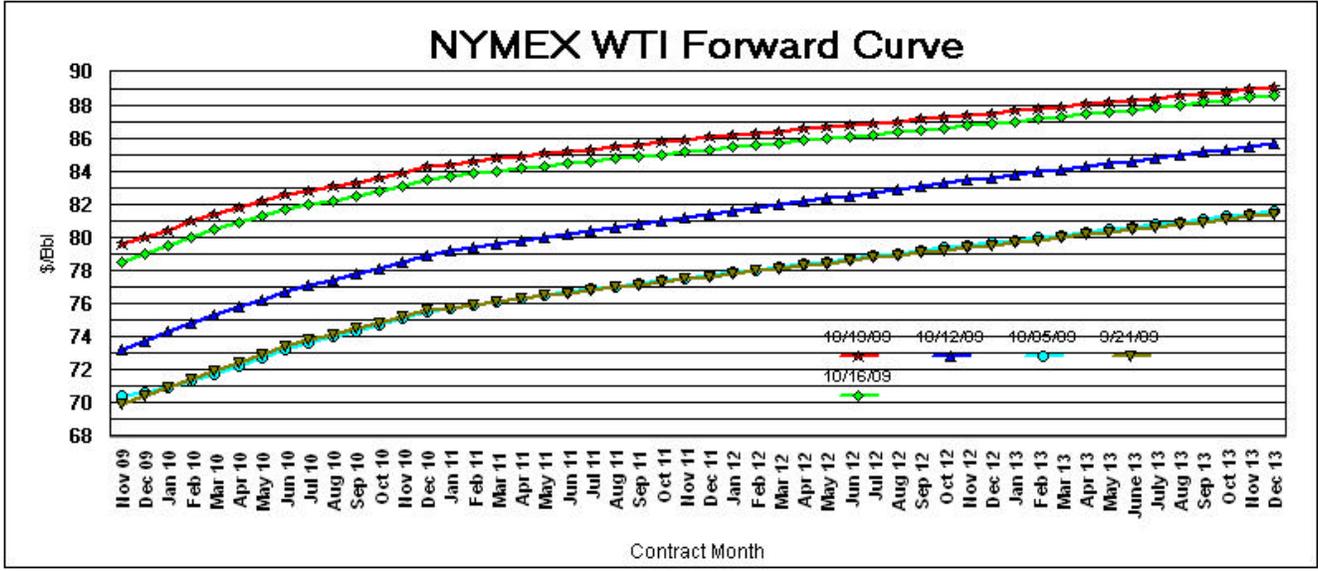
Murphy Oil said it is restarting its fluid catalytic cracking unit at its 120,000 bpd Meraux, Louisiana refinery.

The US EPA has objected to an air permit application for BP Plc's 405,000 bpd Whiting, Indiana refinery expansion. It objected because the agency did not believe the permit adequately accounted for all the emissions that would come from the expansion. BP is expected to submit a revised permit application. The expansion project is intended to process crude from Canadian tar sands, adding 260,000 bpd of processing capacity.

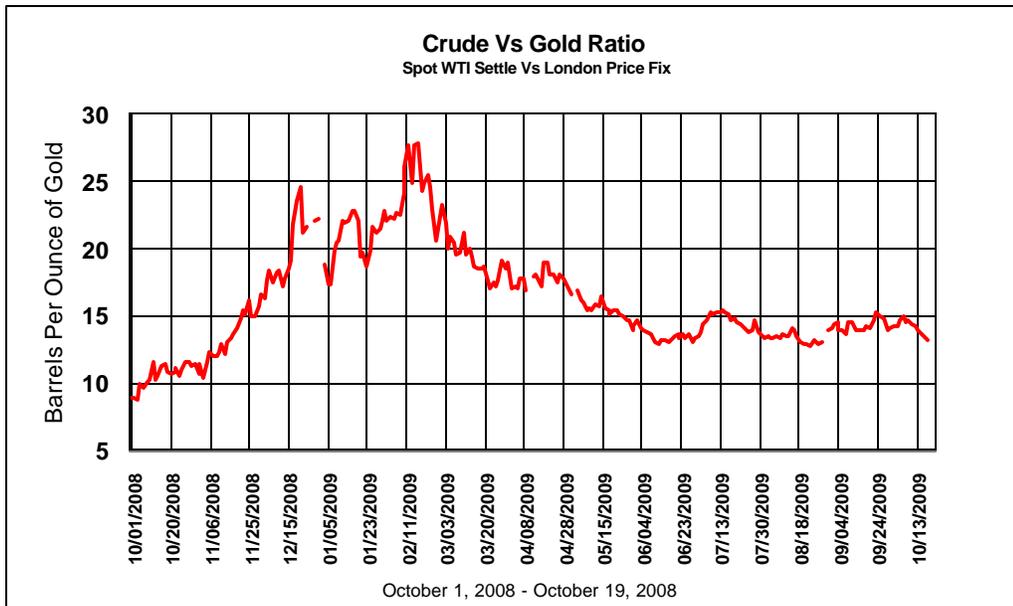
A fire at Total's 350,000 bpd Antwerp refinery early Monday was extinguished and did not led to a cut in production or cause any injuries.

Combined stocks of gasoline, diesel and kerosene in September held by China's top two oil companies fell 0.2% on the month to 12.5 million ton, despite a 0.5% drop in domestic sales. Gasoline stocks fell 3.1% to about 5 million tons while diesel stocks increased by 1.1% to about 7.1 million tons. Gasoline sales fell by 5.1% in September to about 5.4 million tons while diesel sales increased by 1.6% to 11.7 million tons.

The China Petroleum Daily reported that PetroChina has added 1.5 million cubic meters or about 9.5 million barrels of refined oil storage tanks in the first three quarters of this year. It added new storage



capacity of 430,000 cubic meters in the first half of the year, while 1.07 million cubic meters or 6.7 million barrels of capacity was added in the third quarter. The company is expected to bring fuel storage tanks with a capacity of 765,000 cubic meters online in Guangzhou's Nansha district by the end of the year.



Eni SpA, Calik Holding, JSC Transneft and OAO Rosneft signed a memorandum of understanding allowing for discussions on the conditions to allow Russian companies to participate in an oil pipeline that will cross Turkey. The companies signed a memorandum of understanding, which envisages the commitment to discuss the

definition of the economic and contractual conditions for Russian companies to participate in the Samsun-Ceyhan project. The pipeline aims to transport oil from the Black Sea port of Samsun to Ceyhan, avoiding the use of ships to cross the Istanbul Strait.

Production News

Mexico's Communications and Transport Ministry reported that the country reopened all of its main oil exporting ports in the Gulf of Mexico on Monday after bad weather from a cold front forced their closure this weekend. The Coatzacoalcos, Dos Bocas and Cayo Arcas oil export terminal reopened on Monday.

Total SA and China National Petroleum Corp have submitted revised offers for Iraq's West Qurna-1 oil field, adding to the list of bidders for the project. The companies have submitted offers along with Lukoil Holdings and ExxonMobil Corp. An Iraqi official said all the new offers will be considered by the Oil Ministry and that West Qurna 1 will be awarded within two weeks.

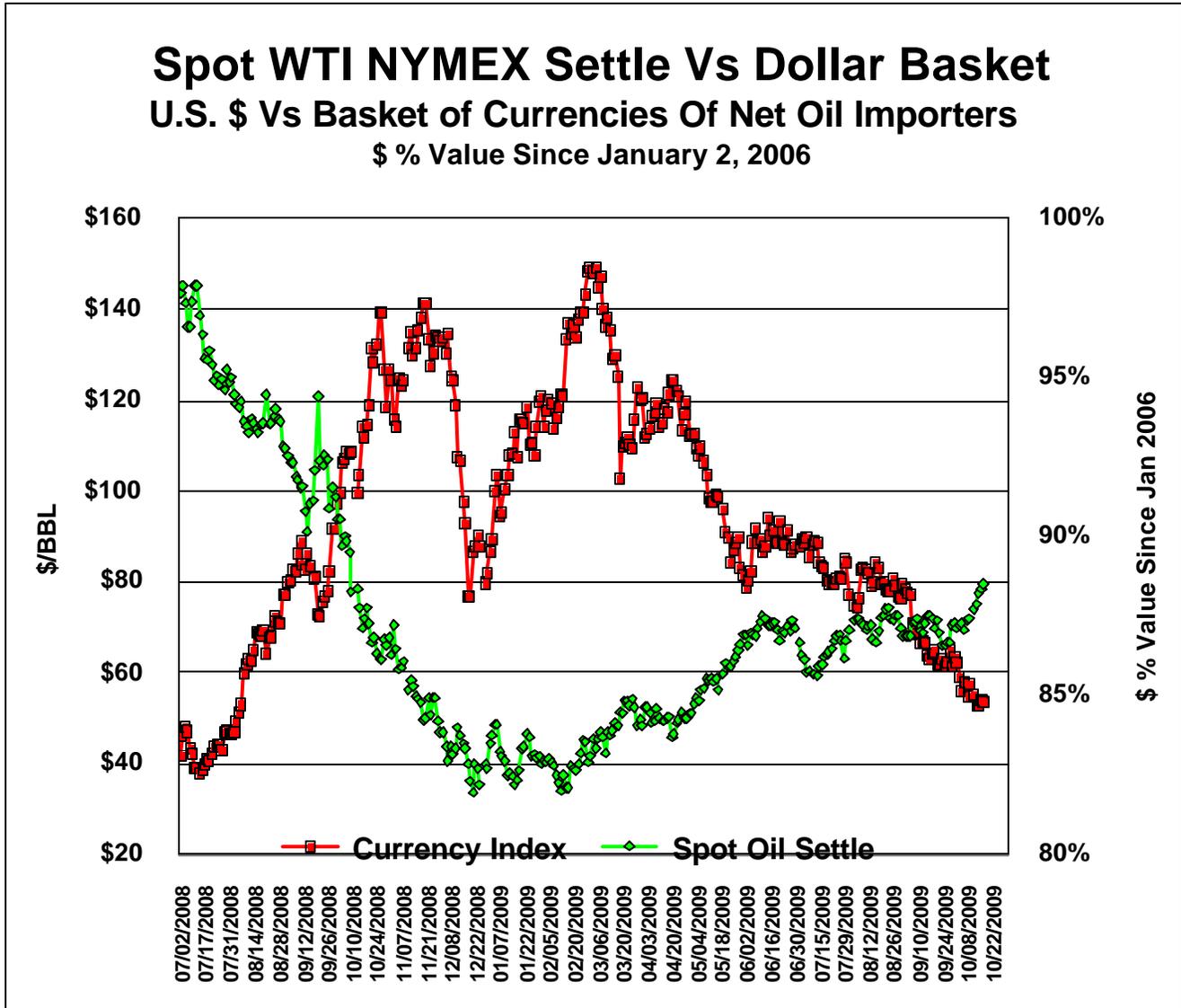
Japan's Nippon Oil Corp is expected to invest up to \$8 billion to develop the Nassiriyah oilfield in the country's south. It will need that amount to develop the field and to build a nearby power station. The project could increase its output to 200,000 bpd within two years. Nippon Oil Corp also said it would build a refinery in Nassiriyah with a processing capacity of 300,000 bpd. The Iraqi Oil Ministry is expected to sign a deal with BP Plc and China National Petroleum Corp to develop Rumaila. The Iraqi cabinet unanimously approved the Rumaila contract with the BP/CNPC alliance late Friday.

Heritage Oil Plc said that at the Taq Taq oil field in the Kurdistan region of Iraq, production for export has ceased, in coordination with the other operators in the region. It said export production is not expected to restart until a payment mechanism is in place.

The head of Venezuela's umbrella oil workers union, FUTPV, said contract talks with the management of PDVSA will start next week. The union has prepared its list of demands for the new

three year labor deal. The FUTPV union leader Wills Rangel said he expected the new bargaining agreement will be completed by the end of the year.

Angola's oil exports are scheduled to fall for the second month in December, bringing its exports closer to the country's OPEC quota. It is expected to ship 1.78 million bpd in December, down from 1.791 million bpd in November.



Petrobras' crude oil and natural gas output continued to increase in September as several platforms returned from maintenance outages and new wells came onstream. Its overall oil and gas production reached an average 2.572 million barrels of oil equivalent in September, up 1.6% from 2.531 million bpd of oil equivalent in August. In Brazil, Petrobras' domestic oil production increased by 1.2% to an average of 2.004 million bpd in September, up from 1.98 million bpd in August. It also said its natural gas output increased to 51.4 million cubic meters/day in September, up from 50.2 million cubic meters/day in August.

Colombia's crude oil output in September increased to an average 679,000 bpd from 610,000 bpd in the same month last year. Oil production in September was higher than in August, when output reached 668,000 bpd. The average crude output in the first nine months of the year was 653,000

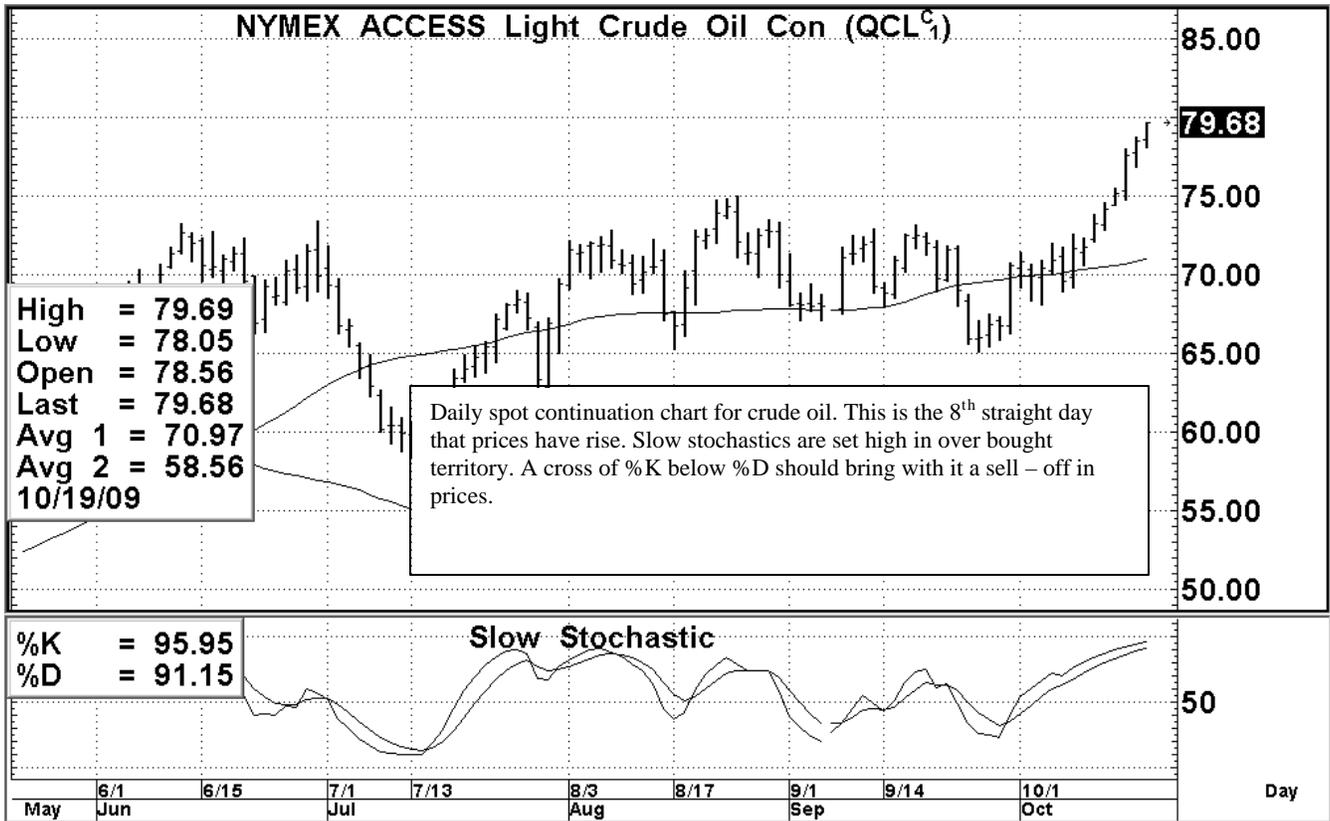
bpd. Foreign and domestic companies extracted an average 1.16 billion cubic feet/day of natural gas in September, up from 945 million a year earlier and higher than August's 1.06 billion cubic feet.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.69/barrel to \$74.89/barrel on Friday from \$73.20/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$4.33/barrel to \$72.21/barrel in the week ending October 16th.

Market Commentary

As the dollar reached a 14 – month low, crude oil rallied to a new yearly high, peaking at \$79.69. U.S. equities markets lent strength to the market as well, after responding to optimistic corporate earnings results. Currently, global capacity is in excess and U.S. crude oil inventory levels are higher than those of last year. Once refiners come back on board we may get a clearer picture of the true fundamentals of this market. Products have risen, especially the gasoline, after last week's inventory levels reflected a 1.5 million barrel decline. Worth mentioning, is that PIRA held their annual market outlook conference and the general tone of this meeting was that the research group is very bullish on this market for 2010, expecting that demand will pick up. By a coincidence or not the conference had a break in the afternoon session just prior to the afternoon rally in the oil market. In past years we have seen a similar pattern occur as oil trader and hedge fund attendees appear to act on the information presented at the conference. This market will continue to react to the weak dollar and rising equities markets, as we await the release of inventory levels on Wednesday. This weeks release will be crucial to the recent rise in prices and the sustainability of this market.

Crude NOV.09 67,269 -30,743 DEC.09 355,576 +9,353 JAN.10 146,131 -3,832 FEB.10 55,485 -320
MAR.10 43,122 +1,429 APR.10 20,841 +409 Totals: 1,261,304 -21,032. Heating NOV.09 40,458 -
2,460 DEC.09 75,208 +3,430 JAN.10 48,646 +763 FEB.10 21,148 -164 MAR.10 17,016 +211 Totals:
316,085 +1,900 Gasoline NOV.09 45,493 -2,655 DEC.09 75,258 +8,031 JAN.10 36,713 +690 FEB.10
13,646 +626 MAR.10 15,387 -318 Totals: 225,657 +7,549.



Crude Support 77.60, 76.24, 74.85, 64.70, 63.38, 62.70, 61.61, 60.95,	Crude Resistance , 84.83, 85.40, 86.60, 88.80
Heat Support 1.8570, 1.8280, 1.7670, 1.7375, 1.6585	Heat resistance 2.0940, 2.2110, 2.2575, 2.4200
Gasoline support 1.6010, 1.5887, 1.5370, 1.5260, 1.3520, 1.3400,	Gasoline resistance 2.0210, 2.0400 20.567, 2.1100, 2.1600, 2.3350

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