

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 20, 2010

The US National Hurricane Center said a low pressure system in the northwestern Caribbean Sea still has a 70% chance of developing into a tropical depression over the next day or two. It posed no threat to the Gulf of Mexico.

Market Watch

A senior Iranian official said Iran has again put off for a month plans to increase gasoline prices by removing subsidies, which had been set to come into effect at the end of September. Motorist will continue to receive a monthly quota of 60 liters of gasoline at subsidized prices of about \$0.10/liter until November 21st. During the same period, the government will continue to provide gasoline at a semi-subsidized price of \$0.40/liter to consumers exceeding their quotas.

The Confederation Generale du Travail, CGT, said it is determined to continue its nationwide industrial strike action within France's energy industry, aiming at lowering power output and power and gas distribution. It is targeting the domestic energy sector, excluding oil.

Iraq's Oil Minister Hussain al-Shahristani said he did not expect OPEC to change its oil production target later this year. He added that if prices are above \$75 there is no need for an extraordinary meeting to review the production target.

The EIA reported that US imports from Saudi Arabia fell by about 200,000 bpd to 846,000 bpd in the week ending October 15th while imports from Canada increased to 1.772 million bpd from 1.708 million bpd in the previous week. Imports from Mexico increased by 100,000 bpd to 1.053 million bpd on the week.

Iran's atomic chief Ali Akbar Salehi said it produced about 30 kilograms of 20% enriched uranium. It said Iran has increased its stockpile of 20% enriched uranium.

Turkey's Deputy Prime Minister Ali Babacan said he doubts whether recent sanctions will resolve the international standoff over Iran's nuclear program. He said Turkey will continue to work to achieve a diplomatic solution, expressing concern over regional stability if the US and Europe continue to increase pressure on Iran. He said that Turkey is not bound by unilateral sanctions and the government is allowing local banks decide on how to deal with them. He said some banks are starting to hesitate in their Iran dealings.

DOE Stocks

Crude – up 667,000 barrels
Distillate – down 2.155 million barrels
Gasoline – up 1.155 million barrels
Refinery runs – up 0.6%, at 82.5%

The Transportation Department reported that US highway travel increased by 1.6% in August compared with a year ago. Highway travel in August increased by 4.3 billion miles to 267.4 billion miles. The number of miles driven so far this year increased by 0.4% or 7.3 billion miles from the same period in 2009.

October Calendar Averages	
CL	– \$82.04
HO	– \$2.2714
RB	– \$2.1220

Refinery News

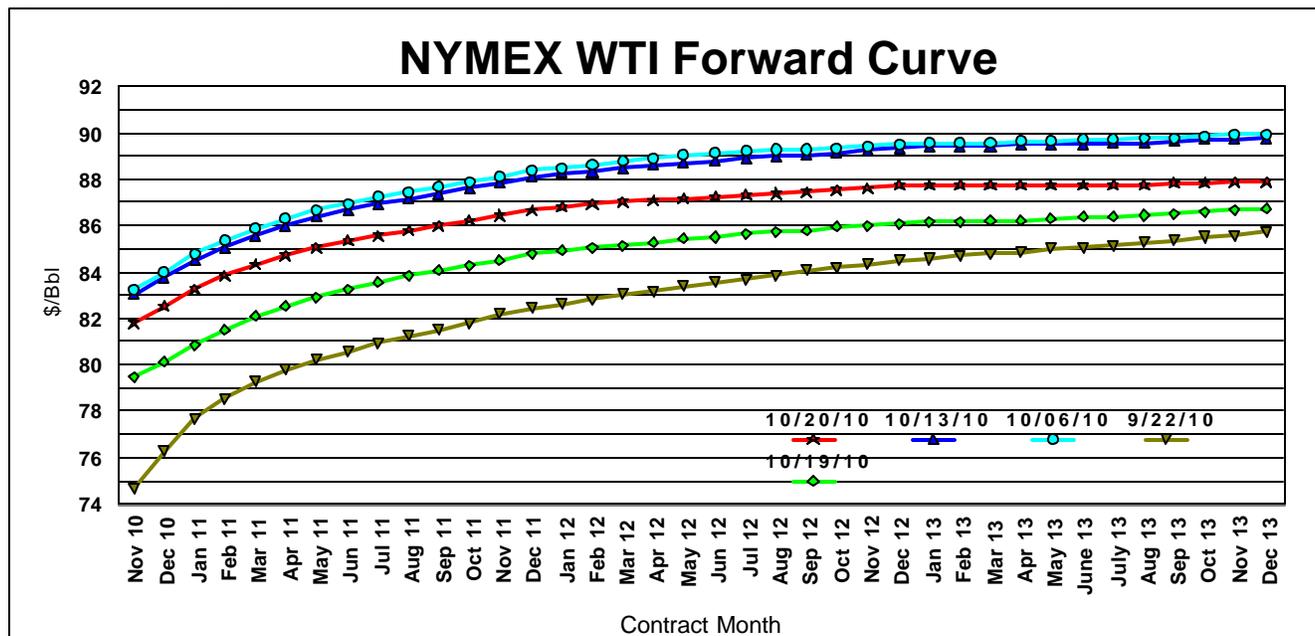
Colonial Pipeline is allocating its main distillate line north of Collins, Mississippi for Cycle 62 as nominations on its line exceed its ability to meet the 5 day lifting cycle.

The number of crude oil and oil product tankers waiting offshore the Fos-Lavera oil terminal and the Marseille terminal has continued to increase. The port authority said there are 69 petroleum and chemical vessels anchored offshore awaiting eventual unloading at both Fos Lavera and the Port of Marseille. Of those, 32 tankers are carrying crude oil and 19 are carrying petroleum products. Eight chemical tankers, 10 propane and butane gas tankers are also blocked by the strike. The strike also blocked 10 oil tankers from unloading at France's La Havre port. Meanwhile, a French government spokesman said imports of oil products reached record highs on Monday as the government fought against a run on fuel after protesters blocked depots and refineries. More than 3,000 petrol pumps in France out of a total of about 12,500 stations ran out of fuel on Wednesday. France's 12 oil refineries remained blocked as workers continued to strike. Nine of the refineries were producing no oil on Wednesday, two were in the process of halting production and one was operating at a minimum level.

Barges carrying oil products such as gasoline and heating fuel along the Rhine River started moving again late on Tuesday after the end of a blockade by strikers at the French border.

Valero Energy Corp reported a brief period of unplanned flaring at its Wilmington, California refinery due to a compressor malfunction. It did not have any material impact on production. Valero said a leak in the butamer unit at its 142,000 bpd refinery in Corpus Christi, Texas was repaired. The leak had no impact on production.

Tesoro Corp restarted part of its 120,000 bpd oil refinery in Anacortes, Washington following extensive repairs caused by a deadly explosion on April 2nd. It expected to return to normal operations in early November.



Coffeyville Resources said it shut an unspecified unit for repairs on Tuesday afternoon at its 115,700 bpd refinery in Coffeyville, Kansas. It said there was a release of materials due to equipment malfunction.

Royal Dutch Shell PLC postponed maintenance work on several of its refining units at the 400,000 bpd Pernis refinery. Work on the refinery's hydrocracker unit, crude distillation unit and vacuum units have been postponed until spring 2011 after it was originally planned for autumn 2010. Meanwhile work on its fluid catalytic cracking unit was brought forward following a malfunction in the unit which required Shell to carry out an inspection and more extensive repairs.

CNOOC Ltd has shut some of its oil and gas production facilities in areas susceptible to Typhoon Megi. It did not specify how many oil and gas fields it shut but said all operations will return to normal after the typhoon passes.

India's Reliance Industries Ltd plans to shut one of its two crude distillation units at its 660,000 bpd Jamnagar I refinery for scheduled maintenance in November. The shutdown is scheduled for 30 days but will likely be wrapped up in 20 days.

South Korea's Korea National Oil Corp said the country imported 74.9 million barrels or 2.5 million bpd of crude oil in September, up 10.2% on the year. South Korea's refineries processed 75.33 million barrels of crude in September, up 12.2% on the year and down 0.5% on the month. The country's commercial crude oil stocks fell by 31.8% on the year to 7.93 million barrels. South Korea's gasoline demand increased by 10.5% on the year but fell by 9.5% on the month to 5.9 million barrels while diesel demand fell by 2.8% on the year and by 12.8% on the month to 10 million barrels. Product exports totaled 30.5 million barrels in September, up from 28.2 million barrels last year while product imports totaled 24.4 million barrels in September, up from 23.1 million barrels last year.

The Petroleum Association of Japan reported that the country's crude oil stocks in the week ending October 16th increased by 6.13% on the week and by 3.88% on the year to 15.79 million kiloliters. Japan's gasoline stocks increased by 2.75% on the week but fell by 8.31% on the year to 1.92 million kl while gas oil stocks increased by 10.42% on the week but fell by 10.17% on the year to 1.8 million kl and kerosene stocks increased by 5.92% on the week but fell by 14.4% on the year to 154,576 kl. Japan's naphtha stocks increased by 3.2% on the week to 2.27 million kl and its jet fuel stocks fell by 4.04% on the week and by 11.73% on the year to 920,000 kl. Japan's refinery runs fell to 70.8% from 72% in the previous week. It also reported that crude throughput fell by 63,988 kl to 3.654 million kl on the week.

Italy's industry group Unione Petrolifera said the country's crude oil imports from Iran, its third largest supplier, increased by 84.6% year on year to 6.12 million tons in the first seven months of 2010. Imports from Iran accounted for 15% of Italy's total crude oil imports, which came in at 43.53 million tons in the January-July period, up 0.2% on the year.

Production News

The head of Iraq's State Oil Marketing Organization, Falah al-Amri said Iraq plans to export more than 1.9 million bpd of oil this month. Iraq's oil exports in September totaled 2.021 million bpd, up from August's level of 1.789 million bpd.

Kazakhstan's KazMunaiGas Exploration Production said its oil output in the first nine months of the year increased by 15% to 9.9 million metric tons or 270,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased by 27 cents to \$79.30/barrel on Tuesday from \$79.03/barrel on Monday.

China has called off a planned retail fuel price hike, which would have been the first increase since April and would have tracked a rise in international crude prices. China's National Development & Reform Commission proposed the price changes.

Market Commentary

A less than expected increase in crude oil inventories coupled with a weakening dollar, pushed prices above the \$81.00 mark. This is the sharpest rise in five weeks. The December crude oil contract settled 3 percent higher on the day, finishing the session at \$82.54. Expectations are for the dollar to remain weak up until the Federal Reserve meetings on November 2nd and 3rd and through November elections in the U.S. Should this be the case crude oil will most likely continue to experience choppy trading sessions and remain within the \$75.00 to \$85.00 range.

Crude oil: Nov 10 26,078 -36,463 Dec 10 409,809 +2,198 Jan 11 167,023 -934 Totals 1,422,821 -26,169 Heating oil: Nov 10 45,081 -12,454 Dec 10 91,649 +4,056 Jan 11 59,841 +1,453 Totals 323,728 -1,542 Rbob: Nov 10 46,127 -9,720 Dec 10 92,516 +6,741 Jan 11 47,954 +1,409 Totals 282,151 -1,737.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7943	8461	21860		20130	
7921	8610	21650	23775	18750	22345
7760	8715	20700		18240	24880
7598				16010	27085
7298					

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 purposely. 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.