



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 22, 2009

OPEC Secretary General Abdullah al-Badri said OPEC ministers will increase the group's output targets at their December meeting if world oil inventories fall back and the world economy recovers more.

Separately, a source close to OPEC's President said OPEC could increase oil output in December if crude oil prices reach \$100/barrel in coming months. The source said producers and consumers are comfortable with oil prices at \$75-\$80/barrel and added that a rise in oil prices could hamper

<p>October Calendar Averages CL – \$74.69 HO – \$1.9262 RB – \$1.8612</p>

the world economic recovery.

The IEA's Executive Director Nobuo Tanaka said a rapid rise in oil

Market Watch

The US National Hurricane Center said two low pressure systems in the Atlantic Ocean, one in the southwest Caribbean Sea and one near the Bahamas, had little chance of developing into tropical cyclones over the next 48 hours. In the southwestern Caribbean, a nearly stationary low over Costa Rica, Nicaragua and Honduras should continue to produce heavy rain over the next few days. The Caribbean system remains poorly organized and development, if any will be slow. Conditions remain unfavorable for significant development of the system in the Bahamas.

The US Labor Department reported that the number of US workers filing new claims for unemployment benefits increased more than expected. It said initial claims for unemployment benefits increased by 11,000 to 531,000 in the week ending October 17th. The previous week's level was revised from 514,000 to 520,000. The four week average of new claims fell slightly by 750 to 532,250 from the previous week's revised figure of 533,000. The number of continuing claims fell by 98,000 to 5,923,000 from the preceding week's revised level of 6,021,000. The unemployment rate for workers in the week ending October 10th was 4.5%, down 0.1% from the prior week's revised rate of 4.6%.

China's economy in the third quarter expanded 8.9% on the year, up from 7.9% the previous quarter, fuelled by a government stimulus program. Combined growth in the first nine months of the year was 7.7%, putting the economy on track to reach the government's growth target of 8% for the full year.

Norway's central bank Governor Svein Gjedrem said \$75/barel oil was good for the country's economy as well as oil and gas companies operating in Norwegian coastal waters.

The Baltic Exchange's main sea freight index on Thursday increased by 2.88% or 84 points to 3,001 points, a level not seen since August 8th. It increased for the sixth consecutive session driven by increasing freight activity. The Baltic's Capesize index increased another 4.3% on Thursday after increasing 5.32% on Wednesday.

The CME announced that it will list three new financially settled petroleum futures contracts for trading on the NYMEX floor and for submission for clearing through CME Clearport. The contracts will be listed on CME Clearport Clearing on Sunday, November 1st for trade date Monday, November 2nd. The contracts are Crude Oil Last Day Financial Futures (26), Heating oil Last Day Financial Futures (23) and RBOB Last Day Financial Futures (27). It is also listing options for futures strips for Natural Gas, Crude oil, PJM Electricity and Central Appalachian Coal. The contracts are Natural Gas Option on Calendar Futures Strip (6J), Natural Gas Option on Summer Futures Strip (4D), Natural Gas Option on Winter Futures Strip (6I), Crude Oil Option on Calendar Futures Strip (6F), Crude Oil Option on Quarterly Futures Strip (6E), PJM Electricity Option on Calendar Futures Strip (6O) and Central Appalachian Coal Option on Calendar Futures Strip (6M).

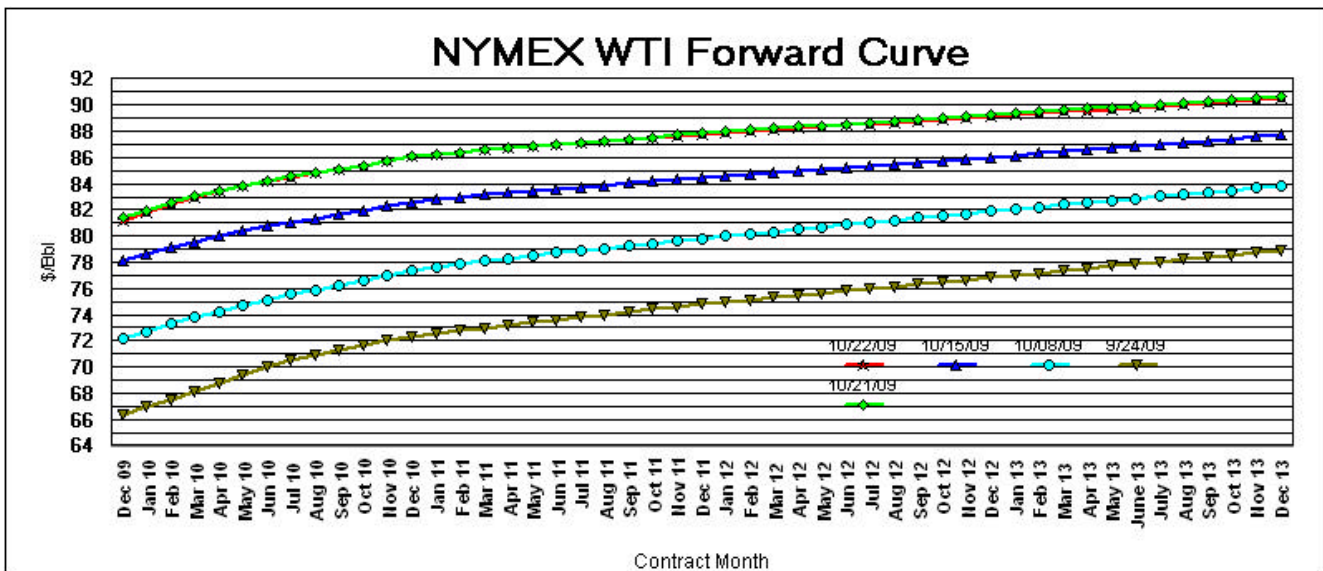
prices could hamper the world economic recovery. He however said it was too early to say if the current rise in prices was the start of a spike. He said he expects oil-producing countries to continue to have spare capacity next year and in 2011 but that a return to tight markets would take place after 2015.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by about 100,000 bpd to 22.69 million bpd in the four weeks ending November 7th.

An energy consultancy, Energy Security Analysis, Inc estimates the world contraction in oil demand will average about 1.75 million bpd in 2009 and 1.3 million bpd in 2010. It said the combination of increasing OPEC production and weak demand will result in a counter seasonal surplus in the fourth quarter and very high distillate stocks, indicating a fundamentally soft market this winter. It said weak fundamentals are masked by other factors in the financial markets, which could result in a bull trap in which oil prices continue rising until the consensus believes that they are too high for the fundamentals. It said the market appears to be ignoring a number of bearish fundamental factors, including the US unemployment rate, which increased more than expected in September to 9.8% and appears to increase to over 10% next year. Another factor is global distillate inventories increased to 1.162 billion barrels last month. Stocks are 100 million barrels above the average for the past five years and highlight the distillate market's weakness. Also, the recent downturn was largely driven by a collapse in the global financial sector. Recessions with this cause historically have slower recoveries. Meanwhile the unexpectedly early recovery has largely been driven by expansionary fiscal policy, particularly in the US and China. As the countries face worsening budget deficits, they will face increasing pressure to moderate their spending. The reduced support will slow the economic recovery. ESAI forecasts WTI crude prices should fall back to the upper \$60s in December and could break below \$60 in the first quarter before rising in the run up to gasoline season next spring.

Iran's government has set up a special task force of top officials to decide on oil-related affairs on behalf of President Mahmoud Ahmadinejad. It appeared to be a bid by Iran's President to strengthen his control of and influence over the industry in Iran.

Commodity Futures Trading Commission Chairman Gary Gensler said the CFTC has looked into the growth of high frequency trading in US futures markets. He said the CFTC wants to ensure all



participants have fair access to markets amid trading speed and technological changes and that the CFTC is wary of this in adopting new regulations. He said the CFTC has looking into this and has continued to work with the exchanges to ensure that all participants have a fair access to the markets.

The US Transportation Department said US highway travel increased 0.7% in August from a year earlier, increasing 1.9 billion miles to 259 billion miles. While highway travel increased for the third consecutive month, August's increase was only about one-third of the increase seen in each of the prior two months, suggesting the economic recovery may be slow.

Refinery News

Total Petrochemical USA's 174,000 bpd Port Arthur, Texas refinery is in the process of returning to normal following an earlier plant wide power outage. A report filed with state environmental regulators said the power failure affected all areas and all units at the refinery. The company had no estimate when the 174,000 bpd refinery would reach normal processing rates. Other refineries in Port Arthur were not impacted by a power outage.

Valero Energy Corp said its hydrocracker unit at its 315,000 bpd Corpus Christi, Texas refinery is increasing to planned rates following its restart. The unit was shut on October 7th following a small fire. Valero also said there was no production impact from the restart of a sulfur recovery unit incinerator and boiler at the 170,000 bpd McKee, Texas refinery.

A fire at Tesoro Corp's 58,000 bpd Salt Lake City, Utah refinery was extinguished on Wednesday night. The fire started as the refinery was attempting to restart following a Wednesday afternoon power outage. It is assessing the impacted units to ensure a safe return to normal operations.

ConocoPhillips reported a process unit problem at its 139,000 bpd refinery in Carson, California on Thursday.

Indonesia's Pertamina plans to shut a hydrocracker unit at its 120,000 bpd Dumai refinery next week for two weeks of maintenance.

China's oil refineries processed record amounts of crude in September as a stronger economy increased domestic demand and exports increased due to stronger profit margins. China's National Bureau of Statistics reported that the country's refinery crude throughput in September increased by 14% on the year to 32.83 million tons or 7.99 million bpd. China's apparent oil demand in August increased by 2.9% on the year. It also reported that China's crude throughput in the first nine months of the year increased by 4.6% to 273.8 million tons or 7.32 million bpd. Meanwhile, China's crude oil imports in September fell to 4.19 million bpd from August's 4.35 million bpd and July's record of 4.62 million bpd.

Japan's Ministry of Finance reported that the country's crude imports in September fell by 2.9% on the year to 17.907 million kiloliters or 3.75 million bpd. It is the lowest level for the month since 1989 and the 11th consecutive decline. It also reported that Japan imported 5.677 million tons of liquefied natural gas in September, down 3.3% on the year while imports of thermal coal fell by 2.4% to 7.484 million tons.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending October 21st built by 2.411 million barrels to 20.642 million barrels. It also reported that the country's light distillate stocks built by 296,000 barrels to 10.121 million barrels while middle distillate stocks fell by 351,000 barrels to 14.607 million barrels on the week.

Russia's Prime Minister Vladimir Putin said Kazakhstan may supply oil for the Samsun-Ceyhan pipeline linking Turkey's Black Sea and Mediterranean coasts.

Gasoline inventories stored in the Amsterdam-Rotterdam-Antwerp terminal in the week ending October 22nd fell by 2.45% on the week but increased by 18.54% on the year to 716,000 tons as export opportunities to the US increased. Gasoline exports were bound for the US, Nigeria, Cameroon, Guatemala and Mexico. Naphtha stocks fell by 58.65% on the week and by 14% on the year to 43,000 tons while gas oil stocks fell by 1.55% on the week but increased by 47.73% on the year to 2.674 million tons and fuel oil stocks fell by 3.45% on the week but increased by 94.39% on the year to 727,000 tons. Jet fuel stocks fell by 2.72% on the week but increased by 45.92% on the year to 823,000 tons.

Buckeye Partners LP signed an agreement with ConocoPhillips to purchase three refined product storage and distribution terminals and two refined product pipelines and associated storage tanks in the Chicago and St. Louis areas.

Production News

Two cargoes of North Sea Forties crude for November loading were dropped, partly due to a recent technical glitch at the 200,000 bpd Buzzard field. Three November loading cargoes have been deferred so far. Crude oil production at the Buzzard oil field was cut over the past few days due to export gas constraints caused by third party issues.

Gulf Keystone Petroleum Ltd said its Shaikan-1 well in Iraq's Kurdistan region has significant volumes of oil. It said the range of oil in place for the Shaikan structure is estimated to be a gross 1 billion to 5.3 billion barrels of oil.

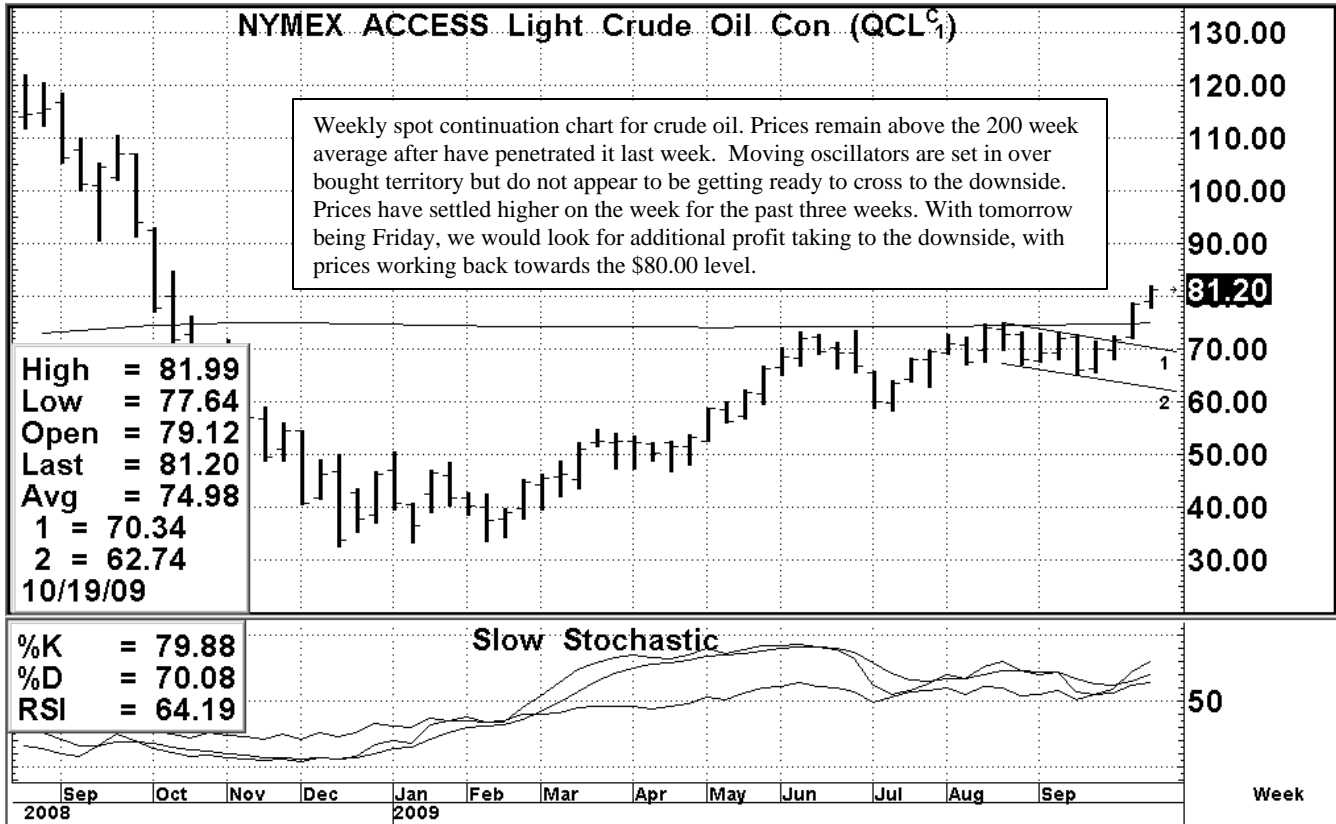
Nigeria plans to export at least 39 full cargoes of crude oil for December loading. It will export ten 950,000 barrel cargoes of Qua Iboe crude for December loading, two cargoes less than November. It will also export four Amenam cargoes, eight Agbami, four Akpo, seven Escravos, three Yoho and a total of eight cargoes of Brass River crude.

OPEC's news agency reported that OPEC's basket of crudes increased to \$76.37/barrel on Wednesday, up from Tuesday's \$75.82/barrel level.

Market Commentary

After experiencing sharp gains over the past week, crude oil and its products sold off on profit taking as the market reacted to a stronger dollar and a more than expected growth in U.S. jobless claims. Furthering the sell-off, are expectations that OPEC will increase production in its upcoming December meeting. Demand remains a major concern, which will greatly impact market direction. Today's jobless claims figure heightened those concerns. The December crude oil contract has now experienced two days straight of outside trading sessions, where the market posts a higher high and a lower low than that of the previous day. Today's session settled slightly lower on the day. This typically means lower prices are coming. Our overall opinion is for this market to come back and test the key support level at \$75.00. We do however; feel that this market will make one last run for the \$85.00 level. To take advantage of this move, we would look to sell the December \$80.00 put and buy the December \$75.00 put against. This play right now would cost around \$1.50 to put on, with an objective of netting \$3.50.

Crude DEC.09 359,806 +7,911 JAN.10 149,183 +7,657 FEB.10 62,750 +5,133 MAR.10 46,631 +4,138 APR.10 22,684 +2,994 Totals: 1,214,297 +28,900. Heating NOV.09 33,440 -1,617 DEC.09 80,763 -71, Jan.10 49,625 -543 FEB.10 22,087 +274 MAR.10 18,012 +350 Totals: 317,059 -541 Gasoline NOV.09 34,538 -4,570 DEC.09 87,335 +4,941 JAN.10 42,726 +1,551 FEB.10 16,775 +1,104 MAR.10 16,403 +635 Totals: 237,407 +4,130



Crude Support 77.60, 76.24, 75.00, 64.70, 63.38, 62.70, 61.61, 60.95	Crude Resistance , 84.83, 85.40, 86.60, 88.80
Heat Support 2.0960, 2.0770, 2.0535	Heat resistance 2.2110, 2.2575, 2.4200
Gasoline support 2.0430, 2.0200, 1.9965, 1.9650	Gasoline resistance 2.1100, 2.1600, 2.3350

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