



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR OCTOBER 27, 2009

Qatar's Oil Minister, Abdullah al-Attiyah said OPEC is ready to increase its oil production if it sees a real shortage in supply. He said oil prices reaching \$80/barrel was unrelated to oil market fundamentals and had more to do with dollar weakness.

Iran's OPEC Governor, Mohammad Ali Khatibi said the oil market does not need OPEC to increase its oil production. He cited signs of global economic recovery, a weaker US dollar and the beginning of the cold season in Europe and the US as factors behind a recent increase in oil prices. Meanwhile Iran's Oil Minister Massoud Mirkazemi described conditions in the oil market as positive.

Market Watch

The Conference Board reported that US consumer confidence fell to lower than expected levels in October, amid growing concerns that job market conditions will worsen in the near term. It said its index of consumer confidence fell to 47.7 in October from a revised 53.4 in September, which was originally reported as 53.1.

The Commodity Futures Trading Commission's chairman Gary Gensler said position limits would guard against excessive concentration in the energy futures market. He said the financial crisis last fall showed the risk posed by "large concentrated actors on the financial stage."

The US Senate Banking Committee will vote Thursday on legislation that would impose sanctions on Iran's gasoline suppliers in order to pressure Iran to give up its nuclear program. The sanctions will affect companies exporting gasoline to Iran or helping to expand the country's oil refinery capacity. The sanctions would also extend to companies that build oil and gas pipeline in Iran and provide tankers to move Iran's oil. The bill would also impose a broad ban on direct imports from Iran to the US and exports from the US to Iran, exempting food and medicines, require the Obama administration to freeze the assets of Iranians, including Iran's Revolutionary Guard Corps, enable Americans to divest from energy firms doing business with Iran's regime and strengthen export controls to stop the illegal black market export of sensitive technology to Iran through other countries and impose new licensing requirements on those who refuse to cooperate.

Iran's OPEC Governor, Mohammad Ali Khatibi, said Iran launched an international exchange for petrochemical good and specialized oil products based in Kish Island. It is an exchange for petrochemical goods and special oil products such as bitumen and lube oil.

API Stocks

Crude – down 3.532 million barrels

Distillate – down 671,000 barrels

Gasoline – down 255,000 barrels

Refinery runs – up 0.3%, at 81.8%

Russia's Deputy Energy Minister Sergei Shmatko said OPEC has invited Russia to attend its December meeting in Angola. He said Russia and OPEC plan to hold a separate joint meeting before the end of the year to discuss a memorandum of understanding proposed by Russia.

Iran's al Alam state television station, citing an unnamed official, said Iran will accept the framework of the UN drafted nuclear fuel deal but will demand some changes. It said Iran will present its response to the proposed agreement within 48 hours. It did not state any details about what kind of changes Iran will seek to the draft agreement. The draft agreement calls for Iran to transfer about 80% of its 1.5 tons of low-enriched uranium to Russia for further enrichment by the end of the year, then to France for conversion into fuel plates. Meanwhile, the European Union's foreign policy chief, Javier Solana said he hopes to hold talks by telephone Wednesday with Iranian officials, as Iran considers changes to the deal. He welcomed the agreement but said he did not think it required any major adjustment. He also said Iranian stalling may expose it to further sanctions. Separately, French Foreign Minister Bernard Kouchner said Iran is wasting time as the west waits for it to deliver its response on the UN brokered deal.

<p style="text-align: center;">October Calendar Averages</p> <p>CL – \$75.46 HO – \$1.9465 RB – \$1.8909</p>
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According to a report by MasterCard Advisors LLC, US gasoline demand increased by 0.1% to 9.348 million bpd in the week ending October 23rd. Gasoline demand is up 5.1% on the year while the four week average demand is up 4.7% on the year. On a nationwide average, the retail price of gasoline increased by 12 cents to \$2.60/gallon on the week.

Special advisor to Nigeria's President Umaru Yar'Adua on oil affairs said Nigeria expects to enact a law soon that calls for the government to share 10% of oil and gas ventures with people in the Niger Delta, as part of an effort to end militant attacks that have curtailed Nigeria's oil production. The 10% offer would apply to all communities in oil-producing areas of the Niger Delta. Following cabinet approval, the legislation would be sent to the country's national assembly for incorporation into a reform of Nigeria's petroleum laws.

The CFTC reported in its latest quarterly index assessment data that positions held by commodity indices are equivalent to about 20-25% of all open positions in major U.S. futures and options contracts. Total investment in commodity indices amounted to \$117 billion at the end of June 2009. Around \$95 billion was invested in components linked to U.S. commodity contracts, with \$22.5 billion in components linked to overseas contracts. The largest investments are in contracts linked to NYMEX crude oil (\$30 billion), U.S. natural gas (\$9.5 billion), gold (\$6.7 billion), soybeans (\$6.4 billion).

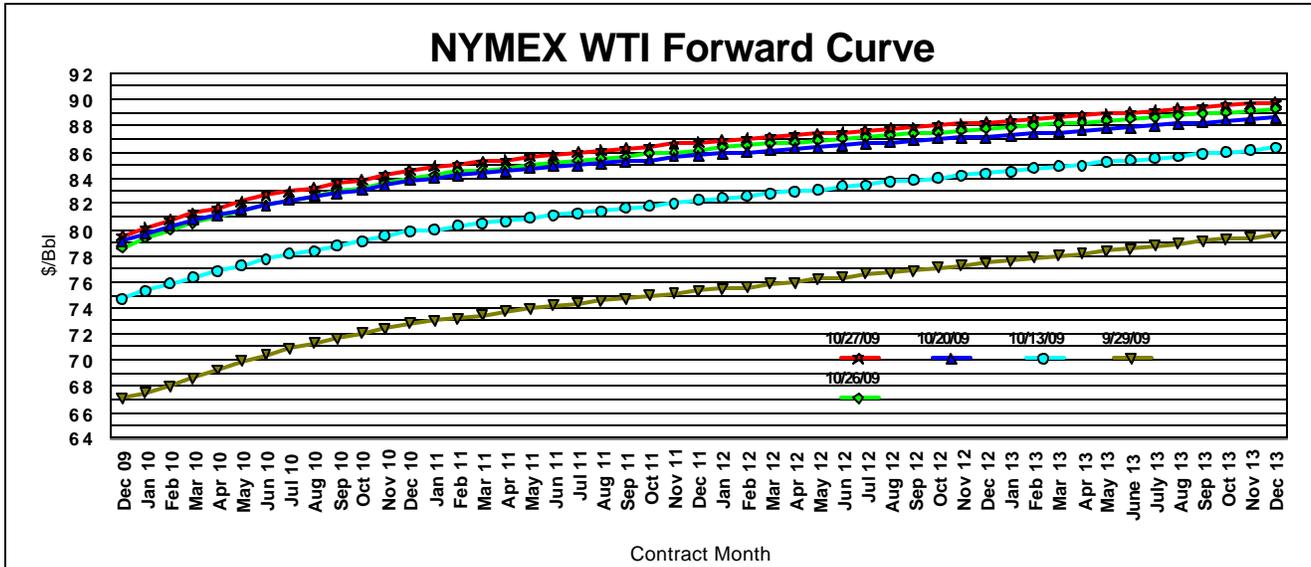
Refinery News

Colonial Pipeline allocated distillate fuel shipments on cycle 62 on its main line north of Collins, Mississippi as shipping space demand exceeds pipeline capacity.

Valero Energy Corp expects its 16 refineries to run between 2.19 million and 2.27 million bpd in the fourth quarter. Its Gulf Coast refineries will run between 1.15 million bpd and 1.2 million bpd in the fourth quarter. Its two West Coast refineries will run between 230,000 and 240,000 bpd as its 135,000 bpd refinery in Wilmington, California is shutdown in November for work on a 56,000 bpd fluid catalytic cracking unit. Its Northeast refineries will run between 430,000 and 440,000 bpd in the fourth quarter as its 210,000 bpd Delaware City, Delaware refinery is shut for an overhaul of its 81,000 bpd fluid catalytic cracking unit in November. Its Mid-continent refineries will run between 380,000 and 390,000 bpd through the last quarter of the year. Separately, Valero also announced its turnaround schedule for the first quarter of next year. Its 250,000 bpd St. Charles refinery in Norco, Louisiana, will shutdown for 44 days of maintenance on 190,000 bpd in crude distillation capacity starting in January. A 79,000 bpd fluid catalytic cracking unit and alkylation unit at its Port Arthur, Texas refinery will be shut in January for 44 days of maintenance work. A hydrocracker unit in Port Arthur will be shut for 38 days of work starting in March. A 15,000 bpd hydrocracker unit at its Corpus Christi, Texas east plant will be shut for 18 days of work starting in January and a 36,000 bpd hydrocracker unit at the west plant will be shut for 18 days of work in February. Also a crude unit,

fluid catalytic cracking unit and alkylation unit at its Memphis, Tennessee refinery will be shut in March for 45 days of maintenance work. Valero's chairman and chief executive Bill Klesse said the company had no plans to shut its 210,000 bpd refinery in Delaware City, Delaware, "because there's lots of value there."

ConocoPhillips said planned maintenance is underway at its 185,000 bpd Trainer, Pennsylvania



refinery. Separately, ConocoPhillips said units at its 58,000 bpd refinery in Billings, Montana returned to service late Monday afternoon following a power outage late last week. ConocoPhillips also reported a process upset at its 139,000 bpd Wilmington, California refinery on Tuesday.

Alon USA Energy's 70,000 bpd Big Spring, Texas refinery is operating at planned rates following a small explosion in a boiler that injured three workers on Monday night.

Chevron Corp is shutting down its 279,000 bpd refinery in El Segundo, California for unspecified planned work. It said the refinery continued to operate during the work.

BP Plc is restarting an ultraformer unit at its Texas City, Texas refinery.

Citgo said a fire damaged alkylation unit at its 163,000 bpd refinery in Corpus Christi, Texas has not yet restarted operations. The company 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.

Eni SpA said it will end a partial shutdown of its Milazzo refinery on November 2nd. It also expects to complete a turnaround at its Taranto refinery by mid-November.

India's refiners processed 3.31 million bpd of crude oil in September, up 3.4% on the year. India's total crude oil production in September fell 0.5% to 676,800 bpd while its natural gas output increased by 37.4% to 3.75 billion cubic meters.

Japan's Nippon Oil Corp will refine 4.82 million kiloliters or 1.01 million bpd of crude in November, down 1% on the year. Its total crude refining volume in October was estimated at 4.36 million kl, down 14% on the year.

Russia and Turkey have agreed to build an oil refinery in the Mediterranean to maximize profits from a joint pipeline project. The comments follow a deal between Italy, Russia and Turkey last week under which Russia agreed to participate in building a pipeline from the Turkish Black Sea port of Samsun to Ceyhan. The pipeline will have a capacity of 1.5 million bpd.

China's National Energy Administration said the country's apparent demand for refined oil products is expected to increase 10-13% in the fourth quarter to 53-54 million tons or 4.7 million bpd. Apparent demand of refined fuels fell by 3.2% on the year to 152 million tons or 4.5 million bpd in the first three quarters of the year. China's overall oil demand increased by 1% to 296 million tons or 7.9 million bpd in the first nine months of the year.

China's Sinopec Corp is expected to renew a crude supply deal with Libya for 2010 to lift close to 6 million barrels of crude each month. Sinopec started to increase its crude imports from Libya in recent months to 5-6 million barrels a month to make up for supply cuts from key exporters as Saudi Arabia, as Sinopec opened new refining units this year to meet recovering Chinese fuel demand. In addition to Libya, China has increased imports from Iraq, Russia and Brazil in the first three quarters, while cutting back on purchases from more traditional grades such as Omani crude.

Separately a Sinopec Corp subsidiary will sign a deal this week to build a new processing facility at Kazakhstan's Atyrau oil refinery. The new facility will allow Atyrau refinery to extract benzene and other chemical compounds from oil and market them while improving the quality of produced gasoline.

PetroChina is expected to export 150,000-200,000 tons of gasoline in October, steady on the month, due to record refinery runs.

Traders said a 35,000 ton cargo of South Korean gasoline could sail to the US West Coast from early November, possibly the first shipment in six months due to an open arbitrage window. Europe is also exporting gasoline across the Atlantic. The US is expected to continue to draw supply globally, following an unplanned shutdown of PDVSA's St. Croix refinery.

Western fuel oil cargoes arriving in Asia in November are likely to increase to 3.3-3.4 million tons, up from October's 3.2-3.3 million tons.

Saudi Aramco is offering 50,000-53,000 tons of fuel oil for mid-November lifting from Jubail, its second cargo for the month after selling three parcels for October. Saudi Arabia's fuel oil exports have reached the highest level for October in five years, due to refinery outages and as peak summer demand for power generation eases.

Production News

Oil flows from Iraq's Kirkuk oil fields into the Turkish export terminal at Ceyhan were halted on Monday morning. The outage, which is thought to have been caused by sabotage, is expected to last for six to 10 days.

Chevron's crude oil production in Angola will increase by 25% in the next two years and it expects new discoveries to increase the country's oil production further. Chevron operates oilfields with an output of over 500,000 bpd of oil, of which 145,000 bpd is its own equity oil. Two new oilfields, Mafumeira Norte and Tombua-Landana, came onstream in 2009 with peak production for both fields expected to be reached in 2011, totaling an extra 130,000 bpd.

Saudi Aramco said the country plans to start the Moneefa oilfield in 2013. It slowed work at the 900,000 bpd Moneefa project as it sought to cut costs on oil service contracts at the field and across its energy industry. Saudi Aramco plans to process Moneefa's heavy crude at two new 400,000 bpd

joint venture refineries. It also stated that the world's largest offshore oilfield at Safaniyah has the capacity to pump about 1.3 million bpd.

The head of Bahrain's National Oil and Gas Authority, Abdul-Hussain bin Ali Mirza said the country plans to start an overhaul of its Bahrain oil field by the end of the year. It created a joint venture with Occidental Petroleum Corp and Abu Dhabi's Mubadala to triple production of its Bahrain oil field to about 100,000 bpd in the long run from its current production of 33,000 bpd.

Ecuador's Central Bank reported that the country exported 1.15 million barrels of oil products in August, down 25% from 1.54 million barrels exported last year.

Brazil's Odebrecht will begin producing sugar and ethanol in Angola next year. It has partnered with Angola's Sonangol and Damer in a joint venture, Biocom, to invest \$220 million in a project it hopes will help steer Angola away from its oil dependence. The project will be the first major investment in sugar and ethanol production in Angola in decades. A processing plant will produce 260,000 tons of sugar and 30 million liters of ethanol per year.

OPEC's news agency reported that OPEC's basket of crudes fell to \$76.70/barrel on Monday from \$77.59/barrel on Friday. It also reported that OPEC's basket of crudes increased by \$4.43/barrel to \$76.64/barrel in the week ending October 23rd.

Market Commentary

Crude oil edged higher today in choppy trading, as it responded to a higher stock market and falling U.S. consumer confidence. The dollar gained against the euro, reaching a two week high, adding pressure to the crude oil market. The December contract was unable to gain enough momentum to take itself back over \$80.00. Both gasoline and heating oil followed crude oil higher as we await the release of the DOE inventory numbers tomorrow. The December gasoline crack spread settled at \$7.27 today up from \$6.90 on Monday. This may impart be do to the 1.2 million expected draw in inventories as some refiners remain idle as they come into heating oil season. Distillate supplies are expected to decrease by 500,000, with crude oil expected to increase 1.5 million barrels. This is typical for this time of year and should not have a great impact on market direction. The overall fundamentals of the energy markets do not support prices at this level and will continue to make it difficult for prices to sustain their strength. Coming into tomorrow's session and barring any significant change in inventory levels, we would look for crude oil to continue to attempt to penetrate the \$80.00 level and would consider selling failed attempts. With commodity index traders holding the bulk of their positions in the energy sector and utilizing it as an investment hedge, we would expect that crude oil and its products would continue to react to the equities market and the dollar. From a technical standpoint, it appears that crude oil should continue to come under pressure, working towards the \$75.50 support area.

Analyst	Crude	Distillates	Gasoline	Refining
Citi Futures	+1.5	-1.5	-1.0	+0.5
Ritterbush	+3.0	-2.0	+1.0	0.0
Cameron Hanover	+2.25	-1.5	+2.75	+1.05
Tradition Energy	+1.8	-0.8	-1.2	+0.3
MF Global/Fitzpartick	+0.3	-0.6	-0.3	+0.8
Summit Energy	+1.82	+1.04	-2.11	+0.25
MF Global/Pawlicki	+2.5	-2.0	-1.0	+0.5
PFGBest Research	+2.0	-0.5	+2.0	0.0
Newedge	+2.6	-0.8	-3.7	0.0
JP Morgan	+3.2	-1.8	+1.1	N/A

Societe Generale	+0.2	-1.0	-3.1	-0.5
Energy Mgmt Inst	+1.2	-0.2	-1.0	+0.5
Prestige Economics	+0.75	-0.3	-1.25	+0.75
Average	+1.8	-1.1	-0.8	+0.2

Nat Gas Storage Forecast +15 to +50 BCF

The API reported an unexpected draw in crude stocks of 3.532 million barrels on the week, with a large draw of 5.243 million barrels reported in Padd 3 alone. Total crude stocks are up 10.4% on the year. It reported the draw in stocks as crude runs increased by 14,000 bpd to 14.201 million bpd while crude imports also fell by 116,000 bpd to 8.429 million bpd on the week. Meanwhile, the API reported a draw in distillate stocks of 671,000 barrels on the week. Total distillate stocks are 29.6% above last year's level. It reported a draw of 510,000 barrels in Padd 1. It reported the draw as production fell by 31,000 bpd or 0.8% on the week to 3.972 million bpd. Imports however increased by 50,000 bpd or 36.8% on the week to 186,000 bpd. Also apparent demand fell by 0.6% on the week but increased by 6.3% on the year to 4.254 million bpd while apparent demand basis its three week moving average fell by 4.2% on the week to 4.253 million bpd. Gasoline stocks fell by 255,000 barrels, in line with expectations. The API reported a large draw in gasoline stocks of 1.292 million barrels in Padd 3. Total gasoline stocks are up 8.3% on the year. It reported the draw in stocks as apparent demand increased by 0.6% on the week but fell by 9% on the year to 9.087 million barrels while apparent demand basis its three week moving average fell by 0.6% on the week to 9.188 million barrels. The API however reported that gasoline production increased by 57,000 bpd or 0.6% on the week to 8.865 million bpd while imports increased by 43,000 bpd or 30.1% on the week to 186,000 bpd.

Crude DEC.09 360,602 +5,775 JAN.10 156,284 +7,380 FEB.10 63,429 +3732 MAR.10 47,249 +1,261 APR.10 21,167 +694 Totals: 1,225,154 +22,794. Heating NOV.09 23,810 -4,302 DEC.09 88,079 +2,758, Jan.10 52,860 +258 FEB.10 24,643 +855 MAR.10 18,335 -103 Totals: 319,454 -557 Gasoline NOV.09 25,935 -1,713 DEC.09 96,882 +3,383 JAN.10 46,416 +887 FEB.10 18,730 +664 MAR.10 17,752 +494 Totals: 246,846 +5,096.

Crude Support	Crude Resistance
77.60, 76.24, 75.00, 64.70, 63.38, 62.70, 61.61, 60.95	, 84.83, 85.40, 86.60, 88.80
Heat Support	Heat resistance
1.9740, 1.8570, 1.7670	2.2110, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.9901, 1.9650, 1.8840, 1.8730	2.1100, 2.1600, 2.3350

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