



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 2, 2010

A Gulf OPEC delegate said OPEC has no need to change production policy when the group meets in December or even for the foreseeable future. He added that current prices are fair. This came after Saudi Arabia's Oil Minister Ali al-Naimi said \$70-\$90/barrel was acceptable for consumers. Previously, Saudi Arabia had lent its support to a \$70-\$80/barrel range.

The chairman of Libya's National Oil Corp said oil prices at

\$100/barrel would be more comfortable for producing countries because of higher food prices and a weaker dollar. He expects oil prices to get closer to \$100/barrel by the end of the year.

The executive director of the IEA, Nobuo Tanaka said an oil price range of \$70-\$90/barrel is needed to stimulate in unconventional oil resources.

Market Watch

Merrill Lynch said oil prices could rise above \$90/barrel before the end of the year if the US Federal Reserve commits to an asset-purchasing program of \$500 billion or more. It said the general perception that quantitative easing has been fully priced into commodity markets is misleading. Merrill Lynch expects oil prices to reach \$100/barrel in 2011.

The Federal Reserve started a two day meeting on Tuesday that was expected to lead to a decision to launch a new round of bond purchases. The Fed is expected to announce its decision at about 2:15pm on Wednesday. The market expects the Fed to announce a new program to buy \$500 billion in longer term Treasuries over a period of about six months.

The Markit Eurozone Manufacturing Purchasing Managers Index increased to 54.6 in October, revised up from the earlier estimate of 54.1 and higher than the final reading of 53.7 for September. Eurozone unemployment increased slightly to 10.1% in September.

Deutsche Bank reported that it is rolling over its corn, gold, silver, RBOB, Brent crude, lean hogs and cotton indices starting November 2-8. In RBOB it is rolling over the December10 contract to the December11 contract while in the Brent market, it is rolling over the December10 contract to the January11 contract.

US and European officials on Tuesday pledged their support for strong new regulations to regulate the \$615 trillion over-the-counter derivatives market. CFTC chairman Gary Gensler and European Commissioner Michel Barnier issued a joint statement following meetings with industry officials.

API Stocks

Crude – down 4.137 million barrels
Distillate – down 4.727 million barrels
Gasoline – down 3.202 million barrels
Refinery runs – down 0.4% at 81.2%

MasterCard Advisors' SpendingPulse report showed that US retail gasoline demand fell by 0.8% or 72,000 bpd to 9.025 million bpd in the week ending October 29th. Demand was down 286,000 bpd or 3.1% on the year. Over the last four weeks, gasoline demand fell by 1.7% on the year. It reported that US retail prices of gasoline fell by 2 cents to \$2.80/gallon.

US Interior Secretary Ken Salazar is calling for the creation of a new research institute that will develop methods for oil and gas drilling, blowout containment and spill response. The Ocean Energy Safety Institute would coordinate the efforts by government, academia and industry to study these issues in the wake of the Deepwater Horizon oil spill.

October Calendar Averages
CL – \$83.43
HO – \$2.2857
RB – \$2.1013

Suspected Al Qaeda militants sabotaged an oil pipeline in southern Yemen on Tuesday. The pipeline in the province of Shabwa, which comes from the Ayad field was operated by Korea National Oil Corp. A security official said the blast on the pipeline was caused by a timed device.

A Panamanian registered oil product tanker was hijacked during its passage through the Red Sea and the Gulf of Aden on Saturday. The ship is currently moving towards Somalia’s coastline. The tanker is believed to have been chartered by Russia’s Gunvor International BV to take fuel oil from the Baltic to the port of Fujairah, UAE.

Iran’s envoy to the UN’s IAEA dismissed a US suggestion that Iran should agree to tougher conditions than those it rejected last year for a possible nuclear fuel swap. Western diplomats said economic sanctions are starting to impact Iran and it may be possible to revive the fuel exchange plan if it also accepts broader talks they hope will lead to Iran agreeing to cut its nuclear enrichment. Iran has stated that it is ready to meet with the US, Britain, China, France, Russia and Germany later this month at a time and place still to be determined.

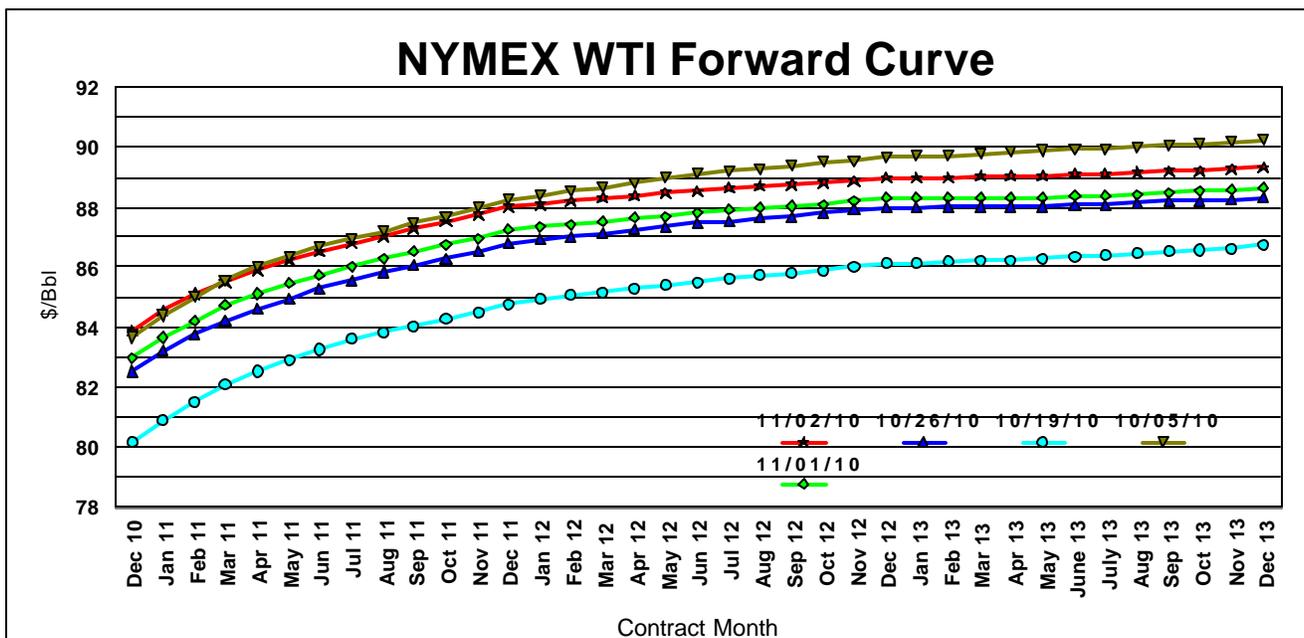
Refinery News

Colonial Pipeline is restricting nominations for gasoline for cycle 64 north of Collins, Mississippi, as demand for space exceeds pipeline capacity.

Murphy Oil restarted a unit at its 34,300 bpd refinery in Superior, Wisconsin due to an external power failure. The power failure caused emissions of hydrogen sulfide and sulfur dioxide.

Royal Dutch Shell Plc is conducting maintenance on a unit at its 98,000 bpd Scotford refinery in Alberta. It said maintenance work will not impact production at the refinery.

Total SA said restarting operations at its refineries in France are ongoing.



Ineos said it started a crude unit at its 207,000 bpd Lavera refinery in France over the weekend after crude oil supply resumed from the Fos-Lavera oil terminal. It did not specify the current operation rates.

LyondellBasell said its Berre L'Etang plant has restarted refining operations after crude oil supply resumed from the Fos-Lavera oil terminal. It is in the process of restarting all of its units.

Production News

BP Plc said it lost 30,000 bpd of production due to the Gulf of Mexico drilling moratorium. It said the impact of the moratorium may be worse in the fourth quarter.

Anadarko Petroleum Corp chief executive Jim Hackett said the company is hopeful the US government will soon begin issuing permits to drill in the deepwater of the Gulf of Mexico. The company has been able to continue advancing the development of its Caesar-Tonga project in the Gulf deepwater despite a five month drilling moratorium the government imposed in the area. The Caesar-Tonga project is on schedule to start production by the middle of next year. In regards to its overall oil production, it expects to have a total 2010 oil and gas production between 638,356 bpd of oil equivalent and 646,575 bpd of oil equivalent. Separately, Anadarko Petroleum Corp said it had no plans to rush into a joint venture deal for its acreage in the Eagle Ford field. It said the terms are more important than the timing. Anadarko holds the right to drill on about 400,000 acres in the Eagle Ford Shale field located in south Texas. The field produces oil and gas that has a high liquids content.

Qatar Petroleum has notified a Japanese buyer that it will supply December Qatar Marine and Land crudes at full contracted volumes.

Russia's Energy Ministry reported that the country's oil production increased by 4% to a new record level of 10.26 million bpd in October, surpassing the high of 10.16 million bpd in September. Total output stood at 43.38 million metric tons of oil in October, while production in the first 10 months of the year totaled 420.16 million tons of crude and condensate, up 2.4% on the year.

Russian and transit seaborne crude oil exports supplied to ports by state pipeline monopoly Transneft increased to 11.911 million tons or 2.82 million bpd in October from 2.51 million bpd in September.

Abu Dhabi Marine Operating Co plans to spend at least \$10 billion developing two offshore fields to increase the company's crude output by 60% to 970,000 bpd by 2017. ADMA-OPCO produces about 550,000 bpd of oil with an increase to 600,000 bpd expected early in 2011. It is developing two offshore oil fields, Umm al Lulu and Nasr, with the first phase expected to add 50,000 bpd. Full phase development would add an additional 200,000 bpd.

Abu Dhabi National Oil Co increased the official selling prices for all its crude grades for October term supply. It set the price of its Murban crude at \$81.50/barrel retroactively for October term supply, up \$5.60/barrel from the previous month. The price of its Lower Zakum crude was set at \$81.35/barrel, up \$5.70/barrel on the month while the price of its Umm Shaif crude was set at \$81.15/barrel, up \$5.65/barrel on the month and the price of its Upper Zakum crude was set at \$79.35/barrel, up \$5.35/barrel on the month.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.13/barrel to \$80.55/barrel on Monday from \$79.42/barrel on Friday. It also reported that the basket of crudes increased by 71 cents to \$79.66/barrel in the week ending October 29th.

Marathon Oil Corp reported third quarter 2010 net income of \$696 million. The exploration and production segment income totaled \$510 million in the third quarter of 2010 compared with \$491 million in the year ago quarter. E&P sales volumes from continuing operations during the third quarter averaged 399,000 bpd of oil equivalent compared with 366,000 bpd of oil equivalent last year. E&P production available for sale in the third quarter of 2010 averaged 405,000 bpd of oil equivalent compared with 393,000 bpd last year.

Market Commentary

Crude oil edged higher today on expectations that the U.S. Federal Reserve will make a move to ease economic woes. Weakness in the dollar provided additional support for prices. Crude oil hit its highest level in six-months with the December contract peaking the day at \$84.38. The December contract traded above the descending trendline on a daily bar chart we made mention of this in yesterday's wire, however failed to settle above it. Late session trading did extend back above this line. The projected upside objective upon a settlement above this line, which comes into tomorrow's session set at \$84.02, would be \$89.14. Moving oscillators are pointing to the upside, just below overbought conditions. We would look for prices to hold onto gains up until an announcement by the U.S. Federal Reserve. Any lack of initiative by the bank, will pull the rug right out from under this market.

Crude oil: Dec 10 360,131 -4,417 Jan 11 187,386 +3,696 Feb 11 77,783 +1,772 Totals 1,424,326 +7,438 Heating oil: Dec 10 100,759 +611 Jan 11 73,502 +1,273 Feb 11 25,937 +173 Totals 319,655 +2,191 Rbob: Dec 10 101,033 1,633 Jan 11 62,474 +3,332 Feb 11 20,722 +593 Totals 278,489 +7,809.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7943	8404	21860		20300	
7911	8508	21650	23775	20130	22345
7760	8610	20700		18750	24880
7598	8715			18240	27085
7298				16010	

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