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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 4, 2010

In its annual outlook report, OPEC increased its global oil demand forecast by 800,000 bpd for 2014, noting it was now more optimistic regarding the speed of economic recovery. OPEC expects a growth of 4.4 million bpd in oil demand from this year to 89.9 million bpd in 2014. For 2010, OPEC sees global oil demand growing by 1 million bpd. However OPEC said demand growth for its own oil would be lower in the coming four years. The amount of crude that will be required from OPEC will increase slowly, from 29.3 million bpd in 2010 to 30.6 million bpd in 2014. OPEC also reported that total non-OPEC supply in oil, natural gas liquids biofuels and other non-conventional oil will increase by 2.2 million bpd over the 2009-2014 period.

Market Watch

The Labor Department reported that US productivity bounced back in the third quarter as output growth increased and labor costs fell. Nonfarm business productivity increased at a 1.9% annual rate in the July to September period after falling by 1.8% in the second quarter. The report showed that unit labor costs fell at a 0.1% annual rate last quarter compared to a 1.3% rise in the second quarter. Nonfarm business output increased 3% during the third quarter at an annual rate.

The Labor Department also reported that the number of US workers filing new claims for unemployment benefits increased by 20,000 to 457,000 in the week ending October 30th. The previous week's levels were revised upward to 437,000 from 434,000. It reported that the four week moving average increased by 2,000 to 456,000 from the prior week's revised average of 454,000. The number of continuing claims for unemployment benefits fell by 42,000 to 4,340,000 from the preceding week's revised level of 4,382,000. The unemployment rate for workers with unemployment insurance in the week ending October 23rd was 3.4%, down 0.1% from the prior week's unrevised rate of 3.5%.

The average same store sales increased 1.6% in October. The October same-store sales increase was the 14th consecutive month of increases for US retailers. Based on reports from 28 retailers tracked by Thomson Reuters, 14 beat expectations, while 10 missed.

Supported by the US Federal Reserve's \$600 billion quantitative easing plan to buy US Treasuries, MSCI's all-country world index gained 1.4% to 324.12, a level not seen since September 9, 2008, a few days before the collapse of Lehman Brothers. The index has gained 8.2% for the year to date and is up about 89% since reaching a low in March 2009.

The head of the Chicago Board Options Exchange said the CFTC's report falls short of explaining what happened in the May flash crash. The report said a computerized futures sale by a single money manager, earlier identified as Waddell & Reed Financial Inc prompted the plunge in which the Dow Jones industrial average fell nearly 700 points in minutes before it rebounded. The report said the crash and lack of liquidity that afternoon was exaggerated by the rapid offsetting of positions by high frequency traders and the overall large number of orders to sell at any price.

period.

**October
Calendar Averages**
CL – \$84.51
HO – \$2.3181
RB – \$2.1294

A senior Gulf source said Saudi Arabia still thinks \$70-\$80/barrel is a fair price for oil. Saudi Arabia's Oil Minister Ali al-Naimi on Monday said prices of between \$70 and \$90/barrel were comfortable for consumers. The source said there was no change in Saudi policy. Meanwhile, OPEC's Secretary General said he could not comment directly on Saudi Arabia's Oil Minister's remarks but thinks the minister may be referring to \$90 not harming world growth.

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 370,000 bpd in the four weeks ending November 20th to 23.51 million bpd from 23.14 million bpd in the four weeks ending October 23rd.

Genscape reported that oil stocks in Cushing, Oklahoma increased by 367,301 barrels to 34.83 million barrels in the week ending November 2nd. It estimated that Cushing crude tanks were filled to 67% of capacity as of Tuesday, up from 66% a week earlier.

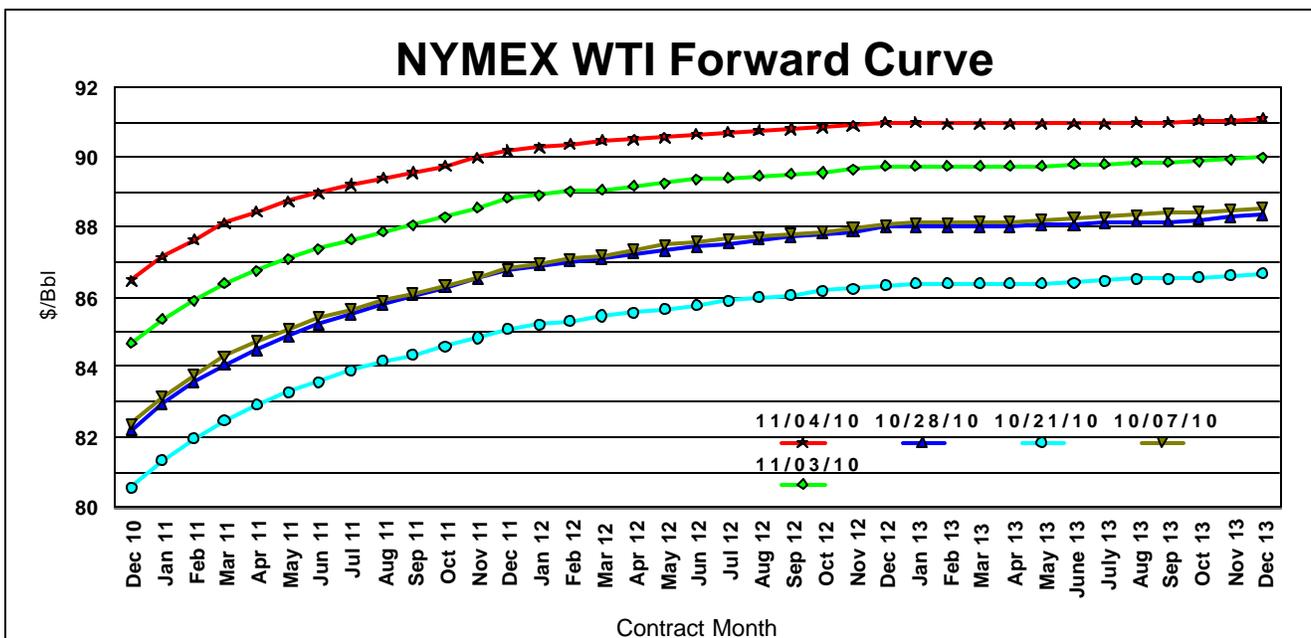
The Financial Times said the implementation of new environmental policies would cut oil demand almost 10% and oil prices about \$20/barrel by 2035 if countries meet their climate change pledges and cut fossil fuel subsidies, citing an unofficial draft of the IEA's World Energy Outlook. Under the scenario, the IEA forecasts oil demand at 99 million bpd by 2035, down from 107 million bpd while it forecasts oil prices in real terms at \$113/barrel by 2035 compared with \$135/barrel forecast under its main scenario.

Refinery News

ConocoPhillips said a wet gas compressor for catalytic cracking units at its 362,000 bpd refinery in Wood River, Illinois went offline on Wednesday.

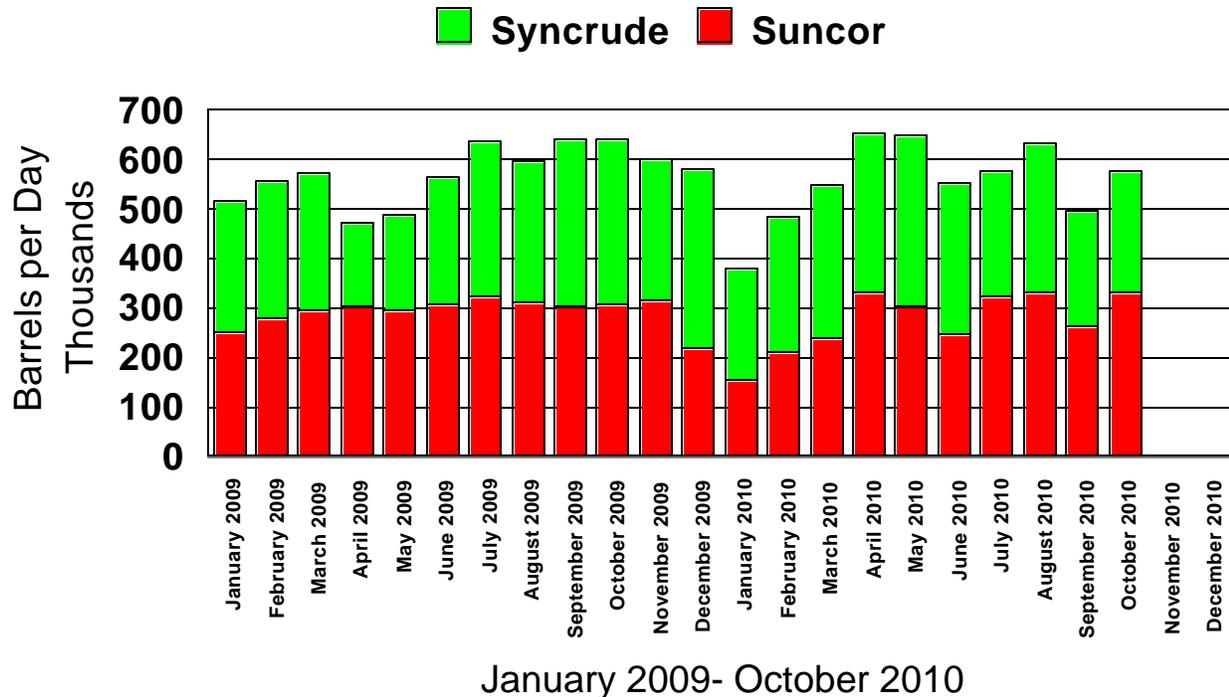
Motiva Enterprises LLC reported a release of ethylene while swapping pumps at its 220,000 bpd refinery in Norco, Louisiana on Wednesday.

BP Plc will begin planned flaring activity at its 265,000 bpd Carson, California refinery on Friday. The emissions event will last through November 12th.



Canadian Oil Sand Production

Syncrude and Suncor Output



Alon USA Energy Inc scaled back production at two California refineries. The 53,000 bpd Paramount refinery is operating at a reduced rate of 15,000 to 20,000 bpd. The 31,500 bpd Long Beach refinery has been shutdown completely. Alon has been struggling to cut costs at its West Coast operations amid excess inventories and weak demand.

Western Refining Inc announced timing of planned work at two of its refineries in 2011. The company will perform planned work at its 122,000 bpd El Paso, Texas refinery in mid-January. It also plans to conduct maintenance at its 20,800 bpd refinery in Gallup, New Mexico in the fourth quarter of 2011.

Valero Energy Corp said its 235,000 bpd refinery in Aruba did not see any major impact from Tomas, which was downgraded to a tropical storm from a Category 1 hurricane. A small amount of crude oil leaked out of a storage tank Wednesday afternoon at the refinery, currently shut down and undergoing maintenance. Maintenance work should be complete by mid to late December.

France's Fos-Lavera oil port continued operations on Thursday following the strike, with the backlog of waiting ships down to 28 from 41 on Tuesday. The port reported that about 24 crude tankers, one chemical ship, one gas vessel and two refined products tankers waiting.

The CGT union said French port workers may resume a one month strike suspended last week if the government does not answer their concerns on the legal retirement age.

Earlier, CGT union officials said Total's Gonfreville refinery is in the process of restarting. Its output is not expected to be fully back to normal before the weekend. A CGT official also stated that some units at Total's Donges refinery were restarting by Friday while the restart of its fluid catalytic cracking unit was postponed until November 19th due to maintenance work. Meanwhile, Petroplus' 154,000

bpd Petit-Couronne refinery has restarted operations. Separately, ExxonMobil Corp said its Fos-sur-Mer and Port Jerome refineries restarted following the strike in France.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 780,000 barrels to 20.509 million barrels in the week ending November 3rd. It also reported that the country's light distillate stocks fell by 1.07 million barrels to 9.761 million barrels while middle distillate stocks fell by 304,000 barrels to 14.711 million barrels on the week.

The Petroleum Association of Japan reported that the country's crude stocks in the week ending October 30th increased by 3.85 million barrels on the week and by 2.53 million barrels on the year to 92.9 million barrels. It also reported that Japan's gasoline stocks increased by 250,000 barrels on the week but fell by 810,000 barrels on the year to 12.67 million barrels, kerosene stocks fell by 500,000 barrels on the week and by 1.33 million barrels on the year to 17.59 million barrels and naphtha stocks fell by 1.62 million barrels on the week to 11.85 million barrels. Japan's crude runs increased by 90,000 bpd on the week and by 80,000 bpd on the year to 3.43 million bpd. The refinery utilization rate increased by 1.9% on the week and by 5.3% on the year to 73.9%. The PAJ also reported that total oil product sales increased by 14.7% on the week but fell by 4.6% on the year to 3.06 million bpd. Gasoline sales fell by 2.1% on the week and by 7.4% on the year to 900,000 bpd while gas oil sales increased by 12.9% on the week but fell by 8.7% on the year to 560,000 bpd and kerosene sales increased by 119.4% on the week but fell by 22.6% on the year to 360,000 bpd.

Gasoline stocks stored in independent storage in the Amsterdam-Rotterdam-Antwerp hub in the week ending November 4th increased by 6.41% on the week but fell by 188.9% on the year to 780,000 tons while gas oil stocks increased by 0.93% on the week but fell by 10.7% on the year to 2.386 million tons and fuel oil stocks increased by 2.57% on the week and by 15.55% on the year to 877,000 tons. Naphtha stocks fell by 34.62% on the week and by 22.73% on the year to 34,000 tons while jet fuel stocks fell by 10.98% on the week and by 11.21% on the year to 673,000 tons.

German energy use in 2010 may increase by just under 4% from 2009 levels. Total energy use in the first three quarters of the year increased by 4.1% to 348.6 million coal equivalent tons.

Production News

A shipping source said oil exports from Iraq's southern Basra oil terminals increased to 720,000 bpd on Thursday after it was shut in due to bad weather. Southern exports had flowed at 1.584 million bpd on Tuesday before it was halted on Wednesday.

Suncor Energy Inc reported that oil sands production during October averaged about 330,000 bpd. Year to date oil sands production at the end of October averaged about 275,000 bpd.

Canadian Natural Resources Ltd will make a decision on whether to expand horizon oil sand project in the first quarter of 2011. It said it is concerned about reigniting inflation on oil sands projects but has not seen a significant increase in costs.

Mexico's Transport Ministry closed two of Mexico's three main oil exporting terminals in the Gulf of Mexico on Thursday due to bad weather conditions. It closed the Dos Bocas and Cayo Arcas oil terminals.

Murphy Oil Corp said it could miss its 2011 production target by as much as 10,000 bpd of oil equivalent as operations in the Gulf of Mexico stalled even after the lifting of the drilling moratorium in October. It said acquiring permits to drill in the Gulf remains difficult even with the moratorium lifted.

Zakum development company is targeting to increase production output at the Upper Zakum oil field to 750,000 bpd by 2015 from the current 550,000 bpd.

France's Total, Britain's BP and Portugal's Partex are among the bidders to develop three onshore blocks in Oman. An official said the bidding, which started in August, will be closed at the end of November and the ministry is expected to sign oil exploration agreements for the three blocks during the first quarter of 2011. Oman is expecting to increase its production to 900,000 bpd by 2011.

Saudi Aramco set the price of its Extra Light crude bound to Northwest Europe for December term supplies at BWAVE minus 85 cents, unchanged on the month. It set the price of its Light crude at BWAVE minus \$2.50, down 30 cents on the month while it set the price of its Medium crude at BWAVE minus \$4.20, down 30 cents and its Heavy crude at BWAVE minus \$5.65, down 40 cents. The price of its Extra Light crude bound to the US was set at the Argus Sour Crude Index plus \$1.40, unchanged on the month. The price of its Light crude was set at the ASCI minus 25 cents, down 5 cents, its Medium crude was set at the ASCI minus \$1.90, down 5 cents and its Heavy crude was set at the ASCI minus \$3.35, unchanged on the month. Saudi Aramco also set the price of its Super Light crude bound to Asia at the Oman-Dubai average plus \$3.35, up \$1.45, its Extra Light crude at the Oman-Dubai average plus \$1.80, up 95 cents, its Light crude at the Oman-Dubai average plus 35 cents, up 40 cents, its Medium crude at the Oman-Dubai average minus \$1.60, up 20 cents and its Heavy crude at the Oman-Dubai average minus \$3.10, up 10 cents.

Qatar Petroleum has increased its crude oil official selling prices retroactively for October term supply, setting the price of its Qatar Land at \$80.80/barrel, up \$5.60 on the month and its Qatar Marine crude at \$79.55/barrel, up \$5.40 on the month.

OPEC's news agency reported that OPEC's basket of crudes increased by 66 cents to \$82.56/barrel on Wednesday from \$81.90/barrel on Tuesday.

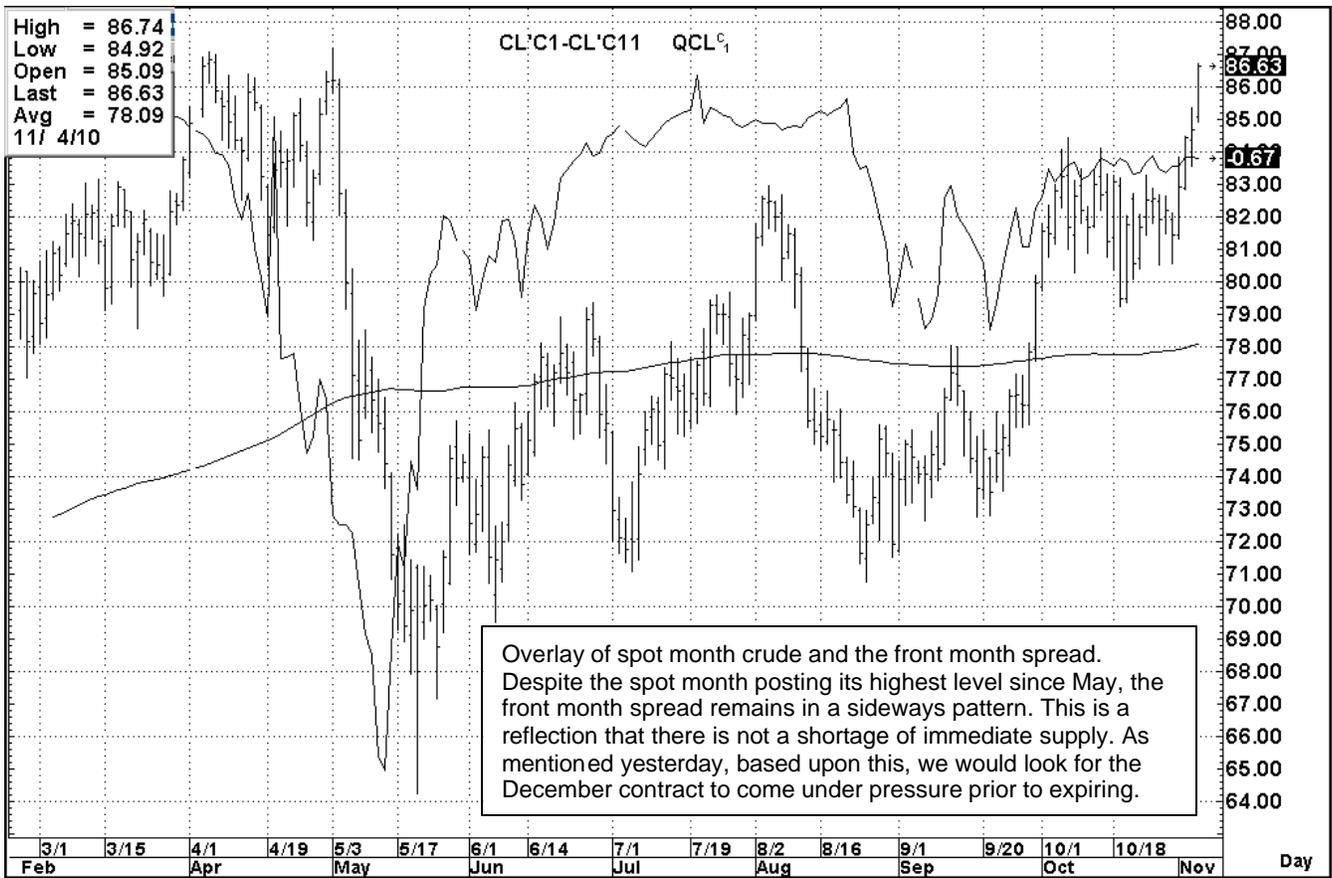
Royal Dutch Shell said it had an incident at the Alberta oil sands upgrading facility on Thursday.

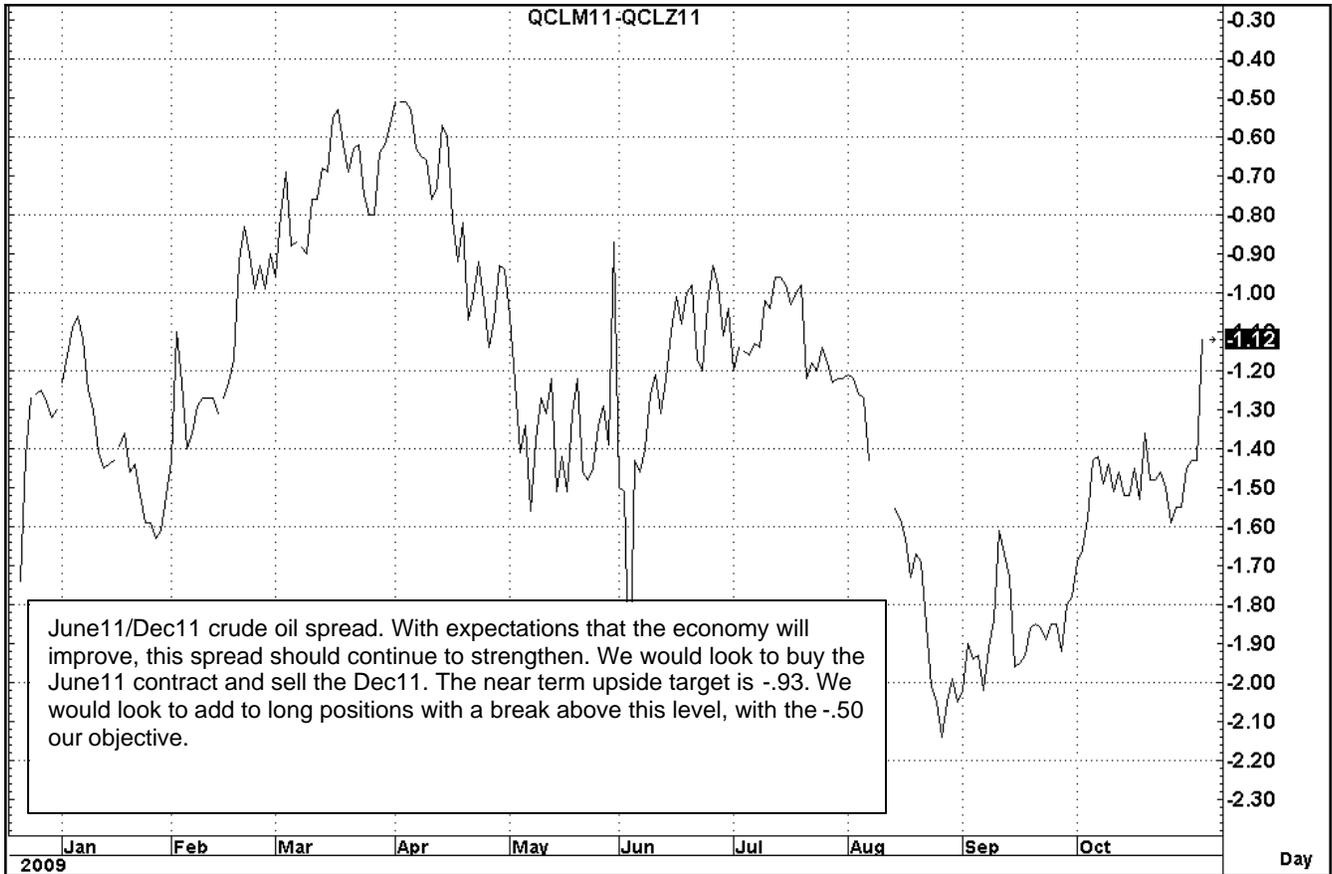
Market Commentary

Crude oil rose to its highest level in six months in response to a falling dollar. With the announcement yesterday that the U.S. Federal Reserve will purchase an additional \$600 billion in Treasuries from now through June, commodities across the board gained. This is the move that investors have been waiting for. This higher move in prices comes despite the less than supportive underlying fundamentals of this market. With the exception of gasoline in PADD 1, overall inventories are above year-ago levels, while demand remains sluggish. The draw down in PADD 1 stocks for gasoline can be attributed to the Conoco Phillips problems back in October, seasonal turnaround and union strikes in France calling for exports to that region. These were temporary situations. The overhang in stock levels for crude oil is apparent when one compares the December/January spread to the December 11/December 12 spread. The front spread bound between -.77 and -.62. Based on the aforementioned, we do not believe that this move higher will be sustained in the near term, but most likely in the deferred. For this reason, we would like to buy the June11 and sell the December 11 contract. This spread is currently running at -\$1.21. We would look for a test at the -.93 level. With expectations that the economy will improve, inflation should bring prices higher adding strength to this spread. We would look to add to any long positions upon a settlement above the -.93 level.

Crude oil: Dec 10 364,559 +1,841 Jan 11 198,235 +8,806 Feb 11 84,488 +4,754 Totals 1,467,284
+33,960 Heating oil: Dec 10 95,983 -572 Jan 11 75,138 +186 Feb 11 28,038 647 Totals 320,518
+2,036 Rbob: Dec 10 95,179 -2,107 Jan 11 66,738 +2,645 Feb 11 21,489 +700 Totals 279,935
+2,099

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8610	8715	23390	23795	20300	
8440	8890	23490	24200	20130	22345
8330	9100	23574	24680	18750	24880
7943			24950	18240	27085
7911				16010	
7760					





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