



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 5, 2009

OPEC's President Jose Botelho de Vasconcelos said an oil price of \$80/barrel in 2010 is realistic and reasonable.

Iran's OPEC Governor warned that any decision to increase production may jeopardize a current balance between oil demand and supply. He said there is a risk of oversupply if production is increased.

Ecuador's Minister for nonrenewable natural resources, Germanico Pinto said OPEC measures on production are not necessary for now and the market is on the way to stability in prices.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, will fall by 20,000 bpd to 22.73 million bpd in the four weeks ending November 21st.

The head of the IAEA, Mohamed ElBaradei said UN inspectors found nothing to be worried about in its first inspection of a previously secret uranium enrichment site in Iran last month. He also said

Market Watch

The National Hurricane Center said Hurricane Ida weakened to a tropical storm as it moved through eastern Nicaragua on Thursday. Ida's winds had decreased to near 65 mph and further weakening was likely as the storm moves up into Honduras during the next two days. Ida is expected to regain strength after it moves back over the Caribbean Sea on Friday and could enter the oil and Gulf of Mexico next week.

The NOAA said El Nino will strengthen through the current winter season in the Northern Hemisphere and is expected to reach at least moderate strength. It said the potential impacts on the US include above average temperatures and below average snowfall is most likely for the Northern Rockies, Northern Plains and Upper Midwest while below average temperatures are expected for the southeastern states.

The US Labor Department reported that the number of US workers filing for initial claims for unemployment benefits fell by 20,000 to 512,000 in the week ending October 31st. It is the lowest level since January 3rd. The four week moving average of new claims fell by 3,000 to 523,750 from the previous week's revised figure of 526,750. The number of continuing claims fell by 68,000 to 5,749,000 from the previous week's revised level of 5,817,000. The unemployment rate for workers with unemployment insurance for the week ending October 24th was 4.4%, unchanged from the prior week's unrevised rate.

Separately, the Labor Department also stated that US productivity in the third quarter increased the most in six years as the economy recovered. Non-farm business productivity increased 9.5% in the third quarter. Economists were expecting a 7% increase in third quarter productivity. Productivity in the second quarter of the year increased by 6.9%, revised up from a previously estimated increase of 6.6%.

Barclays Capital said assets under management in the commodity sector increased \$2.2 billion in October as investors worked towards diversifying their portfolios. Flows into commodity linked US mutual funds totaled \$1.22 billion. Investments in exchange traded commodity products increased by \$427 million and investments in medium term notes or structured products increased by \$571 million.

**November
Calendar Averages**
CL – 79.44
HO – 206.68
RB – 199.78

he was examining possible compromises to unblock a draft nuclear cooperation deal between Iran and Russia, France and the US. Details of the inspection are expected to be included in the next IAEA report on Iran's disputed nuclear activity due in mid-November.

Nigeria is in talks with international oil companies with a view to making some adjustments to a proposed oil reform law before parliament. The reform bill, also called the Petroleum Industry Bill, has been criticized by IOCs operating in Nigeria.

Refinery News

BP Plc has delayed the Thursday restart of an ultracracker unit at its 455,790 bpd Texas City, Texas refinery. The unit was shut on September 4th for maintenance. The unit is expected to restart by the weekend.

Valero Energy Corp plans to shut a storage tank at the west plant of its 340,000 bpd Corpus Christi, Texas refinery. It did not say how long Tank No. 59 at complex 4 will remain shut. Separately, Valero Energy Corp will see no impact on production from maintenance work at its 325,000 bpd refinery in Port Arthur, Texas. Work is underway on a coker and crude unit. Valero is shutting down its 151,000 bpd refinery in Wilmington, California for 39 days due to poor refining margins.

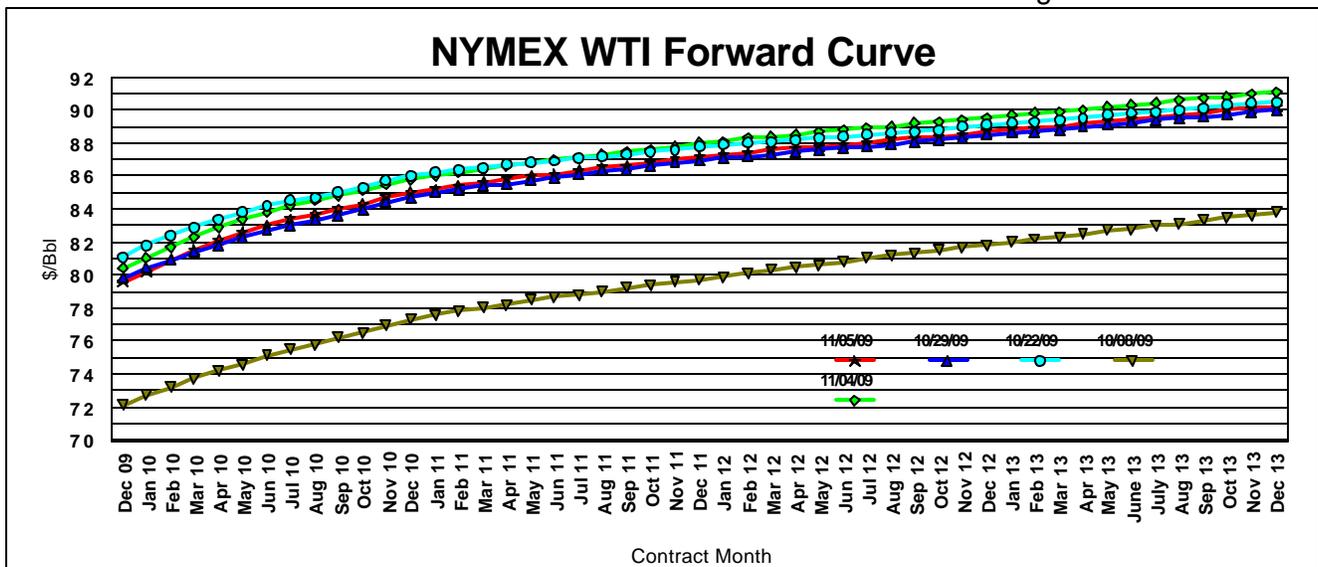
A substantial amount of maintenance is planned for Tesoro's 166,000 bpd Golden Eagle refinery in Avon, California in January. A crude unit is scheduled to be taken down starting January 8th for 40 days and fluid catalytic cracking unit and alkylation unit will be taken out of service for 30 days.

Murphy Oil Corp said it is planning unspecified turnaround work in the first quarter of 2010 at its refineries in Meraux, Louisiana and Milford Haven, UK. Its Meraux refinery is operating at about 110,000 bpd of capacity.

Japan's Cosmo Oil Co said it will delay the restart of its 110,000 bpd No. 1 crude distillation unit at its Chiba refinery by two days to November 7th. The unit was shut for planned maintenance.

Japan's Idemitsu Kosan Co closed its 120,000 bpd crude distillation unit at its Tokuyama refinery on October 31st due to an operational problem. The unplanned closure has not affected deliveries to customers. It expects to fix the problem within about 10 days.

Shipbroker Simpson Spence & Young said a total of 21 vessels storing about 6 million barrels of crude oil were anchored offshore worldwide. It said that 112 tankers were storing 13.13 million tons of



clean oil products offshore worldwide by the end of last month, consisting of 7 VLCCs anchored off the coasts of Singapore, West Africa and Malta.

Middle East gas oil premiums fell further this week as increasing global inventories and flat regional demand weighed on the market. Benchmark premiums for 500 ppm gas oil were pegged at around \$1/barrel, down nearly 50 cents from levels seen at the end of October. More than 80 million barrels of gas oil is currently being stored on tankers out at sea and is expected to remain at current levels unless demand increases during the winter.

Singapore's International Enterprise reported that the country's residual fuel increased by 1.067 million barrels to 20.953 million barrels in the week ending November 3rd. It also reported that the country's light distillate stocks fell by 1.175 million barrels to 9.597 million barrels while its middle distillate stocks fell by 489,000 barrels to 13.296 million barrels on the week.

The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending October 31st fell by 2.06 million barrels on the week and by 18.13 million barrels to 90.38 million barrels. Gasoline stocks built by 280,000 barrels on the week but fell by 260,000 barrels to 13.49 million barrels while kerosene stocks fell by 1.21 million barrels on the week and by 6.71 million barrels to 18.91 million barrels and naphtha stocks fell by 10,000 barrels on the week to 12.19 million barrels. Crude runs fell by 10,000 bpd on the week and by 430,000 bpd on the year to 3.34 million bpd. Refinery utilization fell by 0.2% on the week and by 8.5% on the year to 68.6%. Japan's total oil product sales increased by 12.8% on the week and by 22% on the year to 3.21 million bpd, with gasoline sales up 3.9% on the week and by 7.1% on the year to 970,000 bpd and naphtha sales increased by 97.6% on the week and by 26.2% on the year to 370,000 bpd. Kerosene sales increased by 10.8% on the week and by 188.8% on the year to 470,000 bpd while gas oil sales increased by 1.2% on the week and by 18.7% on the year to 610,000 bpd.

PetroChina Co plans to add oil product storage capacity of 1.04 million cubic meters or 6.5 million barrels in northern China during the 2009-2011 period. PetroChina increased its oil product storage capacity by 1.5 million cubic meters or 9.4 million barrels in the January to September period this year.

Production News

A shipping source said oil flow through the Kirkuk pipeline to the Turkish port of Ceyhan returned to normal following a sabotage attack last week. The source said oil storage tanks in the port have been replenished and were holding about 3.5 million barrels of Kirkuk crude, up from 2.7 million barrels on Tuesday.

Iraq's Oil Minister Hussain al-Shahristani said a consortium led by ExxonMobil and Royal Dutch Shell signed an initial 20-year agreement with Iraq to develop the West Qurna field. The companies plan to increase production at Iraq's West Qurna field to 2.325 million bpd from less than its current production level of 500,000 bpd. The oilfield has estimated proven oil reserves of 8.6 billion barrels.

Oil lifting and berthing operations at the port of Novorossiisk were closed again on Thursday due to recurring bad weather conditions. A storm warning was issued just one day after the oil terminal resumed Urals lifting following another storm. The port was closed for three days due to gale force winds. Exports from the Black Sea port of Novorossiisk are set to reach 3.84 million tons or 940,000 bpd in November, up 18% on the month.

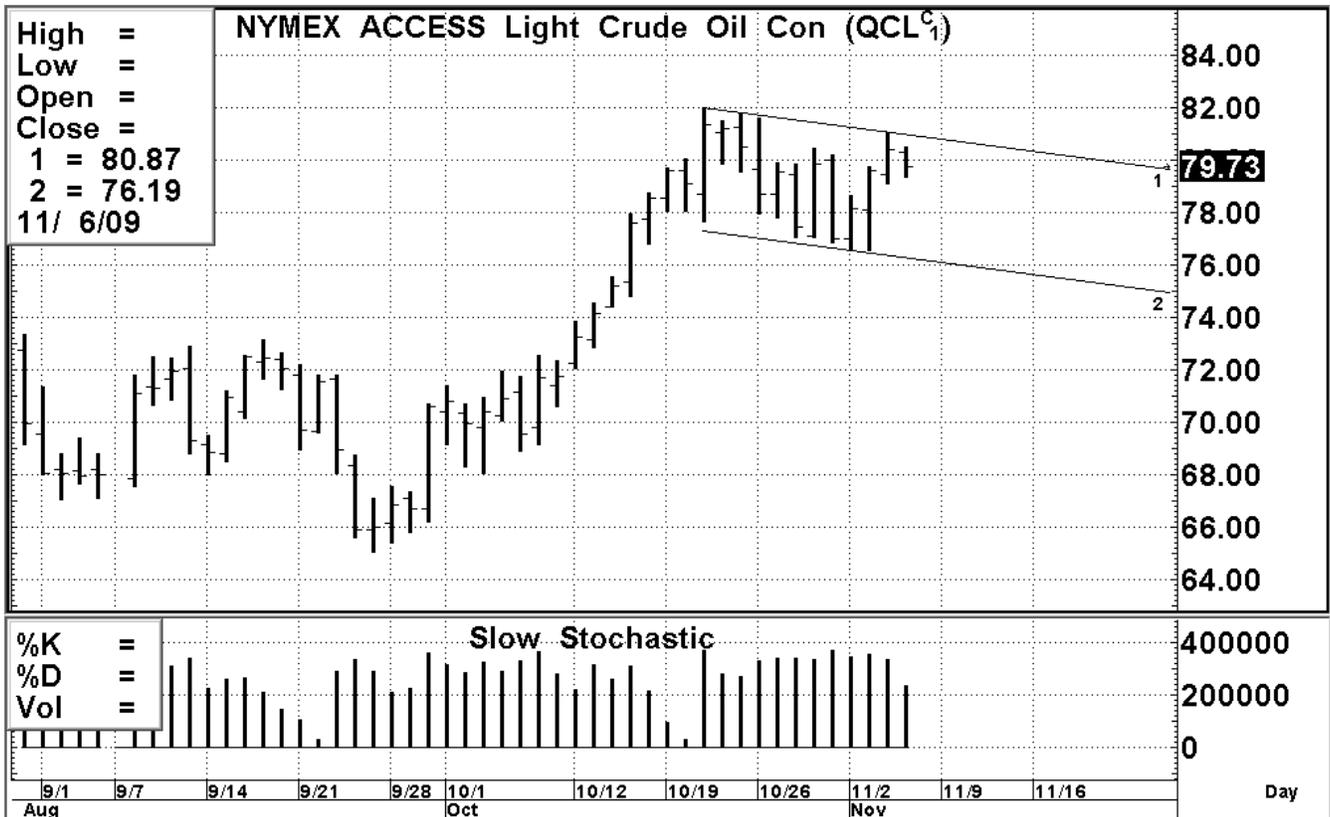
Nigeria will export an average of 1.97 million bpd of crude oil in December, up from a revised level of 1.92 million bpd in November. Preliminary loading schedules show the 15 main Nigerian crude oil streams are set to load 70 cargoes or partial cargoes in December, up from 66 in November.

OPEC's news agency reported that OPEC's basket of crudes increased by \$2.07/barrel to \$77.60/barrel on Wednesday.

Market Commentary

The December crude oil contract experienced an inside trading session as it reacted to weak demand, U.S. jobless claims and uncertainty regarding the economy. Despite yesterday's 4 million draw in crude oil inventories, demand for product remains sluggish as is evident in the slight draws in both gasoline and heating oil inventories. Refinery runs fell slightly, which would be reflected in product inventory. This scenario is not indicative of a market short on supply due to demand. Strength in the dollar also provided pressure to this market. From a technical standpoint, crude oil appears to be setting up for a period of consolidation. The previous two days, price ranges have narrowed and volume decreased. Based upon the spot continuation chart depicted within this wire, the December contract has been trading within a descending channel. Yesterday's session touched the top of this channel and retreated. Slow stochastics have crossed to the upside, supporting further upside potential. We would look for a test at this channel top. Should prices penetrate and settle above this channel the projected upside target would be \$85.55. We would look to be buyers on successful breakouts and sellers of failed attempts. This channel will begin tomorrow's session set between \$80.87-\$76.19.

Crude DEC.09 298,809 -11,411 JAN.10 172,458 +3,096 FEB.10 70,749 +4,237 MAR.10 56,530 +6 APR.10 22,012 +285 Totals: 1,194,113 -1,248. Heating DEC.09 87,670 -2,527 Jan.10 59,295 +3,144 FEB.10 31,370 +1,003 MAR.10 21,799 +314 Totals: 319,744 +3,339 Gasoline DEC.09 91,715 -6,841 JAN.10 58,241 +189 FEB.10 22,108 -410 MAR.10 22,662 +368 Totals: 247,225 -3,849.



Crude Support	Crude Resistance
76.24, 75.52, 73.52, 71.52, 64.70, 63.38, 62.70, 61.61, 60.95	84.83, 85.40, 86.60, 88.80
Heat Support	Heat resistance
1.9700, 1.8570, 1.7670	2.2110, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.9210, 1.9065, 1.8840, 1.8480, 1.7900	2.1100, 2.1600, 2.3350

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