

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 6, 2009

Algeria's Oil Minister Chakib Khelil expects oil prices to increase in 2010 on improved world economy. Algeria has the capacity to produce 1.45 million bpd but currently produces 1.2 million bpd in compliance with its OPEC quota.

A Russian Foreign Ministry spokesman said Russia expects Iran to accept the UN sponsored nuclear fuel deal soon. Iran's Foreign Minister Manouchehr Mottaki said Iran is preparing to give the IAEA more details of its response to proposals from the major powers for the supply of nuclear fuel. He said Iran has three options, enrich the fuel, buy it directly or exchange uranium for fuel. The UN sponsored plan calls for Iran to export most of its stocks of low-enriched uranium abroad for further enrichment in Russia and conversion by France into fuel for a research reactor in Tehran. US Secretary of State Hillary Clinton urged Iran to accept the plan unchanged. Separately, the IAEA has asked Iran to explain evidence

Market Watch

The US Labor Department said US unemployment increased by more than expected in October, reaching its highest level in more than 26 years. The Labor Department said the unemployment rate increased by 0.4% to 10.2%. Nonfarm payrolls fell by 190,000 last month, with the largest job losses in construction, manufacturing and retail trade. It revised job losses for August and September to show 91,000 fewer jobs lost than previously reported. Since the start of the recession in December 2007, the number of unemployed has increased by 8.2 million and the unemployment rate has increased by 5.3%. The report showed that average hourly earnings increased by 0.3% or 5 cents to \$18.72.

According to the Commerce Department, US wholesale inventories fell in September by 0.9% to a seasonally adjusted \$377.7 billion as sales increased a fifth consecutive month. Sales of wholesalers increased by 0.7% in September to a seasonally adjusted \$320.2 billion.

The IntercontinentalExchange Inc continued to voice more opposition to subjecting some of its listed natural gas and fuel oil contracts to increased oversight by the US Commodity Futures Trading Commission. ICE sent the US CFTC three letters which argue that four of its natural gas contracts and one fuel oil contract do not meet federal standards for new regulations. The CFTC is looking at more than 40 energy contracts after the 2008 farm bill expanded the CFTC's power over the lightly regulated energy markets by allowing the agency to impose trading limits and reporting requirements on contracts if regulators decide they play a role in helping to set market prices.

The EIA's weekly petroleum stock report will be delayed by one day until Thursday, November 12th at 11 a.m. EST due to Veterans Day holiday on Wednesday, November 11th. The API's weekly petroleum stock report will be released as usual on Tuesday, November 10th at 4:30 p.m. EST.

The Baltic Exchange's main sea freight index increased again on Friday due to strong demand for raw materials in Asia. The index increased by 1.74% or 58 points to 3,393 points on Friday. The index has increased nearly 57% from lows seen in late September and reached its highest level since July 30 on Friday due to strong Chinese demand for Indian iron ore.

**November
Calendar Averages**
CL – 79.04
HO – 205.41
RB – 198.31

that Iranian scientists have experimented with an advanced nuclear warhead design.

Refinery News

Colonial Pipeline allocated shipments of distillates for cycles 64 on its main line north of Collins, Mississippi as demand exceeds pipeline capacity.

Valero Energy Corp reported a sulfur unit snag at its 135,000 bpd Wilmington, California refinery. It said it will shut all of the units at the refinery during a scheduled turnaround that starts Friday on a fluid catalytic cracking unit. The turnaround is estimated to last 39 days. Valero also stated it will shut down the entire 160,000 bpd Paulsboro, NJ refinery for three weeks while unscheduled maintenance is performed on a 55,000 bpd fluid catalytic cracking unit. The work on the fluid catalytic cracking unit is estimated to last until mid-January 2010.

A temporary process upset in a unit at Shell's Deer Park, Texas refinery early Friday caused flaring. Separately, Royal Dutch Shell Plc reported a minor incident at its 400,000 bpd Pernis refinery in Rotterdam on Friday.

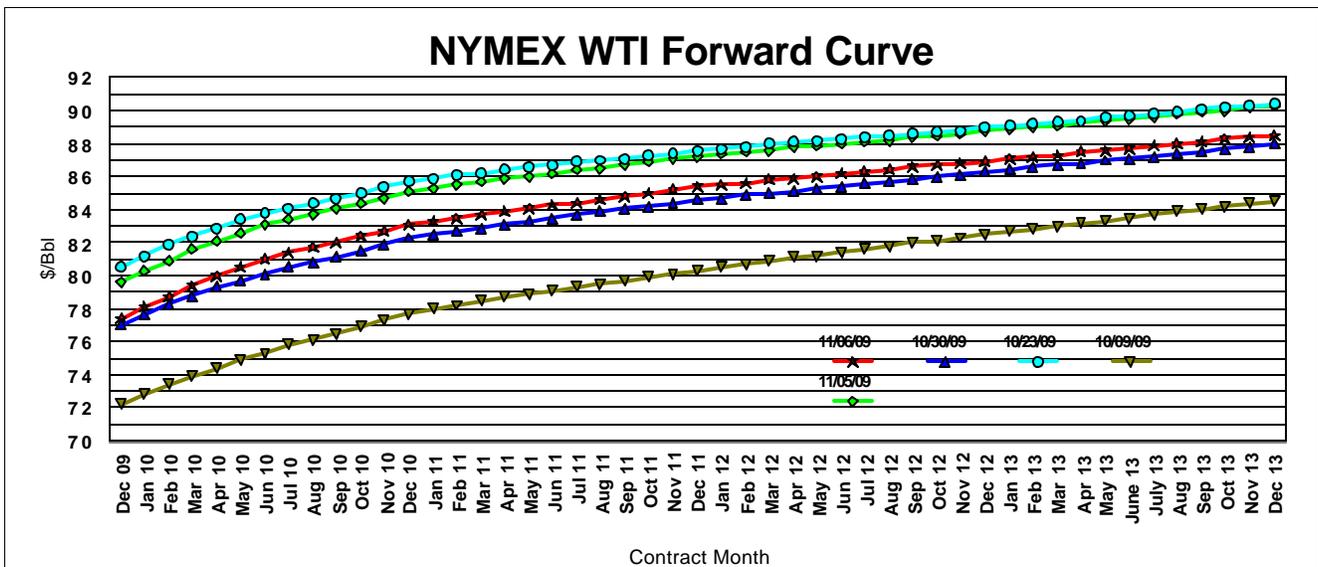
Alon USA Energy Inc reported emissions associated with a SCOT unit malfunction at its 70,000 bpd Big Spring, Texas refinery.

Sunoco Inc said it will continue to idle its 145,000 bpd Eagle Point refinery in NJ. Sunoco expects the Eagle Point refinery to be in full mothball mode by year end. To make up for the output shortfall, Sunoco plans to increase rates at its 178,000 bpd Marcus Hook and 335,000 bpd Philadelphia refinery.

Irving Oil is restarting its fluid catalytic cracking unit at its 300,000 bpd refinery in Saint John, New Brunswick after the completion of its upgrade.

Japan's Idemitsu Kosan Co will likely restart its 120,000 bpd crude distillation unit at its Tokuyama refinery early next week. The unit, which has been shut since October 31st, was projected to remain shut for about 10 days.

China's twelve major refineries, accounting for more than a third of China's capacity, plan to process 2.7 million bpd of crude in November, up 1.1% on the month. The refineries are expected to increase their crude processing amid signs of recovering demand and expected fuel price increases.



A 24 hour French port strike blocked four oil product vessels at the Fos-Lavera oil terminal near Marseille. The Fos-Lavera port, with annual oil traffic of 64.2 million tons, supplies crude to six refineries in southern and eastern France with an output capacity of 800,000 bpd.

Oil lifting and berthing operations at the port of Novorossiisk for Russian Urals crude resumed on Thursday. The port was closed on Wednesday due to storm warnings.

Lithuania's Butinge oil terminal imported 599,000 tons of crude in October, up 19.7% compared to the same period last year when it handled 500,900 tons. In the first 10 months of 2009, crude oil imports fell by 4.7% to 7.019 million tons from 7.362 million tons last year.

Indonesia's Pertamina is likely to import about 5.2 million barrels of gasoline in December, up from about 4.6 million barrels in November. It also expects to import 2.5-3 million barrels of diesel in December. Pertamina has 19.6 days of forward supply of gasoline and 23 days of forward supply of diesel.

Production News

Mexico's Coatzacoalcos and Dos Bocas oil terminals, which were shut in for much of the week due to bad weather conditions, remained closed on Friday. Meanwhile, its oil export terminal of Cayo Arcas was operating normally.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by nine to 1,078 in the week ending November 6th. The number of rigs searching for oil increased by 2 to 332 while the number of rigs searching for natural gas increased by 6 to 734.

Five consortiums of oil companies are expected to place bids in Venezuela's long-delayed heavy oil drilling tender scheduled for January. In total 17 oil companies are seen as interested in the Carabobo project, which will auction off blocks in Venezuela's eastern Orinoco belt. The government has said the area open for bidding could produce a total of 1.2 million bpd of crude and will require investment of \$30 billion.

Congo-Republic's oil production will reach 310,000 bpd by the end of 2009, up from current levels of about 250,000 bpd. The increase in production will come from an increase in output at Total's Moho-Bilondo offshore field, which came on line last year. The field, which produces 90,000 bpd is expected to increase to 100,000-110,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$77.45/barrel on Thursday from \$77.60/barrel on Wednesday.

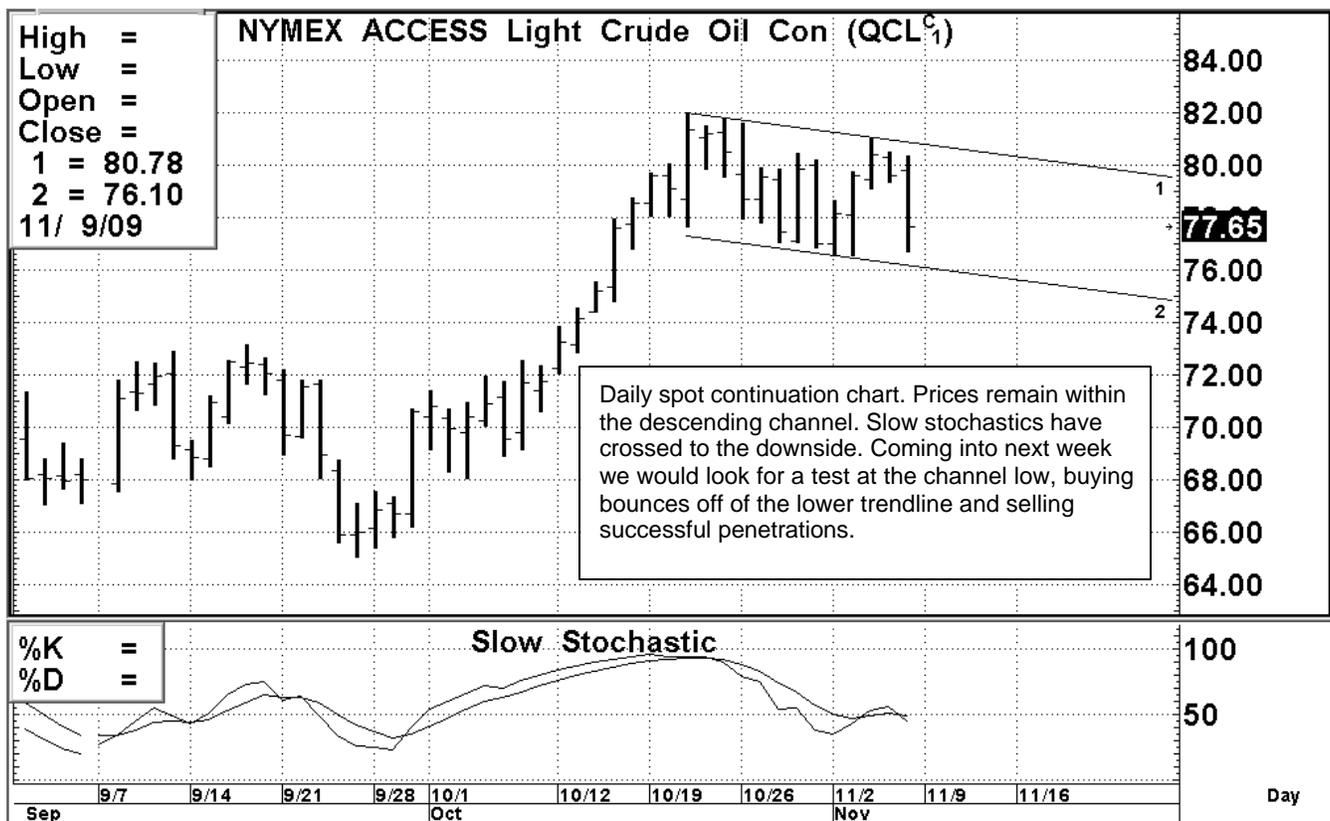
Market Commentary

With the U.S. unemployment rate hitting a 26-year high, crude oil plummeted \$2.00 on the day. Not even a higher stock market could lend strength to crude oil as concerns about demand circulated the marketplace. Fuel demand in the U.S. remains lagging behind that of last year and is currently running 4.5 percent lower than a year ago. With the current unemployment rate being what it is, it is difficult to think that demand will pick up any time soon. For the past two trading sessions, crude oil has become detached from the equities markets, which it had been closely following. This is perhaps a sign that investors are beginning to rethink their positions in commodities. The December crude oil contract lost 2.8 percent, finishing the day at \$77.43. Today's trading activity was unable to take out the previous sessions high and fell 15 cents shy of the weekly low. The descending channel depicted on the chart below has proven to provide trading opportunities as the top and bottom of this channel have held on several occasions. Slow stochastics have crossed to the downside, signaling additional

downside movement. For an option play, we would consider selling the December \$8500 call and the December \$70.00 put. The \$85.00 call settled at .20 cents and the \$70.00 call settled at .25 cents. This play would collect 45 cents on a play that would expire on November 17.

Crude DEC. 306,296 +7,487 JAN.10 179,385 +6,927 FEB.10 73,525 +2,776 MAR.10 58,085 +1,555 APR.10 21,959 -53 Totals: 1,209,723 +15,610. Heating DEC.09 86,226 -1,444 Jan.10 64,553 +5,258 FEB.10 31,303 -67 MAR.10 22,462 +652 Totals: 324,996 +5,252 Gasoline DEC.09 86,628 -5,087 JAN.10 59,555 +1,314 FEB.10 21,794 -314 MAR.10 23,128 +466 Totals: 247,798 +873.

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 5,802 contracts to 103,817 contracts in the week ending November 3rd. The combined futures and options report showed that non-commercials in the crude market cut their net long position by 1,160 contracts to 190,363 contracts on the week. The funds cut their total long position by 5,222 contracts to 290,437. The disaggregated combined futures and option report showed that producers/merchants increased their net short position by 15,146 contracts to 193,627 contracts while swap dealers also increased their net short position by 6,750 contracts to 9,942 contracts. Managed money funds increased their net long position by 761 contracts to 181,136 contracts while other reportable cut their net long position by 1,920 contracts to 9,228 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials in the product markets increased their net long position. The funds in the heating oil market increased their net long position by 644 contracts to 42,800 contracts while non-commercials in the RBOB market increased their net long position by 3,811 contracts to 68,997 contracts on the week.



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

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.