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ENERGY MARKET REPORT FOR NOVEMBER 9, 2009

UAE Oil Minister Mohammed al-Hamli said increasing oil production was not currently on the agenda for OPEC. He said the market is oversupplied. He also said the world economy was not yet "out of the wood", but added that oil prices at around \$80/barrel signaled a recovery. Overall, he said he was happy with compliance levels, adding the UAE is fully compliant.

A US diplomat said the US is willing to give Iran time to decide whether to accept a UN draft deal. The New York Times reported that the Obama administration had told Iran it is

Market Watch

The US National Hurricane Center said Tropical Storm Ida continued on a path towards a Gulf Coast landfall on Tuesday morning but is expected to weaken from its current 70 mph. It is about 115 miles south-southeast of the mouth of the Mississippi River and is moving to the north-northwest. It is expected to turn to the north and then to the north-northeast over the next 24 hours, making landfall from the eastern shores of Louisiana eastward to the northwestern shores of Florida.

The National Weather Service reported that US total heating demand will be about 26% below normal as temperatures remain unseasonably warm. Demand for heating oil will be 16% below normal.

China's National Development and Reform Commission said it will increase its retail gasoline and diesel prices by 480 yuan or \$70.32/ton on Monday. It said the price increase is equivalent to 0.36 yuan or \$0.527/liter of gasoline and 0.41 yuan or \$0.601/liter of diesel.

Saudi Aramco said its decision to adopt the Argus Sour Crude Index was due to "wild" variations in the barrels traded on the US Gulf Coast and those priced off WTI crude. It said it wanted to make sure its crude was being priced off a marker that was representing similar characteristics in terms of sulfur content, gravity as well as the same geography with is the US Gulf Coast. Aramco had previously used WTI prices published by Platts as its price market.

Venezuela's President Hugo Chavez told the military and civil militias to prepare for war as a deterrent to a US-led attack after American troops gained access to military bases in Colombia. He said a recently signed agreement that gives US troops access to seven Colombian bases is a direct threat to Venezuela. He said Colombia has handed over its sovereignty to the US with the deal. Venezuela's President ordered an increase of troops along the more than 2,000 kilometer border between Venezuela and Colombia last week and said he may declare a state of emergency after two officials from the National Guard were shot and killed by supposed Colombian rebels. He said an attack on Venezuela would spread to other countries in the region because Venezuela has "friends" from Mexico to Argentina.

Pirates attacked an oil tanker 1,000 nautical miles off the coast of Somalia. The attack was the furthest yet from Somalia as pirates expand their territories in response to antipiracy naval operations.

Water levels on the Rhine and Danube River remain low and ships can sail only partly loaded on the German section of both rivers. Low water levels have hampered shipping on both rivers for the last two months. A further improvement was possible in coming days as more rain was forecast in western Germany and in Switzerland.

**November
Calendar Averages**
CL – 79.10
HO – 205.56
RB – 198.29

willing to allow the country to send its stockpile of enriched uranium to any of several nations, including Turkey. It said the overtures had been made through the IAEA over the past two weeks. However all of them have been ignored. Instead Iran had revived a previous counterproposal that calls for international arms inspectors to take custody of much of Iran's fuel but keep it on Kish, a Persian Gulf resort island that is part of Iran. Later on Monday, the White House said Iran should respond soon to the UN brokered agreement or face new sanctions.

According to the Lundberg survey, the average US retail price of gasoline increased by 3 cents to \$2.68/gallon in the two weeks ending November 6th.

The EIA reported that the US average retail price of diesel fell by 0.7 cents/gallon to \$2.801/gallon in the week ending November 9th. The drop follows four weeks of gains. The current price is 14.3 cents below a year earlier. It also reported that the US retail price of gasoline fell by 2.8 cents/gallon to \$2.666/gallon on the week.

Refinery News

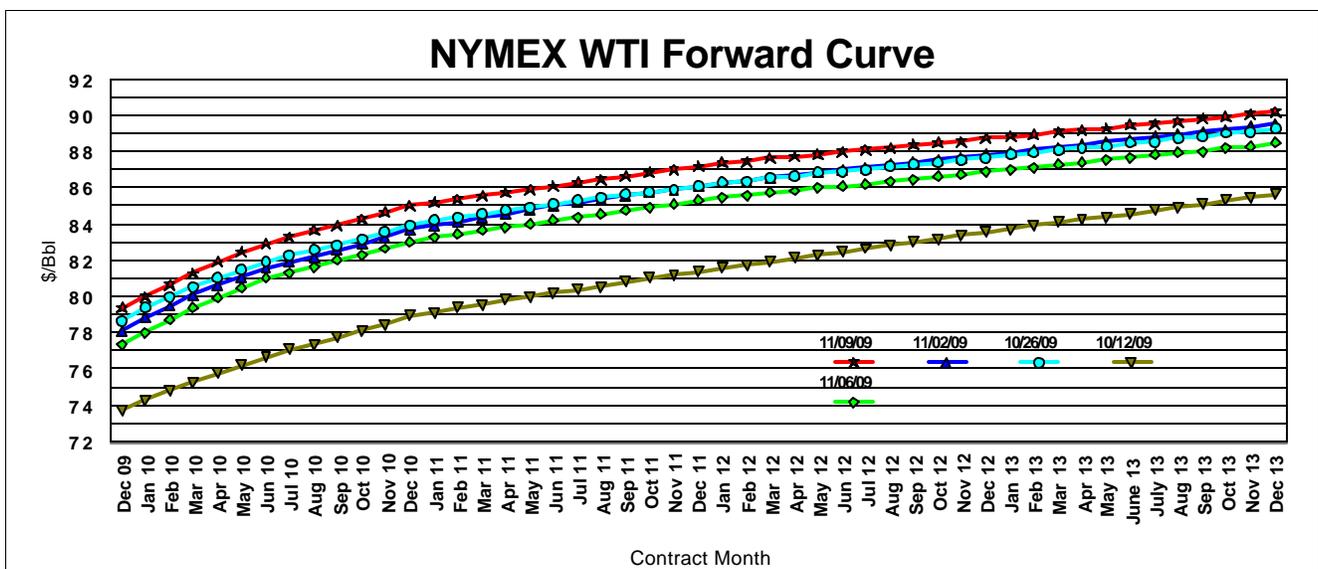
Credit Suisse reported that US refinery margins fell across all regions last week. Margins in the Midwest fell by 51.9% to \$7.45/barrel while margins in the Gulf Coast fell by \$2.21/barrel to \$3.40/barrel and margins in the Northeast fell by \$2.04/barrel to \$5.69/barrel. Margins in the West Coast fell by \$1.80/barrel to \$9.30/barrel while margins in the Rockies fell by 89 cents to \$11.28/barrel.

Separately, complex refiners in the US Gulf Coast posted an average margin of 52 cents for cracking a barrel of WTI last week, compared with the average \$2.09 margin the previous week. Margins in Rotterdam averaged \$3.32/barrel of North Sea Brent for complex plants and \$2.65/barrel for simple plants. In the Mediterranean, complex margins on Russian medium sour Urals averaged \$1.58/barrel last week while simple margins averaged 76 cents/barrel. In Asia, complex margins on medium, heavy sour Dubai crude averaged \$1.52/barrel while simple margins averaged 65 cents.

BP is restarting an ultracracker unit at its 475,000 bpd refinery in Texas City, Texas. The restart started on Saturday and is expected to be completed on November 19th.

Alon USA Energy Inc restarted a sulfur recovery unit at its 67,000 bpd Big Spring, Texas refinery on Friday.

ConocoPhillips completed planned work at its 247,000 bpd refinery in Sweeny, Texas. Several units,



including a fluid catalytic cracking unit, were shut for work which started in the third quarter.

Frontier Oil estimated its runs at its El Dorado, Kansas refinery at 81,500 bpd as work continues on a fluid catalytic cracking unit and gofiner. The refinery, which has a capacity of 130,000 bpd, ran at 62,300 bpd in October due to the start of maintenance. Runs are estimated to be 43,100 bpd at the Cheyenne, Wyoming refinery, which has a capacity of 52,000 bpd.

Valero Energy Corp plans to shut a storage tank at the west plant of its 340,000 bpd Corpus Christi, Texas refinery for maintenance.

Western Refining Inc said it plans to shut its 16,800 bpd refinery in Bloomfield, New Mexico. It is consolidating its Four Corners refining operations however the Bloomfield terminal will be used to supply its 20,800 bpd refinery located nearby in Gallup.

Tesoro Corp announced plans for turnarounds at four of its refineries in 2010 that will cost about \$205 million. It has planned maintenance at its 166,000 bpd Golden Eagle refinery in Martinez, California, two 58,000 bpd refineries in Mandan, North Dakota and Salt Lake City, Utah and its 94,000 bpd refinery in Oahu, Hawaii. It did not disclose details regarding the timing of the work.

Japan's Showa Shell Sekiyu KK plans to refine 8.63 million kiloliters in October-December, down from an initial plan for 8.7 million kl announced last month.

Japan's Idemitsu Kosan Co restarted a 120,000 bpd crude distillation unit at its Tokuyama refinery on November 8th after an unplanned October 31st shutdown due to a problem. The restart came a few days earlier than the company's initial estimate.

A diesel-producing hydrocracker at Morocco's Mohammedia refinery is scheduled to start up in December. The unit will have a capacity of 4 million tons/year.

German residential heating oil stocks stood at 68% of capacity on November 1st, unchanged on the month.

Production News

Energy companies operating in the Gulf of Mexico shut in oil and natural gas production ahead of Tropical Storm Ida. The US Minerals Management Service said about 29.6% of the oil and 27.5% of the natural gas produced in the US Gulf of Mexico has been curtailed due to the passage of Tropical Storm Ida. It said about 384,642 bpd of oil production was shut in while 1.925 bcf/d of natural gas production was also shut in. Personnel have been evacuated from 126 production platforms, out of 694 manned platforms in the area. Eight drilling rigs or 12 of the rigs currently working in the Gulf have also been evacuated.

BP Plc said evacuated most non-essential personnel from its Gulf oil and natural gas facilities over the weekend and shut in some of its production. Marathon Oil Corp shut in 11,700 bpd of oil equivalent from its Ewing Bank platform in the US Gulf of Mexico after workers were evacuated Sunday. ExxonMobil Corp said it has evacuated some nonessential workers from its US Gulf operations. Royal Dutch Shell Plc said that some of its production in the eastern portion of the US Gulf of Mexico will be affected. Shell has evacuated 160 nonessential workers over the weekend. Chevron Corp said it evacuated workers on Sunday afternoon from Gulf of Mexico platforms. It shut in oil and gas production on Sunday at the deepwater platforms Blind Faith, with a capacity of 62,000 bpd of oil and 50 mmcf/d of natural gas, Tahiti, with a capacity of 125,000 bpd and 70 mmcf/d of natural gas, and Petronius, with a capacity of 22,000 bpd of oil and 24 mmcf/d of natural gas. It also shut in some shallow water facilities. Anadarko Petroleum Corp also said it evacuated workers and

shut in its production at four of its operating facilities in the eastern US Gulf of Mexico, which have a capacity of 105,000 bpd of oil equivalent. Murphy Oil Corp shut down its Thunder Hook and Medula platform, shutting in 49,000 bpd of oil equivalent. Petrobras Americas shut in crude and natural gas production at its Cottonwood GB 244 block in the Gulf of Mexico as a precautionary measure. It also evacuated personnel from another Gulf platform, known as EC 373. It was not immediately clear how much oil and gas Cottonwood had been producing before the shut in. Meanwhile, refineries along the US Gulf Coast, including Chalmette, Motiva's Norco refinery and Chevron's Pascagoula refinery were watching the storm but operating normally.

The Louisiana Offshore Oil Port halted tanker offloadings on Sunday as a precaution ahead of Tropical Storm Ida. The port however continues to make deliveries to refinery customers through its onshore facilities. The LOOP also continues receiving via pipeline 500,000 bpd in oil from the Mars and Thunder Horse production platforms in the Gulf. Separately, the Port of New Orleans said the mouth of the Mississippi River has been closed to marine traffic.

Mexico's Reforma newspaper said Pemex has been forced to shut in about 20,000 bpd of oil production due to flooding in Mexico's Tabasco state. Pemex was not immediately able to confirm or deny the report.

Mexico's Coatzacoalcos oil terminal resumed operations on Saturday morning after it was shut for much of the past week due to bad weather conditions.

Saudi Arabia has increased supply to oil firms with global systems by between 5-10% in December while one Asian customer is expected to receive full contracted volumes for the first time in a year. Meanwhile other lifters of crude from Saudi Arabia expect steady supplies for December compared with November. It notified five other term customers in Asia it would maintain supply cuts on contracted volumes of crude in December at 6-13%, steady on the month.

Britain's North Sea Brent crude oil stream is scheduled to load about 143,000 bpd in December, up from 120,000 bpd in November.

The December program for North Sea Oseberg crude scheduled the loading of 6 million barrels, up 500,000 barrels from November. It will load 193,548 bpd in December, up from 183,333 bpd in November. The North Sea Forties crude oil steam will load about 632,000 bpd in December, down from 660,000 bpd in November.

Angola's oil production has increased steadily over the last two years. Oil analysts say Angola can comfortably produce at least 2 million bpd. Dozens of new Angolan oilfields will come on stream between 2011 and 2015 and oil analysts expect output to increase steadily to between 2.5 and 3 million bpd over the period.

Indonesia's Pertamina expects its crude oil production to increase by 8% to 195,480 bpd in 2010 as it taps new fields. It is expected to produce an estimated 181,000 bpd in 2009.

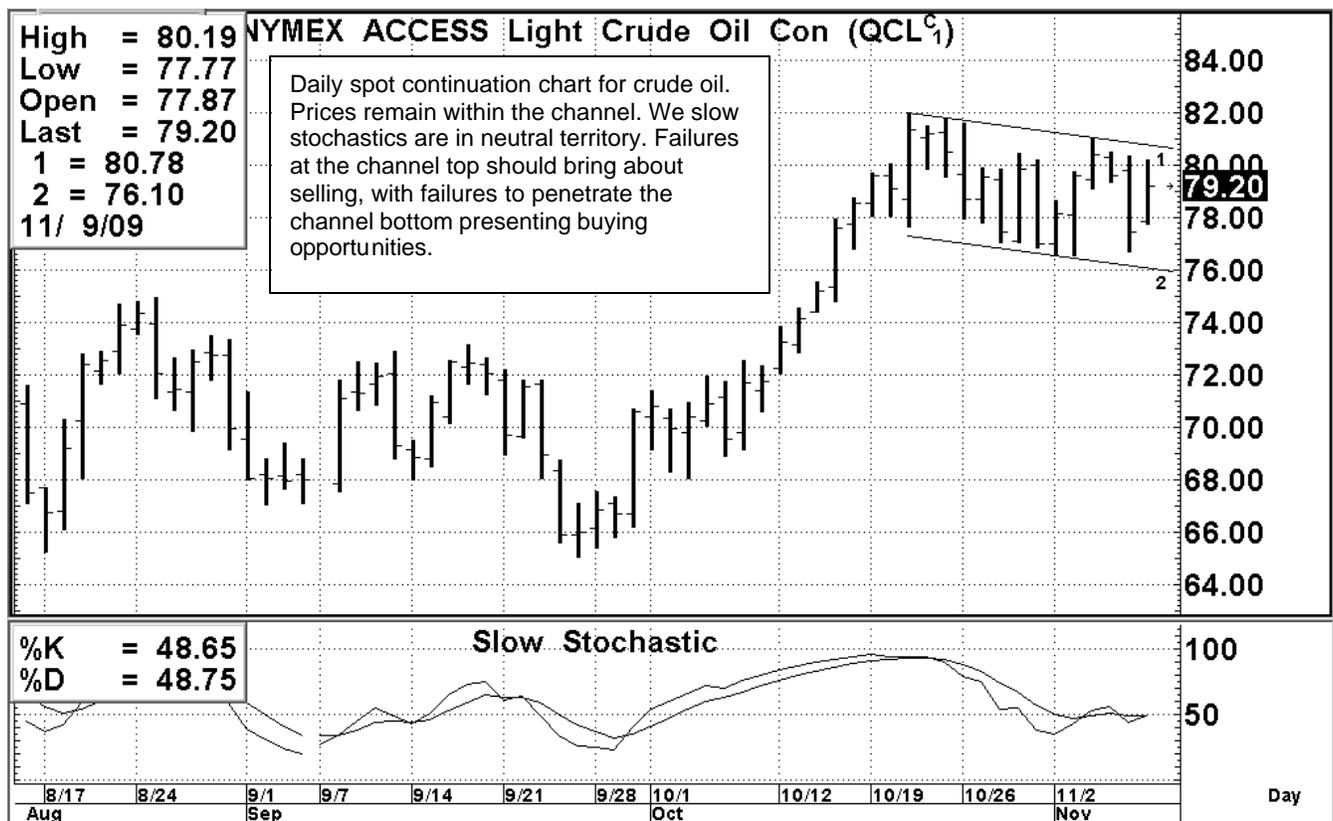
The Baku-Tbilisi-Ceyhan oil pipeline is expected to pump 27.35 million barrels or 822,258 bpd of crude in December, up from 24.6 million barrels or 820,000 bpd in November.

OPEC's news agency reported that OPEC's basket of crudes fell to \$76.25/barrel on Friday from \$77.45/barrel on Thursday. It also reported that OPEC's basket of crudes increased by 33 cents to \$76.36/barrel in the week ending November 6th.

Market Commentary

Oil prices rose today in reaction to Tropical Storm Ida and a weak dollar. Tropical Storm Ida forced the shut in of production in the Gulf of Mexico as producers waited out the storm. The raising of supplies by Saudi Arabia and the raising of fuel prices by China did little to slow this market down. At this point in time and with fuel inventories overflowing, it is difficult to believe that prices can sustain their strength. Any additional supply brought to this market by Saudi Arabia, will most certainly help to contain prices. Despite today's strength, the December contract experienced an inside trading session, keeping within the descending channel that can be drawn on the daily spot continuation chart. The December contract should continue higher, working towards the channel top, which comes in to tomorrow's session set at \$80.69. A failure to take out the aforementioned channel top should bring about selling from speculators who have been long this market. Investment traders have already lightened up their positions but speculative length remains historically high. The option play, mentioned on our wire last week, which was to sell the December \$8500 call and the December \$70.00 put, settled at 22 cents today. We still consider this a low risk low cost trade, which will be affected by time decay. The \$85.00 call settled at .22 cents and the \$70.00 put settled at cents, down 3 cents from Friday. This play will expire on November 17.

Crude DEC. 291,668 -14,628 JAN.10 194,939 +15,554 FEB.10 70,727 -2,798 MAR.10 61,153 +3,068 APR.10 22,417 +458 Totals: 1,215,873 +6,150. Heating Oil DEC.09 75,281 -10,945 Jan.10 66,877 +2,324 FEB.10 31,850 +547 MAR.10 23,370 +908 Totals: 319,956 -5,040 Gasoline DEC.09 80,266 -6,362 JAN.10 64,468 +4,913 FEB.10 22,471 +677 MAR.10 23,113 -15 Totals: 250,372 2,574.



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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