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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 10, 2009

OPEC's Secretary General Abdullah al-Badri said world oil demand will increase by 700,000 bpd in 2010 as demand growth returns following two years of contractions. Oil demand growth will gradually increase to 1.2 million bpd by 2013. He said OPEC is well positioned to meet any sudden supply disruptions and it continues to maintain spare capacity of about 6 million bpd. He added that while non-OPEC supply is increasing, OPEC continues to invest in capacity in order to ensure that there will be ample supply to meet consumer needs in the future.

A senior Gulf source said OPEC is still deciding whether to adjust its crude production next month and so far sees a balanced market.

Market Watch

The World Bank forecast an average oil price of \$75.29/barrel in 2010, saying it does not expect a return next year to price levels seen before the economic crisis. The bank did not specify the type of oil to which it was referring to in a presentation on the Russian economy.

According to J.P. Morgan, the rebalancing of the January 2010 S&P GSCI and DJ-UBSCI expects to have the most impact on WTI crude, natural gas, copper and corn. It estimates rebalancing of both indices will result in \$2.8 billion of selling in WTI crude, \$1.5 billion buying in natural gas, \$1.3 billion in copper and \$1.25 billion in corn. There are no new commodities entering or exiting the S&P GSCI and DJ-UBSCI indices. The most significant change is due to the DJ-UBSCI rebalance, as market weights are shifted back to its base target weights. The market weights most impacted are natural gas from 7.8% to 11.6%, copper from 11.1% to 7.6%, crude oil from 17.6% to 14.3%, corn from 3.9% to 7.1% and soybeans from 5.7% to 7.9%. In the S&P GSCI, the largest change is in WTI crude from 39.5% to 37.2%.

Iraq's Kurdish regional president Massud Barzani said an oil dispute between Iraqi Kurdistan and the central government in Baghdad is unlikely to be resolved by the elections on January 21, 2010. Last month, Iraqi Kurdistan halted oil exports due to a payment dispute with Baghdad. The two sides have clashed over how oil revenues should be distributed and Kurdish authorities have said they will not resume crude exports until Baghdad pays the foreign energy companies which are pumping the oil. He criticized the central government for its failure to draw up a clear law on sharing oil revenues and said the Kurds would hold on to what they earn for now. He said Kurdistan has the right to retain the income from the export of about 100,000 bpd.

Saudi Arabia's Deputy Defense Minister, Prince Khaled bin Sultan will continue its air strikes against Yemeni rebels until they pull back from the two countries' border. His comments came as the rebels announced they had taken control of more territory on the border with Saudi Arabia. Saudi Arabia has become increasingly anxious about instability in Yemen, which is facing opposition from the Shia population in the north, separatist sentiment in the south and a growing threat from resurgent al-Qaeda fighters. Saudi Arabia has concerns that Houthis are being used by Iran to fight a proxy war against it. He warned Yemen's neighbors against intervening in the country's internal affairs and added that all those who attempt to escalate strife will not be spared its impact.

API Stocks

Crude – up 1.217 million barrels
Distillate – up 640,000 barrels
Gasoline – up 1.403 million barrels
Refinery runs – up 0.1%, at 80.6%

Separately, Iraq's Oil Minister Hussain al-Shahristani said there is no need for OPEC to increase its production levels at its December meeting. He said prices at \$80/barrel was not hurting global growth.

The EIA reported in its latest Short Term Energy Outlook that sustained economic growth in China and other Asian countries is contributing to the beginnings of a rebound in world oil demand. The EIA revised upwards its expectations for world oil consumption for the second month, with consumption growth increasing by 150,000 bpd for both 2009 and 2010 compared with its last forecast. It estimates that world demand will fall by 1.91% on the year to 84.14 million bpd in 2009, up .68% from its previous estimate. Demand in 2010 is expected to increase by 1.5% to 85.4 million bpd, up 0.74% from its previous estimate. The EIA reported that total oil production by countries outside of OPEC averaged 50.1 million during the first three quarters of 2009, about 500,000 bpd more than last year's level. Non-OPEC production is estimated to increase by 1.07% to 50.18 million bpd in 2009 and increase further by 0.5% to 50.43 million bpd in 2010. Meanwhile OPEC production averaged 29 million bpd during the first three quarters of 2009, down 2.4 million bpd on the year. The EIA expects OPEC production to increase gradually in 2010 to an average of 29.4 million bpd in response to an anticipated rebound in demand. In regards to inventories, OECD commercial oil inventories stood at 2.75 billion barrels at the end of the third quarter of 2009. At 61 days of forward supply, OECD commercial inventories are well above average levels for this time of year. The EIA reported that US oil demand in 2009 is expected to fall by 4% to 18.72 million bpd, down 0.27% from its previous estimate. Demand in 2010 is expected to increase by 1.55% on the year to 19.01 million bpd, which is down 0.42% from its previous estimate. Gasoline demand in 2009 is forecast to increase by 0.22% to 9.01 million bpd, which is down 0.11% from its previous estimate while demand in 2010 is expected to increase to 9.07 million bpd, which is down 0.11% from its previous estimate. Distillate demand in 2009 expected to fall by 8.61% to 3.61 million bpd, which is down 0.28% from its previous estimate while demand in 2010 is expected to increase to 3.72 million bpd, which is down 0.27% from last month's estimate. In regards to prices, the EIA increased its WTI price forecast by \$7/barrel to about \$77/barrel this winter. The price of crude is expected to increase to about \$81/barrel by December 2010. It also estimates the annual average gasoline retail price at \$2.36/gallon in 2009 and at \$2.81/gallon in 2010. The projected annual average diesel retail price is \$2.48/gallon and \$2.94/gallon in 2009 and 2010, respectively.

The IEA said world energy consumption will increase rapidly over the next 20 years, increasing costs and greenhouse gases, unless a deal is reached to curb carbon dioxide emissions. In its annual World Energy Outlook, the IEA said world energy demand will increase by an average 2.5% per year over the next five years if governments made no changes to their existing policies and measures. Oil demand is expected to increase by 1% per year to 105 million bpd by 2030 from 85 million bpd in 2008. Natural gas demand is expected to increase 1.5% per year to 4.3 trillion cubic meters in 2030. The IEA also stated that Southeast Asian countries will need to invest \$1.1 trillion in energy infrastructure between 2008 and 2030 to meet increasing demand. Primary energy demand in the member countries of the Association of Southeast Asian Nations will grow at an average 2.5% annually between 2007 and 2030.

Separately, the IEA said an oversupply of natural gas and continuing pressure on oil supplies could break the link between gas and oil prices. The IEA's Executive Director, Nobuo Tanaka, said the oversupply of natural gas looked likely to continue in the short to medium term.

The UK's The Guardian newspaper reported that the world is closer to a peak in oil supply than the IEA estimates. It said that many inside the

November

Calendar Averages

CL – 79.09

HO – 205.51

RB – 198.21

organization believe that maintaining oil supplies at even 90-95 million bpd would be impossible but there are fears that panic could spread on the financial markets if the figures were brought down further.

US Secretary of State Hillary Clinton said pursuing nuclear weapons was not in Iran's own interest as she urged Iran to accept the UN brokered deal. She said the US has many reasons for distrusting Iran, including its support for terrorism, such its backing of the Islamic movements Hezbollah and Hamas.

According to a MasterCard SpendingPulse report, US retail gasoline demand in the week ending November 6th increased by 2.2% on the year but fell by 2.3% on the week to 9.097 million bpd. It reported that the four week moving average of US gasoline demand increased by 3.6% on the year. Retail prices of gasoline fell by 1 cent to \$2.67/gallon on the week.

Refinery News

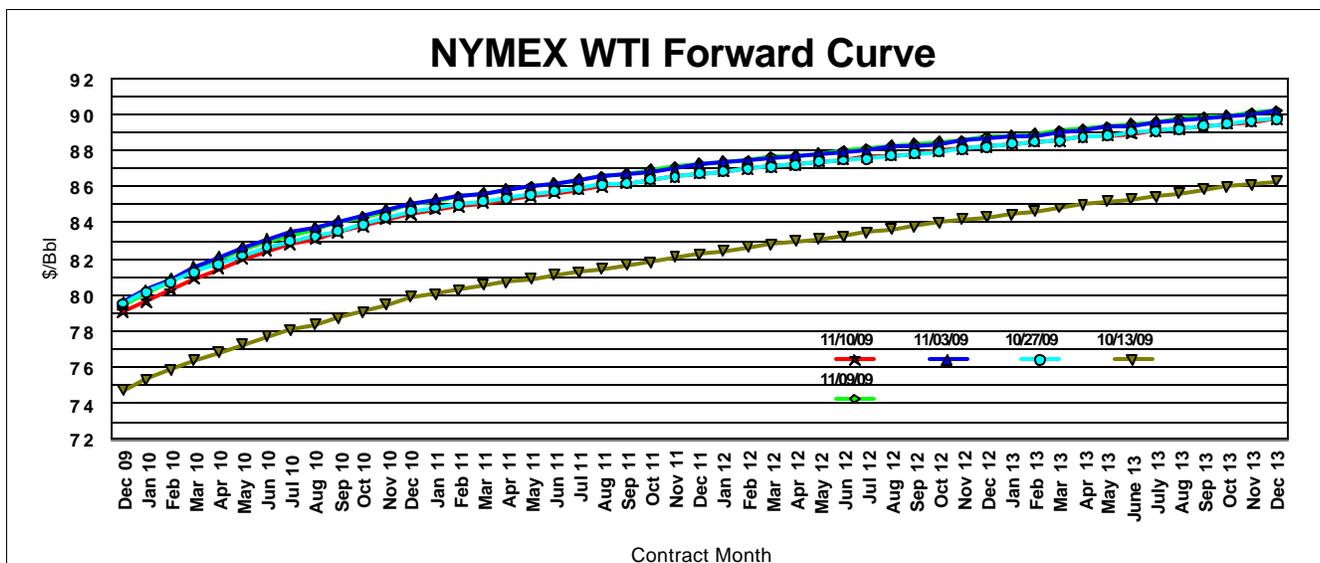
Colonial Pipeline Co imposed restrictions on gasoline shipments to the Northeast as nominations continue to exceed the pipeline's capacity and the company's ability to maintain its five day lifting cycle. It enacted the Capacity Allocation Program, or CAP, to 65th cycle shipments through its gasoline mainline, Line 01, between Collins, Mississippi and Greensboro, North Carolina.

Italy's Saras SpA expects to conduct a much lighter maintenance program on its 300,000 bpd Sarroch refinery in 2010 following a heavy schedule of maintenance and upgrading in 2009.

China's General Administration of Customs said the country's crude oil imports via the China-Kazakhstan pipeline increased by 2.2% on the year to 6.01 million tons or 147,750 bpd as of October 24th.

Production News

Gulf of Mexico oil and natural gas companies were restoring operations on Tuesday as Tropical Storm Ida passed onshore near Mobile Bay, Alabama and was downgraded to a tropical depression. Operations at the Louisiana Offshore Oil Port should return to normal by late Tuesday or early Wednesday after loadings were halted ahead of Tropical Storm Ida. The US Coast Guard said it expected to reopen the Mississippi River from New Orleans to the Gulf of Mexico by Tuesday afternoon. Meanwhile, ExxonMobil Corp said its US Gulf of Mexico operations returned to normal following Tropical Storm Ida. However it was waiting for better weather to assess and restart offshore production at its Mobile Bay facilities, which produce natural gas. BP Plc said it was returning



workers to its US Gulf of Mexico facilities and increasing its production. Shell Oil Co and Marathon Oil were returning workers to platforms in the Gulf and expecting to resume production quickly. Anadarko and Apache were also returning workers to their platforms.

The US Minerals Management Service reported that about 43% of the oil and 27.96% of the natural gas produced in the US Gulf of Mexico has been curtailed due to storm activity. It said about 560,199 bpd of crude oil production remained shut in as of Tuesday morning, up from 384,642 bpd on Monday. The increase in the number was due to inaccurate reporting Monday by an energy company. It also reported that about 1.957 bcf/d of natural gas was shut in, up from 1.925 bcf/d on Monday.

Saudi Aramco has kept its December term crude supply to Europe steady. Term customers in Asia said Saudi Aramco will resume delivery of full contracted supplies of crude to some buyers in the region in December. Aramco had reduced term allocations to Asian buyers by 10-20% for most of the year in line with output cuts set by OPEC.

The production of North Sea BFOE crude, a basket of Brent, Forties, Oseberg and Ekofisk grades, is expected to total 41.35 million barrels or 1.33 million bpd in December compared with 39.6 million barrels or 1.32 million bpd in November. The Brent crude stream is scheduled to load 4.449 million barrels or 143,516 bpd in December, up from 3.6 million barrels or 120,000 bpd in November. The Forties crude stream is scheduled to load 19.6 million barrels or 632,258 bpd in December, up from 18.6 million barrels or 620,000 bpd in November. The Oseberg crude stream is scheduled to load 6 million barrels or 193,548 bpd in December, up from 5.5 million barrels or 183,333 bpd in November. The North Sea Ekofisk crude stream is scheduled to load about 11.3 million barrels or 361,000 bpd in December, down from 11.9 million barrels or 400,000 bpd in November. Meanwhile, the December loading program for North Sea Statfjord crude scheduled the loading of 5.985 million barrels, up 855,000 barrels on the month. The volume is equivalent to 193,065 bpd compared with 171,000 bpd in November. The December loading program for North Sea Gullfaks crude scheduled the loading of 7.695 million barrels, unchanged on the month. The volume is equivalent to 248,226 bpd compared with 256,500 bpd in November.

Iraq's cabinet plans to approve oil agreements with Western oil majors to develop the West Qurna and Zubair oilfields on November 17th. It will approve an initial deal with a group led by Italy's Eni for the Zubair field after addressing issues raised by the cabinet's legal committee. Approval of a deal for the West Qurna oilfield with an ExxonMobil-led group that includes Royal Dutch Shell has been delayed to next week.

An executive at China's Sinopec Corp said the country's oil demand will increase in 2010, suggesting the rising need for imports. China's refined fuel demand growth is expected to reach 8% in 2010, up from an estimated 3% in 2009. Separately, Sinopec expects crude oil imports from Iran to remain at 20 million tons or slightly more next year.

Qatar International Petroleum Marketing Co said the country will export about 450,000 bpd or 25 cargoes of condensates by the end of 2010. Qatar currently exports about 17-18 cargoes of condensate monthly.

Brazil's OGX has increased its estimated crude resources to 6.7 billion barrels from 4.8 billion barrels. As a result of the greater resource base, OGX in 2010 will increase the number of wells it drills to 27 from the previously planned 19 wells.

Ecuador's Central Bank said the country exported 8.94 million barrels in the first eight months of 2009, down 9% from the 9.84 million bpd reported last year.

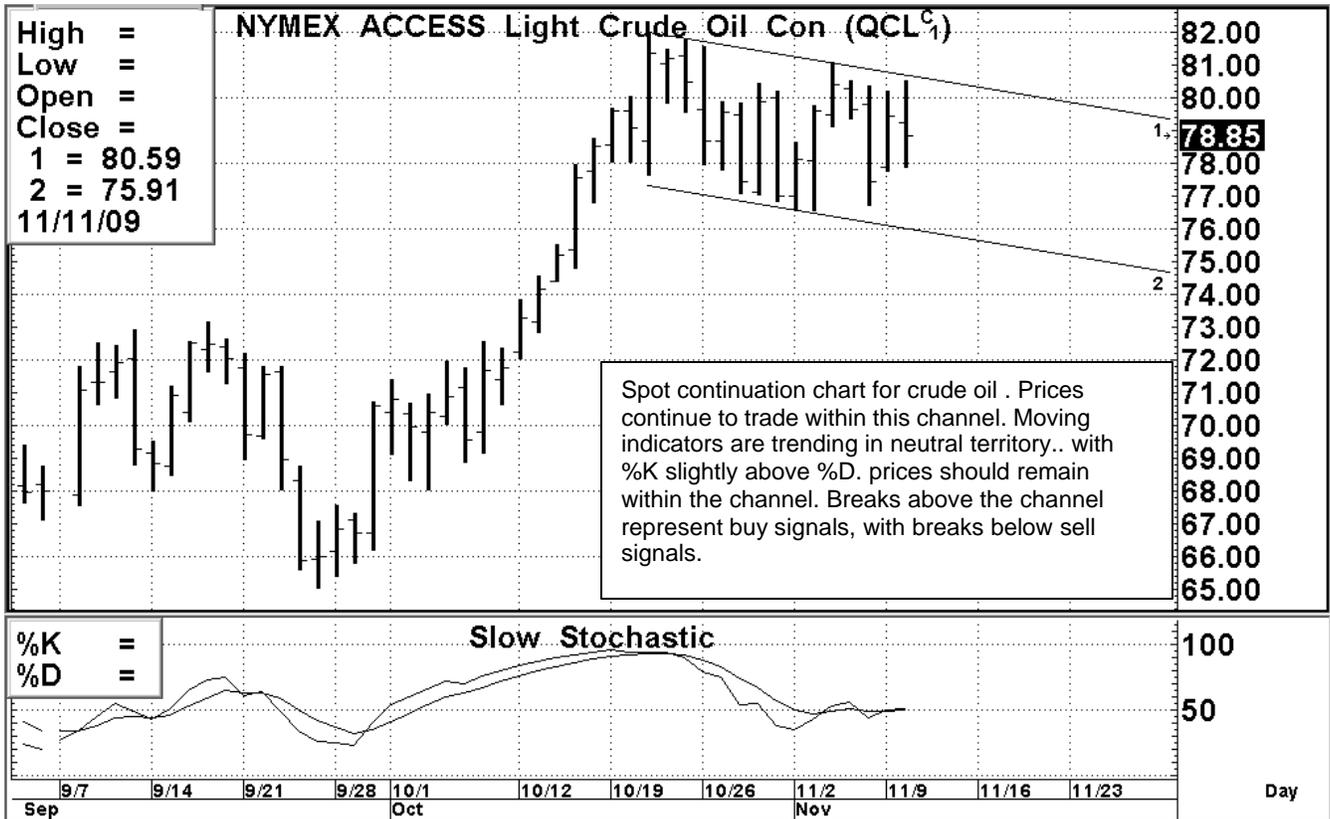
Iraq's State Oil Marketing Organization increased the December official selling price of its Basra light crude bound for the US while it cut the price for customers in Europe and Asia. Basra Light crude bound for the US in December was set at second month WTI minus \$4.70/barrel, up 25 cents while the price of Basra Light crude bound for Europe was set at dated Brent minus \$1/barrel, down 20 cents and the price of Basra Light crude bound for Asia was set at the Oman/Dubai average minus 15 cents/barrel, down 15 cents on the month. December Kirkuk crude bound for the US was set at spot WTI minus \$2.30/barrel, up 70 cents on the month.

OPEC's news agency reported that OPEC's basket of crudes increased by 32 cents to \$76.57/barrel on Monday.

Market Commentary

Crude oil traded higher through the night and into the early morning session as it reacted to output curbs in the Gulf of Mexico due to Tropical Storm Ida. As the dollar grew stronger and Tropical Storm Ida was downgraded, prices came under pressure, sending the December crude oil contract below \$78.00. Investors lost their attraction to commodities as the dollar strengthened, lightening up further on their long positions. The energies markets are still closing tied to the financial markets, which appear to have the upper hand over the underlying fundamentals. We would look for this pattern to continue, with the fundamentals limiting upside potential. Technically, the December crude oil contract remains within the descending channel that can be depicted on the spot continuation chart. As with previous days we would look for prices to remain within the channel, barring any major shifts in the supply/demand situation. This channel will begin tomorrow's session set between \$80.59 and \$75.91.

Crude DEC. 258,226 -33,442 JAN.10 221,728 +26,789 FEB.10 72,751 +2,024 MAR.10 62,711 +1,558
22,244 -173 Totals: 1,215,240 -633 Heating DEC.09 73,643 -1,638 Jan.10 70,465 +3,588.
FEB 10 32,328 +478 MAR.10 23,910 +540 Totals: 324,884 +4,928 Gasoline DEC.09 72,702 -7,564
JAN.10 71,315 +6,847 FEB.10 21,584 -887 MAR.10 23,363 +250 Totals: 250,598 +226.



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

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