

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 16, 2009

The UN's IAEA said Iran's explanation about the nature and purpose of a second previously undeclared nuclear site requires further clarification. It said that while the plant corresponds to the design information provided by Iran, the country's explanation about the purpose of the facility and the chronology of its design and construction requires further clarification. It is concerned that Iran's belated revelation of a new uranium enrichment site may mean it is hiding other nuclear facilities. According to the IAEA's report, inspectors found that Iran had reduced since August the number of centrifuges enriching uranium at its main Natanz site

Market Watch

The European Union and Russia on Monday agreed to an early warning mechanism to shield Europe from potential energy supply cuts. The agreement requires both sides to notify the other of any likely disruption to supplies of oil, natural gas or electricity and to work together to resolve the problem. The European Commission said third parties would also be allowed to participate.

The Commerce Department said sales at US retailers increased more than expected in October as consumers bought more motor vehicles and other goods. However the previous month's figures were revised lower. It said total retail sales increased 1.4% last month, the largest increase since August after falling by a revised 2.3% in September. Excluding motor vehicles and parts, retail sale increased by a smaller than expected 0.2% in October after increasing 0.4% in September. The Commerce Department also reported that inventories fell by 0.4% from the prior month to a seasonally adjusted \$1.303 trillion. The inventory-to-sale ratio held steady in September at 1.32.

Conditions for New York manufacturers improved in November, though at a somewhat slower pace than in October. The Federal Reserve Bank of New York's Empire Manufacturing Survey showed that its general business conditions index fell by 11 points to 23.51 from 34.57 in October. The index for new orders fell to 16.66 from 30.82 last month.

Japan's GDP grew at a 4.8% pace in October.

According to Goldman Sachs and Morgan Stanley's latest filings on Consolidated Financial Statements for Bank Holding Companies, the companies reduced the size of their commodity trading books during the third quarter. The majority of the decline came from smaller positions in exchange traded futures contracts as well as a reduction in over-the-counter options. OTC swap positions also fell.

Russia's Finance Ministry announced that Russia will raise its oil export duty by 17% to \$271.10/ton starting December 1st. Export duties on light refined products such as gasoline and gas oil will total \$194.90/ton, up from the current level of \$168.10/ton while export duties on heavy refined products such as fuel oil will total \$105/ton, up from the current level of \$90.50/ton.

The IntercontinentalExchange said just over 287,000 lots of ICE gas oil futures traded on November 6th, setting a record for daily trade. Monthly volumes of ICE gas oil totaled 3.4 million lots in October compared with just below 2 million lots of heating oil futures on the NYMEX for the same month.

<p>November Calendar Averages CL – 78.65 HO – 2.0391 RB – 1.9737</p>

by 650 to 3,936 while slightly raising the total number of machines installed to 8,692.

Iran’s President Mahmoud Ahmadinejad said the country’s nuclear rights were not negotiable. He said Iran’s nuclear cooperation will be down within the UN’s IAEA’s framework. US President Barack Obama said time was running out for diplomacy in a dispute over Iran’s nuclear program. Separately, Russia’s Energy Minister Sergei Shmatko said a nuclear power plant that Russia is building in Iran will not start operations by the end of 2009 as previously announced.

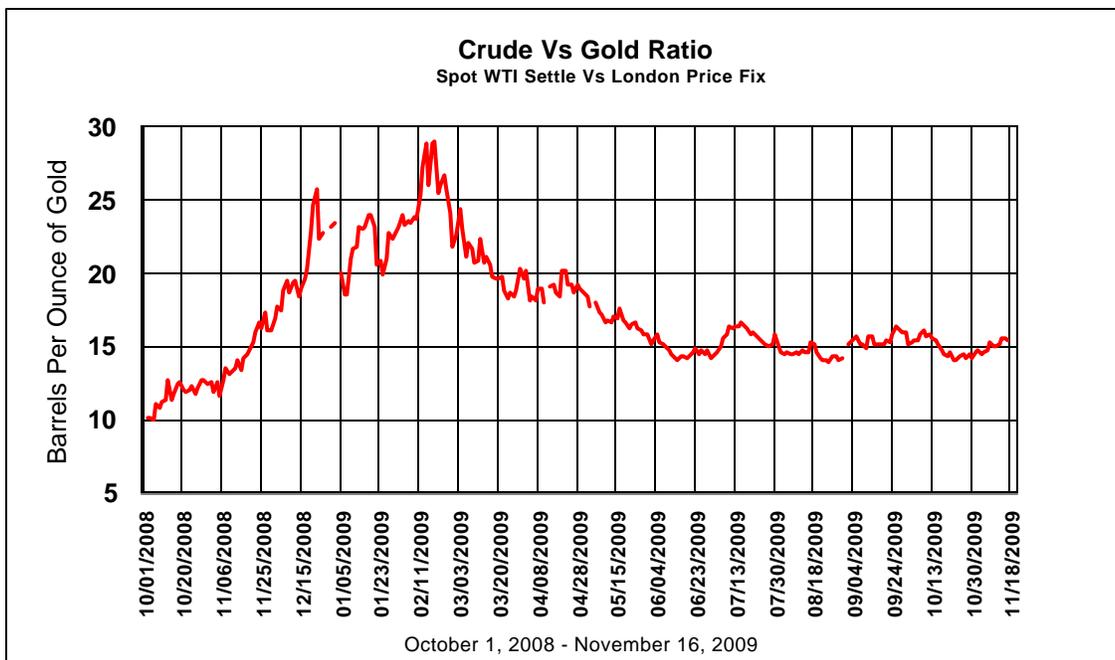
OPEC President Jose Botelho de Vasconcelos, who is also Angola’s Oil Minister, said that \$80/barrel was not high but a good price for oil. He said OPEC is “happy” with crude oil prices between \$75 and \$78/barrel. He said that OPEC members should also look carefully at how oil was currently priced. He said it is still too early for OPEC to make a decision on production changes before its December meeting. OPEC is scheduled to meet in Luanda, Angola on December 22 to decide on its oil production policy. Separately, OPEC’s President said OPEC estimates world oil demand will grow by 20 million bpd to 106 million bpd between 2008 and 2030.

Kuwait’s national representative to OPEC, Nawal al-Fuzaia said OPEC is still weighing any need to adjust crude production before its December meeting. He said the first direction could lead to not changing the production level given that the world economy started recovering and supplies from outside OPEC are limited.

Energy consultant Daniel Yergin said current oil prices are the result of financial market gyrations and do not reflect the supply-demand fundamentals. He said there will be an interplay between oil as a physical commodity and oil as a financial instrument. However he added that further upside for oil could be limited.

Nigeria’s President Umaru Yar’Adua has held talks with former rebel leaders in the Niger Delta in a bid to end the conflict in the region. The president’s spokesman said he used the session to reiterate his commitment to the overall peace and development of the Niger Delta. He said the talks were “frank and fruitful.”

The EIA reported that the US average retail price of diesel fell by 1.1 cents/gallon to \$2.79/gallon in the week ending November 16th. The EIA also reported that the US average retail price of gasoline fell by 3.7 cents



to \$2.629/gallon on the week.

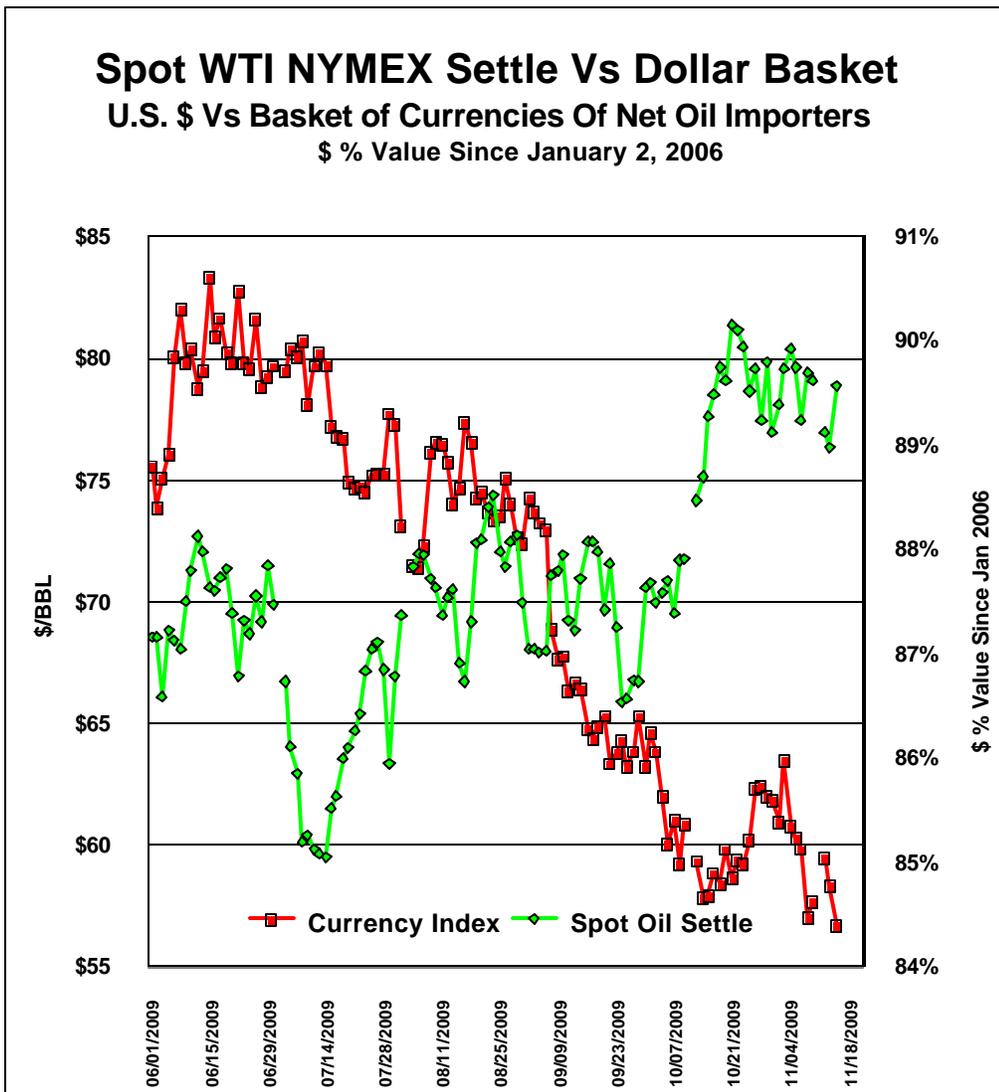
Refinery News

Colonial Pipeline said late Sunday it allocated nominations for cycle 66 on its main diesel line north of Collins, Mississippi.

Credit Suisse reported that US refinery margins fell in markets east of the Rockies on weaker product prices. Midwest margins fell for the third consecutive week, falling by \$1.73/barrel to \$1.86/barrel in the latest week. Gulf Coast margins fell by 16 cents/barrel to \$3.23/barrel while Northeast margins fell by 38 cents/barrel to \$5.31/barrel. Margins in the Rockies region increased by 81 cents/barrel to \$12.09/barrel while margins in the West Coast fell by \$1.07/barrel to \$8.23/barrel on the week.

Valero Energy Corp's 310,000 bpd Port Arthur, Texas refinery reported that a sulfur recovery unit's operations were interrupted when the heater tripped off line. Separately, Valero Energy Corp's 245,000 bpd Texas City, Texas refinery restarted its fluid catalytic cracking unit over the weekend after the unit was hut last month for repairs.

Tesoro Corp's 96,860 bpd Los Angeles refinery experienced an upset at its fuel gas system on Saturday morning. The incident caused process heaters, boilers and a co-generation unit to release 1,300 pounds of sulfur dioxide vapor.



China's crude oil stocks at the end of October may remain flat on the month due to only a small gap between the month's apparent crude consumption and crude runs. The country's crude oil stocks have averaged 37-39 million tons.

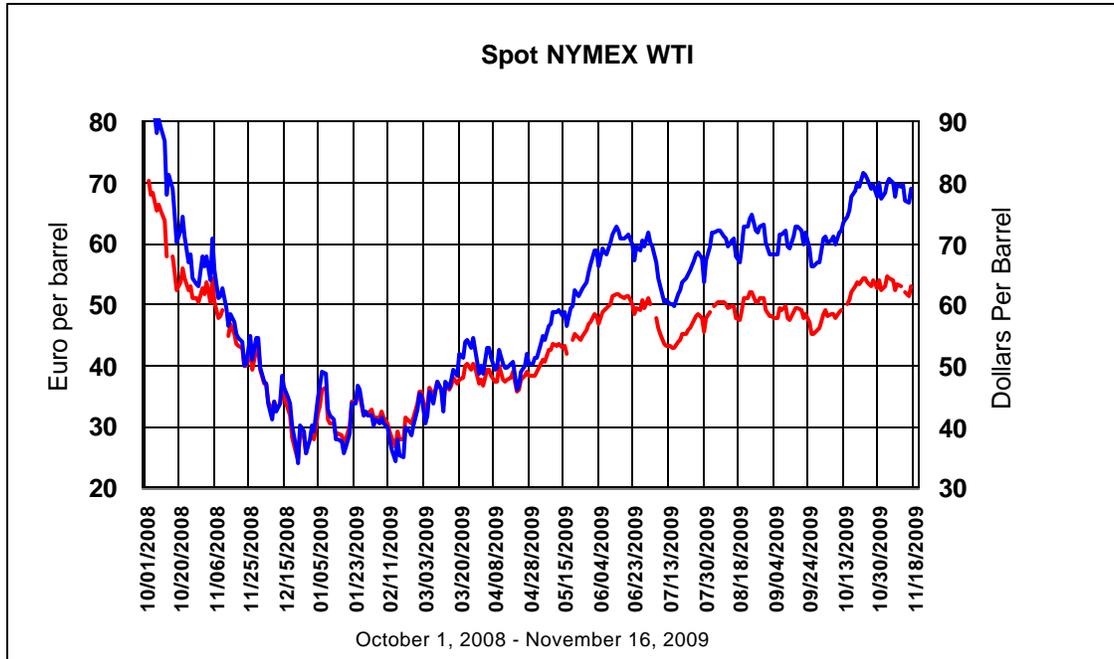
Combined stocks of gasoline, diesel and kerosene held by CNPC and Sinopec Group fell by 5% on the month while domestic sales increased by 2.6%. A source said gasoline stocks increased by 1.6% while diesel stocks fell by 10.1%. Meanwhile, gasoline sales increased by 3.7% in October to

about 5.8 million tons while diesel sales increased by 2.2% to 12.4 million tons.

Taiwan's total oil product demand in September increased by 16.5% on the year to 4.176 kiloliters of oil equivalent.

A senior Iranian official said Iran may reduce private motorists' quota of

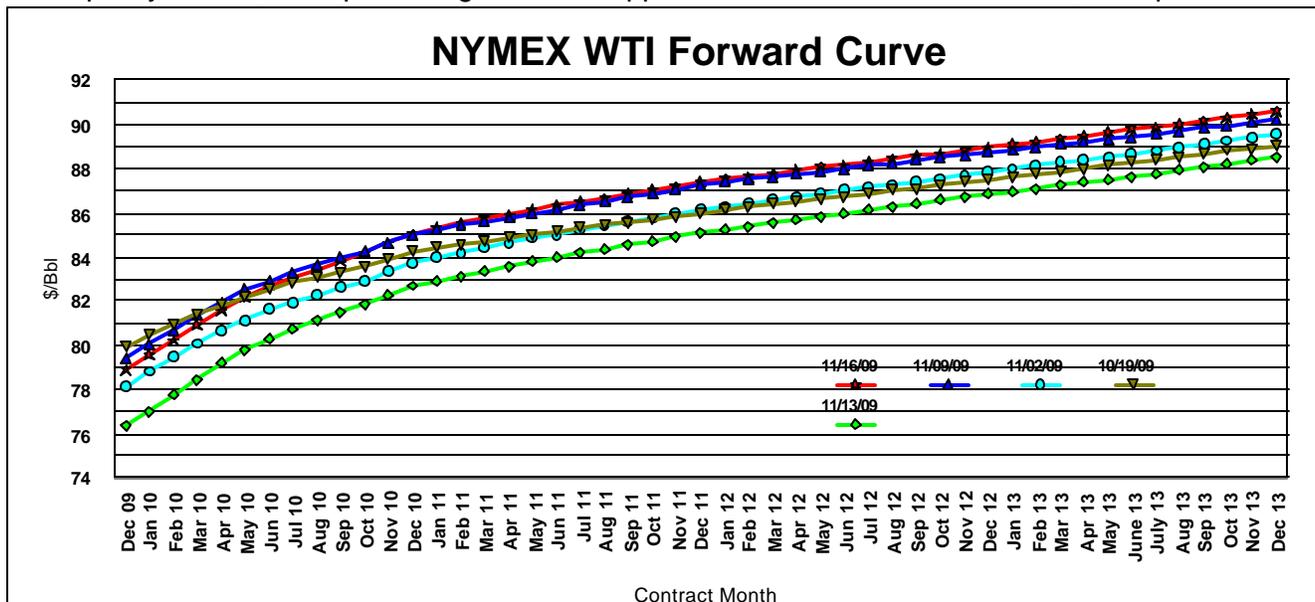
subsidized gasoline by 20% during the coming winter months. Under a rationing scheme introduced in mid-2007, motorists can buy 100 liters of gasoline per month for the price of 1,000 rials or 10 cents/liter. Iran's Oil Minister Massoud Mirkazemi has previously stated that from March 2010 the allocated monthly fuel quota will be lowered to about 55 to 60 liters and will gradually be eliminated within five years.



Production News

BP Plc said it found oil at its appraisal well in Kaskida field in the Gulf of Mexico.

Venezuela's Petroanzoategui oil upgrader cut its production by 44,000 bpd since Friday due to problems with a boiler, causing storage issues for the fields extra-heavy crude. The capacity of Petroanzoategui is 130,000 bpd. Production from the Orinoco region's four upgraders was close to its full capacity of 620,000 bpd in August, but dropped from October when the 180,000 bpd PetroPiar



upgrader went offline for planned maintenance. The outages are causing a bottleneck of the heavy crude, with the local Zuata storage tanks almost full.

Iraq's Oil Minister Hussein Shahrastani said Iraq expects strong competition at the next round of bidding by international oil firms in December seeking to invest in the country's reserves. The bidding will take place as planned on December 11 and 12th.

Kazakhstan produced 6.8 million tons of oil and gas condensate in October 2009. Kazakhstan's State Statistics Agency reported that the country's crude oil production in October increased by 7% on the month and by 8.5% on the year to 5.769 million tons.

Ukraine's State Statistics Committee said the country's gasoline production in January-October increased by 0.03% on the year to 268 million tons. It said refineries had increased gas oil production by 6.5% to 3.117 million tons so far this year.

Brazil's Petrobras is maintaining its 2009 production target of 2.05 million bpd, despite market forecasts it will be unlikely to reach it. At the end of September, Petrobras produced an average of 1.963 million bpd.

Brazil's OGX made a discovery of oil off the coast of Rio de Janeiro which it estimates at between 400 million and 500 million barrels. The find would add to the company's estimated hydrocarbon resources which it said last week had been certified at about 6.7 billion barrels.

Ecuador's central bank reported that the country's average oil production fell 3% to 490,000 bpd between January and September from 506,000 bpd last year. Petroecuador's oil production averaged 283,000 bpd in the first nine months while private companies' oil production averaged 207,000 bpd.

OPEC's news agency reported that the OPEC basket of crudes fell to \$75.26/barrel on Friday, down from \$76.06/barrel on Thursday. It also reported that OPEC's basket of crudes fell by 10 cents to \$76.26 in the week ending November 13th.

Market Commentary

The oil markets surged higher on some positive economic news while the dollar weakened. The crude market rallied higher amid the strength seen in the equities markets which traded to new intraday highs for the year. Japan offered initial support to the market amid reports that its GDP grew by 4.8%, the fastest pace in more than two years. The US Commerce Department also reported that retail sales in October increased by 1.4%. The dollar fell against a basket of currencies after the US and China failed to reach an agreement on currencies. The crude market bounced off its lows early in the session and never looked back. The market rallied over 4% to a high of \$79.43 before settling up \$2.55 at \$78.90. The crude market continues to trade within its channel, which is set at \$75.54 to \$80.22 for Tuesday. It is seen retracing some of today's sharp gains, with support seen at \$78.25, \$77.96, \$77.50, \$77.04 followed by its low of \$76.35 and \$75.63. Meanwhile, the heating oil market was supported by strength in the crude market and weather forecasts calling for colder than normal temperatures. The heating oil market, which opened at its low of \$1.9631, rallied over 8 cents to a high of \$2.0463 ahead of the close and settled up 6.59 cents at \$2.032. Similarly, the RBOB market settled up 7.06 cents at \$1.9868 after it bounced off its lows early in the session amid the strength in the oil market. The markets are seen retracing their gains as traders position themselves ahead of the weekly petroleum stock reports, which are expected to show builds in crude and gasoline stocks and a small build in distillate stocks. Support in the heating oil market is seen at \$2.0215, \$2.0085, \$1.9726, \$1.9631 and \$1.9504 while support in the RBOB market is seen at \$1.9628, \$1.953, \$1.917, \$1.906 and \$1.9026.

Crude DEC. 188,471 -22,550 JAN.10 300,522 +7,860 FEB.10 76,303 +2,675 MAR.10 65,898 +1,332
 Totals: 1,255,374 -9,361 Heating DEC.09 49,807 -6,379 Jan.10 78,215 -107 FEB 10 35,117 +538
 MAR.10 25,872 +945 Totals: 320,339 -2,442 Gasoline DEC.09 47,322 -3,290 JAN.10 93,151 +1,152
 FEB.10 23,064 +658 MAR.10 24,803 +848 Totals: 255,868 +2,450.

Crude Support	Crude Resistance
78.25, 77.96, 77.50, 77.04, 76.35, 75.63, 73.52, 71.52	79.43, 79.69, 80.10, 80.50, 82.00, 84.83, 85.40, 86.60, 88.80
Heat Support	Heat resistance
2.0215, 2.0085, 1.9726, 1.9631, 1.9504, 1.9140, 1.8918	2.0463, 2.0606, 2.0706, 2.0905, 2.0996, 2.1412
Gasoline support	Gasoline resistance
1.9628, 1.9530, 1.9170, 1.9060, 1.9026, 1.8840, 1.8480, 1.7900	2.003, 2.0174, 2.0317, 2.0441, 2.0737, 2.1015, 2.1100, 2.1600

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.