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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 19, 2009

US President Barack Obama said the world powers could have a package of measures against Iran within weeks, warning Iran of consequences for its failure to respond to an offer of a nuclear deal. He said Iran would not be given an unlimited amount of time, likening the Iranian nuclear issue to years of stop-and-start negotiations with North Korea over its nuclear ambitions. However Iran's Foreign Minister Manouchehr Mottaki dismissed talk of further sanctions. He said Iran was willing to discuss the reactor fuel deal but only if the swap or enriched uranium for the fuel took place within Iran. Meanwhile, Iran's President Mahmoud Ahmadinejad reiterated that Iran

would respond positively to a change in big powers' policy. Separately, Russia said there was still every chance of reaching a deal with Iran over its nuclear program, despite the apparent rejection by

Market Watch

The US Labor Department reported that the number of initial claims filed for unemployment benefits remained unchanged at 505,000 in the week ending November 14th. The previous week's level was revised to 505,000 from 502,000. The four week moving average of new claims fell by 6,500 to 514,000 from the previous week's revised average of 520,500. The number of continuing claims fell by 39,000 to 5,611,000 from the preceding week's revised level of 5,650,000. The unemployment rate for workers with unemployment insurance for the week ending November 7th was 4.3%, unchanged on the week.

A member of the US Commodity Futures Trading Commission, Scott O'Malia said he does not fully agree with CFTC Chairman Gary Gensler's views on how to impose new regulations for the over-the-counter derivatives market. He said he does not believe that commercial companies that use swaps to hedge risks like interest rate changes should be forced to trade their contracts on regulated platforms or have their contracts processed through clearinghouses. He said that while he supports encouraging the clearing of routine products to the greatest extent possible, it is important to preserve the option of allowing commercial users to arrange their own risk management strategies, without being forced to clear each and every trade.

Forecasters at Colorado State University said the Atlantic Hurricane season, which officially ends November 30th, is the quietest since 1997. The season featured nine named storms, three hurricanes and two major hurricanes, with sustained winds of 111 mph or greater. Long term averages are 9.6 named storms, 5.9 hurricanes and 2.3 major hurricanes per season.

Trafigura said that while the worst of the credit crunch is over and commodity financing has increased, the oil market is still struggling with high inventories and added that current prices are too high. The company's chief financial officer also said that while the link between oil prices and financial market flows are likely to continue for the near term, the two would eventually decouple.

**November
Calendar Averages**
CL – 78.67
HO – 2.0381
RB – 1.9783

Iran of a UN brokered offer. A Russian Foreign Ministry official said there was currently no discussion about imposing new UN sanctions against Iran.

EU Foreign Policy Chief Javier Solana said representatives from major world powers will meet in Brussels on Friday to discuss development with Iran's nuclear program.

Qatar's Oil Minister Abdullah al-Attiyah said he does not expect OPEC to make any changes in its production quotas when the group meets in December. Meanwhile, Nigeria's Oil Minister Rilwanu Lukman said OPEC could decide to increase oil output slightly at its ministerial meeting next month if there were to be a substantial increase both in oil demand and prices.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to remain relatively flat in the four weeks ending December 5th at 22.78 million bpd. It is just up 50,000 bpd from the previous four weeks ending November 7th.

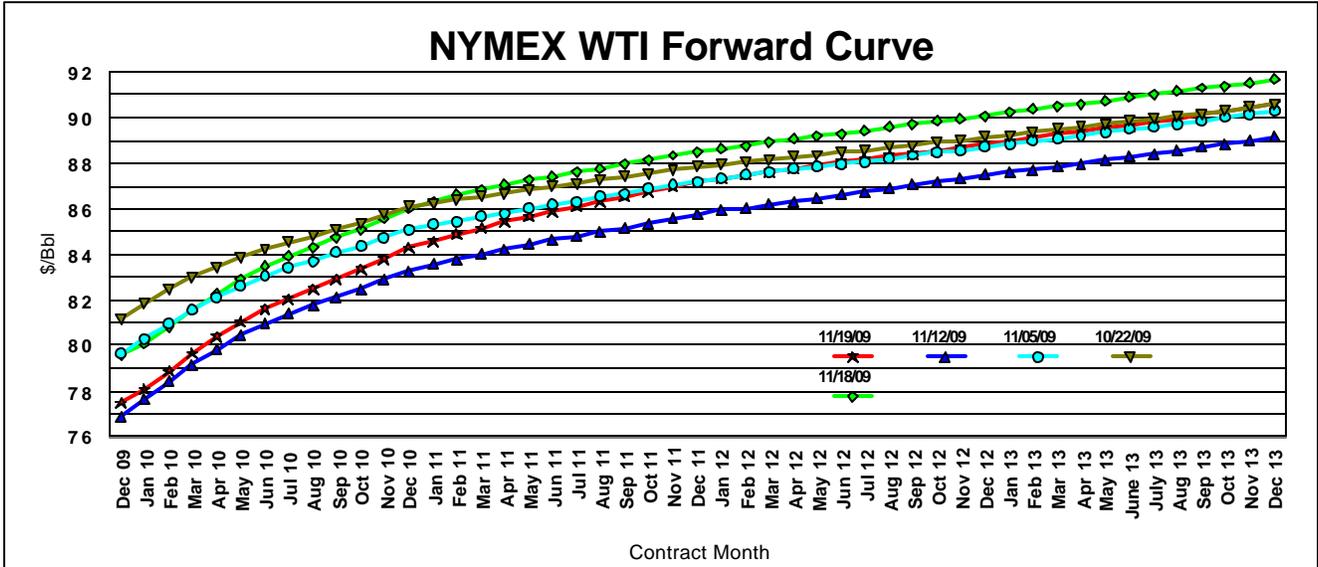
The Organization for Economic Cooperation and Development said the US economy is recovering from the recession due to the government stimulus and will grow more than expected in 2010. It however said that unemployment will fall slowly and warned inflation could increase if the US administration is late in withdrawing the large amount of liquidity pumped into the economy. It said US GDP will expand by 2.5% in 2010 after contracting at the same pace in 2009. This is compared with a June forecast that GDP would grow by 0.9% next year. It said the US inflation should increase to 1.4% next year from just 0.2% in 2009. Separately, the OECD said China's economy will expand more quickly this year than previously forecast an even faster next year but will slow in 2011. It forecasts that the Chinese economy will expand 8.3% this year, higher than its June forecast of a 7.7% increase. Growth is likely to quicken to 10.2% in 2010 compared with its previous forecast of 9.3% while economic growth is likely to slow to 9.3% in 2011.

Refinery News

Colonial Pipeline allocated cycle 67 shipments on its main distillate line north of Collins, Mississippi.

ExxonMobil said operations at its 149,500 bpd refinery in Torrance, California returned to normal following a unit upset on Wednesday.

Valero Energy Corp said its 105,000 bpd coker unit at its 325,000 bpd Port Arthur, Texas refinery is



operating at reduced rates after it restarted one of three modules that were shut for repairs. The modules were shut to repair cracks in the coke drums. The two remaining modules continue to undergo maintenance work and are expected to resume operations in the next few days. Separately, Valero Energy reported flaring caused by boilers at its 245,000 bpd Texas City, Texas refinery. It said the incident involved three boilers located in complex 4.

Flint Hills Resources reported a pinhole-sized gas leak at the west plant of its 300,000 bpd Corpus Christi, Texas refinery. The leak at a flare pipe in the west crude unit started Tuesday morning. It said the piping with the pinhole leak was promptly clamped.

Western Refining corrected a compressor malfunction on a fluid catalytic cracking unit at its 122,000 bpd El Paso, Texas refinery on Thursday. The wet gas compressor tripped offline early Thursday morning and was restarted within an hour.

Nigeria's oil refineries in Warri and Kaduna could resume operations in mid-December after workers complete repairs on a pipeline feeding crude supplies to two facilities. Nigeria hopes to complete repairs next month on the Chanomi Creek crude oil pipeline that connects to Warri's 125,000 bpd refinery and Kaduna's 110,000 bpd refinery. Two refineries in Port Harcourt are currently in operation with a capacity of about 210,000 bpd. Nigeria's four state-owned refineries have a nameplate capacity of 445,000 bpd.

The EIA reported that US ethanol production could eventually reach 14.5 billion gallons/year, up 16% from output capacity at the start of 2009 and enough to blend 10% of the fuel into every gallon of the country's gasoline. US ethanol output capacity stood at almost 12.5 billion gallons/year at the start of 2009.

Gas oil inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending November 19th increased by 0.29% on the week and by 61.43% on the year to 2.775 million tons. Gasoline inventories increased by 6.96% on the week by 29.16% on the year to 784,000 tons while fuel oil stocks fell by 15.63% on the week but increased by 2.86% on the year to 540,000 tons. Naphtha stocks fell by 5.56% on the week but fell by 69.64% on the year to 34,000 tons while jet fuel stocks fell by 3.16% on the week but increased by 15.38% on the year to 675,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 57,000 barrels to 21.076 million barrels in the week ending November 18th. It also reported that its light distillate stocks fell by 753,000 barrels to 8.685 million barrels while middle distillate stocks built by 174,000 barrels to 13.624 million barrels on the week.

Production News

Mexico's oil export terminals of Dos Bocas and Cayo Arcas in the Gulf of Mexico reopened on Wednesday after a brief closure due to bad weather conditions.

Nippon Oil Corp officials are scheduled to meet on Sunday with Iraqi Oil Ministry officials to finalize a deal to develop Iraq's Nassiriyah oil field in southern Iraq.

Marathon Oil Corp said it expects 2009 production growth of 6% over the year ago period. It said it will cut back spending on refining and marketing of gasoline and other products and channel more resources into exploration and production of crude and natural gas.

Nigeria is keeping only 100,000 bpd of crude oil to meet its domestic demand and selling the remainder.

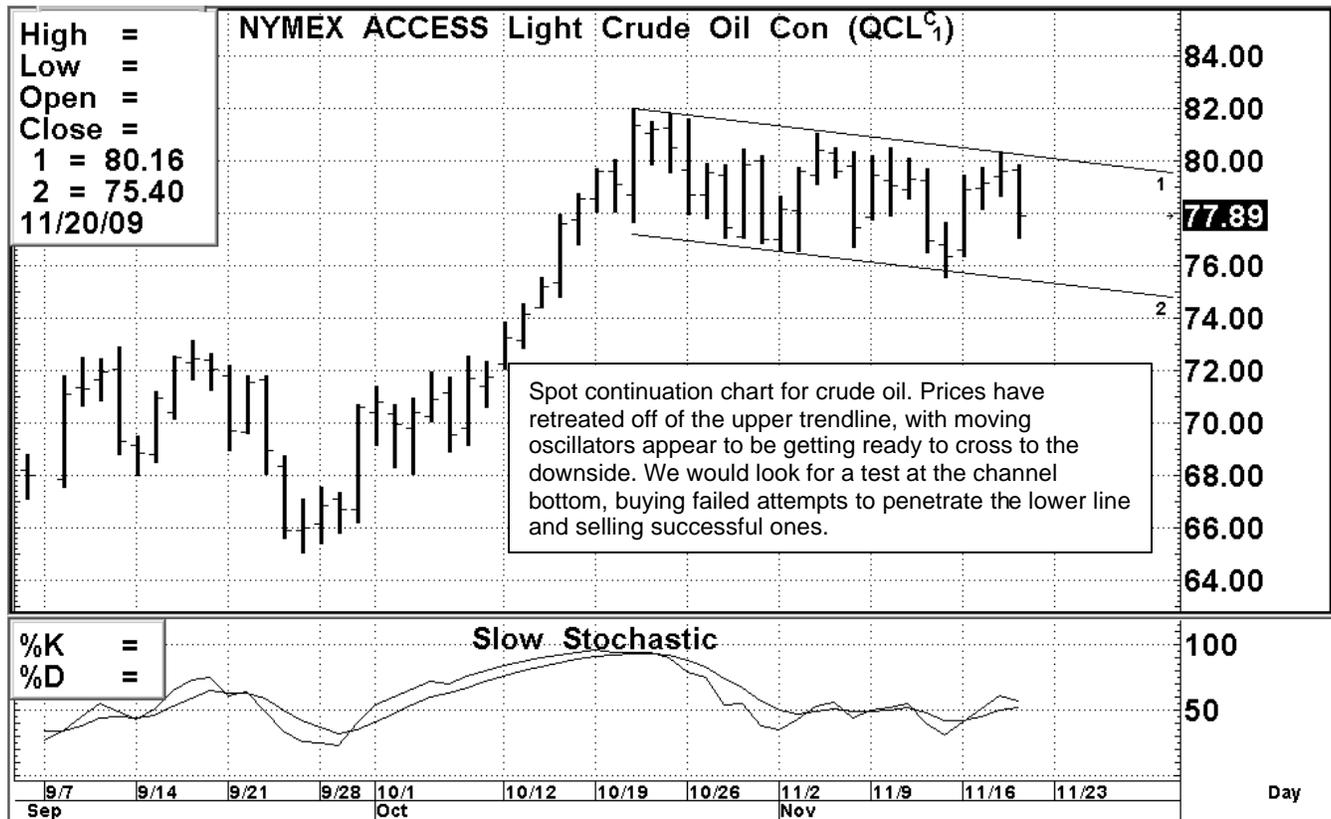
Brazil's National Petroleum Agency will start drilling in a promising offshore oil patch in the first week of December. It said the aim is to help delineate areas containing 5 billion barrels of oil to be used for a capital infusion of Petrobras. He said the aim is to locate new large oil reservoirs with the potential of between 2 billion and 3 billion barrels each.

Ecuador's central bank said the country exported 8.89 million barrels in September, down 7% from 9.54 million bpd last year.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$77.87/barrel on Wednesday, up from Tuesday's \$76.97/barrel level.

Market Commentary

"Which way will it go, George, which way will it go?" If my name were George, I would answer, "We are stuck in a range". After posting three straight gains, crude oil fell off today as the dollar strengthened and equities tumbled, sending signals through the market place that demand will remain sluggish. The December crude oil remains trending within the descending channel that began in the middle of October. Prices have tested the top of this channel five times, only to retreat to the bottom of the channel. Slow stochastics appear to be getting ready to cross to the downside, signaling weakness in the market. Coming into tomorrow, we would look for a test at the aforementioned channel bottom, which is set at \$75.40 for tomorrow's session. Failures to breakout of this channel would present buying opportunities, with the upside target being the channel top, set at \$80.18. Should prices penetrate this level, a sell signal would occur. Upon a settlement below this channel, the projected downside potential would be \$70.70.



Crude DEC. 70,506 -25,771 JAN.10 326,019 +6,089 FEB.10 82,362 +1,492 MAR.10 75,125 +4,521
 Totals: 1,188,627 -10,714. Heating oil DEC.09 40,706 -4,165 Jan.10 87,174 +3,250 FEB 10 34,911
 -575 MAR.10 28,659 +1,003 Totals: 325,123 +667 Gasoline DEC.09 37,181 -5,475 JAN.10 108,698
 +5,475 FEB.10 25,990 +345 MAR.10 26,721 +454 Totals: 269,513 2,707.

Crude Support	Crude Resistance
75.40, 73.52, 71.52, 64.70, 63.38, 62.70, 61.61, 60.95	80.50, 84.83, 85.40, 86.60, 88.80
Heat Support	Heat resistance
1.9500, 1.9175, 1.8570, 1.7670,	2.1580, 2.2110, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.9060, 1.8840, 1.8480, 1.7900	2.1100, 2.1600, 2.3350

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