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ENERGY MARKET REPORT FOR NOVEMBER 23, 2009

Iran's Oil Minister Masoud Mirkazemi said that the increase of crude production by non-OPEC countries has had an adverse impact on oil prices. Meanwhile, Iran's OPEC Governor said the crude market is in balance.

According to the Lundberg survey, the US average retail price of gasoline fell by 3.64 cents/gallon to \$2.6477/gallon in the last two weeks. It said that while US demand for gasoline always falls in the winter, the trend will be exacerbated this year by high unemployment and a poor comparison of current prices to pump prices at the same time last year.

Market Watch

The Federal Reserve Bank of Dallas said US diesel fuel prices should increase about 25 cents/gallon during the next six months and 41 cents over the next 18 months, depending on how fast the economy recovers. It expects US crude oil prices to increase from about \$77/barrel to \$85/barrel by the winter of 2010, pushing the pump price for diesel fuel to \$2.92/gallon by next June.

Iran's Central Bank Governor Mahmoud Bahmani said Iran has gained \$5 billion through its policy of shifting away from the US currency in favor of the euro. Since 2007, Iran has received 85% of its oil income in currencies other than the US dollar.

The Yemen based Houthi rebel group Saudi Arabian forces have carried out an incursion into Yemeni territory using tanks, artillery and aircraft after they crossed its border and seized a small area. Saudi Arabia started bombarding suspected Houthi positions earlier this month after they apparently crossed the border and seized control of a small area.

Traders said vessels must sail partly-loaded on the German sections of the Rhine and Danube Rivers due to low water levels. Low water has affected shipping on both rivers for the last two months.

The Baltic Exchange's main sea freight index fell further on Monday by 1.86% or 84 points to 4,423 points in a second consecutive session of falls after reaching 2009 highs earlier last week. The Baltic capsize index fell 2.64% on Monday while the Baltic's panamax index fell 1.08%.

The EIA reported that the US average retail price of diesel fuel fell by 0.3 cents/gallon to \$2.787/gallon in the week ending November 23rd. The EIA also reported that the US average retail price of gasoline increased by 1 cent to \$2.639/gallon on the week.

Refinery News

Colonial Pipeline is allocating cycle 68 on the main gasoline line north of Collins, Mississippi.

Credit Suisse reported that US refinery margins increased last week in all the regions except the Rockies on stronger product prices and flat crude prices. For the fourth consecutive week, the

**November
Calendar Averages**
CL – 78.47
HO – 2.0306
RB – 1.9785

Midwest posted the largest gain east of the Rockies, increasing \$1.41 to \$3.27/barrel. Margins in the Gulf Coast increased by 73 cents to \$3.96/barrel while Northeast margins increased by 8 cents to \$5.39/barrel. Margins in the Rockies fell by 40 cents to \$11.68/barrel while margins in the West Coast increased by \$2.96 to \$11.19/barrel.

According to Reuters, complex refineries in the Gulf last week saw margins of fall to -12 cents compared with the past year's average profit of \$4.38/barrel. Simple refiners in Singapore posted an average loss of 75 cents when processing Dubai crude last week while complex margins averaged a profit of \$1.79/barrel. Rotterdam margins on North Sea Brent averaged \$2.59/barrel for complex plants and \$2/barrel for simple plants. In the Mediterranean, complex refiners posted an average profit of \$1.40/barrel while simple plants posted an average profit of 41 cents/barrel.

ExxonMobil said the restart of its 115,000 bpd fluid catalytic cracking unit at its 562,500 bpd refinery in Baytown, Texas is underway. The unit was shut for two months of planned work at the end of September.

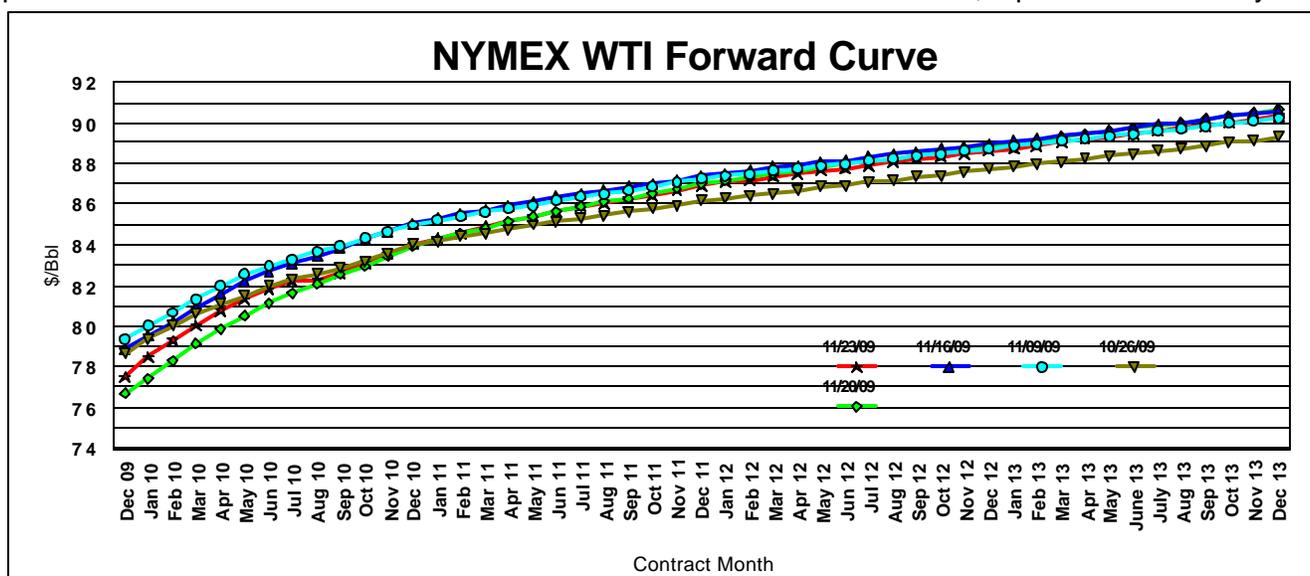
Valero Energy Corp reported flaring and emissions at its 210,000 bpd Delaware City, Delaware refinery on Saturday following a boiler problem with its fluid catalytic cracking unit. It expects the shutdown of the refinery to be completed within the next several days.

Husky Energy Inc is in the process of restarting its 160,000 bpd refinery in Lima, Ohio. The refinery was shut for a major turnaround on October 1st. Separately, Husky Energy said it found as much as 85 million barrels of crude after drilling a new well in the White rose field off the coast of Canada. The well holds an estimated 30 million to 85 million barrels of light crude.

Royal Dutch Shell is conducting routine maintenance at its Scotford refinery in Alberta starting Saturday.

Venezuela's PDVSA restarted its 180,000 bpd Petropiar crude upgrader after several weeks of maintenance.

China's apparent oil demand in October increased to 7.97 million bpd, up 10.3% on the year. It was the seventh consecutive increase, as refiners produced at record rates. Demand for gasoline increased by 9.8% on the year while demand for diesel increased by 4.6%. China's refineries processed a record volume of 33.29 million tons of crude last month, up 10.4% on the year.



Meanwhile, China's gasoline exports fell to 344,888 tons in October from 505,505 tons in September but up 62% on the year. Diesel exports increased to 356,107 in October from 293,759 tons in September while its diesel imports fell by 51% on the month to 106,562 tons. Imports of fuel oil increased by 15.5% on the year to 1.31 million tons. China's crude oil imports in October increased by 19.73% on the year to 19.342 million tons or 4.56 million bpd while its exports increased by 4.04% on the year to 358,139 tons.

Indonesia's Pertamina said Japan's Mitsui & Co may agree to take a lower stake in a planned \$1.5 billion joint venture refinery in Central Java. It previously said a preliminary agreement had been reached to build a 60,000 bpd residue fluid catalytic cracking unit at its existing Cilacap refinery. Under the agreement, Pertamina would take a 20% stake in the project and Mitsui 80% but Pertamina has said that it wants to increase its stake.

Production News

Nigeria plans to export four Bonny Light crude cargoes for January loading, unchanged from December. It is also scheduled to export three EA cargoes, six Escravos, six Forcados and three Yoho cargoes. It also plans to export three Antan cargoes and three Okwori cargoes.

Executives from a consortium led by Japan's Nippon Oil Corp met officials from the Iraqi Oil Ministry on Sunday to discuss an \$8 billion deal to develop the Nassiriya oilfield. A senior Iraqi oil official said Nippon Oil Corp could finalize the deal this week. The Nassiriya oilfield has the potential to produce 100,000 bpd within 18 months.

An Iraqi Oil Ministry official said China's Sinopec Corp sought to pay participation fees to bid for oilfields in Iraq's second bidding round but was refused due to deals they have with the Kurdish Regional Government.

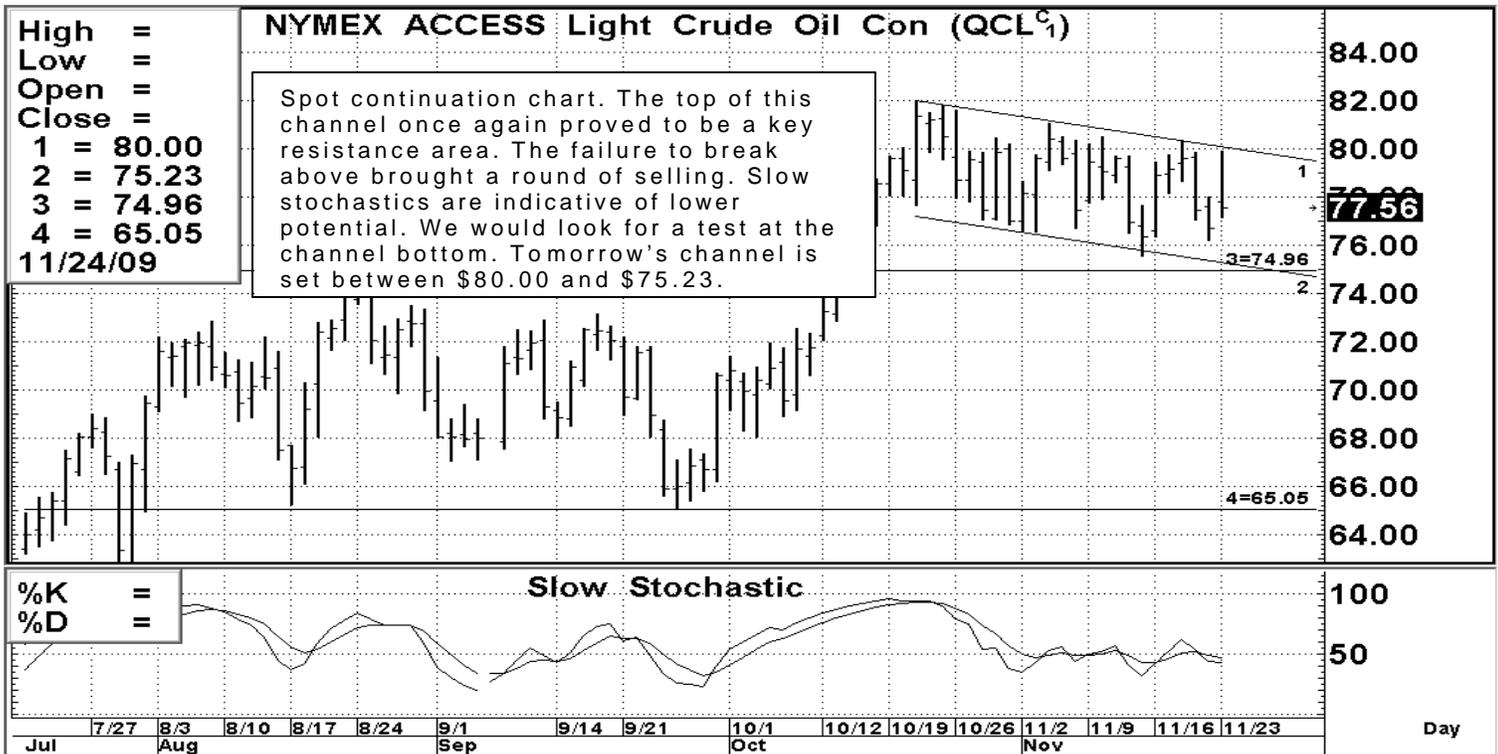
Iran's state news agency reported that Iran has approved the first phase of development at the Yadavaran oilfield and plans to develop the Jufair oilfield. The development of the Yadavaran oilfield will increase the country's production capacity by 85,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$75.78/barrel on Friday from \$76.77/barrel on Thursday. It also reported that OPEC's basket of crudes increased by 52 cents to \$76.78/barrel in the week ending November 20th.

Market Commentary

After rallying to over \$2.00 higher on the day, crude oil wound up settling only 9 cents higher than the previous day's session. Good Asian buying overnight off of the Iranian news, spilled over into the U.S. markets. A failed attempt at \$80.00 and dwindling demand, brought with it a round of selling by investors who grew less confident about an economic recovery. Despite the pulling back on runs and the pending permanent closure of Valero's Delaware City refinery, this market continues to look weak, as demand remains sluggish. We remain with our stance that crude oil is range bound, with a bearish hue. The range appears to be lowering, with the current range set between \$80.00 and \$75.00. Should this market post a settlement below \$75.00, we would look for a test at \$65.00.

Crude 327,198 -5,515 FEB.10 90,333 3,437 MAR.10 79,483 1,750 Totals: 1,142,562 -26,781.
Heating oil 34,808 -2,260 Jan.10 87,384 -2,889 FEB 10 30,099 +1,246 MAR.10 30,974 1,539 Totals:
327,478,-1,368 Gasoline DEC. 10 28,038 -3,676 JAN.10 109,456 -1,004 FEB.10 28,467 1,1004
MAR.27886 82 Totals: 268,492 -45.



Crude Support 75.40, 74.96, 73.52, 71.52, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	Crude Resistance 80.50, 84.83, 85.40, 86.60, 88.80
Heat Support 1.9500, 1.9175, 1.8570, 1.7670	Heat resistance 2.1580, 2.2110, 2.2575, 2.4200
Gasoline support 1.9060, 1.8840, 1.8480, 1.7900	Gasoline resistance 2.1100, 2.1600, 2.3350

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