



ENERGY RISK MANAGEMENT

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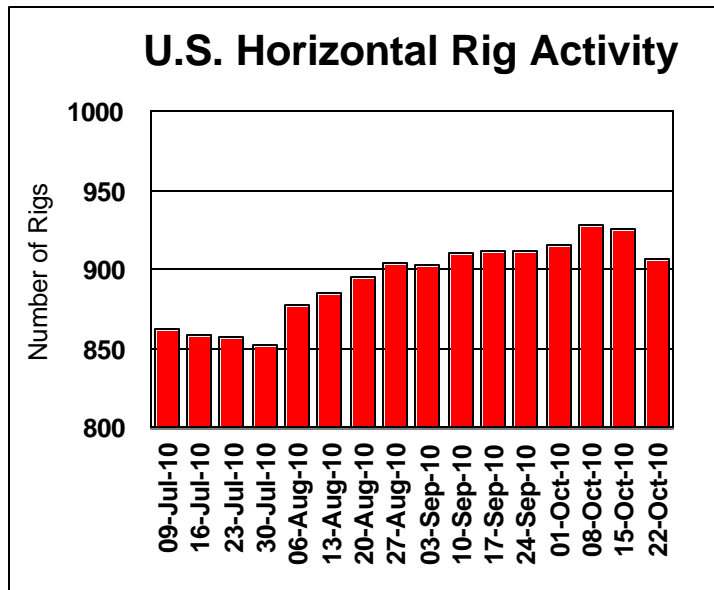
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NATURAL GAS & POWER MARKET REPORT FOR OCTOBER 22, 2010

NATURAL GAS MARKET NEWS

Forecasters at the National Hurricane Center this morning continued to watch Tropical Storm Richard in the northwestern Caribbean. They expect to see this storm strengthen this weekend before striking Belize and the Yucatan Peninsula on Monday. The remnants of the storm are expected to emerge into the Bay of Campeche. Its potential path afterwards remains murky. Currently the possibility of the storm tracking northward into the Gulf of Mexico is a possibility, but confidence in any long track model guidance remains low given the variability of the forecast of this storm over the last 24-48 hours. Elsewhere forecasters were watching two low pressure systems in the Atlantic, one a hundred miles south of the Cape Verde Islands, which was seen as offering not threat to land other than the Cape Verde Islands, while the other is about 1000 miles east of the eastern Caribbean Islands and its path was unknown at this time.

Baker Hughes reported this afternoon that the number of rigs search for natural gas in the United States fell by 1 rig from the previous week and stood at 965 for the fourth weekly decline in five weeks. The number of horizontal rigs search for natural gas, the type most often used to extract shale gas, slid by 19 to 907, its second weekly decline and the lowest horizontal rig count since September 3rd.



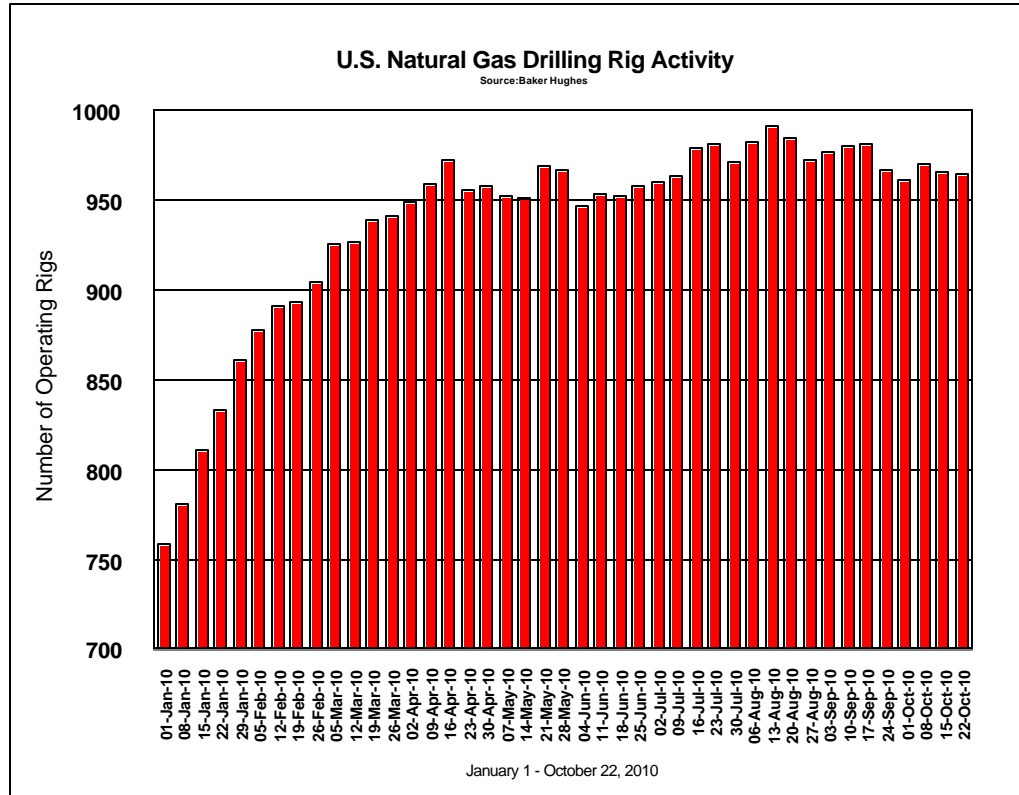
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	641,800	\$3.186	(\$0.275)	(\$0.122)	(\$0.308)	(\$0.052)
Chicago City Gate	764,400	\$3.304	(\$0.335)	(\$0.004)	(\$0.285)	\$0.061
NGPL- TX/OK	639,900	\$3.070	(\$0.296)	(\$0.238)	(\$0.246)	(\$0.162)
SoCal	457,400	\$3.007	(\$0.400)	(\$0.301)	(\$0.350)	(\$0.095)
PG&E Citygate	960,900	\$3.760	(\$0.167)	\$0.452	(\$0.117)	\$0.423
Dominion-South	534,700	\$3.179	(\$0.391)	(\$0.129)	(\$0.341)	\$0.040
UTrade Weighted	21,251,100	\$3.125	(\$0.358)	(\$0.183)	(\$0.31)	(\$0.052)

The Australian oil and gas firm Santos said today that it sees no delay to its original end year time frame for a final investment decision on its Australian coal seam project., This is despite the recent

imposition of hundreds of new conditions by the Australian government before it will grant environmental approval to the project in Queensland state in partnership with Malaysia's Petronas.

China National Offshore Oil Corporation said it plans to import 13 bcm or 10 million tones of LNG this year. Over the first 9 months of the year China has imported some 6.8 million tones of LNG, and this would result in China importing 1 million tones per month in the 4th quarter of this year.

Authorities in the western Iraqi Anbar province have rejected the results of this week's national government organized gas auction, which was awarded to Korea Gas Corporation and Kazakhstan's KazMunai Gas to develop the Akkas gas field.. Local officials want the central government in Bagdad to pay more attention to local needs when signing major contracts. It appears that local officials will not recognize the new contracts without a



clause in the contract committing foreign companies to selling gas on the domestic market as well as processing it into value added energy products that could be sold locally. Meanwhile the central government awarded two other contracts this week, one for the development of the Siba gas field near Basra, which went to Kuwait Energy and Turkey's TPAO, while the development of the Mansuriyah gas field near the Iranian border was given to Kuwait Energy and Korea Gas, both of which appeared to have the support of local communities as a source of job creation and wealth creation locally.

UK spot natural gas prices firmed again today as a result of natural gas flows from UK North Sea natural gas fields being lower today, possibly due to a technical problem along the Barrow system.

The British government has approved ENI's 4.6 bcm Deborah field gas storage project. The final investment decision is expected in the first quarter of 2011, with commercial operations beginning at the site as early as 2015. The facility would more than double the UK's gas storage capacity.

The southern leg of the Swiss-Italian Transgas pipeline could reopen in mid-November if Swiss government regulators approve the relevant permits in the next two weeks, the line operator said today. The Italian government has been urging Swiss authorities to reopen the gas pipeline as soon as possible.

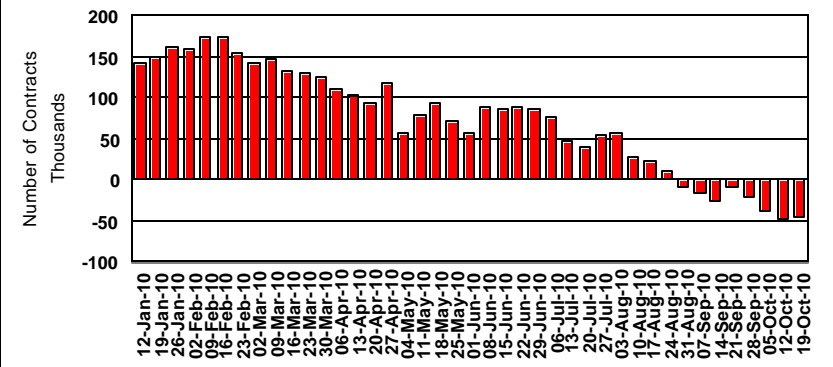
India's Petronet LNG said today it may purchase three spot LNG cargoes during November and December. The company said that it has made tentative arrangements for the purchases and it will

depend on the resumption of production at Panna-Mukta fields, which have been shutdown since July 20th due to a leaking undersea pipeline.

Gazprom said today it may consider increasing its gas purchases from Turkmenistan. Gazprom plans to buy 10-12 bcm of gas from Turkmenistan this year substantially less than the 50 bcm it had bought annually in the past. Turkmenistan's president told the Russian president today that his country is eager to increase its gas exports via Russia. Gazprom said today it could take part in a project to build a gas pipeline from Turkmenistan to Pakistan and India via Afghanistan.

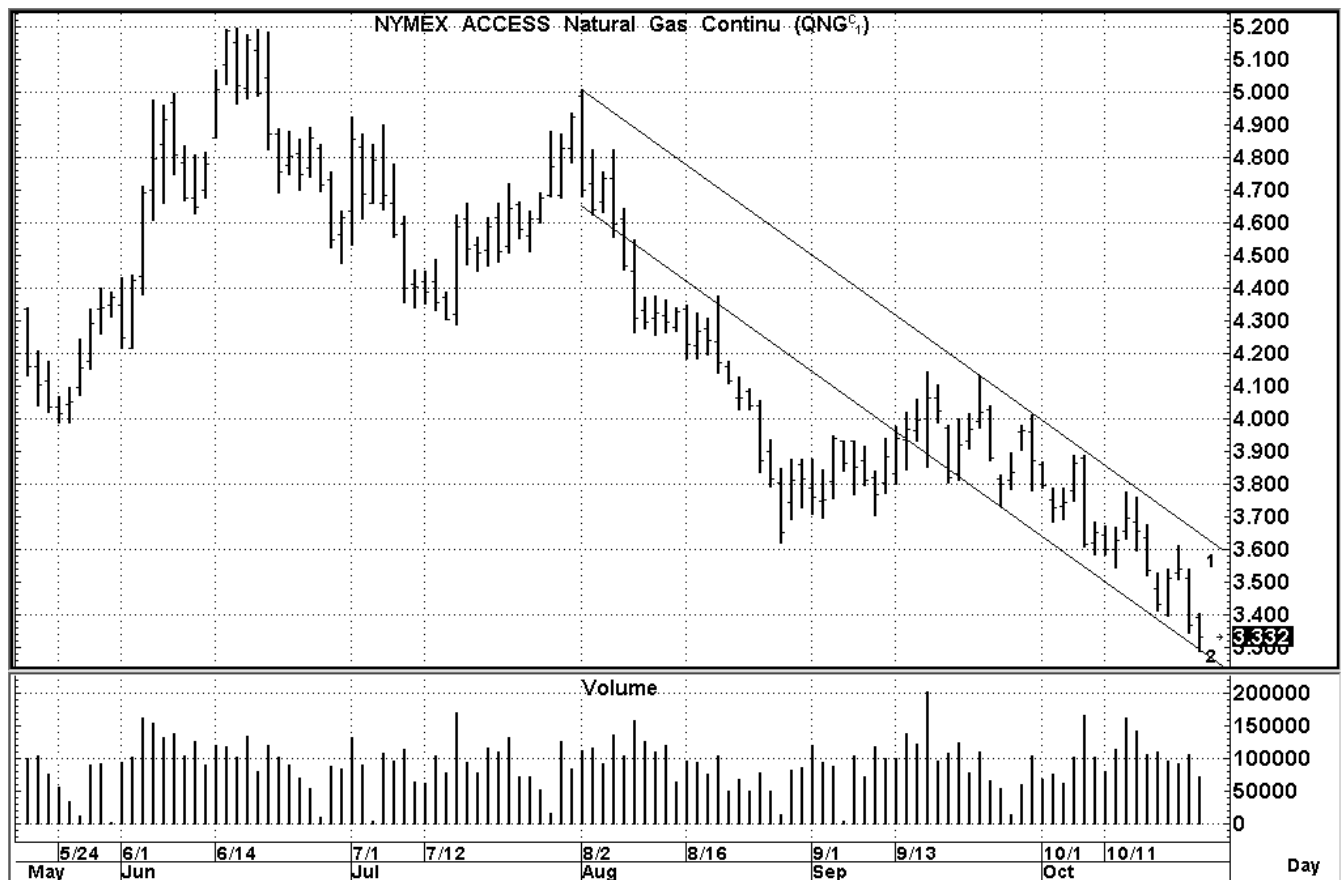
The topic was discussed today by the Russian and Turkmenistan presidents when they met today.

**Henry Hub Natural Gas- Net Position for Money Managers
NYMEX & ICE Futures Swaps & Options
Combined and Adjusted (10,000 MMBtu)**



Reuters reported that according to ship tracking services. The Maran Gas Coronis LNG tanker is slated to arrive in Boston on November 4th while the Al Oraiq could be scheduled to arrive at the Golden Pass terminal around November 16th.

Russia's deputy foreign minister said today that it would look into the possibility of extending a branch of the South Stream gas pipeline into Albania.

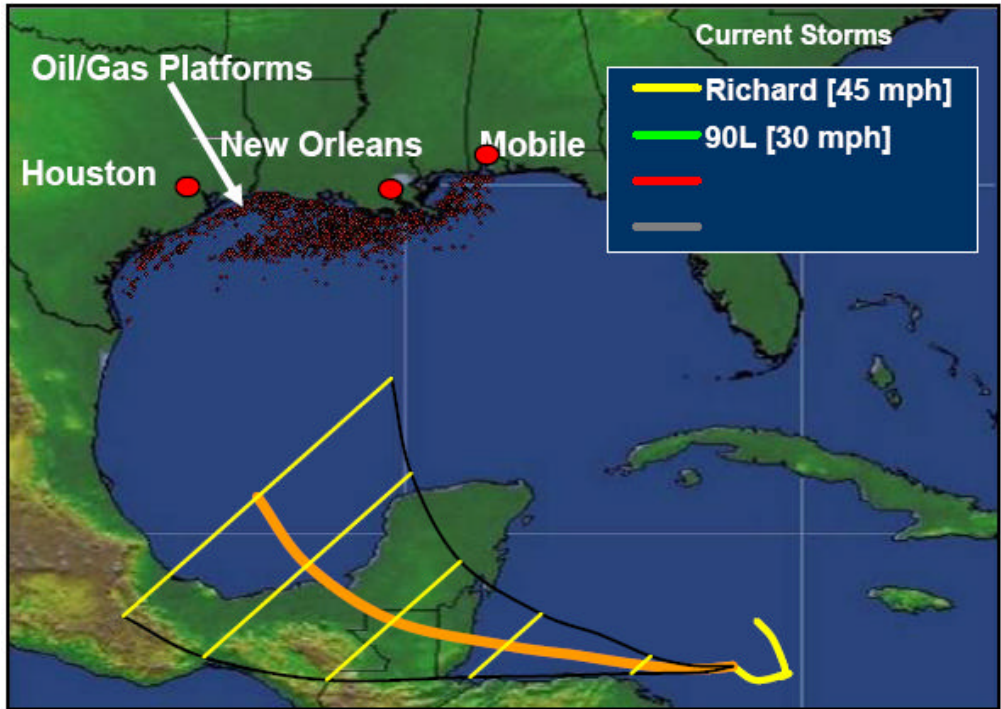


ELECTRIC MARKET NEWS

Genscape reported that U.S. coal use rose 3% this week from the previous week but was down 1% from the same week a year ago.

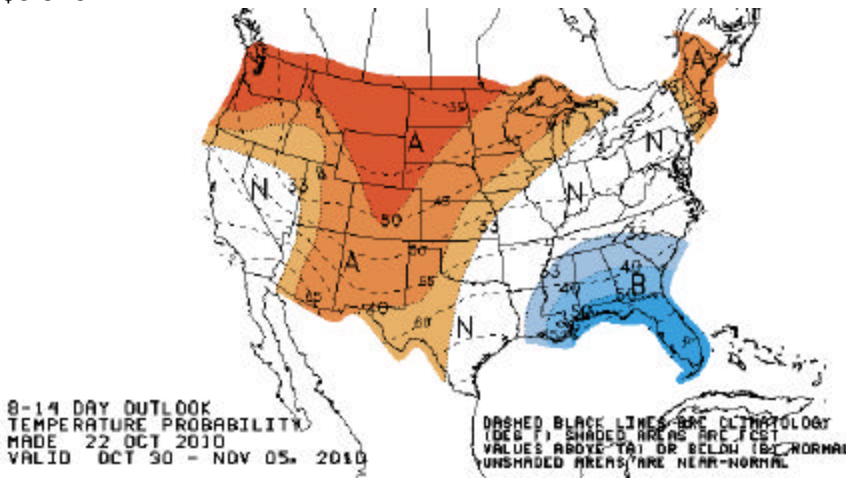
ECONOMIC NEWS

The US Labor Department said the number of mass layoffs by US employers fell for a third consecutive month in September as the manufacturing sector laid off fewer workers. It said the number of mass layoff actions defined as job cuts involving at least 50 people from a single employer, fell by 60 to 1,486, the lowest level since May. A total of 133,379 workers were affected.



MARKET COMMENTARY

The natural gas futures market fell to the lower end of its month long downward price channel at midday before finding support and rebounding by 4-5 cents late in the day supported by some short covering before the weekend possibly prompted by the most supportive Baker Hughes report in some time. The November futures contract though still finished the week some 20.3 cents lower, while the 12-month natural gas futures strip hit another eight year low, settling on the day down 6.7 cents at \$3.940.



We would look to the weather forecasts to set the tone for this market next week. If there is in fact a tropical risk and or an improved heating and cooling outlook then this market could finally stabilize and potential drift higher, especially given that we may be finally on the verge of some slowdown in drilling activities. We would look for support on Monday to be found at \$3.29 followed by \$3.27 and \$3.25. More distant support we

see at \$3.143, \$3.00 and \$2.783. Resistance we see at \$3.40 followed by \$3.507, \$3.675, \$3.794, \$3.914 and \$4.00.

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