The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR NOVEMBER 3, 2010

NATURAL GAS MARKET NEWS

The NRC reported today that some 78,795 Mw of generating capacity was online today, down 0.8% from yesterday and 5.2% higher than the same day a year ago.

Cheniere Energy's U.S. Sabine Pass LNG terminal in Louisiana is set to re-export two previously imported cargoes of LNG in the coming weeks. The first tanker to be loaded, the Maersk Meridian, had already arrived at the terminal and another tanker, the Al Hamla, is currently nearby and will load soon.

Chesapeake Energy announced this afternoon that its natural gas production in the 3Q2010 averaged 280 bcf, up 10.3% from the previous quarter and up 22.5% from the same quarter a year ago. The company noted that average prices realized during the 2010 third quarter (including realized gains or losses from natural gas derivatives but excluding unrealized gains or losses on such derivatives) were $5.20 per MCF, for a realized natural gas equivalent price of $5.67 per mcf. Realized gains from natural gas hedging during thr thiurd quarter generated a $1.92 gain per mcf. The company reported that it has 53% of its natural gas and 28% of its oil production for the fourth quarter of this year hedged. The price levels for these hedges are at $7.66 for gas and $89.94 for oil. In 2011 the company reported that it has hedged 60% of its expected natural gas production at an average price of $6.66, with only 3% of projected oil production hedged at $104.75 per barrel. In 2012 the company has hedged just 2% of it natural gas production at $6.50 and 1% of it oil production at an average price of $109.50. The company sees production growth in gas and oil of 18% in 2011 and 2012.

El Paso Corporation today reported its third quarter results its Exploration and Production segment reported that its production during the quarter averaged 764 Mmcfe/d, some 4% higher than the same quarter a year ago. This higher production was the result of substantial growth in the company's Haynesville shale program and increased production in Brazil.

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	935,700	$3.354	$0.155	($0.461)	$0.226	($0.496)
Chicago City Gate	915,800	$3.567	$0.219	($0.248)	$0.259	($0.370)
NGPL- TX/OK	615,800	$3.298	$0.196	($0.517)	$0.236	($0.635)
SoCal	264,700	$3.360	$0.223	($0.455)	$0.263	($0.593)
PG&E Citygate	992,200	$3.977	$0.080	$0.162	$0.120	$0.116
Dominion-South	447,000	$3.612	$0.198	($0.203)	$0.238	($0.356)
USTrade Weighted	22,826,800	$3.445	$0.186	($0.370)	$0.23	($0.496)

British front month gas prices rose almost 2% after Norwegian hydrocarbon producer Statoil, the largest gas pipeline exporter to Britain, said it would cut 2010 output targets due to third-quarter maintenance. Statoil slashed its 2010 production forecast, measured on its own "equity production" basis to 1.9 million barrels per day of oil equivalent from an early 1.925 to 1.975 million boed.

December gas prices rose .80 pence to 48.50 pence per therm ($7.78 per mmbtu, January firmed 0.40 pence at 50.40 pence and Summer 11 contracts gained .50 pence at 47.55 pence. Statoil said it decided to reduce production on Gulfaks South and Kvitebjorn North Sea fields. This reduction, combined with the Kollsnes gas processing plant's short-term capacity constraints, has reduced output expectation.

Statoil expects the Kollsnes capacity problems to be resolved by the end of 2010. The capacity, 143 cubic meters per day at full capacity, is down to 80-120 million cubic meters currently.

ExxonMobil and nine other firms have been awarded exploration licenses by Germany's most populous state and home to mining and utilities, North-Rhine Westphalia to search for natural gas Germany has said it would like to reduce its reliance on Russia which currently supplies approximately 40% of its gas.

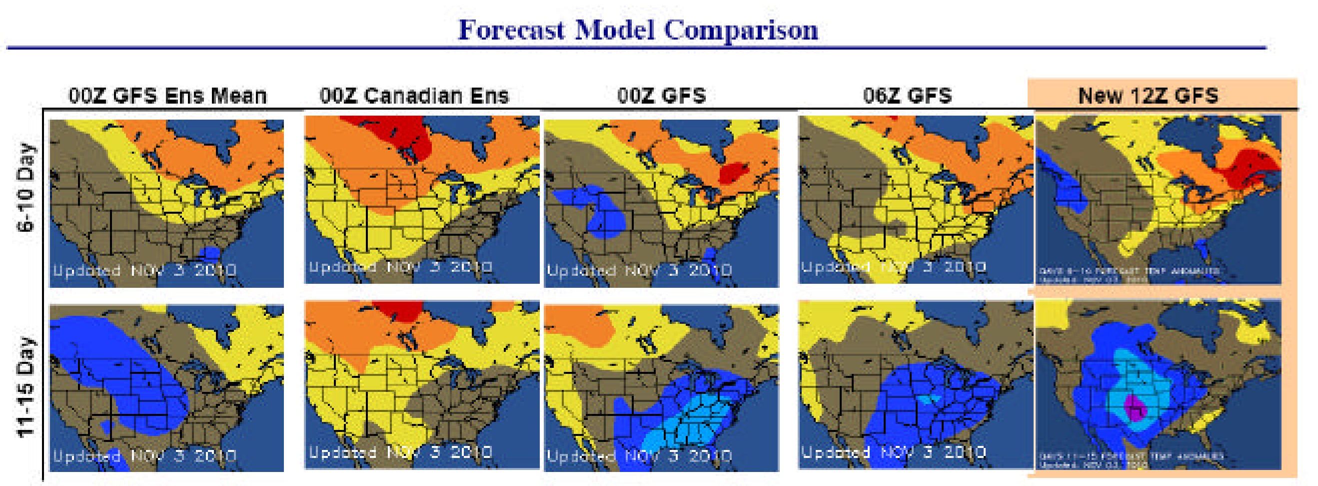
Lithuania will build a Baltic Sea LNG gas terminal by 2014 in an attempt to reduce its dependence on Russian supply. Russian energy giant Gazprom is Lithuania's sole natural gas supplier.

ECONOMIC NEWS

According to ADP, private business hired new workers in October at a pace almost double what the market expected. Private sector jobs in the US increased by 43,000 in October compared with expectations of an increase of 22,000. The estimated change in employment for September was revised to a smaller decline of 2,000 instead of a decline of 39,000 initially reported.

The US Commerce Department said US factory orders increased more than expected in September, the third consecutive month of growth. US manufactured goods orders increased by 2.1% to $420.02 billion. This is compared with an expected overall factory order increase of 1.6%.

The Institute for Supply Management said its non-manufacturing index increased to 54.3 from 53.2 in September. It was the 10th consecutive month of expansion.



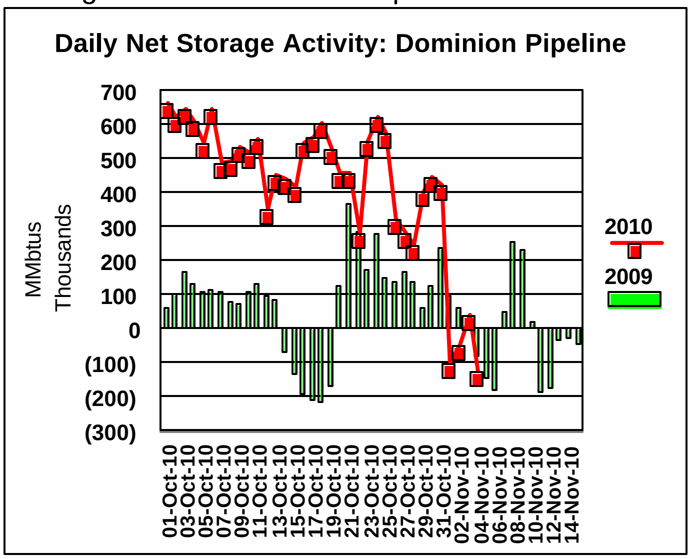
ELECTRICITY NEWS

The Edison Electric Instititte reported that for the week ending October 30th, power production in the U.S. reached 70,302 Gwh. Up 0.3% from the previous week and up 1.5% from the same week a year ago.

As a result of California voters defeating Proposition 23, the California market is now expected to move ahead with A.B. 32 the Global Warming Solutions Act of 2006, with its ambitious climate goals of establishing a cap and trade system in California, specifically the Western Climate Initiative, as well as implementing California's renewable portfolio standard. With little widespread support for a national cap and trade program it appears that California could once again lead in establishing national support for such a cap and trade program.

MARKET COMMENTARY

While many of the commodity markets posted a volatile trading session today on the backs of the oil, equity and foreign exchange markets, the natural gas futures market was once again the exception with the smallest trading volume in over a week and a price action that posted an inside trading session in the December contract for the first time since October 1st. While the natural gas market received a small lift in the afternoon by a more supportive 11-15 day temperature outlook from the midday computer runs, the market seemed content to await until tomorrow's EIA storage report before making a new commitment to price direction.



The market expectations for tomorrow's EIA Natural Gas Storage Report are looking for a 65-70 bcf build for the week ending October 28th. For the same week a year ago stocks increased only by an adjusted 29 bcf, while the five year seasonal average is an increase of 26 bcf.

While the storage report tomorrow will obviously be a major key to price direction for the remainder of the week, we feel with the background news that the major natural gas producer, Chesapeake Energy sees continued production growth still in 2011 and 2012, as remaining a bearish weight around the neck of this market. This coupled with storage levels moving significantly ahead of last year's record pace we feel will keep the market on the defensive and below $4.00 for the next two weeks. We see resistance tomorrow at $3.90-$3.925 followed by $4.067 and $4.20-$4.236. Support we see at $3.79-$3.75 followed by the gap in the spot continuation chart at $3.656-$3.41. Additional support we see at $3.212.