



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 17, 2011

OPEC officials are considering estimates that demand for the group's crude oil in 2012 could average 1 million bpd less than their current output, suggesting that it may start to look at cutting its supply. OPEC's board of governors is meeting in Vienna this week, in preparation for the gathering of its oil ministers on December 14th that would decide output policy.

According to Oil Movements, OPEC's crude oil shipments, excluding Angola and Ecuador, are expected to increase by 850,000 bpd in the four weeks ending December 3rd.

Republicans were seeking to lift a US ban on new offshore oil and gas drilling and use related royalties to help finance road and bridge construction. The plan would blend three energy bills into one infrastructure blueprint covering transportation upgrades over five years. The

Market Watch

The US Labor Department said the number of initial claims for unemployment benefits fell by 5,000 to a seasonally adjusted 388,000 in the week ending November 12th. In the prior week, jobless claims were revised up to 393,000 from an originally reported 390,000. The four week moving average of unemployment claims fell by 4,000 to 396,750. The report showed that the number of continuing unemployment benefit claims fell by 57,000 to 3,608,000 in the week ending November 5th. The unemployment rate for workers with unemployment insurance for the week ending November 5th was unchanged from the prior week at 2.9%.

The US Commerce Department said US home building fell less than expected in October, while a measure of future construction increased. It reported that home construction in October fell 0.3% to a seasonally adjusted annual rate of 628,000 from September. The smaller than expected decline followed a big increase in starts during September. Construction that month increased 7.7% to 630,000, revised down from a previously estimated gain of 15% to 658,000. It reported that newly issued building permits increased 10.9% on the month to an annual rate of 653,000.

The pace of factory activity in the US Mid-Atlantic region slowed more than expected in November. The Philadelphia Federal Reserve Bank said its business activity index fell to 3.6 from October's 8.7.

Goldman Sachs said the premium for Brent to WTI crude could narrow to \$6.50/barrel within half a year and not a year as previously forecast. It said the reversal of the Seaway pipeline would likely displace the congestion in the US Midwest and use of expensive barge transportation to move oil to the US Gulf Coast. However it expects that new rail capacity will continue to be required to ship oil.

The National Oceanic and Atmospheric Administration said above normal temperatures are expected to center on Texas and the Gulf Coast states and spread from the southwest to across the southern Plains and into the southern and mid-Atlantic states from December through February. Below normal temperatures are expected along the West Coast and across the Northern Tier states into the northwest Great Lakes region. In the northeast US, there isn't a definitive outlook over the next three months. It sees equal chances of normal, above normal or below normal temperatures for the area as well as south Florida and the country's midsection.

The AAA reported that the number of Americans traveling over the Thanksgiving holiday would increase 4% on the year to 42.5 million. Car trips will account for 90% of holiday travel. According to the AAA Daily Fuel Gauge report, the price of regular gasoline was \$3.393/gallon on Thursday. Despite a 20% increase in airfares, holiday air travel is expected to increase 1.8% from a year ago.

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Libya has issued a tender for eight cargoes of crude oil for export in November and December, as the country continues to increase its oil exports. It has offered a 1 million barrel cargo of Mellitah crude and 600,000 barrel cargo of Zuetina, Bu Attifel and Al Jurf crudes. Two 600,000 barrel cargoes of Amna and another two of Sirtica crude.

Japan's Kyushu Electric Power Co said it expects to buy an additional 2.2 million kiloliters or 13.8 million barrels of oil equivalent in December-March as nuclear power output is expected to fall to zero from mid-December. It is more than double the 1.08 million barrels of oil and gas that it purchased in addition to its original plan for the peak summer months of July-September.

Production News

Four cargoes of North Sea Forties crude scheduled for loading in December have been delayed amid production cuts at Nexen's Buzzard oilfield. Cargo F1201 is scheduled to load two days later on December 3-5, cargo F1203 is scheduled to load a day later on December 4-6 and cargoes F1204 and F1208 are scheduled to load four days later on December 8-10 and December 12-14, respectively. A cargo of North Sea Forties crude has been dropped from the December loading program and a fifth cargo was delayed. Cargo F1219, which was due to load December 22-24, has been cancelled and cargo F1215 is expected to load four days later December 21-23.

Oil output at the Buzzard oilfield in the North Sea has resumed after the oilfield was shut in on Wednesday.

A top Libyan official said the country's oil production is close to 700,000 bpd, just a week after Libya's interim oil minister predicted the threshold would be reached by the end of the year.

Russia's new Baltic oil terminal at Ust-Luga is expected to delay its first crude loadings, scheduled for November 30th, for an indefinite period.

Kuwait Energy Co intends to bid for drilling rights in the Levant Basin off the coast of Lebanon. There may be 1.7 billion barrels of recoverable oil and 122 trillion cubic feet of recoverable gas in the Levant Basin.

Petroecuador exported a total of 89.6 million barrels of crude oil during the first 10 months of 2011, up 16% from 77.2 million barrels reported a year earlier. Exports of Oriente crude totaled 59.99 million barrels in the first ten months of 2011 while exports of Napo crude were 29.6 million barrels.

Azerbaijan's State Statistics Committee said the country's oil and condensate production as well as natural gas production fell in January-October 2011. Oil and condensate production in Azerbaijan in the first ten months of the year fell by 9% on the year to 39 million tons while natural gas production fell by 2.7% to 21.6 billion cubic meters. Production of refined oil products in January-October 2011 was 5.32 million tons, up from 5.23 million tons in the previous year.

Chevron Corp said it was cementing a deepwater well in Brazil following a leak. It said full production was maintained at the Frade oilfield during the leaking incident. It said daily production volumes are about 79,000 bpd of oil equivalent at the oilfield.

South Sudan will market its crude through its oil ministry casting further doubt on the role Glencore's venture would have in selling the country's oil. Ministry of Petroleum and Mining Undersecretary Macar Aciek Ader said he was currently the principal seller for South Sudan's crude. He said South Sudan could increase its production to about 500,000 bpd from about 365,000 bpd if it is able to do needed facility maintenance and overcome hurdles such as a need for more workers and technology.

Gulfsands Petroleum reached an agreement with Syria's government for the resumption of oil payments and intends to continue operating there unless new UK or European Union sanctions make it illegal to do so.

ExxonMobil Corp, Royal Dutch Shell and their partners' Kashagan project is months away from completion, \$15 billion over budget and 8 years behind schedule. The Kashagan project has become a cautionary tale for oil companies as they spend an estimated \$20 trillion through 2035 finding supplies in difficult places. Expenses increased as engineers underestimated the complexity of drilling under a region of the Caspian Sea that is frozen almost half of the year. The government accused the partners, which are allowed to recoup spending before sharing the oil, of inflating costs. Kashagan may initially produce 370,000 bpd and increase to 450,000 bpd by 2016. An expansion would more than triple that to 1.5 million bpd. Completing the expansion as early as 2017 is only possible if the partners choose a plan by early next year.

Market Commentary

After experiencing an outside trading session, the January crude oil contract settled lower on the day, retreating from its five-month high. The possibility for the European Community to slip into a recession was behind today's sell-off, narrowing the gap between WTI and Brent. This spread narrowed to just under \$9.00, its tightest level since March 2011. This situation will continue to linger over the market, causing prices to retract. Based upon today's movement and the candlestick formation, it is evident that sellers were in control. The bulk of the volume took place below yesterday's close and extended beyond yesterday's opening. This is a signal that the trend has shifted to the downside. The area to target now is \$97.

Crude oil: Dec 11 81,174 -28,056 Jan 12 328,096 +6,933 Feb 12 82,100 -2,462 Total 1,651,740 -5,389 Heating oil: Dec 11 64,625 -4,258 Jan 12 73,919 +3,040 Feb 12 31,422 +782 Totals 296,328 -1,246 Rbob: Dec 11 55,501 -3,580 Jan 12 76,274 +2,263 Feb 12 25,257 -2,132 Totals 286,959 -10,590

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9489	9960	26975	32777	24670	33369
8917	10134	26680	33370	24240	35915
8507	11483	27375	33510	23631	36310
8337		23685		23414	
7570		22960			
7487					
7365					
50-day MA	88.62				
100-day MA	89.80				
200-day MA	95.30				

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