

**W** The  
Windham Group



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR DECEMBER 1, 2011**

---

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, is expected to increase by 230,000 bpd to 23.57 million bpd in the four weeks ending December 17<sup>th</sup>.

European Union foreign ministers agreed to examine measures aimed at severely affecting Iran's financial, transport and energy sector but stopped short of mentioning an oil embargo or restrictions on Iranian oil exports. The EU statement said it will prepare new measures for adoption no later than the next meeting of foreign ministers in January. The EU also announced it was adding 180 Iranian people and entities to its Iranian sanctions list.

Separately, the European Union agreed to expand sanctions on Syria, imposing new

#### **Market Watch**

Goldman Sachs forecast a Brent crude oil price of \$130/barrel for 2013 despite the poor economic outlook, as oil prices will need to continue to increase in order to slow demand growth. It retained its 2012 average Brent crude price forecast at \$120/barrel. It forecast a price of \$126/barrel for WTI crude in 2013 and kept its 2012 forecast at \$112.50/barrel.

The US Labor Department said initial unemployment claims increased by 6,000 to a seasonally adjusted 402,000 in the week ending November 26<sup>th</sup>. Claims were revised to 396,000 from an originally reported 393,000 for the week ending November 19<sup>th</sup>. It reported that the four week moving average of new unemployment claims increased last week by 500 to 395,750. The report showed that the number of continuing unemployment claims increased by 35,000 to 3,740,000 in the week ending November 19<sup>th</sup>. The unemployment rate for workers with unemployment insurance in the week ending November 19<sup>th</sup> was 3% compared with 2.9% the prior week.

The US Commerce Department spending on construction projects in the US increased a third consecutive month in October. Construction spending increased by 0.8% to a seasonally adjusted annual rate of \$798.53 billion following a 0.2% increase in September and 2.2% increase in August. Residential construction spending increased by 3.2% in October to \$247.30 billion compared with the prior month.

The pace of growth in the US manufacturing sector increased in November at its strongest level since June. The Institute for Supply Management said its index of national factory activity increased to 52.7 in November from 50.8 in October. Its new orders index increased to 56.7 from 52.4 while its employment index fell to 51.8 from 53.5.

According to JP Morgan, global manufacturing activity fell in November, dragged down by factories in Europe and Asia despite stronger than expected growth in the US. The Global Manufacturing PMI fell to 49.6 in November from October's 49.9.

China's HSBC Purchasing Managers' Index fell to a 32 month low in November. The purchasing managers' index fell to 47.7 in November from 51 in October. Its new orders index fell to 45 from October's 52.6.

The euro rallied against the Swiss Franc on speculation that Switzerland is considering negative interest rates to curb the Swiss currency's appreciation.

The International Monetary Fund said it would likely cut its growth forecast in late January when it updates its world economic projections. Separately, the IMF denied it was in talks with Italy on possible financing and said it had discussed details of a planned monitoring mission with Prime Minister Mario Monti.

Norway's oil and gas sector investments could reach a record in 2012 as companies take advantage of high oil prices and upgrading infrastructure. Statistics Norway said investment spending could reach 184.6 billion crowns or \$32 billion in 2012, up 7% from a September estimate and well above the 175 billion crown projection by the Norwegian Oil Industry Association.

The chief executive of Brazil's Petrobras said he believes oil markets will be tight in 2012 and beyond due to growing demand from emerging markets such as Brazil and China. He said to help meet rising demand, Petrobras plans to increase production from 2.1 million bpd to 3 million bpd by 2015. In regards to prices, he estimates prices above \$100/barrel on average.

**December  
Calendar Averages**  
**CL - \$100.20**  
**HO - \$2.9695**  
**RB - \$2.5579**

measures against energy, financial, banking and trade sectors. The EU also said it will continue to impose additional and more comprehensive measures against Syria's President Bashar al-Assad's regime as long as the crackdown continues.

The US welcomed a decision by the European Union to tighten sanctions against Iran and Syria and its readiness to consider further steps going forward.

**Refinery News**

Colonial Pipeline said it was allocating its main distillate and main gasoline line north of Collins, Mississippi for Cycle 68.

Sunoco Inc plans to indefinitely idle the main processing units at its Marcus Hook, Pennsylvania refinery no later than July 2012 due to weak refining margins. It said it continues to seek a buyer for the Marcus Hook refinery while also pursuing options with third parties for alternate uses of the facility.

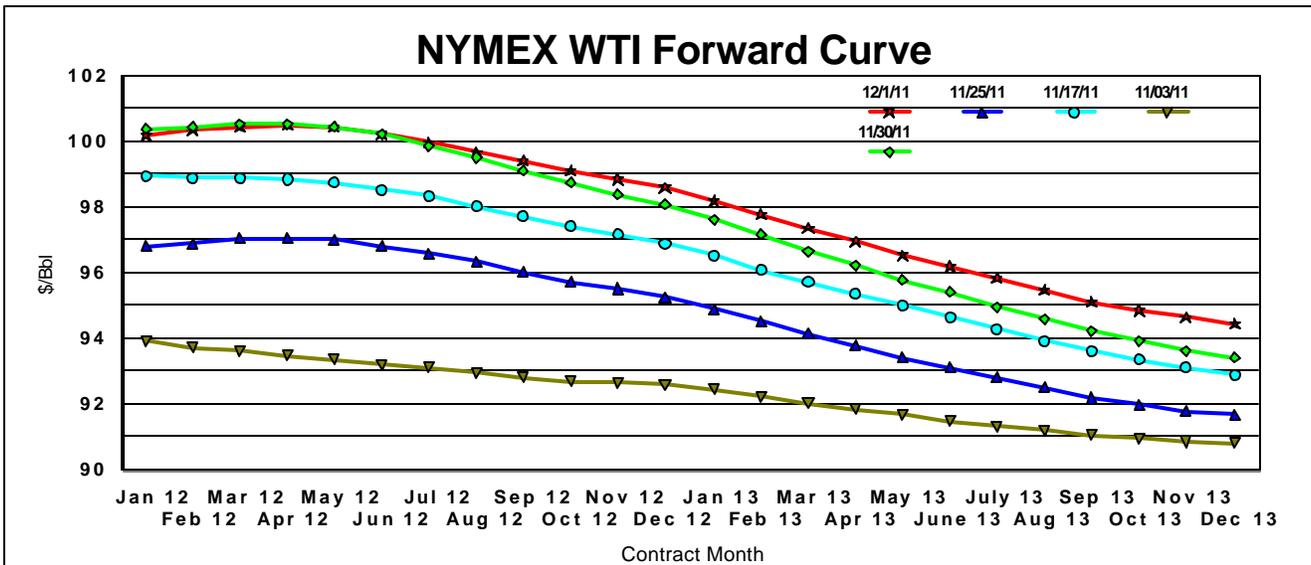
ExxonMobil Corp said some impact to production was expected following the shutdown of a compressor due to a piping leak at its 344,000 Beaumont refinery.

Chevron Corp said power was restored at its 265,500 bpd refinery in El Segundo, California and efforts continue to bring process units back to normal operating rates. Gasoline differentials increased 5.75 cents/gallon in the Los Angeles market after a crude unit at the refinery was shut.

Tesoro Corp said there was no impact to operations at its 166,000 bpd Golden Eagle refinery and a 96,860 bpd Wilmington refinery in California due to high Santa Ana winds. Separately, Tesoro Corp said an unspecified unit was still offline at its 166,000 bpd San Francisco Bay refinery in Martinez, California. The larger of two crude distillation units at the refinery shut due to a malfunction on Monday morning.

Valero Energy Corp said there were no reports of adverse effects at its 144,000 bpd Benicia and 80,887 bpd Wilmington refineries in California due to the high Santa Ana winds.

PBF Energy's 182,000 bpd Delaware City, Delaware refinery resumed normal operations following a power interruption that resulted in unit upsets and a boiler shutdown on Sunday.



ConocoPhillips said the expansion project at its joint venture Wood river refinery in Roxana, Illinois has been completed following the successful start of a new coker unit. The coker and refinery expansion has increased the refinery's crude processing capacity by 50,000 bpd to 358,000 bpd and enhanced its ability to process heavy Canadian crude.

Suncor Energy Inc said an oil leak from its refinery in Commerce City, Colorado released less than one barrel of oil into Sand Creek. Suncor reported an oily substance in the creek near its 93,000 bpd refinery on Monday and has been working with the EPA to contain and clean up the leak.

Gasoline stocks held in independent storage at the Amsterdam-Rotterdam-Antwerp hub in the week ending December 1<sup>st</sup> increased by 0.47% on the week and by 29.67% on the year to 638,000 tons. Gasoil stocks fell by 5.67% on the week and by 25.86% on the year to 2.145 million tons while fuel oil stocks increased by 5.4% on the week but fell by 11.98% on the year to 742,000 tons. Naphtha stocks increased by 38.2% on the week and by 24.27% on the year to 123,000 tons and jet fuel stocks increased by 13.92% on the week but fell by 27.06% on the year to 442,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 539,000 barrels to 17.634 million barrels in the week ending November 30<sup>th</sup>. It also reported that light distillate stocks increased by 576,000 barrels to 12.219 million barrels to 102,000 barrels to 9.411 million barrels on the week.

An open arbitrage window is expected to draw North Sea Forties crude, Ormen Lange condensate and Russian Urals crude to Asia, tightening supply in Europe. BP and Total are making arrangements to ship at least 4 million barrels of distillate rich North Sea Forties crude to Asia.

Royal Dutch Shell provisionally booked an oil tanker to load a cargo of Libyan crude in early December bound for Singapore.

First Nations said it was banning all exports of tar sands crude oil through their territories in western Canada.

### **Production News**

A cargo of North Sea Forties crude for December loading was deferred, increasing the number of deferred shipments to at least seven. A December cargo has already been canceled.

Libya's Arabian Gulf Oil Co is producing about 280,000 bpd and is still marketing its own crude. The company is still aiming to reach full production of 425,000 bpd by the end of February.

According to a Dow Jones survey, an increase in Libya's oil production more than offset a decline in Saudi Arabia's production in November. Total OPEC production was 30.472 million bpd in November compared with 30.195 million bpd in October. Libya's oil production increased to an average of 480,000 bpd in November while Saudi Arabia's oil production fell by 33,000 bpd to 9.417 million bpd. Iraq's oil production increased to 2.685 million bpd in November from 2.65 million bpd in October.

Colombia's Mines and Energy Ministry reported that the country's crude oil production in November increased by 18% on the year and 2.7% on the month to a record average of 965,000 bpd. It said it could reach its goal of 1 million bpd in the coming days.

The head of Iraq's State Oil Marketing Organization said the country's oil exports in November averaged 2.135 million bpd, up 2.2% on the month. Basra Light crude flowed at 1.712 million bpd in

November, up from 1.628 million bpd in October. Sales of Kirkuk crude fell to 423,000 bpd in November from 460,000 bpd in October.

Russia is expected to increase its exports of ultra low sulfur diesel from the Baltic port of Primorsk to 350,000 to 450,000 tons in December. Russian exports of diesel fell sharply in November due to domestic regulations requiring an improvement in quality and government frets about shortages on the domestic market.

Russia's Lukoil aims to increase its oil production to up to 110 million tons/year over the next decade from 96 million tons in 2010. Its annual production would reach 101.5-102 million tons by 2017.

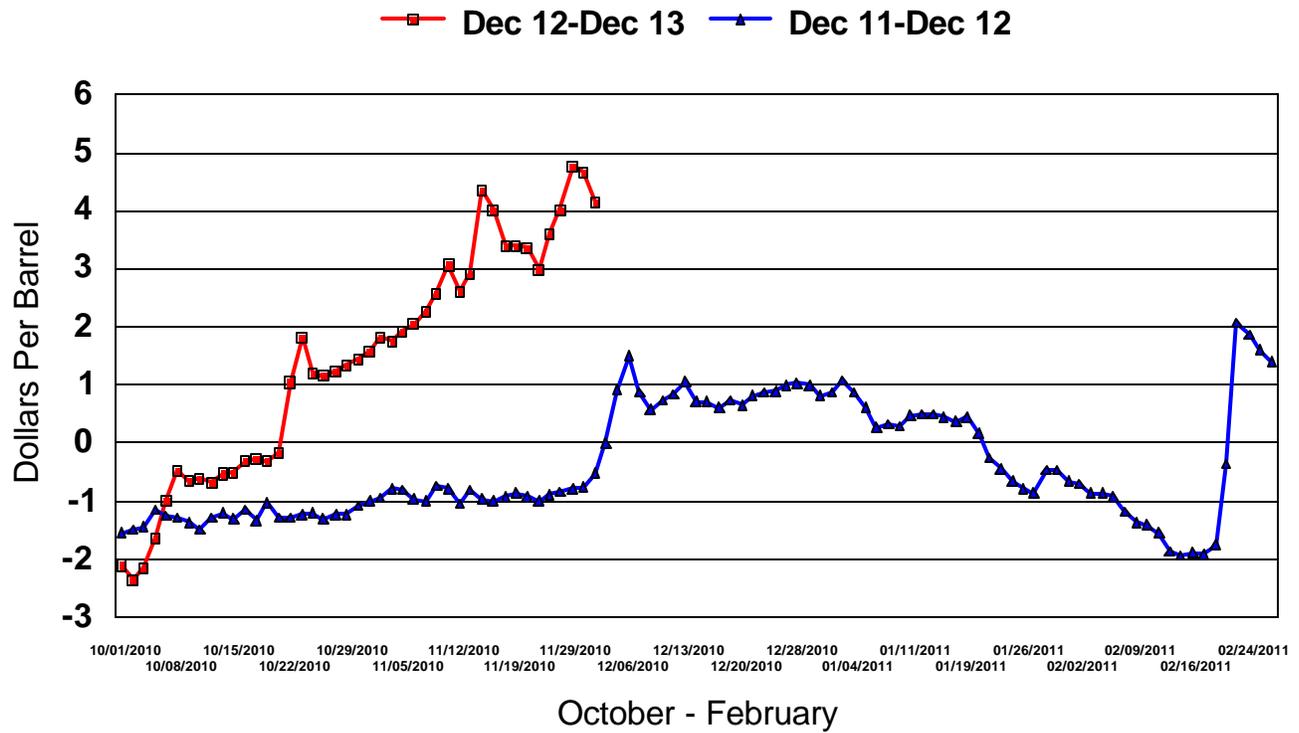
According to a Barclays Capital analyst, Mexico has stabilized its declining crude oil production and looks able to maintain levels in coming years, with prices also holding up and even rising sharply if problems in such areas as Iran, Iraq and Libya hold back supplies. Mexico's oil production through the first ten months of the year averaged 2.551 million bpd compared with last year's average of 2.576 million bpd.

### **Market Commentary**

Crude oil traded lower today after a Bloomberg survey indicated that U.S. jobless claims grew 390,000, and on reports that manufacturing in China and Europe shrank last month. The unresolved European debt crisis put pressure on Brent, narrowing its premium to WTI to around \$9.20 today. The Dec12/Dec13 spread, which has been climbing steadily since the beginning of October, declined slightly today, as thoughts of demand going forward turned bearish. Based upon the seasonality of this spread, as can be seen on the chart below, it appears that the Dec12/Dec13 may have hit a seasonal peak. The Dec11/Dec12 WTI spread reached a peak around the same time last year. We would be sellers of this spread, looking for a test at the \$3.00 level. Should prices hold and bounce we would exit short positions, and look to add to our shorts upon a break below this level with the possibility of seeing negative numbers.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9499	10074	29288	30622	24988	25939
9251	10337	28800	30937	24734	26283
8916	10753	26850	31956	24516	
8581	11483			24480	
				23803	
<b>50-day MA</b>	<b>90.49</b>				
<b>100-day MA</b>	<b>89.94</b>				
<b>200-day MA</b>	<b>95.85</b>				

# Dec Red Dec VS Spot Month Crude



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without permission is prohibited.