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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 2, 2011

The chief economist at the IEA, Fatih Birol said the Arab Spring and the possibility of a double dip recession pose significant risks to the world's ability to have secure energy supplies and mitigate climate change. He warned that the political turmoil poses a major risk to oil production in the Middle East and North Africa.

The EU stepped up its sanctions against Syria's oil industry on Friday, blacklisting state owned firms that oversee trade and exploration, as part of international efforts to isolate President Bashar al-Assad's government.

A hardline Iranian cleric warned the UN and European Union against siding with London after students and militia stormed the British embassy in Tehran. Cleric Ahmad Khatami denounced those who sided with Britain including the EU, which may impose further sanctions against Iran over its nuclear program.

According to The Australian, a second explosion in as many weeks at a nuclear or missile facility has sparked Iranian denials and claims of accidents. Israel's Defense Minister did little to dampen speculation that it had a role in the blast at Isfahan and an explosion at a missile base west of Tehran. It reported that more than 20 members of the Revolutionary Guards died in the explosion at the missile base two weeks ago, including General Hassan Moghaddam, described as the architect of Iran's missile program. The facilities in Isfahan are involved in converting uranium yellowcake ore into uranium hexafluoride, part of the process of enriching it to fuel or weapons grade uranium.

Market Watch

Deutsche Bank maintained its 2012 Brent crude price forecast at \$115/barrel.

The US Labor Department said nonfarm payrolls increased by 120,000 in November as private employers continued to add jobs. Private companies grew at a combined 140,000 jobs while the public sector fell by 20,000 jobs. The unemployment rate fell to 8.6% in November from 9% in October. It reported that October's figure for nonfarm payroll jobs was revised upward to show a gain of 100,000 from a previously reported 80,000.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 120.9 in the week ending November 25 from a revised 122.2 in the previous week, originally reported at 122.3. The index's annualized growth rate worsened to minus 7.8% from minus 7.4% a week earlier.

The European Union's Statistics Office Eurostat said Euro zone producer prices increased less than expected in October. It reported that the producer price index in the Euro zone increased 0.1% on the month in October for a 5.5% year on year gain. The core producer price index fell 0.1% on the month.

Dallas Fed President Richard Fisher said federal deficits are complicating efforts by the US Federal Reserve to help the economy. He added that using the central bank as a printing press to solve the problem was not an option.

The CME Group Inc's daily volume in November fell by 7% on the year to 13.2 million contracts.

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

Refinery News

Colonial Pipeline said it canceled the allocation of Linden Delivery Line L6 for Cycle 65 and implemented a nomination freeze.

Kinder Morgan Energy Partners said its Platte oil pipeline system running from Wyoming to Illinois will be overbooked next month due to high shipper demand. Shippers will receive only 35% of the space they requested on the line from Guernsey, Wyoming to refineries in Wood River, Illinois, which is expected to ship 158,000 bpd next month. Shipments on Kinder Morgan's Express pipeline from Hardisty, Alberta to Casper, Wyoming will run at 187,200 bpd, below its capacity of 280,000 bpd.

Canada's Natural Resources Minister Joe Oliver said Canada believes the US will ultimately approve TransCanada's proposed Keystone XL pipeline, which the US put on hold for more than a year.

IIR Energy reported that US oil refiners are expected to shut in 539,000 bpd of capacity in the week ending December 2nd, down from 587,000 bpd of shut capacity the previous week.

Chevron reported unplanned flaring at its 265,500 bpd refinery in El Segundo, California on Friday.

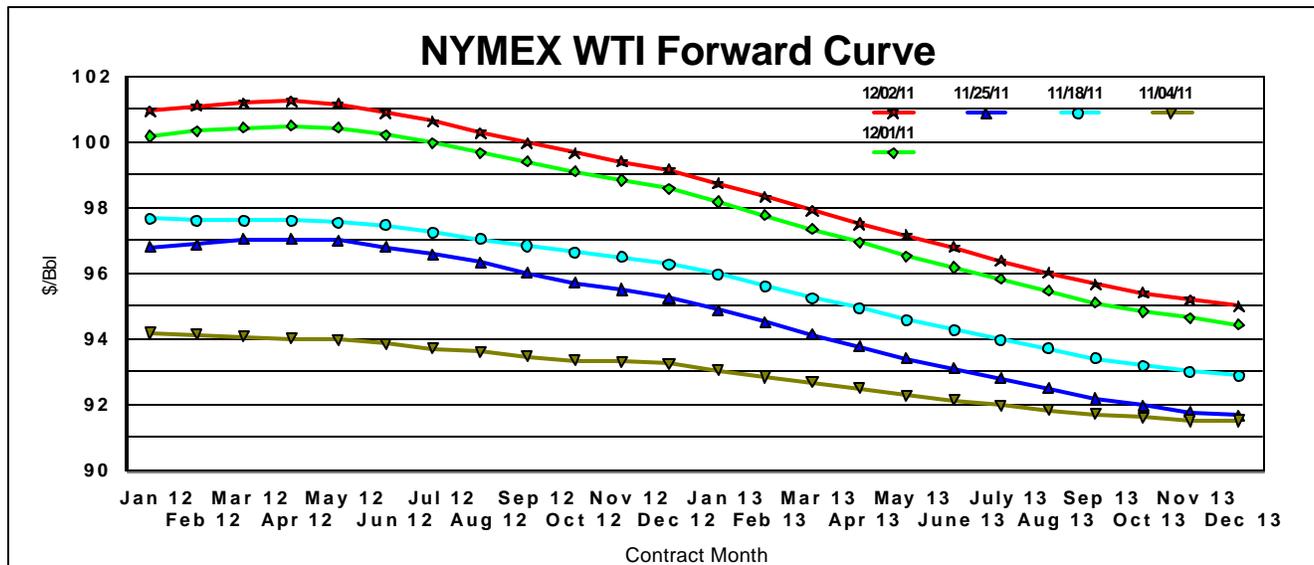
Sunoco halted operations of an isomerization unit at the Girard Point section of its 335,000 bpd Philadelphia refinery.

Europe's refining industry is set to endure another period of cuts as the threat of a European Union wide embargo on Iranian crude pushes up the price of oil in the region. According to the IEA, Iran exported 870,000 bpd to Europe in the second quarter, however refiners are scrambling to ensure they are covered if the EU decides to put a ban on Iran's oil. Russia's Urals crude, the most likely replacement grade for Iranian crude, has been at elevated levels for weeks because it is easily refined into middle distillates like diesel and gasoil.

Production News

Baker Hughes reported that the US oil drilling rig count increased by 2 to 1,132 this week.

Total said the EU sanctions would impact its operations in Syria as it complies with the sanctions. It however said that output would not cease for now.



Russia's Energy Ministry reported that the country's oil production remained at a post-Soviet high of 10.34 million bpd in November. Exports via pipeline monopoly Transneft increased by 6.3% to 4.52 million bpd from 4.25 million bpd in October. Russian seaborne crude oil exports supplied to ports by Transneft increased to 2.81 million bpd in November from 2.55 million bpd in October.

Crude oil production at the UK Continental Shelf in September increased by about 8% on the month to 790,298 bpd.

Maersk Oil sold Forties and Ekofisk crude for 2012 loading via a tender. In the tender, Maersk was offering 200,000 barrels of Forties and 200,000 barrels of Ekofisk crude per month.

The Baltic port of Primorsk is expected to load 450,000 tons or more of clean distillate in December. Separately, the port of Primorsk is expected to load 6 million tons of Urals crude in December, down from 6.3 million tons in November.

Estonia's Port of Tallin shipped 2.1 million tons of oil products in November, down 2.8% on the year.

Austria's OMV said its output from Libya reached half of the pre-war level or 17,000 bpd. It reiterated that it would take 12-15 months from the end of hostilities to restore its full output.

Venezuela's Oil Minister Rafael Ramirez said the country currently sends 95,000 barrels of oil to regional energy alliance PetroCaribe. He said about 45% of the energy needs of the PetroCaribe's 18 members are being met by shipments from Venezuela.

Azerbaijan's Socar said the country's January-November oil exports via Russia fell to 1.83 million tons, down 11.6% on the year. It also stated that oil product exports in January-November fell to 1.34 million tons from 1.72 million tons in the same period in 2010 due to increasing consumption of diesel and petrol on domestic markets.

Azerbaijan's Energy Minister Natiq Aliyev said the country will ship between 5 million and 7 million metric tons of crude from Kazakhstan's Kashagan field in 2013.

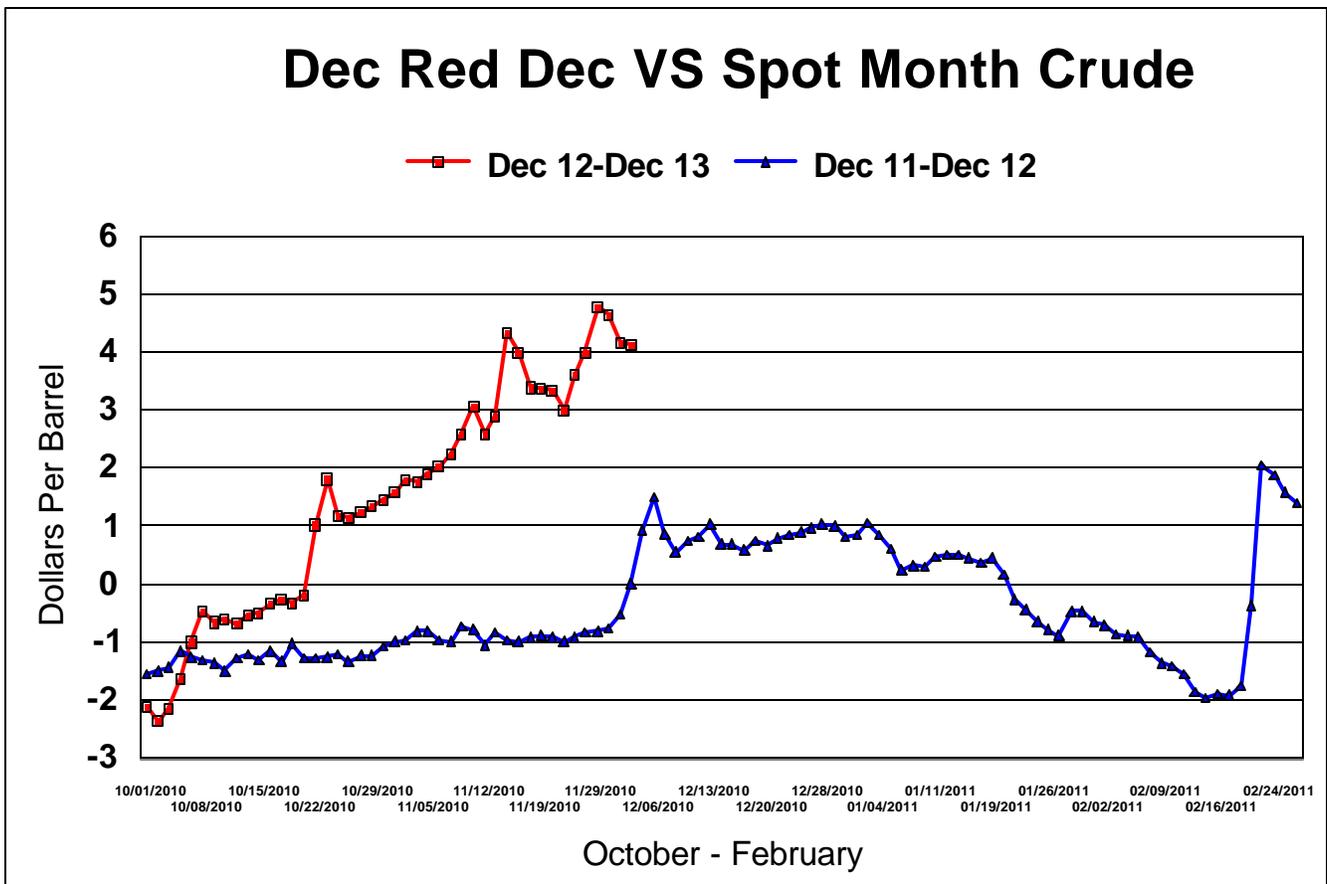
Market Commentary

Crude oil worked higher today, achieving its first gain in three weeks. A proposal by the U.S. senate, to bar banks doing business with Iran's central bank from doing business with those of the U.S; was the catalyst behind today's move. Despite a positive non-farm payroll increase, an announcement by Sunoco that it plans to shut its Marcus Hook refinery sparked a +7.00 cent rally in gasoline. The closure of this sight would take away 194,000 barrels per day of production. The planned closing of the Sunoco sight combined with the closure of ConocoPhillips 190,000 barrel per day Trainer, PA refinery in September equates to the loss of 739,000 barrels per day of east coast refining. Although supplies may be reduced, demand is still a significant factor. If demand doesn't rebound, this supply disruption may go unnoticed. The Dec12/Dec13 crude oil spread we wrote about in yesterday's wire edged slightly lower on the day, in tune with our view. With this week's higher settlement and technical indicators calling for higher numbers, we should see next week open to the upside, with \$103.37 our initial upside objective.

The latest Commitment of Traders report showed that non-commercials in the crude market in the week ending November 29th fell by 867 lots to 156,479 lots. The combined futures and options report showed that the funds cut their net long position by 5,853 contracts to 219,670 lots on the week. Meanwhile, the disaggregated futures and options report showed that managed money funds cut their

net long position by 54,993 contracts to 194,695 contracts in the latest week following three consecutive increases.

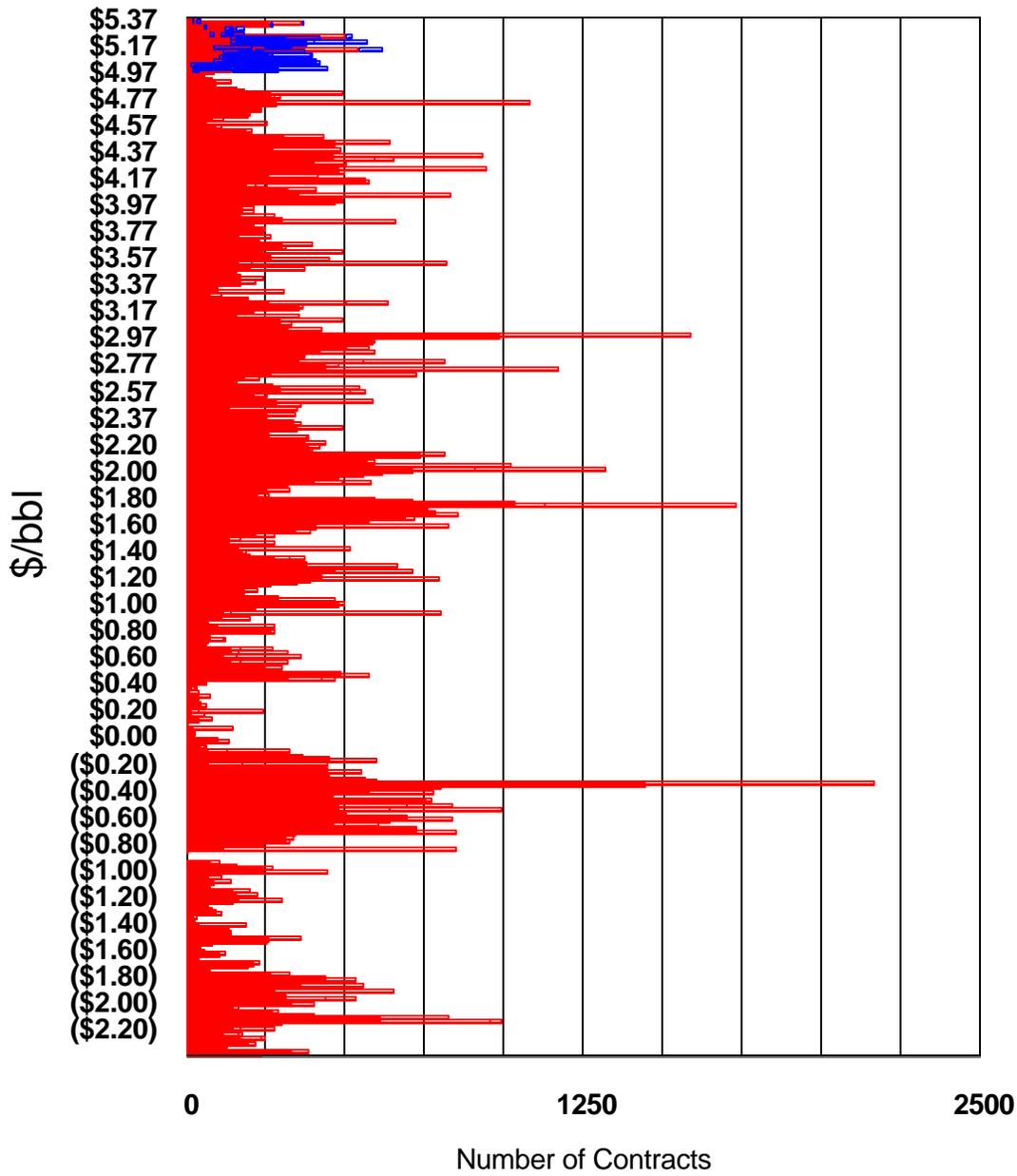
Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9499		29288	30622	24988	25939
9251	10337	28800	30937	24734	26283
8916	10753	26850	31956	24516	
8581	11483			24480	
				23803	
50-day MA	90.90				
100-day MA	89.99				
200-day MA	95.88				



NYMEX Dec12-Dec13 WTI Spread Volume Skew

October 3, 2011-December 2, 2011

■ Oct 3 - Dec 1 ■ Dec 2



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