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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 7, 2011

OPEC's Secretary General Abdalla Salem El Badri said he hoped that the European Union would not impose a ban on imports of Iranian oil and warned such a move would be a problem for Europe. He said Iranian oil supplies to Europe would be difficult to replace. However, he added that he would not advise against a ban. He said there has not been any

shortage of crude anywhere in the world. He also stated that OPEC is ready to help in case of a shortage or crisis in the world oil market and added that the IEA has the sovereign right to release emergency crude stocks if needed.

The European Union's proposal to ban imports of Iranian crude showed little traction among senior government officials from other major countries. Representatives from other countries dismissed the proposal. The embargo also came in for heavy criticism from oil companies and OPEC, suggesting the EU could face important opposition even as it seeks to push ahead with the plan.

Russia's Energy Minister Sergei Shmatko said Russia sees no need to join an oil embargo against Iran. He said banning Iranian oil sales would be a political move and added that Russia does not believe energy supplies should be used to exert pressure.

Market Watch

US President Barack Obama said he would reject any congressional efforts to tie an extension of the payroll tax cut to support for the Keystone XL oil pipeline from Canada. He said the US government would hold a rigorous process to look at approving or rejecting the pipeline. He said safety and environmental questions about the project had to be answered.

The CME Group Inc will discuss with oil market participants the development of a new Gulf Coast crude oil futures contract deliverable at the Enterprise terminal. The ECHO terminal is expected to begin service during the second quarter of 2012.

The Chinese Academy of Social Sciences said China's GDP is expected to increase 8.9% in 2012, a modest slowdown from the estimated 9.2% gain in 2011. The think-tank also forecast that China's Consumer Price Index would increase 4.6% in 2012, down from an estimated 5.5% gain in 2011.

Algeria's Energy Minister Youcef Yousfi said the country's review of its energy legislation will not include scrapping a rule that gives the state energy firm a majority share in all upstream projects.

DOE Stocks

Crude – up 1.336 million barrels
Distillate – up 2.533 million barrels
Gasoline – up 5.147 million barrels
Refinery runs – up 3.1%, at 87.7%

The IEA's executive director Maria van der Hoeven said the world will need at least as much oil from OPEC in 2012 as the group is currently producing. She also stated that the European Union has not approached the IEA about a proposal to impose an oil embargo in Iran. She also said that the IEA will meet with OPEC next year to discuss ways to improve transparency in oil market data. Separately, the IEA's chief

economist Fatih Birol said the oil market so far has not factored in the effects of a potential European Union oil embargo on Iran.

December Calendar Averages
CL - \$100.78
HO - \$2.9912
RB - \$2.6040

Refinery News

Colonial Pipeline said it was allocating its Linden delivery line L2 for Cycle 66. It was also allocating its main gasoline line north of Collins, Mississippi for Cycle 69. Colonial Pipeline’s main distillate line north of Collins, Mississippi has resumed normal rates after a shutdown on Tuesday. The line was shut early Tuesday for about six hours after discovering a 10 barrel diesel fuel leak at a booster station in Alabama.

Enterprise Products Partners and Enbridge expect to see the reversed Seaway Pipeline running between Cushing, Oklahoma and Freeport, Texas on April 1, 2012. The pipeline is expected to operate in batched mode, shipping both light and heavy crude until its full reversal takes place in 2013.

Delek USA Holding's Lion Oil refinery in El Dorado, Arkansas experienced a fire on Monday. It did not specify what unit was involved in the fire or whether the incident had any impact on production at the 80,000 bpd refinery. The cause of the fire was still under investigation.

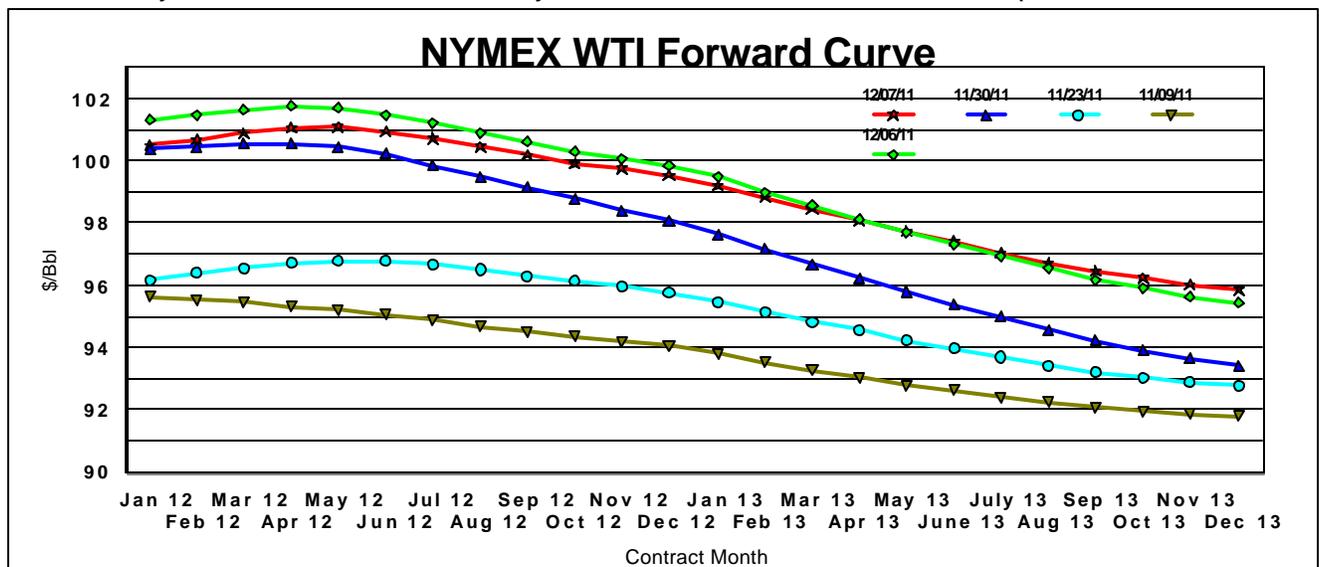
Chevron Corp said its 273,000 bpd refinery in El Segundo, California resumed normal operations following a power interruption last Thursday that forced the shutdown of several processing units.

Hovensa LLC's 350,000 bpd St. Croix refinery completed its maintenance turnaround and returned to service.

Imperial Oil Ltd said a leak occurred at its 187,000 bpd Strathcona refinery in Edmonton on Tuesday. It said there was no impact on production and repairs were started the same day.

Petroplus Holdings' 175,000 bpd Coryton refinery in the UK will see reduced runs after it had to repair its wet gas compressor.

The Petroleum Association of Japan reported that Japan's crude oil inventories in the week ending December 3^d fell by 2.22 million barrels on the week and by 810,000 barrels on the year to 94.56 million barrels. Japan's gasoline stocks fell by 170,000 barrels on the week and by 790,000 barrels on the year to 13.11 million barrels while kerosene stocks fell by 790,000 barrels on the week but increased by 4.57 million barrels on the year to 22.14 million barrels while naphtha stocks increased



by 1.05 million barrels on the week but fell by 1.46 million barrels on the year to 10.75 million barrels. Crude runs were unchanged on the week but fell by 450,000 bpd to 3.42 million bpd, with utilization rates unchanged on the week but down 2.9% on the year at 82.7%. The PAJ also reported that total oil sales increased by 11.1% on the week but fell by 7.5% on the year to 3.03 million bpd.

Gasoil prices have fallen from recent highs, but are expected to strengthen as rising water levels in Germany's Rhine River prompt European buyers to restock tight inventories for the winter. In recent weeks, low water levels had curtailed movement of barges carrying oil products and hindered inland demand for gasoil.

Production News

The EIA reported that US ethanol production reached a record high in the week ending December 2nd, totaling 954,000 bpd, up 24,000 bpd. It reported that ethanol inventories increased to 17.9 million barrels from 17 million barrels.

A Saudi oil official said the country produced about 10.04 million bpd of crude in November, the highest level in three decades, due to higher demand and requests from customers.

Total SA chief executive Christophe de Margerie said a proposed European Union ban on imports of Iranian crude would not have a major effect on Iran because alternative markets exist for its oil but could have a short term impact on some buyers of its oil. He also stated that oil production in Libya could reach its full prewar level of over 1.5 million bpd by the middle of 2012. Separately, he stated that Uganda could become an oil distribution hub for East Africa, including South Sudan's oil exports, if plans for an oil pipeline from the country to the Kenyan coast proceed.

A cargo of North Sea Forties crude has been dropped from the December loading program.

Mexico's Communications and Transport Ministry reported that the Cayo Arcas and Coatzacoalcos ports were shut due to high waves and wind action along the Gulf of Mexico. The port of Dos Bocas remained open.

Libya's National Oil Corp said that planned exports are expected to increase to 290,000 bpd in December from about 227,000 bpd in November, even though exports remain far below pre-war levels.

Algeria's Energy Minister said his country was pumping 1.2 million bpd of crude and had 200,000 bpd of spare capacity.

The Danish Energy Agency said Denmark's oil production is estimated to fall by 7% in 2011 from 2010 to about 13.2 million cubic meters or 228,000 bpd.

Russia's Energy Minister Sergei Shmatko said Russia will sell more oil and gas to Asia to avoid overdependency on its current clients. Europe is currently the largest consumer of Russian oil and gas exports. He said Russia would develop infrastructure to sell its oil and gas to the Asia-Pacific region, including China, Japan and South Korea.

TNK-BP said PetroMonagas, a joint venture between TNK-BP and PDVSA, expects to increase its oil production by about 9% to 120,000 bpd in the first quarter of 2012.

Bulgaria's government decided to abandon a trans-Balkan oil pipeline project aimed at taking Russian crude through its territory to Greece, saying it was not economically and financially viable.

Kazakhstan expects the second phase of its Kashagan oilfield to start operations by 2018 or 2019, with first oil now expected in June 2013. The second phase of the project would more than double Kashagan's production to about 1 million bpd.

Royal Dutch Shell and Eni bought the prospective Nigerian deep offshore oil block OPL 245. Shell said it would own 50% of the block with Eni owning the other half and operating output. Industry experts have stated that OPL 245 holds about 9 billion barrels of oil.

Market Commentary

An unexpected build in crude oil inventories combined with European debt concerns, pushed the spot month contract briefly below \$100 a barrel. Increases in both gasoline and distillate stocks added to the pressure on prices. Optimism about this Friday's meeting of the European Union is showing signs of waning as traders begin to lighten up on longs. Today's outside trading session, followed by a lower close, points towards a lower market tomorrow. A close below \$98.87 will turn the near term bias to the down side, making the 200-day moving average the target. Currently, this level is set at \$95.93.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9887		30622		24988	25939
9499	10337	29288	30937	24734	26283
9251	10753	28800	31956	24516	
8916	11483	26850		24480	
8581				23803	
50-day MA	92.03				
100-day MA	90.10				
200-day MA	95.93				

	HEATING OIL				RBOB			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	86562	86967	-405	31.600%	78380	80951	-2571	28.987%
JAN	42543	41491	1052	15.530%	36604	35140	1464	13.537%
FEB	31413	30537	876	11.467%	32113	32232	-119	11.876%
Dec-12	18223	18312	-89	6.652%	13003	12467	536	4.809%
TOTAL	273933	268959	4974		270399	269285		

	CRUDE (NYMEX)				WTI (ICE)				BRENT (ICE)			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
JAN	133579	125036	8543	10.024%	62615	64628	-2013	14.677%	127268	138596	-11328	13.820%
FEB	260854	272551	-11697	19.576%	55257	53273	1984	12.952%	156868	150014	6854	17.034%
MAR	116905	116831	74	8.773%	34368	35507	-1139	8.056%	102985	95697	7288	11.183%
Dec-12	172204	170366	1838	12.923%	62356	62714	-358	14.616%	99829	99768	61	10.840%
Dec-13	76158	76610	-452	5.715%	40627	40459	168	9.523%	48951	49693	-742	5.316%
TOTAL	1332544	1327334	5210		426624	426624			920893	912851		

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