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ENERGY MARKET REPORT FOR DECEMBER 13, 2011

The IEA cut its forecast for world oil demand growth in 2012 compared with its previous forecast based on the worsening global economic outlook and high oil prices. It however said demand would remain high and markets tight until 2013. It also cut its oil demand growth forecasts for the next five years in its medium term outlook. Oil demand is set to increase by an average 1.2% or 1.1 million barrels/year, led by countries outside the Organization of Economic Cooperation and Development. The IEA is forecasting global oil demand of 95 million bpd in 2016, up from 88.3 million bpd in 2010. The IEA forecast global oil demand at 90.3 million bpd in 2012, up from 89 million bpd this year. The IEA forecasts demand for OPEC crude in 2012 at 30.2 million bpd, not far from its November output of 30.68 million bpd. The IEA said oil industry stocks in the OECD fell in October by 36.3 million barrels to 57.2 days of forward demand. The IEA said Iran's oil production capacity is forecast to fall by 890,000 bpd to just under 3 million bpd by 2016 due to tighter US and European Union oil sanctions targeting the

Market Watch

The US Commerce Department said US retail sales increased less than expected in November as a drop in receipts for food and beverages weighed against stronger sales of motor vehicles. Total retail sales increased 0.2% after rising by an upwardly revised 0.6% in October. In the 12 months to November, retail sales were up 6.7%. Core retail sales, excluding autos, gasoline and building materials, increased 0.3% in November after increasing 0.7% in October.

Inventories of US retailers were flat during October despite solid sales. The Commerce Department said overall inventories of businesses in the US increased by 0.8% to a seasonally adjusted \$1.546 trillion. It reported the highest increase in inventories in five months. It reported that sales of US businesses in October increased by 0.7% to a seasonally adjusted \$1.218 trillion after increasing by 0.6% in September. The inventory-to-sales ratio remained unchanged at 1.27 in October.

The International Council of Shopping Centers and Goldman Sachs reported that US chain store sales fell 0.1% in the week ending December 10th to 514.4. However US chain store sales increased by 2.9% on the year.

According to the Labor Department's Job Openings and Labor Turnover Survey, there were 3.27 million available jobs at the end of October, down from September's upwardly revised 3.38 million. Hiring also eased in October, with business and government hires fell to 4.04 million from a downwardly revised 4.15 million in September.

Small businesses in the US grew more confident in the economy's future in November. The National Federation of Independent Business said its Small Business Optimism Index increased 1.8 points to 92.

Federal Reserve officials left their policy options open for 2012 but took no actions on Tuesday. They offered an assessment of the economy that was more upbeat but still marked by significant downside risks. Nine out of 10 Fed officials voted to keep the central bank's easy credit policies unchanged for the second consecutive meeting. Officials reiterated that short term interest rates are likely to remain close to zero until mid-2013.

Prices for Forties crude fell in December as weaker refining margins hit demand from refiners. Traders said weaker refinery demand combined with a decline in activity as the end of the year approaches could further add to pressure on prices in the short term. Demand is so weak that even the limited number of cargoes still available for loading in December will have to be discounted.

API Stocks

Crude – up 462,000 barrels
Distillate – up 1.236 million barrels
Gasoline – down 12,000 barrels
Refinery runs – down 1.6%, at 85.2%

country's upstream oil and gas sector. Global refinery runs are set to increase in the coming months as refineries return from maintenance. Refinery runs in the first quarter of 2012 are expected to rebound to 75.8 million bpd, up 1.2 million bpd on the year.

In its monthly report, OPEC warned that the world's economic outlook is likely to present a significant risk of instability in the coming year. It warned that demand could weaken further still if the US and Chinese economies underperform expectations in the first half of next year. It reported that oil demand growth is now seen at 1.1 million bpd in 2012, down from a previous estimate of 1.2 million bpd. OPEC pegged 2012 demand for its crude at an average of 30.1 million bpd next year, up 100,000 bpd from earlier estimates.

Attendees at an OPEC advisory committee meeting Tuesday afternoon concluded that OPEC should maintain current output. Participants at a meeting of the Ministerial Monitoring Sub-Committee said nobody objected to keeping output at current levels.

Kuwait's Oil Minister Mohammad Al-Busairi said OPEC is likely to keep its official production quotas unchanged as the market is balanced and prices are stable. He warned that producers and consumers should seek to maintain that balance as a significant shortfall would lead to a sharp price increase. He said he expected OPEC to agree to a deal that would protect world economic growth. Meanwhile, Iran's Oil Minister Rostam Ghasemi said the oil market is reasonably well balanced at the moment and OPEC will aim to reach a consensus to ensure it remains well supplied. He said he met with Saudi Arabia's Oil Minister on Tuesday afternoon but they did not discuss OPEC's oil production ceiling. Angola's Oil Minister Jose Maria Botelho de Vasconcelos said he sees the current oil price as fair.

The UAE's Oil Minister Mohammad Al-Hamli said that oil demand in 2012 will be similar to this year's level. Separately, Algeria's Minister of Energy Youcef Yousfi said oil supply and demand appear to be balanced for the time being.

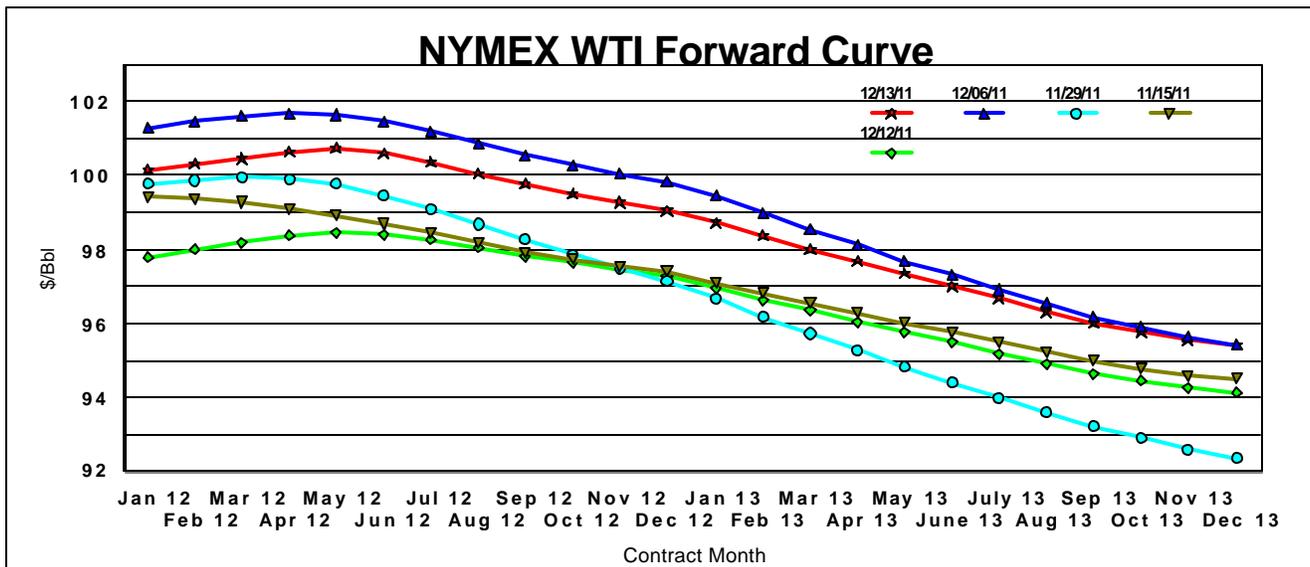
Venezuela's Oil Minister Rafael Ramirez said OPEC should maintain the same oil output level but make room for the return of post-war Libyan production.

The IEA's executive director Maria van der Hoeven said it is premature to speculate on the consequences of a potential oil embargo by the European Union on Iranian oil supplies. She said the IEA is monitoring the situation.

European Union sanctions on Syria have halted the country's oil exports, cutting the country off from its traditional export market and creating obstacles for new markets, such as India. In September, the EU implemented an oil embargo against Syria in response to the violent repression of the opposition by President Bashar al-Assad's regime.

According to a SpendingPulse report by MasterCard Advisors LLC, US weekly gasoline demand fell by 3.4% to 8.758 million bpd in the week ending December 9th. The drop of 306,000 bpd was the first decline following two weeks of gains. Weekly demand was 4.6% or 424,000 bpd below its year earlier level. In the latest four weeks, demand averaged 8.875 million bpd, down 4.2% or 392,000 bpd on the year. It reported that the price of gasoline fell by one cent to \$3.29/gallon, up 11.1% on the year.

**December
Calendar Averages**
CL - \$99.95
HO - \$2.9581
RB - \$2.5969



Refinery News

The Houston Ship Channel was partially closed on Tuesday due to a minor collision between vessels. There was no oil or chemicals spilled during the collision. It is unknown when it will reopen. There were four vessels waiting to enter the channel.

Colonial Pipeline allocated Cycle 70 shipments on its Line 20 carrying distillates from Atlanta, Georgia to Nashville, Tennessee.

ExxonMobil reported unplanned flaring due to a problem at its 149,500 bpd refinery in Torrance, California.

Valero Energy Corp reported a brief power outage on Monday at its 287,000 bpd refinery in Port Arthur, Texas. The power outage lasted about 10 minutes. The outage has no impact on production.

Suncor Energy Inc shut some units at its 130,000 bpd Montreal refinery for two weeks of planned maintenance.

China's Sinopec reported that its Jiujiang refinery plans to increase its crude oil throughput by about 16% to full capacity in 2012.

Czech downstream oil group Unipetrol has shutdown units at its smaller Pardubice refinery until March next year due to low margins. It said the hydrogen desulfurization unit has been shut since December 10th, along with the operation of the atmospheric and vacuum distillation unit.

Singapore marine fuel sales for November increased for the first time in three months to above average levels of 3.6 million tons.

Production News

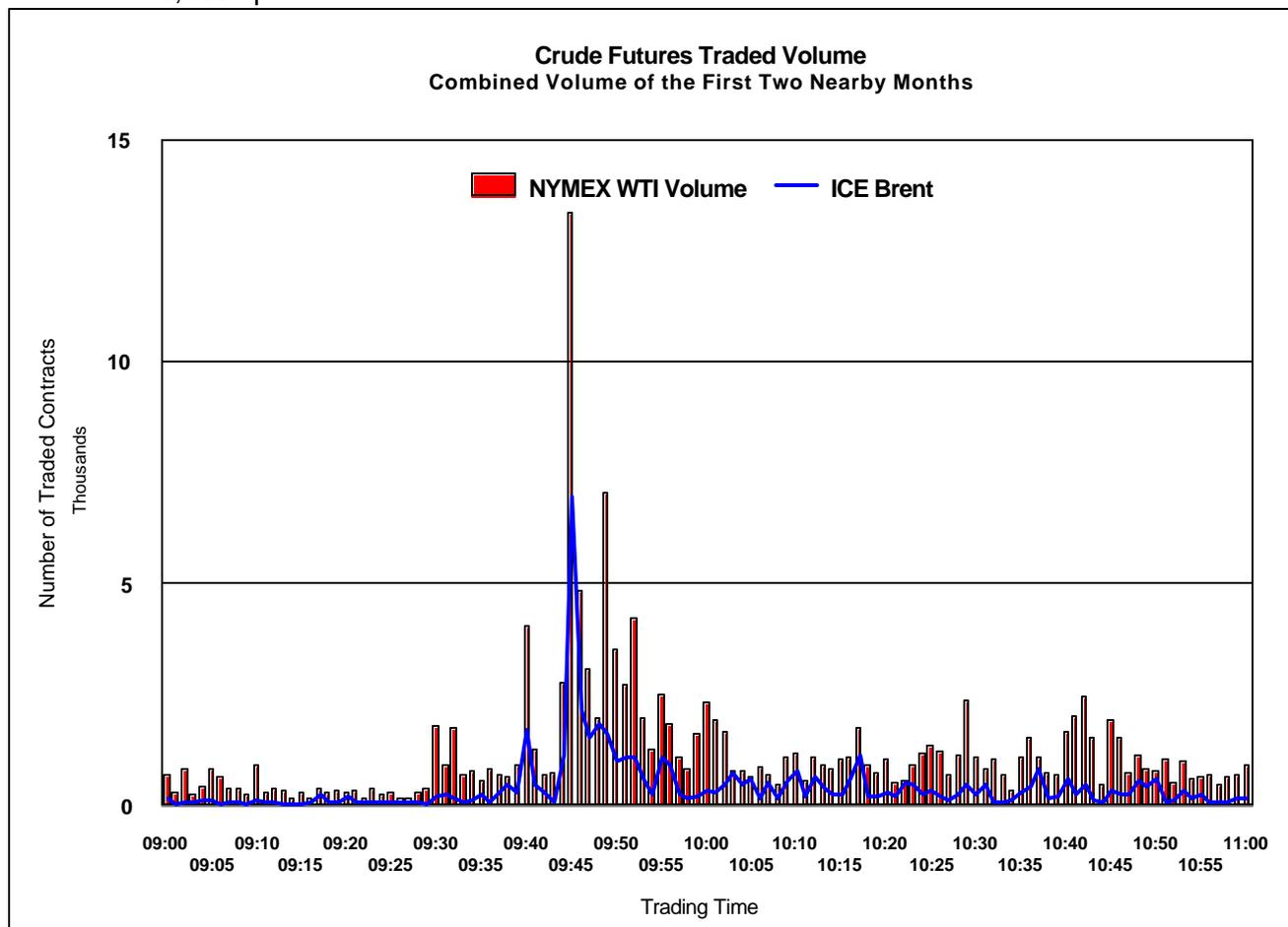
Eight cargoes of December loading North Sea Ekofisk crude have been delayed by about 2-5 days while one cargo has been delayed by 9 days. Three of them have been deferred into January.

The Norwegian Petroleum Directorate said Norway's oil and gas production increased to 1.676 million bpd of oil equivalent in November from 1.661 million bpd of oil equivalent in October.

Saudi Aramco plans to reduce production at some of its existing, older oil reservoirs when it starts production at its Manifa oil field. The move is aimed at maximizing recovery rates from the reservoirs in the future. Separately, Saudi Aramco's chief executive officer Khalid Al Falih said total domestic

energy consumption in Saudi Arabia is expected to double by 2030 to 8.2 million bpd of oil equivalent unless the country improves energy efficiency and diversifies its energy mix.

Danish Underground Consortium's oil and condensate output in November fell by about 1.7% on the month to 178,300 bpd.



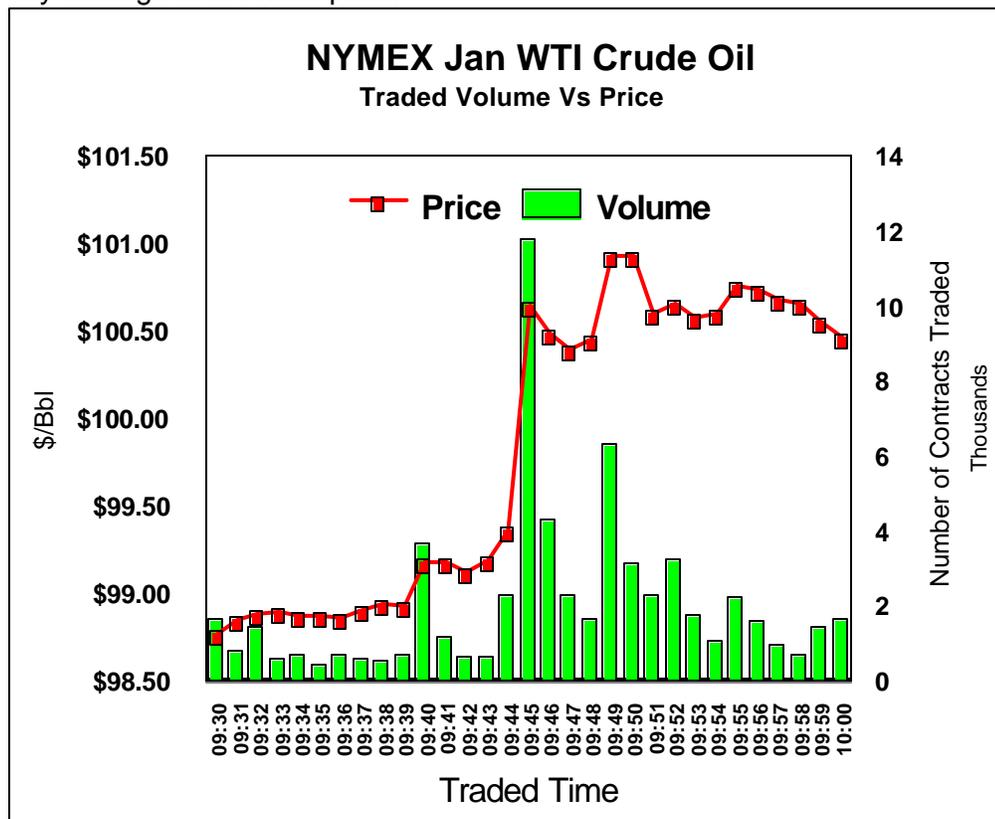
Mexico's Pemex said its crude oil production increased to an average of 2.569 million bpd in early December from 2.542 million bpd for the entire month of November. Pemex said it sent an average of 1.3 million bpd to export terminals in the December 1-11 period.

Canada's PetroBakken Energy Ltd expects 2012 production to increase more than 15% to 50,000-54,000 bpd of oil equivalent.

Russia's Transneft is looking for new routes to ship oil from its Caspian pipeline joint venture after Bulgaria abandoned a trans-Balkan link and a Turkish project was deemed too costly. Caspian Pipeline Consortium expects its capacity to increase to 48 million tons/year by 2012-2013 before reaching full annual capacity of 67 million tons by the end of 2014.

The combined annual production capacity of the petrochemical industry of the Gulf Cooperation Council or GCC states, is expected to exceed 150 million metric tons by 2015. The GCC countries currently produce 11% of the global output of petrochemicals and the percentage is likely to increase to more than 15% by 2015.

A fire broke out at Petroliam Nasional Bhd's crude oil distillation unit in the eastern state of Terengganu. An investigation into the cause of the fire is in progress however the fire did not cause any damage to the main plant.



BP Plc received a third payment for its investment in Iraq's Rumaila oilfield when a tanker loaded 2 million barrels of light crude at the southern oil hub of Basra on Tuesday. BP received two payments for the millions of dollars it invested in Rumaila in May and July.

Market Commentary
Crude oil headed higher today on fears that Iran's army would perform a trial shutdown of the Straits of Hormuz, disrupting supplies. Slight economic relief

came by way of improved investor confidence in Germany, also providing market support. Prices remain within the tight sideways trading range of \$94.99 and \$103.37. A trade below \$97.13 will provide a minor shift to the downside, extending moves to \$94.99. Below this level is key support set at \$89.16, the 50% retracement between \$74.96 and \$103.37. Worth mentioning is that today's price spike in oil appears as the highs of the past two days were breached. The January contract, which was trading several thousand lots per minute, traded 11,812 at the 9:45, moving prices over \$1.50 per barrel, thus possibly a fat finger mistake.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9713	10337	2		24988	25939
9591	10753	29288	30937	24734	26283
9499	11483	28800	31956	24516	
9251		26850		24480	
8916				23803	
8581					
50-day MA	93.57				
100-day MA	90.10				
200-day MA	95.90				

	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	185021	169920	15101	13.956%	52123	57045	-4922	11.915%	67831	88282	-20451	7.450%
FEB	159333	186399	-27066	12.018%	66372	62713	3659	15.173%	174150	175176	-1026	19.127%
MAR	127648	121194	6454	9.628%	34387	32507	1880	7.861%	135605	124324	11281	14.894%
Dec-12	171157	169362	1795	12.910%	62950	62341	609	14.390%	97443	98762	-1319	10.702%
Dec-13	73952	73200	752	5.578%	38139	38179	-40	8.719%	45421	44716	705	4.989%
TOTAL	1325786	1320811	4975		437448	433576	3872		910497	920171	-9674	

	HEATING OIL				RBOB			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	92100	84752	7348	33.960%	57494	64751	-7257	21.169%
JAN	38657	37172	1485	14.254%	41305	40332	973	15.208%
FEB	27657	27668	-11	10.198%	40669	39132	1537	14.974%
Dec-12	18045	17848	197	6.654%	13383	13322	61	4.928%
TOTAL	271199	270597	602		271597	274606	-3009	

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