



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 6, 2011

Qatar's Oil Minister Abdullah al-Attiyah said that \$80/barrel is a good price for oil and added that he did not expect OPEC to meet before its scheduled time in June unless the market fell short on supplies.

According to Oil Movements, OPEC's oil exports are expected to fall by 310,000 bpd to 23.6 million bpd in the four weeks ending January 22nd.

ExxonMobil Corp chief executive Rex Tillerson said the world will depend on fossil fuels such as oil and gas to meet the majority of its energy needs will into the middle of this century.

Market Watch

The US Labor Department stated that initial claims for unemployment benefits increased by 18,000 to a seasonally adjusted 409,000 in the week ending January 1st. The previous week's figures were revised upwards to 391,000 from 388,000. The four week moving average of new claims fell by 3,500 to 410,750. The report showed that the number of continuing claims fell by 47,000 to 4,103,000 in the week ending December 25th from an upwardly revised 4,150,000 the previous week. The unemployment rate for workers with unemployment insurance was 3.3% in the week ending December 25th, unchanged from the prior week.

A CFTC commissioner, Jill Sommers said the CFTC likely has enough votes to advance a proposal to limit speculative positions in commodity markets to the next stage. It introduced a plan to curb speculation for the metals, agriculture and energy markets on December 16th but postponed a vote on releasing it for public comment because of internal dissent among the agency's five commissioners.

According to Credit Suisse, the S&P Goldman Sachs Commodity Index is rebalancing for 2011. Its weighting of NYMEX crude, which is currently at 34.33%, is expected to fall to 32.83% while the weighting of ICE Brent crude is expected to increase to 15% from the current level of 14.47%. The weighting of NYMEX Heating Oil is expected to increase to 4.65% from 4.55% while the weighting of gasoline is expected to increase to 4.46% from 4.33% and the weighting of natural gas is expected to fall to 3.21% from 3.29%. The weighting of ICE Gasoil is expected to increase to 6.2% from 5.62%. Meanwhile the rebalancing of the DJUBS index is expected to increase the weighting of NYMEX crude to 14.71% from 13.15% while the weighting of heating oil is expected to increase to 3.58% from 3.47%. The weighting of gasoline is also expected to increase to 3.5% from 3.28% and the weighting of natural gas is expected to increase to 11.22% from 7.61%.

Refinery News

Colonial Pipeline issued a nomination freeze for its Linden Line 6 for cycle 71. Colonial is evaluating the need to cap freeze Lines 1 and 2 for cycle 4. It said it would evaluate the nominations at the close of business to determine any future actions.

ExxonMobil reported a problem at its 149,500 bpd refinery in Torrance, California.

All vacuum distillation units and a coking unit were shut at Motiva Enterprises 285,000 bpd refinery in Port Arthur, Texas following the collapse of a crane. The refinery's fluid catalytic cracking unit was running at reduced rates using intermediate feedstocks.

**January
Calendar Averages**
CL – \$89.90
HO – \$2.5282
RB – \$2.4324

A 59,500 bpd fluid catalytic cracking unit at Sunoco's 330,000 bpd refinery in Philadelphia is running at reduced rates.

Sunoco Inc will start shutting down a crude unit, a reformer and gas plant at its Marcus Hook, PA refinery to facilitate unplanned repairs. Separately, it will shut a fluid catalytic cracking unit and a crude unit at its Philadelphia refinery on February 1st for about two weeks of maintenance.

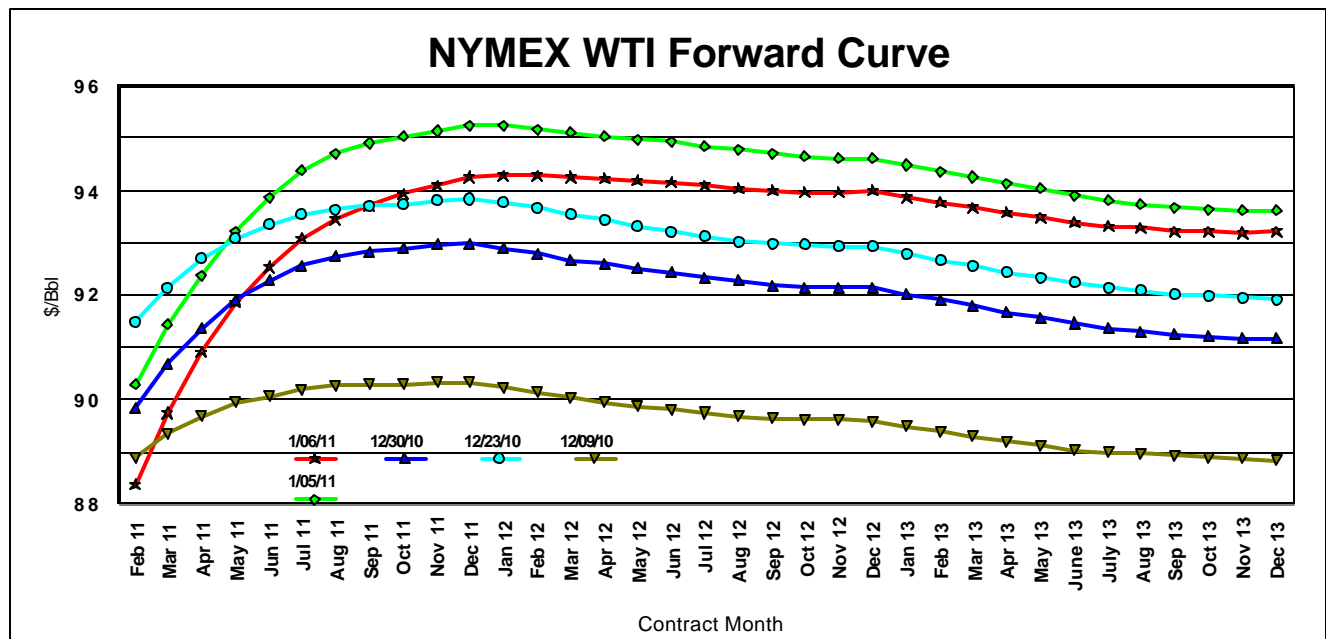
Shipping traffic at Fos-Lavera returned to normal after a short interruption that followed a fatal explosion at the nearby Gazechim chemical plant. The port suspended its activities for about an hour.

Kuwait's 460,000 bpd Mina al-Ahmadi refinery is working at full capacity after maintenance was completed at the end of December.

Gasoline inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending January 6th increased by 25.09% on the week but fell by 25.88% on the year to 693,000 tons. Gas oil stocks fell by 2.9% on the week but increased by 1.61% on the year to 2.775 million tons while fuel oil stocks fell by 16.13% on the week and by 22.14% on the year to 728,000 tons. Naphtha stocks built by 17.44% on the week and by 13.48% on the year to 101,000 tons while jet fuel stocks increased by 8.52% on the week but fell by 16.21% on the year to 739,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.788 million barrels to 19.826 million barrels in the week ending January 6th. It also reported that Singapore's light distillate stocks built by 152,000 barrels to 9.375 million barrels while middle distillate stocks fell by 1.215 million barrels to 12.323 million barrels on the week.

The Petroleum Association of Japan reported that crude stocks in the week ending January 6th increased by 9.6% to 16.71 million kl or 105 million barrels. It also reported that Japan's kerosene stocks held by Japanese refiners fell by 11% on the week to 2.23 million kiloliters.



Production News

Norway's Statoil said it plans for its modifications offshore Norway to cost NOK 9 billion. It plans to conduct 990 modification projects on the Norwegian continental shelf in 2011. Its modification plans can reduce the scope for planned shutdowns at offshore platforms.

BG Group said its Jordbaer field off Norway is expected to start operations in the fall of 2013. The field holds reserves of 70 million barrels of oil. It may hold 100 million barrels if nearby prospects prove successful.

China's National Energy Administration said the country's oil output may reach 190 million tons or 3.75 million bpd this year while gas production is expected to exceed 100 billion cubic meters. This is compared with 185.557 million tons of crude oil and 86.74 bcm of gas produced in the first 11 months of 2010. China's annual refined oil output is expected to reach 310 million tons by 2015. Separately, the National Development and Reform Commission said its crude oil refining capacity reached 500 million tons/year or 10 million bpd in 2010. China is expected to add a total of 100 million tons of annual crude refining capacity in the next five years. By 2015, China will have a crude run capacity of 600 million tons or 12 million bpd. It also stated that the country met its five year target to reduce energy consumption per unit of gross domestic product by 20% by the end of 2010.

Sinopec produced a record 7 million tons or 140,000 bpd of crude oil from its northwest oilfield last year, up 6.1% on the year. Its natural gas production totaled 1.45 billion cubic meters, up 11.5% on the year.

Separately, Sinopec International Petroleum has discovered proven reserves of 909 billion cubic feet of gas and 7.16 million barrels of condensate in central Myanmar. It made the find in the Pahtolon oilfield after extensive testing.

China National Petroleum Corp's oil and gas production in Kazakhstan reached a record 30 million metric tons of oil equivalent last year.

Total SA announced it made a new gas and condensate discovery in the West of the Shetland Islands on the UK continental shelf, close to the currently under development Laggan and Tormore fields.

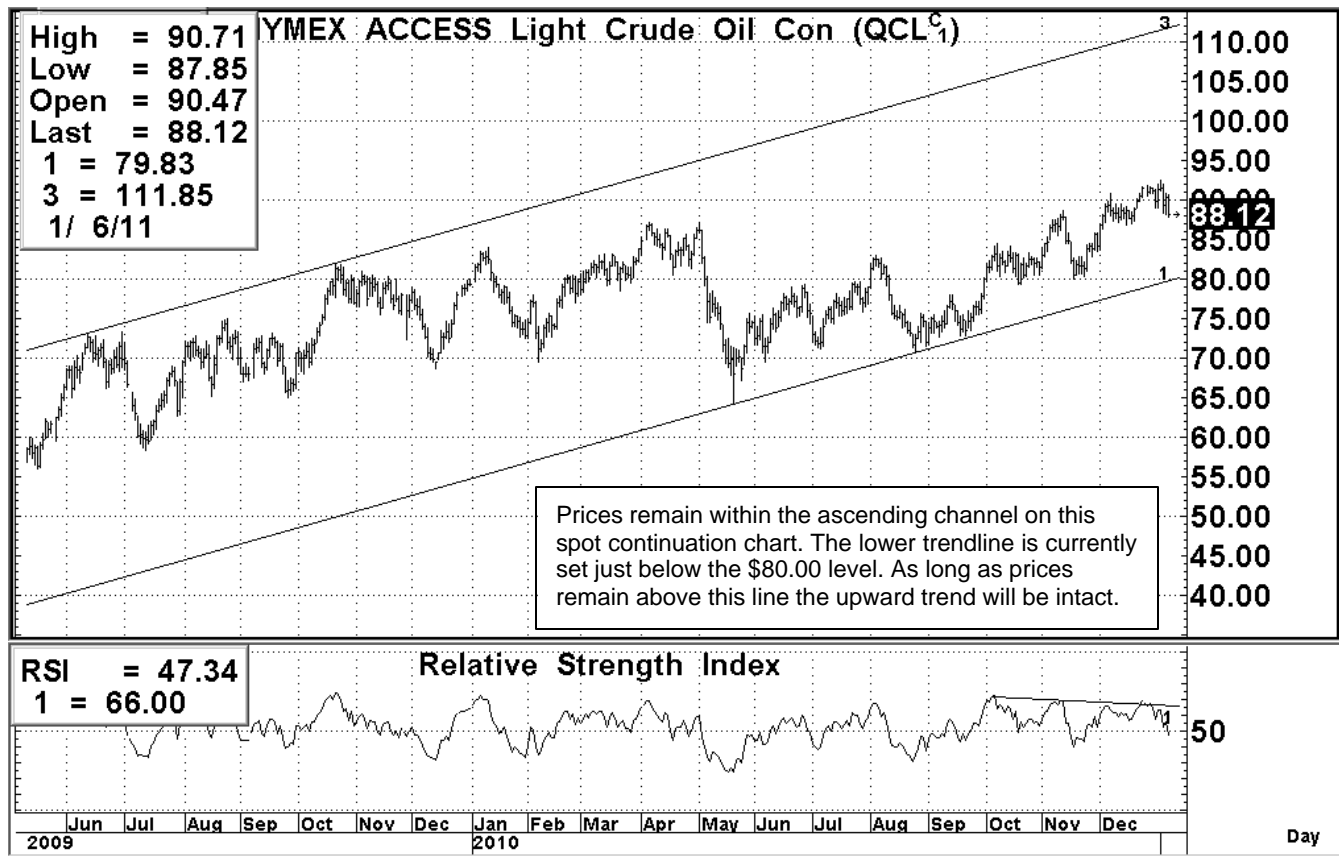
Zakum Development Co is on track to increase its crude oil production capacity from its offshore Upper Zakum field to 750,000 bpd by 2015 from its current level of 550,000 bpd.

Market Commentary

Crude oil fell 2 percent as the dollar strengthened and equities decreased. A rise in U.S. unemployment claims and disappointing retail sales also impacted price movement. Crude oil continues to react to the movement in the dollar as economists question whether its strength will lead to less economic stimulation by the U.S. Federal Reserve. This may influence a battle between the bears and the bulls, as economic recovery equates to an increase in demand, however the lack of economic stimulation will make consumers more reserved when it comes to spending. Barring the lack of cues from the supply and demand situation, crude oil should continue to trade in correlation to the dollar. Upon examination of the forward curve for crude oil, it is evident that there is a definite interest in owning Cal12, as this part of the spread remains flat in comparison to the balance of the curve. This is a sign that going forward, expectations for the economy to improve are strong. Technically, crude oil is still in an uptrend. Not until prices can break and settle below the bottom trendline on the ascending channel do we feel that the upward move in prices is over.

Crude oil: Feb 11 302,621 -8,227 Mar 11 221,062 +6,595 April 11 95,976 +1,703 Totals 1,481,197 +9,971 Heating oil: Feb 11 103,062 -3,509 Mar 11 63,831 +1,027 Apr 11 28,828 -14 Totals 303,811 -2,752 Rbob: Feb 11 93,969 -256 Mar 11 54,481 +1,582 Apr 11 30,920 -292 Totals 272,556 +2,441

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	9385	23685	26712		24880
8826	103.85	22960	27070	22560	27085
8590	111.65	22013	29500	22050	
8350		21860	30955	21600	
7945		21140		20300	
7900		20702		20130	
7871					



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