



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 12, 2011

The Trans Alaska Pipeline, which carries about 630,000 bpd of oil from Alaska's North Slope, restarted on Wednesday. The pipeline will operate at reduced rates for several days while a bypass segment is staged for installation. The pipeline was pumping 400,000 bpd following its restart. About 95% of the oil flow through the pipeline was shut down Saturday due to the discovery of a small oil leak.

The chairman of Libya's National Oil Co, Shokri Ghanem said Libya will not call for an emergency

OPEC meeting even if oil prices reach \$110/barrel. He said OPEC would not react to such temporary incidents.

Market Watch

The Labor Department said US import prices extended their recent increase in December. The price of imported goods increased by 1.1% in December following an upwardly revised 1.5% increase in November compared with an initial estimate of 1.3%. Petroleum import prices increased by 3.9% in December and were up 13.7% on the year.

The European Union's statistics office Eurostat said Euro zone industrial production was stronger than expected in November. It said industrial production increased by 1.2% on the month for a 7.4% year on year increase.

The IntercontinentalExchange said physical delivery of ICE gasoil for the January contract nearly doubled to 158,700 tons or 1,587 lots, up from 88,100 tons in December.

Separately, the ICE said weakness in the US WTI contract rather than the unusual strength in Brent explains the wide gap between the two benchmarks. The premium of Brent crude to WTI crude was more than \$6/barrel on Wednesday. The Brent contract is unusually strong as it is being squeezed by the large amount of open interest three days before its expiration on Friday.

The CFTC delayed a scheduled vote to finalize new governance rules for derivatives clearinghouses and trading platforms. The rules, proposed in October, are designed to reduce conflicts of interest at clearinghouses and trading platforms as well as help contain turmoil in the event of a crisis. They were scheduled to vote on Thursday.

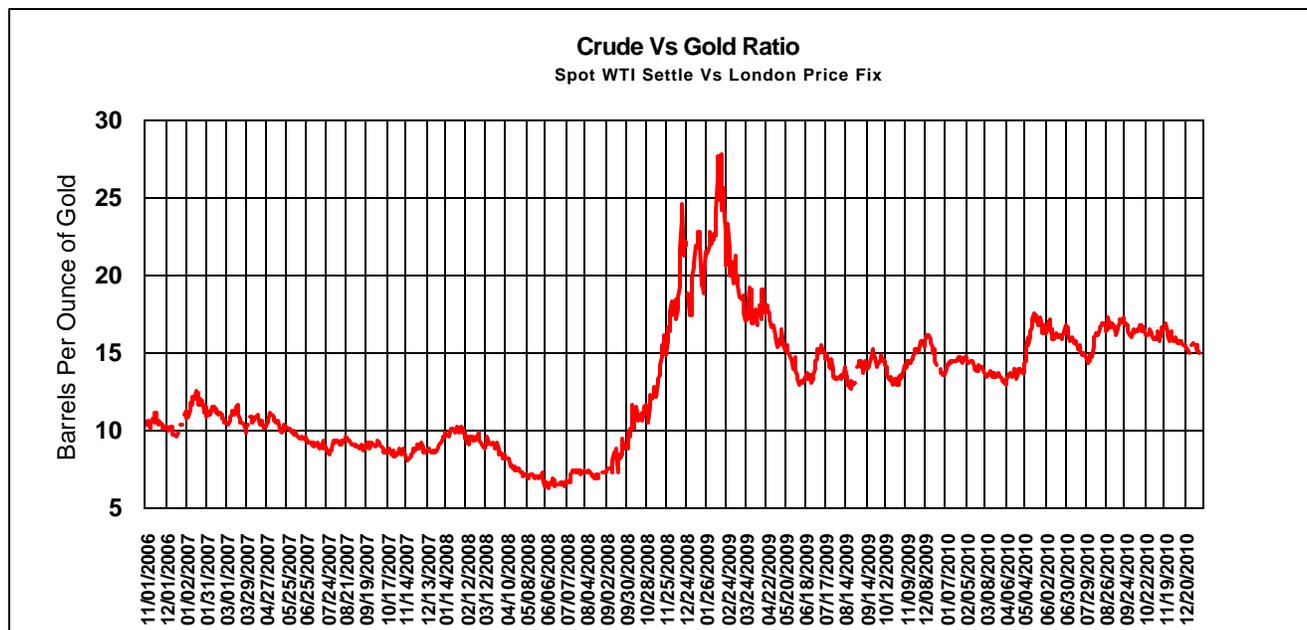
Car sales in China may fall more than 10% this year after the government scrapped its tax incentives. Sales of small cars are expected to fall this year, cutting back overall auto sales by 2 million units.

DOE Stocks

Crude – down 2.154 million barrels
Distillate – up 2.652 million barrels
Gasoline – up 5.081 million barrels
Refinery runs – down 1.6%, at 86.4%

Iran's nuclear chief Ali Akbar Salehi said Iran will not talk on its nuclear dossier at the Istanbul meeting with world powers. He said the technical and legal aspects of any country's nuclear issues can be discussed only with the IAEA and added that the agency is the only authority to judge the

demand due to heavy rains. Flooding caused a steam outage at the 88,000 bpd Lytton refinery on January 5th, prompting an unscheduled shutdown. Partial output is expected to resume tomorrow and increase during the next 10 days. Full operations are dependent on the Port of Brisbane resuming operations and returning to normal.



A one day strike by port workers blocked the transport of containers, bulk coal and new vehicles at Le Havre port in France. Crude oil transport and cross Channel traffic were not affected by the strike.

Tokyo Electric Power Co consumed 65.4% more fuel oil for power generation in December than a year earlier at 220,000 kiloliters or 1.38 million barrels. Its crude oil consumption fell by 30.6% on the year to 43,000 kiloliters while its LNG consumption increased by 11.5% to 1.72 million kl and its coal consumption fell by 8.9% to 296,000 kl.

Production News

Norway’s Statoil said its North Sea Snorre and Vigdis fields would reach full capacity later on Wednesday after restarting late on Tuesday.

Mexico’s Transport Ministry reported that the country shut in its port of Dos Bocas, Cayo Arcas and Coatzacoalcos/Pajaritos due to bad weather conditions in the Gulf of Mexico.

Production at Nexen Inc’s Long Lake oil sands project averaged 29,100 bpd of bitumen in December, up 11% on the month. The oil sands project has not been able to reach its 72,000 bpd capacity since it started up nearly three years ago.

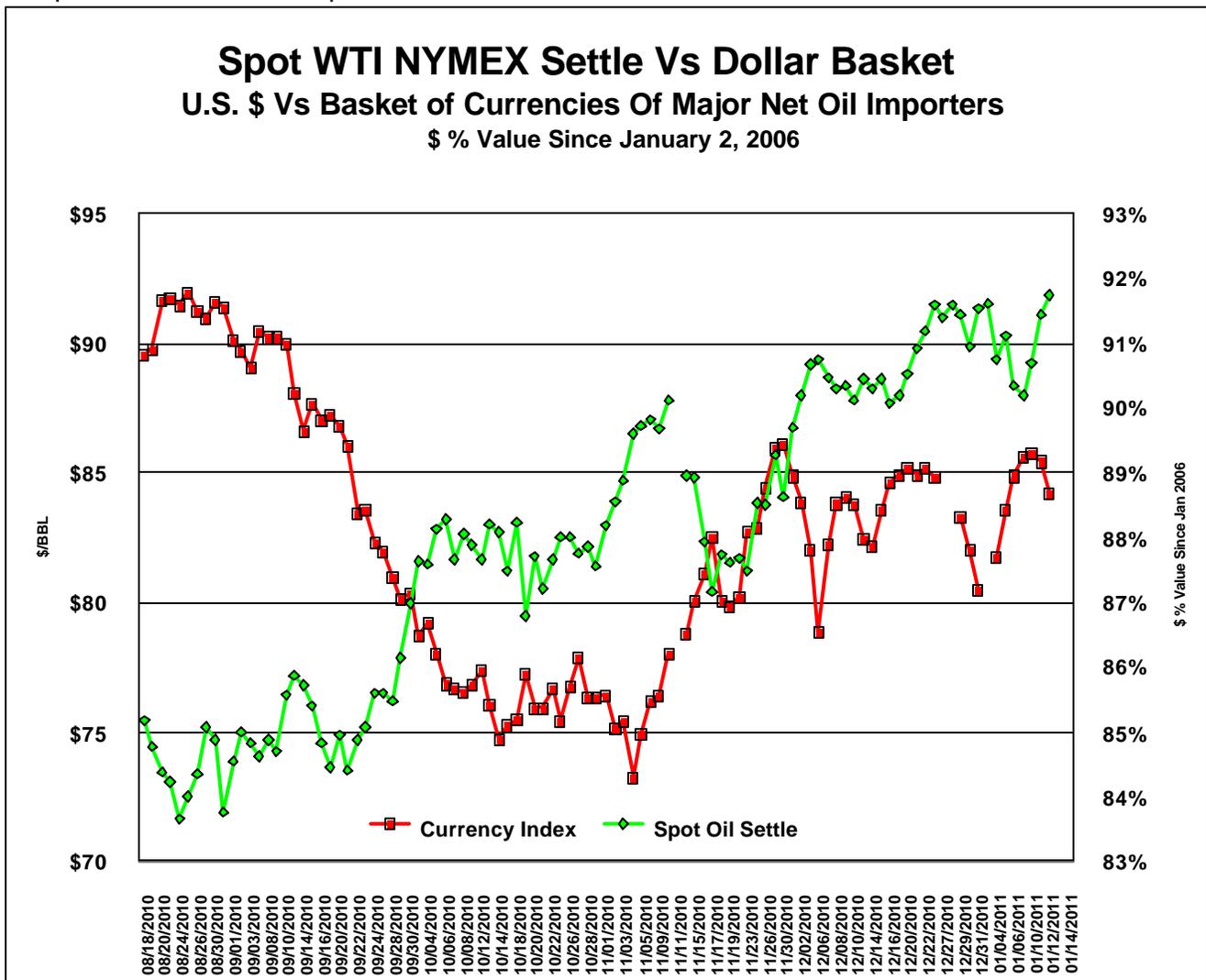
An Iraqi oil official said any new reserves discovered by companies that win gas exploration contracts in a fourth energy bid round planned by Iraq will be used to maintain and increase reserves.

India’s Oil Secretary S. Sundareshan said he is absolutely confident that a pricing dispute with Iran will be settled. He said there will be no stoppage of crude oil supplies from Iran. The two countries have so far not been able to find a solution on how India should pay for oil imports from Iran after India’s central bank said that payments to Iran could no longer be settled using a clearing house system run by regional central banks. Separately, India’s Oil Secretary said India will likely allow domestic refiners to utilize the government’s emergency crude oil reserve facilities, the first of which

will be completed by January 2012. Indian Strategic Petroleum Reserves Ltd is building a 5.33 million metric tons of strategic crude oil storages at three locations. The reserves would account for about 3% of India's annual crude import.

China National Petroleum Corp said its overseas crude oil and natural gas production increased by 13.9% last year to 86.73 million metric tons. Its overseas crude oil production last year totaled 75.82 million tons or 1.5 million bpd. CNPC's total crude oil and natural gas production in 2010 reached 250 million metric tons of oil equivalents. Separately, CNPC said it will aim to maintain annual growth in crude oil production at an average of 2 million metric tons.

Iraq's SOMO said the country's average oil exports so far in January exceeded 2.1 million bpd compared with 1.9 million bpd in December.



Separately, Iraq's SOMO set the price of its Basra Light crude bound for Europe in February at Dated Brent minus 3.40, down \$1.50 and the price of its Kirkuk crude at Dated Brent minus \$2.05, down \$1.20. It set the price of its Basra Light crude bound for the US at ASCI minus \$1.35, down 20 cents and the price of its Kirkuk crude at ASCI plus 30 cents, down 20 cents. It set the price of its Basra Light crude bound for Asia at the Oman/Dubai average minus 10 cents, down 30 cents.

Noble Energy Inc said first production at its Alen project in Equatorial Guinea is expected to start by the end of 2013 at 37,500 bpd. It expects to recover gross condensate of about 88 million barrels from the field.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.59 to \$92.92/barrel on Tuesday.

Russia's oil export duty in February may increase by 8.6-9% to \$344.90-\$346.30/ton. The duty on oil currently stands at \$317.50/ton. In February, the export duties on light oil products are expected to fall from 72% to 67% of the crude oil export duty while export duties on heavy oil products are expected to increase to 46.7%. The duty on light refined fuels may increase to \$231-\$232/ton compared with \$226.20/ton in January while the duty on fuel oil may increase to about \$161-\$161.70/ton, up from \$121.90/ton in January.

Canadian Natural Resources has declared force majeure on January shipments of synthetic crude from its Horizon oil sands plant after a fire last week and is still waiting to assess damage from the blaze. The plant accounts for 10% of Canada's synthetic crude.

Market Commentary

The oil market remained supported by the continued weakness in the dollar. It was also supported by unexpected draw in crude stocks reported by the DOE of over 2 million barrels. This was despite the report showing larger than expected builds in product stocks. The market also seemed to disregard the news that the Trans Alaska Pipeline resumed operations and Statoil's Snorre and Vigdis oilfields in the North Sea restarted their operations late Tuesday and were expected to reach full capacity later on Wednesday. The market, which posted a low of 90.79 in overnight trading, rallied to a high of \$92.39 late in the morning. It later retraced some of its gains and settled in a sideways trading pattern ahead of the close. The oil market settled up 75 cents at \$91.86, the highest level seen since early October 2008. Meanwhile, the product markets ended the session mixed, with the heating oil market settling up 98 points at \$261.86 and the RBOB market settling down 1.53 cents at \$246.31 after it posted an inside trading day. While the crude market has been trading higher, its upside is seen limited. The market is seen finding resistance at its highs of \$92.39 and \$92.58 followed by \$93.12. More distant resistance is seen at \$96.33. Support is seen at \$91.40, \$90.79, \$88.93 followed by \$88.13 and \$87.25.

Crude oil: Feb 11 226,754 -24,545 Mar 11 270,466 +22,512 April 11 97,449 -1,365 Totals 1,477,863 +3,884 Heating oil: Feb 11 90,765 -332 Mar 11 66,383 -884 Apr 11 31,131 +1,309 Totals 300,105 +207 Rbob: Feb 11 82,586 -1,428 Mar 11 63,744 +2,691 Apr 11 30,055 -783 Totals 272,903 +386.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9140	9239	26059	26343	24496	24808
9079	9258	26000	26712	24350	24883
8893	9312	25451	27070	24126	25023
8813	9633	24930	27639	23945	27085
8725		24678			

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