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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 18, 2011

Alyeska Pipeline Service Co's Trans Alaska Pipeline resumed operations on Monday after the line was shut on January 8th due to a leak. A bypass line to circumvent the leak was completed earlier on Monday. Throughput on the pipeline increased to 510,000 bpd on Tuesday and was expected to remain at that level for the next 24 hours. The Trans Alaska Pipeline is expected to restore throughput to normal levels of 600,000-630,000 bpd in the next five to seven days.

OPEC's Secretary General Abdullah al-Badri said world oil markets have more than enough supply and factors including speculation and a weak US dollar

Market Watch

The release of the API's weekly petroleum stock report will be delayed by one day to Wednesday at 4:30pm EST while the EIA's weekly petroleum stock report will also be delayed by one day to Thursday at 11am EST due to the Martin Luther King, Jr holiday on Monday.

The National Weather Service forecast that US heating demand this week is expected to be 1% above normal. Demand for heating oil this week will average 6.1% above normal while heating demand for natural gas will average 2.7% above normal.

The New York Fed's Empire State general business conditions index increased 22 points to 10.57 in December from -11.14 in November. The increase was led by an increase in new orders and shipments. The new orders index increased to 2.6 in December from -24.38 in November while shipments increased to 7.11 from -6.13. The employment index fell to -3.41 in December, the lowest in a year from 9.09 in November. The index of business conditions six months ahead fell to 48.86 in December from 54.55 in November.

The National Association of Home Builders/Wells Fargo Housing Market Index was 16 in January, unchanged from December.

IntercontinentalExchange said NGX will expand its alliance to physical crude on ICE. It said NGX's Canadian physical crude products will be offered for trading through ICE's electronic trading platform. NGX will provide clearing services for the new physical crude contracts. It is expected to launch the combined offering in the first quarter of 2011.

Diesel barge prices in Europe fell slightly from more than two year highs early Tuesday as problems with Rhine traffic flows helped offset lower imports from Belarus. The Rhine has been closed since last week and could remain closed until the weekend after a tanker carrying sulphuric acid capsized.

China Securities Journal reported that China's GDP grew 10.1% on the year. China's GDP totaled about \$6 trillion last year. It also reported that China's Consumer Price Index increased more than 4.5% in December and the annual CPI growth was likely in a range of 3.3% to 3.4% last year.

Japan's industrial output increased 1% in November. The figure was unchanged from the preliminary reading and followed a 2% decline in October.

China's Premier Wen Jiabao called for more diesel supplies and efforts to ensure normal power and natural gas supplies in the first quarter. China's diesel shortages eased after the government raised fuel prices last month and refiners produced a record amount of diesel and cut exports. However power supplies in some regions remained tight as coal stocks were running down in some power plants while hydropower output was at the seasonal low.

**January
Calendar Averages**
CL – \$90.38
HO – \$2.5712
RB – \$2.4507

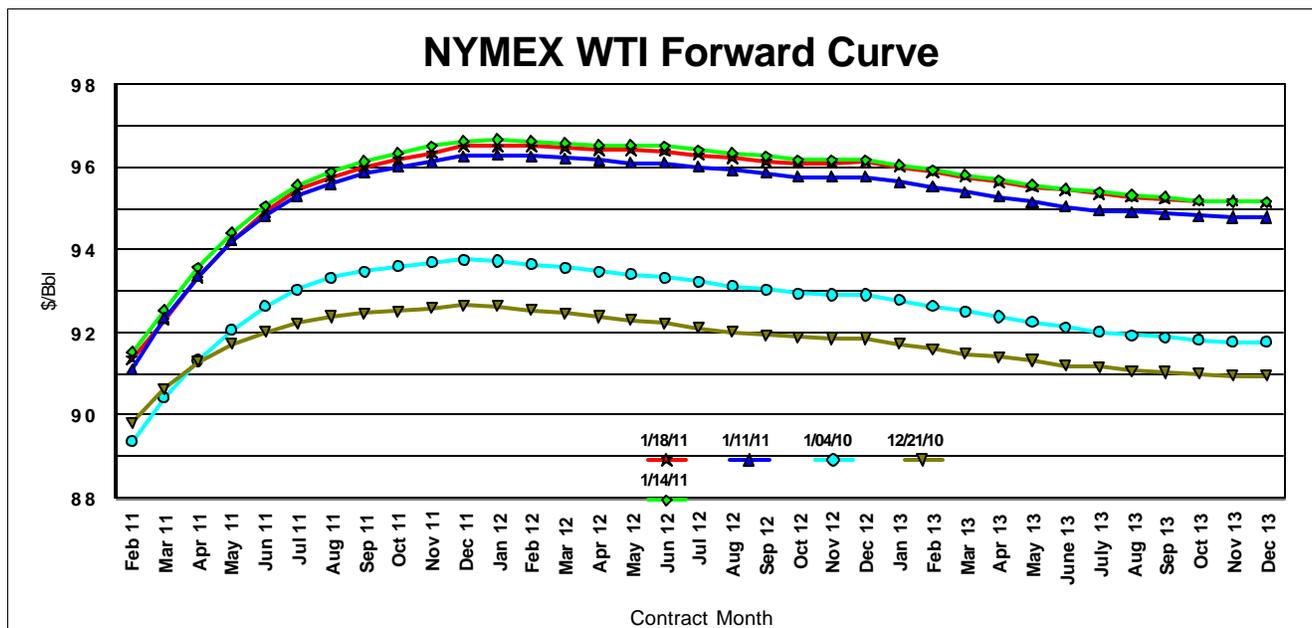
have played a part in increasing oil prices. He also accused the IEA of supplying the world's media with unrealistic assumptions and forecasts that will serve to confuse matters and create unnecessary fear in the markets.

The IEA said the world would need more crude from OPEC amid faster than expected oil demand growth or risk high prices that damage the economic recovery. The IEA's January monthly report increased demand estimates for 2010 and 2011 by 320,000 bpd from its previous estimate. It estimates that 2010 oil demand would increase by 2.7 million bpd on the year to 87.7 million bpd and increase by 1.4 million bpd in 2011 to 89.1 million bpd. In regards to China, the IEA stated that the country's oil demand surpassed the 10 million bpd level in November. It said apparent oil demand increased to 15.1% on the year in November. The IEA also reported that oil products, mainly middle distillates, stored globally in floating storage fell to 20 million barrels at the end of December from 27 million barrels at the end of November. The IEA said a lighter maintenance schedule and a slowdown in demand growth is expected to pressure global refining margins and lead to run cuts in the first quarter of 2011. Refinery runs worldwide will average 74.9 million bpd in the first quarter of 2011. It revised its estimate of global refinery runs in the fourth quarter of 2010 to an average of 74.5 million bpd, up 2 million bpd from a year earlier. The IEA also stated that Russia's new ESPO crude oil may become a regional oil benchmark in Asia.

Separately, the IEA said Saudi Arabia had quietly increased its oil production to lower oil price while OPEC accused the agency of providing inconsistent oil price views. The IEA said it found out that OPEC had already raised production, in contrast with previous surveys of its output. It said it appears Saudi Arabia has been making more crude available to the market in the past six months. In December, Saudi output was assessed at 8.6 million bpd, up 100,000 bpd from a revised November estimate of 8.5 million bpd. It added that Saudi Arabia, Iraq, Kuwait and the UAE had reduced official selling prices to make sales more attractive.

ICAP Shipping said oil products held in floating storage have declined by about 25% to 16.6 million barrels compared with mid-December.

The EIA reported that the US retail price of diesel increased by 7.4 cents to \$3.407/gallon in the week ending January 17, 2011. The price of diesel is up 18.7% or 53.7 cents above last year's level. The EIA also reported that the US retail price of gasoline increased by 1.5 cents to \$3.104/gallon on the



week.

Qatar replaced its Energy Minister Abdullah al-Attiyah with Mohammed Saleh al-Sada, formerly a junior minister. However a senior official said this did not mean a policy change.

The US CFTC hopes to fully implement its speculative commodity limits by the first quarter of 2012, a year after the deadline set by lawmakers. In the full text of its proposal, the CFTC also clarified an interim plan demanding much more information about the positions held by big traders in energy and metals markets, saying it would affect some 140 entities on a monthly basis. It said it hoped to quickly implement the first stage for its limits, which apply to the spot month of 28 exchange traded futures markets. During the third quarter of 2011, the CFTC said it hoped to begin collecting data from large swaps traders.

The Movement for the Emancipation of the Niger Delta warned of an attack on fuel depots and fuel transport vehicles in response to the handling of the arrest and detention of its members.

Refinery News

The US Coast Guard said the Houston Ship Channel reopened to incoming and outbound traffic on Tuesday after early morning fog caused a complete closure.

Magellan Pipeline said there was no leak on its gasoline pipeline at Harris County, Texas. It said the leak of 250 barrels of gasoline from the underground pipeline it reported earlier was a false alarm.

Credit Suisse reported that US refined products margins were mixed in the week ending January 14th as some regions gained on higher distillate product prices. Margins in the Northeast fell by 66 cents to \$7.71/barrel on the week while margins in the West Coast also fell by 76 cents to \$12.14/barrel. Margins in the Midwest increased by 27 cents to \$11.16/barrel while margins in the Gulf Coast increased by 60 cents to \$12.88/barrel and margins in the Rockies increased by 26 cents to \$14.24/barrel on the week.

Planned work is underway at Royal Dutch Shell's 327,000 bpd refinery in Deer Park, Texas.

ConocoPhillips reported a release of vapor at its 362,000 bpd Wood River, Illinois refinery. Separately, ConocoPhillips also reported that one worker was injured on Monday night when a steam line ruptured at its 120,200 bpd Rodeo, California refinery.

Valero Energy Corp delayed the start of planned maintenance of a vacuum distillation unit and coking unit at its 287,000 bpd Port Arthur, Texas refinery. The overhaul was due to begin in early January but has been delayed in part by the late arrival of a crane needed to lift coking unit drums. The crane is expected to be ready in early February. Valero has moved back the start of an overhaul at its 170,000 bpd McKee refinery in Sunray, Texas from March to April.

LyondellBasell will start a two month turnaround on a fluid catalytic cracking unit at its 268,000 bpd refinery in Houston, Texas later in January.

South Korea's GS Caltex began steps to restart its 330,000 bpd No. 4 crude distillation unit at its refinery following a shutdown caused by a power outage on Monday. It is expected to take at least three days to return all of its crude distillation units and its No. 1 residue fluid catalytic cracking unit to normal operations.

Two to three tankers have been booked to ship 180,000 to 270,000 tons of high sulfur gas oil from the Middle East Gulf to Singapore loading mid- to end-January. Shell booked two tankers to ship a total

of 180,000 tons of diesel while Total has also provisionally booked another vessel to ship the same volume of high sulfur gas oil from the Red Sea to Singapore, loading on January 21st.

Separately, Cargill has booked a tanker to ship 90,000 tons of high sulfur gas oil from the West to East, loading mid-to late January.

China is expected to import 1.9 million metric tons of fuel oil in January, up 35% on the year.

An official at China's National Development & Reform Commission said China does not yet have a timeline for a new version of its fuel mechanism of pricing its gasoline and diesel.

The UFIP French oil industry association said France consumed 0.2% more motor fuel in 2010 compared with a year earlier as motorists bought less super unleaded gasoline and more diesel fuel. Consumption of all motor fuels last year represented 50.6 million cubic meters.

Production News

The restart of four Brent oil and gas platforms in the North Sea remains unclear after they were shut on Saturday. Royal Dutch Shell said all non-essential workers on the Brent Bravo platform were taken off the platform over the weekend when one of the fenders protecting it from service vessels fell into the sea. Shell decided to shut the four linked Brent platforms as a precaution. The Brent A, B, C and D platforms produce about 4.5 million cubic meters/day of gas and 20,000 bpd of oil.

Oil trader Hetco has control of the first eight cargoes of North Sea Forties crude oil loading in February and two Brent cargoes, giving it significant influence over the spot market.

Noble Corp is moving five shallow water rigs to the US Gulf of Mexico from the waters off Mexico as work stalled. It said four jackup rigs that had been previously working and another rig already without a contract will be moved to the US Gulf where they will be temporarily stacked. That leaves five jackup rigs working for Pemex off Mexico and two others awaiting work. It said 17 of Noble's 65 active rigs are now in the shipyard without a contract.

The Prime Minister of Iraq's Kurdistan Regional Government, Barham Salih, said crude oil exports will resume from the Kurdish oilfields by February 1st following a suspension of almost a year and a half. He said the Kurdistan Regional Government had a productive meeting with Iraq's Prime Minister Nouri al-Maliki and agreed to resume oil exports. They also agreed to resolve outstanding issues on the oil budget. The Kurdish Oil Minister Ashti Hawrami said they could resume oil exports of 100,000 bpd and increase gradually to 200,000 bpd by the end of 2011.

Russia is not expected to restart oil supplies to Belarus, which were halted due to price dispute, until at least Thursday, when the heads of their governments are scheduled to meet.

Belarus Oil Co said Belarus diesel exports to Europe have not been cut and that it was following all its contractual obligations. It said all contracts are being fulfilled.

Russia plans to export 1.87 million metric tons or 13.69 million barrels of Urals crude in the first half of February from its Black Sea port of Novorossiisk. Russia exported 35 cargoes of Urals totaling 3.735 million tons from the Black Sea port of Novorossiisk in January.

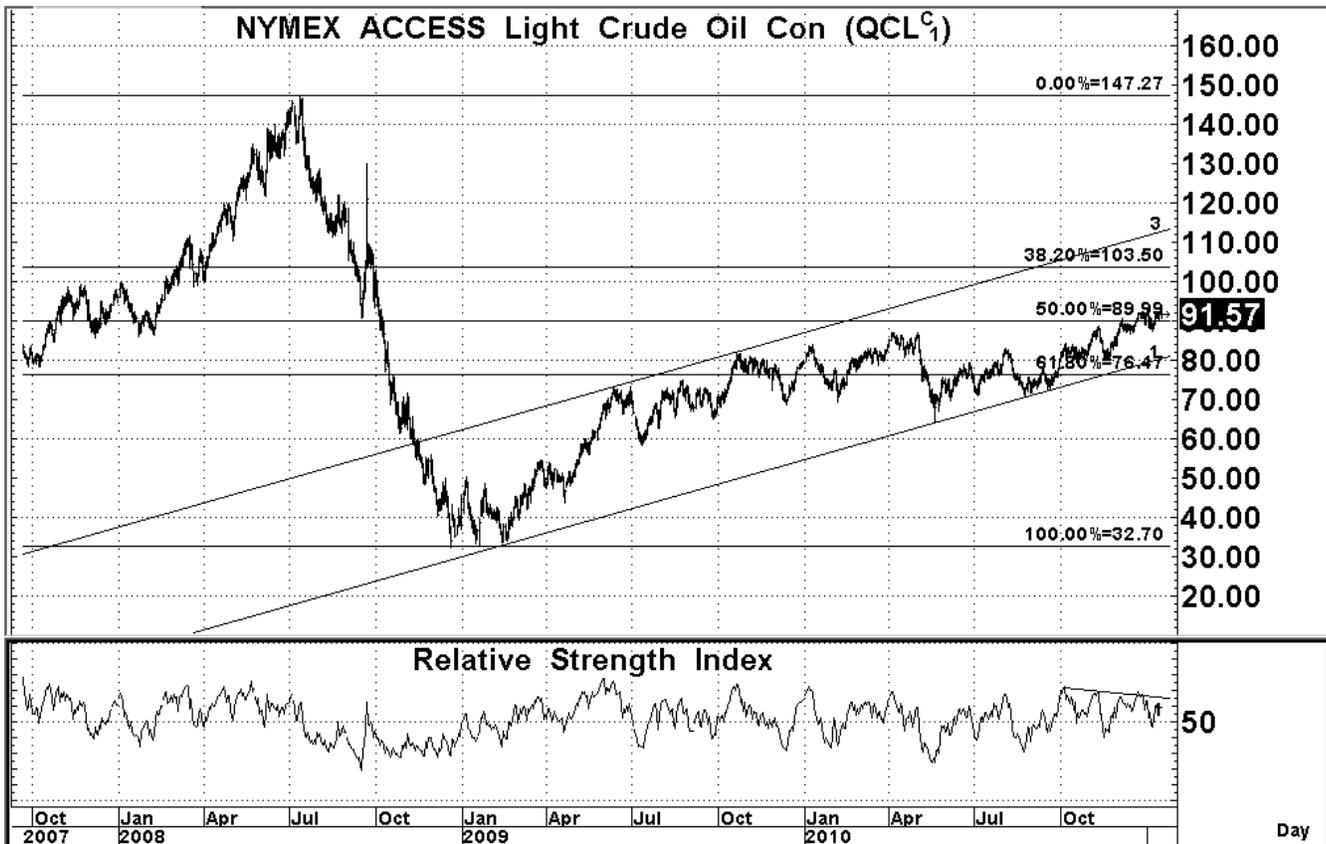
South Africa petrochemical group Sasol said it would not proceed with a planned coal to liquids plant project in Indonesia as it seeks to focus more on gas-to liquids opportunities.

OPEC's news agency reported that OPEC's basket of crudes fell by 32 cents to \$93.72/barrel on Monday.

Market Commentary

Crude oil traded on both sides of unchanged as it reacted to a report by the IEA in regards to increases in OPEC output and an upward revision in world demand. According to the report, the IEA expects that oil consumption will rise by 1.4 million barrels a day as the economic recovery picks up steam. Stockpiles however, are well supplied, with North American inventories still set above the five-year average. This does not lead to an immediate cause for concern in regards to tightness in supplies. Prices remain within the upward channel on a spot continuation chart and have been trading around \$89.99, the 50% retracement level between the range of \$147.27 and \$32.70. The RSI for this chart has been trending sideways, corresponding with the movement of the spot contract around the aforementioned level. On a technical basis we would look to use the \$89.99 area as a pivotal number, buying failed attempts to penetrate it and sell successful ones.

Crude oil: Feb 11 88,818 -40 Mar 11 374,420 +11,781 April 11 112,436 +3,007 Totals 1,495,239 -23,415 Heating oil: Feb 11 71,764 -3,499 Mar 11 77,106 +1,545 Apr 11 35,305 +996 Totals 304,082 +1,695 Rbob: Feb 11 61,488 -315 Mar 11 82,269 +1,895 Apr 11 32,013 +978 Totals 284,412 +4,297.



Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8999		23685	26712		24880
8826	9385	22960	27070	22560	27085
8590	103.85	22013	29500	22050	
8350	111.65	21860	30955	21600	
7945		21140		20300	
7900		20702		20130	
7871					

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