

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 24, 2011

Saudi Arabia's Oil Minister said world oil demand is expected to increase between 1.5 million to 1.8 million bpd this year. He said this year may be a turning point as the level of oil demand in the emerging economies and developing countries is nearing demand in OECD countries and will even exceed demand in OECD by 2013. He said that even with strong Asian demand he expects oil prices to stabilize this year. He said OPEC could increase their production to meet the rising demand in 2011. He declined to specify how much Saudi Arabia was producing but said

Market Watch

The National Weather Service forecast that heating demand this week is expected to be 5.3% above normal. Demand for heating oil this will be expected to average 14.4% above normal while heating demand for natural gas is expected to average 4.1% above normal.

Weather Services International stated that unseasonably cold weather is likely to move into northern Europe again from late February into spring following a relatively mild spell in late January. It expects a moderation in temperatures in late January until early February.

The IMF expects global economic growth in 2011 to be slightly lower than last year's rate of 4.75%. The IMF First Deputy Managing Director John Lipsky warned that despite the pace of growth, future economic expansion faced three downside risks. He said the links between financial stresses and financial sustainability, especially in the euro area, have the potential to undermine growth. He also stated that the lack of progress in formulating credible medium term fiscal consolidation plans in many advanced economies and high commodity and food prices, that could undermine macroeconomic stability and trigger social and political strains in developing countries.

Markit's Eurozone Flash Services Purchasing Managers' Index increased to 55.2 from 54.2 in December. It is the 17th consecutive month that the index was above the 50 level that divides growth from contraction while its new business index reached a 39 month high of 55.4, up from December's 53.9. Growth in Germany helped the euro zone's services sector expand faster in January.

France called for commodities to be regulated like any other financial market to curb speculation that is impacting global economic growth. French President Nicolas Sarkozy said France would review how the poorest countries could use financial tools to hedge themselves against sharp increases in agricultural prices or bad harvests. Policymakers are concerned that if unchecked, rising food prices could stoke inflation, protectionism and unrest.

Greece's private sector workers are expected to walk off their jobs for 24 hours on February 23rd to protest against the government's austerity policies.

Brazil's energy research company, EPE said the country electric energy consumption increased by 7.8% in 2010 to 419 gigawatts hours. Industrial consumption of electric energy reached 183.7 Gwh, up 10.6% on the year.

**January
Calendar Averages**
CL – \$90.06
HO – \$2.5888
RB – \$2.4489

its spare capacity was likely to be about 4 million bpd this year while OPEC spare capacity as a whole was likely to remain around 6 million bpd.

The EIA reported that the US average retail price of diesel increased by 2.3 cents to \$3.43/gallon in the week ending January 24th. The price of diesel was 59.7 cents or 21% above a year ago. The EIA also reported that the US average retail price of gasoline increased by 0.6 cents to \$3.11/gallon on the

week.

Refinery News

Credit Suisse reported that US refined products margins finished stronger last week by about 12% on average. Margins in the Northeast increased by 18 cents to \$7.89/barrel while margins in the Midwest increased by \$1.83 to \$12.99/barrel and margins in the Gulf Coast increased by \$1.70 to \$14.58/barrel. Margins in the Rockies increased by \$2.85 to \$17.09/barrel while margins in the West Coast increased by 79 cents to \$12.93/barrel.

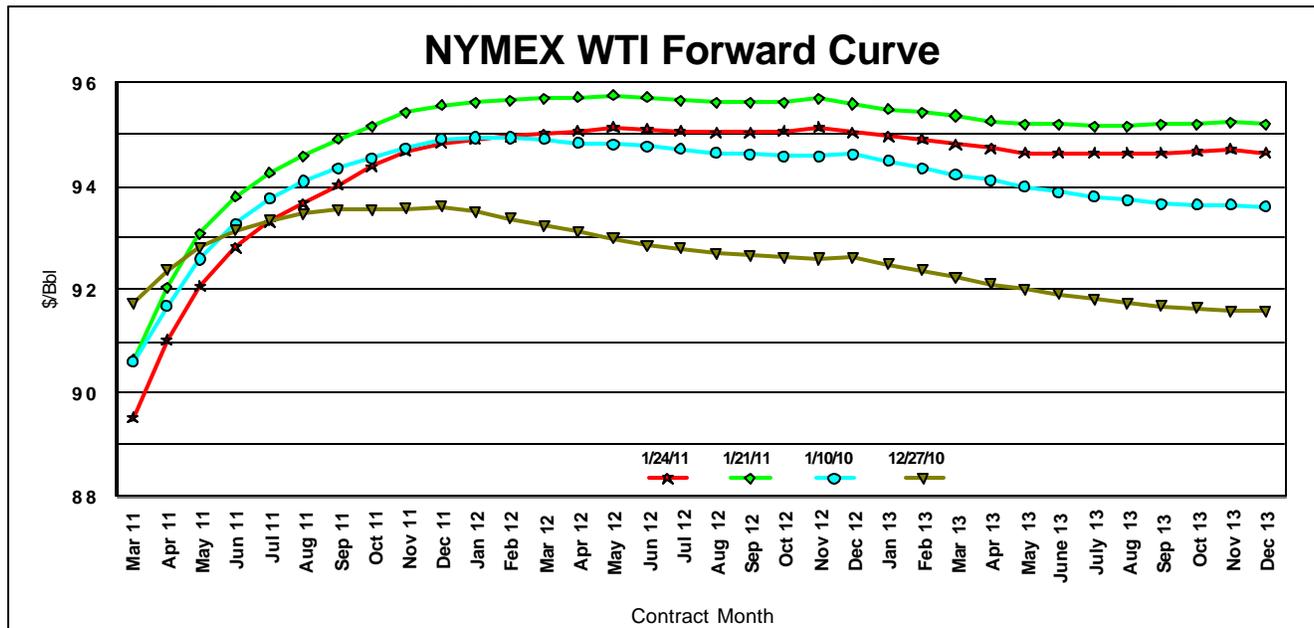
Colonial Pipeline is allocating its mixed Line 3, north of Woodbury, for Cycle 8, as nominations on the pipeline exceeded the company’s ability to meet the 5 day lifting cycle. Colonial issued a nomination freeze for Linden Line L10, Cycle 2.

Enbridge Inc apportioned Line 5 at 23%. Its Lines 6a, 14 and 62 were apportioned at 7%. Its Line 6b was apportioned at 16%.

Kinder Morgan Energy Partners LP said its Trans Mountain pipeline system is 33% oversubscribed for February. It will only be able to deliver 67% of nominated volumes in February. It said accepted nominations for February stood at 276,402 bpd for the Trans Mountain line, 153,275 bpd for Puget Sound and 44,988 bpd for Westridge Dock.

Chevron Corp plans to submit a restart plan soon for a Utah crude oil line shut by a leak two months ago and hopes to restart the line around February 1st. The pipeline, which feeds Chevron’s Salt Lake City refinery, was shut on December 1st after a leak was discovered. The pipeline outage has not impacted operations at the 45,000 bpd refinery.

Sunoco Inc reopened a crude oil pipeline in Oklahoma on Saturday after it was closed by a leak last



Wednesday.

ExxonMobil Corp's 192,500 bpd refinery in Chalmette, Louisiana was not affected by a spill of a small amount of lubricating oil.

ConocoPhillips confirmed a scheduled maintenance outage was underway at its 146,000 bpd refinery in Borger, Texas.

Valero Energy Corp reported flaring due to a problem with a gulfining unit at its 287,000 bpd Port Arthur, Texas refinery on Sunday. It said adjustments were made to reduce pressure on the line and the safety relief valve was reset. The snag did not impact production.

Delek US Holdings reported emissions due to a problem with a fluid catalytic cracking unit at its 60,000 bpd refinery in Tyler, Texas. A wiring problem resulted in intermittent occurrences of reportable opacity from the CO boiler. Normal operations were restored in a controlled manner.

CVR Energy Inc will begin planned maintenance at its 115,700 bpd refinery in Coffeyville, Kansas this fall. The two phase maintenance outage is expected to end in the spring of 2012.

Japan's Idemitsu Kosan Co restarted its 33,000 bpd residue fluid catalytic cracking unit at its 140,000 bpd Hokkaido refinery on Saturday.

Saudi Aramco plans to shut its 235,000 bpd Yanbu refinery in February and early May for scheduled maintenance. The refinery will be offline for 39 days starting February 1st to March 11th.

Kuwait exports about 225,000 bpd of crude oil to China and expects exports to double when an \$8.7 million joint venture refinery project in China between Sinopec and Kuwait begins production. Shipments to China could reach 500,000 bpd once the refinery begins operations.

French port workers staged a 24 hour strike at the Fos-Lavera oil port near Marseille on Monday, blocking unloading activity in a protest against an ongoing port reform.

Shipping on the Rhine River remains partially blocked to shipping for the twelfth day by a capsized tanker loaded with sulphuric acid and salvage work could last another two to three weeks. The river remains closed for northbound sailings.

India's government reported that the country's crude oil imports in December fell by 17.2% on the year but increased by 17% on the month to 11 million tons. Government data showed that India's oil product demand in December increased by 11% on the month to 12.75 million tons. It also reported that India's oil product imports in December increased by 12% on the month to 1.53 million tons while oil product exports increased by 2% on the month to 2 million tons in December. India's oil product sales in December increased by 7.9% to 12.75 million tons due to higher diesel and naphtha demand.

Production News

Hetco sold three North Sea Forties crude oil cargoes on Monday and offered three others, gradually exiting a position that had represented about a third of the Forties program for February.

Halliburton Co said 3,200 wells were not completed in the US and expects that number to increase in 2011. It continues to believe prospects for a recovery in the Gulf of Mexico will remain uncertain through the first half of 2011. It stated that it recently won a 15 well project in Iraq.

Norway's Statoil said its Oseberg A, B and D platforms were shut on Monday after a gas leak and will remain closed for a few days. It was not clear how much production was lost on Monday. Output of the Oseberg field was 54,200 bpd of oil equivalent.

Canadian Natural Resources Ltd said the stop work order at its Horizon project is still expected to remain in effect for a number of days. Alberta health and safety officials are still investigating the cause of the January 6th fire at the Horizon project.

Norway's DNO said it will not start exports from its Kurdish Tawke field until the regional and central government provide details about their agreement to resume exports by February.

Kazakhstan's KazMunaiGas said it plans to produce more than 22.1 million tons of oil and gas condensate in 2011, up from 22 million tons in 2010.

Nigeria is scheduled to export eight 975,000 barrel cargoes of Agbami crude in March compared with seven cargoes in February. It is also expected to load four 950,000 barrel Akpo cargoes in March, down one on the month while it is expected to load three 950,000 barrel EA crude cargoes in March, unchanged on the month. Nigeria is set to export seven cargoes of Bonny Light crude in March, up one on the month and nine cargoes of Qua Iboe crude, down from 11 cargoes in February.

Colombia's Ecopetrol SA said its proved net reserves at the end of last year increased by 11.4% to 1.71 million barrels of oil equivalent.

Ecuador's Minister of Nonrenewable Natural Resources Wilson Pastor said that Ecuador signed a total of seven contracts with five private companies operating a number of small oil fields. He said all private oil companies operating in Ecuador are seen investing \$446 million this year.

Angola granted rights in offshore blocks to western oil companies. It awarded blocks to Total SA and ConocoPhillips. ConocoPhillips was awarded concessions to explore in two ultra-deep water block offshore Angola.

OPEC's news agency reported that OPEC's basket of crudes fell by 5 cents to \$92.90/barrel on Friday from \$92.95/barrel on Thursday. It also reported that OPEC's basket of crudes increased by 17 cents to \$93.47/barrel in the week ending January 21st.

Market Commentary

Heating oil prices, for most of the session, gained support from the cold weather in the U.S. Northeast, while gasoline and crude oil fell. A bounce in the dollar and word from the Saudi oil minister that OPEC may bolster supply to meet demand caused crude oil to fall as much as 2 percent during the session.

Brent continues to gain against the crude oil on expectations of improving growth and increasing demand. Brent traded at a \$9.53 premium to WTI, the widest level since February 2009. Upon examination of the forward curve and open interest, it appears that longs are more comfortable buying from December 2011 on back, while length lightening continues in the front end of the curve. The March crude oil bounced off of support set at \$87.25 based on a spot continuation chart. Below this level there is support at \$86.83. Should prices break below this number, we would look for a test at the measured move of \$81.08.

Crude oil: Mar 11 405,376 -5,216 April 11 117,853 -3,043 May 11 89,987 -4,376 Totals 1,475,916 -9,429 Heating oil: Feb 11 43,975 -8,371 Mar 11 100,510 +6,565 Apr 11 39,967 +657 Totals 312,038 +411 Rbob: Feb 11 38,067 -2,689 Mar 11 98,696 +4,154 Apr 11 41,867 -107 Totals 293,775 +3,693.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8725		23685	26712		24880
8683	9385	22960	27070	22560	27085
8590	103.85	22013	29500	22050	
8350	111.65	21860	30955	21600	
7945		21140		20300	
7900		20702		20130	
7871					

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposely. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.