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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 24, 2011

Kuwait's Oil
Minister Sheikh
Ahmad al-
Abdullah al-Sabah
said he is content
with current oil
prices near
\$90/barrel. He
said OPEC output
decision would
depend on the
market conditions
and the level of
compliance from
producers.

A SpendingPulse
report by
MasterCard
Advisors LLC
showed that US
gasoline demand
increased by
3.1% to 8.94
million bpd in the
week ending
January 21st.
Gasoline demand
was up 4.1% from
a revised year
ago level. The
four week
gasoline demand
averaged 8.602
million bpd, up
0.2% on the year.

Market Watch

The Labor Department reported that payrolls fell in 35 states in December while the unemployment rate increased in 20 states. New York led the nation with 22,800 job cuts in December, followed by Minnesota with 22,400 firings and Florida with 17,900 firings.

According to the Federal Housing Finance Agency's home price index, home prices in November fell by 4.3% on the year. The previously reported 0.7% price increase from September to October was revised downward to a 0.2% price increase.

The S&P/Case-Shiller index of home values in 20 cities fell by 1.6% from November 2009.

The Conference Board's consumer sentiment index increased to 60.6 in January, the highest level since May, from 53.3 the prior month.

Britain's economy unexpectedly contracted in the fourth quarter of 2010. Britain's Finance Minister George Osborne said the 0.5% contraction would not derail its austerity plans, blaming the decline in output on the harshest December weather on record.

According to a Reuters survey, oil prices are expected to average slightly more than \$90/barrel this year. Brent crude is expected to average \$91.17/barrel, up from the previous estimate of \$86.85/barrel while WTI crude is expected to average \$90.40/barrel, up from a previous estimate of \$86.26/barrel.

In its World Economic Outlook, the IMF said the global economic recovery was gaining traction but warned that it was still at risk because of eurozone debt and a lack of financial reform. The IMF said the world economy would likely expand 4.4% this year, up from a previous estimate of 4.2% in October. It revised up its 2011 growth projection for advanced economies to 2.5% from an October forecast of 2.2%. It said the US economy would likely grow 3% this year, a sharp upward revision from its 2.3% October forecast. It maintained its October forecast for the euro zone at 1.5% and estimated growth would accelerate to 1.7% next year. For China, the IMF maintained its 2011 growth forecast at 9.6% and added that growth next year would slow slightly to 9.5%.

The American Trucking Association's advance seasonally adjusted For-Hire Truck Tonnage Index increased by 2.2% in December to a seasonally adjusted 111.6 after falling a 0.6% in November.

The World Meteorological Organization said the weather pattern known as La Nina is expected to persist through the first quarter of 2011. La Nina could possibly even continue into April or early May.

API Stocks

Crude – up 2.12 million barrels
Distillate – down 5.022 million barrels
Gasoline – up 1.72 million barrels
Refinery runs – down 3.2% at 79.7%

It reported that gasoline prices increased for the eighth consecutive week, increasing by 1 cent to \$3.10/gallon.

According to Saudi Prince Turki Al Faisal, Saudi Arabia is set to consume as much as 40% of its oil production within the next 10-15 years, reducing the amount available for export and prompting the country to invest in sources of alternative

energy.

Shipping groups warned that better equipped Somali pirates operating deep at sea threaten oil tankers in key waterways and more naval firepower is needed to combat the growing risk. Shipping associations BIMCO, the International Chamber of Shipping, INTERCARGO and INTERTANKO urged immediate action by governments before these tactics make trading in the area almost impossible.

Refinery News

Canadian oil pipeline operators are rationing space on their lines as they deal with high demand from producers and reduced capacity due to line maintenance and repairs. Kinder Morgan Energy Partners LP said its pipeline systems will be oversubscribed by 33% next month. Enbridge Inc is also rationing space on several of its lines as it works to improve the integrity of the pipeline system that ruptured in Michigan last fall.

Valero Energy Corp said its 235,000 bpd Aruba refinery is increasing to planned rates. Valero had shut its refinery in July 2009 due to low refining margins.

ExxonMobil Corp said unplanned flaring activity occurred at its 149,500 bpd Torrance, California refinery on Tuesday morning. The flaring was not caused by a unit breakdown. Separately, ExxonMobil Corp said that while a fluid catalytic cracking unit at its 192,500 bpd oil refinery in Chalmette, Louisiana was taken out of service on Saturday for maintenance, the refinery's other units are operating normally.

Holly Corp will shut a diesel hydrotreater at its 70,300 bpd refinery in Tulsa, Oklahoma as part of maintenance turnaround work next month. It is scheduled to shut the unit on February 4th.

BP Plc is conducting planned maintenance on a crude unit and fluid catalytic cracking unit at its 437,080 bpd refinery in Texas City, Texas. The work is expected to last through late February or early March.

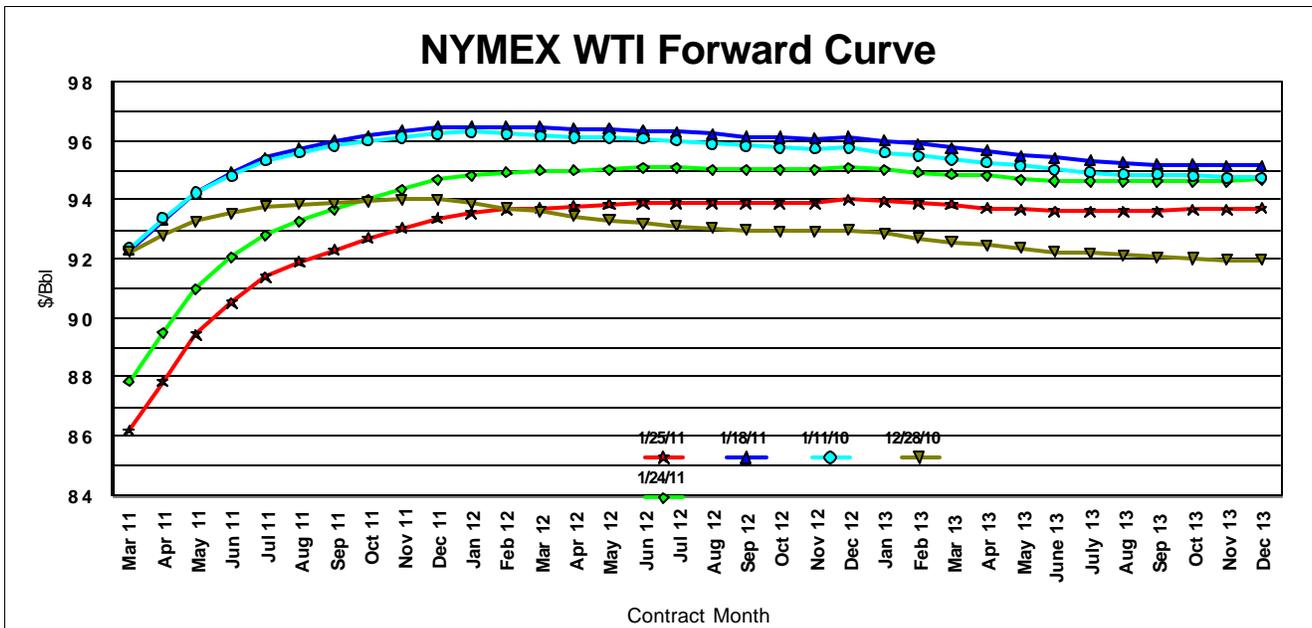
A 56,000 bpd fluid catalytic cracking unit at Pasadena Refining Systems Inc's refinery in Pasadena, Texas will be taken out of service on February 28th for 44 days of planned turnaround maintenance. It is expected to restart on April 12th.

China's Sinopec plans to expand its Changling refinery in Central China by 30% this year to 8 million metric tons of annual crude processing capacity or 160,700 bpd.

India's domestic refiners processed 3.48 million bpd in December, up 8.3% on the year. India's crude oil production in December increased by 15.8% to 795,100 bpd.

Russia's OAO Transneft said it has restarted pumping crude oil to Belarus. Russian oil companies signed a contract under which they would supply Belarussian oil refineries with oil. Russia cut its oil export to Belarus on

January Calendar Averages
CL – \$89.82
HO – \$2.5891
RB – \$2.4423



January 1st after producers failed to reach a pricing agreement. Meanwhile diesel cargo differentials fell from two year highs on Tuesday following the likely resumption of diesel flows from Belarus. Differentials had increased to \$48 premiums to ICE gasoil futures after Belarus suspended diesel exports to Europe.

The French Fos-Lavera oil terminal resumed full operation Tuesday after a strike partially disrupted its activities on Monday. All French sea ports were affected to some extent during the weekend after talks between the port workers' unions and the government over pension age and working conditions stalled.

Taiwan's crude oil imports in November increased by 26% on the month to 4.573 million barrels.

Germany's consumer heating oil stocks fell by 4% to 57% of capacity as of January 1st. Heating oil stocks are below the 12 year average and last year's level, both at 61%. The stock draw between early December and early January amounts to a drop of 1.2 million tons of heating oil.

Production News

ConocoPhillips said its preliminary 2010 proved reserves fell about 21% to 8.3 billion barrels of oil equivalent primarily due to the sale of assets related with its restructuring plan. Acquisitions and dispositions are expected to reduce reserves by 2.2 billion barrels of oil equivalent. It also stated that in 2010 it added organic net proven reserves of 920 million barrels of oil equivalent.

Statoil ASA's North Sea Oseberg A, B and D and Oseberg South and East platforms will remain closed for the next few days following a minor gas leak on Oseberg Platform A on Monday morning.

A tropical low in Western Australia that may intensify to a cyclone disrupted offshore oil production. Australia's Woodside Petroleum said it shut one offshore oil operation as a precaution ahead of the storm. It said it shut its Cossack Pioneer crude facility.

According to shipping data, Iraq's oil exports from its southern ports of Basra and al-Amaya increased to 1.8 million bpd so far in January, up 300,000 bpd on the month.

Iraq's Deputy Oil Minister Ahmed al-Shamma said Iraq plans to increase capacity at its southern oil export facilities in the Gulf to between 5 and 6 million bpd by the end of 2013.

A senior Iraqi official said there is a chance Iraq may hold talks with Japan's JX Holdings to develop the Nassiriya oilfield, adding that a decision would depend on the policy of the new government in Iraq.

An Iraqi Finance Ministry official said Iraq's budget deficit of 2011, expected to reach \$13.6 billion, would be eliminated if oil prices remain at their current levels. The latest budget estimates spending of \$80 billion and is based on average oil prices of \$76.50/barrel and crude exports averaging 2.25 million bpd. The official said he expected oil prices to average around \$80/barrel in 2011.

Italy's oilfield services group Saipem said the delivery of its Scarabeo 8 drilling vessel to be used in development of Norway's Goliat oilfield, will be delayed by about six months. The delivery is not expected in the fourth quarter 2011.

Oil and gas production at India's Panna-Mukta fields returned to normal levels of 35,000 barrels of oil and 205 million metric standard cubic feet/day of gas. Operations at the fields were suspended on July 20th due to a damaged undersea pipeline.

Crude oil exports through the Caspian Pipeline Consortium are scheduled at 2.566 million metric tons in February, down 3% from January's 2.643 million tons.

Algeria's Sonatrach said the country expects oil production to remain steady in 2011. It produced 1.25-1.27 million bpd in November and December. It said that despite an incident at an LNG plant cutting capacity in late 2010, Algeria still produced 31 billion cubic meters of gas last year and has enough capacity to meet all its supply contracts.

OPEC's news agency reported that OPEC's basket of crudes increased to \$93.20/barrel on Monday from \$92.90/barrel on Friday.

Market Commentary

A fourth quarter dip in Britain's economic growth and a strong dollar combined to put pressure on crude oil. This is the sixth straight day that prices have settled lower than that of the previous day's settlement. The shape of the forward curve is still indicative of front end weakness as lack of economic confidence appears to be resurfacing. The March contract touched and held \$86.12, the 38 percent retracement level between the range of \$93.44 and \$74.29. With expectations that crude oil inventories grew for the second straight week, we would look for continued pressure in this market and for the March crude oil to break through \$86.12 and make a run for \$83.87.

Crude oil: Mar 11 409,644 +4,268 April 11 118,324 +471 May 11 95,642 +5,655 Totals 1,503,008 +27,092 Heating oil: Feb 11 37,444 -6,531 Mar 11 106,092 5,582 Apr 11 42,089 +2,122 Totals 314,731 +2,693 Rbob: Feb 11 28,687 -9,380 Mar 11 97,285 -1,411 Apr 11 39,905 -1,962 Totals 282,801 -10,974.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	8725	23685	26712		24880
8612	9385	22960	27070	22560	27085
8590	103.85	22013	29500	22050	
8387	111.65	21860	30955	21600	
8161		21140		20300	
7945		20702		20130	
7900					

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