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ENERGY MARKET REPORT FOR FEBRUARY 4, 2011

OPEC's Secretary General Abdalla Salem al-Badri said current oil prices of more than \$100/barrel are abnormal and will fall in the weeks ahead. He said oil prices at \$100/barrel will not affect world economic growth. Separately, in regards to the UK, he said that the UK government is to blame for high petrol prices in the country and not OPEC.

Market Watch

The US economy added few jobs in January even as the unemployment rate fell to its lowest level since April 2009. The Labor Department reported that nonfarm payrolls increased by 36,000 in January, far below market expectations of an increase of 136,000. The unemployment rate fell to 9% last month. It reported that about 13.86 million people who would like to work can't get a job. The December payroll number was revised to show an increase of 121,000 jobs from a previous estimate of 103,000.

According to the Department of Transportation, US airlines' average fuel cost per gallon for scheduled flights in November increased by 5.7% on the year but fell 3% on the month to \$2.24/gallon. It also reported that the total fuel consumption on scheduled flights as 1.3 billion gallons in November, up 5.8% on the year but down 5.1% on the month.

ICAP Shipping estimates that crude oil stored globally increased by 41 million barrels in the week ending February 4th from 37 million barrels the previous week.

Iran's Supreme Leader Ayatollah Khamenei urged Egyptians to set up an Islamic regime in their country as he lashed out at Egyptian President Hosni Mubarak. He hailed what he termed an "Islamic liberation movement" in the Arab world and advised the people of Egypt and Tunisia to unite around their religion and against the West. Tens of thousands of Egyptians gathered in Cairo's Tahrir Square for an 11th day of protest on Friday calling for an immediate end to President Hosni Mubarak's 30 year rule.

Refinery News

Colonial Pipeline said it is allocating its Line 32, servicing deliveries from Dorsey Junction to Curtis Bay, for Cycle 7 through 10 as nominations on the line exceed the company's ability to meet its five day delivery cycle.

Enbridge Inc is proceeding with a 5 day outage of line 6b starting on Monday. The planned maintenance is the first of two on the line.

**February
Calendar Averages**
CL – \$90.30
HO – \$2.7555
RB – \$2.4892

ConocoPhillips reported a fire at its 362,000 bpd refinery in Wood River, Illinois. A report filed with state regulators showed a wet gas compressor tripped offline at the refinery. However the Illinois Emergency Management Agency said a report citing a fire at the Wood River refinery is incorrect. It said there was a flare release. Separately, ConocoPhillips reported flaring at its 146,000 bpd refinery in Borger, Texas due to bad weather in the region.

BP Plc notified California state environmental regulators of planned flaring at its 264,000 bpd Carson, California refinery. BP also restarted a sulfur recovery unit at its 405,000 bpd refinery in Whiting, Indiana. The unit was shut on Tuesday due to a leak.

ExxonMobil Corp said the failure of unspecified equipment at its 344,500 bpd refinery in Beaumont, Texas on Wednesday will have an impact on production. Separately, ExxonMobil reported emissions due to two line leaks at its 560,640 bpd refinery in Baytown, Texas.

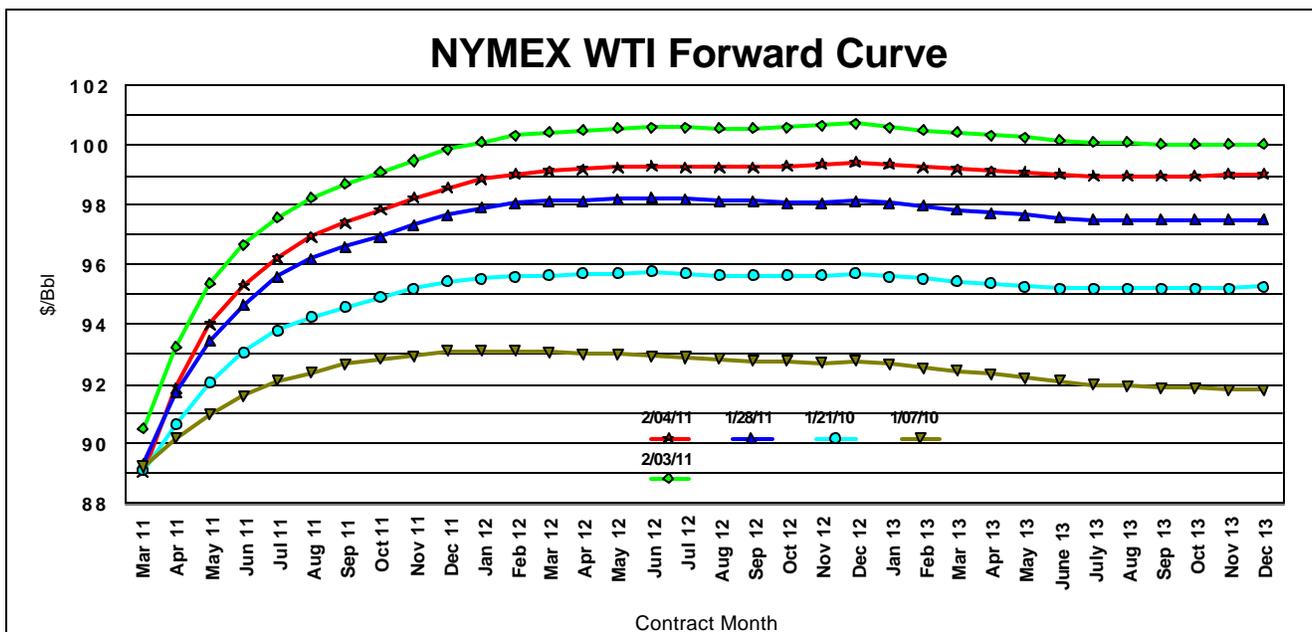
Sunoco Inc's refinery output for the first quarter will likely be around 85% of total capacity, lower than the company had hoped. It will continue to operate at 85% for much of the first quarter as repairs continue at Sunoco's refineries in Philadelphia and Marcus Hook, PA.

Alon USA Energy reported a unit upset at its 67,000 bpd refinery in Big Spring, Texas.

Valero Energy Corp's 171,000 bpd McKee, Texas refinery will keep operating at reduced rates temporarily until external electrical power issues are resolved. Valero reported a brief power failure resulting in flaring at its 142,000 bpd Corpus Christi East plant in Texas. It restarted the equipment after power restored.

Petrobras said it was restarting units at its 100,000 bpd Houston area refinery after they were shut due to freezing temperatures.

Citgo Petroleum Corp's 40,000 bpd fluid catalyst converter unit at its 440,000 bpd Lake Charles, Louisiana refinery is in turnaround. The unit was shut on Thursday and remains in turnaround. Separately, Citgo said normal operations were restored on Thursday at its 163,000 bpd refinery in Corpus Christi, Texas following a weather related incident.



Lion Oil Co said operations at its 75,000 bpd refinery in El Dorado, Arkansas returned to normal following a weather related shutdown of a furnace on Thursday. Extremely cold temperatures caused a gas flow meter to freeze, which caused a furnace at a sulfur recovery unit to overheat and shutdown.

Petroplus' 110,000 bpd Ingolstadt refinery in Germany will undergo maintenance in the first quarter this year. The maintenance is expected to last three weeks and would start from the middle of February.

Japan's Cosmo Oil Co closed its 24,000 bpd fluid catalytic cracking unit at its 100,000 bpd Sakai refinery for unplanned maintenance on January 29th. The restart schedule is unclear.

Indian Oil Corp is interested in building a \$5 billion refinery in Turkey and is currently carrying out feasibility work on the project.

The Rhine River is open to northbound sailings again on Friday but closed to shipping south for most of the day as salvage work on a capsized tanker continues.

Production News

According to a Dow Jones survey, OPEC's oil production increased sharply in January by 260,000 bpd to 29.667 million bpd. Production from OPEC's 11 members bound by quotas increased by 110,000 bpd in January to 26.997 million bpd, mainly due to Saudi Arabia increasing its output by 107,000 bpd to 8.357 million bpd. It showed that Iraq's oil production increased by 150,000 bpd to 2.67 million bpd in January.

The North Sea Brent crude oil system will load about 135,000 bpd in March, down from 171,000 bpd planned in February.

Statoil said staffing level were reduced on three of its oil and gas fields in the Norwegian North Sea as bad weather raised safety concerns. However output has not been affected. Workers were taken off the Visund platform as well as the Snorre platforms A and B.

Norway's DNO said that recent exploration drilling in Iraq and Yemen has produced modest amounts of oil and that more drilling and testing is required to judge the commercial potential.

Mexico's Communications and Transport Ministry reported that two of the three Gulf of Mexico oil ports reopened on Friday as weather improved. The Cayo Arcas and Coatzacoalcos ports resumed operations. The port of Dos Bocas however remained closed.

OPEC's news agency reported that OPEC's basket of crude increased by 5 cents to \$97.71/barrel on Thursday.

Market Commentary

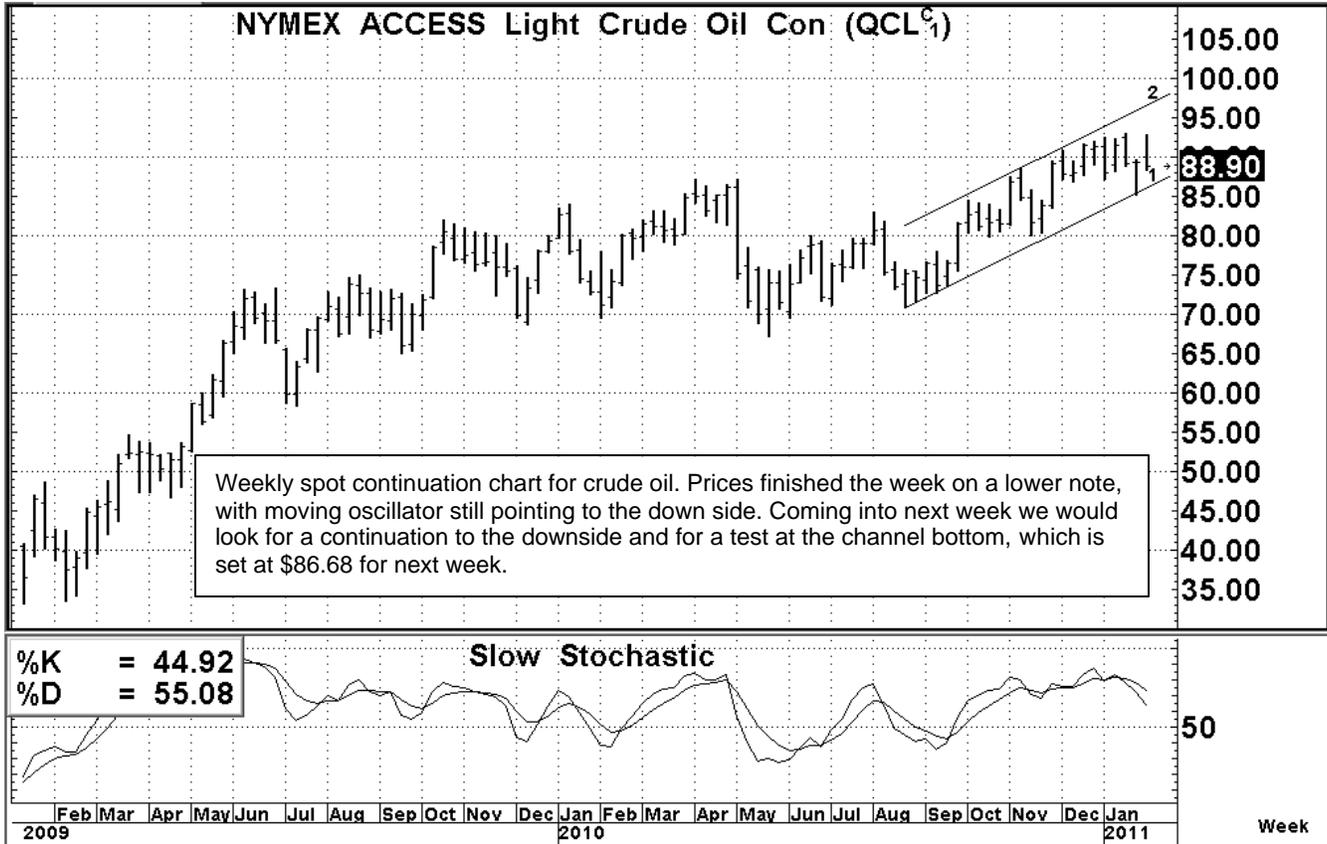
The unrest in Egypt gave early support to this market, with crude oil gaining as much as 1.3 percent. Upon the release of the U.S. unemployment report that indicated fewer than expected jobs were created in the month of January, crude oil came under pressure, with the March contract giving back more than all of its weekly gains. Gasoline fell 6.81 cents, with heating oil falling 6.07 cents as the demand factor began to look grimmer. When considering the fact that Egypt relies on the Suez Canal and tourism for most of its revenue, with tourism already being affected, we would think that safe guarding the Suez Canal and the SuMed pipeline would be of utmost importance. This would help to element concerns regarding supply and the passage of it. From a technical standpoint, based upon

the weekly spot, we would expect that prices will begin the week trading to the downside. There is an upward channel on this chart between \$97.25 and \$86.68. We would look for a test at the channel bottom, buying settlements on failures to settle below it and selling successful ones. The downside objective is \$76.11.

The Commitment of Traders' disaggregated combined futures and options report showed that the managed money funds once again increased their net long position by 29,928 contracts to 201,941 contracts in the week ending February 1st. It showed that producers/merchants increased their net short position by 22,133 contracts to 185,147 contracts on the week while swap dealers cut their net short position by 9,577 contracts to 77,275 contracts.

Crude oil: Mar 11 375,845 -5,716 April 11 152,899 +11,216 May 11 110,219 1,485 Totals 1,560,393 18,688 +18,688 Heating oil: Mar 11 107,211 -2,124 Apr 11 49,707 +1,945 May 26,376 +4 Totals 314,887 +4,141 Rbob: Mar 11 97,010 -3,326 Apr 11 41,510 +1,012 May 11 32,297 -624 Totals 269,924 -3,078.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8780		27045			
8612		26712		22560	27085
8387	9385	23685	29500	22050	
8161	103.85	22960	30955	21600	
7945	111.65	22013		20300	
7900		21860		20130	
		21140			
		20702			



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