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ENERGY MARKET REPORT FOR FEBRUARY 11, 2011

Egypt's President Hosni Mubarak succumbed to the demands of his countrymen Friday and resigned from office. The announcement was delivered by Egypt's Vice President Omar Suleiman. The president delegated control of the country's affairs to Egypt's army. The resignation was the culmination of nearly three weeks of protests in the country. It opens a period of uncertainty for Egypt, which will have to manage a period of military rule. Al Arabiya television reported that President Hosni Mubarak and his family left Cairo from a military airbase and travelled to the Red Sea resort of Sharm el-Sheikh. Separately, Arab League chief Amr Mussa hailed the

Market Watch

The US Commerce Department reported that the US trade gap widened in December, with the full year trade gap registering its largest percentage increase in 10 years. It reported the US deficit in international trade of goods and services increased by 5.9% to \$40.58 billion from a slightly revised \$38.32 billion in November. The US trade deficit with China shrank to \$20.68 billion from \$25.63 billion in November, as exports to China increased by 6.8% to a new high of \$10.12 billion. Imports fell by 12.3% to \$30.8 billion. For the full year, exports expanded by 16.6% to \$1.83 trillion however a 19.7% increase in imports pushed the trade deficit up to \$497.82 billion. The 32.8% expansion in the trade gap was the largest in 10 years.

The Thomson Reuters/University of Michigan Surveys of Consumers' preliminary February consumer sentiment increased to 75.1 from 74.2 in January. It is at its highest level since June 2010. The current conditions index increased to 86.8 in February from 81.8 in January while its expectations index fell to 67.6 in February from 69.3 in January.

The Economic Cycle Research Institute said its Weekly Leading Index increased to 130.2 in the week ending February 4th from 128.8 the previous week, which was originally reported at 128.9. The index's annualized growth rate increased to 4.5% from 3.6% a week earlier.

The Federal Reserve Bank of Philadelphia's survey showed that the US economy and job markets are expected to grow more strongly in the first quarter than previously expected. The survey shows the economy is expected to grow at an annual rate of 3.6% in the current quarter, up from a previous estimate of 2.4%. The economy is expected to grow at an annual rate of 3.5% in the second quarter, up from 2.7% previously. The unemployment rate was forecast at 9.3% in the fourth quarter. The survey also showed that core consumer price inflation is expected to be 1% in the first quarter, down from a previous estimate of 1.1%.

India's industrial output in December increased at a slower than expected rate of 1.6% from a year earlier.

Australia's Qantas has hedged 74% of its fuel needs for the rest of the 2011 financial year at worst case crude price of \$95.48/barrel.

Deutsche Bank stated that China's increasing dependence on oil imports has caused the country to pursue a strategic stockpiling program. China aims to build a strategic reserve that holds 100 days of crude import cover by 2020, making it the only country in the world that is building a stockpile that size. Deutsche Bank estimates that China's strategic reserve will have a capacity of 40 million barrels by the second half of this year. It stated that while it is unclear when China will fill the storage tanks, it presents an opportunity for it to add to its reserve this year. Meanwhile, India is also planning to build a strategic oil reserve. It is expected to have nearly 10 million barrels of storage capacity completed by the fourth quarter this year. By the end of 2012, India is expected to have a strategic storage capacity of nearly 40 million barrels.

**February
Calendar Averages**
CL – \$88.29
HO – \$2.7372
RB – \$2.4847

Egyptian people and army for their historic achievement on Friday and called for national consensus after the resignation of President Hosni Mubarak. Meanwhile, Israel hopes that the transition of power in Egypt after the departure of Egyptian President Hosni Mubarak will be conducted smoothly. A government official stressed the need to preserve the 1979 peace treaty between Israel and Egypt, which was signed two years before Mubarak came to power. US President Barack Obama said the departure of Egypt's president marked the beginning of a new chapter in the country. He called on people to continue their transition toward democracy peacefully.

Egypt's Finance Minister said the country's Suez Canal will remain open and added that it is functioning smoothly.

The US DOE awarded four companies with contracts to purchase 1 million barrels of heating oil from the Northeast Heating Oil Reserve. Morgan Stanley received a contract for 450,000 barrels of heating oil at the Magellan Terminal in Connecticut while Hess Corp got a contract for 300,000 barrels at the site. Shell Trading US Co received a contract for 150,000 barrels at the Hess Groton Terminal while Sprague Energy Corp received a contract for 100,000 barrels.

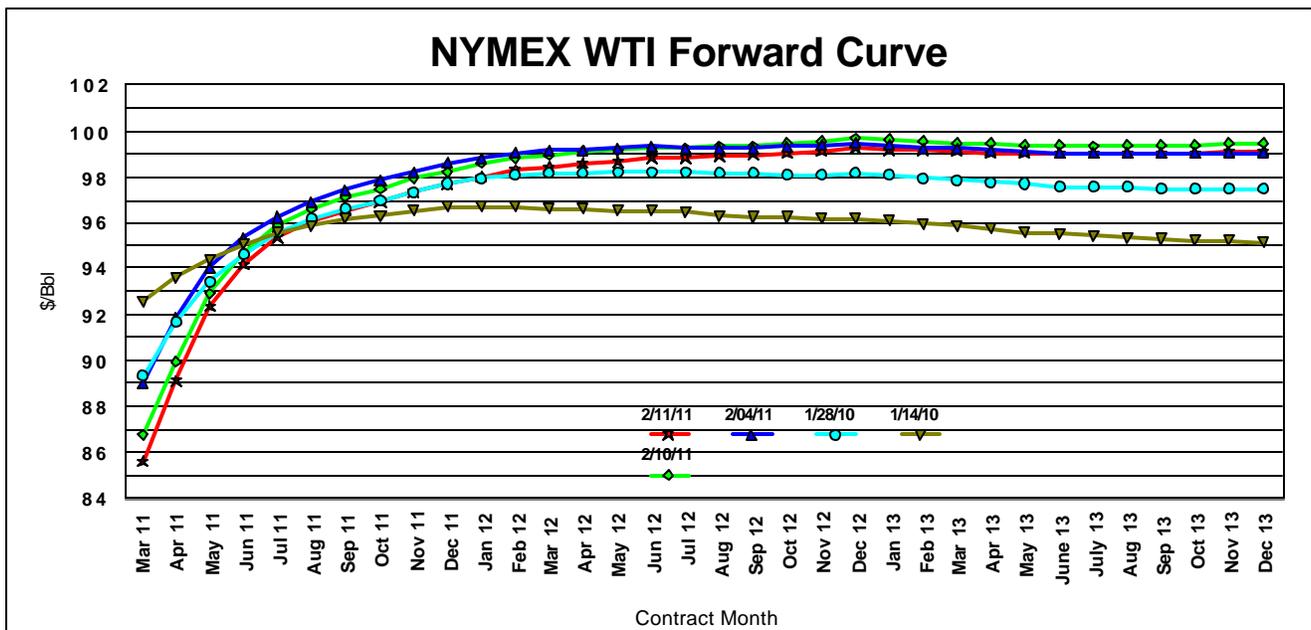
ICAP Shipping reported that crude oil stored globally in floating storage totaled 45 million barrels in the week ending February 11th from 41 million barrels in the week ending February 4th.

Refinery News

Los Angeles wholesale gasoline increased 7 cents as traders were caught short of gasoline blended to meet California's environmental standards.

Colonial Pipeline is allocating its main distillate line north of Collins, Mississippi for Cycle 11 as nominations on its line exceed its ability to meet the 5 day lifting cycle.

The US Pipeline and Hazardous Materials Safety Administration has started a thorough investigation of the Trans Alaska Pipeline System following a leak on January 8th that required the line to shutdown temporarily. It found that the line appears to have multiple conditions that pose a pipeline integrity risk to public safety, property or the environment.



Operations at ExxonMobil's 560,640 bpd refinery in Baytown, Texas were not affected by Thursday's upset at the refinery. It reported emissions due to drum freeze at the refinery on Thursday following bad weather. Separately, ExxonMobil is scheduled to shut a crude distillation unit at its 309,000 bpd refinery in Singapore for about two weeks of planned maintenance starting in March.

Valero Energy Corp said it will perform de-coking of the unifier charge heater radiant heat section tubes at its 171,000 bpd refinery in McKee, Texas.

Shell Oil Co reported emissions at its 327,000 bpd refinery in Deer Park, Texas on Thursday.

ConocoPhillips approved a 2011 capital program of \$13.5 billion. The 2011 capital program for exploration and production is about \$12 billion.

Hovensa LLC reported a major fire at the Allick Container Port adjacent to its 500,000 bpd St. Croix refinery.

India's Mangalore Refinery & Petrochemicals Ltd plans to shut a crude unit and a hydrocracker unit at its refinery ahead of expanding the refining capacity by 27% to 300,000 bpd. It is expected to shutdown for about 40 days in August-September.

Singapore's Hin Leong is looking to build an integrated petroleum complex, including a complex oil refinery and a petrochemical plant. It would have a minority stake of 10-30% in the plant, which is expected to have a capacity of up to 500,000 bpd.

The Rhine River in Germany was open to northbound sailings for most of Friday while the time for southbound sailings are increased as salvage work on a capsized tanker continues.

Production News

Mexico reopened its Coatzacoalcos/Pajaritos Gulf of Mexico oil port on Friday after it was closed due to bad weather. The ports of Dos Bocas and Cayo Arcas remained closed.

Saudi Arabia will keep its crude supply to two European oil companies in March steady from February.

The March North Sea crude oil loadings are expected to total 77.965 million barrels or 2.515 million bpd, up from 71.24 million barrels or 2.298 million bpd in February. The March loading program for North Sea Troll crude is scheduled at 8.4 million barrels, up 400,000 barrels on the month. It is equivalent to 270,968 bpd compared with 285,714 bpd in February. The March loading program for North Sea Asgard crude is scheduled at 6.84 million barrels, unchanged on the month. The volume is equivalent to 220,645 bpd compared with 244,286 bpd in February. The March loading program for North Sea Gullfaks crude is scheduled at 5.985 million barrels, up 1.71 million barrels from February. It is equivalent to 193,065 bpd compared with 152,679 bpd in February. The March loading program for North Sea Statfjord crude is scheduled at 6.84 million barrels, up 2.565 million barrels from February. The volume is equivalent to 220,645 bpd compared with 152,679 bpd in February. The March loading program for North Sea Alveim crude is scheduled at 3.9 million barrels, unchanged on the month. The volume is equivalent to 125,806 bpd compared with 139,286 bpd in February.

The Norwegian Petroleum Directorate said the country's oil production stood at a preliminary 1.84 million bpd in January, up from 1.81 million bpd in December. Gas production fell to a preliminary 10.4 billion standard cubic meters in January from 10.8 billion cubic meters in December.

India's Hindustan Petroleum Corp had not yet been given a go ahead from the government for a proposed new mechanism for oil payments to Iran. It said there was no disruption in supply and added that its payments will be due on April 1st. HPCL buys about 60,000 bpd of crude from Iran. On Tuesday, Mangalore Refinery and Petrochemicals said it had not yet received an official communication on the proposed mechanism.

Total reported increased earnings in 2010 due to higher oil prices. Total, which spent billions of dollars in 2010 on Canadian oil sands and Australian offshore gas, said it was targeting more acquisitions to renew its production portfolio. In the fourth quarter of 2010, Total's oil and gas production increased by 0.4% to 2.38 million bpd of oil equivalent. Total expects oil prices between \$80 and \$100/barrel in 2011.

The OPEC news agency reported that OPEC's basket of crudes increased by 66 cents to \$96.93/barrel on Wednesday.

Iran cut the official selling prices for March crude sold to term customers in Europe. It set the price of its Iranian Light crude bound for Europe in March at BWAVE minus \$4.20, down \$1.20 on the month; it set the price of its Iran Heavy crude at BWAVE minus \$5.80, down \$1.10 on the month and the price of its Forozan crude at BWAVE minus \$5.75, down \$1.10 on the month. It set the price of its Iran Light crude bound for the Mediterranean at BWAVE minus \$5.80, down \$2 on the month; it set the price of its Iran Heavy crude at BWAVE minus \$8.35, down \$2.20 and the price of its Forozan crude at BWAVE minus \$8.30, down \$2.20 on the month. The price of its Iranian Light crude bound for Asia was set at the Oman-Dubai average plus \$1.52, down 30 cents; the price of its Iran Heavy crude was set at the Oman-Dubai average minus \$1.05, down 15 cents and the price of its Forozan crude at the Oman-Dubai average minus 97 cents, down 15 cents.

Market Commentary

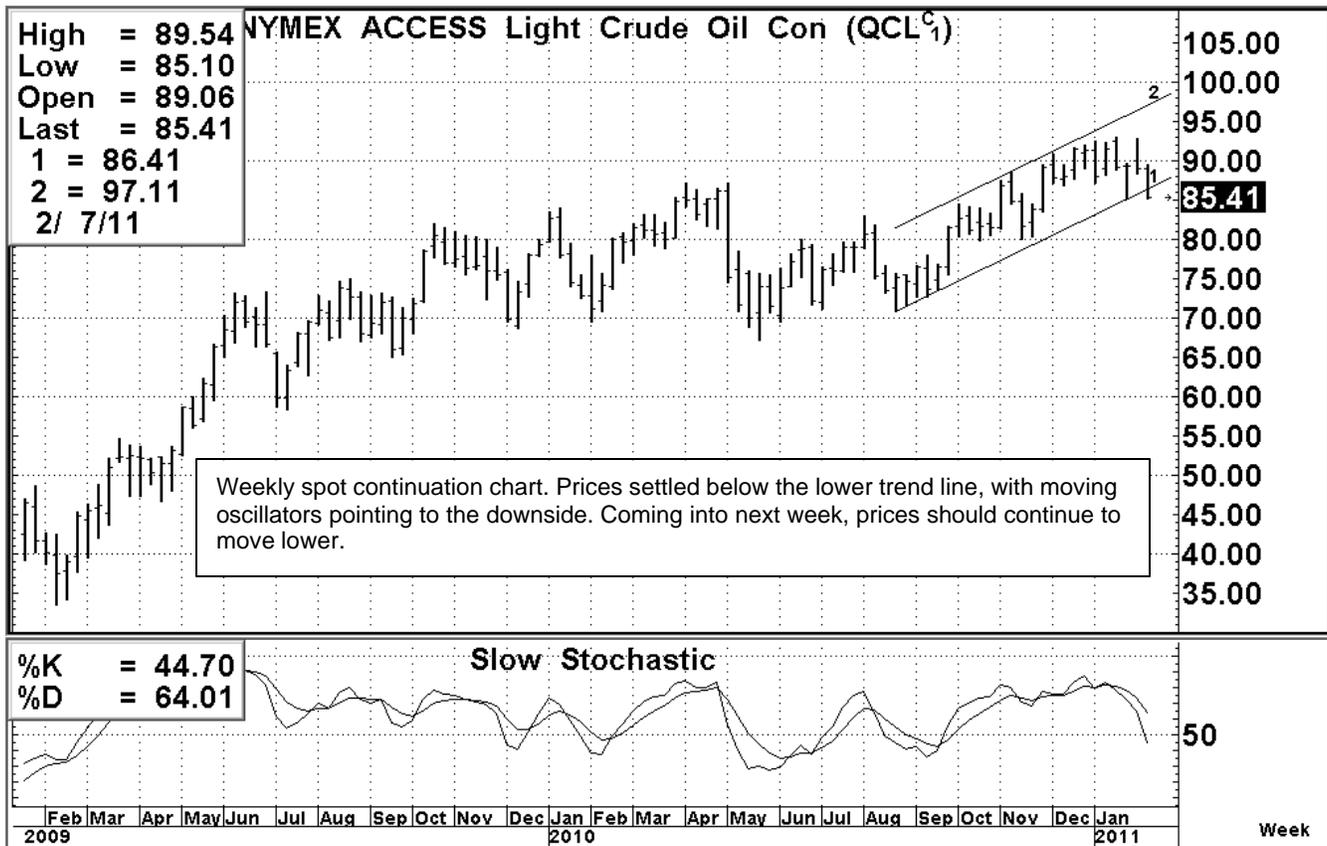
Crude oil hit a 10-week low after the Egyptian Vice President announced that President Hosni Mubarak was stepping down. This eased concerns that crude shipments in the Middle East would be disrupted. The dollar also rose, weakening dollar denominated commodities. The March crude oil contract fell as much as 1.3 percent during the trading session, hitting a low of \$85.10. The March/April crude oil spread lost 34 cents, another indication that there is not an immediate demand for crude oil. The March contract finished the week below the bottom trend line of the ascending channel on a weekly bar chart. This is the first time since August that prices have settled below this channel. This sets up for a test at the previous congestion low \$79.84. Brent settled higher on the week for the third week in a row. Thought to be a more vulnerable supply risk, Brent traded at a \$15.85 premium to WTI, slipping from yesterday's record high of \$16.24. This winter has seen tightness in the Brent market as refiners sought this distillate-rich oil. With winter nearing its end, it may be difficult for the Brent to hold on to such a wide premium against the WTI. Should the situation in Egypt remain peaceful, thoughts of supply disruptions to Brent will dissipate and profit taking on the Brent/WTI spread should occur. Coming into next week we would look for oil prices to continue lower, reaching the \$80.00 level.

Crude oil: Mar 11 221,434 -39,553 April 11 221,746 +25,849 May 11 153,484 +8,407 Totals 1,549,506 +4,400 Heating oil: Mar 11 77,757 -10,927 Apr 11 58,775 +4,435 May 11 33,204 +2,454 Totals 309,170 -3,880 Rbob: Mar 11 64,926 -5,912 Apr 11 52,479 +1,973 May 11 42,772 +1,750 Totals 267,285 -727.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 12,799 contracts to 165,508 contracts in the week ending February 8^h. The combined futures and options report showed that the funds increased their net long position by 18,739 contracts to 235,733 contracts on the week. Meanwhile, the disaggregated futures and options report

showed that managed money funds slightly increased their net long position by 442 contracts to 202,383 contracts on the week.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8511	8811				25480
8387	8955	26680	28040	22560	27085
8231	9385	23685	29500	22050	
8161	103.85	22960	30955	21600	
8000	111.65	22013		20300	
7984		21860		20130	
7900		21140			
7598		20702			



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