

**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 NOVEMBER 16, 2010**

---

Iran's Foreign  
Ministry said Iran  
and world powers  
have yet to agree on  
the venue and  
agenda for a  
resumption of  
nuclear talks  
planned for  
December 5<sup>th</sup>.  
European Union  
diplomacy chief  
Catherine Ashton on  
Friday agreed to  
resume nuclear talks  
between Iran and  
world powers on  
December 5<sup>th</sup> a date  
proposed by Iran but  
with the venue either  
in Switzerland or  
Austria.

US Defense  
Secretary Robert  
Gates said military  
action will not stop  
Iran's nuclear  
program and would  
instead make it more  
"covert." He said  
military action would  
offer only a short  
term solution.

According to a

#### **Market Watch**

The US Labor Department said US producer prices increased in October on higher oil costs. The Producer Price Index increased by a seasonally adjusted 0.4% in October. The Core Producer Price Index, excluding food and energy prices, fell by 0.6% in October, the sharpest decline in more than four years after increasing by 0.1% in September. For the 12 months ended in October, the Producer Price Index increased by 4.3%, accelerating from a 4% annual increase in September. The report showed that energy prices increased by 3.7% in October.

US industrial production was unchanged in October as a sharp decline in utilities production outweighed a strong increase in the manufacturing sector. The Federal Reserve said industrial production in October was unchanged after fall by 0.2% in September. Capacity utilization was steady at 74.8% in October. Year over year, industrial production is up 5.3%.

Russia's Federal Statistics Service said the country's industrial output in October increased by 6.6% on the year and 4.2% on the month.

China's National Energy Administration said the country's power consumption in October increased to 340 billion kilowatt hours, up 8.5% on the year. In the first 10 months of the year, China's electricity consumption reached 3.48 trillion kwh, up 17% on the year.

India's Finance Secretary Ashok Chawla said India will compensate oil marketing companies for selling petroleum products below cost as mandated by the government with cash in the budget session of parliament starting in February.

Authorities in Saudi Arabia issued a statement on Tuesday reassuring Saudis about King Abdullah's health after doctors ordered rest because of a slipped disc. On Saturday the Saudi government said Interior Minister Prince Nayef would oversee the haj pilgrimage. He was appointed second deputy prime minister in 2009 in a move which analysts said puts him in a strong position to become crown prince or king one day. Crown Prince Sultan has been abroad for unspecified health treatment for much of the last two years and diplomats said he has not resume full duties.

Citigroup's global head of shipping, logistics and offshore industries said expectations of lower Chinese commodity imports and fleet growth will keep the dry bulk market under pressure next year. Freight players are monitoring for further signs that China's economy is overheating, which could lead to a pullback in ore imports and shipping activity.

China will unveil food price controls and deal with speculation in agricultural commodities to contain inflationary pressure that its central bank governor noted as a risk. Possible steps include price controls, subsidies for shoppers, a crackdown on hoarding and price gouging as well as a system whereby mayors are made responsible for a basket of food items. Consumer price inflation in October increased, with prices rising by 4.4% on the year.

### API Stocks

**Crude** – down 7.652 million barrels  
**Distillate** – up 222,000 barrels  
**Gasoline** – down 1.653 million barrels  
**Refinery runs** – down 2.8% at 81.5%

SpendingPulse Report by MasterCard Advisors LLC, US weekly gasoline demand increased by 2.4% to 9.202 million bpd in the week ending November 12<sup>th</sup>. The 216,000 bpd increase followed three weeks of declines. Demand fell by 0.2% or 22,000 bpd on the year. In the last four weeks, demand averaged 9.077 million bpd, down 1.8% or 168,000 bpd on the year. It reported that the US average retail price

of gasoline increased by 6 cents to \$2.86/gallon, the highest level since May 14<sup>th</sup>. Prices are up 22.2 cents or 8.3% on the year.

AAA reported that the number of Americans traveling over the Thanksgiving holiday will increase by 11.4%. It said that while 42.2 million travelers are expected over the November 24-28 Thanksgiving period, the 4.3 million increase is less than half the volume lost from 2007 through 2009. It reported that about 94% of travelers will make trips of 50 miles or more from home in automobiles and will find higher prices at the fuel pump. It forecast that the average retail price of regular gasoline at \$2.85-\$2.95/gallon over the holiday period. AAA Daily Fuel Gauge said the US average retail price of gasoline is \$2.893/gallon, up 10% on the year.

### Refinery News

Colonial Pipeline is allocating space for gasoline shipments north of Collins, Mississippi for cycle 67, as demand for space exceeds pipeline capacity.

Motiva Enterprises LLC reported emissions at its 235,000 bpd refinery in Convert, Louisiana due to an unspecified unit failure.

Coffeyville Resources reported emissions during a startup at its 115,700 bpd refinery in Coffeyville, Kansas. It said it is monitoring the situation.

Brazil's Petrobras is scheduled to shut a fluid catalytic cracking unit at its 251,000 bpd Revap refinery for maintenance in the fourth quarter. Petrobras is also scheduled to carry out a maintenance shutdown of distillation and hydrotreatment units at its 170,000 bpd Cubatao refinery.

Japan's Idemitsu Kosan Co closed the 140,000 bpd Hokkaido refinery in northern Japan on Monday for unplanned maintenance. It expects to restart the refinery in about a week.

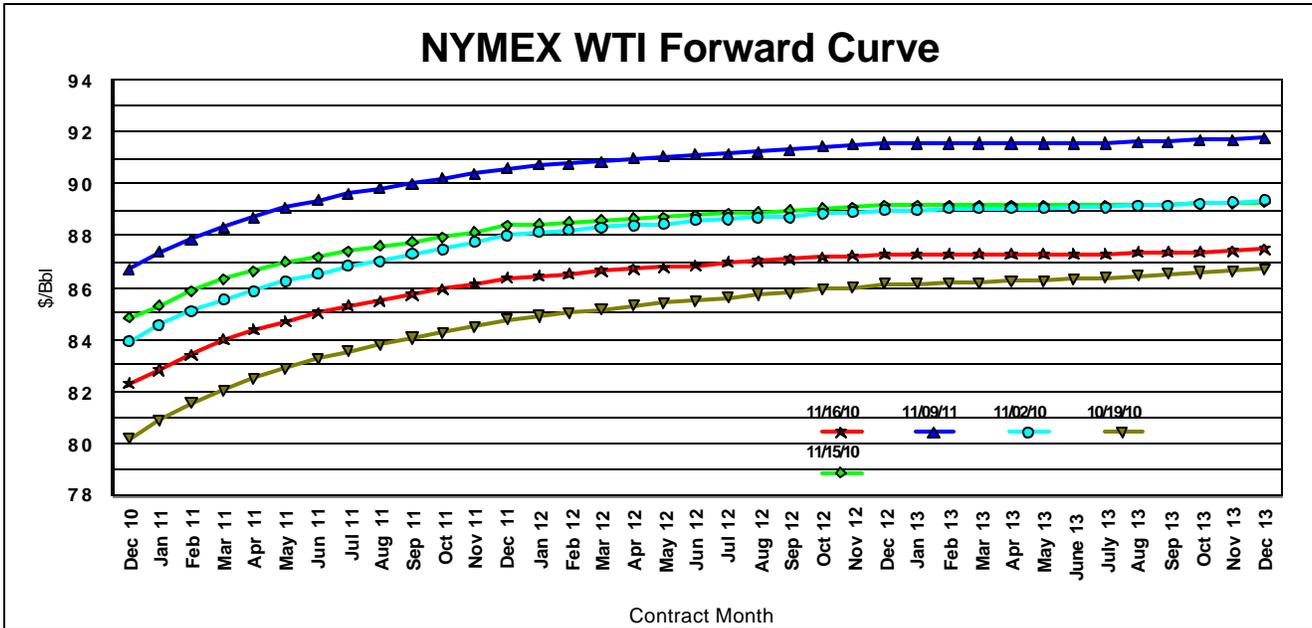
Germany's MWV reported that the country's oil product sales in November totaled 7.12 million tons, up 7.9% on the year. It reported that Germany's gasoline sales increased by 0.7% on the year to 1.69 million tons while its diesel fuel sales increased by 7.8% on the year to 2.96 million tons, its heating oil sales increased by 16.2% on the year to 2.04 million tons and its fuel oil sales increased by 2.7% on the year to 430,000 tons.

Three tankers have been booked to transport 240,000 tons of low sulfur diesel and/or jet fuel from North Asia to the UK, due to heating demand in Europe and tight supplies in the Mediterranean. The Swarna Kamal was chartered by Glencore to carry 80,000 tons of low sulfur diesel from Taiwan to the UK continent while the Marika was chartered to ship about 70,000 tons of jet fuel or diesel from Japan or South Korea to the UK. The Sanmar Sonnet was provisionally booked by Italy's ENI SpA to ship 80,000 tons of low sulfur diesel from South Korea to the UK or the Mediterranean.

### Production News

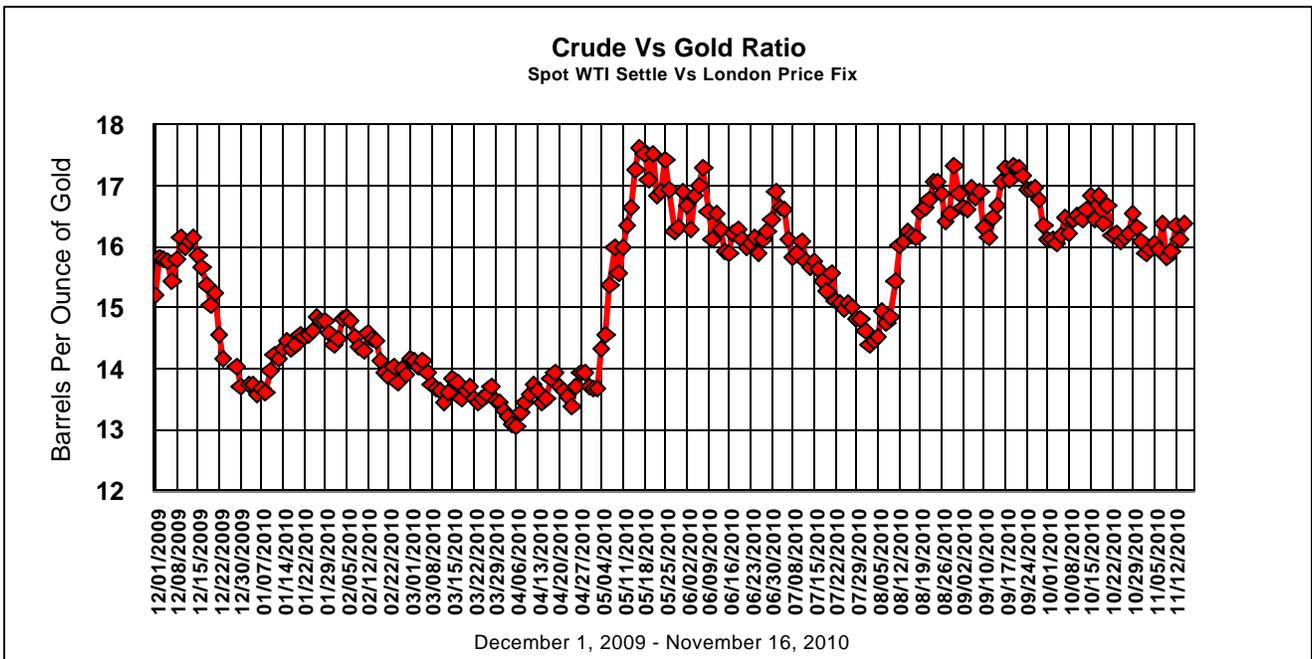
Exxon Mobil Corp shut in 45,000 bpd of production at its Oso platform in Nigeria, which was attacked by armed men on Sunday. It said production

<b>October Calendar Averages</b>
<b>CL – \$85.53</b>
<b>HO – \$2.3644</b>
<b>RB – \$2.1745</b>

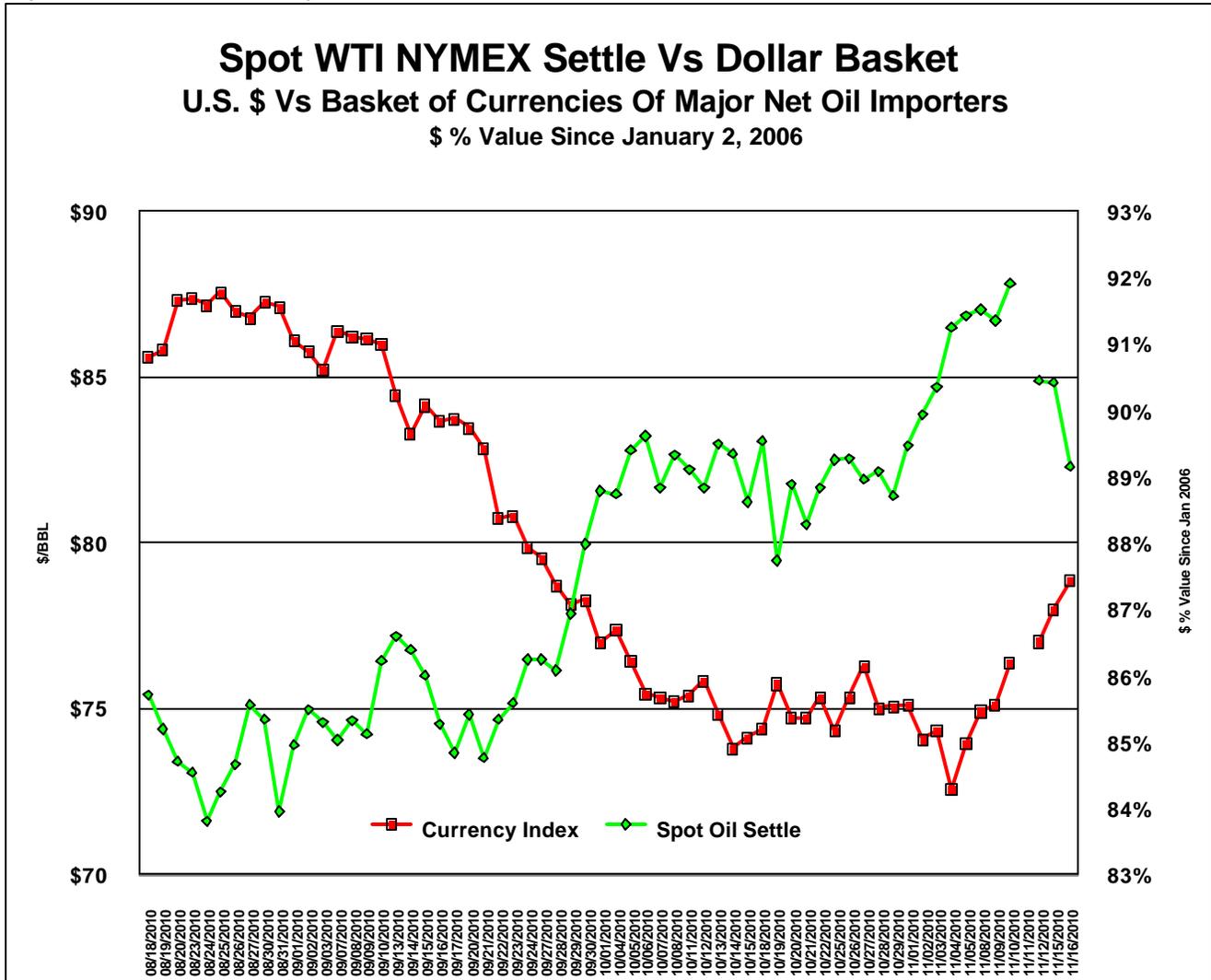


was shut in as a precautionary measure. It said eight people were missing following the raid of the offshore platform. The Movement for the Emancipation of the Niger Delta claimed responsibility for the attack on Exxon's oil facility.

Nexen Inc said output at its Long Lake oil sands project will remain below its design rate through 2011 as it continues to resolve some problems. It expects Long Lake to produce between 38,000 and 45,000 bpd of bitumen next year, less than the 72,000 bpd it is designed to produce. The company has struggled to increase production at the project since it opened more than two years ago. The thermal project, where steam is pumped into the ground to liquefy the tarry bitumen, has been plagued by outages at its processing plant and troubles with producing enough steam. Despite the problems with Long Lake, Nexen is considering starting another thermal oil sands project, called Kinosis. The 80,000 bpd project would be developed in two equal stages. Nexen expects to decide whether to proceed with the development in 2012.



Total SA shut its Elgin gas platform in the North Sea early Tuesday due to an unspecified minor technical issue. The platform processes gas from the Elgin and Franklin fields, which is then exported through the Shearwater Elgin Area Line pipeline to Bacton in Norfolk, England. Peak production capacity at the Elgin/Franklin fields is 15.5 million cubic meters/day of gas, 280,000 bpd of oil equivalent and 175,000 bpd of condensate.



Nigeria is scheduled to export at least 74 cargoes with a volume of about 2.2 million bpd of oil and condensate in January. It plans to export two cargoes of Yoho crude and five cargoes of Erha crude in January. The country also plans to export 13 full cargoes of Qua Iboe crude, eight cargoes of Bonny Light crude, eight cargoes of Agbami crude, three cargoes of Amenam, two cargoes of Antan, six cargoes of Bonga crude, five cargoes of Brass River crude, three cargoes of EA crude, five cargoes of Escravos crude, six cargoes of Forcados crude one cargo of Abo crude and one cargo of Okono crude.

Angola plans to export 1.61 million bpd in January, up from 1.57 million bpd planned for December. It plans to export eight 950,000 barrel cargoes of Cabinda crude in January. It also plans to export eight Dalia cargoes, six Girassol cargoes, four Hungo cargoes, five Kissanje cargoes, three Kuito cargoes, two Mondo cargoes, eight Nemba cargoes, two Palanca cargoes, two Plutonio cargoes, three Saxi cargoes and one Xikomba cargoes.

Murphy Oil Corp said its Gulf of Mexico production could fall by as much as 30% in 2011 amid continuing uncertainty over US deepwater drilling following a five month drilling moratorium. Murphy removed one of its two deepwater rigs from the Gulf of Mexico while the other remains unable to work off the US Coast. The company has applied for permits to restart drilling with its remaining rig but has so far not been granted permits.

Colombia's National Hydrocarbons Agency reported that the country's oil production in October increased by 12.7% on the year to 797,000 bpd. Ecopetrol's output increased by 12.4% to 715,000 bpd.

Colombia's Ecopetrol SA unveiled its investment plan for next year, raising its exploration budget as the company moves to increase output. It said it could invest \$8.54 billion next year, up 23% on the year. The company is earmarking \$1.29 billion for exploration, up 36% from the 2010 budget. It plans to drill 40 exploratory wells, with 28 located in Colombia. Ecopetrol is planning an \$80 billion investment plan until 2020 to increase output to as much as 1.3 million bpd. Ecopetrol is earmarking \$3.84 billion for production and \$1.28 billion for refining and petrochemicals.

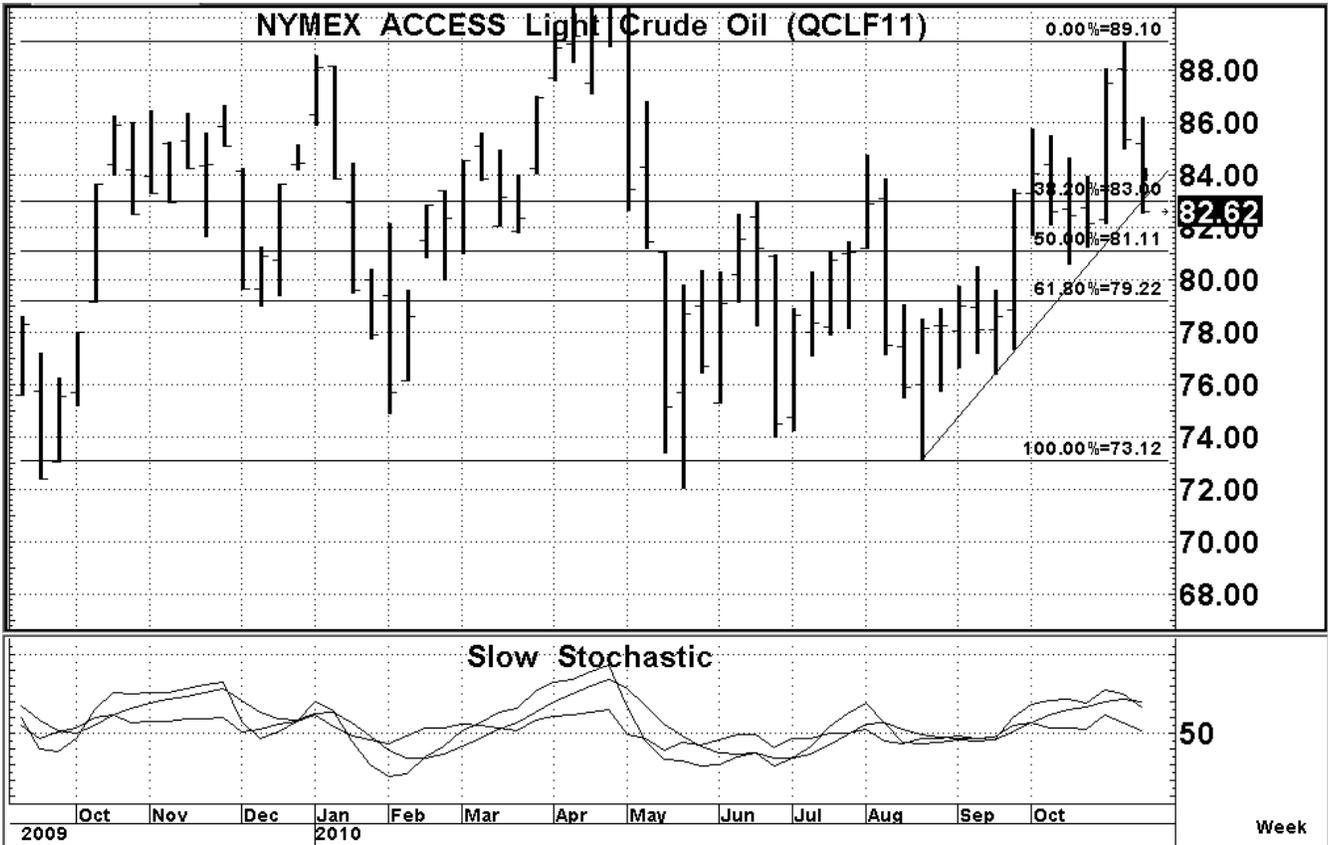
### **Market Commentary**

Crude oil fell to a two-week low on concerns that the European debt crisis appears to have worsened and after steps were taken by both The Bank of Korea and the Chinese government to cool their economies. This economic news sparked a length lightening sell-off by hedge funds that have been buying this market based upon hopes that demand would increase along with an improving economy. The January crude oil contract fell 2.8 percent on the day, settling at \$82.34. With today's settlement below the \$82.99 trendline and a cross to the downside of the moving oscillators, we should see additional downside movement. Coming into tomorrow's session we would look for a test at \$81.11, the fifty percent retracement number between \$89.10 and \$73.12.

Crude oil: Dec 10 168,280 -29,642 Jan 11 310,762 +3,965 Feb 11 101,999 +2,028 Totals 1,454,760 -14,743 Heating oil: Dec 10 70,982 -3,872 Jan 11 83,702 +421 Feb 11 34,537 +314 Totals 326,286 -1,471 Rbob: Dec 10 56,824 -2,801 Jan 11 95,873 +4,170 Feb 11 27,723 +237 Totals 290,955 +3,985

The API reported a larger than expected draw in crude stocks of 7.652 million barrels on the week, with a draw of 7.275 million barrels in Padd 3 alone. It reported the draw in crude stocks as total crude imports fell by 389,000 bpd to 8.199 million bpd. However it reported that crude runs fell by 517,000 bpd to 13.851 million bpd on the week. Distillate stocks unexpectedly built by 222,000 barrels on the week, with a build of 787,000 barrels in Padd 3. Distillate stocks are down 6.9% on the year. It reported the slight build in stocks as apparent demand fell by 12.1% on the week to 4.379 million bpd while apparent demand basis its three week moving average also fell by 0.6% on the week to 4.795 million bpd. The API reported a larger than expected draw in gasoline stocks of 1.653 million barrels, with draws of 1.721 million barrels and 1.064 million barrels in Padds 1 and 2, respectively. It reported the draw in stocks despite the increase in production of 57,000 bpd or 0.6% to 9.094 million bpd and the fall in apparent demand of 2.3% on the week to 9.352 million bpd. Apparent demand basis its three week moving average fell by 0.2% to 9.488 million bpd.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8111		24200	24680		22770
7922	8890	23795	24950	20300	23050
7815	9050	23390	26740	20130	24880
	9100	23490		18750	27085
	9385	23574		18240	
				<b>16010</b>	



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 purposes. 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.