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Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 30, 2010

According to a SpendingPulse report by MasterCard Advisors LLC, US gasoline demand increased by 2.3% or 211,000 bpd to 9.33 million bpd in the week ending November 26th. Demand was down 0.3% or 28,000 bpd on the year. In the last four weeks, gasoline demand averaged 9.159 million bpd, down 0.3% on the year. It also reported that the US average retail price of gasoline fell by 2 cents to \$2.86/gallon on the week.

Market Watch

The Conference Board said its index of consumer confidence increased to 54.1 in November, from a revised 49.9 in October, previously reported as 50.2. The November reading was the highest since a 54.3 reading in June and was better than the 52.5 expected by economists. The present situation index increased to 24 from a revised 23.5, originally reported as 23.9. Consumer expectations for economic activity over the next six months increased to 74.2 from a revised 67.5, previously reported as 67.8.

China's National Development and Reform Commission said that China has no need to implement price controls for now because other measures to curb inflation have already yielded initial results. It added that any price controls, if implemented, would only be temporary. China's government two weeks ago said it would launch price controls if necessary.

Societe Generale increased its 2011 average price forecast for ICE Brent crude futures by \$8/barrel to \$93/barrel. It expects US light crude futures to average \$92.50 next year while Dubai crude is expected to average \$90/barrel.

EU statistics office Eurostat reported that Euro zone unemployment increased in October. It said the number of people unemployed increased by 80,000 to 15.95 million people.

European Union foreign affairs chief Catherine Ashton is scheduled to hold talks with Iran's nuclear negotiator Saeed Jalili on December 6-7. Meanwhile, the US said it hopes Iran will pursue a serious process to clear up international fears over its nuclear program at its meeting in December.

The semi-autonomous government of Iraq's Kurdistan region wants new hydrocarbon and revenue sharing laws by June 2011 as a condition of its participation in a new Iraqi administration.

API Stocks

Crude – down 1.141 million barrels
Distillate – up 224,000 barrels
Gasoline – up 1.069 million barrels
Refinery runs – down 1.7% at 81.9%

Swiss trading firm Mercuria has booked at least four tankers, two supertankers and two Suezmaxes, to store or carry high sulfur gas oil cargoes. It purchased a total of 3.72 million barrels of 0.5% sulfur gas oil, with loading of the cargoes scheduled between late November and late December.

Refinery News

Sunoco said a 40,000 bpd crude pipeline running from Nederland to Midland, Texas remains shut. The line was shut in on November 20th after about 100 barrels of crude spilled from a 10 inch line.

**November
Calendar Averages**
CL – \$84.31
HO – \$2.3347
RB – \$2.1874

Enbridge Energy Partners said operations at its Line 6A pipeline should return to normal on December 1st after a power outage last week forced reduced flow rates. A November 25th power outage at a utility substation near its Lockport, Illinois terminal forced the reduction.

ExxonMobil Corp reported emissions due to a process upset at its 344,500 bpd refinery in Beaumont, Texas on Monday. It said maintenance to repair a leaking valve at a coker gas plant at the refinery caused the flaring.

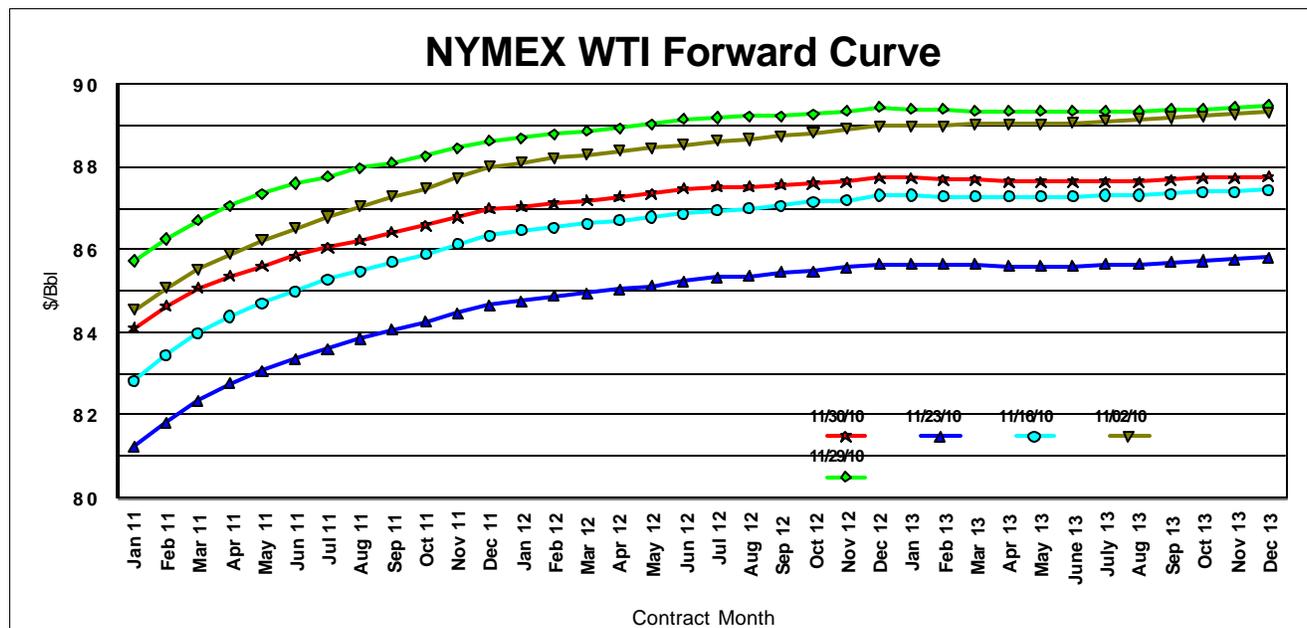
Valero Energy Corp's 180,000 bpd refinery in Memphis, Tennessee could remain down for two weeks after an accident forced a shutdown of its fluid catalytic cracking unit on Sunday.

Japan's JX Nippon Oil & Energy Corp is expected to increase its refining volume in December by 2% on the year to 6.58 million kiloliters or 41.4 million barrels. It is up from 6.27 million kl.

Russia's Energy Ministry reported that the country's refinery runs in October fell by 2.8% on the month but increased by 11.8% on the year to 21.081 million tons. Russia's gasoline production in October fell by 2.1% on the month but increased by 7.6% on the year to 3.125 million tons while its gasoil production fell by 2.7% on the month but increased by 7.8% on the year to 5.885 million tons and its fuel oil production increased by 0.2% on the month and by 15.5% on the year to 5.856 million tons.

According to loading schedules, Russia will cut exports from the Black Sea port of Novorossiisk to 3.375 million tons in December, down from 3.521 million tons in November. However its exports from the Baltic Sea port of Primorsk will increase to 6.3 million tons in December, up from 5.6 million tons in November.

Government data showed that India's refineries processed 3.21 million bpd in October, down 5% on the year. India's local oil product sales in October increased by 1% on the year to 11.65 million tons. Diesel sales increased by 4% while petrol sales increased by 7% on the year. India's crude oil imports fell by 23.4% on the year to 10.14 million tons in October while its oil products imports



increased by 44.3% on the year. India's crude oil imports in October fell by 23.4% to 10.14 million metric tons or 2.4 million bpd.

Indonesia's crude oil shipments for loading in November totaled 23.95 million barrels or 797,495 bpd, down 3% on the month. Out of the total, 3.388 million barrels are scheduled for export and 10.19 million barrels for domestic refineries. Destinations for the remaining 10.37 million barrels have yet to be decided.

Japan's Ministry of Economy, Trade and Industry reported that the country's total oil product sales in October fell by 3.1% on the year to 15.69 million kiloliters or 3.18 million bpd. The drop in oil sales in October reflected a fall of 2.4% in gasoline sales.

Citigroup said China's net coal imports are expected to increase 63% from 143 million tons in 2010 to 233 million tons in 2011.

Production News

Russia's OAO Lukoil Holdings aims to produce 150,000 bpd at Iraq's West Qurna Phase 2 in January 2013. It is hoping to increase its production to 500,000 bpd by January 2014.

The BP-led group in Azerbaijan plans to produce 850,000 bpd of oil from its Chirag, Azeri and Guneshli oilfields in 2011, unchanged on the year.

Oman's oil production in the first nine months of 2010 increased by 6.7% on the year to 860,200 bpd. The country is targeting an output of 870,000 bpd in 2010.

OPEC's news agency reported that OPEC's basket of crudes increased to \$83.45/barrel on Monday from \$82.34/barrel on Friday.

Saudi Aramco has set its December contract price for propane at \$905/ton, up \$135 on the month. It also raised its December butane price by \$145 to \$945/ton.

Market Commentary

Crude oil traded in line with the equities market, which took its cue to move higher off of a positive consumer confidence report. According to The Institute of Supply Management, consumer confidence jumped in November to a five-month high of 54.1, exceeding forecasts. The January crude oil shaved early losses, trading up to our objective of \$86.00. This provided a selling opportunity. With the euro continuing to lose against the dollar and expectations that further economic bailouts will be necessary for countries like Portugal, Spain and possibly Italy, the dollar should continue to gain against the euro. Based upon this, we would anticipate additional pressure on prices and for crude oil to trade down at the \$80.00 level.

Crude oil: Jan 11 330,798 -9,158 Feb 11 115,502 +2,965 Mar 11 126,115 +3,710 Totals 1,337,625 +4,358 Heating oil: Jan 11 100,140 +2,213 Feb 11 43,190 +1,516 Mar 11 33,916 +245 Totals 306,134 -9,516 Rbob: Jan 11 105,299 +923 Feb 11 38,560 +2,534 Mar 11 28,198 +1,130 Totals 271,962 -2,614

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7993	86.00	22040	24680		22800
7871	8890	21860	24950	20300	23050
7783	9050	21375	26740	20130	24880
7671	9100	21140		18750	27085
7601	9385	20702		18240	
				16010	

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