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ENERGY MARKET REPORT FOR DECEMBER 2, 2009

Iran's President Ahmadinejad said today that Iran would enrich uranium to a higher level itself, thus apparently ruling out a U.N. brokered deal that it had tentatively agreed to two months ago. He said Iran would enrich uranium to 20% from its current level of 3.5%. He also said Israel could not do a "damn thing" to stop Iran's enrichment program. He also said the IAEA resolution passed this weekend as "illegal".

The French foreign minister said today that Iranian leadership appears to be in disarray. He said Iran suffered from "disorganization at the head of the state" with different state services "competing and not talking to one another".

Saudi Aramco said today that it would do its part to keep oil prices from rising excessively, which could damage the nascent

Market Watch

A senior official at China's central bank said on Wednesday that gold prices are currently high and markets should be careful of a potential asset bubble forming. When asked if China had plans to increase its gold holdings in its foreign exchange reserves he said "we must watch out for bubbles forming on certain assets and be careful in those areas."

ADP reported that U.S. private employers shed 169,000 jobs in November. While this was initially viewed as bearish given market expectations of a 155,000-job loss, it was later viewed as neutral as ADP revised downward October's job loss from 203,000 to 195,000.

The Federal Reserve Bank released its Beige Book today and it noted that the weak U.S. economy is improving modestly with little upward pressure on wages and finished goods despite commodity price gains. Eight of the Fed's 12 districts reported some pickup in economic activity since October 21st report.

Richmond Federal Reserve President Lacker, a known inflation hawk, said Wednesday that there is concerns about the Federal Reserve's resolve to act soon enough to prevent inflation from rising. He also noted there is also apprehension about the extent to which political influence might be brought to bear on the central bank in an attempt to allow inflation to rise in order to materially solve the deficit problem.

Representatives from the CME and ICE warned Congress today that some proposals before Congress that are seeking to reduce market risks and increase transparency of OTC trades, are looking to give too much power to the CFTC, such as letting the agency set margin requirements or position limits. Both exchanges said it is bad public policy to force all routine OTC products onto exchanges or clearinghouses, since it will result in greater costs to commercial participants and thus ultimately higher costs that will be passed onto the consumer. While House of Representatives committees have approved two bills dealing with increased regulation of the derivatives market, Senator Dodd is preparing a legislative proposal that would contain similar provisions of the House legislation but his bill would provide for fewer ways for commercial companies to qualify for exemptions from clearing and trading requirements. Meanwhile the former chairman of the CFTC, Brooksley Born said today that the OTC market has become "extremely dangerous" and must be reined in with regulation similar to existing futures and options regulations.

The NYMEX reported that 641 December RBOB contracts were going into delivery with 218 lots being issued to BP Corp (House) and JP Morgan Futures (Customer) was the biggest clearinghouse on the other side stopping 491 lots. In heating oil Newedge(Customer) and Goldman Sachs(House) issued 916 and 483 lots respectively while Newedge(Customer) BP(House) were the biggest counterparties stopping 855 and 371 lots respectively of a total 1803 lots going into delivery.

DOE Inventory Report

Crude Stocks up 2.1 million barrels
Gasoline Stocks up 4 million barrels
Distillate Stocks down 1.2 million barrels
Runs % down 0.6% at 79.7%

global economic recovery. Saudi Aramco also said the Saudis were considering supplying Hyundai Oilbank which isn't a client currently.

Jim Ritterbusch of Ritterbusch & Associates said today that it appears that crude oil is beginning to demonstrate some detachment from other financial markets as continuing weak fundamentals in the energy markets are weighing on prices there.

Refinery News

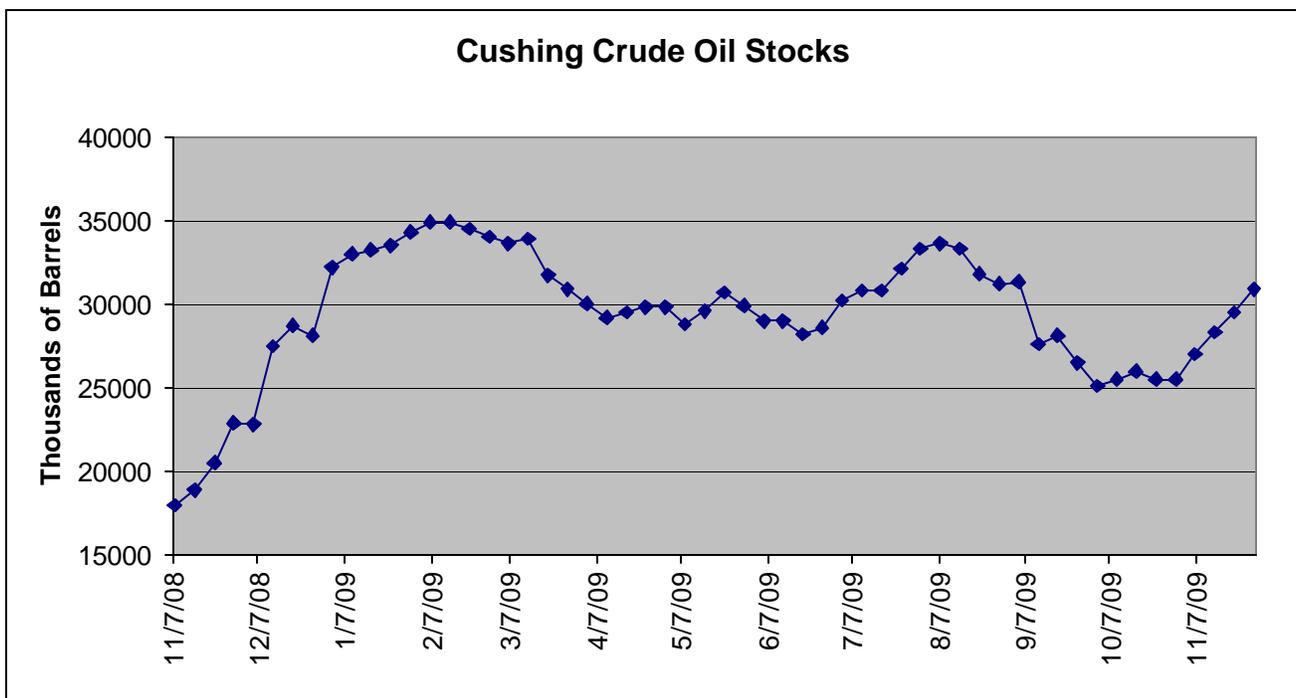
India's domestic oil product sales in October rose 17.3% above year ago levels to 11.47 million tones. Domestic sales of diesel were up 12.5% from a year ago while gasoline sales were up 18%.

Royal Dutch Shell said it was conducting routine maintenance at its Scotford refinery in Alberta beginning today. The company declined to say the nature or duration of the maintenance work at the 98,000 b/d refinery.

Colonial Pipeline said Wednesday that it had allocated cycle 69 nominations on its main distillate line north of Collins, Mississippi, as demand for shipping space exceeds line capacity.

PDVSA said it would restart its 165,000 b/d Petrocedeno heavy oil upgrader this weekend and the 130,000 b/d Petroanzoategui oil upgrader within a week.

BP reported that its FCC unit at its 475,000 b/d Texas City refinery has resumed normal operations after a brief upset. The company said there was no significant impact to production from the glitch, which took place yesterday.



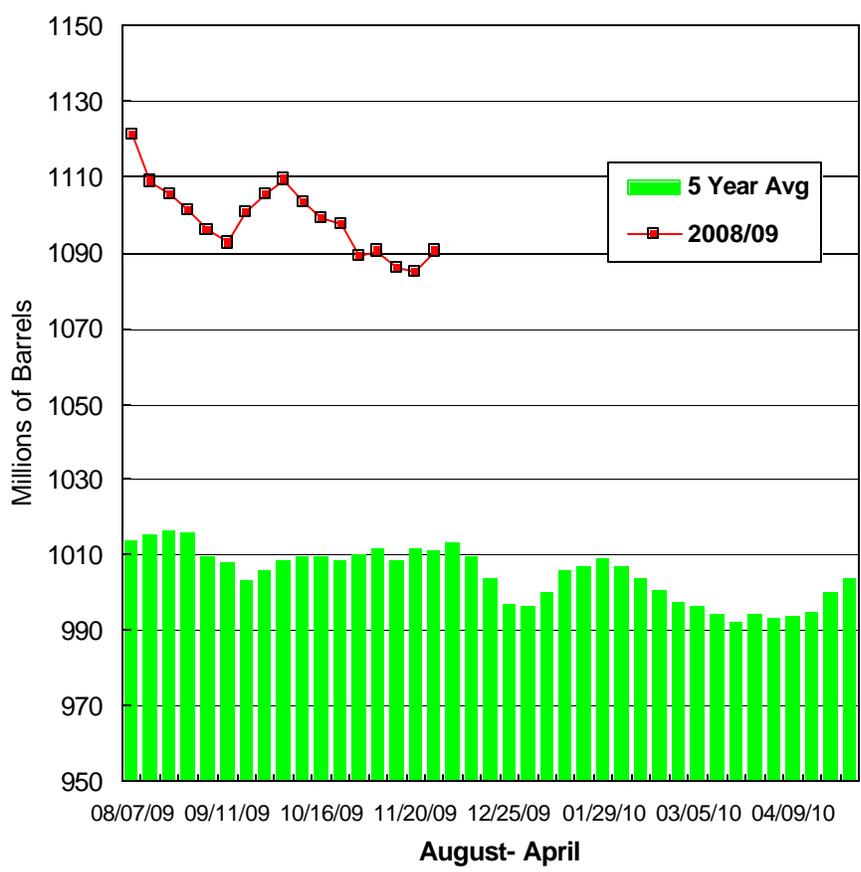
Oil analysts David Wech at JBC Energy said today that he saw no quick solution to the floating storage situation in the distillate market. He saw large contangoes would prompt storage plays to continue into the third quarter on next year.

The EIA noted today that with Valero's closing of its 210,000 b/d Delaware City refinery, Valero is no longer the nation's largest oil refiner, slipping back behind ExxonMobil once again.

Production News

The IEA chief, Nobuo Tanaka said today that the global crude oil market is well supplied and inventories are healthy ahead of the OPEC meeting later this month. He noted that if economic recovery is very strong then the market place will need more oil from OPEC, but currently it appears there will remain very high spare capacity in the market well into next year.

**Total US Petroleum Stocks
Excluding SPR
Current Stock Levels Vs 5 Year Average**



The Russian Energy Ministry reported today that Russia produced 10.07 million b/d of crude oil in November, the fourth consecutive month a new production record was set and the third consecutive month the country has produced over 10 million b/d. The gain in production was helped by production from the new Arctic field, the Vankor field run by Rosneft.

OPEC's reference crude oil basket price rose on Tuesday to \$77.88 a barrel, up \$1.67 per barrel.

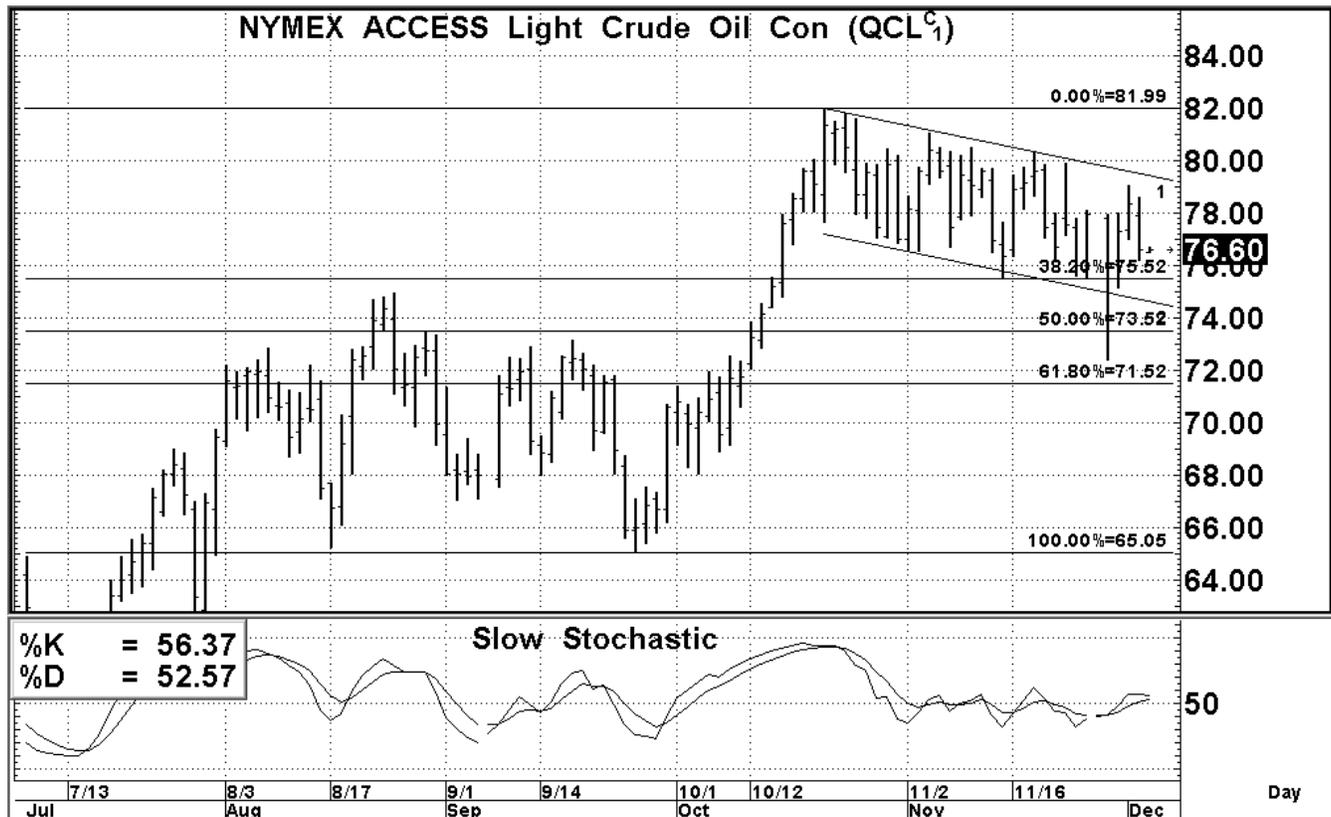
The Petroleum Association of Japan reported overnight that Japan's commercial crude oil inventories fell during the week ending November 28th by 6.61 million barrels and stood at 85.05 million barrels, the lowest level in 37

years. Gasoline stocks on the week increased by 60,000 barrels while kerosene stocks dropped by 60,000 barrels. Total domestic oil product sales were up 10.8% on the week from the prior week but were off 1.9% from the same time a year ago. Weekly exports of gasoline by Japanese refiners surged to a six-year high last week to 1.11 million b/d.

The EIA reported this morning that U.S. crude oil production on the week rose to 5.561 million b/d. this was the highest weekly production level since May 21, 2004. EIA has projected production this year will average 5.33 million b/d the first annual increase since 1991. The EIA projects production will again increase in 2010 by 2.4% as a result of increased flows from Thunder Horse, Tahiti, Shenzi and Atlantis projects in federal waters in the Gulf of Mexico.

Saudi Arabia reportedly has told buyers that it plans to keep oil shipments to the U.S. refiners unchanged in January. This would follow the past several months of stable sales volumes to U.S. refiners.

Enbridge said today it planned to file for clearance in the first quarter of next year to build the 525,000 b/d Norethern Gateway Pipeline to move oil from Alberta's oil sands to a port on the British Columbia coast.



Market Commentary

Crude oil inventories increased during the week ending November 25, with stock levels at Cushing, OK, the NYMEX delivery point, reflecting gains of 1.4 million barrels, the fifth straight weekly gain. Gains at Cushing continue to weigh on the front month spread, as the financial appeal to sell crude oil down the road becomes more attractive. Storage capacity at Cushing has increased, making it easier to store crude oil at that location and with refiners decreasing runs due to margin profitability, stock levels should continue to build. This week has seen several key supportive factors, Iranian threats to cut production, the seizure of an oil tanker by Somali pirates and economic difficulties in Dubai. Even a spill along a pipeline in Alaska's giant Prudhoe Bay oil field could not prop up prices. Despite these supportive factors, it was difficult for crude oil to sustain enough strength to breach the \$80.00 level. Financial investors, who turn to commodities as a financial hedge cannot ignore the supply/demand situation in this market and at some point will have to lighten up on length, adding further pressure on prices. Crude oil has been trading within the \$75.00 to \$82.00 range since in the beginning of October and is slowly approaching the \$75.52 38.2% retracement number between the range of \$65.05 and

\$82.00. A settlement below this level should bring about length liquidation and help set prices up for a run at \$65.00.

Crude Jan. 10 336,298 -11,724 FEB.10 110,146 +7,327 MAR.10 97,073 +6,548 Totals: 1,210,046-
 +11,390 Heating oil Jan.10 93,822 -759. FEB 10 42,424 +1,580 MAR.10 39,114 +34 Totals: 317,500
 +814 Gasoline JAN.10 107,827 +1,795 FEB.10 34,310 +1,798 MAR. 10 33,393 +1,971 Totals:
 255,306 +6,503.

Crude Support	Crude Resistance
74.96, 73.52, 71.52, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95,	80.50, 84.83, 85.40, 86.60, 88.80
Heat Support	Heat resistance
, 1.9500, 1.9175, 1.8570, 1.7670,	2.1580, 2.2110, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.9060, 1.8840, 1.8480, 1.7900	2.1100, 2.1600, 2.3350

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