



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 2, 2010

Venezuela's Oil Minister Rafael Ramirez said he does not see OPEC taking no action at its next meeting in Ecuador. He also said the world economy can sustain \$100/barrel oil prices.

Oil Movements reported that OPEC oil exports, excluding Angola and Ecuador, are forecast to increase by 90,000 bpd to 23.56 million bpd in the four weeks ending December 18th.

Iran's Minister Masoud Mir-Kazemi said Iran is still importing gasoline, despite European Union and US sanctions aimed at stemming the flow of fuel into the country. He said Iran is both importing and exporting gasoline. He added that Iran was not exceeding its OPEC crude production target and that the country's current crude production capacity stood at 4.2 million bpd.

Genscape reported that oil inventories at the Cushing, Oklahoma crude oil terminal fell by 416,301 barrels to 36.71 million barrels in the week ending November 30th.

Nigeria's military pursued militants in the country's main oil producing region on Thursday after raiding three camps allegedly run by John Togo, a militant leader.

Refinery News

Market Watch

The Labor Department said the initial unemployment claims increased by 26,000 to 436,000 in the week ending November 27th. The previous week's figures were revised up to 410,000 from 407,000. It reported that the four week moving average fell by 5,750 to 431,000 from the prior week's revised average of 436,750. The unemployment rate for workers with unemployment insurance for the week ended November 20th was 3.4%, unchanged from the previous week's revised rate.

The National Association of Realtors' index for pending sales of existing homes increased by 10.4% to 89.3. The pending sales index was 20.5% below its level of 112.4 in October 2009.

RMI Independent Petrol Retailers Association said heavy snowfall across the UK disrupted the road fuel supply chain, leading to fuel shortages at 500 independent fuel retailers. Road tankers have been unable to leave the main terminals from the Total SA refinery at Lindsey and from the Jet refinery at Killingholme.

The CFTC will unveil proposed rules next week that build an oversight structure for swap trading platforms and state how companies that use swaps to hedge risk can be exempt from clearing regulations. Separately, the CFTC is planning to propose other rules next week as well, including business conduct standards with trading counterparties. The CFTC will also propose additional governance and conflicts of interest rules for exchanges, clearinghouses and SEFs.

**December
Calendar Averages**
CL – \$87.38
HO – \$2.4301
RB – \$2.3279

Colonial Pipeline allocated cycle 69 shipments on its Line 20 carrying distillates from Atlanta, Georgia to Nashville, Tennessee, as demand for shipping space exceeded line capacity.

Chevron Pipe Line Co shut down a 15,000 bpd crude pipeline in Salt Lake City late Wednesday after a leak was discovered. About 100 barrels leaked out of the pipeline in Salt Lake City, Utah.

Valero Energy Corp said operations at its 170,000 bpd oil refinery in Benicia, California returned to normal following a brief problem on Wednesday. It said its fluid catalytic cracking unit tripped offline on Wednesday night but quickly resumed operations.

ExxonMobil reported emissions due to a boiler problem at its 238,600 bpd Joliet, Illinois refinery. It said production was minimally affected by the problem late Wednesday.

PDVSA said its 335,000 bpd La Isla refinery in Curacao should be fully operational by mid-December.

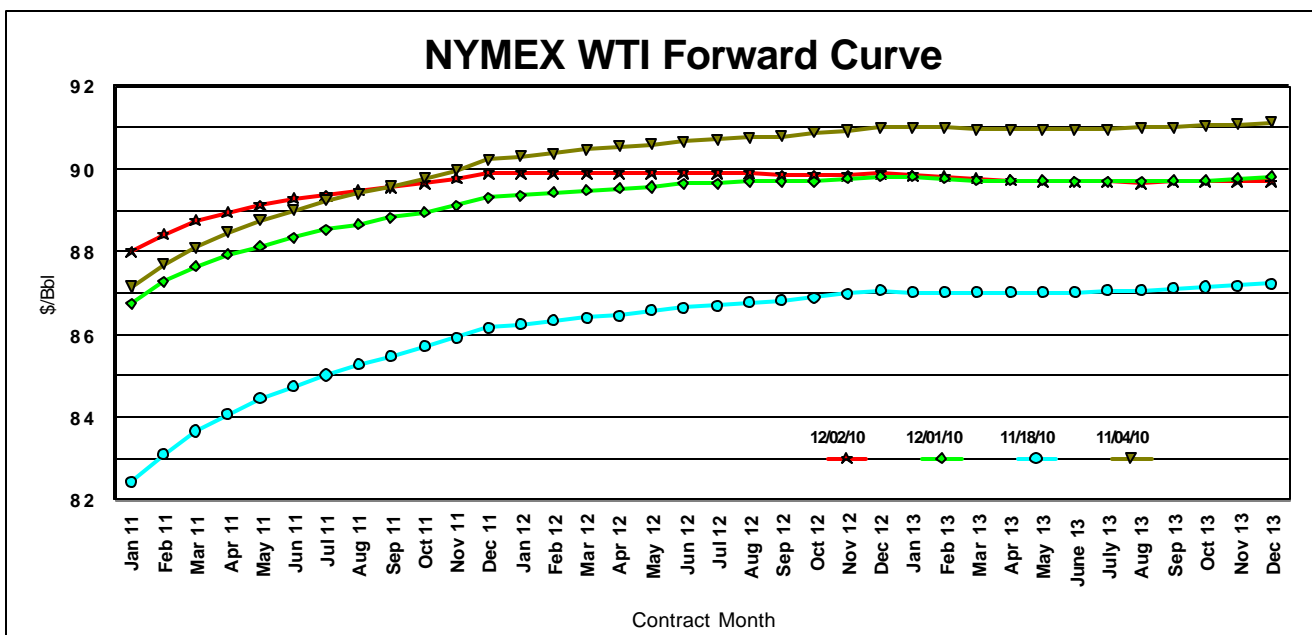
Japan's Cosmo Oil Co restarted its 75,000 bpd No. 6 crude distillation unit at its Yokkaichi refinery on Tuesday. The unit had been shut for unplanned maintenance.

China's West Pacific Petrochemical Co plans to shut down its 200,800 bpd refinery for regular maintenance lasting about 30 days in March or April.

PetroChina Co started pumping crude into its newly built tanks at the Wangjiagou oil depot in Xinjiang Uygur Autonomous Region in the northwest of the country. The depot will serve as a storage and allocation center for crude oil produced at the Karamay Oilfield or imported from Kazakhstan. The nine crude oil tanks have a combined storage capacity of 450,000 cubic meters.

India's Mangalore Refinery & Petrochemical Ltd has offered 191,000 tons of oil products for January loading. The cargoes consist of 40,000 tons of gas oil, 80,000 tons of fuel oil, 35,000 tons of naphtha and 36,000 tons of jet fuel.

Indian Oil Corp purchased 4 million barrels of Nigerian crude for February loading. Its spot purchases

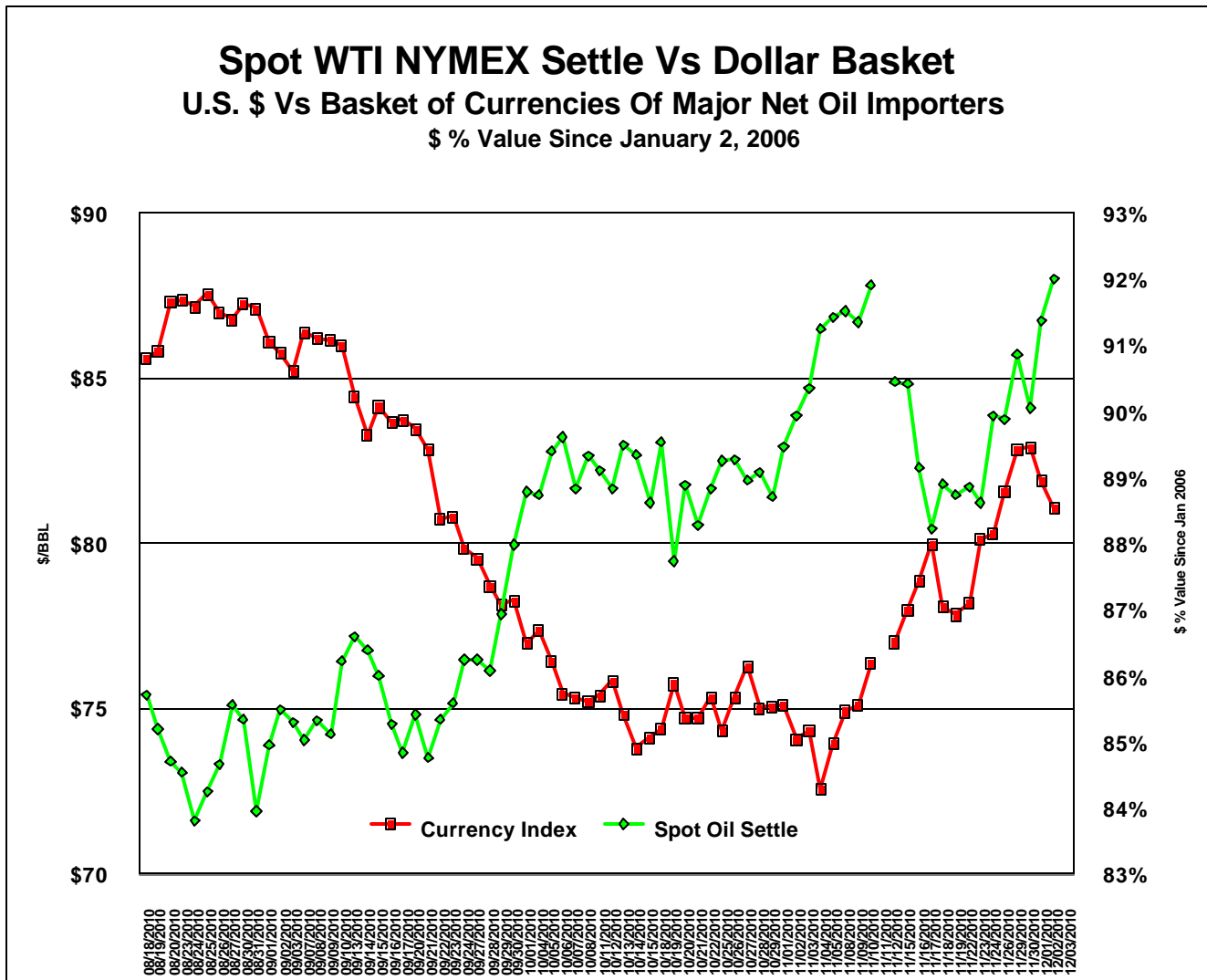


for February totaled 8 million barrels.

Cargill will ship about 60,000 tons of gasoline from Turkey to the Middle East Gulf amid tight oil product supplies in the region. The gasoline is sourced by Turkey's Tupras refinery and will be loaded on December 14th from the port of Tutunciftlik.

Russian and transit seaborne crude exports supplied to ports by Transneft fell to 2.6 million bpd in November from 2.82 million bpd in October.

Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending December 2nd increased by 2.07% on the week but fell by 38.96% on the year to 492,000 tons. Gas oil stocks increased by 5.47% on the week and by 9.29% on the year to 2.893 million tons while



fuel oil stocks increased by 11.8% on the week and by 16.92% on the year to 843,000 tons. Naphtha stocks increased by 50% on the week and by 52.31% on the year to 99,000 tons while jet fuel stocks fell by 15.01% on the week and by 23.87% on the year to 606,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending December 1st fell by 2.47 million barrels to 20.388 million barrels. It also reported that the country's light distillate stocks increased by 51,000 barrels to 10.407 million barrels while its middle distillate stocks fell by 1.94 million barrels to 14.18 million barrels on the week.

Production News

Mexico's Transport Ministry reported that Mexico reopened the port of Pajaritos or Coatzacoalcos after the country's three oil ports were closed earlier in the week due to bad weather conditions. The port of Dos Bocas and Cayo Arcas remain closed.

Operations at a 30,000 bpd oilfield operated by PDVSA and Royal Dutch Shell Plc will restart as early as Monday following a maintenance shutdown. The Petroregional del Lago joint venture in the West Urdaneta area of Lake Maracaibo was shut around October 20th for scheduled maintenance.

Russia's Energy Ministry reported that the country's oil output fell to 10.25 million bpd in November from 10.26 million bpd in October. Daily gas output increased to 1.98 billion cubic meters in November from 1.87 bcm in October.

China's Sinopec Corp will help develop the Junin 1 oil block in Venezuela's Orinoco region while CNOOC helps develop a gas field.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$84.13/barrel on Wednesday from Tuesday's level of \$83.65/barrel.

Reuters reported this afternoon that according to an EIA official, the agency has discovered it was working with incomplete data this year and potentially in 2009 and as a result will be forced to sharply revise upward its estimate for crude oil flows from the U.S. Midwest into the Gulf Coast region. The discrepancy may reach as much as 100,000 b/d and thus indicate that more Canadian crude is flowing south to the U.S. Gulf Coast refining hub. A potential problem in the agency data may stem from the EIA's omission of pipeline flows on lines owned by Exxon. The Exxon owned Pegasus line, an 858 mile pipeline was the first between Padd 2 and PADD 3 to be reversed to transport crude oil flows south instead of north, starting in 2006. The line's capacity was expanded by at least 50% last year to 96,000 b/d..

Market Commentary

Crude oil extended yesterday's gains, rising to its highest level in three weeks. Crude oil traded opposite the dollar, which fell against the euro on announcements by the European Central Bank President that the ECB would continue to lend banks as much cash as necessary. Providing additional strength was unexpected gains in U.S. home sales, which increased by 10 percent. The January contract settled up \$1.25, after reaching a high of \$88.13. Gasoline continued to rise to its highest level since May, still reeling from yesterday's bullish inventory report. With the East Coast short on inventory, the cash market in the New York Harbor was seen trading at a premium to NYMEX futures. At the time of this writing, gasoline in the NY Harbor was trading at an eight-cent premium to the January futures contract. Outside influences, rather than supply and demand, continue to push this market higher. While we cannot buck the trend, we do believe that the upside potential for this market will be limited by the underlying fundamentals, which still indicate significant supply. Moving oscillators are trending higher in overbought territory but do not appear ready to cross to the downside. We would look for additional moves higher coming into tomorrow's session, with advances up to the recent high of \$88.63.

Crude oil: Jan 11 322,736 -488 Feb 11 128,810 +6,807 Mar 11 127,781 -565 Totals 1,358,440
+16,115 Heating oil: Jan 11 99,514 -513 Feb 11 43,355 -866 Mar 11 34,989 +364 Totals 299,172 -
1,739Rbob: Jan 11 103,520 -1,437 Feb 11 43,913 +1,448 Mar 11 29,263 -404 Totals 274,425 +2,596

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8600		22040	24680	22560	24880
7993	8890	21860	24950	21620	27085
7871	9050	21375	26740	22800	
7783	9100	21140		20300	
7671	9385	20702		20130	
7601					

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