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ENERGY MARKET REPORT FOR DECEMBER 3, 2009

Kuwaiti Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said Kuwait sees consensus among fellow OPEC members to keep the group's oil output levels unchanged at the group's December 22nd meeting. He said an oil price in the band of \$70-\$80/barrel was satisfactory. He said he sees an excess of supply on the market and current prices are driven by the movement of the dollar and by speculation.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 130,000 bpd to 22.91 million bpd in the four weeks

Market Watch

According to the US Labor Department, initial claims for unemployment benefits fell by 5,000 to 457,000 in the week ending November 28th. The previous week's level was revised to 462,000 from 466,000. The four week moving average of new claims fell by 14,250 to 481,250 from the previous week's revised average of 495,500. The number of continuing claims in the week ending November 21st increased by 28,000 to 5,465,000 from the preceding week's revised level of 5,437,000. The unemployment rate for workers with unemployment insurance in the week ending November 21st was 4.1%, unchanged from the prior week's unrevised rate of 4.1%.

The US Labor Department also reported that non-farm business productivity during the third quarter was revised lower to an annual rate of an increase of 8.1%. Originally, it estimated third quarter productivity increased by 9.5%. The productivity data showed unit labor costs fell by 2.5% last quarter at an annual rate, revised from an originally estimated 5.2% decline.

According to weather forecasters, US Northeast temperatures are the warmest in more than 10 years today. Accuweather said New York temperatures were warmer than normal on all but five days early in November, producing less heating degree days than normal. However it cautioned that temperatures could be cold enough to snow this weekend from New York to Washington DC when a storm system in the Gulf of Mexico makes its way toward the East Coast.

Goldman Sachs maintained its previous 2010 forecast for WTI prices at \$90/barrel, citing factors such as slower than expected fuel demand recovery in developed economies. Goldman expects oil prices to increase to \$110/barrel in 2011 as supplies are drawn down amid strong demand from emerging markets. Goldman Sachs lowered its 2010 price forecast for NYMEX natural gas futures to \$6/mmbtu, down from a previous forecast of \$7.30/mmbtu. It expects natural gas prices to increase to \$6.50/mmbtu in 2011.

UBS said commodity markets in 2010 are likely to lag their achievements of this year as supply responds to the maturing recovery in prices. The report added that exposure to China and India would also favor some agricultural commodities and thermal coal at a later stage. Commodity returns could turn negative in the second half of 2010 after a peak in prices in the middle of the year.

The Association of American Railroads said US rail traffic fell by 3.9% on the year and by 14.3% on the week to 246,133 in the week ending November 28th. Consumer product focused intermodal traffic transported 165,856 loaded truck trailers and shipping containers on flat railcars in the week, down 6.4% from the same 2008 week and 32.1% lower than 2007.

**December
Calendar Average**
CL – \$77.14
HO – \$2.0546
RB – \$2.0094

ending December 19th.

Iran’s Parliament will review the country’s relations with countries that voted against its nuclear activities at the IAEA last week. The IAEA board angered Iran last week by censuring it for covertly building a second uranium enrichment plant near the city of Qom, in addition to its main IAEA-monitored one at Natanz and calling for a halt to construction.

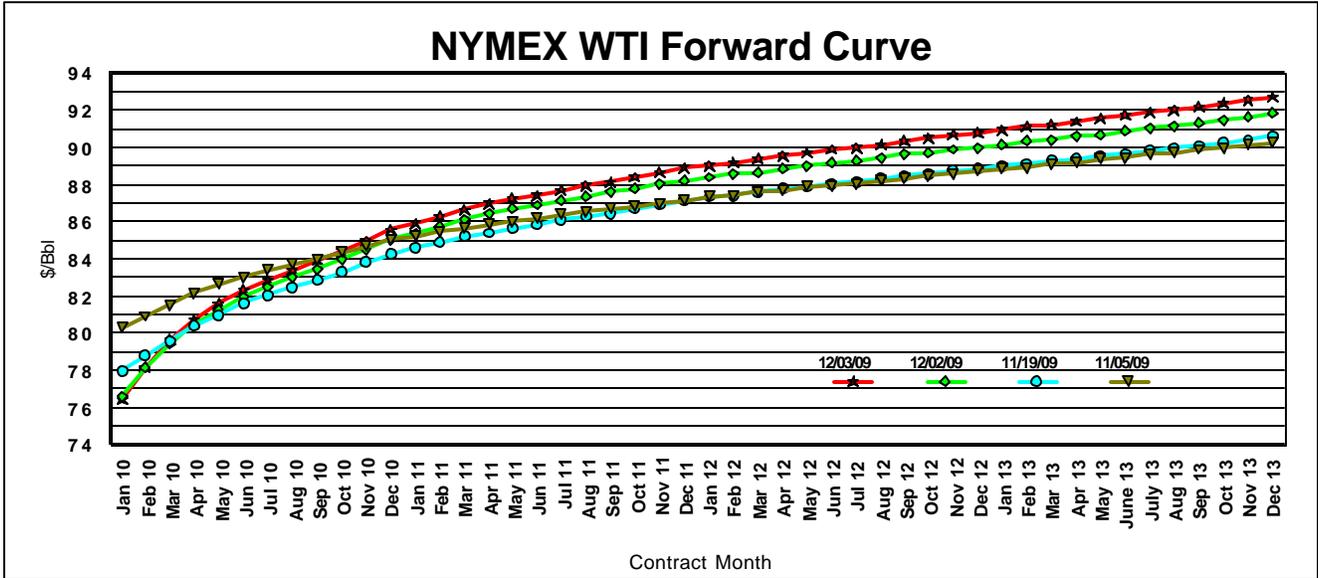
Meanwhile, China urged Iran to cooperate with the UN’s IAEA. China hopes to see the early settlement of the Iranian nuclear issue through dialogue and negotiations. China on Friday, joined Russia, Britain, France, Germany and the US in voting in favor of the IAEA resolution demanding that Iran halt construction of a second uranium enrichment plant. Western powers such as Britain, Germany and France have warned of imposing further sanctions against Iran following the latest confrontation with Iran, with the US saying time is running out. The US said Iran’s deadline is still the end of the year for responding to international demands. Russia has however warned against escalating the issue. Separately, Russia’s Prime Minister Vladimir Putin said Russia has no information that Iran is working on the development of nuclear weapons.

The head of the US Commodity Futures Trading Commission, Gary Gensler, renewed his call to enact sweeping regulations for over the counter derivatives trading. He warned against any proposal, such as the bill being considered in the House of Representatives, which would give commercial companies exemptions from some of the major regulatory requirements. He said he wants to make sure that financial firms like hedge funds are not exempted and reiterated that even if commercial firms are not ultimately required to clear in a final bill, they should still at least have their transactions conducted on regulated trading venues.

Refinery News

BP reported that a catalytic feed hydrotreater unit at its 475,000 bpd refinery in Texas City, Texas will be shutdown for mechanical work from December 3rd to December 6th.

Valero Energy Corp will shorten the duration of planned work on its 54,000 bpd fluid catalytic cracking unit at its 195,000 bpd refinery in Paulsboro, NJ from about six weeks to about two to three weeks and will keep the refinery running during that time. The work, which started last weekend, was originally supposed to last until mid-January.



Royal Dutch Shell is no longer involved in talks on joining China Petroleum and Chemical Corp and Kuwait Petroleum Corp in a major joint venture refinery in China. Sinopec and Kuwait Petroleum Corp have a memorandum of understanding to build a 300,000 bpd refinery and petrochemical complex in Guangdong province in southern China and are awaiting formal approval from the Chinese government.

Government data showed that India's domestic oil product sales in October increased by 8.3% on the year to 11.47 million tons. India's crude oil imports fell by 5% on the year. Separately, India's Deputy Oil Minister Jitin Prasada said the country's demand for diesel in the current fiscal year through March 2010 is expected to be about 54.36 million metric tons. Gasoline demand is expected to total 12.27 million metric tons.

Weak demand saw oil products in independent tanks in the Amsterdam-Rotterdam-Antwerp terminal increased almost across the board in the week ending December 3rd. Gasoline stocks fell by 3.13% on the week but increased by 15.14% on the year to 806,000 tons. Gas oil stocks increased by 1.26% on the week and by 44.41% on the year to 2.647 million tons while fuel oil stocks increased by 9.08% on the week and by 41.1% on the year to 721,000 tons. Naphtha stocks increased by 20.37% on the week but fell by 48.41% on the year to 65,000 tons while jet fuel stocks increased by 10.86% on the week and by 45.54% on the year to 796,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 549,000 barrels to 24.528 million barrels in the week ending December 2nd. It also reported that the country's light distillates stocks fell by 1.151 million barrels to 10.004 million barrels while the country's middle distillate stocks fell by 211,000 barrels to 13.235 million barrels on the week.

Production News

Saudi Aramco said the projected completion date for its Manifa offshore project is 2015. It said the Manifa project will yield 900,000 bpd of Arabian Heavy oil, 900 mmcf/d of associated gas and 65,000 bpd of condensate.

Angola's Oil Minister Botelho de Vasconcelos said the country has 13.1 billion barrels of oil in reserves, enough to sustain a constant production of 1.9 million bpd for the next 15 years. He said Angola could pump 2.1 million bpd but added that its output capacity is limited due to the country's OPEC output quotas.

Brazil's OGX said it found signs of hydrocarbons in another well in the BM-C-41 block in the southern part of the Campos Basin.

China's Sinochem Group plans to increase its global reserves of oil and natural gas to 100 million tons by 2020. It aims to make oil and gas field acquisitions in the Middle East, South America, Africa and Southeast Asia. The company plans to increase its annual oil and gas production to 5 million tons or 100,000 bpd by 2012 and double that by 2020.

Libya's National Oil Co left its December official selling price for its Es Sider crude oil grade unchanged from November at dated Brent minus 5 cents.

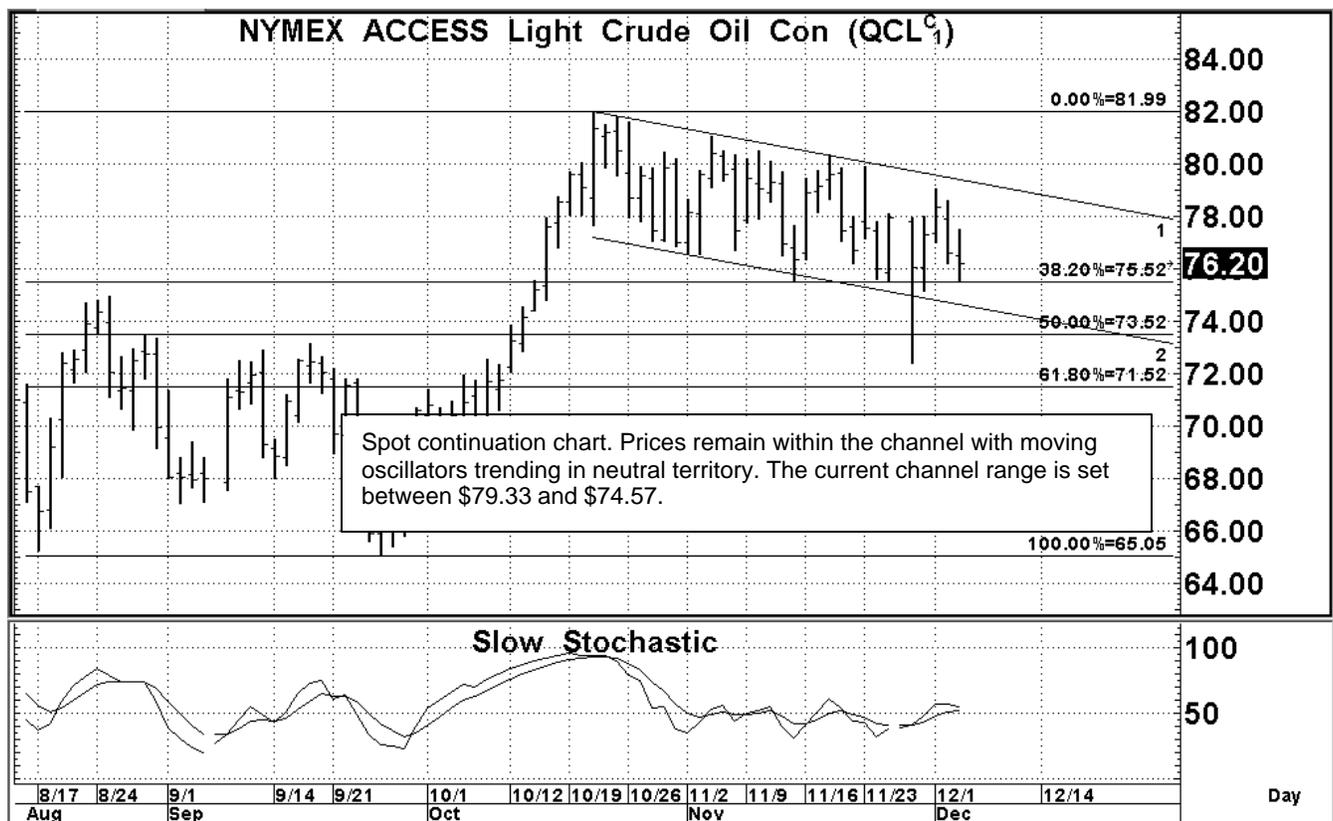
OPEC's news agency reported that OPEC's basket of crudes fell back to \$77.31/barrel on Wednesday from \$77.88/barrel on Tuesday.

Market Commentary

Crude oil worked lower today in response to bearish inventory numbers and concerns regarding the economic recovery. Crude oil has appeared, to at least momentarily, sever its relationship with the

dollar, which also traded lower on the day. With crude oil inventories ever mounting, floating storage increasing and the capacity to store crude at Cushing indicating spare capacity, this market will continue to find difficulty sustaining strength. The January crude oil contract dipped lower, tested the 38.2% Fibonacci retracement number of \$75.52 and bounced off of it. Oil remains within the downward channel that began at the end of October. The width of this channel is \$4.76, with the current downside breakout target set at \$69.81 and the upside breakout target set at \$84.05. We would continue to buy and sell at listed support and resistance numbers and in regards to upside potential for this market, we would like to see this market break out of the descending channel and for confirmation of a direction change, would like to see two consecutive higher settlements above the channel.

Crude Jan. 10 320,710 -15,588 FEB.10 116,605 +6,459 MAR.10 95,882 -1,191 Totals: 1,203,286 -6,760 Heating oil Jan.10 90,344 -3,478. FEB 10 42,403 -21 MAR.10 38,045 -1,069 Totals: 312,167 -5,333 Gasoline JAN.10 104,241 -3,586 FEB.10 36,728 +2,418 MAR. 10 32,528 -865 Totals: 253,642 -1,664.



Crude Support	Crude Resistance
75.52, 74.57, 6, 73.52, 71.52, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95,	79.33, 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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