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ENERGY MARKET REPORT FOR DECEMBER 7, 2009

Saudi Arabia's Oil Minister Ali al-Naimi said OPEC will not change its production target when its ministers meet on December 22nd. He described the current oil price as stable and perfect for consuming and producing nations.

Qatar's Oil Minister Abdullah bin Hamad Al-Attiyah expects OPEC to agree to rollover its output quota at its next official meeting later this month. He said there is no need for extra oil. Meanwhile, the UAE's Oil Minister Mohammed al-Hamli said oil prices are not reflecting fundamentals.

A Nigerian government official said OPEC will likely keep its output unchanged at its upcoming meeting and focus on compliance with the group's decisions. The special adviser to Nigeria's President, Emanuel Egbogah said Nigeria is producing 2.6 million bpd of oil and has a capacity of 3.6 million bpd. He did not say how much of the 2.6 million bpd of oil production was crude and how much was condensate.

Angola's Deputy Oil Minister Jose Gualter Dos Remedios said current oil prices were balanced and had stabilized at around \$80/barrel. He said Angola has the capacity to produce 2 million bpd but is currently producing 1.8 million bpd due to the OPEC limits.

The head of Iran's Atomic Energy Organization, Ali Akbar Salehi said Iran needs 20 uranium enrichment plants to provide fuel its nuclear power plants, an announcement that is likely to heighten tension with the six major powers. He said Iran has no plans to withdraw from the nuclear non-proliferation treaty.

The EIA reported that the US average retail price of diesel fell by 0.3 cents/gallon to \$2.772/gallon in the week ending December 7th. The price of diesel is 10.2% or 25.7 cents/gallon above a year earlier. It also reported that the US average retail price of gasoline increased by 0.5 cents/gallon to \$2.634/gallon on the week.

Market Watch

Saudi Aramco has set the official selling price for its Saudi Light crude to US customers in January at Argus Sour Crude Index minus 75 cents/barrel, marking the first OSP based on ASCI. Saudi Aramco cut the official selling price for Light crude oil to Asia in January by 5 cents to the Oman/Dubai average plus 45 cents/barrel.

The CME launched a new futures contract for US Gulf Coast Sour Crude Oil on Monday. Interest in pricing crude off sour grades rather than WTI increased in October when Saudi Arabia announced it would switch from WTI to pricing service Argus' sour crude index as the benchmark for selling crude to the US. Traders have complained that the WTI contract reflects physical inventories at the Cushing, Oklahoma delivery point, rather than the Gulf Coast import hub.

**December
Calendar Average**
CL – \$76.17
HO – \$2.0401
RB – \$1.9887

According to the Lundberg survey, the US average retail price of gasoline fell by 1.24 cents/gallon to \$2.6353/gallon in the last two weeks ending December 4th.

Refinery News

Credit Suisse reported that US refinery margins were mixed again last week.

Both Northeastern and Gulf Coast margins increased 33 cents to \$5.30 and \$5.90/barrel, respectively. West Coast margins increased by 39 cents to \$11.49/barrel while Midwest margins fell by 53 cents to \$3.74/barrel and margins in the Rockies fell by \$1.53/barrel to \$11.05/barrel.

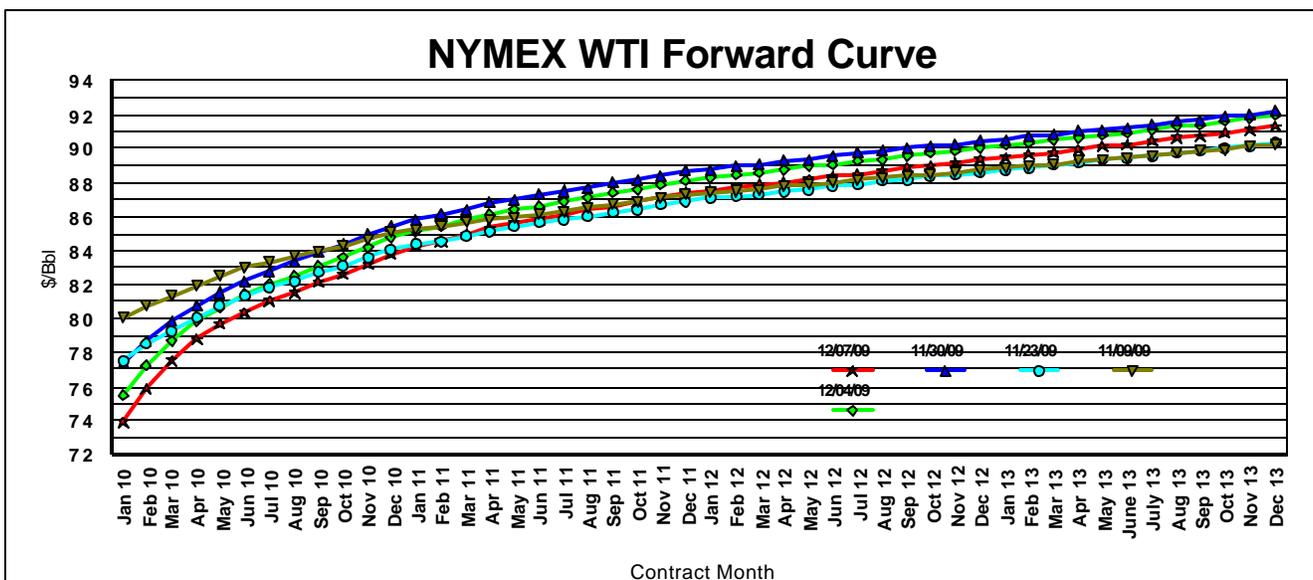
Reuters reported that oil refining margins in the US Gulf terminal outperformed those in other areas of the world last week due to a sharper decline in US crude prices than other benchmarks. Refineries in the US Gulf posted an average margin of \$1.88/barrel, up from \$1.21/barrel the previous week. Meanwhile complex refiners in Europe’s Rotterdam terminal posted an average margin of \$1.82/barrel by processing one barrel of Brent crude. Simple margins averaged \$1.14/barrel, down about 40 cents on the week. In the Mediterranean, complex margins on Russian medium sour Urals fell to an average 36 cents/barrel last week from 99 cents the previous week. Simple refiners in the region lost an average 30 cents/barrel last week. In the Singapore area, complex margins on Dubai crude fell about 20 cents to \$1.74/barrel while simple refiners lost 51 cents/barrel.

ConocoPhillips shut a fluid catalytic cracking unit at its 247,000 bpd Sweeny, Texas refinery for maintenance starting Monday until December 17th. Its fluid catalytic cracking unit 3 will be shut to connect an emissions control device or wet gas scrubber.

Husky Energy Inc said it is operating its 160,000 bpd Lima, Ohio refinery at about 110,000 bpd following a major turnaround.

South Korea’s GS Caltex has increased its refining capacity at its No. 2 and No. 3 crude distillation units by a combined 20,000 bpd. The refinery has expanded its total refining capacity to 750,000 bpd from 730,000 bpd.

India’s Hindustan Petroleum Corp Ltd will shut its diesel hydro desulphurization unit at its Vizag refinery for maintenance in two or three days. The unit will remain shut for about a month and will produce cleaner diesel when it restarts.



India's Mangalore Refinery and Petrochemicals Ltd will shut its diesel hydro desulphurization unit for up to 35 days from the third week of February. The capacity of the 1.4 million ton/year unit will be raised by 30%.

An explosion at a unit of Russia's Rosneft's Angarsk petrochemical plant caused the roof of a motor oil refinery to collapse, killing one person. Its overall output was not affected by the blast.

An Iranian official said Iran needs an additional \$3 billion to pay for imports of gasoline until March 2010. The official said Iran continued to import the fuel despite a reduction in the monthly quota of heavily subsidized gasoline available for motorists.

Production News

The Houston Ship Channel reopened to shipping traffic after it was closed for several hours earlier on Monday due to fog.

Mexico reopened its Dos Bocas oil port in the Gulf of Mexico on Sunday after it was shut over the weekend due to bad weather. It said all main oil ports are now open.

Nigeria's Minister of State of Petroleum, Odein Ajumogobia said the country is currently producing between 1.8 million and 1.85 million bpd of crude oil in addition to 600,000 bpd of condensate.

China National Petroleum Corp expects to begin work on Iraq's Rumaila oilfield soon. Last month, BP Plc and China's CNPC signed a 20 year development contract for Rumaila. The field has 17 billion barrels in estimated crude reserves.

Saudi Aramco expects the cost of developing its Moneefa heavy crude field to total about \$16 billion, up about \$7 billion from initial estimates. The Moneefa field is the last of a series of large oilfield development projects scheduled in Saudi Arabia. Moneefa will eventually have the capacity to pump 900,000 bpd. Output is scheduled to begin in 2013 and the development of the field will be completed in 2015.

OPEC's news agency reported that OPEC's basket of crudes fell by 51 cents to \$76.81/barrel on Friday from \$77.32/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$1.32/barrel to \$77.11/barrel in the week ending December 4th.

Market Commentary

The oil market continued to trend lower following Friday's losses and amid concerns over the economic recovery. The market traded to a low of \$74.00 early in the session. It bounced off that level and settled in a sideways trading pattern for most of the session. It however failed to sustain its gains and sold off to a low of \$73.70. The oil market failed to follow the dollar's reversal as it pared its earlier gains. This came after Federal Reserve chairman Ben Bernanke signaled a steady course for US monetary policy and said that the 2010 US jobless rate is likely to fall at a lower rate than expected. The crude market remained pressured and settled below its support at the bottom of its channel for the first time as it ended the session down \$1.54 at \$73.93. The January/February spread weakened to -1.98 during today's session. The crude market is seen continuing its downward trend, with support at \$73.70, \$73.52, its 50% retracement off a low of \$65.05 and a high of \$81.99, and \$71.52, its 62% retracement level. Resistance is seen at \$74.50, \$75.20, \$75.85, \$76.10 and \$77.90.

Crude Jan. 10 320,427 +2,235 FEB.10 122,845 +4,471 MAR.10 106,678 +4,614 Totals: 1,225,848 +8,916 Heating Oil Jan.10 84,612 -4,212 FEB 10 46,955 +2,822 MAR.10 37,971 Totals: 314,034 -678 Gasoline JAN.10 91,512 -5,610 FEB.10 38,962 +779 MAR. 10 33,231 +246 Totals: 247,378 -2,420.

Crude Support	Crude Resistance
73.70, 73.52, 72.83, 72.05, 71.52, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	74.50, 75.20, 75.85, 76.10, 77.90, 79.04, 80.50, 84.83, 85.40, 86.60, 88.80
Heat Support	Heat resistance
1.9976, 1.9917, 1.9743, 1.9472, 1.9251, 1.9175, 1.8570, 1.7670	2.02, 2.0319, 2.0475, 2.0878, 2.0968, 2.1265, 2.1345
Gasoline support	Gasoline resistance
1.9360, 1.9085, 1.8850, 1.8320	1.95, 1.97, 1.9858, 2.0377, 2.0615, 2.0785, 2.1173

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