



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 8, 2011

IEA's chief economist Fatih Birol said high oil prices pose a risk for a fragile economic recovery and this should be a key factor during OPEC meeting next week.

The former head of the IEA, Nobuo Tanaka said developed nations may have made a mistake when releasing oil stocks six months ago and will be more cautious in the future to avoid straining relations with oil producers.

Oil Movements said OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 260,000 bpd to 23.68 million bpd in the four weeks ending December 24th.

ExxonMobil Corp expects that US oil imports have peaked and will consistently fall in the next

three decades due to rising domestic supplies and a 20% cut in oil demand, eventually eliminating the country's current reliance on crude from OPEC. It projected a decline in US oil imports to 7 million bpd by 2040, with most of the foreign crude coming from Canada and Mexico.

Market Watch

The US Labor Department said initial unemployment claims fell by 23,000 to a seasonally adjusted 381,000 in the week ending December 3^d. It fell to a nine month low. The prior week's data was revised up to 404,000 from the previously reported 402,000. The four week moving average of new claims fell by 3,000 to 393,250. The report showed that the number of continuing unemployment claims fell by 174,000 to 3,583,000 in the week ending November 26th. The unemployment rate for workers with unemployment insurance in the week ending November 26th was 2.8%, compared with 3% the prior week.

The US Commerce Department reported that US wholesale inventories increased by 1.6% to a seasonally adjusted \$470.18 billion. September's revised figure showed inventories were flat. Meanwhile, sales of wholesalers increased 0.9% to \$406 billion. The inventory -to-sales ratio was 1.16, up from the previous month's 1.15 level.

After cutting interest rates by a quarter percentage point to 1%, European Central Bank President Mario Draghi poured cold water on market hopes that the central bank would increase purchases of euro zone sovereign debt or lend money to the IMF to do so. European leaders are expected to announce a grand plan to address the crisis on Friday, with France and Germany pushing a plan to amend the EU treaty and tighten budget discipline. The ECB President said new forecasts from the central bank showed the currency bloc's GDP could contract by as much as 0.4% next year although it could also grow by as much as 1%.

Greece's industrial output fell in October and its jobless rate remained near record highs. Data released by statistics service ELSTAT showed the annual pace of contraction in industrial output accelerated from a 1.7% decline in September, contracting 12.3% in October. The official jobless rate eased in September after reaching a record high of 18.4% in August but remained at a historically high level of 17.5%. The number of unemployed increased to 857,656 in September from 627,715 in the same month a year earlier.

Japan's core machinery orders fell much faster than expected in October. Core machinery orders fell by 6.9% in October from the previous month.

According to data from BlackRock, gold ETPs attracted \$4.8 billion globally, outperforming all other asset classes. Meanwhile, ETF Securities put the global gold inflows at \$4.5 billion. Total commodity inflows reached \$1.3 billion in Europe and \$3.5 billion in the US. Data from Blackrock showed outflows from energy ETPs of \$267 million.

**December
Calendar Averages**
CL - \$100.38
HO - \$2.9810
RB - \$2.5978

Refinery News

Colonial Pipeline said it was freezing Cycle 66 nominations on Line 27, which runs from Mitchell to Norfolk, effective Thursday.

Plains All American Pipeline LP plans to convert an existing Oklahoma liquefied petroleum gas pipeline into a crude pipeline. It said the pipeline

would provide an initial crude oil throughput capacity of 12,000 bpd by January and would expand to 25,000 bpd by July.

The US Coast Guard said about 1,000 barrels of crude oil have been removed from two Enterprise Products Partners LP pipelines threatened by the partial collapse of a retaining wall at a dock in Texas City, Texas.

Marathon Petroleum Corp reported flaring due to failed instrumentation in a vessel at its 206,000 bpd refinery in Robinson, Illinois.

ConocoPhillips reported a wet gas compressor trip resulting in flaring on Monday at its 362,000 bpd refinery at Wood River, Illinois.

Venezuela's PDVSA said that workers at its 140,000 bpd El Palito refinery have restarted its catalytic cracking unit and expects the facility to resume operations by early next week. The refinery suffered a problem at its catcracker unit on November 29th and since then has remained offline for maintenance.

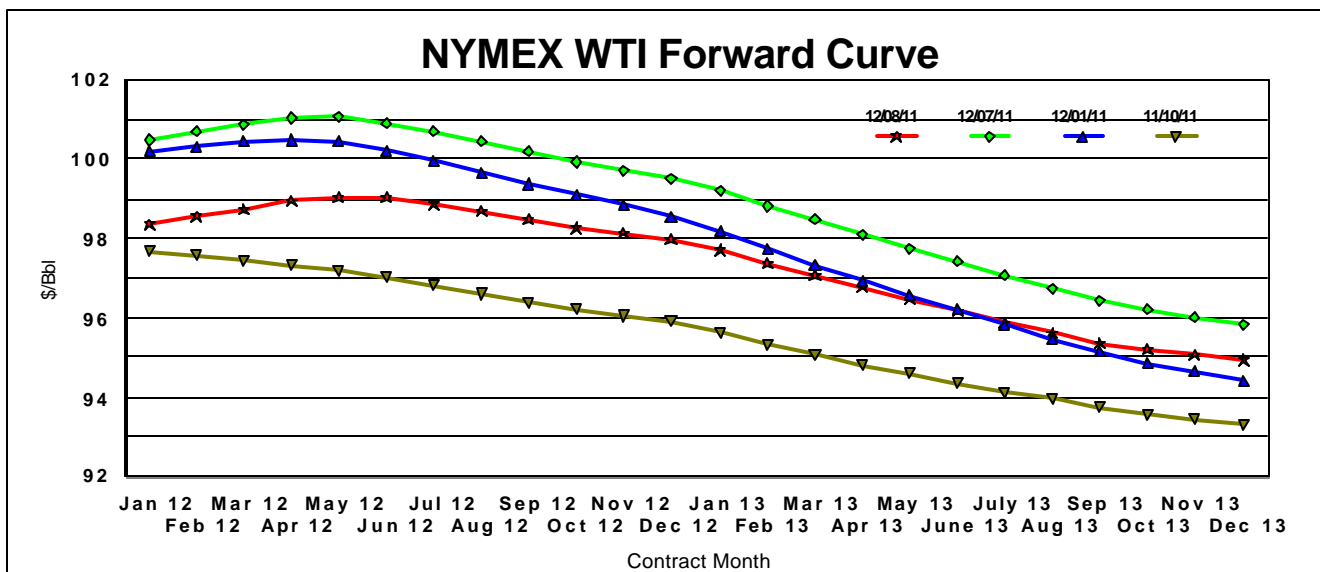
Suncor Energy will perform two weeks of maintenance on its 130,000 bpd refinery in Montreal. The work is scheduled to start on December 12th.

Singapore Refining Co reduced the utilization rate at its refinery by 3.7% to 260,000 bpd in December from the previous month due to poor margins.

Brazil's Petrobras refineries are running at 91% of capacity. It expects its gasoline imports to reach a record of 70,000 bpd in December. It said it expects to import 55,000 bpd of gasoline in 2012.

Italy's Eni SpA said it could cope with a potential European Union ban on Iranian crude imports.

Kuwait's Mina Abdullah oil refinery plans to start a 40 day maintenance outage at its 42,000 bpd



hydrocracker unit in May.

A Syrian pipeline carrying oil from the east of the country to a refinery in Homs was blown up on Thursday.

Water levels on the Rhine River has increased to levels allowing vessels to sail fully loaded along the entire German section of the river.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp oil hub in the week ending December 8th increased by 1.88% on the week and by 31.05% on the year to 650,000 tons. Gasoil stocks fell by 5.13% on the week and by 31.76% on the year to 2.035 million tons while fuel oil stocks increased by 6.2% on the week and by 1.81% on the year to 788,000 tons. Naphtha stocks fell by 28.46% on the week but increased by 183.87% on the year to 88,000 tons while jet fuel stocks increased by 42.53% on the week but fell by 12.98% on the year to 630,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 460,000 barrels to 17.174 million barrels in the week ending December 7th. Singapore's light distillate stocks fell by 802,000 barrels to 11.417 million barrels while its middle distillate stocks fell by 1.565 million barrels to 7.846 million barrels on the week.

Production News

Production at the Buzzard oil field in the North Sea was returning to normal levels on Thursday after volumes fell earlier in the week. Nexen said production from Britain's Buzzard field in the North Sea has been at over 200,000 barrels on average since the beginning of October.

Oil production in North Dakota increased by 5% in October to a record 488,000 bpd.

The Baku-Tbilisi-Ceyhan oil pipeline is expected to pump 21.4 million barrels of crude in January, up 1.6 million barrels on the month. January loading would amount to 690,323 bpd, up from 638,710 bpd in December. The increase in export volumes comes as maintenance work at the BP Plc operated platforms is due to end.

China National Petroleum Corp has sent representatives to talk with the governments of Sudan and South Sudan and hopes to mediate a resolution to a dispute over oil pipeline transit fees that has disrupted crude exports from the two countries.

Russia's Rosneft said it signed a tentative memorandum of understanding with PDVSA to set up a joint venture to develop heavy crude oil reserves in Venezuela. The Karabobo-2 North and Carabobo-4 West blocks, where the oil is to be produced, are in the Orinoco heavy oil belt and have estimated reserves of 40 billion barrels of oil.

Ecuador's Central Bank reported that the country's crude oil production in October increased by 5% on the month to 15.55 million barrels from 14.85 million barrels in September. Petroecuador, Petroamazonas and Rio Napo produced 11.09 million barrels in October.

Canadian Oil Sands Ltd plans to invest \$1.45 billion next year at Canada's Syncrude oil sands mining project in northeastern Alberta. It expects production to increase at the Syncrude oil sands project next year. It expects production of 106-117 million barrels from the project in 2012, up from an estimated output of 105-107 million barrels this year.

Canada's government gave Total SA approval to start construction on its \$8.9 billion Joslyn North Oil Sands Project in Alberta. Total and its Canadian, US and Japanese partners aim to start production in 2017-18, reaching a peak of 100,000 bpd.

Royal Dutch Shell Plc and Italy's Eni SpA bought the rights to a potentially large deepwater oil field offshore Nigeria. According to reports, the oil majors offered \$1.3 billion for the field, which experts believe could hold as much as 9 billion barrels of crude.

Encore Oil Plc said it experienced significant delays in the drilling of its Tudor Rose appraisal well in the central North Sea due to bad weather and some minor operational delays. Drilling at the well started on November 16 and was expected to take about 20 days to complete however it said that to date 13 days have been lost to bad weather.

Market Commentary

Crude oil extended yesterday's losses on statements by the European Bank, that it remains unclear as to whether or not government bonds would be purchased by the bank. Despite unemployment in the U.S. falling, this positive economic news was pushed to the sidelines by the European Sovereign debt crisis. Crude oil has been stuck in a range between \$103.37 and \$95.00 since the middle of November, experiencing choppy trading sessions. We would look for this pattern of trading to continue and for crude oil to test the bottom of this range. The Dec12/Dec13 crude oil spread we wrote about last week has continued to weaken. We remain bearish on this spread, looking for an initial test at \$2.50. Upon a break below this level, we would look to add to short positions.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9499	10337	30622		24988	25939
9251	10753	29288	30937	24734	26283
8916	11483	28800	31956	24516	
8581		26850		24480	
				23803	
50-day MA	92.39				
100-day MA	90.11				
200-day MA	95.93				

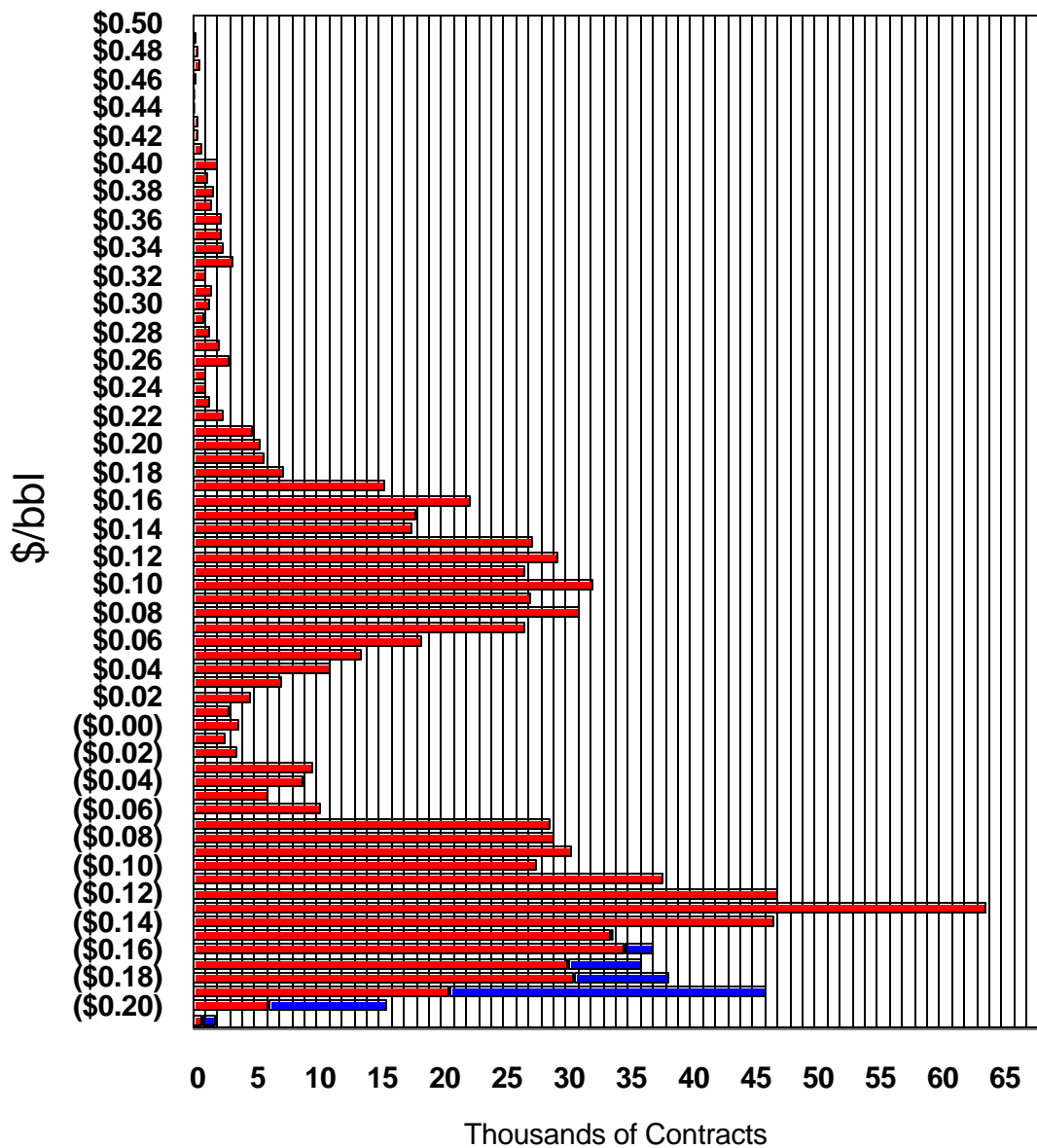
	CRUDE (NYMEX)				WTI (ICE)				BRENT (ICE)			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
JAN	139875	133579	6296	10.589%	56147	62615	-6468	13.161%	110162	127268	-17106	11.946%
FEB	233067	260854	-27787	17.645%	60348	55257	5091	14.145%	166281	156868	9413	18.031%
MAR	118126	116905	1221	8.943%	32859	34368	-1509	7.702%	111543	102985	8558	12.096%
Dec-12	170253	172204	-1951	12.889%	60659	62356	-1697	14.218%	98463	99829	-1366	10.677%
Dec-13	75155	76158	-1003	5.690%	38945	40627	-1682	9.129%	47197	48951	-1754	5.118%
TOTAL	1320886	1332544	-11658		426624	426624			922185	920893		

	HEATING OIL				RBOB			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	81793	86562	-4769	29.387%	73996	78380	-4384	26.961%
JAN	44684	42543	2141	16.054%	36156	36604	-448	13.174%
FEB	33843	31413	2430	12.159%	35555	32113	3442	12.955%
Dec-12	18312	18223	89	6.579%	13197	13003	194	4.808%
TOTAL	278335	273933	4402		274457	270399		

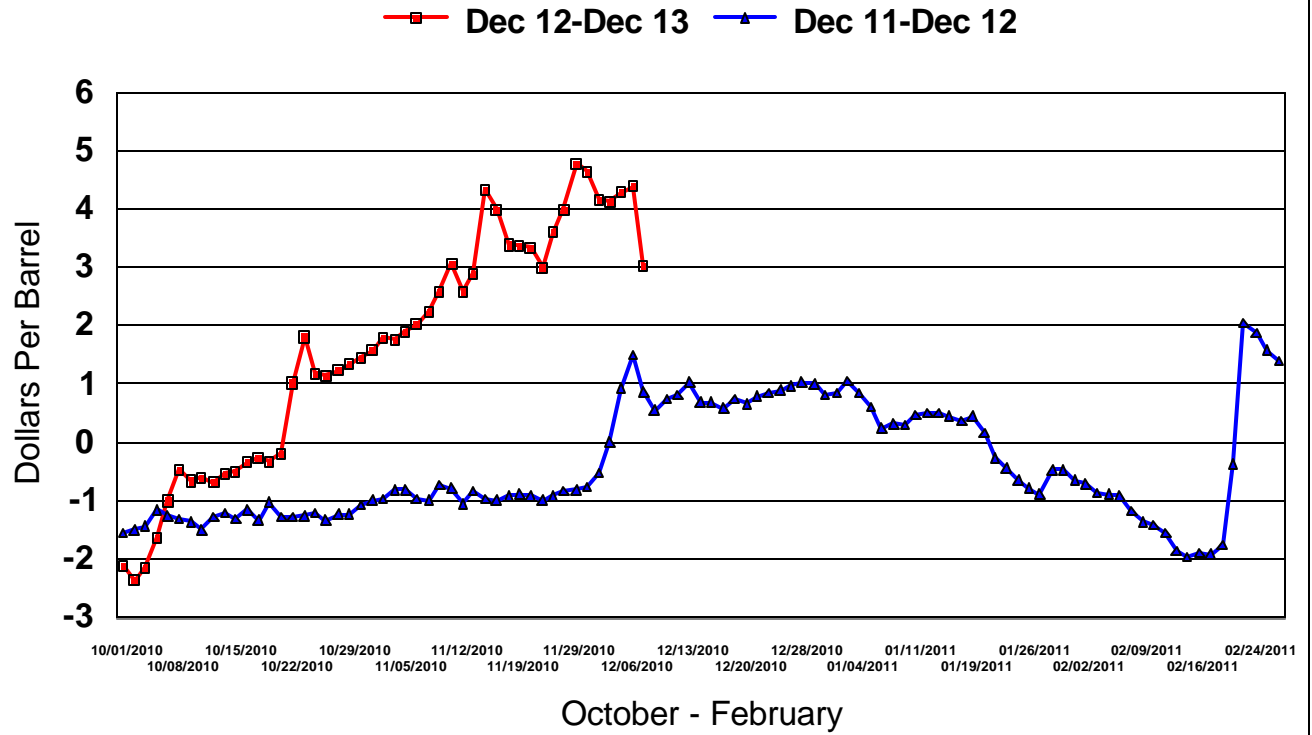
NYMEX Jan-Feb WTI Spread Volume Skew

October 24, 2011-December 8, 2011

■ Oct 24 - Dec 7 ■ Dec 8



Dec 12 Dec 13 VS Dec 11 Dec 12



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