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ENERGY MARKET REPORT FOR DECEMBER 10, 2009

Libya's top oil official, Shokri Ghanem said the quick drop in oil prices this week to \$70/barrel was fueling concern among OPEC members ahead of their meeting on December 22nd. He said he does not expect OPEC to change its output targets. He also said that Libya will not hold any licensing rounds for at least a year as it waits for demand to improve.

According to Oil Movements, total offshore floating storage is expected to increase to a total of 462

Market Watch

The US Labor Department said the number of US workers filing initial claims for unemployment benefits increased by 17,000 to 474,000 in the week ending December 5th. Economists expected an increase of 8,000 initial claims. The four week moving average fell by 7,750 to 473,750 from the previous week's revised average of 481,500. It also reported that the number of continuing claims fell by 303,000 to 5,157,000 from the preceding week's revised level of 5,460,000.

The Commerce Department said the US trade deficit narrowed unexpectedly in October, falling to \$32.94 billion as the increase in exports was slightly higher than the increase in imports. The figure is 7.6% lower than the downwardly revised \$35.65 billion trade gap the US ran in September. The real or inflation adjusted deficit fell to \$38 billion in October from a downwardly revised \$41.49 billion in September. The US paid \$17.44 billion for crude oil imports in October, down from \$19.51 billion in September. The total US bill for all types of energy related imports fell to \$22.45 billion in October from \$24.87 billion in September.

Barclays Capital said it sees limited downside to crude oil futures prices below \$70/barrel in 2010. Meanwhile, according to a Barclays Capital survey, new direct investment into commodities could reach a new record in 2010, exceeding the \$60 billion inflow in 2009. It said 57% of surveyed investors see inflows exceeding \$60 billion next year while 63% said they expect to increase their commodities exposure.

The US Department of Interior's Minerals Management Service accepted \$111 million in high bids from a western Gulf of Mexico oil and gas lease sale held in August. The MMS awarded 155 leases to successful high bidders in the western Gulf of Mexico Oil and Gas Lease Sale 210.

The National Oceanic and Atmospheric Administration said the weather phenomenon known as El Nino will continue into the spring of 2010, with equal chances it will maintain moderate strength or grow stronger in the remainder of winter. In the US, the potential effects of El Nino include above average precipitation in the southern tier and below average precipitation in the Pacific Northwest and the Ohio and Tennessee valleys. Below average snowfall and above-average temperatures are favored for the southeastern states.

A total of 3,538 lots or 353,800 metric tons of gasoil was physically delivered against the expiry of ICE December gasoil futures. It is slightly lower than the 357,500 tons delivered in November.

Britain's official forecaster, the Met Office, said temperatures in the country are likely to fall below freezing next week, with northern areas near zero degrees Celsius even during daytime and an increased chance of snow in the east. The cold weather, which is expected to start this weekend, will drive up demand for gas central heating in Britain following a relatively mild start to winter.

**December
Calendar Average**
CL – \$74.33
HO – \$2.0004
RB – \$1.9451

million barrels by the end of December. It said the projected 3% increase, up from a total of 449 million barrels idling on tankers early this month, remained a by-product of past months of poor demand and the rising oil-price curve known as contango. Oil Movements also reported that OPEC oil shipments, excluding Angola and Ecuador, are expected to increase by 180,000 bpd to 23.02 million bpd in the four weeks ending December 26th.

The US, Britain and France warned Iran that it would face further sanctions if it continued to ignore international demands that it halt nuclear activities. The French Ambassador to the UN Gerard Araud said France is ready to begin drafting a resolution soon. The US reiterated its position that Iran may have to face new sanctions but did not discuss when work on a fourth sanctions resolution should begin. UN diplomats have said that senior officials from the US, Britain, France, Germany, Russia and China may meet as early as next week to discuss Iran.

Inspectors from the IAEA arrived in Iran on Thursday to visit a new uranium enrichment facility. It is the third visit to Fordo since Iran admitted the site's existence on September 21st. Iran has stated that the Fordo enrichment site will be operational in 2011.

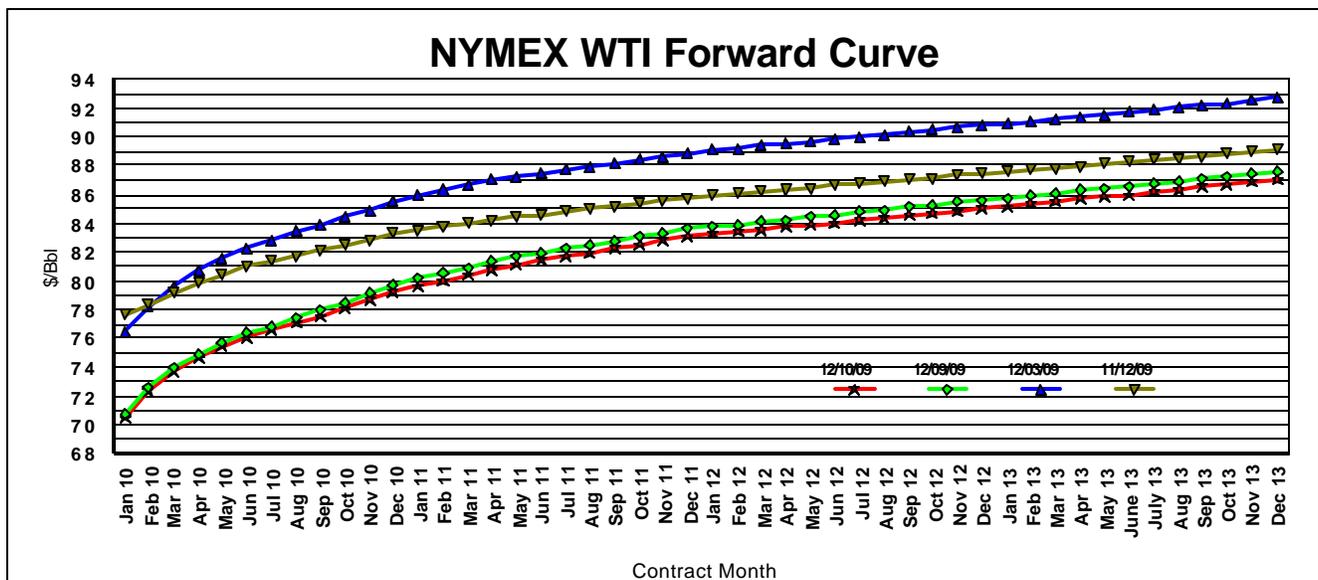
A Russian Foreign Ministry spokesman said Russia is committed to completing the construction of Iran's first nuclear power plant on schedule. He also said the plant should not be linked to ongoing negotiations on Iran's contentious nuclear program.

Nigeria's Delta state governor Emmanuel Uduaghan said the country's plans to overhaul its energy sector must result in a fairer deal for communities in the Niger Delta if there is to be hope of lasting peace. He said he and other oil state governors initially opposed the Petroleum Industry Bill because it short changed local people but said he now hoped it would include a plan to give local communities equity in the joint ventures that produce Nigerian oil. He said the proposal would call for the government to buy 10% of NNPC's stake on behalf of local communities and that their share in the profits would be kept in a trust fund. The annual interest payments would be used to fund development projects.

Refinery News

Colonial Pipeline has allocated shipments for cycle 71 on its main gasoline line north of Collins, Mississippi.

Flint Hills Resources is starting a gas oil hydrotreater at the West Plant of its refinery in Corpus



Christi, Texas after an unscheduled shutdown. The startup work will last until December 12th.

BP Plc restarted a boiler that had forced the company to adjust rates at its 234,000 bpd Cherry Point, Washington refinery. It is returning to normal operations. Separately, BP warned of planned flaring at its 265,000 bpd refinery in Carson, California between December 13th and 19th. It said the planned flaring will not impact the refinery's operations.

Tesoro Petroleum Corp's 58,000 bpd refinery in Salt Lake City, Utah resumed normal operations following a temporary interruption of operations earlier in the week.

Chevron Corp cut its 2010 budget by 5%, with \$900 million less for refineries. Chevron set a \$21.6 billion budget that allocates \$17.3 billion for exploration and production of oil and gas and \$3.4 billion for downstream operations, with the rest for chemicals and other spending. Last week, ConocoPhillips detailed its plans to spend 10% less in 2010.

Indonesia's Pertamina shut one of its crude distillation units at its Musi refinery due to a small fire. It said it is currently repairing the problem in its 30,000 bpd crude distillation unit# 3.

Oil product inventories held at independent tanks in the Amsterdam-Rotterdam-Antwerp terminal during the week ending December 10th increased due to a lack of demand. Gasoline inventories increased by 5.33% on the week and by 16.94% on the year to 849,000 tons while gas oil inventories increased by 7.33% on the week and by 54.23% on the year to 2.841 million tons and fuel oil stocks remained unchanged on the week and increased by 16.29% on the year to 721,000 tons. Naphtha stocks increased by 29.23% on the week but fell by 26.96% on the year while jet fuel stocks increased by 10.8% on the week and by 38.46% on the year to 882,000 tons.

Combined stocks of gasoline, diesel and kerosene held by CNPC and Sinopec increased by 5.3% in November from October as domestic sales fell by 2.6%. Gasoline stocks fell by 1.6% while diesel stocks increased by 11.2%. Meanwhile gasoline sales fell by 4.8% in November to about 5.3 million tons while diesel sales fell by 2.7% to 11.7 million tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 2.41 million barrels to 22.118 million barrels in the week ending December 10th. It also reported that Singapore's light distillate stocks built by 136,000 barrels to 10.14 million barrels while its middle distillate stocks fell by 51,000 barrels to 13.184 million barrels on the week.

Production News

Saudi Arabia is restoring full supplies to several Asian buyers in January following cuts of 5-7% in December and holding contracted volumes to seven others steady. The supply increase to Asia in January come as Saudi Aramco was expected to shut the crude distillation unit at its Ras Tanura refinery from mid-December for planned maintenance. Saudi Aramco has kept its January term crude supply to Europe steady. Two European lifters said there had been no change to their Saudi Arabian term allocations from December. US based buyers of Saudi crude have said Saudi Arabia plans to keep crude allocations to the US unchanged in January.

Crude oil supply from the North Sea BFOE crude streams is scheduled to average 1.27 million bpd in January, down from 1.33 million bpd in December and 1.36 million bpd in November. Britain's North Sea Brent crude oil stream is scheduled to load about 3.6 million barrels or 116,000 bpd in January, down from 4.449 million barrels or 143,500 bpd in December. The North Sea Forties crude oil stream is scheduled to load about 18 million barrels or 581,000 bpd in January, down from 19.6 million barrels or 632,000 bpd in December. The North Sea Oseberg crude oil stream is scheduled to load

5.8 million barrels or 187,000 bpd in January. The North Sea Ekofisk crude oil stream is scheduled to load 12.05 million barrels in January.

The North Sea Gullfaks crude oil stream is scheduled to load 7.695 million barrels or 248,226 bpd in January, unchanged on the month. The North Sea Troll crude stream is scheduled to load 6.2 million barrels or 200,000 bpd in January, down from 6.9 million barrels or 223,000 bpd in December. The North Sea Statfjord crude oil stream is scheduled to load 5.985 million barrels or 193,065 bpd, unchanged on the month.

A shipping source said oil exports from Iraq's southern Basra offshore terminals increased to 1.68 million bpd on Thursday after flows were halted earlier in the week due to bad weather conditions. Oil exports were more than halved on Tuesday to 792,000 bpd from 1.848 million bpd.

Anadarko Petroleum Corp said it discovered oil at the Lucius prospect in the deepwater Gulf of Mexico.

Petrobras reported an oil discovery at an onshore block in the Sergipe Basin late Wednesday.

India's Oil Minister Murli Deora said the increase in India's refining capacity and the steadily rising domestic demand is unlikely to cut the country's oil import dependence significantly. India's dependence on imports for meeting its crude oil requirement is more than 70%.

Colombia's Mines and Energy Minister Hernan Martinez said the country's crude oil production in November increased to an average 725,000 bpd from 704,000 bpd in October.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$73.70/barrel on Wednesday, down from \$74.80/barrel on Tuesday.

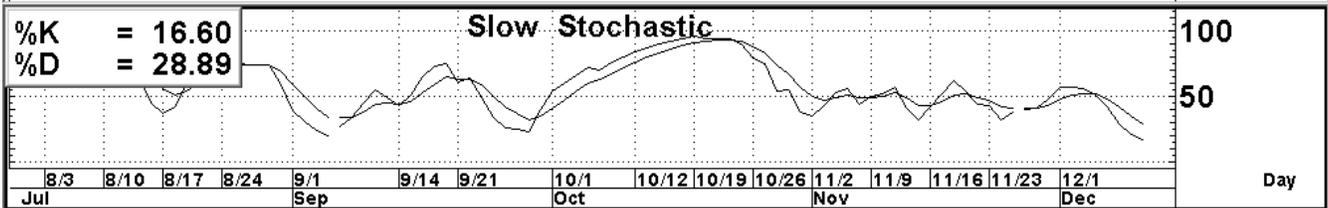
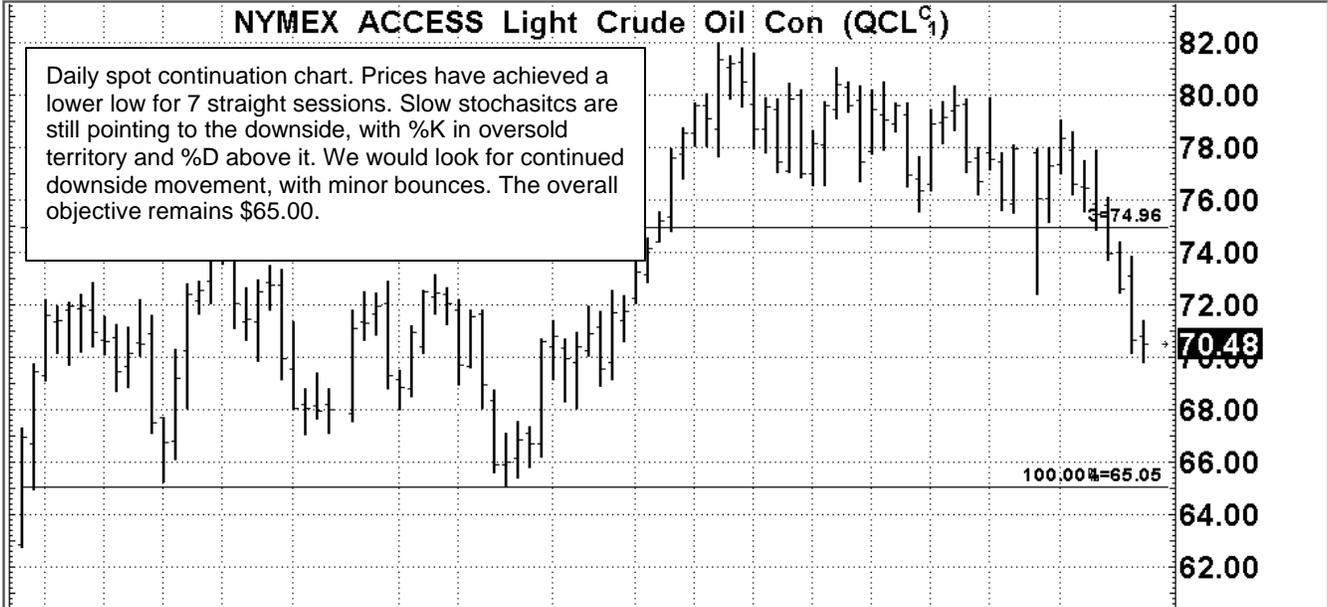
Market Commentary

Crude oil has once again disconnected from the dollar as it fell to its lowest level in two-months on concerns that the supply overhang was too much for this market to bare. Not even slight hopes that an economic recovery could boost demand, was enough to lend this market support. Gasoline dropped to its lowest level since October 13th, in response to the highest inventory levels since April. Heating oil was also lower on the day as distillate inventories continue to grow and seasonal demand lags. The WTI continues to gain strength against the Brent as the contango market condition remains. Contango market conditions make it desirable to buy crude oil on the open market and store it to sell at a higher price down the road. This has given strength to the WTI over the Brent, which has moved the arbitrage between the two, more than \$1.00 in two days. It appears that this spread could gain enough so that the WTI trades at a premium to the Brent. The January crude oil has reached a key technical support area that lies between \$70.00 and \$65.00. We would look for minor bounces within this range but ultimately for the \$65.00 level to be reached. We would at this point reevaluate the market.

Crude Jan. 10 235,576 -28,735 FEB.10 170,292 +17796 MAR.10 127,140 +5,069 Totals: 1,212,740
-5,418 Heating oil Jan.10 66,048 -8,159 FEB 10 52,621 +2,810 MAR.10 40,679 +914 Totals 308,679
-2,970 Gasoline JAN.10 70,615 -7,727 FEB.10 41,439 1,982 MAR. 10 37,275 +433 Totals: 236,756
-4,756

NYMEX ACCESS Light Crude Oil Con (QCL₁)

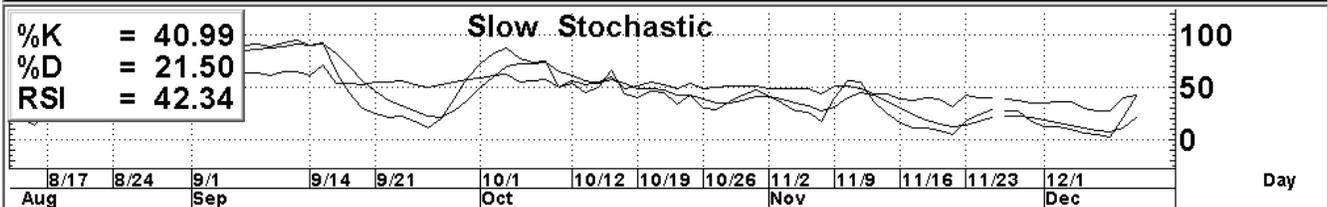
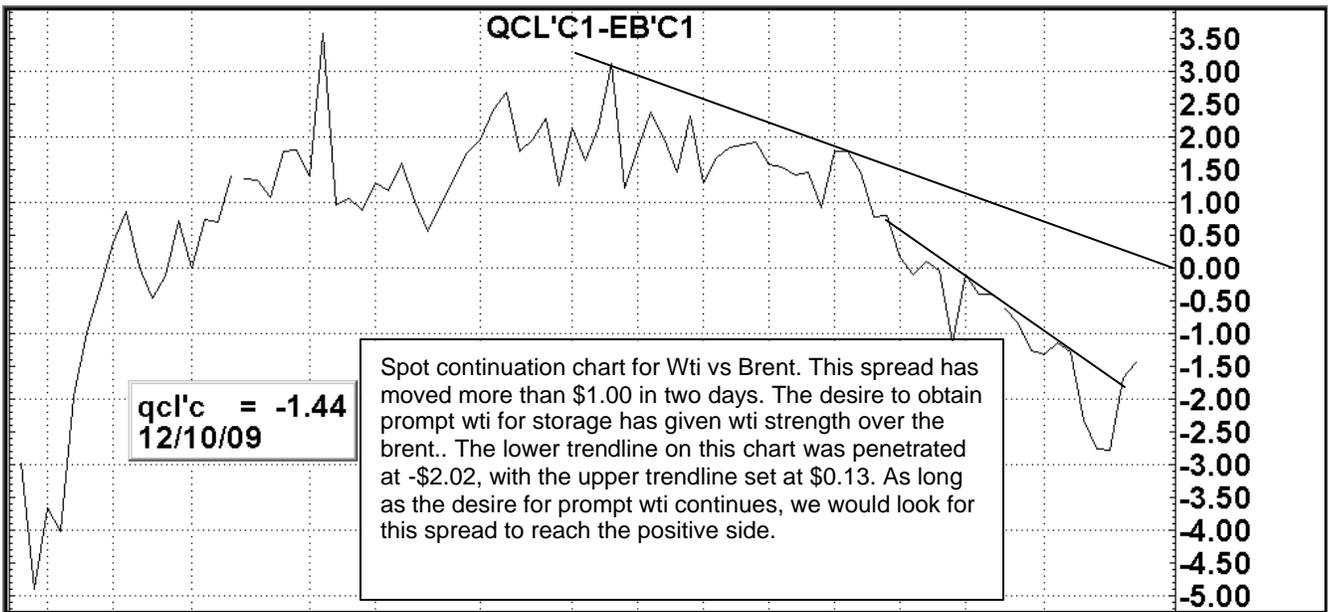
Daily spot continuation chart. Prices have achieved a lower low for 7 straight sessions. Slow stochastics are still pointing to the downside, with %K in oversold territory and %D above it. We would look for continued downside movement, with minor bounces. The overall objective remains \$65.00.



QCL'C1-EB'C1

qcl'c = -1.44
12/10/09

Spot continuation chart for Wti vs Brent. This spread has moved more than \$1.00 in two days. The desire to obtain prompt wti for storage has given wti strength over the Brent. The lower trendline on this chart was penetrated at -\$2.02, with the upper trendline set at \$0.13. As long as the desire for prompt wti continues, we would look for this spread to reach the positive side.



Crude Support	Crude Resistance
65.05, 64.70, 63.38, 62.70, 61.61, 60.95	75.85, 76.15, 80.50, 84.83, 85.40, 86.60, 88.80
Heat Support	Heat resistance
1.8570, 1.8280, 1.7670, 1.7565	2.1580, 2.2110, 2.2575, 2.4200
Gasoline support	Gasoline resistance
1.7900, 1.7200 1.6600	2.1100, 2.1600, 2.3350

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