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ENERGY MARKET REPORT FOR DECEMBER 12, 2011

OPEC's Economic Commission Board recommended that producers keep output unchanged despite a weaker than expected demand outlook. It concluded that OPEC should maintain its output in 2012 of about 30 million bpd.

A senior Iraqi oil official said OPEC is not yet ready to bring Iraq into its oil quota system but may seek to give Iraq a production limit when its output reaches 3 million bpd.

A member of the Iranian parliament's National Security Committee said that the military was set

to practice its ability to close the Gulf to shipping at the Strait of Hormuz. Last month, Iran's energy minister said Iran could use oil as a political tool in the event of any future conflict over its nuclear program.

The DOE reported that the US average retail price of diesel fell by 3.7 cents to \$3.894/gallon in the week ending December 12th. It also reported that the average retail price of gasoline fell by 1.6 cents to \$3.274/gallon on the week.

Refinery News

Magellan Midstream Partners LP said that control room operators in Tulsa, Oklahoma shut a portion of its pipeline in Nebraska after detecting a pressure reduction in the segment immediately after a

Market Watch

The National Weather Service forecast that US heating demand this week is expected to be 15.3% below normal. Demand for heating oil this week will average 14.3% below normal while heating demand for natural gas will average 14.6% below normal.

Citigroup raised its 2012 price forecast for Brent crude citing supply disruption outside of Libya, low oil inventories in Europe and escalating geopolitical tensions. It expects Brent to trade in a range of \$100-\$120/barrel and average \$110/barrel for 2012, up from its previous forecast of \$86/barrel.

CME Group Inc launched a new Brent crude futures and options contract in a bid to challenge InterContinentalExchange Inc's dominance in the market. Analysts however said the CME was unlikely to seriously dent ICE's hold on the Brent market, even if it initially attracted more interest because of its earlier start date.

Ratings agency Standard & Poor's put more pressure on the euro zone on Monday, with its chief economist saying time was running out for the currently bloc to resolve its debt problems and that it may need another financial shock to get it moving. Meanwhile Moody's Investors Service said it would review the credit ratings of all European Union countries.

China's customs bureau said the country's exports increased by 13.8% in November from a year earlier compared with 15.9% in October.

Saudi Arabia's central bank expects its real GDP to increase by 5.1% in 2011.

The InterContinentalExchange said a total of 1,963 lots or 196,300 metric tons of gasoil was physically delivered against the expiry of ICE December gasoil futures. It is down 142 lots on the month.

**December
Calendar Averages**
CL - \$99.93
HO - \$2.9618
RB - \$2.5933

bulldozer driven by a third party struck it. It reported an initial release estimate of 6,000 barrels of gasoline and diesel. It started repair operations on the affected pipelines on Sunday afternoon.

TexStar Midstream Services said it launched the open season for shippers' commitment to transport Eagle Ford shale oil and condensate to NuStar

Energy's North Beach storage terminal in Corpus Christi, Texas. It is building and will operate a new crude oil pipeline with the capacity to move 100,000 barrels of liquids from the Eagle Ford shale oil play to be accessible to refineries along the US Gulf Coast as well as to the oceangoing barges and ships.

IIR Energy reported that US oil refiners are expected to shut 312,000 bpd of capacity in the week ending December 16th, down from 388,000 bpd of shut capacity the previous week.

Credit Suisse reported that refinery margins increased by about 19% on average. It reported that margins in the Northeast increased by \$1.62/barrel to \$7.01/barrel in the week ending December 9th. Margins in the Midwest fell by 27 cents to \$10.52/barrel on the week while margins in the Gulf Coast fell by 10 cents to \$12.06/barrel. Margins in the Rockies region fell by \$3.91/barrel to \$18/barrel while margins in the West Coast increased by \$3.75/barrel to \$8.23/barrel.

Valero Energy Corp said its coker unit was operating as planned at its 287,000 bpd Port Arthur, Texas refinery. There was no material impact to production associated with the emissions.

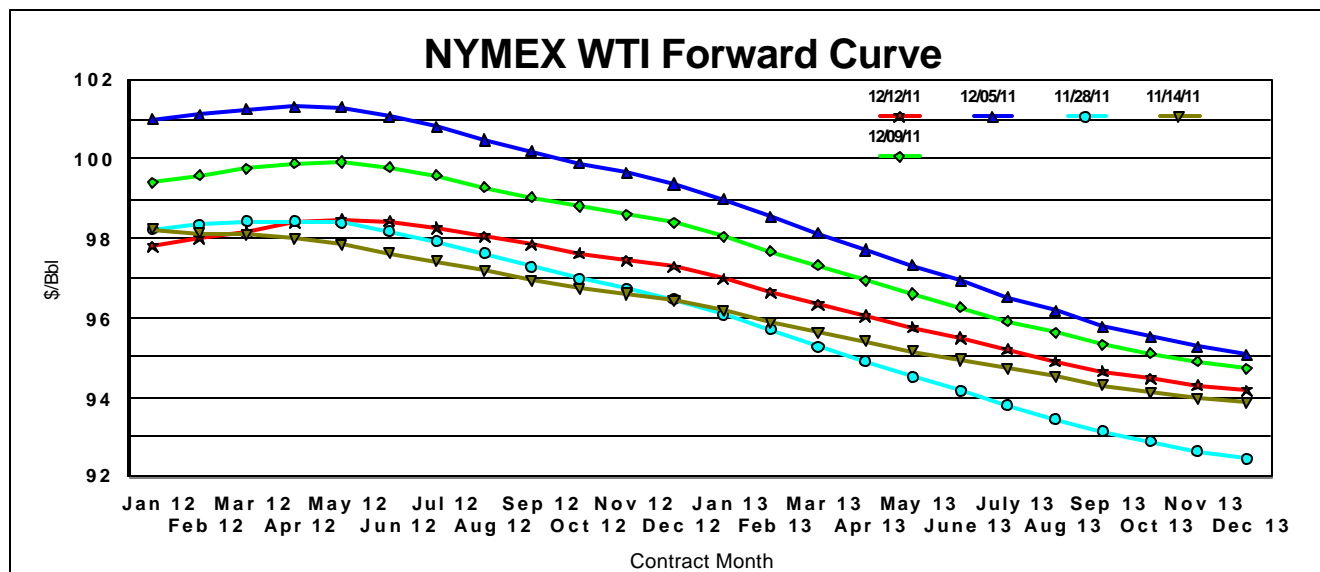
ConocoPhillips said refinery operations were not affected due to a small fire in a new coker unit on Friday morning at its Wood River refinery in Roxana, Illinois.

A coker unit fire on Saturday at Pasadena Refining Systems Inc's 100,000 bpd oil refinery in Pasadena, Texas had been contained but continued to burn.

ExxonMobil Corp said operations at its 344,000 bpd Beaumont, Texas refinery returned to normal following a relatively brief sulfur plant upset on Saturday. The event was expected to have some impact on production.

Production News

The loadings for four major North Sea crude oil grades for January are expected to fall by 26% on the



month to 1,053,550 bpd compared with 1,424,208 bpd originally scheduled to load in December. The North Sea Brent crude stream is scheduled to load 135,484 bpd or 4.2 million barrels in January, down from 154,839 bpd or 4.8 million barrels in December. The North Sea Forties crude stream is scheduled to load 464,516 bpd or 14.4 million barrels in January, down from 503,226 bpd or 15.6 million barrels in December. The North Sea Oseberg crude stream is scheduled to load 154,839 bpd or 4.8 million barrels in January, unchanged on the month while the North Sea Ekofisk crude stream is scheduled to load 298,711 bpd or 9.26 million barrels in January, down from 307,917 bpd or 9.545 million barrels in December.

Saudi Arabia exported 8.1 million bpd of oil in November, up 1.2 million bpd from its average daily exports of 6.9 million bpd during the first nine months of 2011. Saudi Arabia's Oil Minister Ali al Naimi reiterated that Saudi Arabia's oil production in November was 10.047 million bpd.

Ecuador's central bank reported that the country's oil exports in the first ten months of 2011 totaled 94.08 million barrels, down 9% from 103.39 million barrels on the year. In October, Ecuador exported 7.8 million barrels, down 31% from 11.23 million barrels a year earlier.

Gulf sands Petroleum Plc imposed the force majeure provisions of its production sharing contract in Syria after the European Union stepped up pressure on the country's regime with additional sanctions against three state-owned oil companies. The immediate consequence of the force majeure declaration is that Gulf sands cannot expect for the foreseeable future to receive any revenue from its Syrian assets.

Indonesia's BPMigas plans to increase the country's crude oil production by 92,000 bpd in 2012. Daily output has averaged about 900,000 bpd so far this year compared with the government's target of 945,000 barrels.

Crude oil exports through the Caspian Pipeline Consortium are scheduled at 2.44 million metric tons in January.

Iraq plans to set up a new 1,800 kilometer pipeline with a capacity of 2.5 million bpd to transport oil from production sites in southern Iraq to international markets via the Banias port on the Syrian coast.

Germany's economic and foreign trade statistics office Bafa said the country's crude oil import bill for January-October 2011 increased to 44.3 billion euros or \$59.2 billion, up 31.8% from the first 10 months of 2010. The oil import volume in January-October fell by 2.1% to 75.1 million tons year on year.

Iraq raised the official selling prices of its Basra Light and Kirkuk crudes for January to all customers. Iraq's SOMO said the price of Basra Light crude bound for US customers in January were increased by 10 cents to \$1.50/barrel below the Argus Sour Crude Index. The price of Basra Light crude bound for Europe was increased by 65 cents to \$2.50/barrel below Dated Brent. SOMO also increased the price for January by \$1.10 to \$2.90/barrel over the Oman/Dubai average. The price of Kirkuk crude bound for the US was increased by 15 cents to 10 cents/barrel over the ASCI while the price of Kirkuk crude bound for Europe was increased to 70 cents below Dated Brent.

Russia's Finance Ministry reported that the export duty on Russia's crude oil exports is expected to decline to \$397.10-\$389.90/ton from \$406.60/ton in December. The export duty on Russia's oil products exports are expected to fall to \$262.10-\$263.30/ton in January, down from \$268.30/ton in December.

Market Commentary

Crude oil traded lower in response to Moody's Investors Service stating that it may review the credit ratings of all European Union countries. Chinese exports grew at a slower pace, rising 13.9 percent, in November, down from 15.9 percent in October. This, coupled with the unresolved European debt crisis, paints a dim outlook for demand going forward. This bearish scenario, along with lower close, sets up a bearish scenario for prices. Right now we have \$95.91, the 200-day moving average, in our sights. Prices haven't been below this level since the beginning for November. A break below \$95.91, sets prices up for a test of \$92.51. This represents the 38% retracement between the range of \$103.37 and \$74.95.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9591	10337	2		24988	25939
9499	10753	29288	30937	24734	26283
9251	11483	28800	31956	24516	
8916		26850		24480	
8581				23803	
50-day MA	93.09				
100-day MA	90.09				
200-day MA	95.91				

	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	169920	154431	15489	12.865%	57045	57133	-88	13.157%	88282	106707	-18425	9.594%
FEB	186399	213171	-26772	14.112%	62713	59814	2899	14.464%	175176	167536	7640	19.037%
MAR	121194	118946	2248	9.176%	32507	32311	196	7.497%	124324	115519	8805	13.511%
Dec-12	169362	169872	-510	12.823%	62341	61974	367	14.378%	98762	97965	797	10.733%
Dec-13	73200	73998	-798	5.542%	38179	38561	-382	8.806%	44716	47088	-2372	4.860%
TOTAL	1320811	1327354	-6543		433576	426624			920171	923490		

	HEATING OIL				RBOB			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	84752	83838	914	31.320%	64751	67862	-3111	23.580%
JAN	37172	36782	390	13.737%	40332	37004	3328	14.687%
FEB	27668	27815	-147	10.225%	39132	37677	1455	14.250%
Dec-12	17848	17389	459	6.596%	13322	13338	-16	4.851%
TOTAL	270597	279506	-8909		274606	271864		

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