



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR DECEMBER 16, 2011**

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#### **Refinery News**

The Houston Ship Channel was open to all traffic after dense fog dissipated. A total of 47 ships were waiting to enter the channel from the Gulf of Mexico.

Koch Pipelines LP has started to receive Eagle Ford Shale crude oil at its Helena terminal in Karnes County, Texas. It did not disclose the size of the storage at Helena which would tie in with other pipelines owned by Koch.

#### **Market Watch**

The US Labor Department said US consumer prices held flat in November as a drop in energy costs offset a slight increase in food prices and other items. The consumer price index was unchanged in November from the previous month. Overall inflation was up 3.4% on the year compared with October's 3.5%.

Bank of America Merrill Lynch cut its 2012 average Brent crude price forecast to \$108/barrel from \$114/barrel due to weakening demand growth. It continues to expect WTI to average \$101/barrel in 2012.

Lipper data showed that monthly inflows into US exchange traded commodity products and mutual funds quadrupled in November as investors increased their investments in the world's largest gold ETF. It reported a net inflow of about \$3 billion last month in aggregate compared with about \$726 million for October.

Fitch Ratings warned it could downgrade France's AAA rating in the medium term. It expressed concern about potential government liabilities stemming from the euro zone debt crisis. It affirmed France's AAA rating but revised its outlook to negative, which usually means a downgrade is possible in 12-18 months. Meanwhile, Fitch placed the ratings of six other euro zone countries to negative, which means a downgrade is possible in the next three months.

Shell Pipeline said it received encouraging initial response from shippers for its Westward Ho pipeline and plans to seek binding commitments through early 2012. Shell's Westward Ho project could carry as much as 600,000 barrels of domestic and foreign crude from the expanding storage area at St. James, Louisiana to the Port Neches/Nederland Texas area. The Westward Ho project would allow refiners and shippers to take advantage of domestic crude production and foreign crude imports using the infrastructure currently under construction at St. James. Shell estimates the expansion of the line could be completed and in service by early 2015.

Shell Oil Co reported a process upset at Motiva Enterprises' 234,700 bpd Norco, Louisiana refinery.

Royal Dutch Shell Plc is working on a unit at its 100,000 bpd Scotford refinery near Edmonton, Alberta. The work is expected to cause increased flaring until Saturday afternoon.

Japan's JX Nippon Oil & Energy Corp closed its 192,500 bpd crude distillation unit at its Kashima refinery for unplanned maintenance.

**December  
Calendar Averages**  
**CL - \$98.49**  
**HO - \$2.9230**  
**RB - \$2.5709**

Japan's Idemitsu Kosan Co plans to conduct regular maintenance shutdowns at two of its four refineries in 2012. It plans to close its 140,000 bpd Hokkaido refinery around June-July and its 120,000 bpd Tokuyama refinery in the autumn for maintenance.

China's CNPC said China's oil demand is expected to reach 535 million tons or 10.7 million bpd in 2015, up 19% from 449 million tons in 2010. Oil demand for 2020 is estimated at 603 million tons or 12 million bpd. China's demand for oil products is expected to reach 299 million tons in 2015 and increase to 354 million tons in 2020.

**Production News**

Baker Hughes reported that the US drilling rig count reached a 24 year high this week, increasing by 35 to 1,196.

One cargo of North Sea Forties crude for January loading has been delayed by two days. Cargo F0105 is now expected to load on January 7-9, two days after the initial loading schedule.

Nigeria is expected to export 360,345 bpd of Qua Iboe crude in February, down from 398,387 bpd originally scheduled for export in January.

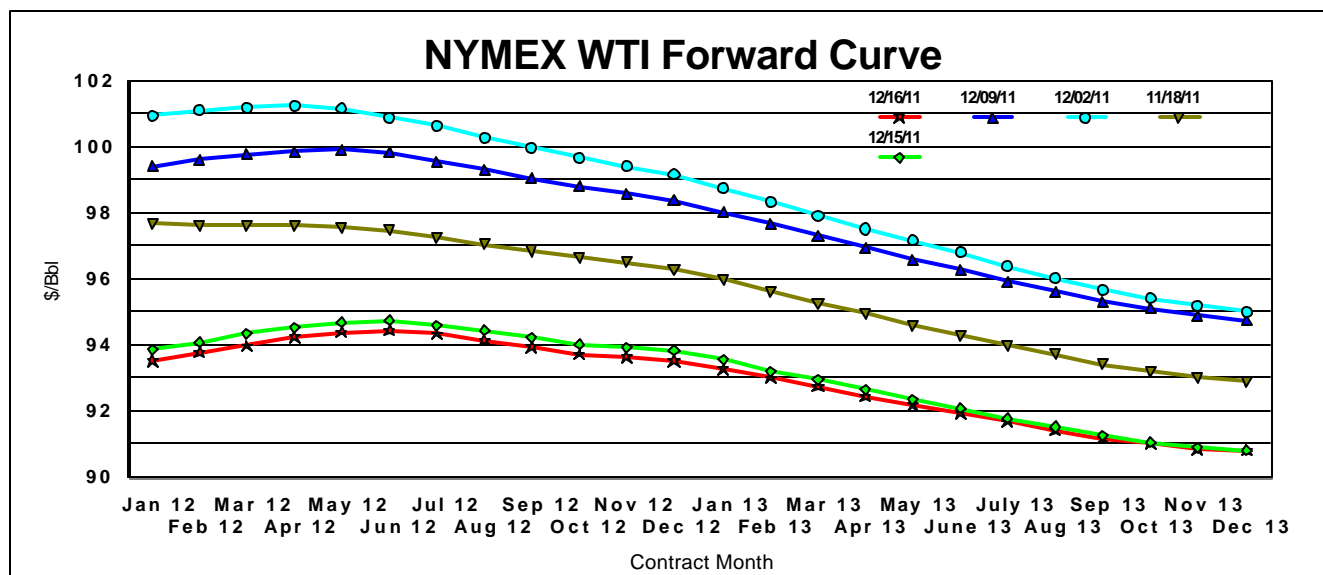
Angola's daily crude oil exports are expected to increase in February to at least 1.82 million bpd, up from 1.7 million bpd in January. Average export volumes for 2011 stood at 1.63 million bpd.

Dragon Oil Plc reached a production rate of 70,000 bpd after putting its Dzheitune Lam 28/164 well onstream.

Libya's National Oil Co issued its official selling prices for January term supply of its crude oil, the first since the start of the civil unrest in the country in February. Its Es Sider crude was priced at dated Brent plus 70 cents while the Brega crude was priced at dated Brent plus 60 cents.

**Market Commentary**

The January contract traded lower on the day, stopping at \$92.52, the 38 percent retracement between the range of \$103.37 and \$74.95. This week marks the largest weekly decline in six weeks, as traders become less optimistic on the global economic situation. The spot contract is now below the 50 and 100 day moving average, putting the 100-day moving average within our sight. Today's



market move brings price back into a previous area of congestion between \$89.17 and \$94.76. We would look for the current move lower to be completed at the bottom of this range, and would reassess the market at that point. On the upside is the 200-day moving average, which is currently set at \$95.74.

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 6,501 contracts to 149,303 contracts in the week ending December 13<sup>th</sup>. The combined futures and options report showed that the funds cut their net long position by 3,806 contracts to 223,666 contracts on the week. The disaggregated futures and options report showed that managed money funds cut their net long position by 1,749 contracts to 200,986 contracts on the week.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
	9499	27505	29288		25939
9251	9591	26975	28800	24734	26283
8916	10337	26850	30937	24516	
8581	10753	26680	31956	24480	
	11483			23803	
<b>50-day MA</b>	<b>94.40</b>				
<b>100-day MA</b>	<b>89.94</b>				
<b>200-day MA</b>	<b>95.74</b>				

MONTH	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	229207	222579	6628	17.185%	35988	42226	-6238	8.206%	0	26764	-26764	0.000%
FEB	77649	108125	-30476	5.822%	73745	70888	2857	16.814%	173258	178051	-4793	20.268%
MAR	140723	136607	4116	10.551%	32508	32195	313	7.412%	144947	146637	-1690	16.956%
Dec-12	169153	170826	-1673	12.682%	64877	63810	1067	14.792%	97727	98572	-845	11.432%
Dec-13	75121	74815	306	5.632%	37817	37915	-98	8.623%	46159	46233	-74	5.400%
TOTAL	1333796	1348048	-14252		438581	438525	56		854833	889577	-34744	

MONTH	HEATING OIL				RBOB			
	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	86104	87874	-1770	32.188%	46229	50137	-3908	16.577%
JAN	41954	41529	425	15.683%	53484	49930	3554	19.179%
FEB	30678	31882	-1204	11.468%	43496	43085	411	15.597%
Dec-12	18121	18504	-383	6.774%	13345	13374	-29	4.785%
TOTAL	267505	270744	-3239		278867	276987	1880	

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