



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 21, 2011

Iran's President Mahmoud Ahmadinejad said his country would become a major gasoline exporter by 2013. He said billions were saved by not importing gasoline following a subsidy reform plan. Iran has previously announced that it became self sufficient in gasoline production.

Market Watch

The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity fell 2.6% in the week ending December 16th. Its seasonally adjusted index of refinancing applications fell 1.6%, while the index of loan requests for home purchases fell 4.9%.

The National Association of Realtors said sales of previously owned US homes increased in November by 4% to an annual rate of 4.42 million units. October's sales pace was revised down to a 4.25 million unit pace, which was previously reported as a 4.97 million unit rate.

According to a Reuters survey, Brent crude oil is expected to average \$105.20/barrel in 2012, down from a year to date average price for 2011 of \$110.90/barrel. It also showed that WTI crude is expected to average \$97/barrel in 2012, up from a previous forecast of \$96.50/barrel.

The American Trucking Association said the index that tracks tonnage hauled by American trucks increased by 0.3% in November compared with the previous month due to an increase in manufacturing output and shipments of retail goods. The advance seasonally adjusted For-Hire Truck Tonnage Index in October was revised lower to 0.4%.

Refinery News

Enbridge Inc and Enterprise Products Partners LP announced plans late Tuesday to expand and extend their Seaway crude oil pipeline, a move that would help ease a glut of crude at the Cushing, Oklahoma hub. They said they would hold concurrent open seasons from January 4 through February 10 to solicit capacity commitments from shippers to expand the Seaway pipeline and extend the pipeline into the Port Arthur/Beaumont refining market. As part of the deal, which closed Tuesday, the companies agreed to reverse the pipeline's flow to bring crude oil from Cushing to Gulf Coast refiners. The companies said the initial 150,000 bpd of capacity on the reversed system could be available by the second quarter of 2012. Following pump station additions and modifications, capacity would increase to 400,000 bpd, which could be available in early 2014. Separately, Enbridge said it would proceed with its Gulf Coast Access project to transport crude from Flanagan, Illinois, south of Cushing and then on to Houston and Port Arthur on the Seaway line.

DOE Stocks

Crude – down 10.57 million barrels
Distillate – down 2.353 million barrels
Gasoline – down 412,000 barrels
Refinery runs – down 0.2%, at 84.9%

Colonial Pipeline allocated Cycle 72 shipments on its Line 20 carrying distillates from Atlanta, Georgia to Nashville, Tennessee. Colonial also reported that it was freezing nominations on Linden Delivery Line L6 for Cycle 69. Separately, Colonial Pipeline's board of directors approved a 100,000 bpd expansion of its gasoline mainline, which originates in Houston to be available in early 2013. The 100,000 bpd increase in capacity would be added to the

company's Line 01, which terminates in Greensboro, N.C.

According to IIR Energy, US oil refiners are expected to shut 317,000 bpd of capacity in the week ending December 23rd, up from 312,000 bpd shut during the previous week.

December Calendar Averages CL - \$98.11 HO - \$2.9076 RB - \$2.5692

Chevron Corp reported an unscheduled plant shutdown due to an equipment failure at its 245,271 bpd Richmond, California refinery.

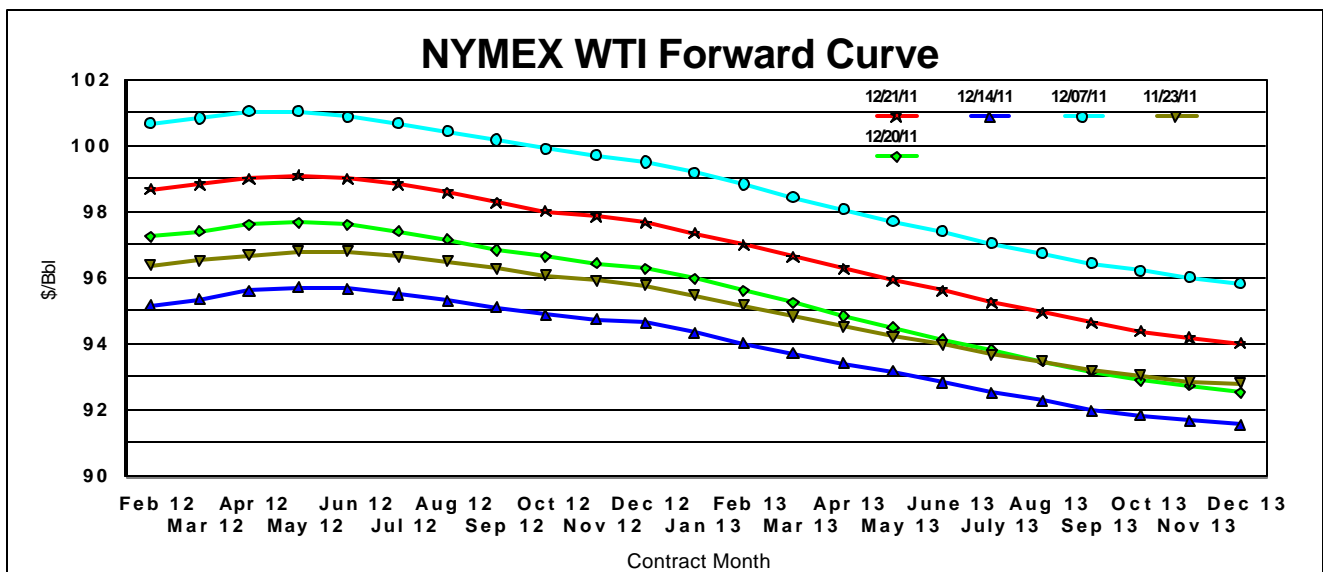
Alon USA Energy shut the off-gas compressor at its 67,000 bpd refinery in Big Spring, Texas for maintenance. The shutdown impacted its diesel and gas oil hydrotreaters.

Euroilstock reported that European refineries increased their output in November compared with the previous month. Total output in November increased by 2.5% on the month but fell by 1.6% on the year to 11.171 million bpd. Gasoline production increased by 3.2% on the month and by 1.8% on the year to 2.678 million bpd while middle distillate production increased by 0.5% on the month but fell by 3.5% on the year to 5.63 million bpd. Fuel oil production increased by 7.5% on the month and 3.6% on the year to 1.311 million bpd while naphtha production fell by 0.5% on the month and 14.6% on the year to 777,000 bpd. Crude intake increased by 2.7% on the month but fell by 3.8% on the year to 10.646 million bpd.

China's apparent oil demand increased by 2.6% on the year to 9.58 million bpd in November.

China's General Administration of Customs confirmed that the country's crude oil imports in November totaled 22.69 million metric tons or 5.55 million bpd, up 8.54% on a year. Its imports from Saudi Arabia increased to 1.17 million bpd in November, up 32.3% on the year. It also reported that China's gasoline imports totaled only 32 tons while its diesel imports increased 37.7% to 202,091 tons. China's gasoline exports increased by 9.2% on the year to 351,356 tons while its diesel exports fell by 43.2% to 133,976 tons. Liquefied natural gas imports in November reached 1.29 million tons, up 79% on the year.

The China Oil, Gas and Petrochemicals newsletter reported that China's refined oil product inventories at the end of November increased by 3.6% on the month. China's gasoline inventories in November increased by 4.9% on the month while diesel stocks increased by 2.3% and kerosene stocks increased by 5.2% on the month. China's commercial crude oil stocks at the end of November fell by 1.34% on the month.



China National Offshore Oil Corp bought small volumes of diesel for delivery in late December for domestic use to help ease shortages. The exact volumes for December could not be verified.

Japan's crude oil imports in November fell by 8.9% on the year to 17.16 million kiloliters or 3.6 million bpd.

The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending December 17th increased by 1.45 million barrels on the week but fell by 540,000 barrel on the year to 99.47 million barrels. Japan's gasoline stocks fell by 150,000 barrels on the week and by 320,000 barrels on the year to 13.04 million barrels while its kerosene stocks fell by 610,000 barrels on the week but increased by 5.17 million barrels on the year to 21.7 million barrels and naphtha stocks increased by 570,000 barrels on the week but fell by 390,000 barrels on the year to 10.94 million barrels. Japan's crude runs were unchanged on the week but fell by 290,000 bpd to 3.57 million bpd. The refinery utilization rate was unchanged on the week but increased by 0.9% on the year to 86.4%. The PAJ also reported that total oil sales fell by 2.1% on the week and by 3.3% on the year to 3.18 million bpd.

Japan's total oil product sales are expected to fall 3.9% in the next financial year, assuming the country's nuclear plants would be allowed to restart from next summer.

Production News

Crude oil output from the Eagle Ford shale prospect of south Texas increased to a record high of more than 228,000 bpd in September. Total crude oil and condensate output in the prospect increased by 120,000 bpd to just under 375,000 bpd in September.

BP Plc plans to issue the loading program for North Sea Forties crude oil a few days earlier than previously in January 2012, in line with changes in the way the dated Brent oil benchmark is assessed. Platts intends to extend the period it assesses the price of Brent by four days starting January 6th in order to increase liquidity in the market due to declining oil production in the North Sea.

Royal Dutch Shell Plc said it would not place a force majeure on Nigerian crude oil after it said it is shutting down its 200,000 bpd Bonga deepwater oil field in offshore Nigeria. Shell said that less than 40,000 barrels of oil leaked from a pipeline connected to a waiting tanker.

Nigeria is expected to export less crude oil in February than in January, according to a provisional loading program. It plans to export 1.4 million bpd of crude in February, down from 2 million bpd originally scheduled for export in January.

KazMunaiGas Exploration Production said it expects to meet its reduced oil production target for the year after police deployed armed security around the oilfield closest to the scene of Kazakhstan's deadliest riots in decades. It said its Uzenmunaigas operations were not affected by the violence.

Brazil's Petrobras produced an average of 2.06 million bpd of crude in November, up 3% on the month.

The Russian Republic of Tatarstan said Iran is seeking to utilize its experience in heavy oil production to develop the Zagheh heavy crude field.

Libya has agreed to supply four major European trading houses with crude oil in 2012. Glencore was awarded the largest share among Europe's trading majors. It was awarded three cargoes of Libya's

sweet oil per month. Vitol, Gunvor and Trafigura each won contracts worth about 18 cargoes, 12 cargoes and four cargoes per year, respectively.

Saudi Aramco plans to increase the number of drilling rigs it operates to pre-crisis levels of at least 130 by the second quarter of 2012 as it seeks to maintain production capacity levels. Its rig count fell from 130 to 104 after the global economic crisis hit demand in 2009. About 50% of the addition would be for Manifa as Aramco expedited plans to bring the 900,000 bpd oil field on line by 2014.

Turkey's Tupras has renewed its annual deal to buy crude oil from Iran for 2012, at almost the same volumes as this year. Industry sources said Tupras had no plans for now to purchase extra amounts from Iran. Tupras purchased 7.41 million tons of crude oil from Iran in 2010.

Baker Hughes Inc secured a contract worth up to \$640 million to drill 60 wells at Iraq's southern Zubair oil field.

Market Commentary

Today's 10.6 million barrel draw in crude oil inventories pushed prices above \$99.00, sending crude oil higher for the third straight day. Heating oil settle up 2 percent in reaction to the 2.53 million barrel inventory decline. Gasoline also increased as stocks fell 412,000 barrels. Product exports have been healthy, which accounts for the strength behind prices. U.S. retail sales, which rose last week, also provided support. The global economic situation remains the focus as we approach the New Year. This should have an impact on commodities across the board, making demand for products remain under pressure. From now until the end of the year, we expect that the global economic situation will work to keep a lid on prices. Prices movement will remain choppy as they work towards the \$103.37 resistance level.

Crude Oil		Heating Oil (Jan)		Rbob (Jan)	
Support	Resistance	Support	Resistance	Support	Resistance
9499		27505	29288		25939
9591		26975	28800	24734	26283
9251	10337	26850	30937	24516	
8916	10753	26680	31956	24480	
8581	11483			23803	
50-day MA	95.15				
100-day MA	90.06				
200-day MA	95.66				

	CRUDE (NYMEX)				WTI (ICE)				BRENT (ICE)			
MONTH	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	252473	242384	10089	19.443%	0	0	0	0.000%	0	0	0	0.000%
FEB	2705	22440	-19735	0.208%	69253	71619	-2366	17.535%	165517	165225	292	19.037%
MAR	148219	144697	3522	11.415%	33542	33226	316	8.493%	161803	154934	6869	18.609%
Dec-12	170064	167119	2945	13.097%	63630	64197	-567	16.111%	96199	96423	-224	11.064%
Dec-13	74596	74408	188	5.745%	37269	36630	639	9.436%	44611	44953	-342	5.131%
TOTAL	1298500	1297716	784		394951	396822	-1871		869471	860014	9457	

	HEATING OIL				RBOB			
MONTH	O.I	YEST O.I	Change	% OF TTL	O.I	YEST O.I	Change	% OF TTL
DEC	81793	86562	-4769	29.387%	33642	35419	-1777	11.819%
JAN	44684	42543	2141	16.054%	65614	62657	2957	23.051%
FEB	33843	31413	2430	12.159%	45128	44729	399	15.854%
Dec-12	18312	18223	89	6.579%	13684	13328	356	4.807%
TOTAL	278335	273933	4402		284648	282916	1732	

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