



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 28, 2010

Iraqi Kurds said they will not resume oil exports from their self ruled territory unless the central government in Baghdad recognizes the contracts they have already signed with international energy companies. An adviser to the Kurdish Ministry of Natural Resources said the region could contribute to Iraq's target of increasing its oil exports next year by

shipping 150,000 bpd but only if all of its deals are recognized officially in a signed paper by Baghdad. The Kurds' foreign deals have been deemed illegal by the central government.

Market Watch

US consumer confidence unexpectedly deteriorated in December. The Conference Board said its index of consumer attitudes fell to 52.5 in December from an upwardly revised 54.3 in November. The expectations index fell to 71.9 in December from 73.6 in November while the present situation index fell to 23.5 from 25.4.

The Standard & Poor's/Case-Shiller composite index of US single family home prices in 20 metropolitan areas fell 1% in October on a seasonally adjusted basis to 145.32. It was the fourth consecutive decline.

Germany's MWV said an increase in the amount of biofuel blended into German gasoline will be delayed as more time is needed for technical changes for the new fuel mix. The German government in October approved a rise in the maximum level of bioethanol allowed in blended gasoline to 10% from 5% previously starting January 1, 2011. It said the new gasoline with higher blends, called E10, would probably only be available during the course of the first quarter of 2011.

According to a SpendingPulse report by MasterCard Advisors LLC, US weekly gasoline demand increased by 4.6% or 2.97 million bpd to 9.613 million bpd in the week ending December 28th. Gasoline demand is up 3.9% or 2.5 million bpd above a year ago level. In the last four weeks, gasoline demand fell 0.4% on the year. It reported that the average retail price of gasoline topped \$3/gallon last week.

Refinery News

Magellan Midstream Partners LP said it is encountering shortages of unleaded gasoline in the Southern tier of its pipeline system because of increased demand. It said it has adequate gasoline supplies in the northern tier of its system and is meeting ultra low sulfur diesel demand at all terminals.

Chevron Corp's 245,000 bpd Richmond, California refinery suffered a brief upset but was not shut down on Tuesday. Separately, Chevron reported excess emissions due to a compressor malfunction at its 265,500 bpd refinery in El Segundo, California.

A fluid catalytic cracking unit at Valero Energy Corp's 87,400 bpd refinery in Ardmore, Oklahoma was shut on Tuesday to repair a leak. Valero does not expect the outage to be lengthy, though there was no specific estimate for a restart.

**December
Calendar Averages**
CL – \$88.99
HO – \$2.4822
RB – \$2.3547

Citgo Petroleum reported a process unit upset during a startup at its 429,500 bpd refinery in Lake Charles, Louisiana.

Indonesia's Pertamina is expected to shut an 83,000 bpd residue fluid catalytic cracking unit at its Balongan refinery for a month of repairs in February.

Saudi Aramco said its planned 400,000 bpd refinery in Yanbu will start operations in 2014, a year later than planned. The refinery is expected to process Arabian heavy crude oil to produce ultra high quality refined products to meet the most stringent global product specifications.

Japan's Cosmo Oil Co restarted its 31,000 bpd fluid catalytic cracking unit at its Yokkaichi refinery following repair work. It is expected to resume full operation later on Tuesday or Wednesday.

Japan's Ministry of Economy, Trade and Industry reported that the country's total oil product sales in November increased by 2.8% on the year to 16.81 million kiloliters or 3.52 million bpd.

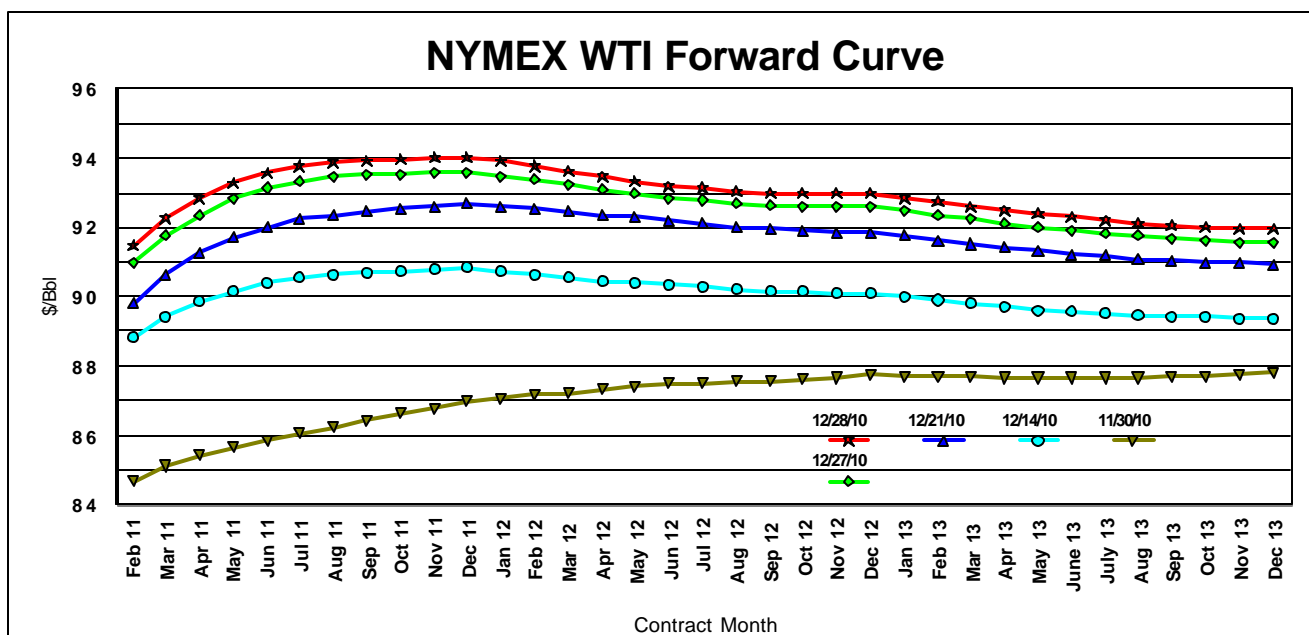
Production News

The UAE's Abu Dhabi National Oil Co said it will reduce its February Murban crude oil term supply to Asian customers by 10%. It said will ship 10% less than the contracted volumes of its Lower Zakum, 15% less of its Umm Shaif crude and 15% less of its Upper Zakum crude grades, in line with its commitment as an OPEC member.

Russia's Rosneft expects its crude output to increase by a modest 0.5% in 2011 to 120.2 million tons.

OPEC's news agency reported that OPEC's basket of crudes fell to \$90.67/barrel on Monday from \$90.73/barrel on Friday.

Market Commentary



The oil market traded higher on Tuesday but posted an inside trading after it failed to test the 26 month high reached during Monday's session. Early in the session, the crude market found some support and traded to a high of \$91.67 as the dollar fell against a basket of currencies. It however erased some of its gains following the release of bearish economic data. The Conference Board reported an unexpected decline in US consumer confidence in December and US single family home prices fell for the fourth consecutive month in October. The crude market, which failed to test its previous high, sold off to a low of \$90.75. The market later bounced off that level and traded in its earlier trading range. It settled up 49 cents at \$91.49. The product markets ended the session mixed with the heating oil market settling up 77 points at \$2.5243 and the RBOB market setting down 1.53 cents at \$2.4056. The crude market will continue to trade in a sideways pattern ahead of the release of the DOE weekly petroleum stock report on Thursday. The market is seen finding resistance at \$91.55 and its highs of \$91.67 and \$91.88. Support is seen at \$91.20, \$91.12, its lows of \$90.75 and \$90.51. More distant support is seen at \$90.33 and \$89.85.

Crude oil: Feb 11 313,553 +1,058 Mar 11 187,383 +1,684 April 11 84,917 +1,272 Totals 1,396,339 +5,266 Heating oil: Jan 11 27,951 -3,424 Feb 11 104,546 +3,078 Mar 11 51,929 +249 Totals 315,097 -203. RBOB: Jan 11 23,982 -4,548 Feb 11 95,147 +1,199 Mar 11 48,915 +1,456 Totals 286,479 -1,538

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9120	9150	25128	25272	24025	24199
9112	9167	25063	25320	23725	24314
9075	9188	24803	25498	23205	24452
9051	9385	24513		22945	24458
9033					
8985					

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