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ENERGY MARKET REPORT FOR DECEMBER 29, 2010

The director of the National Iranian Oil Products Distribution Co, Farid Ameri said Iran's gasoline consumption fell by 20% on the year after a fourfold price increase came into effect. On December 19th, Iran increased the price of petrol bought under a rationing system to 4,000 rials or \$0.40/liter from 1,000 rials or \$0.10/liter as part of a reform of the country's subsidies.

Refinery News

Enbridge reported that Line 61 and Spearhead oil pipelines have restarted after a brief shutdown for scheduled maintenance on Line 61. The two pipelines are part of Enbridge's system for delivering Canadian crude to the US Midwest and the Cushing, Oklahoma delivery point for oil. Line 61 is a 400,000 bpd capacity pipeline that runs from Superior, Wisconsin to Flanagan, Illinois. Spearhead is a 193,300 bpd capacity line that runs from Flanagan to Cushing, Oklahoma.

Alon USA Energy reported excess opacity at the CO boiler due to draft fan over speed at its 67,000 bpd refinery in Big Spring, Texas.

China's top 10 independent oil refineries will likely increase their total refining capacity by 44% from 2010 to 1.12 million bpd in 2011. The top 10 refineries had 39 million tons or 780,000 bpd of refining capacity in 2010.

China's Sinopec processed 212 million metric tons or 4.26 million bpd of crude this year. Sinopec Group produced 42.56 million tons of crude and 12.3 billion cubic meters of natural gas this year.

India's domestic oil product sales in November increased by 0.9% on the year to 11.5 million tons. India's crude oil imports fell by 29.4% to 9.43 million tons or 2.3 million bpd in November, when India's refiners processed 3.7% less oil versus a year ago due to repair work at Reliance Industries' refinery.

Production News

Russia plans to export 5.4 million metric tons or 1.28 million bpd of Urals crude in January from its Baltic Sea port of Primorsk. It is unchanged from its provisional program. Russia also plans to export 35 cargoes of Urals crude totaling 3.735 million tons from the Black Sea port of Novorossiisk, up 5,000 tons from the provisional program. It plans to export six cargoes of Siberian Light crude totaling 443,000 tons from Tuapse, two cargoes more than the provisional plan. Russia also plans to export 1.2 million tons of ESPO crude from the Far East port of Kozmino in January and 1.1 million ton in February.

API Stocks

Crude – up 3.058 million barrels
Distillate – up 1.383 million barrels
Gasoline – down 3.139 million barrels
Refinery runs – up 0.2% at 85.6%

BG Group Plc announced that its partner Petrobras, as the operator of the BM-S-11 block in Santos Basin, filed the Declaration of Commerciality with the Brazilian National Agency of Petroleum, Natural Gas and Biofuels or ANP for the accumulations of light oil and gas in the Tupi and Iracema areas. Meanwhile, Petrobras said its reserves increased by 8.3 billion barrels of oil equivalent after two oilfields in the deepwater offshore region were declared commercially viable. The Tupi field, which was renamed Lula, holds 6.5 billion barrels of oil equivalent while Iracema, which was renamed Carnambi, has 1.8 billion boe in recoverable reserves.

**December
Calendar Averages**
CL – \$89.10
HO – \$2.4841
RB – \$2.3565

Petroecuador expects Ecuador to produce 181 million barrels of oil in 2011, up 7.7% from 168 million barrels produced in 2010. Petroecuador is expected to produce about 51 million barrels, while Petroamazonas is expected to produce 40 million barrels.

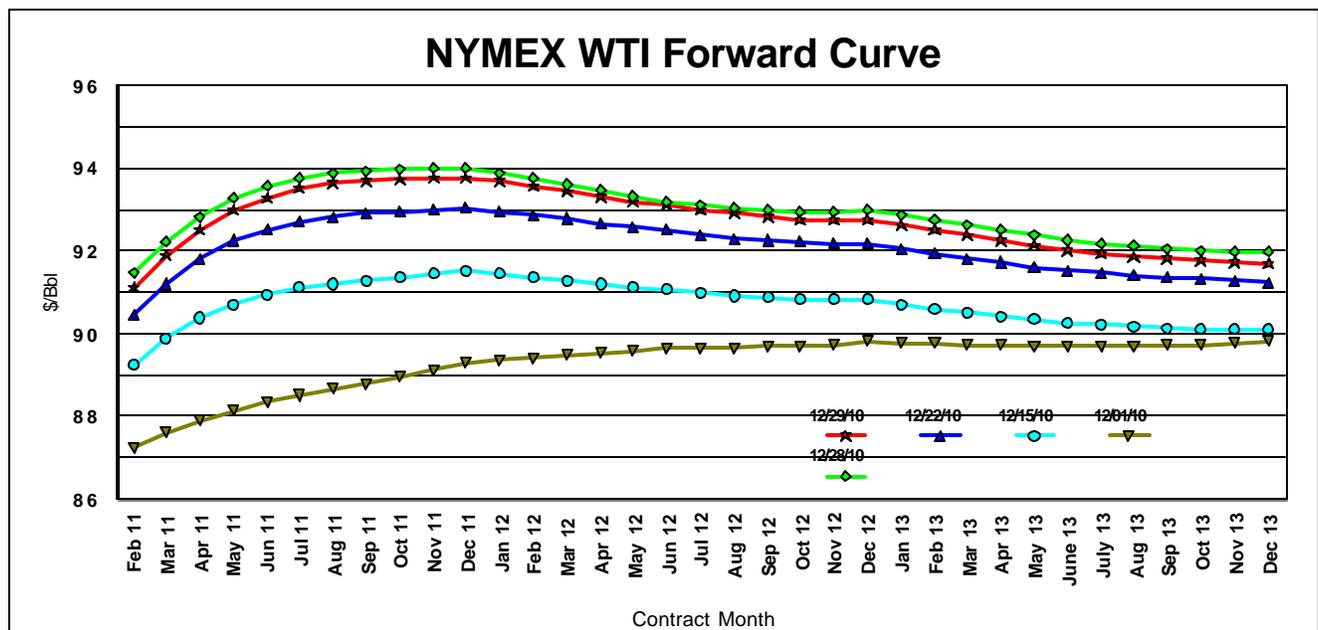
According to a government decree, Russia will unify export duties on heavy and light oil products at 60% of the duty on crude oil in 2013. Export duties on heavy and light oil products will increase to 46.7% and 67%, respectively in 2011 and to 52.9% and 64%, respectively in 2012.

Libya's National Oil Co increased the official selling price of its Es Sider crude for January loading by 15 cents to a discount of 25 cents against Dated Brent.

OPEC's news agency reported that OPEC's basket of crudes fell by 59 cents to \$90.08/barrel on Tuesday from \$90.67/barrel on Monday. It also reported that OPEC's basket of crudes increased by \$1.42/barrel to \$89.81/barrel in the week ending December 24th.

Market Commentary

The February crude oil contract fell after closing in on the 26-month high of \$91.88, on expectations that inventories will reflect an increase and that demand will decrease. Adding to the pressure on prices was a carry over response to yesterday's report that indicated U.S. consumer confidence fell to 52.5, which was lower than the 61 economists had projected. Post holiday gasoline demand should also dwindle, putting further pressure on this market. The relative strength index we had written about last week remains below the resistance line and in fact has turned away from it, indicating that prices

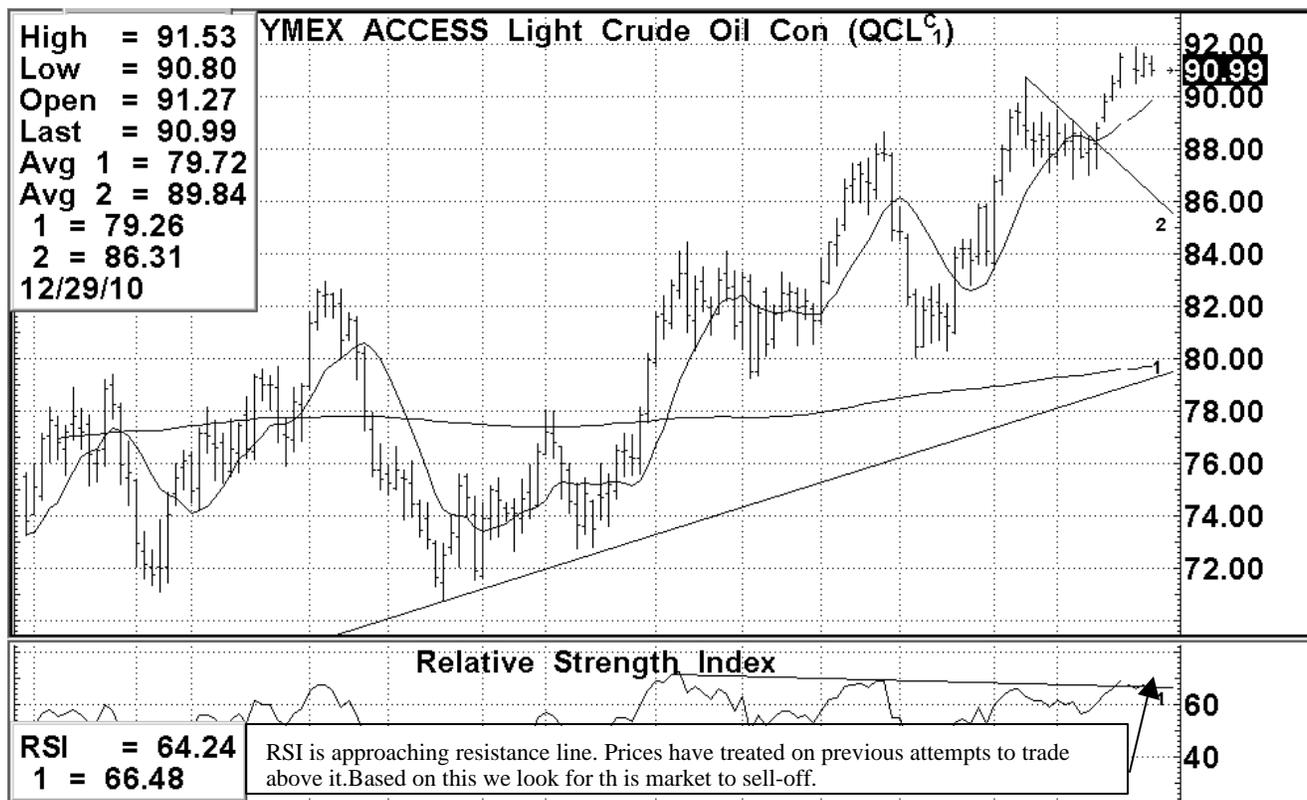


may have hit a near-term high. Prices should continue to sell-off leading us to look for a test at the \$86.00 level.

Crude oil: Feb 11 313,081 -472 Mar 11 189,840 +2,457 April 11 85,795 +878 Totals 1,401,989 +5,650
 Heating oil: Jan 11 18,325 -9,626 Feb 11 107,254 +2,708 Mar 11 51,549 -380 Totals 308,824 -6,273
 Rbob: Jan 11 18,046 -5,936 Feb 11 95,499 +352 Mar 11 49,223 Totals 281,314 -5,165

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8826		23685	26712		24880
8590		22960	27070	22560	27085
8350	9100	22013	29500	22050	
7993	9385	21860	30955	21600	
7900		21140		20300	
7871		20702		20130	
7783					

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