



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JANUARY 6, 2011

NATURAL GAS MARKET NEWS

The National Oceanic and Atmospheric Administration said the weather phenomenon known as La Nina is near its peak strength but a weaker version is expected to continue well into the spring, increasing the odds of below normal temperatures in much of the US West Coast and northern tier states, except for New England. La Nina also raised the possibility of above normal temperatures in much of the southern and central US in the period.

Qatar Petroleum and ExxonMobil Corp signed a joint venture agreement on the \$8.6 billion Barzan natural gas project, which will help Qatar meet its increasing domestic gas demand. The Barzan development, which is expected to produce 1.4 billion cubic feet/day of gas, will start operations in 2014.

Qatar's Oil Minister Abdullah al-Attiyah said Qatargas train seven is expected to start production within a month's time.

Shell Energy Europe said in a statement to the Nordic power bourse today that it expects its electricity consumption at its Ormen Lange gas processing facility to be curbed from May 30th until June 19th. The facility normally secures up to 20% of Britain's gas needs.

Gassco reported that the Kollsnes gas processing plant in Norway has returned to near full capacity.

Chesapeake Energy Corp said it would implement a fundamental shift away from its strategy of acquiring new fields to focus on cutting its debt and slowing its output growth. While Chesapeake has been the industry's most aggressive in acquiring acreage in new fields, particularly in shale rock formations but has taken on huge amounts of debt to finance the expansion. Chesapeake's 2010 proved reserves increased by 18% from the end of 2009 to 16.9 trillion cubic feet equivalent. Its daily production in 2010 averaged about 2.8 bcfe, up 14% on the year.

EIA Weekly Report

	12/31/2010	12/24/2010	Change	12/31/2009 *
Producing Region	1079	1117	-38	1009
Consuming East	1590	1671	-81	1699
Consuming West	428	444	-16	437
Total US	3097	3232	-135	3145

*storage figures in Bcf

Generation Update

WSSC- Capital Power Corp/TransAlta's 450 Mw Unit #4 at the genesee coal fired power plant in Alberta was shut on Thursday.

The NRC reported today that 94,296 Mw of generating capacity was online today, down 0.11% from yesterday and 0.64% higher than the same day a year ago.

The CEO of Devon Energy said today he expects his company's 2011 capital budget will run between \$5.5-\$5.8 billion. He expects this to help yield a 2011 production growth of 6-8% with a 20% growth in oil/liquids output.

Royal Dutch Shell reported today that it produced a record 3.48 bcm of natural gas in the Changbei gas field in northern China last year, 11% more than earlier plans. The field has produced 11 bcm of gas since it started commercial production in March 2007.

Cyprus energy minister said today that Royal Dutch Shell has made Cyprus the best competitive offer for a 20-year supply line of LNG. The deal reportedly is for 4.5 billion euros.

ECONOMIC NEWS

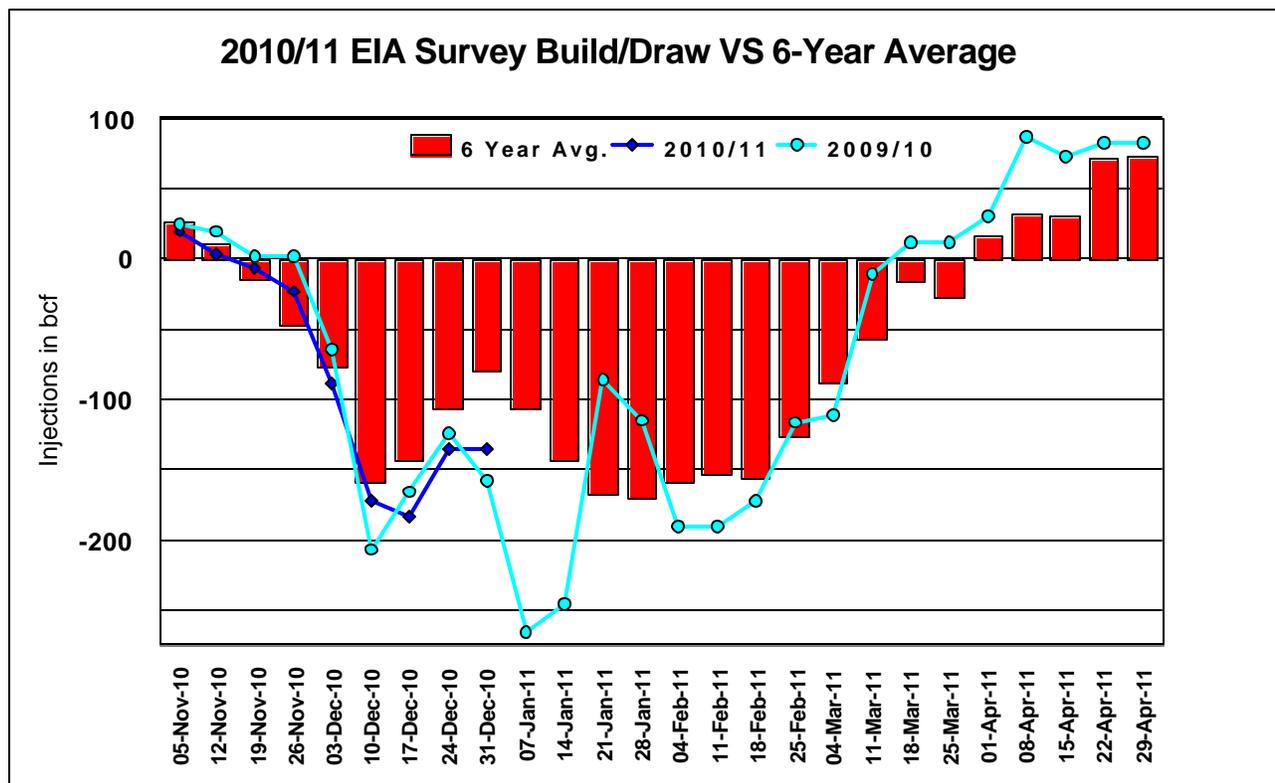
The US Labor Department stated that initial claims for unemployment benefits increased by 18,000 to a seasonally adjusted 409,000 in the week ending January 1st. The previous week's figures were revised upwards to 391,000 from 388,000. The four week moving average of new claims fell by 3,500 to 410,750. The report showed that the number of continuing claims fell by 47,000 to 4,103,000 in the week ending December 25th from an upwardly revised 4,150,000 the previous week. The unemployment rate for workers with unemployment insurance was 3.3% in the week ending December 25th, unchanged from the prior week.

Canadian Gas Association

Weekly Storage Report

	31-Dec-10	24-Dec-10	01-Jan-10
East	179.9	189	199.4
West	300.6	315.2	299.1
Total	480.5	504.2	498.5

storage figures are in Bcf



MARKET COMMENTARY

The natural gas market today settled lower for the second straight session despite reacting in a positive fashion to the release of the EIA storage report and the reversal in weather forecasts which as the day progressed now showed the potential for a major arctic outbreak rather than the emergence of warm up over the southern half of the country. The market though seemed to see another wave of fresh selling as bears saw an opportunity to establish new short positions on the midday rally, following in the foot steps of yesterday's sell off. The exchange released open interest reports at midday, which showed that Henry Hub futures saw a jump of 8.248 lots during yesterday's hard sell off.

We feel though that if this evening's weather forecasts hold then this market will stabilize going into the weekend. We would look for support tomorrow at \$4.38, \$4.346 and \$4.261. Resistance we see at \$4.50 followed by \$4.542, \$4.581 and \$4.71.

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