



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR DECEMBER 7, 2011

NATURAL GAS MARKET NEWS

North America

Range Resources has reached its production target of 400mmcfe per day in the Marcellus Shale after it secured all significant infrastructure milestones.

International News

Offshore oil and gas workers in the UK may go on strike next summer with the hopes of changing the way their annual leave is calculated after the country's highest court dismissed an appeal saying industries rules on holiday entitlement were sufficient. The unions believe that there time onshore or field breaks are part of their normal work schedule and should not count as paid holidays.

Ukraine's Naftogaz has negotiated delayed monthly payments to Russia's Gazprom. Naftogaz will now pay for imported gas by the 28th of the following month as opposed to the 7th day of the following month. Naftogaz has already paid Gazprom about \$450 million for November supplies of the \$972.2 million it owes the Russian company.

	Natural Gas			
	O.I	Prior O.I	Change	% OF TTL
DEC	253841	268940	-15099	26.900%
JAN	97439	98360	-921	10.326%
FEB	134479	130553	3926	14.251%
Dec-12	24154	24441	-287	2.560%
Dec-13	6414	6397	17	
TOTAL	943649	950156	-6507	

PGNiG is in talks with Enea and other companies over its planned gas-powered plant.

India's oil ministry said that state-run Oil & Natural Gas Corp is in talks with Gazprom to jointly develop LNG projects and gas pipelines. The ministry also said that Petronet wants to partner with Videsh for LNG and other projects. Videsh has a 20% stake in Russia's Sakhalin I oil and gas field and is interested in participating in the Sakhalin III and other fields.

RasGas of Qatar has signed a 20 year deal to supply Taiwan's CPC Corp 1.5 million tonnes of LNG per year with an option for additional quantities beginning in 2013. CPC, Taiwan's only LNG importer estimated that annual LNG demand is expected to rise to 15 million metric tons in 2020 from 11-12 million tons currently. Prior to the signing of this deal Taiwan has 11.8 million tonnes of annual supply in long-term contracts.

Qatar Petroleum International is evaluating whether to build a petrochemical plant in Vietnam and is talking to Petrovietnam about the possibility of a joint venture. The company is also talking to

international oil companies about the possibility of investing in North American shale gas and finally it is seeking power generation investments in Dubai and Oman.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg Price	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	891,500	\$3.446	\$0.021	\$0.015	\$0.063	\$0.007
Chicago City Gate	768,800	\$3.608	(\$0.004)	\$0.177	\$0.053	\$0.080
NGPL- TX/OK	704,600	\$3.404	(\$0.024)	(\$0.027)	\$0.033	(\$0.143)
SoCal	442,400	\$3.684	(\$0.058)	\$0.253	(\$0.001)	\$0.173
PG&E Citygate	1,146,000	\$3.763	(\$0.019)	\$0.332	\$0.038	\$0.302
Dominion-South	844,800	\$3.556	\$0.016	\$0.125	\$0.073	(\$0.022)
USTrade Weighted	24,089,800	\$3.564	\$0.006	\$0.133	\$0.06	\$0.007

PetroChina has discovered shale gas in deposits of rock in China's Sichuan province. The company has drilled approximately 20 wells that are producing more than 10,000 cubic meters of gas per well per day.

Japanese companies Shizuoka Gas and Chubu Electric Power have reached a long-term agreement to buy a total of 200,000 tonnes per year of LNG for six years starting in 2016 from Qatargas. Chubu also announced that Japan will need an additional 3-4 million tonnes per annum of gas in 2012.

Electric Market News

Federal regulators ordered the Bonneville Power Administration (BPA) to treat wind generators on equal footing with federally generated hydropower in the Pacific Northwest. BPA will now be forced to revise its transmission policy that allowed wind farm output to be curtailed under certain conditions to allow electricity from hydropower plants to deliver to the grid. Wind generators believed the practice was unfair and violated BPA's transmission contracts with generators.

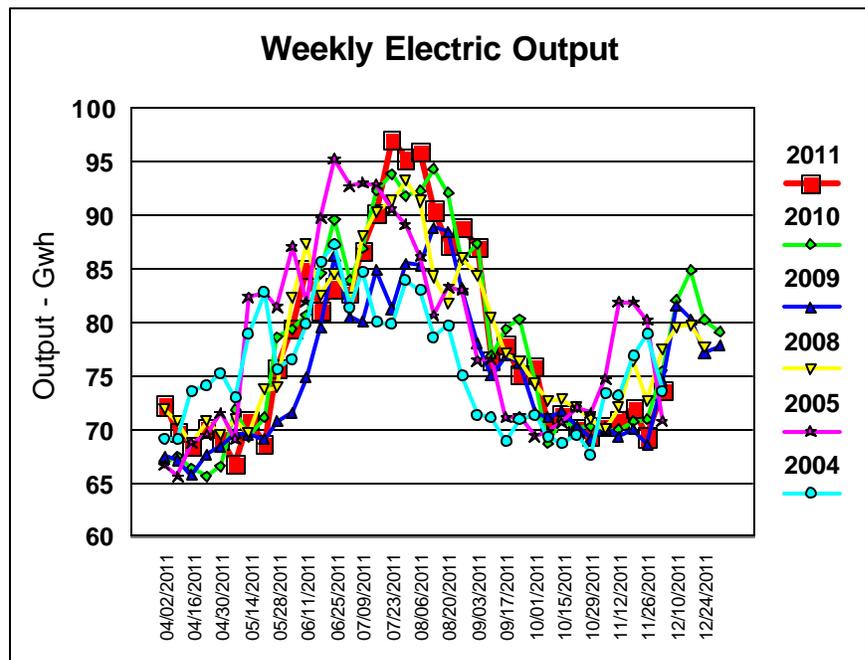
The US Northwest River Forecast Center released a statement on Wednesday saying they expect projected water runoff at The Dalles Dam on the Columbia River to be 91 percent of normal for the January-July period.

Economic News

The Chinese Academy of Social Sciences said China's GDP is expected to increase 8.9% in 2012, a modest slowdown from the estimated 9.2% gain in 2011. The think-tank also forecast that China's Consumer Price Index would increase 4.6% in 2012, down from an estimated 5.5% gain in 2011.

Market Commentary

The natural gas market settled in negative territory after posting an inside trading day ahead of Thursday's release of the EIA natural gas inventory report. The market opened relatively unchanged and held resistance at its previous high of \$3.507 as it posted a high of \$3.504 in overnight trading. The natural gas market erased Tuesday's gains as fairly mild extended weather forecasts kept the market on the defensive. It sold off to a low of \$3.409 on the close and settled down 6.6 cents at \$3.421 as it held support at its previous low.



The market expects the EIA natural gas inventory report on Thursday to show a draw of 12 bcf for the week ending December 2nd. The estimates range from a draw of 42 bcf to a build of 3 bcf. Natural

gas inventories fell an adjusted 79 bcf in the same week last year while the five year average draw for the week is 66 bcf.

While the natural gas market on Thursday will be driven by the inventory report, any gains are still seen limited by the lack of any sustained cold snap. Despite a brief cold snap, weather forecasts over the next six to 14 days call for above normal temperatures across the eastern half of the US. Technically, the natural gas market is seen finding resistance at \$3.446, \$3.48 and its highs of \$3.504-\$3.507 followed by \$3.54 and \$3.575. More distant resistance is seen at \$3.663, \$3.689 and \$3.72. Support is however seen at its lows of \$3.409-\$3.405 followed by \$3.385, \$3.35 and \$3.29.