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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 1, 2010

Libya's top oil official Shokri Ghanem said OPEC is likely to leave its oil output targets steady when it meets on March 17th.

Iran's Supreme Leader Ayatollah Ali Khamenei said the UN's IAEA lack independence. He said some recent measures and reports of the agency show its

lack of independence and urged the IAEA to refrain from being influenced by the US. He reiterated that Iran will continue with its nuclear program. He also accused the US, the UK and Israel of spreading lies about Iran's nuclear program. The IAEA on Monday is scheduled to start four days of talks in Vienna on its most recent report, which expresses concern over Iran's nuclear program and says the country may be working on a nuclear warhead. The report also confirms that Iran has started enriching uranium to higher levels. Meanwhile, the UN's IAEA chief Yukiya Amano said a UN brokered deal to supply Iran with fuel for a nuclear research reactor is still on the table. He however said that Iran is not cooperating sufficiently with the UN's IAEA in its investigation into Iran's nuclear activities. In response, Iran's Foreign Minister Manouchehr Mottaki said Iran was fully cooperating with the UN's IAEA.

Separately, Iran's former president Mohammad Khatami criticized Iran's foreign policy, saying Iran must refrain from an adventurous approach despite western powers imposing sanctions on the country.

The deputy commander of Iran's Islamic Revolutionary Guard Corps said Europe's energy supplies could be vulnerable to disruptions in the event of a conflict with Iran.

Market Watch

The US Commerce Department reported that personal income increased by 0.1% in January while personal spending increased by 0.5%. The saving rate slowed to the smallest since 2008. The saving rate was 3.3% in January compared with 4.2% in December. The core price index for personal consumption expenditures, excluding food and energy, increased by 1.4% compared with January 2009.

Morgan Stanley and Vitol have each booked a vessel to ship gas oil to Chile from South Korea, as the country increases its diesel imports after a powerful earthquake damaged two refineries over the weekend. Morgan Stanley booked the vessel called High Trader to ship 40,000 tons of gas oil to Chile for March 12-14 loading from South Korea while Vitol has booked the Global Spirit to ship 40,000 tons of gas oil for loading on March 12th.

The CFTC chairman Gary Gensler said derivatives clearinghouses should not be overseen by entities that have a conflict of interest and governance should be open to both dealer and non-dealer firms.

**March
Calendar Averages**
CL – \$78.70
HO – \$2.0235
RB – \$2.1556

Israel's Haaretz newspaper reported that an Israeli delegation that traveled to Beijing last week presented detailed intelligence on Iran's nuclear program in an attempt to persuade China to support imposing further sanctions against Iran.

The EIA reported that the US average retail price of diesel increased by 2.9 cents to \$2.861/gallon in the week ending March 1st. The price of diesel has increased by 10.5 cents/gallon or 3.8% in the past two weeks and are at the highest level since January 18th. The price of diesel is 77.4 cents above the year ago level. It also reported that the US average retail price of gasoline increased by 4.7 cents to \$2.702/gallon on the week. It is the second consecutive weekly gain of 4.7 cents, with prices rising by 9.4 cents in the past two weeks. The price of gasoline is 76.8 cents above a year ago level.

Refinery News

Valero Energy Corp has restarted a fluid catalytic cracking unit at its 250,000 bpd St. Charles, Louisiana refinery while work is still underway on other units. Meanwhile turnaround on a fluid catalytic cracking unit at its 325,000 bpd Port Arthur, Texas refinery is continuing. Repairs to a fluid catalytic cracking unit at its 265,000 bpd Quebec City refinery in Canada are also still ongoing.

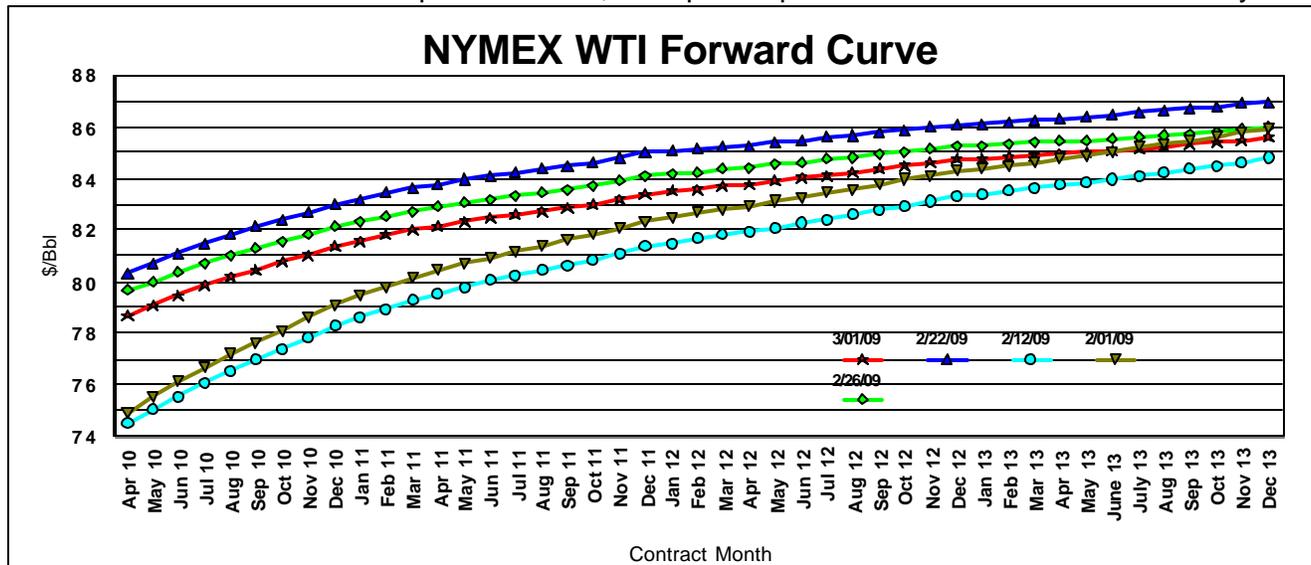
ExxonMobil Corp's 150,000 bpd refinery in Torrance, California was restarting a hydrogen plant on Sunday night after the plant was shut earlier in the day due to a mechanical breakdown on the hydrogen plant.

Hawaii's oil refineries experienced no damage from Saturday's tsunami and fuel terminals were expected to resume normal operations soon. The refineries and fuel terminals went into lockdown mode Saturday after alarms were sounded that rough waves as high as six to ten feet could hit its shores in the aftermath of the massive earthquake that hit Chile. There was no damage at Chevron's 54,000 bpd refinery while Tesoro Corp reported that its 94,000 bpd was not damaged by the surge.

Venezuela's PDVSA 320,000 bpd Isla refinery in Curacao was temporarily shut on Monday due to a power outage.

Chile's ENAP could resume operations at its Aconcagua oil refinery in five or six days. ENAP shut two of its refineries after a massive earthquake caused damage to the facilities.

Brazil's Petrobras said that output at its 242,000 bpd Duque de Caxias or Reduc oil refinery was



halted by a fire on Sunday. It said operations were slowly resuming.

Japan's Mitsui Chemicals has shut a 553,000 ton/year naphtha cracker in Chiba due to an outage. The unit is expected to resume operations in less than five days.

China's Sinopec Group has started to export oil products from its 1 million metric ton ethylene project in Tianjin. It exported 30,000 tons of diesel to Singapore and Hong Kong.

Kuwait expects to receive approval to develop a \$9 billion refinery in China by the end of the year. Kuwait Petroleum Corp said the project's investors were still hoping to commission the 300,000 bpd refinery by 2013. Kuwait will supply all the crude to the refinery and produce 1 million tons of ethylene per year.

Saudi Arabia has assured India it will increase its crude oil supplies by 57% to 40 million metric tons per year to meet the demands of both its public- and private-sector refineries. A government statement however did not say when the supplies would likely be increased. India, which has a refining capacity of 177.97 million metric tons as of April 2009, aims to increase its capacity to 240.96 million tons by March 31, 2012.

Production News

According to a Dow Jones survey, OPEC's 11 quota bound members increased their oil production in February by 110,000 bpd or 0.41% to 26.895 million bpd from a revised 26.785 million bpd in January. The OPEC-11 produced about 2.05 million bpd above their target of 24.845 million bpd. Total OPEC production increased by 199,000 bpd on the month to 29.464 million bpd in February. Iraq's increased its production by 89,000 bpd to 2.569 million bpd. OPEC's top producer, Saudi Arabia, increased its production by 50,000 bpd to 8.225 million bpd, which is about 175,000 bpd above its quota.

Qatar has notified at least two Asian term buyers that it will supply crude at full contracted volumes for April. Term buyers will receive full contracted volumes of Qatar's Marine and Land crudes.

Nigeria plans to export five Bonga crude cargoes for April loading. The Bonga loading program comprises four 1 million barrel cargoes and one 650,000 barrel cargo. It also plans to export two Antan cargoes with cargo size pegged at 950,000 barrels and 250,000 barrels, two 900,000 barrel Okono cargoes and two Okwori cargoes, with cargo size pegged at 200,000 barrels and 650,000 barrels. It plans to export seven Agbami, four Akpo, three Amenam, four Bonny Light, six Brass River, three EA, five Erha, five Escravos, twelve Qua Iboe, one Pennington and three Yoho. In total, Nigeria plans to export 64 cargoes.

The Iraqi Oil Ministry suspended talks with a consortium of Japanese companies led by Nippon Oil Corp to develop the Nassiriya oil field and could hold a new licensing auction to upgrade the field. The head of Iraq's Ministry's petroleum contracts and licensing directorate said the talks reached a deadlock. Separately, Turkish Petroleum's TPIC unit won a \$318 million contract to drill 45 wells in Iraq's Rumaila oilfield. BP Plc and its Chinese partner CNPC signed a 20 year development contract last year for Rumaila, which has an estimated 17 billion barrels of crude reserves.

The head of Iraq's State Oil Marketing Organization, SOMO, said Iraq's oil exports in February increased to 2.083 million bpd, up from 1.926 million bpd in January. Iraq exported an average of 1.612 million bpd from the southern oil terminal of Basra and 471,000 bpd from the northern oilfields in Kirkuk.

BHP Billiton Ltd has started oil production on schedule from its Pyrenees project, off western Australia. The Pyrenees project comprises the Crosby, Ravensworth and Stickle fields and have total estimated recoverable oil reserves of between 80-120 million barrels. The project will produce 96,000 bpd of oil at its peak, processed through a floating production storage and offtake vessel. It has an estimated production life of 25 years.

Libya's National Oil Corp lowered its 2010 target for refined oil output to 121 million barrels from the 124.6 million barrels it had targeted a year earlier. Its actual output of refined oil reached 123.8 million barrels in 2009.

Libya's National Oil Corp has rolled over its March official selling price for its Es Sider crude oil grade at a discount of 5 cents to Dated Brent but lifted its official selling price for Es Sharara, Amna, Mellitah and Abu Attifel by between 20 and 25 cents.

OPEC's news agency reported that OPEC's basket of crudes fell by 6 cents to \$74.60/barrel on Friday from \$74.66/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$1.57/barrel to \$75.32/barrel in the week ending February 26th.

Market Commentary

Crude oil bounced up and down until it finally succumbed to pressure from a stronger dollar and continued worries about Greece and its economy. Once again the April contract was unable to sustain strength above the \$80.00 level and this lack of follow-through brought about a wave of length lightening. Gasoline, which led the market higher last week, dragged the rest of the complex lower today. Declines in inventories last week, combined with strikes at Total SA refineries in France lent support to this market but have now curbed their support. Volatility will continue to be extreme for these markets as long as the global economic outlook keeps changing hue. We would continue to look for intermittent rises and falls for the energy markets, with our bias still to the downside. Our objective for the April crude oil remains \$70.00 and below.

Crude oil Apr. 10 259,774 -8,933, May 10 161,068 -3,977, June 10 167,803 +624 Totals 1,274,007
 Heating oil APR10 79,215 +2,322 May 10 46,138 +477 June10 46,562 374 Totals: 298,211 -1,447
 Gasoline APR10 94,463 +4,043 May 10 49,577 +1,052 Jun10 35,908 +985 Totals: 261,583 -3,528

Crude Support Based on February	Crude Resistance Based on Feb
76.72, 75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	78.93, 81.00, 82.00, 83.40, 84.83, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.0880, 2.1000, 2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.1930, 2.2270, 2.3350,