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ENERGY MARKET REPORT FOR MARCH 2, 2011

Muammar Gaddafi said today in a two and a half hour speech that his nation's oil production was now "at its lowest" level due to the uprising in his country which he said was caused by al Qaeda "gangs". He once again vowed to fight "to the last man and woman" in Libya. He also warned that "thousands of Libyans would be killed" if the United States or Nato intervened in the civil unrest in his country. He also denied that there had been any peaceful demonstrations since the uprising began on February 15th and challenged calls for him to step down since he has "no real power". Meanwhile Libyan dissidents who control the eastern part of the country called on the United Nations to order air strikes against mercenaries fighting for Gaddafi. The rebels also reported this morning that they had repulsed forces loyal to Gaddafi in Brega, an oil port on the Mediterranean, on Wednesday after they stormed the eastern town with tanks and heavy artillery. This was the regime's first major counteroffensive against the opposition held eastern half of Libya. There were also reports

Market Watch

Australia's GDP rose 0.7% in the fourth quarter of 2010 from the third quarter and rose 2.7% from the year earlier period. This increase was 0.1% less than market expectations.

The senior fund manager at Aberdeen Asset Management said today that rising oil prices are more likely to impact companies' profit margins rather than destroy demand for their goods and services. He estimated that when oil reaches \$150 per barrel, companies will see customers change their spending habits.

The president of the Kansas City Fed said today that the Federal Reserve needs to raise interest rates and stop pursuing a policy that may create inflation and financial market problems. While he noted that some of the jump in commodity prices reflects rising world growth and supply disruptions, the Fed's easy money approach has also been a factor. He also called for the nation's largest banks to be downsized and he continued to support a return of key aspects of the Glass Steagall banking regulations. He fears complicated bank regulations will simply be gamed by financial institutions and wants clear and simple rules so that a repeat of the last financial crisis will not occur. The president of the KC Federal Reserve Bank is currently a non-voting member of the bank's Open Market Committee.

The U.S. Department of Transportation reported today that U.S. highway travel in December increased for the 10th month in a row, rising 0.6% from a year earlier. The agency estimated that in 2010 the total miles driven was the third highest on record and the most since 2007.

U.S. Energy Secretary Chu told Congress today the American economic recovery is vulnerable to the jump in oil prices.

The Fed Beige Book reported today that the Fed has seen the U.S. economy slowly gaining strength in the first two months of this year, but gains were not evenly distributed across the country. While job prospects modestly improved across the country, some companies were still looking to hire only temporary workers instead of creating permanent jobs. Home sales and construction remained low.

Congressman Frank said today that he thought the Fed should keep an open mind on possibly buying more bonds in light of rising oil prices and their impact on the economy. Congressman Frank also noted that the oil price spike underscores the need for the CFTC to take steps to rein in speculation in the commodity markets, such as setting position limits.

ADP reported this morning that U.S. private sector employers added more jobs than expected last month, adding 217,000 jobs in February. The company also revised January figures higher by 2000 to 189,000 jobs added on the month.

The Saudi stock market remained under pressure today as it plunged to a new 22 month low, as investors appeared to be selling in front of protests planned in the kingdom later this month.

Protests in Bahrain are starting to spread out from the central square in Manama and into different parts of the city. Students at Bahraini schools today were also joining the protest against the government.

that Gaddafi forces also utilized warplanes and they had bombed a beach where rebels were located as well an area next to the oil engineering university some two kilometers from the oil terminal. Elsewhere there were reports that a gasoline tanker exploded Wednesday near the compound of Gaddafi. The cause of the blast was not immediately known. Reuters also reported that two U.S. warships carrying marines and amphibious equipment has passed through the Suez Canal and is now in the Mediterranean Sea enroute to the waters off of Libya. The U.S. aircraft carrier, the USS Enterprise reportedly is in the northern part of the Red Sea. The U.S. Defense Secretary said this morning that establishing a no-fly zone for Libya would require an attack on Libya, by taking out its air defense systems. Secretary Gates also said that any no-fly operation would require more planes than are stationed on an aircraft carrier. The Obama administration said today that it was keeping all of its options on the table for the time being.

Reuters quoted shipping sources as saying at least 1.8 million barrels of crude oil in three tankers have left Libyan ports in the past 24 hours.

Italy's Industry Minister said on Wednesday "there is a possibility, indeed a real possibility, that Gaddafi has a desire to make a desperate last ditch attempt to free himself from the state of siege that he finds himself in." Later in the day though the minister said he believed the current situation in Libya was different from that during the first Gulf War, when wells in Kuwait were set ablaze.

The United Nations' World Food Program on Wednesday called for urgent humanitarian aid for Libya as food stocks are depleted and supply chains disrupted in the country.

The NYMEX reported that RBOB delivery intentions for the March contract stood at 1,000 lots. BP issued 57 lots, with Macquarie and Newedge issuing 304 and 501 lots respectively. Morgan Stanley stopped the highest number of contracts with 671 lots with Newedge stopping 249 lots.

Refinery News

The Petroleum Association of Japan reported overnight that gasoline stocks in Japan held by refiners fell by 51,039 kiloliters from a week earlier to 2.24 million kiloliters. Crude stocks decreased by 232,581 on the week to 14.70 million kiloliters.

Shell's FCC unit at the Pernis 400,000 b/d refinery was restarted last week and is now fully operational. The unit, which accounts for 35-40% of the refinery's total capacity, has been out of operation since September.

Yemen's major refinery said today that it plans to buy 150,000 tonnes of spot oil products in March to increase its national strategic fuel reserve and guard against any fuel shortages caused by rising political unrest.

BP reported it had an emissions event at its ultracracker unit on Tuesday at its 437,000 b/d Texas City refinery.

Colonial Pipeline said it was freezing nominations on Linden Delivery Line L6, servicing BP/Amaco and Kinder Morgan Carteret for Cycle 10.

Reuters reported that cargoes of European gasoline initially booked for delivery to Libya are being re-directed towards the United States and Asia. Some 5-6 cargoes are reportedly being sent to the United States. With 1-2 cargoes headed toward Asia.

Saudi Aramco has restarted its reformer unit at the Ras Tanura refinery following completion of scheduled maintenance in February. The unit was offline for about two and a half weeks.

Motiva reported today that a wet gas compressor was shut for maintenance at its 234,000 b/d refinery in Norco, Louisiana.

Total said it has started planned maintenance work on the western part of its 339,000 b/d Gonfreville refinery in France. The company confirmed that the work began on February 7th and should go on for several weeks. Reuters reported according to a union representative cracking unit #7 was undergoing maintenance.

ExxonMobil reported a small crack was discovered in process equipment located at Gas Plant 5 East at its 344,500 b/d Beaumont, Texas refinery. Repairs were ongoing.

A BP official said today that biofuels represent the only way to significantly reduce carbon emissions in road transport fuel and are likely to account for at least 12% of supply by 2030.

Magellan said Wednesday it had completed repairs on its El Dorado to Kansas City gasoline and expected to restart the line Wednesday afternoon. The company had shut the line after a small leak was discovered on Monday.

Production News

The IEA today raised their estimate of the amount of Libyan crude production is off line due to the political upheaval in that country. The agency estimated that between 850,000 to 1 million barrels a day of production is currently shut in, up from last week's estimate of 500,000-750,000 b/d. The agency also noted that European refiners appear to have "ample crude" in stocks "until at least the end of the March." The IEA noted that currently "crude oil markets in Europe are not perceived as constrained, with crude demand relatively low due to a period of large scale maintenance of refineries in Europe." The agency also noted that information from Libya is incomplete due to poor communications and staff shortages. In addition the IEA noted conflicting reports on the effect of high winds on Libyan port activities.

The UAE said it continues to produce oil within its OPEC quota despite the Libyan supply disruptions

Total said today that production at Libya's Mabruk oil field is set to come gradually to a halt. The field normally produces 40,000-50,000 b/d. He noted that production at the offshore Al Jurf oil field was so far continuing normally.

ConocoPhillips said late Tuesday that it is not exporting any oil from Libya as it complies with U.S. sanctions against Libya.

Abu Dhabi said today that it would start pumping the first crude oil by midyear through the new Abu Dhabi Crude Oil Pipeline. The pipeline which will have a capacity of 1.8 mb/d will move crude from Abu Dhabi bypassing the Strait of Hormuz and deliver it to the neighboring emirate of Fujairah on the Gulf of Oman. There will be eight tanks with a capacity of 1 million barrels each in Fujairah, as well as a potential grassroots refinery to be built there as well.

The CEO of Shell said today that the number of sabotage attacks in Nigeria against oil production facilities and infrastructure are down over the last 12-18 months. As a result Shell's Oil production in Nigeria is working very well at this point in time. For the overall market he said he sees the possibility for short term price spikes but for the near term Saudi Arabia has enough spare capacity to buffer the market from severe price shocks.

BP said it has received a number of requests from interested parties in looking at buying the company's oil and gas fields in the southern North Sea. The company said it hopes to complete these sales by the end of 2011.

The Russian Energy Ministry reported today that crude oil and gas condensate production in February averaged 10.23 million b/d, up 0.2% from January. This was just shy of the October daily record of 10.26 mbd. Russian oil exports though were estimated at 18.49 million tones some 0.9% less than the same month a year ago.

Tadawul All Share Index (TASI)

Sector:

[Detailed Index](#) | [Performance](#) | [Chart](#) | [Last 6 traded days](#) | [Listed Companies](#)

TODAY'S SUMMARY					
Prev. Close	Open	High	Low	Last	Change
5,538.72	5,538.72	5,538.72	5,231.51	5,323.27	-215.44
% Change	Total Vol.	Total Turnover		# of Trades	Avg. Trade Size*
-3.89	271,332,308	5,342,880,249.85		120,895	2,244.36

52 WEEK			
High	Date	Low	Date
6,929.40	2010/04/26	5,323.27	2011/03/02

YEAR TO DATE			
Index as of 31 Dec	Indicator	Year to Date Change	% Change
6,620.75	↓	-1,297.48	-19.60

Mar 03, 2008 - Mar 02, 2011



BP reported that the consortium it leads in operating the Azeri-Chirag-Gunashi oil project in the Azerbaijani sector of the Caspian Sea produced on average 823,100 b/d in 2010, as well as 3.4 bcm of natural gas. The group had targeted production of crude of 854,000.

Brazil reported that its oil production in January increased by 6.3% over the same month a year ago. But late today Petrobras reported that it has temporarily suspended operations at the Guara field, some two months after they had begun. Production at the field had begun at 14,000 b/d and was

halted following the discovery of a rupture in a riser that connects the well on the ocean floor to the production platform.

The EIA reported that the build in crude oil stocks at Cushing, Oklahoma set a new record last week, eclipsing the previous record set in the week of January 28th of 38.33 million barrels.

The Secretary of the Interior said today that he hopes the deepwater drilling permit issued by his department this week will open the door to more offshore drilling activity. He noted that there are "other deepwater permits that are pending and the ones that will go out the door will hopefully be the templates that will allow us to move forward with an additional significant number of deepwater permits." But he warned that without proper funding, the pace of deep-water oil permitting may not return to pre-BP oil spill level.

The chief economist of the IEA said today that high oil prices are here to stay. He noted that high oil prices are a threat to the global economic recovery and present a challenge the world will have to face over the long term. He noted that Europe is the weakest link in the chain of economic recovery. He noted that in Europe 75% of the gas price is linked to oil prices, thus in a few months European consumers and industry will see higher prices.

The head of the IEA said today that Saudi Arabia is capable of covering any Libyan oil production outage. He also noted that the agency has the ability to release 2 million barrels per day from its stockpiles for up to two years if needed, and thus currently does not see much to worry about from the supply side. Meanwhile a top Libyan oil official warned that oil prices could rise above \$130 per barrel in the next month if Libyan production remained off the market.

Denmark's Maersk Oil announced it had halted production at its 400 b/d Rolf oil platform in the North Sea after the discovery of an oil spill.

Qatar has notified at least two Asian customers that it will supply its crude contracts at full contracted volumes in April, unchanged from March levels.

Ecuador's oil minister said today that while OPEC members are worried about the impact of the Libyan crisis on crude oil prices, they as a group are not discussing the possibility of an emergency meeting.

Market Commentary

It was another choppy day for crude oil prices as the market responded to inventory numbers and reports that Libyan leader Muammar Gaddafi ordered airstrikes close to oil infrastructures in the east of Libya. Libya's largest storage and export terminals are relatively close to the area where the airstrikes took place. Early gains in crude oil were momentarily pared as stock levels in Cushing, OK, the NYMEX delivery point, reached a record high of 38.57 million barrels. The front end of the forward curve continues to pull away from the deferred, showing fears of front-end supply shortages. The tensions in Libya showing no signs of ending soon, prices will continue to react violently, with the near-term upside objective remaining \$103.39.

Crude oil: April 11 287,572 May 11 208,207 +10,307 June 11 137,512 +2,267 Totals 1,543,266 +19,225 Heating oil: apr 11 97,386 +987 May 11 45,967 +1,165 3,767 June 11 46,004 +1,223 Totals 299,205 -1,558 Rbob: Apr 11 97,386 +987 May 11 45,967 +1,165 June11 46,004 +1,223 Totals 299,205 -1,558

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
		29500		30300	
9635		26680		25683	
9245		23685		25145	31970
9150	103.39	22960	30955	24240	32450
8772	111.65	22013	31525	23631	35915
8647		21860	33510	23414	36310
8387		21140		22560	
8231		20702			
8180					

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