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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 3, 2010

A senior Gulf official said OPEC is likely to keep its crude output quotas unchanged at its March 17th meeting as oil prices remain at satisfactory levels.

The US and European Union accused Iran of breaking nuclear transparency rules by escalating uranium enrichment without UN surveillance and said its provocative behavior called for tougher sanctions. The US envoy to the IAEA, Glyn Davies said there was no choice but for further, deeper sanctions against Iran over its nuclear program. Earlier, the EU also called for a clear response to Iran, saying it was ready to support a further round of sanctions against Iran.

Market Watch

The Institute for Supply Management reported that the US non-manufacturing sector expanded at a faster than expected pace in February. The ISM's non-manufacturing purchasing managers' index increased to 53 last month from 50.5 in January. The February business activity/production index increased to 54.8 from 52.2. The new-orders index increased up to 55 from 54.7 in January.

The chairman of the Commodity Futures Trading Commission, Gary Gensler said it wants Congress to include as part of its financial regulatory reform package new securities-style firewalls and insider trading bans for commodities. He said the House version of the reform bill included some of the harmonized measures and said the CFTC will suggest legislative provisions to the Senate on other measures. He said the House financial reform bill is strong but may still let some large institutional traders escape a requirement to trade standardized derivatives on exchanges and clear those trades. Meanwhile, House Agriculture Committee Chairman Collin Peterson said he is willing to close a potential loophole that may allow big derivatives traders to avoid public scrutiny of their deals.

The Greek government has approved a new package of tax rises and spending cuts to save 4.8 billion euros or \$6.5 billion and ease its budget crisis. The measures include a rise in sales and luxury taxes, a 30% cut in holiday bonuses paid to civil servants and a pensions freeze. The EU called for austerity measures amid fears that Greece's problems could undermine the eurozone. The European Commission welcomed the new package, saying the Greek government was committed to taking all necessary measures to cut its deficit. The government has pledged to cut Greece's budget deficit from 12.7% to 8.7% during 2010. It is also seeking to reduce its 300 billion euro or \$419 billion debt.

Royal Dutch Shell said a non-producing oil flow station in Nigeria's Niger Delta was damaged by an explosion. The damage to its Kokori flow station had no impact on Shell's oil production. A militant group, which identified itself as People's Patriotic Revolutionary Force of the Joint Revolutionary Council, Western Division said it was responsible for the attack.

Refinery News

DOE Stocks

Crude – up 4.034 million barrels
Distillate – down 843,000 barrels
Gasoline – up 733,000 barrels
Refinery runs – up 0.7%, at 81.9%

Motiva said its fluid catalytic cracking unit at its 220,000 bpd Norco, Louisiana refinery was restarted following a brief outage on Monday.

Flint Hills Resources LP is scheduled to shut a crude unit and other process units at its 280,000 bpd Pine Bend, Minnesota refinery on April 1st for maintenance.

ExxonMobil said its sulfur conversion unit at its 562,500 bpd Baytown, Texas refinery briefly tripped offline on Tuesday night. The unit was immediately returned to service and there was no impact to production.

Alon USA Energy Inc plans to restart its 80,000 bpd Krotz Spring, Louisiana refinery in April. The refinery's shutdown for planned maintenance was extended due to poor margins. Separately, Alon said there was no impact from a process control issue which caused sulfur recovery unit emissions at its 70,000 bpd Big Spring, Texas refinery on Tuesday. It said the process control issue was addressed.

Shell said intermittent flaring over the next 24 hours is expected at its Scotford, Alberta facility due to maintenance on its 155,000 bpd upgrader.

Suncor reported more flaring than normal at its 135,000 bpd refinery in Edmonton, Alberta on Wednesday. The company said it was working to minimize the flaring.

Chile's Enap declared force majeure on a crude shipment from Ecuador's Petroecuador on Tuesday due to refinery problems following a massive earthquake on Saturday.

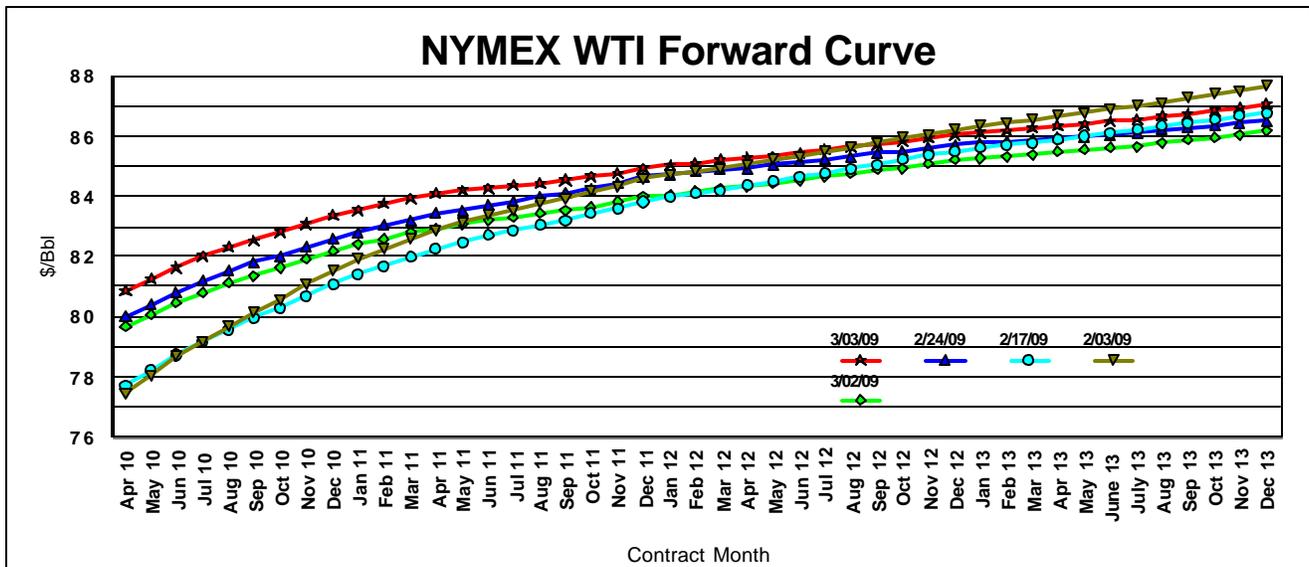
A strike ended at PDVSA's 320,000 bpd La Isla refinery in Curacao following successful talks between the oil union and the government. However the refinery remained shut. It was not immediately clear when the refinery would restart. The refinery was shut on Monday after a power cut that, along with worker worries the refinery will close, was the catalyst for the strike. The government agreed to quickly invest money to repair the power plant, which the union says has chronic problems and presents a safety risk.

China's Sinopec has shutdown a 1.5 million ton/year hydro catalytic cracking unit at its Jinling refinery for nearly a month long maintenance period. The closure will not affect crude oil processing in March. Separately, Sinopec plans to raise retail sales of refined oil products this year by 6%. Retail sales of refined fuel fell by 6.18% to 78.9 million tons last year from 2008.

PetroChina plans to close more than 40% of refining capacity at its Jinzhou refinery for one month of regular maintenance late in the second quarter or early third quarter. The shutdowns will include a 60,000 bpd crude unit, a 1 million ton/year catalytic cracker and a 600,000 ton/year continuous reformer.

South Korea's total crude processing volume in March is expected to fall by 7% on the month to 2.15-2.16 million bpd due to scheduled maintenance of some crude distillation units. S-Oil is scheduled to shut its 250,000 bpd No. 3 crude distillation unit for one month of scheduled maintenance starting Thursday. It is also expected to shut its 75,000 bpd hydrocracker. GS Caltex is expected to shut its 100,000 bpd No. 1 crude distillation unit of one month of maintenance starting in mid-March, lowering its crude runs rates in March and April to 650,000 bpd from 680,000 bpd in

**March
Calendar Averages
CL – \$79.75
HO – \$2.0578
RB – \$2.1999**



February. Meanwhile, SK Energy is expected to increase its run rates to 820,000-830,000 bpd this month from 800,000 bpd last month.

Indian Oil Corp is set to complete work on its 300,000 bpd refinery in Orissa state by November 2012.

The Petroleum Association of Japan reported that the country's crude inventories in the week ending February 27th fell by 770,000 barrels on the week and by 19.19 million barrels on the year to 87.29 million. It is the sixth consecutive weekly decline. Japan's gasoline stocks fell by 460,000 barrels on the week but increased by 400,000 barrels on the year to 14.13 million barrels while kerosene stocks fell by 1.04 million barrels on the week and by 1.22 million barrels on the year to 12.6 million barrels while naphtha stocks fell by 340,000 barrels on the week to 8.29 million barrels. Japan's crude runs increased by 30,000 bpd on the week but fell by 320,000 bpd on the year to 3.92 million bpd as its refinery utilization rate increased by 0.6% on the week but fell by 4.9% on the year to 81.7%. Japan's total oil product sales fell by 6% on the week but increased by 11.7% on the year to 3.47 million bpd, with gasoline sales increasing by 3.4% on the week and by 1.6% on the year to 970,000 bpd. It reported that kerosene sales fell by 6.8% on the week and by 4.1% on the year to 610,000 bpd while gas oil sales increased by 13% on the week and by 27.5% on the year to 650,000 bpd, naphtha sales fell by 24.5% on the week but increased by 105.5% on the year to 500,000 bpd and jet fuel sales fell by 28.5% on the week and by 516% on the year to 93,000 bpd.

Saudi Aramco sold a third March loading parcel within the past seven days, up to 90,000 tons of fuel oil, into the Middle East at high price levels.

Traders said at least 60,000 tons of clean products will be shipped from South Korea to Chile, bringing the total Asian volumes shipped to Chile to 140,000 tons. Two 30,000 ton vessels have been chartered to carry clean products from Japan and South Korea respectively on March 13th.

Production News

Saudi Arabia may continue to supply full volumes of term crude to Asia customers in April to meet growing competition from Russia's new ESPO Blend crude.

Mexico reopened its Gulf of Mexico oil export terminal of Coatzacoalcos or Pajaritos on Wednesday after it was shut on Tuesday due to bad weather conditions. Its port of Dos Bocas and Cayo Arcas remain closed.

Mexico's Pemex expects to increase its crude production at its Chicontepec oil fields this year to 48,000 bpd after falling below target in 2009. The Chicontepec oil field produced 30,000 bpd in 2009. Pemex is also targeting average output from its Cantarell oil field of 463,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell to \$75.51/barrel on Tuesday, down from \$75.75/barrel on Monday.

Saudi Aramco increased the price of Arab Super Light crude bound for Asia by 20 cents to the Oman/Dubai average plus \$1.10. However the price of its Arab Extra Light crude was cut by 15 cents to the Oman/Dubai average plus 55 cent; the price of its Arab Light crude was cut by 30 cents to the Oman/Dubai average minus 45 cents; the price of its Arab Medium crude was cut by 65 cents to the Oman/Dubai average minus \$1.60 and the price of its Arab Heavy crude was cut by 85 cents to the Oman/Dubai average minus \$2.50. The price of its Arab Extra Light crude bound for the US was increased by 15 cents to the Argus Sour Crude Index plus 95 cents; the price of its Arab Light was increased by 15 cents to the ASCI minus 60 cents; the price of its Arab Medium was increased by 10 cents to the ASCI minus \$2.10 and the price of its Arab Heavy crude was cut by 15 cents to the ASCI minus \$3.30. Meanwhile, the price of its Arab Extra Light crude bound for Northwest Europe was cut by 65 cents to BWAVE minus \$1.65; the price of its Arab Light crude was cut by 65 cents to BWAVE minus \$2.30; the price of its Arab Medium crude was cut by \$1.05 to BWAVE minus \$3.70 and the price of its Arab Heavy was cut by \$1.15 to BWAVE minus \$4.25.

Saudi Aramco has set its March contract price for propane at \$730/ton, down \$5 on the month. It has also lowered its March contract price for butane by \$20 to \$715/ton.

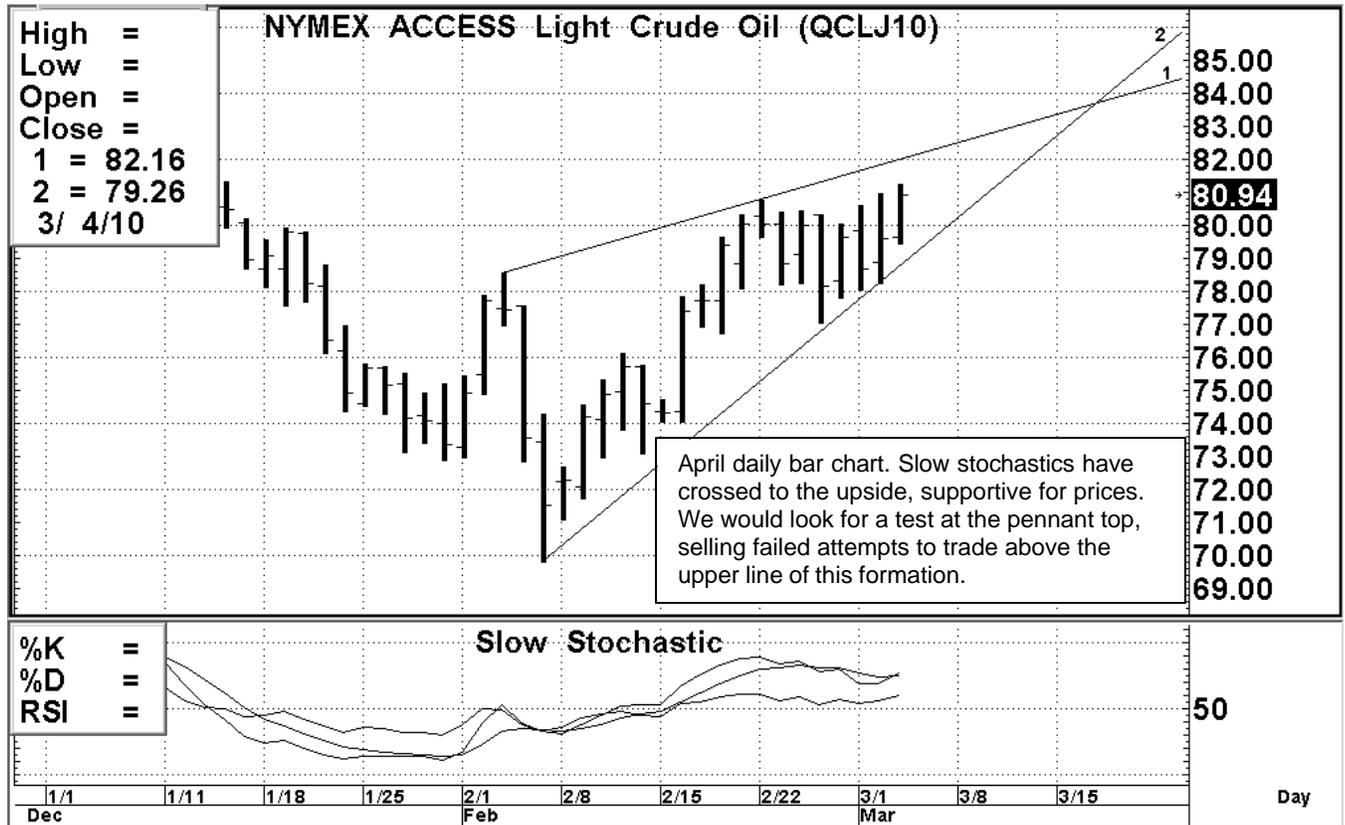
Kuwait Petroleum Corp lowered the price of propane for March delivery by \$5 or 0.7% to \$730/ton. It also lowered the price of butane by 2.7% to \$715/ton.

Market Commentary

Larger than expected inventory builds weren't enough to keep a lid on crude oil prices as they extended yesterday's gains in response to weakness in the dollar and higher equities markets. Several economically backed reports supported today's higher move. Among those of which were the U.S. service sector, which grew at its fastest pace in more than two years and news out of Greece that it may finally get some help from the European Union in regards to its extended debt. With crack-spread margins increasing, refiners will want to run more crude oil. These increases in refinery runs were interpreted as a growth in demand. We would like to see a slow steady climb rather than the sporadic spurts we have seen. Crude oil should continue to trade within the \$85.00-\$70.00 range. Currently, the April crude oil is trending within an ascending pennant that can be depicted on a spot continuation chart. The parameters for this pennant are set between the range of \$82.16 and \$79.26 coming into tomorrow's session. A penetration of the upper trendline sets price up for a test at the \$85.00 level.

Crude oil Apr. 10 255,628 -647, May 10 167,436 +3,631, June 10 173,416 +2,734 Totals 1,297,435 +18,103 Heating oil APR10 75,775 -999 May 10 49,519 +1,502 June10 46,503 -559 Totals: 300,511 -1,119 Gasoline APR10 93,600 +655 May 10 54,012 +1,679 Jun10 37,039 931 Totals: 268,322 +4,561

Crude Support Based on February	Crude Resistance Based on Feb
78.05, 76.72, 75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	82.00, 83.40, 84.83, 85.05, 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	2.1950, 2.2270, 2.3350,



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