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ENERGY MARKET REPORT FOR MARCH 4, 2010

Iran's IAEA envoy Ali Asghare Soltanieh said the country may withdraw the counter offer it made to the IAEA in response to proposals from the major powers for the supply of nuclear fuel. He said Iran's proposal for a simultaneous exchange on Iranian soil of low enriched uranium for fuel enriched to 20% is still on the table but it will not stay there forever. Meanwhile, on Wednesday US Secretary of State Hillary Clinton said it was vital that a fourth round of UN sanctions be enforced to apply pressure on Iran to accept the IAEA plan.

Iran's Supreme Leader Ayatollah Ali Khamenei called for Sunni and Shiite countries to unite against Israel. He said the unity of the Islamic world is unfortunately affected by American and British plots designed to sow division between Sunnis and Shiites. Last month, Iran's Supreme Leader said the destruction of Israel was imminent and called for

Market Watch

According to the Federal Reserve's Beige Book, the US economy had continued to grow this year but only at a modest pace. It said despite the slight improvement in consumer spending, growth was hampered by severe snowstorms. It also reported that labor markets remained weak across the country. However it did note growth in the manufacturing sector and an increase in demand for services.

The US Labor Department reported that US productivity increased at the end of 2009 by more than previously estimated. Non-farm business productivity increased by a seasonally-adjusted annual rate of 6.9% in the last quarter of 2009 compared with expectations of a 6.5% increase. In the third quarter, productivity increased by 7.8%, up upward revision from the previously estimated 7.2% increase. Unit labor costs fell at a 5.9% annual rate in the last three months of 2009 compared with an original estimate of 4.4% decline.

The US Labor Department said the number of initial claims for unemployment benefits filed in the week ending February 27th fell by 29,000 to 469,000. The previous week's level was revised upwards to 498,000 from 496,000. The four week moving average fell by 3,500 to 470,750 from the previous week's revised average of 474,250. The number of continuing claims in the week ending February 20th fell by 134,000 to 4,500,000 from the preceding week's revised level of 4,634,000. The unemployment rate for workers with unemployment insurance in the week ending February 20th was 3.5%, down 0.1% from the prior week's revised rate of 3.6%.

The US Commerce Department said factory orders increased by 1.7% in January compared with expectations of a 2% increase. While orders for non-defense capital goods increased 3.1% in the first month of the year, the category posted a 4.1% decline, excluding aircraft.

The National Association of Realtors' index for pending sales of previously owned homes fell by 7.3% to 90.4 in January from a revised level of 97.8 in December. Year over year, the NAR pending home sales index in January was 12.3% higher than 80.5 in January 2009. It warned that pending home sales contracts could fall again in February due to bad weather.

An official at China Investment Corp, the country's sovereign wealth fund, believes commodity prices are outpacing the world economic recovery due to loose monetary policies. However according to Barclays, the latest data from the Joint Oil Data Initiative implies Asian demand has been growing by more than 2 million bpd on the year.

March
Calendar Averages
CL – \$79.87
HO – \$2.0605
RB – \$2.2084

continued resistance against the Jewish state.

Libya's National Oil Corp warned US oil firms of possible repercussions over a comment made by State Department spokesman about Libya's leader Moammar Gadhafi. Libya's Foreign Ministry demanded explanations and apologies from the US over State Department spokesman Philip Crowley's reaction to a call by Libya's leader for jihad against Switzerland. Libya's call for holy war and economic boycott came last week in response to a Swiss ban on the construction of minarets.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, will fall by 550,000 bpd in the four weeks ending March 20th to 22.87 million bpd. The decline in exports is the largest drop since the four weeks ending April 11, 2009.

Nigeria's military said it has had no encounter with militants but confirmed an oil spill in the Niger Delta.

Analysts stated that fears of an attack on oil tankers transiting the Strait of Malacca could lead to higher insurance costs for shippers and may lead to longer journey times as ships are diverted. The Singapore Navy believes a group is planning attacks on oil tankers in the Strait. Longer term, if there is an attack, it will likely force some of the crude shippers to use the Sunda and Banda Straits instead of the Malacca Strait. Sunda and Banda lie south of Malacca and passing via the straits would add at least 900 nautical miles or three days sailing time from the Middle East Gulf to Japan.

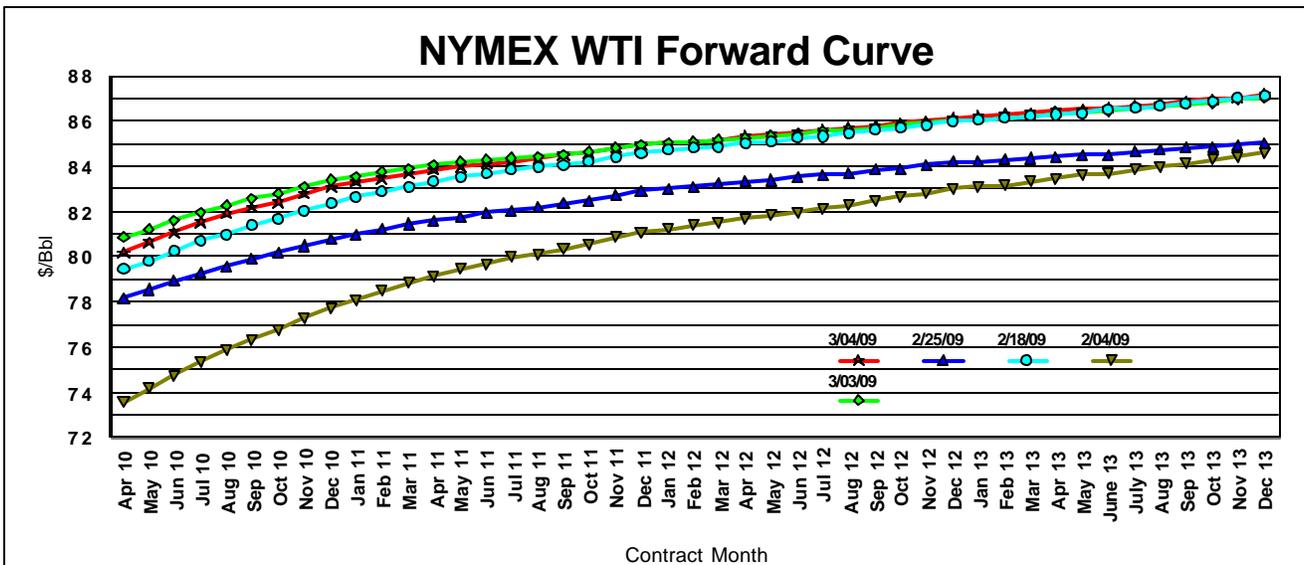
Refinery News

BP Plc said a coker unit at its 417,000 bpd Texas City, Texas refinery is in the process of resuming normal operations following an upset.

Valero Energy is planning a maintenance shutdown at Complex 7 of its 315,000 bpd Corpus Christi, Texas refinery's east plant. Valero said planned repair work on an ultra-low sulfur diesel unit is expected to end later on Thursday. Emissions started Wednesday night and were seen lasting through Thursday night.

Marathon Petroleum reported flaring during the start up of its propylene unit at its Texas City, Texas refinery.

KNOC's 115,000 bpd Come By Chance refinery is moving some products into storage.



ExxonMobil Corp restarted a fluid catalytic cracking unit at its Fawley refinery in southern England. Maintenance of the unit started in the middle of January.

Chile's ENAP has shut operations at its Bio Bio and Aconcagua refineries due to extensive damage suffered from Saturday's earthquake. Despite the refinery shutdowns, ENAP said the rest of its operations were functioning normally and the company was working to ensure gasoline and diesel supplies with current stocks and increased imports.

Western Refining Inc chief executive Jeff Stevens said the company has seen an improvement in refining margins in the first quarter. The improvement in margins is due to an increase in gasoline margins ahead of the spring and summer driving season.

Kuwait Oil Co has controlled a small leak that occurred on Wednesday in an oil pipeline in northern Kuwait. A spokesman said no more than five barrels of oil spilled from the pipeline.

Distillate differentials fell on Thursday a narrow contango encouraged stocks out of floating storage. ICAP shipping brokerage said total volumes of oil products held in floating storage have fallen to 71.27 million barrels from 80.22 million barrels last month. A further 9.19 million barrels are due to come ashore as the contango has narrowed significantly. An analyst said gas oil stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area fell to 2.346 million tons the week ending March 4th from 2.537 million tons last week. Meanwhile, jet fuel stocks fell to 818,000 tons from 825,000 tons last week. European gasoline prices fell from the highest levels since October 2008 in light of a sharp rise in stocks in the Amsterdam-Rotterdam-Antwerp area. Gasoline inventories increased to 974,000 tons from 772,000 tons last week. Naphtha stocks increased slightly to 47,000 tons from 45,000 tons the previous week.

Production News

Mexico's Communications and Transport Ministry said the country's three main oil export terminals of Cayo Arcas, Dos Bocas and Pajaritos were all open on Thursday following weather related closures along the Gulf coast earlier this week.

Royal Dutch Shell Plc spent \$19 billion to build the world's largest gas-to-liquids project known as Pearl, which may generate \$6 billion a year for the company and Qatar. Qatar, may account for 10% of the company's production after Pearl and a liquefied natural gas project start deliveries next year. Pearl will begin processing gas towards the end of the year and start delivering fuel in early 2011. At full capacity, Shell said Pearl will produce 140,000 bpd of liquid fuel and 120,000 equivalent barrels of ethane gas and condensate.

Market Commentary

The oil complex posted inside trading days and remained pressured on Thursday amid some weak economic reports and a stronger dollar. The Commerce Department reported that factory orders increased by less than expected in January and a pending home sales indicator showed a decline in January. While the Labor Department's report showed that 29,000 initial claims for unemployment benefits were filed last week, the report was overshadowed by the expected release of the February unemployment data on Friday, which is expected to show a decline of 75,000 non-farm payrolls. Also pressuring the oil market was the strength in the dollar amid doubts that Greece's announced austerity plan would prevent financial instability from spreading in the euro-zone. The crude market posted an inside trading as its gains were limited early in the session. It posted a high of \$81.09 and sold off to a low of \$79.70 following the release of the economic reports. The market retraced some of its losses and settled in a sideways trading range during the remainder of the session. It settled down 66 cents at \$80.21. The market will remain driven by the economic news and will likely continue

to trade lower on Friday amid the expectations of a less than supportive unemployment report. The market is seen finding support at its lows of \$79.70 and \$79.44. More distant support is seen at \$78.26, \$78.06, \$77.82 and \$77.05. Resistance is seen at \$80.70, its high of \$81.09 and \$81.23. More distant resistance is seen at \$83.29.

Crude oil Apr. 10 253,332 -2,296 May 10 172,991 +5,555, June 10 174,603 +1,187 Totals 1,307,002 +9,567 Heating oil APR10 80,409 +4,634 May 10 51,452 +1,933 June10 46,329 -174 Totals: 308,631 -8,120 Gasoline APR10 95,401 +1,801 May 10 59,921 +5,909 Jun10 38,526 +1,487 Totals: 278,577 +10,255.

Crude Support Based on April	Crude Resistance Based on Feb
80.00, 79.70, 79.44, 78.26, 78.06, 77.82, 77.05	80.70, 81.09, 81.23, 83.29
Heat Support	Heat resistance
2.0605, 2.0543, 2.0159, 2.0059, 1.9975, 1.9909, 1.9764	2.0800, 2.0880, 2.0970, 2.0980, 2.1000
Gasoline support	Gasoline resistance
2.23, 2.2250, 2.2170, 2.1914, 2.1550, 2.1372, 2.1271	2.2455, 2.2507, 2.2972

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