

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 10, 2011

The Associated Press reported that police in Saudi Arabia fired on protesters at a rally on Thursday in the country's east, after the government warned it would not tolerate demonstrations. The incident occurred the day before a planned pro-democracy "day of rage" in the country. Saudi police shot and wounded three Shi'ite protesters in the Eastern Province while trying to disperse a protest calling for the release of prisoners. The White House said it was aware that shots had been fired during a protest in Saudi Arabia and added that the US would continue to monitor the situation.

Warplanes sent by forces loyal to

Muammar Gaddafi bombed the oil town of Brega on Thursday, extending attacks deeper into rebel

Market Watch

The US Labor Department reported the initial claims for unemployment benefits in the week ending March 5th increased more than expected. Initial jobless claims increased by 26,000 to 397,000. The prior week's figures were revised up to 371,000 from an original estimate of 368,000. The four week moving average of new claims increased by 3,000 to 392,250 in the week ending March 5th. The Labor Department reported that the number of continuing claims fell by 20,000 to 3,771,000 in the week ending February 26th. The unemployment rate for workers with unemployment insurance was 3% in the week ending February 26th.

The US Commerce Department reported that the US trade deficit in January widened to its highest level in seven months. The US deficit in international trade of goods and services in January increased by 15.1% to \$46.34 billion from a downwardly revised \$40.26 billion in December. The December trade gap was originally reported as \$40.58 billion. The US trade deficit with China increased by 12.5% to \$23.27 billion in January. The US bill for crude oil imports in January increased to \$24.51 billion from \$22.54 billion in December.

The Federal Reserve said the net worth of American increased towards the end of last year and overall household debt declined. Its Flow of Funds data showed that US households' total net worth increased by 3.9% during the October through December period to \$56.823 trillion. Household debt fell by about 0.5%. It reported that home mortgage debt fell by 1.25% while consumer credit increased by 2%.

China reported an unexpected trade deficit in February as increasing prices for oil and other commodities raised its import bill. February export growth fell to 2.4% as businesses were idled for the Lunar New Year holiday while imports increased by 19.4% for a deficit of \$7.3 billion.

Japan's Prime Minister Naoto Kan said that increasing oil prices in the world market pose a threat to the Japanese economy.

The US Climate Prediction Center said that the La Nina weather anomaly should dissipate by June. It said a majority of computer weather models predicted a return to neutral conditions by the start of the northern hemisphere summer.

The IntercontinentalExchange said physical delivery of gasoil for the March futures contract increased to 554,600 tons in February or 5,546 lots, up from 194,000 tons in February.

Spain's government debt was downgraded by Moody's following concern that the cost of rescuing the country's banks is higher than previously estimated. New capital requirements could see the Spanish bank needing as much as 50 billion euros, 2.5 times the government's estimate.

**March
Calendar Averages**
CL – \$103.22
HO – \$3.0515
RB – \$3.0104

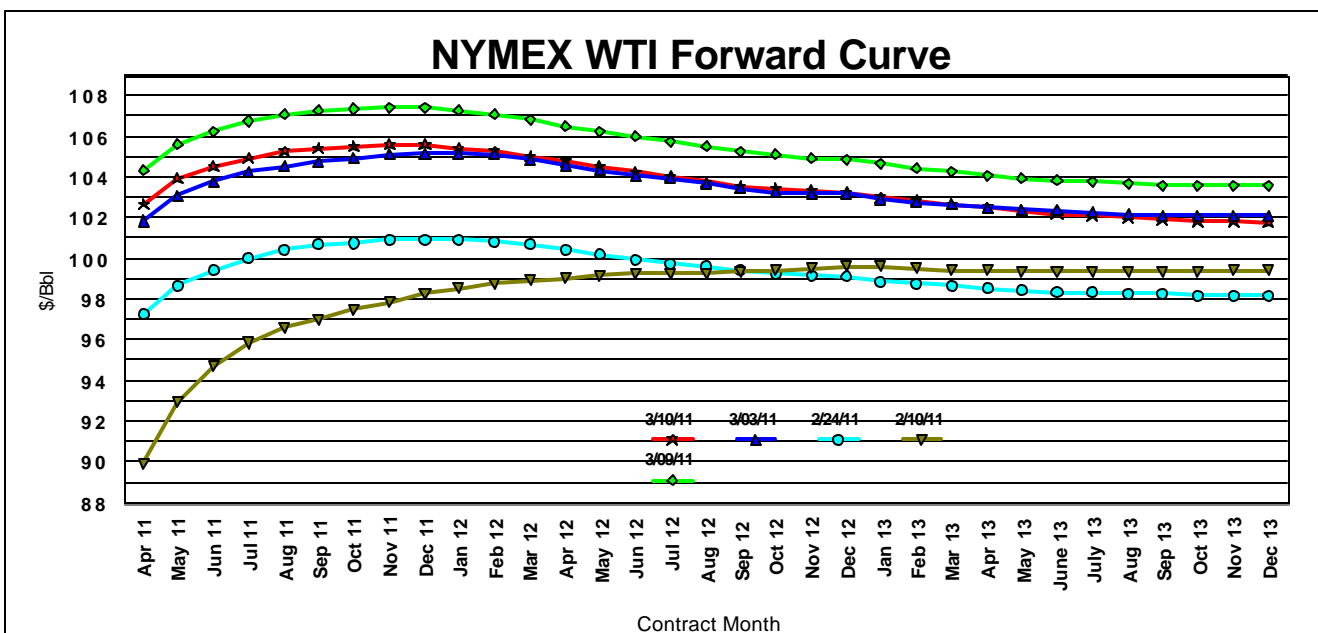
held territory in the east of Libya. Muammar Gaddafi's forces launched a fresh attack on the eastern Libyan oil town of Ras Lanuf on Thursday. Libya's leader Muammar Gaddafi's son Saif al-Islam said the leader is ready to unleash the full force of his forces to counter attack the rebels. He said that Libya would defeat the rebels even if Western powers intervened.

The chairman of Libya's National Oil Corp, Shokri Ghanem confirmed that all of Libya's oil installations were still in working condition and had not sustained any damage due to the unrest in the country. He confirmed that an explosion at the oil terminal at Sidra occurred at a diesel fuel storage tank and did not damage any oil installations. However, Libya has turned away crude tankers from various ports as oil stocks held in storage facilities were depleted because of supply disruptions at oil fields, prompting ships to reroute to Saudi Arabia and Algeria to secure cargoes. Libya's oil port of Brega has run out of crude oil stocks. The Brega terminal loaded 51,000 bpd in January. Libyan authorities have told a ship chartered by China's Unipet to leave the port of Es Sider without its intended cargo of 2 million barrels of crude.

The National Libyan Council said it would respect all oil contracts signed by Libya.

The IEA said the recent attacks on Libya's oil region appear to have damaged key oil infrastructure. It also said that the country's oil exports slowed sharply in the last week to well below 500,000 bpd reported last Friday. The IEA said that lower crude demand in Europe has mitigated the effects of the Libya outage, removing the need for a release from strategic stocks. It however said that it remained ready to act if the disruption of supplies continues and if suitable replacement supplies cannot be made readily available by other producers.

France recognized the Libyan National Council, a rebel group fighting to oust Muammar Gaddafi, as the legitimate representative of Libya's people. The Libyan government called it a "damaging intervention in Libya's internal affairs." A Libyan deputy foreign minister said Libya may sever diplomatic relations with France and other western powers if they support rebels. The announcement came as NATO and the European Union begin talks on Thursday on a possible no-fly zone over Libya. Following a meeting with French President Nicolas Sarkozy, Mahmoud Jibril, a member of the LNC said France would unveil a global strategic plan to the EU on Friday. Meanwhile, Britain's Foreign Office said members of the Libyan National Council are "valid interlocutors" after France recognized the council. Separately, Russia's Foreign Minister warned world powers on Thursday against meddling in the affairs of Libya and other African countries, saying military intervention would



be unacceptable. Russia however announced a ban on all weapons sales to Libya.

The Director of the National Intelligence, James Clapper said Libyan leader Muammar Gaddafi appears to be “hunkering down” and shows no sign he will give up power. Separately, the US said it was in contact with the Libyan National Council.

NATO Secretary General Anders Fogh Rasmussen said any NATO military action in Libya would have to be based on their being a demonstrable need and a clear mandate and with support in the region.

The European Union formally extended its embargo on Libya to include the Libyan Investment Authority, the central bank, three other financial organizations and a former senior finance official on Thursday, with the restrictions taking force from Friday. Separately, Germany ordered a freeze on bank accounts in the country held by the Libyan central bank and the Libyan Investment Authority.

European Energy Commissioner Guenther Oettinger said the EU is in no danger of an oil shortage caused by the fighting in Libya and cannot be blackmailed by leader Muammar Gaddafi.

The International Committee of the Red Cross said Libya has descended into civil war with increasing numbers of wounded civilians. It called on Libyan authorities to grant the humanitarian agency access to western areas including the capital Tripoli and reminded both sides that civilians and medical facilities must not be targeted.

Sectarian clashes broke out at a Bahrain school fueling fears a planned march on the royal court on Friday could inflame the country where a majority of citizens is Shi'ite while the ruling family is Sunni.

Oil Movements said OPEC's oil exports are expected to fall by 320,000 bpd to 23.56 million bpd in the four weeks ending March 26th.

Refinery News

Colonial Pipeline is allocating its Linden Delivery Line L2 for Cycle 13.

Imperial Oil Ltd said the Keystone XL pipeline project that is pending US approval is necessary to ensure the reliability and security of oil supplies to the US. The Keystone pipeline system currently transports about 500,000 bpd of oil from Canada's oil sands to the Cushing, Oklahoma storage hub. The expansion project envisions another pipeline that would double the system's oil flows from Canada. Keystone XL would also see the pipeline extend to the US Gulf Coast, which would give Canadian oil producers better market access to the largest refining hub in the US.

LyondellBasell said the overhaul of its 110,000 bpd fluid catalytic cracking unit at its 270,000 bpd Houston, Texas refinery remained on schedule for completion in late March.

Suncor Energy Inc said it will begin planned maintenance at its 80,000 bpd Sarnia, Ontario refinery on March 20th. The maintenance turnaround is expected to last six weeks. It is expected to partially shutdown of operating units. It has arranged to have sufficient product supply and expects to meet all customer supply agreements.

Security fears due to fighting have kept one of Libya's refineries closed for the fourth consecutive day. The 120,000 bpd Zawiyah refinery is the largest provider of gasoline in Libya.

Valero Energy reached an agreement to purchase Chevron's 210,000 bpd Pembroke refinery in the UK for \$2 billion. The Pembroke refinery would be Valero's first refinery in Europe. Separately,

Valero's chief executive Bill Klesse said the future of US refining is in exports, especially diesel. It said US refiners could make up for production that national oil companies have not been able to maintain.

Workers on strike at Petroplus' 85,000 bpd Reichstett refinery in France were blocking product deliveries from the plant.

Neste Oil plans to perform maintenance turnaround at its 58,000 bpd Naatali refinery in Finland in 2012.

PetroChina's Jinzhou refinery plans to shut down a 90,000 bpd crude unit for about 20 days of maintenance in August or September. It also plans to revamp its reforming unit, which produces mostly gasoline, about June/July for about two months.

China's General Administration of Customs reported that the country imported 19.95 million tons or 5.2 million bpd of crude in February. China imported 3.3 million tons of refined oil products and exported 1.86 million tons of fuel in February.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending March 10th increased by 18.25% on the week and by 4.67% on the year to 1.03 million tons. Gasoil stocks fell by 1.74% on the week but increased by 10.9% on the year to 2.595 million tons while fuel oil stocks increased by 46.43% on the week but fell by 11.83% on the year to 738,000 tons. Naphtha stocks increased by 16.28% on the week and by 13.64% on the year to 50,000 tons while jet fuel stocks increased by 0.52% on the week and by 1.17% on the year to 777,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 458,000 barrels to 18.893 million barrels in the week ending March 9th. It also reported that Singapore's light distillate stocks increased by 550,000 barrels to 10.271 million barrels while its middle distillate stocks fell by 215,000 barrels to 14.24 million barrels.

Production News

Saudi Arabia has kept the April supply to Asia steady from March, with most refiners receiving full volumes.

Norway's Statoil said output from the Gullfaks C platform in the North Sea was not affected by a gas alarm triggered overnight by traces of gas in the ventilation system. It said gas leaked during an operation on the platform to plug an abandoned well.

The North Sea Brent crude oil stream is scheduled to load 160,000 bpd in April, up from 135,000 bpd in March. It is scheduled to load 4.8 million barrels, up 600,000 barrels on the month. The North Sea Forties oil stream is scheduled to load 500,000 bpd in April, down from 523,000 bpd in March. It is scheduled to load 15 million barrels, down 1.2 million barrels from March. The North Sea Oseberg oil stream is scheduled to load 160,000 bpd in April, up from 135,000 bpd in March. It is scheduled to load 4.8 million barrels, up 550,000 barrels on the month.

Iraq's Oil Ministry said repairs to the Iraq-Turkey pipeline will take up to five days following a bomb attack in Iraq's northern Nineveh province that halted the flow of oil. The pipeline was shut down after the attack on Tuesday night in al-Hadhar.

Italy's Eni SpA expects to shut down its oil production in Libya in a few days due to the unrest in the country. It is currently producing about one-third of its normal hydrocarbon output. It said production at the Bu Attifel plant was suspended due to insufficient staff. Separately, Eni said its 53.3 billion euro

four year plan estimates average annual hydrocarbon production growth of more than 3% a year through 2014. It forecasts daily output would total 2.05 million barrels of oil equivalent in 2014. Eni also stated that it would use disposal proceeds in 2011 for debt reduction. It said if oil prices remained at \$100/barrel for a long period, it would change its dividend policy.

Russia's Lukoil Holdings expects to stabilize falling production at its West Siberian fields within three years.

Nigeria's parliament this week pushed back a debate on the Petroleum Industry Bill to reform to its oil industry.

Russia's oil export duty may increase by up to 17% in April to reach \$426/ton, up from the current level of \$365/ton in March. The export duty on light refined fuels is expected to increase to \$284-\$285/ton compared with \$244.60/ton in March. The duty on heavy oil products is expected to increase to about \$198-\$199/ton, up from \$170.40/ton.

OPEC's news agency reported that OPEC's basket of crudes increased to \$109.96/barrel on Wednesday from \$109.55/barrel on Tuesday.

National Iranian Oil Co increased its official selling price of its crude bound for Northwest Europe. The price of its Iranian Light crude bound for Northwest Europe was set at BWAVE minus \$3.40, up 80 cents on the month; the price of its Iranian Heavy crude was set at BWAVE minus \$5.40, up 40 cents and the price of its Forozan Blend was set at BWAVE minus \$5.35, up 40 cents. The price of its Iranian Light crude bound for the Mediterranean was set at BWAVE minus \$4.75, up \$1.05; the price of its Iranian Heavy was set at BWAVE minus \$8.75, down 40 cents and the price of its Forozan Blend was set at BWAVE minus \$8.70, down 40 cents. The price of its Iranian Light crude bound for Asia was set at the Oman-Dubai average plus \$2.23, up 71 cents on the month; the price of its Iranian Heavy was set at the Oman-Dubai average minus 43 cents, up 62 cents and the price of its Forozan Blend was set at the Oman-Dubai average minus 34 cents, up 63 cents.

Market Commentary

Crude oil and Brent rebounded off of their lows on reports that police in Saudi Arabia had fired on protesters. This action supposedly came a day before the "Day of Rage" is to have taken place. Fear has been mounting for several weeks that the unrest seen in other countries in the Middle East would spread to oil rich Saudi Arabia. Despite its bullish reaction to these reports, crude oil was unable to sustain its strength, settling \$1.68 lower on the day. This is most likely in reaction to inventories that remain hung up in Cushing that we spoke about yesterday. Technically, the April crude oil contract settled below the \$103.39 support level with the moving average turning to the downside. Prices should continue to react to news out of the Mid-East with the upside potential contained by underlying bearish inventory numbers and the fact that higher prices are damaging to the economic recovery.

Crude oil: April 11 222,835 -10,992 May 11 269,127 +16,227 June 11 154,804 +5,842 Totals 1,585,044 +12,500 Heating oil: Apr 11 79,722 -1,664 May 11 56,388 -579 June 11 51,323 -1,781 Totals 301,326 -4,986 Rbob: Apr 11 70,889 -3,054 May 11 64,406 +2,331 June 11 39,253 +1,964 Totals 275,346 +975

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
103.39	10880	29300			
9973	111.65	27980		28755	30300
9635		26680		26965	31970

9245		27375		26300	32450
9150		23685	31525	25683	35915
8772		22960	33510	25145	36310
8647		22013		24240	
8387		21860		23631	
8231		21140		23414	

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without permission is prohibited.