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ENERGY MARKET REPORT FOR MARCH 14, 2011

Libyan rebels braced for new attacks on Monday as shells fell near Ajdabiya, a town they have vowed to defend against loyalist forces advancing towards their capital Benghazi. Rebels reported that four shells fired by government forces fell on Monday six kilometers west of Ajdabiya, causing no casualties.

Market Watch

President Barack Obama appears ready to tap crude from the US SPR as political pressure drives him to assure the US that he would keep gasoline costs under control. He reiterated comments made by his top officials that a plan to tap the SPR was prepared and vowed to move quickly should conditions worsen. He refused to say what price could trigger a release but many expect a release sooner rather than later if fuel costs continue to increase. The former head of the EIA, Guy Caruso said it would be difficult for the administration stand by as gasoline prices increased another 25 or 35 cents. He said oil prices would fall \$5 to \$10/barrel in the short term if the SPR were tapped and gasoline prices would likely fall about 24 cents/gallon. While prices remain below the record \$147/barrel level reached in 2008, market intervention may be greater now as the world contends with actual supply disruptions in Libya and increasing Middle East tensions. A surge in Japanese imports could also make matters worse.

ICE introduced an ICE Heating Oil versus ICE Brent futures and ICE RBOB versus ICE Brent futures crack spread. The new contracts are available to start trading on Monday, March 14th. ICE also said it would launch 15 cleared oil products on April 4th.

A Pentagon official said the US has not made a decision to impose a no fly zone over Libya. He added that a no-fly zone was still however an option under consideration. Meanwhile, a spokeswoman for the European Union policy chief Catherine Ashton said the international community is working on ways to put an end on the violence in Libya. She said the commission is extremely concerned about the events on the ground in Libya. Al Jazeera television reported that the US, Britain and France had promised rebels in eastern Libya to set up a no-fly zone.

Libya's leader Muammar Gaddafi invited Chinese, Russian and Indian firms to produce its oil in a bid to replace western companies that halted its production due to the unrest in the country. Most oil companies operating in Libya, including Total SA and CNPC have partially or completely shut down production since the uprising against Gaddafi's rule started a month ago. On Friday, Total said it cut production by 1.4million bpd to under 300,000 bpd. Meanwhile, Libya's National Oil Corp called on employees to return to work at oil installations and is hopeful oil production could soon increase.

A Saudi official said more than 1,000 Saudi troops, part of the Peninsula Shield Force, entered Bahrain on Sunday following recent unrest by the country's Shi'ite Muslim majority. They were heading in the direction of Bahrain's Sunni Riffa area, home to the royal family and military hospital. Bahraini opposition groups including the largest Shi'ite Muslim party Wefaq said that any intervention

**March
Calendar Averages**
CL – \$102.81
HO – \$3.0505
RB – \$3.0031

by Gulf Arab forces on the Gulf island is a declaration of war and occupation. Meanwhile, the UAE sent about 500 police officers into Bahrain to calm protests by the Shi'ite Muslim majority.

The EIA reported that the US average retail price of diesel increased by 3.7 cents to \$3.908/gallon in the week ending March 14th.

Refinery News

Colonial Pipeline issued a nomination freeze notice for its Linden Line L6 for cycle 13 effective Monday.

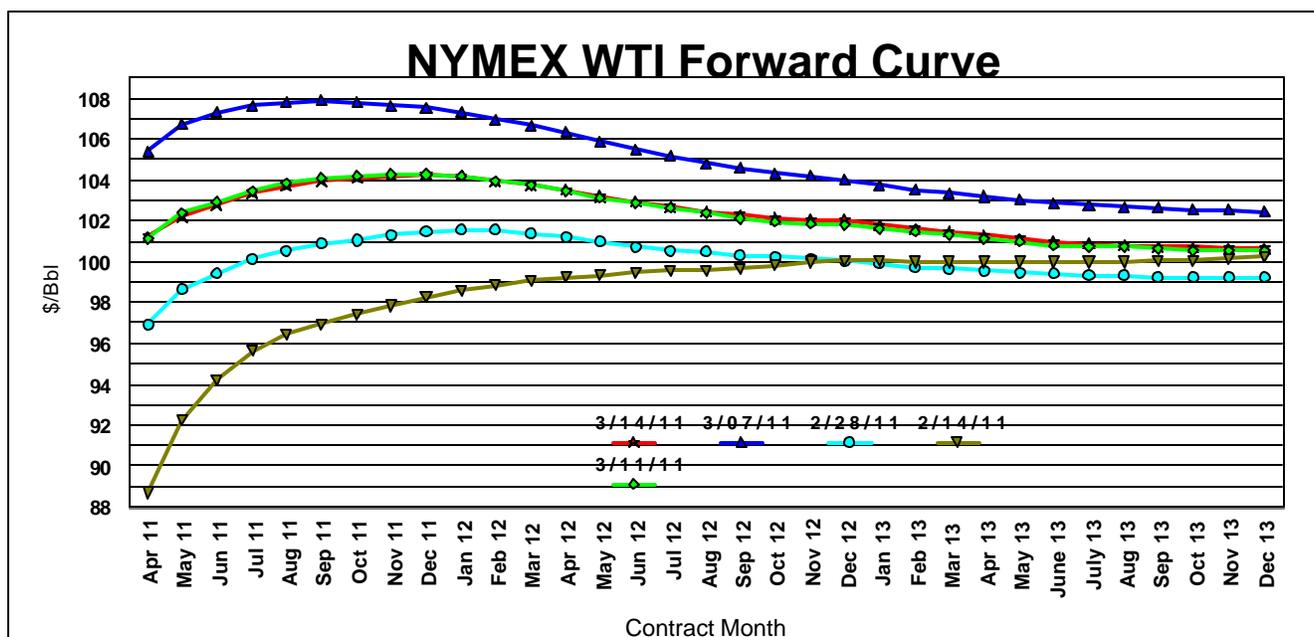
Credit Suisse reported that US refined products margins were weaker across most regions in the week ending March 11th. Margins in the Northeast increased by \$1.39 to \$8.32/barrel while margins in the Midwest fell by \$2.10 to \$19.18/barrel and margins in the Gulf Coast fell by 78 cents to \$20.05/barrel. Margins in the Rockies region fell by 18 cents to \$25.80/barrel while margins in the West Coast fell by \$1.43 to \$16.05/barrel on the week.

Valero Energy Corp said its 170,000 bpd Benicia, California refinery is operating at planned rates following an unplanned shutdown of its hydrocracking unit on Friday.

Alon said there was no impact on operations from the Shell Clause Off-Gas Treating unit at its 67,000 bpd refinery in Big Spring, Texas.

Bayernoil shut in some of its capacity at Germany's Neustadt refinery offline, reducing runs at the Neustadt and Vohburg sites by a third to about 120,000 bpd. It is performing maintenance on a distillate unit, a fluid catalytic cracking unit and a middle distillate desulphurization unit.

Six Japanese refineries capable of processing about 1.4 million bpd of crude oil have been shut because of Friday's 8.9 magnitude earthquake. The six refining complexes account for more than 25% of the country's total processing capacity. JX Nippon shut its 145,000 bpd Sendai refinery, its 252,500 bpd Kashima refinery and its 270,000 bpd Negishi refinery. Cosmo shut its 220,000 bpd Chiba refinery while Kyokuto shut its 175,000 bpd Chiba refinery. TonenGeneral shut its 335,000 bpd Kawasaki refinery. Meanwhile, Japan's Chiba oil port resumed some operations with at least one



terminal remaining shut. Japan said it will allow oil companies to release 8.9 million bpd of crude from its stockpiles to relieve pressure on supplies disrupted by Friday's earthquake and tsunami.

Separately, Tokyo Electric said blackouts affected 113,000 households. Toshiba's Westinghouse two nuclear fuel facilities in Japan have been shut since Friday's earthquake and tsunami.

Production News

The loadings of the four major North Sea crude oil grades, Brent, Forties, Oseberg and Ekofisk, for April will increase by 1.1% on the month to 1.145 million bpd compared with 1.132 million barrels in March.

The April loading program for Ekofisk crude is scheduled at 9.75 million bpd, down 700,000 barrels from March.

Iraq on Monday restarted pumping crude oil from its northern oil fields through its pipeline to Turkey after a five day halt. Crude oil supplies through the Kirkuk-Ceyhan pipeline were cut on Wednesday following a blast on the pipeline inside Iraqi territory.

Chevron Corp said it plans to increase drilling for unconventional gas and oil reserves in the US and elsewhere and that it plans to increase total production by 1% this year. Its production in 2011 is expected to total 2.79 million bpd of oil equivalent, up from 2.763 million bpd of oil equivalent in 2010. Chevron also reported that its Caspian project will increase its capacity to 1.4 million bpd.

Royal Dutch Shell said that Brunei Shell Petroleum announced a significant new oil discovery in the coastal waters of the country.

OPEC's news agency reported that OPEC's basket of crudes fell to \$109.18/barrel on Friday from \$110.71/barrel on Thursday.

Market Commentary

Crude oil continued its downside retracement, hitting its lowest level in two weeks on concern that demand out of Japan would dwindle. Japan is the third largest consumer of oil in the world. Approximately 1.3 million barrels per day of oil demand as been impacted as a result of the earthquake and tsunami disasters. Prices retraced slightly on news that Saudi Arabia sent troops into Bahrain. Heating oil rebound on expectations that demand for diesel will increase as repairs get underway in Japan. Speculative longs should continue to take profits and as a result we would look for the downside movement in prices for crude oil to continue, with an initial test at \$95.00 level.

Crude oil: April 11 203,092 -12,313 May 11 308,701 +22,696 June 11 148,503 -4124 Totals 106,583 +9652 Heating oil: Apr 11 69,670 -3353 May 11 67,126 +3942 June 11 50,648 -1064 Totals 306,057 +1927 Rbob: Apr 11 60,890 -4,816 May 11 67,402 +2,178 June11 40,415 +925 Totals 272,355 -1,148

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	10695	29300			
	10880	27980		28755	30300
9813	111.65	26680		26965	31970
9540		27375		26300	32450
9267		23685	31525	25683	35915
9635		22960	33510	25145	36310

8385		22013		24240	
		21860		23631	
		21140		23414	
				22560	

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