

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 15, 2010

OPEC ministers due to arrive in Vienna for their meeting on March 17th say there is no need to change output targets with oil prices above their preferred range. Qatar's Oil Minister Abdullah al-Attiyah said high inventories showed there was no shortage of crude in the market and OPEC will discuss adherence to existing supply curbs. He said

Market Watch

The Federal Reserve reported that US industries reduced manufacturing output in February because of severe weather. Industrial production in February increased by 0.1% while output in January increased by 0.9%. The largest gain in the report showed output in the mining industry increased 2% after increasing 1.1% in January. Manufacturing production in February fell by 0.2% from the previous month's 0.9% increase. The rate industries used their capacity increased slightly in February to 72.7%. Economists had expected a 72.5% increase.

The New York Federal Reserve's "Empire State" general business conditions index fell to 22.86 this month from 24.91 in February. The employment index increased to 12.35 from 5.56 the previous month while the inventories index increased above zero for the first time in more than a year to 4.94 from February's zero.

US homebuilder sentiment fell unexpectedly in March. The NAHB/Wells Fargo Housing Market index fell two points to 15 in March.

The OECD's Secretary General Angel Gurría said the world economic recovery will be stronger than previously estimated this year, helped by growth in China and India. He said the world economy should be moving a 4-5.5% while the OECD economy grows at about 2 to 2.5%.

China's National Energy Administration said the country's overall power consumption in January increased 40.14% on the year to 353.1 billion kwh.

OPEC has no need to change its oil supply targets. Also, Libya's top oil official, Shokri Ghanem said OPEC is unlikely to raise its assigned quota level in line with its current production level this year. He said members meeting in Vienna on March 17th will call for further compliance with the agreed quota. He said demand for OPEC oil may fall this year as non-members increase their output to meet potential consumption rises. World oil demand will increase by 900,000 bpd, which will not be met by OPEC because non-members, such as the US and Russia are expected to increase their production. Meanwhile, Iran's Oil Minister Masoud Mirkazemi said Iran wants the OPEC output ceiling to remain unchanged when OPEC meets on Wednesday.

Germany's Chancellor Angela Merkel said the further sanctions against Iran are looming as Iran has rejected Western efforts to find a negotiated solution. Her comments came a day after French

**March
Calendar Averages**
CL – \$80.87
HO – \$2.0834
RB – \$2.2444

Foreign Minister Bernard Kouchner said the European Union was ready to impose unilateral sanctions as Western powers struggle to forge a consensus within the UN Security Council.

Saudi Arabia's Foreign Minister Saud al-Faisal said China is aware of the scope of its responsibilities and obligations as a world power in the effort to halt Iran's nuclear program. He said Saudi Arabia supports the Security Council's work and added that he hoped Iran would cooperate with its efforts.

Two explosions near the state governor's office shook Nigeria's southern oil city of Warri on Monday during amnesty talks. Earlier, the Movement for the Niger Delta said in an emailed statement it planted three explosive devices in and around Delta State Government House in Warri. The militant group has threatened to attack oil installations across the Niger Delta in coming days. Later, Nigeria's Acting President Goodluck Jonathan said the government was committed to a post-amnesty program to develop the Niger Delta, after militants detonated two car bombs.

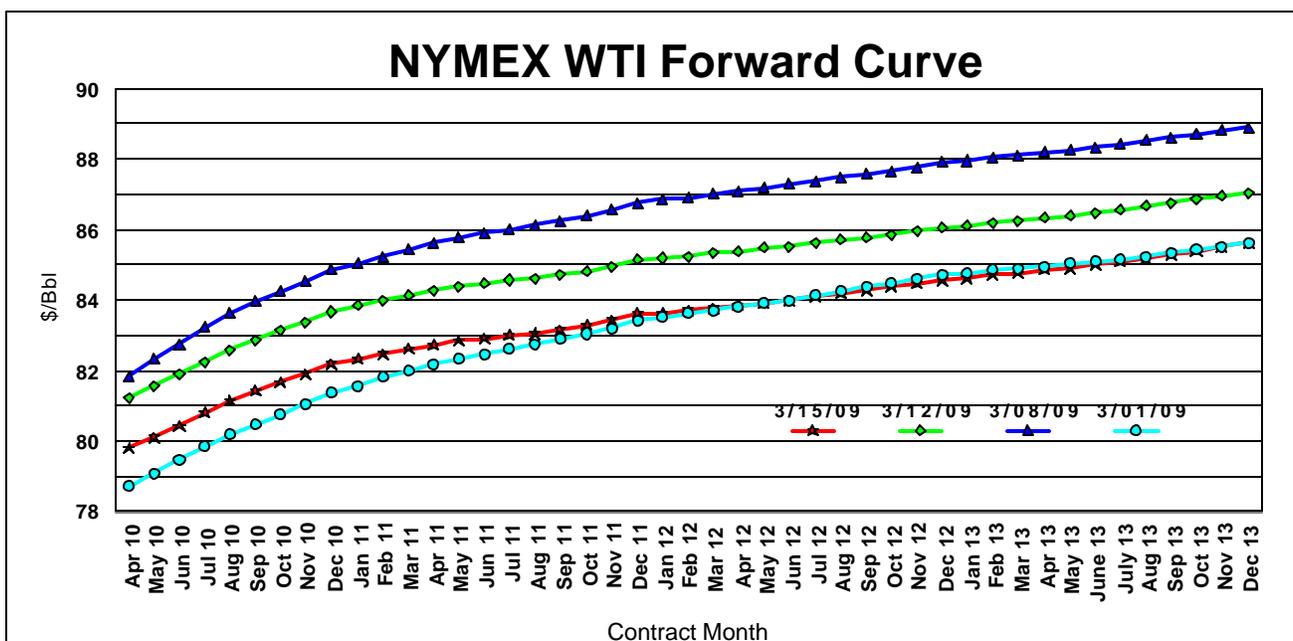
The EIA reported that the US average retail price of diesel increased by 2 cents to \$2.924/gallon in the week ending March 15th. The price of diesel has increased by 16.8 cents/gallons in the past four weeks. Diesel prices are 90.7 cents above the year ago level. The US average retail price of gasoline increased by 3.7 cents to \$2.788/gallon on the week.

Refinery News

The US Coast Guard said the Houston Ship Channel reopened on Monday after it was shut over the weekend due to fog. Twenty ships were delayed inbound and 14 outbound.

Credit Suisse reported that US refinery margins were mixed last week. Margins in the Northeast fell by 8 cents to \$8.57/barrel while margins in the West Coast fell by 70 cents to \$15.06/barrel. Meanwhile, margins in the Gulf Coast increased by 10 cents to \$8.53/barrel, margins in the Midwest increased by 15 cents to \$6.68/barrel and margins in the Rockies increased by \$1.20/barrel to \$15.51/barrel.

Valero Energy Corp has started a 38 day planned turnaround on a 45,000 bpd hydrocracker unit at its 325,000 bpd Port Arthur, Texas refinery. A recently restarted fluid catalytic cracking unit returned to



planned rates at the refinery. Valero reported emissions at an exchanger at the alkylation unit located in Complex 2 at its 245,000 bpd Texas City, Texas refinery. It said there was no major output impact due to the leak on Sunday. Valero also said a crude unit and coker unit were restarted and increasing to planned rates at its 250,000 bpd refinery in St. Charles, Louisiana following the completion of maintenance work. Meanwhile, a planned 45 day maintenance outage on a fluid catalytic cracking at its 180,000 bpd Memphis, Tennessee refinery has started. All other refinery units will be shut during the work for a shorter period of time.

ExxonMobil Corp reported that operating conditions caused weekend flaring at its 348,500 bpd Beaumont, Texas refinery.

Royal Dutch Shell Plc has started its planned maintenance at its 155,000 bpd Scotford oil sands upgrader. It said work could result in more flaring at the site but did not say how long the work on the facility would take.

A hydrocracker unit at Royal Dutch Shell Plc's 16 million metric ton/year Godorf refinery in Germany was shut on Thursday for unplanned downtime. The company declined to provide further details about the cause or duration of the shutdown.

PDVSA's 320,000 bpd La Isla refinery in Curacao is still down for the third consecutive week. An official said it will be at least until April before production resumes. The refinery was shut on March 1st after a power outage caused serious damage to key air compressors.

Indian Oil Corp plans to shut a 72,000 bpd crude unit at its Haldia refinery in eastern India for about 25 days in June-July. It recently raised the capacity of the refinery by 25% to 150,000 bpd. In addition to the crude unit, India Oil Corp also plans to shut a vacuum distillation unit and a catalytic reformer for about 25-30 days in June-July.

India's Mangalore Refinery and Petrochemicals Ltd plans to shut its 142,800 bpd crude distillation unit at the end of the month. The unit will shutdown for a week in order to hook up to a diesel hydro desulfurization unit that has been offline since February 26th. It also plans to shut a 1.2 million ton/year hydrocracker unit for about a month sometime in May-June to change the catalyst.

According to Germany's MWV, total sales of oil products in Germany fell 11% on the year in February to 6.07 million tons. Germany's heating gasoil fell by 17.2% on the year to 2.11 million tons while its high sulfur fuel oil fell by 21.9% on the year to 400,000 tons, its diesel sales fell by 2.4% on the year to 2.2 million tons and its gasoline sales fell by 9.5% on the year to 1.36 million tons.

Production News

According to Baker Hughes, OPEC is increasing its oil drilling at the fastest rate in 2 ½ years, even as production exceeds its quotas by about 1.9 million bpd and delegates prepare to pledge no increase in output at its meeting this week. OPEC increased the number of its oil and gas rigs by 8.4% in January and February. OPEC has increased the number of rigs by 22 this year, raising its total to 283. Producers outside of OPEC have added the same number to total 785 rigs, a 2.9% increase.

BP Plc will take a majority stake in the Terre de Grace oil sands property in northern Alberta owned by Value Creation Inc for an undisclosed amount.

Kazakhstan's State Statistics Agency reported that the country produced 6.2 million tons of crude oil and gas condensate in February, down 5.6% on the month. Kazakhstan produced 5.239 million tons of crude in February, down 6.2% on the month but up 9.5% on the year. Its gasoline production fell by 12% on the month but increased by 27.1% on the year to 250,000 tons while its diesel production

fell by 5% on the month but increased by 8% on the year to 341,000 tons and its fuel oil production fell by 13.9% on the month but increased by 38.4% on the year to 289,000 tons.

Russian oil supplies to Belarus in the first 14 days of March fell by about 50% from February as Russia limited March duty-free supplies to the country. In February, Russia supplies 1.4 million tons of crude to Belarussian refineries tax free. Its March export plan showed duty-free supplies were set to reach only 590,000 tons of the 1.55 million tons planned for delivery. The remaining oil shipped to Belarus in March will be subject to a 100% export duty, which is set at \$253.60/ton from March 1st. As a result, Russian oil supplies to the country in the first two weeks of the March fell to 25,900 tons/day from 50,000 tons/day.

Angola's oil export rates will fall slightly in May from April. The number of cargoes available for May for Cabinda, Nemba and Kuito are the same as April. However the loading rates will fall to about 215,000 bpd, 245,000 bpd and 59,000 bpd, respectively.

Brazil's Petrobras notified the National Petroleum Agency late Friday that a well in the Santos Basin's Piracuca field tested positive for oil.

Brazil's Mines and Energy Minister Edison Lobao said Brazil plans to auction more blocs for oil and gas exploration in 2010. The auction would only take place once the proposed new regulatory body which will oversee oil concessions has been approved by Congress.

Iran has cut its official selling prices of its Light, Heavy and Forozan grades for April loading to Asia. It cut its Iran Light crude price by 35 cents to a 25 cent discount to the Oman/Dubai average. It also cut its Iran Heavy crude price by 75 cents to the Oman/Dubai average minus \$1.50 and its Forozan crude by 75 cents to the Oman/Dubai average minus \$1.45.

OPEC's news agency reported that OPEC's basket of crudes fell by 2 cents to \$77.74/barrel on Friday from \$77.76/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$1.42/barrel to \$77.71/barrel in the week ending March 12th.

Market Commentary

As expected, prices continued their decline from last week as the dollar strengthened and concerns regarding the Greek economy weighed on the euro. Equities also slid today, adding pressure to prices. There are expectations that China will take additional steps to curtail its economic growth and economists are expecting that India will do the same. April crude oil fell 1.8 percent, falling below the \$80.00 for the first time in seven trading sessions. Crude oil appears to have topped out for now as we await word from OPEC's March 17th meeting. We would look for continued downside movement and for the April crude oil to test the 62% retracement level of \$78.06, which can be derived from the range of \$69.80 and \$83.16.

Crude oil Apr. 10 137,408 -25,412, May 10 298,007 +8,065, June 10 166,473 -2,734 Totals 1,357,298 -14,796 Heating oil APR10 62,969 -3,265, May 10 70,334 -88 June10 50,770 +1,272 Totals: 322,141 -697 Gasoline APR10 64,559 -3,232, May 10 86,250 + 17 Jun10 47,677 +2,108 Totals: 300,669 +1,291.

Crude Support	Crude Resistance
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	83.40, 84.83, 85.05, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.2270, 2.2575, 2.4200
Gasoline support	Gasoline resistance
2.1460, 2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.8565, 1.7900, 1.7200 1.6600	2.3350, 2.5040

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