



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 16, 2010

OPEC ministers are expected to leave their output quotas unchanged at OPEC's meeting on Wednesday.

Saudi Arabia's Oil Minister Ali Al Naimi said he saw no need for OPEC to change its formal oil production target when it meets on Wednesday. He said the market is in balance and added that oil demand is increasing. He

also said OPEC will not let world oil markets become too tight as this could lead to higher oil prices and threaten the world economic recovery. Meanwhile, Kuwait's Oil Minister Sheikh Ahmad Abdullah al-Sabah said OPEC should maintain its official output quota but called on members to comply with their production quotas. He said the oil market is well supplied. UAE's Oil Minister Mohammad Al-Hamli said OPEC will not change its current production quota. He said there was no need for the group to change its output target. Qatar's Oil Minister Abdullah bin Hamad Al Attiyah also said OPEC will keep its output quota unchanged at its meeting tomorrow. He said the market is well supplied. Angola's Oil Minister Jose Maria Botelho de Vasconcelos said the sentiment is to maintain decisions

taken in December 2008. He said a price of \$90/barrel for crude is too high for the market and could jeopardize the oil market. Algeria's Oil Minister Chakib Khelil said OPEC may increase its output ceiling when it meets in September. He said OPEC will probably not meet again before its scheduled September meeting. He also said he sees the oil price at \$80-\$85/barrel at the end of the year. Nigeria's Oil

Market Watch

The Labor Department reported that US import prices in February posted their first monthly decline since July 2009 due to lower fuel prices. It said the prices of goods imported into the US fell by 0.3% in February after increasing a revised 1.3% in January. Economists had expected a 0.2% decline in import prices last month. Fuel import prices fell by a monthly 1.9% in February following a 4.9% increase in January. A 2.2% decline in petroleum import prices was slightly offset by a 2.6% increase in natural gas prices. Excluding petroleum, import prices were up 0.2% in February versus January.

The Commerce Department said US home construction fell in February due to major snowstorms. Housing starts fell by 5.9% to a seasonally adjusted 575,000 annual rate compared to the prior month. While the housing starts decline was the largest in four months, it followed an upward revision in the previous month's data, when starts increased by 6.6%. January starts were originally reported up 2.8%.

The US Department of Agriculture's top economist said ethanol made from cellulose is still a long way from being commercially viable. It is still a few years before it can become competitive due to the high cost and difficulty gathering large amounts of cellulose feedstock. He said the feedstocks for cellulosic ethanol are cheap or even free but the distribution system to funnel large amounts of these cellulose feedstocks to commercial scale cellulosic ethanol plants is not yet in place.

API Stocks

Crude – up 403,000 barrels
Distillate – down 756,000 barrels
Gasoline – down 3.654 million barrels
Refinery runs – up 0.4%, at 81.3%

Minister Rilwanu Lukman said OPEC's production ceiling will likely remain unchanged for the rest of the year. Nigeria's OPEC governor Mohammed Barkindo said Nigeria will ask OPEC to look again at its production quota. He said that Nigeria's target was last adjusted when OPEC cut its output in late 2008 at a time when militant attacks had cut Nigeria's output.

March Calendar Averages CL – \$80.94 HO – \$2.0860 RB – \$2.2470

OPEC's Ministerial Monitoring Committee has called for improved compliance and steady output from OPEC. A senior Gulf official said tomorrow's meeting will be easy with no surprises as there is a consensus among OPEC members to leave its production ceiling unchanged.

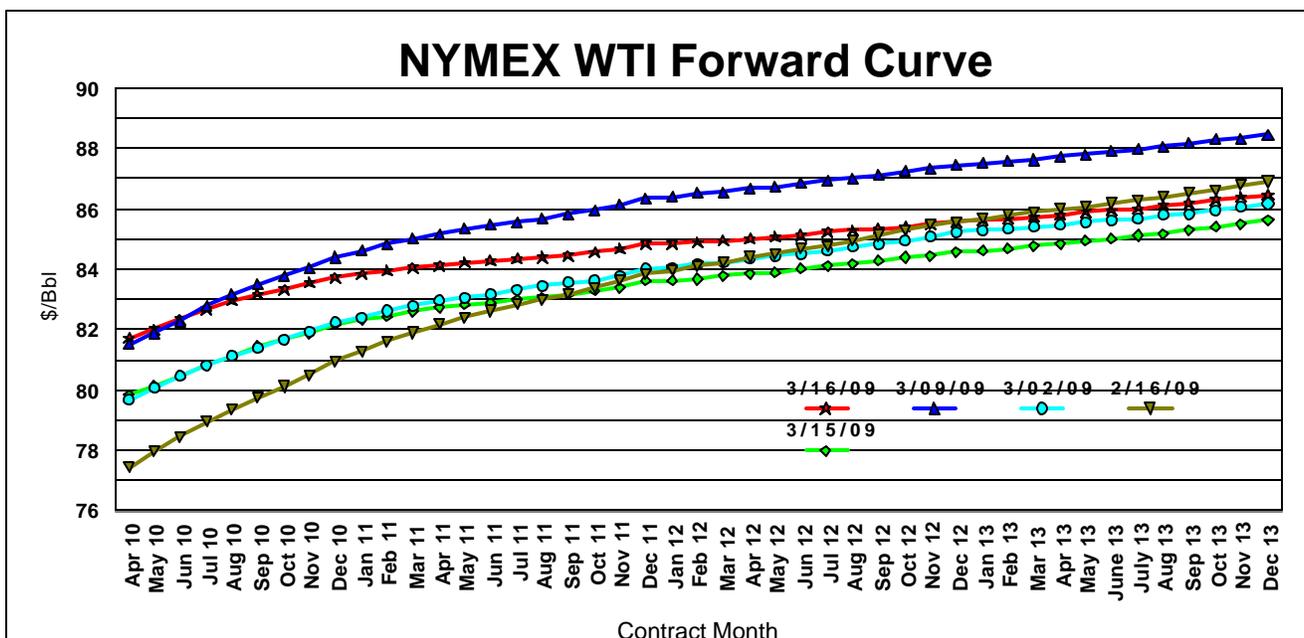
Venezuela's Oil Minister Rafael Ramirez is not scheduled to attend the OPEC meeting on Wednesday because of meetings this week with Belarus President Alexander Lukashenko this week. Venezuela's OPEC governor Bernard Mommer will represent Venezuela at the meeting.

Iraq's Oil Minister Hussein al-Shahristani said OPEC will not discuss a production quota for Iraq this year. He said Iraq does not expect to be bound by a quota until its output exceeds 4 million bpd. He said OPEC should rollover production quotas at its meeting on Wednesday as demand does not warrant a change in production.

China's Foreign Minister Yang Jiechi said China was growing more concerned over the Iranian nuclear program but again resisted calls to support sanctions against Iran. He pledged following talks with UK Foreign Secretary David Miliband that China would work more closely with other world powers on Iran.

Iran's Oil Minister Masoud Mirkazemi downplayed the impact of potential fuel sanctions against Iran. He said Iran will be able to secure the gasoline it requires from a variety of foreign sources or through domestic production if it is faced with fuel import sanctions. He said the country has so far successfully dealt with any problems in purchasing gasoline. He said Iran will increase its gasoline production by 14 million liters/day if the country finds it necessary. In regards to the OPEC meeting, Iran's Oil Minister said he wants the group to maintain its quotas.

Turkish Prime Minister Recep Tayyip Erdogan said he believes Iran has no intention of developing



nuclear weapons. He said he was confident Iran's nuclear program was for civilian purposes only.

Government and security sources in Nigeria said car bomb attacks by the main militant group, the Movement for the Emancipation of the Niger Delta, will not derail an amnesty program meant to restore security to Nigeria's energy industry. MEND detonated two bombs outside a government building in the city of Warri on Monday as officials met for talks about implementing the terms of the amnesty. Nigeria's Oil Minister Rilwanu Lukman said the majority of militants who took part in an amnesty last year in the Niger Delta region are still behind peace plans despite the renewed attacks.

According to MasterCard Advisors LLC, US gasoline demand fell by 1% or 96,000 bpd to 9.523 million bpd in the week ending March 12th. Gasoline demand was up 1.7% from a year ago. In the past four weeks, gasoline demand was 9.471 million bpd, up 2.3% on the year. The average retail price of gasoline increased by 6 cents on the week to \$2.76/gallon, the highest price since October 24, 2008.

Refinery News

Enbridge's Spearhead Pipeline that carries 190,000 bpd of crude oil from Chicago to Cushing, Oklahoma is pumping well below capacity levels due to low crude nominations. It said there is no issue with the pipeline but it has not been operating continuously due to low nominations.

Valero Energy Corp's 340,000 bpd refinery in Corpus Christi, Texas has restarted a hydrocracker that was shutdown for maintenance. The 36,000 bpd hydrocracker was taken offline for about 18 days of work.

Motiva Enterprises LLC reported a leak in the hydrocracker at its 220,000 bpd refinery in Norco, Louisiana on Monday.

Chevron Corp's 279,000 bpd El Segundo, California refinery is experiencing a process upset, which is causing flaring.

Total Petrochemicals reported a brief compressor shutdown due to a motor trip at its 174,000 bpd Port Arthur, Texas refinery on Monday.

Total said a fluid catalytic cracking unit at its 339,000 bpd Gonfreville refinery has been shut since March 12th due to a problem with a boiler. A Total spokesman said it would take about 20 days to bring the unit back online.

Suncor Energy Inc plans to restart units at its 135,000 bpd Edmonton, Alberta refinery later on Tuesday after a mechanical problem forced a partial shutdown on Monday. The plant suffered a process upset on Monday morning, prompting a controlled shutdown of some processing units.

Spain's Repsol has made no decision on restarting a 5 million ton/year or 100,000 bpd crude distillation unit at its Bilbao refinery after an overhaul of conversion units ends next week. The crude distillation unit has been halted since September due to poor margins.

The French oil industry union, Union Francaise des Industries Petrolieres, said that fuel deliveries in France increased 3.8% on the year in February to 3.9 million cubic meters. Deliveries of gasoline fell 1.7% on the year while deliveries of diesel fell 5.3% on the year.

Venezuela's President Hugo Chavez said the country will start selling 80,000 bpd to Belarus. He said the agreement to supply Belarus with petroleum will be signed on Tuesday. According to a statement

by Belarus President Alexander Lukashenko, the plan is for the two countries to also refine Venezuelan oil together and eventually sell oil products throughout Europe.

Production News

Saudi Arabia's Oil Minister Ali Al Naimi said the country is currently producing about 8-8.1 million bpd.

Nigeria's Energy Minister Rilwanu Lukan said the country's oil production is currently 1.7 million bpd.

Maersk Oil said that DUC oil and condensate production in February totaled 225,600 bpd, down from 230,300 bpd in January. It is also down from last year's level of 246,200 bpd. Separately, Maersk has completed the expansion of Qatar's al-Shaheen oilfield and is expected to complete testing of the new platforms by the end of the first quarter. It said current production at the offshore field was at 300,000 bpd. The project initially aimed to increase capacity at the field to 525,000 bpd from about 240,000 bpd. However Qatar has limited actual output from the field to 300,000 bpd due to its adherence to OPEC quotas.

Royal Dutch Shell Plc said it was entering a new period of growth that would lead to significantly higher cashflows on the back of higher oil and gas output and reserves. Upstream oil and gas production is expected to reach 3.5 million bpd of oil equivalent in 2012 compared with 3.15 million bpd of oil equivalent in 2009. It said in the medium term crude oil should typically trade in a range of \$50-\$90/barrel and trend to the upside even though global refining may be in over supply for some time.

Norway's Statoil said it will start up four new satellite fields offshore Norway around 2012, a year earlier than expected. The four projects contain recoverable reserves that have been estimated at more than 140 million barrels of oil equivalent.

Angola's oil exports in May will average 1.8 million bpd, down from 1.83 million bpd in April. It plans to export seven Cabinda and eight Nemba crude cargoes in May. The country also plans to export eight Dalia, one Gimboa, six Girassol, five Hungo, six Kissanje, two Kuito, three Mondo, two Palanca, seven Plutonio and three Saxi cargoes.

Iraq's Oil Minister Hussein al-Shahristani said Iraq could ratify a contract to develop the Missan oil field before the formation of a new government. A consortium led by Cnooc Ltd has signed an initial agreement with Iraq to develop the 2.5 billion barrels Missan oil field complex in southern Iraq. He also confirmed that Iraq suspended talks with a Japanese consortium on the development of the Nassiriyah oil field, which has estimated proven reserves of more than 4.4 billion barrels.

Brazil's Petrobras said it has discovered light crude at the Piranema offshore site. The company estimates that the site holds recoverable reserves of about 15 million barrels of oil equivalent.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.50 to \$76.24/barrel on Monday from \$77.74/barrel on Friday.

Market Commentary

Crude oil rose 2.3 percent today, in response to a falling dollar, which boosted the appeal of commodities as a financial hedge. Heating oil and gasoline rose 2.7 percent and 2.5 percent, respectively. The word out of OPEC thus far is that output levels would remain the same and that OPEC members are happy with prices at their current level. As we await tomorrow's release of the DOE numbers, expectations are calling for a modest gain of 1.1 million barrels in crude oil, a decrease in distillates of 1.3 million and a decrease of 1 million barrels in gasoline inventories. These are not surprising numbers for this time of year as we are in between the winter heating season and

the summer driving season in the U.S. Refiners continue to curtail runs in response to slacking demand, which is in turn drawing on product inventory. The April/May crude oil spread continues to contract. This can be misleading in regards to demand or shortness in supply. This is most likely due to a realigning of the front end of the curve as offshore supplies make their way ashore. With the contraction of this spread came the diminishing of the financial appeal to hold supplies offshore to sell at a later date. This has put pressure on the front end of the curve has a whole, in turn the front month as been bolstered by investment traders, forcing a narrowing of the spread. We would look for crude oil to hole within the \$85.00 to \$65.00 range, with our overall bias to the downside.

Crude oil Apr. 10 112,260 -25,148, May 10 307,786 +9,779, June 10 165,496 -977 Totals 1,345,396 -11,902. Heating oil APR10 59,272 -3,697, May 10 71,376 +1,042 June10 51,688 +918 Totals: 322,542 +401. Gasoline APR10 60,889 -3,670, May 10 89,747 +3,497 Jun10 49,021 +1,344 Totals: 302,640 +1,971.

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, 1.85.65, 1.7900, 1.7200 1.6600	2.3350, 2.5040,

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