

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 16, 2011

The head of Libya's National Oil Corp, Shokri Ghanem said the government will honor existing contracts with western oil companies.

Libyan authorities acknowledged that rebels have captured a state owned oil tanker and forced it to dock in the eastern port of Tobruk. An official at the National Oil Corp said the tanker was seized by al Qaeda terrorists. The vessel was carrying 2,800 metric tons of fuel and was on its way from Greece to western Libya when it was hijacked.

Market Watch

The US Labor Department said US wholesale prices increased in February mainly due to higher energy and food prices. The Producer Price Index increased by a seasonally adjusted 1.6% in February following a 0.8% increase in January. A 3.3% increase in energy prices and a 3.9% increase in food prices drove the greater than expected increase. The core PPI increased by 0.2% in February following a 0.5% increase in January.

The Commerce Department said the US current account deficit narrowed in the fourth quarter. The deficit fell to \$113.3 billion or 3.1% of US GDP in the last quarter of 2010. It is down from a revised third quarter deficit of \$125.5 billion and the lowest current account gap since the first quarter of 2010.

The US Commerce Department said home construction in the US fell by the largest amount in nearly 27 years in February and new building permits set a record low. Construction of new homes and apartments in February fell 22.5% from a month earlier to a seasonally adjusted annual rate of 479,000 from an upwardly revised 618,000 in January. It was the lowest level for housing starts since April 2009 and the largest monthly decline since March 1984. Building permits fell by 8.2% on the month to an annual rate of 517,000.

The Mortgage Bankers Association said its seasonally adjusted index of mortgage application activity fell by 0.7% in the week ending March 11th. Its seasonally adjusted index of refinancing applications increased 0.9%. The MBA's gauge of loan requests for home purchases fell 4%.

UBS raised its 2011 Brent crude price forecast to \$103.75/barrel from \$85/barrel to reflect the cut in Libyan oil supplies.

DOE Stocks

Crude – up 1.745 million barrels
Distillate – down 2.601 million barrels
Gasoline – down 4.174 million barrels
Refinery runs – up 1.4%, at 83.4%

Libyan leader Muammar Gaddafi's son dismissed looming UN Security Council action saying that within 48 hours everything will be finished as forces loyal to Muammar Gaddafi are near the rebel stronghold of Benghazi. A meeting of the Group of Eight foreign ministers this week failed to get the agreement France was hoping for to support a no-fly zone being imposed over Libya, an issue that has also divided the UN Security Council. Meanwhile, French President Nicolas Sarkozy called the UN to back a resolution for a no-fly zone in Libya in a letter addressed to Security Council members. Separately, UN Secretary General Ban Ki-moon called for an immediate ceasefire by all parties in Libya. He is concerned about signs of a forthcoming government assault on the

eastern city of Benghazi. US Secretary of State Hillary Clinton hopes the UN Security Council will vote on a new package of measures against Libya as early as Thursday, which may include a no-fly zone.

March Calendar Averages
CL – \$101.94
HO – \$3.0380
RB – \$2.9731

Iran's President Mahmoud Ahmadinejad said Bahrain's crackdown on mainly Shi'ite protesters on Wednesday was unjustifiable and irreparable. Bahraini forces, supported by helicopters, fired tear gas in a crackdown on protesters on Wednesday. Meanwhile, followers of Iraqi Shi'ite cleric Moqtada al-Sadr demonstrated in Baghdad and Basra on Wednesday in support of mainly Shi'ite demonstrators in Bahrain, denouncing intervention by Saudi troops.

Refinery News

The Louisiana Offshore Oil Port is asking Louisiana environmental regulators for approval to expand above ground storage capacity by 3.6 million barrels to store the wider variety of crude oils sought by Gulf Coast refiners. The LOOP has 7.6 million barrels in above ground crude storage capacity and 55 million barrels of storage capacity in underground caverns.

Magellan Midstream Partners said it was undertaking permitting and final engineering work for the potential reversal of a pipeline in Texas that would relieve the supply glut at the Cushing, Oklahoma storage hub. It expects to decide within the next two months on the reversal of the Houston to El Paso Longhorn pipeline. The pipeline would have the potential to carry up to 200,000 bpd of West Texas Permian basin crude to Houston area refineries, possibly diverting crude that would have been destined to Cushing.

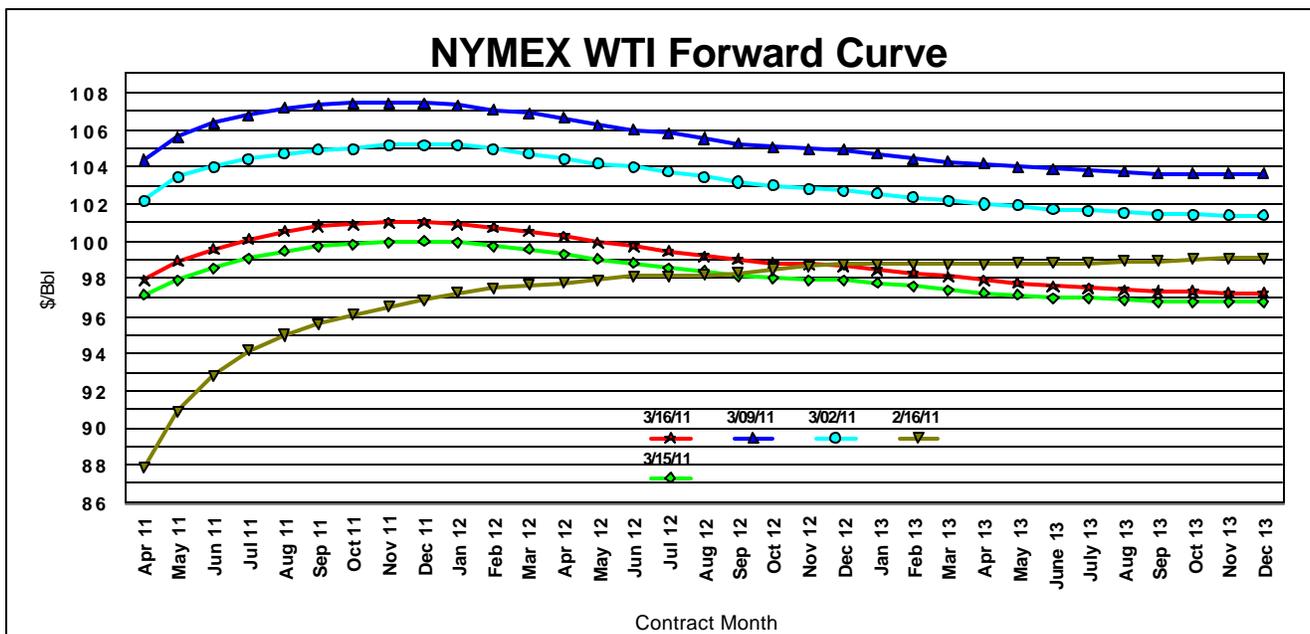
ConocoPhillips said planned maintenance continued at its Alliance refinery in Belle Chase, Louisiana. Separately, planned maintenance at its Lake Charles refinery in Westlake, LA has been completed.

Valero Energy Corp announced plans to expand the crude unit capacity of its McKee refinery by 25,000 bpd. The refinery would process WTI crude from Midland to feed the increased charge rate. The expansion project is scheduled to take place over the next three years and will increase the amount of crude available to be processed at the refinery to 195,000 bpd. Separately, Valero Energy Corp said that the 92,000 bpd heavy oil cracker at its 142,000 bpd Corpus Christi, Texas refinery was restarted following a brief shutdown for planned maintenance.

Four processing units at PDVSA's 335,000 bpd La Isla refinery in Curacao are restarting after their operations were halted a week ago due to boiler problems. The complete restart process was expected to take about another 24 hours.

Intertanko, the world's largest association for tanker owners, said oil shipments to Japan have not been significantly affected by the country's earthquake and subsequent nuclear crisis. The majority of Japan's oil terminals have resumed normal operations after briefly shutting down due to Friday's earthquake and tsunami. Separately, Idemitsu Kosan Co said it would resume operations at a Miyagi Prefecture oil storage facility that has been shut since last week's disaster on Thursday. Currently, it takes five to six hours for trucks to transport oil products from Akita and Niigata prefectures to Sendai. However the shipment time would be cut to about two hours when the Shiogama facility restarts.

Japan's Cosmo Oil Co said that fire fighting operations are continuing at its Chiba refinery. It shut its 220,000 bpd Chiba refining complex due to a fire that started in storage tanks following the earthquake and tsunami.



ExxonMobil Corp said it planned to restart the remaining units shut at its TonenGeneral Sekiyu's 335,000 bpd Kawasaki refinery as early as Thursday. Exxon stated that the Wakayama and Sakai refineries were fully operational and trying to maximize gasoline production.

Japan's Nippon Oil aims to restart its 270,000 bpd Negishi refinery as early as next week. The company halted operations at the refinery following the earthquake on Friday.

China is expected to give 10,000 tons of diesel and 10,000 tons of gasoline free to Japan to help the country meet its needs. PetroChina and Sinopec are expected to provide the fuel to Japan. The Xinhua news agency reported that China would offer more aid based on the needs of Japan.

China's National Development and Reform Commission reported that the country's oil product stocks remained at high levels in February due to lower fuel demand during the New Year holiday. Oil product inventories increased 3.94 million metric tons at the end of February while diesel stocks increased 3.7 million on the month. Fuel consumption during the first two months reached 36.61 million tons, up 9.1% on the year, with gasoline demand up 4.4% and diesel consumption up 9.7% on the year. China processed 35.2 million tons or 9.21 million bpd of crude in February, up 11% on the year.

The director of Cosan, a large ethanol group, said Brazil has imported more than 150 million liters of US ethanol this year as producers struggle to supply the local market during cane interharvest. The volume includes several shipments that arrived in the country's northeast and a cargo of 40 million liters that is heading to Santos, Brazil's main sugar port.

Production News

Opti Canada Inc said production from its oil sands project in Alberta fell by 14% in February from the previous month due to the shutdown of a unit to deal with water treatment problems. In February, bitumen production at the development fell to 23,100 bpd from 27,000 bpd in January.

A Nigerian security official said an explosion in Nigeria's main oil producing region occurred at a facility run by Italy's Agip.

Angola is scheduled to export 1.48 million bpd of crude in May, slightly lower than the country's planned exports for April.

Angola's Sonangol is planning to start crude production from two Iraqi oil fields at 50,000 bpd by the end of 2013. The Iraqi Oil Ministry approved recently a preliminary development plan submitted by Sonangol to develop Najmah and Qaiyarah oil fields. Sonangol is planning to start production at its Qaiyarah at 30,000 bpd in 2013 and intends to increase output gradually to reach 120,000 bpd by 2017. It plans to start production from Najmah at 20,000 bpd in 2013 and to increase output gradually to 110,000 bpd in six to seven years.

Niger's Energy Minister Djibo Salamatou Gourouza said it has doubled its oil reserves to 650 million barrels at the Agadem block.

OPEC's news agency reported that OPEC's basket of crudes fell to \$106.56/barrel on Tuesday from \$107.87/barrel on Monday.

Market Commentary

Escalating violence in Bahrain gave early strength to crude oil but the run-up in prices was stammered by the nuclear crisis in Japan. The EU Energy Commissioner, Guenther Oettinger, described the situation in Japan as out of control. Products drew strength from the bullish inventory numbers. Current global events will continue to shake up these markets, lending to stormy moves. We would expect to see emotional trading activity with so much ambiguity out there. We remain with our thoughts that there is still more room to the down side with our initial objective being \$95.40 and below that \$85.00.

Crude oil: April 11 154,888 -23,418 May 11 320,282 +4,014 June 11 153,955 +3,715 Totals 1,580,632 -13,578 Heating oil: Apr 11 62,684 -5,209 May 11 54,521 +2,749 June 11 54,521 +2,749 Totals 309,125 -99 Rbob: Apr 11 51,837 -4,704 May 11 72,407 +1,906 June 11 40,952 +336 Totals 269,787 -2,872

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9540	10190	27980	30600	26965	30300
9267	10695	26680	31525	26300	31970
9635	10880	27375	33510	25683	32450
8385	111.65	23685		25145	35915
		22960		24240	36310
		22013		23631	
		21860		23414	
		21140		22560	

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