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ENERGY MARKET REPORT FOR MARCH 17, 2010

OPEC ministers agreed to leave its output quota unchanged at 24.84 million bpd, as expected, during its meeting on Wednesday.

OPEC's communiqué said members reiterated their commitment to individual output quotas. OPEC Secretary General Abdullah al-Badri said OPEC urged its members to comply with its output targets but did not apply strong pressure. He said

the producers would meet next on October 14th in Vienna followed by a meeting in Quito, Ecuador in the second or third week of December. He later stated that OPEC's biggest concern this year is how governments handle stimulus packages. He also stated that upstream output capacity projects that OPEC members put on hold due to weak oil price have been restarted. He said OPEC has more than 6 million bpd of spare capacity to satisfy increasing demand if needed. OPEC's President Germanico Pinto said oil market stability remains very fragile and OPEC producers are wary of the chance a possible double dip recession may impact demand. Earlier, Saudi Arabia's Oil Minister Ali Al Naimi said OPEC ministers are in agreement that there is no need for a change in its output quota. He said he expects world oil demand in the second half of the year to grow by about 1 million bpd. He added that Saudi Arabia is expected to produce at a rate of 8.1 million bpd in April.

Market Watch

The Labor Department said US wholesale inflation in February posted its largest decline in seven months as gasoline prices fell sharply. The Producer Price Index for finished goods fell by a seasonally adjusted 0.6% on the month in February. The core PPI, which excludes energy and food prices, increased by 0.1% in February after increasing by 0.3% in January. Economists had expected the PPI to fall by a more moderate 0.3% while core PPI was expected to increase by 0.1%.

The World Bank raised its 2010 economic growth forecast for China to 9.5% from 9%. It said consumption by both businesses and households would grow strongly. However the World Bank warned that China needs to lower inflation and try to cut the risk of a bubble in property prices. It urged China to let its currency appreciate to contain prices and to stop the economy from overheating. Earlier this week, China's Premier Wen Jiabao accepted that inflation would be a major challenge as China tried to keep its recovery going. However he rejected criticism that China was keeping its currency undervalued in order to increase exports.

Russia's Rosneft faces an export deadlock after bankrupt rival Yukos won US and British court injunctions making cash payments to Rosneft in the West complicated. Rosneft declined to comment on the injunctions, which trade and industry sources said were part of a legal battle between Yukos and the Russian government.

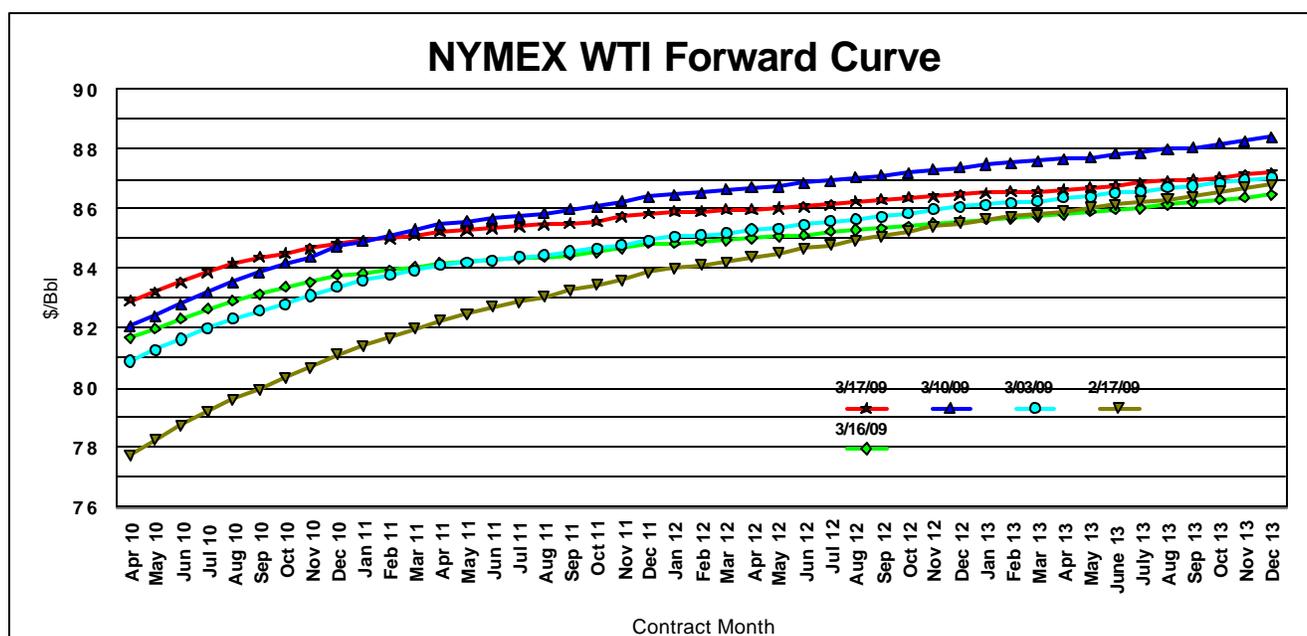
Iraq's Oil Minister Hussain al-Shahristani said Iraq will have an OPEC quota when its output reaches 4 million bpd. Iraq is the only one of OPEC's 12 members without an output target.

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

According to Oil Market Intelligence, high inventories and uncertain OECD demand prospects are met with recovering non-OPEC supply and low OPEC compliance with production targets, leaving the current market oversupplied by 900,000 bpd.

China has urged Iran to accept a nuclear fuel swap proposal to ease demand for new sanctions on Iran. China has held off giving a firm response to calls for it to approve a proposed UN resolution imposing new sanctions on Iran, with its Foreign Minister Yang Jiechi saying that China does not view sanctions as the fundamental solution to the dispute with Iran.

Separately, Representative Howard Berman, sponsor of the Iran sanctions legislation in the House of



Representatives and chairman of the chamber's Foreign Affairs Committee said he wants Congress to impose new sanctions on Iran by the end of April in concert with the UN Security Council.

The API reported that US demand for crude oil and petroleum products in February increased by 0.6% or 117,000 bpd on the year to 18.823 million bpd. US gasoline demand increased by 2.2% on the year to 9.012 million bpd while distillate demand fell by 6% to 3.681 million bpd. On the supply side, crude oil and petroleum product imports averaged 11.377 million bpd in February, down 6.7% on the year. Total imports in February accounted for 60.4% of US oil demand, down from 65.2% on the year. US crude oil production increased by 3.6% to 5.514 million bpd.

Refinery News

DOE Stocks

Crude – up 1 million barrels
Distillate – down 1.5 million barrels
Gasoline – down 1.7 million barrels
Refinery runs – down 0.1%, at 80.6%

Magellan Midstream Partners closed the rack for ultra-low sulfur diesel and gasoline at its Milford, Iowa terminal following a diesel spill late Sunday. The rack is expected to reopen on Friday. A spokesman said he does not expect any problems with supply in the area.

Total SA restored normal procedures at its 232,000 bpd Port Arthur, Texas refinery after receiving a bomb threat early

Wednesday morning. Following the bomb threat that occurred around 7am, the refinery activated precautionary procedures that limited access to the refinery.

Chevron Corp reported flaring at its 279,000 bpd refinery in El Segundo, California on Wednesday. It had reported a malfunction at the refinery on Tuesday.

Valero Energy Corp is expected to complete repairs of a fluid catalytic cracking unit at its 235,000 bpd Quebec City refinery in mid-April. The 66,000 bpd fluid catalytic cracking unit suffered a fire early last month.

Neste Oil said it will start to ramp down production at its Porvoo refinery for a planned turnaround that is expected to last six weeks. It said the last units will shutdown at the end of March and actual maintenance work is scheduled to begin on April 6.

The Petroleum Association of Japan reported that the country's crude inventories in the week ending March 13th increased by 1.76 million barrels on the week but fell by 1.91 million barrels on the year to 95.76 million barrels. Japan's gasoline stocks fell by 10,000 barrels on the week and by 470,000 barrels on the year to 13.75 million barrels while its kerosene stocks fell by 720,000 barrels on the week and by 580,000 barrels on the year to 11.33 million barrels and its naphtha stocks built by 730,000 barrels to 10.33 million barrels. The weekly utilization rate for Japanese refineries fell by 1% on the week and by 0.6% on the year to 79%. Crude runs fell by 50,000 bpd on both the week and year to 3.79 million bpd. Japan's total oil product sales fell by 3% on the week and by 11.5% on the year to 3 million bpd. Its gasoline sales fell by 14.9% on the week and by 10.3% on the year to 870,000 bpd while its kerosene sales fell by 0.8% on the week but increased by 2.9% on the year to 540,000 bpd and its gas oil sales fell by 11.3% on the week and by 11.5% on the year to 540,000 bpd. Japan's naphtha sales increased by 28.4% on the week but fell by 32.1% on the year to 310,000 bpd while its jet fuel sales increased by 82.4% on the week but fell by 10% on the year to 124,000 bpd.

Russia started selling its new ESPO Blend crude from the Far East port of Kozmino since late 2009. Russia plans to export 31 cargoes or 3.1 million tons of crude from the Kozmino terminal in the first quarter of the year.

Indonesia's state electricity firm, PT Perusahaan Listrik Negara expects oil products consumption to fall by 15% in 2011 as more coal fired plants start operations. It expects combined consumption of diesel oil and fuel oil to fall to about 6.02 million kiloliters or 37.8 million barrels in 2011 from 7.11 million kl in 2010. An official at Pertamina said Indonesia will consume about 60 million kiloliters of oil products in 2011, about the same in 2010.

Saudi Arabia's Arabtank Terminal is increasing its oil storage capacity at the Red Sea Coast port of Yanbu by 580,000 cubic meters. The new storage facility will take capacity at the terminal to 851,200 cubic meters, of which more than 90% is expected to be designated for oil products. Construction of the new storage tanks will start in the fourth quarter and will take about 24 months to complete.

Production News

The US Minerals Management Service said its sale of offshore oil and gas leases in the central US Gulf of Mexico totaled \$949 million, up from \$703 million last year. The sale attracted 642 bids from 77 companies on 468 leases.

Mexico closed its Dos Bocas and Cayo Arcas oil ports in the Gulf of Mexico on Wednesday due to bad weather.

Platts said the North Sea Brent crude has become slightly sweeter and heavier with the contribution of crude from two new oil fields in the North Sea from early March. On March 5th, crude oil produced from the West Don and Don Southwest fields was successfully tied into the Brent pipeline system via Lundin's Thistle platform. Brent crude output will increase by 38% on the month to 6 million barrels in April, partly due to the contribution of Don Blend.

A senior Iraqi official said Iraq has agreed with Turkey to renew an accord to operate an oil pipeline from Kirkuk to the Mediterranean port of Ceyhan. He said the Iraqi delegation is in Turkey now to finalize the deal.

Iran's Oil Minister Masoud Mirkazemi said the country is seeking \$200 billion in oil, gas and refining investments over five years to avoid a production decline. He also reiterated that sanctions will not affect those plans.

Russia's Finance Minister Alexei Kudrin said Russia will retain a zero export duty rate on oil produced at 22 East Siberian fields for April.

OPEC's news agency reported that OPEC's basket of crudes increased to \$76.62/barrel on Tuesday from \$76.24/barrel on Monday.

Market Commentary

Lower imports and greater than expected declines in both distillate and gasoline stock levels helped to push the price of crude oil above \$82.00 a barrel. A weaker dollar added to the higher move. OPEC has decided to keep output at current levels, stressing that OPEC was pleased with the current price and demand for its oil. Lower imports are an indication that demand for product is still struggling. Rising prices are most likely to hinder already strapped consumers, who are still suffering the blows from the world's most recent recession. Overall demand for fuel suffered its biggest one-week decline since November, dropping by 4.2 percent on the week. The April crude oil contract is now at a triple top just above the \$83.00 level, with moving oscillators crossing to the upside in neutral territory. We would look for prices to continue higher, working towards the \$85.00 level, where we would reevaluate the market. Technically, this market looks strong, fundamentally we cannot buy into this move higher.

Crude oil Apr. 10 104,766 -7,494, May 10 316,901 +9,115, June 10 166,136 +640 Totals 1,357,426 +12,030 Heating oil APR10 58,762 -510, May 10 73,642 +2,266 June10 51,574 -114 Totals: 328,460 +5,918. Gasoline APR10 63,456 +2,567, May 10 93,561 +3,814 Jun10 49,842 +821 Totals: 313,010 +10,370.

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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