



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 17, 2011

The Libyan army announced that it would halt military operations starting Sunday to give rebels the chance to lay down their arms and benefit from an amnesty. Earlier, state television said forces loyal to Muammar Gaddafi recaptured the major oil terminal of Zueitina and advanced to reach the outskirts of Benghazi. It also reported that government forces had taken Libya's third city of Misrata. Libyan rebels however denied that forces loyal to Libya's leader had captured Misrata.

France believes there is enough support at the UN

Security Council to pass a resolution on Libya on Thursday. Senior French diplomatic sources said military intervention could take place within hours of that. The source said that any action could include France, Britain, possibly the US and one or more Arab states. The resolution calls for the use of all methods, including military ones, to protect civilians, the imposition of a no-fly zone, reinforcement of sanctions and an immediate ceasefire. It is expected to rule out a ground

Market Watch

The US Labor Department reported that new claims for unemployment benefits fell as expected last week. It reported that initial claims for unemployment benefits fell by 16,000 to a seasonally adjusted 385,000. The prior week's figure was revised up to 401,000 from the previously reported 397,000. The four week moving average of unemployment claims fell by 7,000 to 386,250, the lowest level since mid-July 2008. It reported that the number of continuing claims fell by 80,000 to 3,706,000 in the week ending March 5th. The unemployment rate for workers with unemployment insurance was 3% in the week ending March 5th, unchanged from the previous week.

The US Labor Department also reported that US consumer prices in February increased at their fastest pace since mid-2009 as energy and food prices continued to increase. It stated that the seasonally adjusted Consumer Price Index in February increased by 0.5% from January. This followed increases of 0.4% the previous two months. Over the last 12 months, prices were up 2.1% in February.

The Federal Reserve stated that mild winter weather slowed utilities in the US in February and caused overall industrial production to fall. Industrial production fell by 0.1% in February compared to the prior month. Industries used 76.3% of their capacity, down from upwardly revised 76.4% in January. Industrial production in January was revised up, rising by 0.3%, instead of the originally estimated decline of 0.1%. The Fed's report showed output by utilities in February fell 4.5%.

The Chicago Federal Reserve Bank's Midwest manufacturing index in January increased by 1.1% to 84.1. Meanwhile, the Federal Reserve Bank of Philadelphia said its index of business conditions in the US Mid-Atlantic region increased in March to 43.4 from 35.9 in February. The six month business conditions outlook was the highest since February 1993 at 63 compared with 46.8 in February. The prices paid index fell to 63.8 in March from 67.2 in February.

The National Oceanic and Atmospheric Administration said below normal temperatures are expected in April through June from the Pacific Northwest across the northern tier of the US to the Great Lakes. Above normal temperatures are forecast for the southern US stretching from southeast California to South Carolina. The country's midsection will form a buffer between extremes, with equal chances of normal, below-normal or above-normal temperatures stretching from northern California across to the mid-Atlantic and Northeast, including parts of the eastern Great Lakes. Equal changes are seen across most of the remaining areas, except for northern New England, where above normal temperatures are expected. It also stated that La Nina weather conditions were expected to remain in place in April. However there is an increased likelihood of neutral conditions by June.

March
Calendar Averages
CL – \$101.90
HO – \$3.0401
RB – \$2.9714

intervention. Meanwhile, the US said it wants the UN to authorize not just a no-fly zone to aid Libyan rebels but also airstrikes against Libyan tanks and heavy artillery. US Secretary of State Hillary Clinton said Libya's leader Muammar Gaddafi is likely to cause problems for neighboring Tunisia, Egypt and everyone else if he remains in power.

Trade and shipping sources said Italy's ENI is loading a tanker with Libyan crude at the western terminal of Bouri. The sources said the tanker has the capacity to carry up to 600,000 barrels of crude. On Wednesday, ENI's chief executive called on Europe to lift sanctions against Libya.

Hundreds of Iraqis took to the streets in the holy Shi'ite city of Kerbala on Thursday to rally against the arrival of troops from Sunni power Saudi Arabia in Bahrain. The Shi'ite ruling bloc in Iraq has denounced the deployment of troops from Saudi Arabia and other Gulf states in Bahrain.

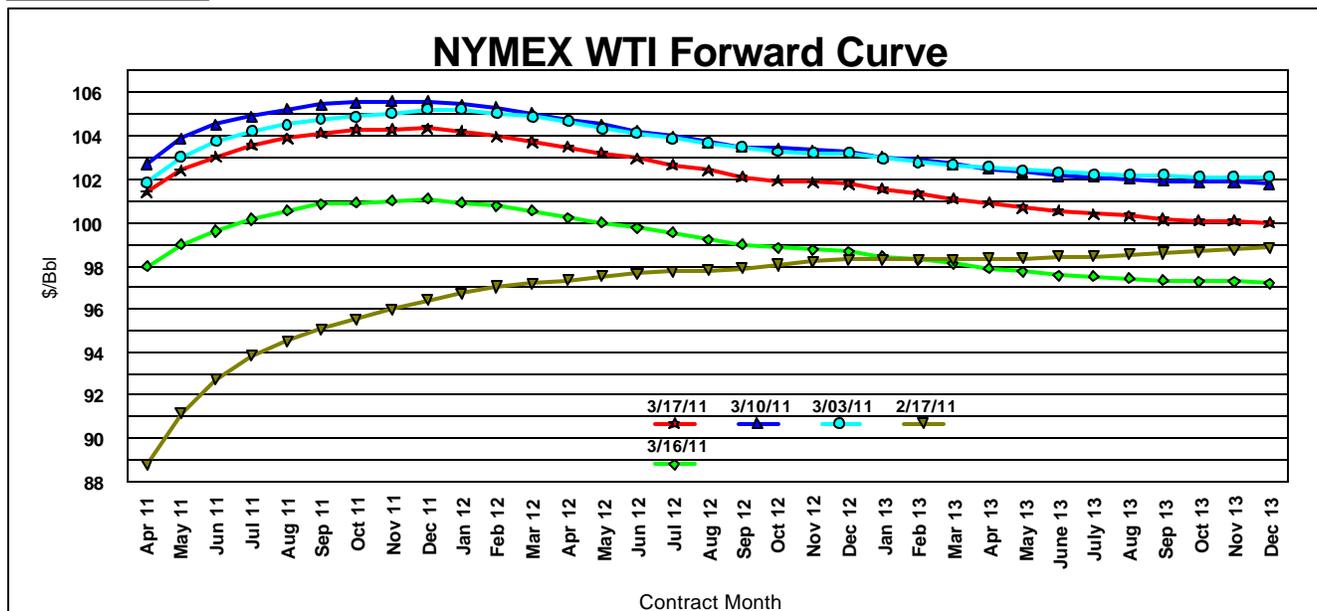
The UN High Commissioner for Human Rights Navi Pillay urged Bahrain to rein in its security forces, citing allegations that they had killed, beaten and carried out arbitrary arrests of protesters and attacked medical workers.

Meanwhile, Iran has complained to the UN about Bahrain's crackdown on Shi'ite protesters and asked regional countries to join it to urge Saudi Arabia to withdraw troops from the country. Iran has stated that the Bahrain crisis could lead to wider conflict. In a letter to UN Secretary General Ban Ki-Moon, also addressed to the Arab League and the Organization of Islamic Conference, Foreign Minister Ali Akbar Salehi said Saudi Arabia had used Bahrain's call for military support from its neighbors as a pretext for intervention.

Yemeni security forces opened fire and used tear gas on Thursday on protesters demanding an end to the rule of President Ali Abdullah Saleh, wounding at least 84. They said the clashes took place in the capital Sanaa and the southern city of Taiz.

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 100,000 bpd to 23.65 million bpd in the four weeks ending April 2nd.

Refinery News



Valero Energy Corp reported a startup at the west plant of its 142,000 bpd refinery in Corpus Christi, Texas.

ConocoPhillips reported flaring due to loss of electric power to units at its 362,000 bpd refinery in Wood River, Illinois.

Alon reported emissions while moving gases at the No. 1 and 2 sulfur recovery unit at its 67,000 bpd refinery in Big Spring, Texas.

Flint Hills Resources plans to start a five week turnaround on a 33,000 bpd delayed coker unit 21 at its Pine Bend, Minnesota refinery during the last week of April. The coker unit is expected to resume normal operations towards the end of May or early June.

Suncor Energy plans to shut several units at its 144,000 bpd Fort McMurray, Alberta upgrader for a 54 day turnaround starting on April 6th. It is scheduled to shut a 40,000 bpd naphtha unit, a 40,000 bpd diesel unit and a 45,000 bpd gas oil unit.

Chevron Corp shut a gasoline unit at its 210,000 bpd Pembroke refinery after discovering a mechanical fault.

Japan's TonenGeneral Sekiyu said it restarted its 335,000 bpd Kawasaki refinery and expects it to reach full operation on Friday. The main units of the refinery were shut following the earthquake last Friday.

The Petroleum Association of Japan reported that Japan's oil product output would recover to 3.4 million bpd by the end of March, a level above domestic demand, as idled refineries resume operations. It said that last week's earthquake cut Japan's output by more than 33% to 2.7 million tons from 4 million tons before the quake. Oil product output is expected to increase by 500,000 bpd this week. Japan's oil production capacity is currently at 3.11 million bpd, down 30% from 4.51 million bpd before the quake.

A.P. Moller-Maersk said that ports in Japan are working at normal capacity but that international transportation problems may lead to delays of some goods exported from Japan.

China's PetroChina Co Ltd said it will supply 20,000 tons of diesel and gasoline to Japan in the near future.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending March 17th fell by 5.15% on the week but increased by 6.78% on the year to 977,000 tons. Gas oil stocks fell by 3.93% on the week but increased by 12.35% on the year to 2.493 million tons while fuel oil stocks increased by 14.93% on the week but fell by 8.92% on the year to 848,000 tons. Naphtha stocks fell by 32% on the week and by 22.73% on the year to 34,000 tons while jet fuel stocks fell by 5.28% on the week and 10.46% on the year to 736,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 436,000 barrels to 18.457 million barrels in the week ending March 16th. It also reported that the country's light distillate stocks increased by 2.071 million barrels to 12.342 million barrels while its middle distillate stocks increased by 115,000 barrels to 14.355 million barrels on the week.

Production News

The Bureau of Ocean Energy Management, Regulation and Enforcement for the first time approved the use of a floating production, storage and offloading vessel in the US Gulf of Mexico. It said

Petrobras could begin using a floating production, storage and offloading facility to produce oil and gas at its deepwater Chinook-Cascade project. The FPSO would have a production capacity of 80,000 bpd of oil and 16 mmcf/day of natural gas.

Angola has halted its exports from its Xicomba offshore oilfield because it is no longer producing enough to fill a cargo. Exports of the crude started in 2003 and has declined from a peak of about 80,000 bpd. In the past year, the field has produced one cargo for export a month or about 30,000 bpd.

An engineer at Iraq's South Oil Co said Iraq plans to increase its oil storage capacity to 7.8 million bpd by the end of the year. Iraq is building eight new tanks in the southern Faw peninsula, which would add a storage capacity of 2.8 million bpd to Iraq's current capacity of 5 million bpd.

Chevron Corp's oil production in Indonesia may fall by 4-5% this year from about 370,000 bpd in 2010, largely due to ageing wells.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$105.80/barrel on Wednesday from \$106.56/barrel on Tuesday.

Market Commentary

Crude oil traded back above the \$101 level on fears that unrest in Bahrain may spread to OPEC countries such as Iran and Saudi Arabia. Products continued to climb on hopes that the recovery in Japan will lead to greater demand. Promising news in regards to the U.S. economy came by way of the unemployment numbers, also aiding in today's higher move. The April contract is now back above the upper trendline on the weekly spot continuation chart, with slow stochastics trending slightly higher. A settlement above \$100.37 sets prices up for a higher move next week.

Crude oil: Apr 11 133,068 -21,820 May 11 32,372 +12,090 June 11 149,502 -4,453 Totals 1,564,834 -15,798 Heating oil: Apr 11 59,746 -2,938 May 11 77,351 +4,416 June 11 56,167 +1,646 Totals 314,843 +5,718 Rbob: Apr 11 49,646 -2,191 May 11 74,572 +2,165 June 11 39,855 -1,097 Totals 268,636 -1,151

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9540	10190	27980	3030810	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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