

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 18, 2010

OPEC's Secretary General Abdalla Salem el-Badri said OPEC members have over 6 million bpd of spare capacity and added that forward supply is slightly more than normal at 60 days.

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said OPEC is likely to continue to leave its oil output quotas unchanged at its next meeting in October. He said OPEC is comfortable with the \$70-\$80/barrel price range because it is good for both consumers and exporters.

According to Oil Movements, OPEC's oil exports will increase by 70,000 bpd in the four weeks ending April 3rd to 23.19 million bpd.

According to Genscape, Cushing oil stocks as of March 18th totaled 30,998,541 barrels, down 115,546 barrels from Tuesday and up 263,379 barrels from Friday, March 12th. Its capacity utilization rate stood at 63%.

Market Watch

The US Labor Department reported that the number of initial claims for unemployment benefits fell by 5,000 to 457,000 in the week ending March 13th. The previous week's level was left unrevised at 462,000. The four week moving average fell by 4,250 to 471,250 from the previous week's unrevised average of 475,500. The Labor Department's report showed that the number of continuing claims in the week ending March 6th increased by 12,000 to 4,579,000 from the preceding week's revised level of 4,567,000. The unemployment rate for workers with unemployment insurance for the week was 3.5%, unchanged on the week.

The US Labor Department also reported that US consumer prices were flat in February. The seasonally adjusted consumer price index was unchanged last month after increasing an unrevised 0.2% in January. Core consumer prices, excluding food and energy, increased by 0.1% in February. In January, core prices fell by 0.1%. It reported that on an annual basis, consumer prices increased by 2.1% in February. Core consumer prices increased by 1.3% on the year. The report showed that energy prices fell by 0.5% on the month, the first decline since April 2009, with the gasoline index falling by 1.4%.

The US Commerce Department said the US current account deficit expanded in the fourth quarter to its highest level in a year. The measure of US international transactions registered a shortfall of \$115.6 billion during the fourth quarter. The third quarter deficit was revised down to \$102.3 billion from an initial estimate of \$108 billion. The fourth quarter deficit amounted to 3.2% of gross domestic product, up from 2.9% in the third quarter and also the highest level since the fourth quarter of 2008. However for all of 2009, the current account gap fell to \$419.9 billion compared with \$706.1 billion in 2008.

The National Oceanic and Atmospheric Administration said below normal temperatures are expected in the Gulf Coast and in the northern and southern Great Plains in April through June, which much of the western US, northern Maine and the upper Great Lakes will see above normal temperatures. For April alone, it sees below normal temperatures in the south-central and southeast US into the mid-Atlantic region and above normal temperatures in the Pacific Northwest, most of Alaska and parts of the Great Lakes area. All other regions have equal chances of normal, above normal or below normal temperatures.

Venezuela's Vice President Elias Jaua said the country's months long electricity crisis will be over in May. Venezuela's electricity crisis began in October as officials realized demand was outpacing supply. The problem was exacerbated by a drought that was impacting hydropower plants, which supply 73% of the country's electricity. He said conservation efforts and the onset of the rainy season in May will allow water levels to increase at reservoirs used for the country's hydropower plants, which will ensure that they can function at full power.

BP stored a total of 4,901,090 barrels of crude in Cushing, while Blueknight stored 3,997,246 barrels, Centurion stored 184,912 barrels, Conoco stored 443,993 barrels, Enbridge stored 7,860,933 barrels, PAA stored 5,728,080 barrels, Parnon stored 2,666,366 barrels, SemCrude stored 3,740,668 barrels, Sunoco stored 191,564 barrels and Teppco stored 1,283,689 barrels.

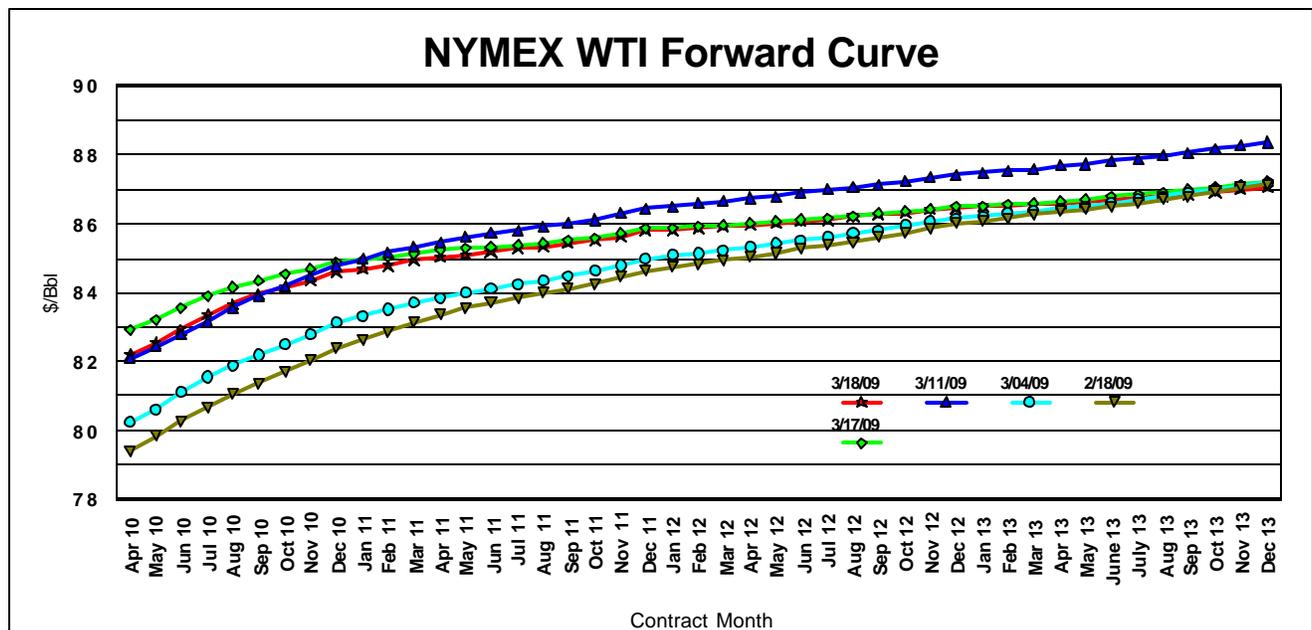
March Calendar Averages CL – \$81.17 HO – \$2.0922 RB – \$2.2553

Barclays Capital said commodities assets under management increased to \$255 billion in February from \$245 billion, reversing January's decline as investors remained positive about the asset class but began shifting away from long only strategies. Barclays said all sectors of commodities had received positive inflows in February, with energy leading at more than \$2 billion, agriculture with \$1.81 billion and base metals at \$481 million.

Russia's Prime Minister Vladimir Putin said Iran's first nuclear power plant, the Bushehr, which Russia is building, should come online this summer following a series of delays and setbacks. Separately, US Secretary of State Hillary Clinton said it is premature to launch Iran's first nuclear power plant this year.

BNP Paribas raised its forecast for the average price of US Light crude oil this year by \$1 to \$82/barrel. BNP said it may be premature to expect a sustained break above \$80/barrel and the oil price could remain range-bound for this quarter and next.

The Futures Industry Association said the Commodity Futures Trading Commission should shelve its proposal to impose stricter limits on speculators in the energy markets. It said the proposal will hurt markets and cited studies that show speculators are not responsible for distorting energy prices. The FIA has requested that the CFTC defer any further action on its proposal until Congress completes its deliberations this season on financial regulatory reform legislation. The FIA said stricter position limits



would unfairly harm price discovery, efficient hedging and the prevention of market manipulation.

Refinery News

Tesoro Corp's 120,000 bpd refinery in Anacortes, Washington temporarily shut a number of units on Wednesday after three boilers shutdown unexpectedly on Wednesday afternoon.

Chevron Corp restarted a fluid catalytic cracking unit at its 279,000 bpd El Segundo, California refinery. It expects normal operations to resume soon at its El Segundo refinery which began flaring on Tuesday due to issues with its instrument air system.

ExxonMobil Corp's 149,000 bpd refinery in Torrance, California said a planned flaring event may have resulted in excess emissions. The refinery continues to operate.

Valero Energy Corp said a 36,000 bpd hydrocracker unit at the west plant of its 315,000 bpd Corpus Christi, Texas refinery will reach planned rates following its restart from a maintenance outage.

Sunoco Inc is on track to restart a 98,000 bpd fluid catalytic cracking unit at its 178,000 bpd refinery in Marcus Hook, Pennsylvania next Friday following planned maintenance. The unit was shut for planned work on February 26th.

Chevron Phillips Chemical started an ethylene unit at its Port Arthur, Texas refinery on Thursday. The restart process is expected to last until May 17th.

Operations at Iraq's Shuaba refinery resumed Thursday afternoon after operations were halted for several hours due to a strike by the plant's workers. The 150,000 bpd Shuaba refinery was shut on Thursday morning when workers went on strike to demand the Oil Ministry pay salaries and bonuses owed to them. The refinery resumed its operations after Basra council and governorate authorities reached an agreement with the workers that saw them resume production while they solve their problem with the ministry in Baghdad. The workers agreed to wait until next Tuesday for government authorities to meet their demands and if they failed to do so they would stage a new strike.

China's local and small refineries operated at less than 40% of their capacity last year while China's overall refinery operations averaged 80%. China's actual refinery crude throughput in 2009 totaled 390 million tons or 7.8 million bpd.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending March 18th fell by 7.01% on the week but increased by 8.93% on the year to 915,000 barrels. Gas oil stocks fell by 5.17% on the week but increased by 0.82% on the year to 2.219 million barrels while fuel oil stocks increased by 11.23% on the week and by 55.69% on the year to 931,000 barrels. Naphtha stocks were unchanged on the week but fell by 10.2% on the year to 44,000 barrels while jet fuel stocks increased by 7.03% on the week and by 6.61% on the year to 822,000 barrels.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.548 million barrels to 22.828 million barrels in the week ending March 17th. It also reported that light distillate stocks fell by 1.115 million barrels to 9.691 million barrels while middle distillate stocks built by 2.221 million barrels to 14.4 million barrels on the week.

Production News

Mexico reopened its Dos Bocas and Cayo Arcas oil ports in the Gulf of Mexico on Thursday a day after the ports were shut due to bad weather conditions.

Russia's OAO Rosneft denied a media report earlier this week that a court injunction won by now bankrupt oil producer Yukos could jeopardize the company's crude exports. It confirmed that a unit of Yukos has won injunctions in UK and US courts to seize some of Rosneft's property. However Rosneft had succeeded in overturning a ruling in a New York court and is seeking a similar ruling in a London court. It said its UK assets are insignificant and a possible freeze of this will not hinder the company's ability to fulfill its responsibilities.

Venezuela said its proven reserves of crude increased by nearly 40 billion barrels or 23% last year to reach 211.17 billion barrels. Venezuela's Oil Ministry is hoping to have 300 billion barrels proven by next year.

Mexico's Pemex replaced 77% of the crude oil and natural gas it produced last year with new proven reserves. Mexico is aiming to raise its replacement rate of proven reserves to 100% of production by 2012.

Italy's Unione Petrolifera said the country's demand for refined oil products in February fell by 5.6% on the year to 5.51 million tons. Petrol demand fell by 7.9% to 720,000 tons last month while diesel demand fell by 1.2% to 1.91 million tons. Total oil products demand fell by 7.2% to 11.19 million tons in the first two months of the year.

Brazil's Petrobras notified the country's National Petroleum Agency late Wednesday that a well in the Campos Basin tested positive for oil.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.63/barrel to \$78.25/barrel on Wednesday from \$76.62/barrel on Tuesday.

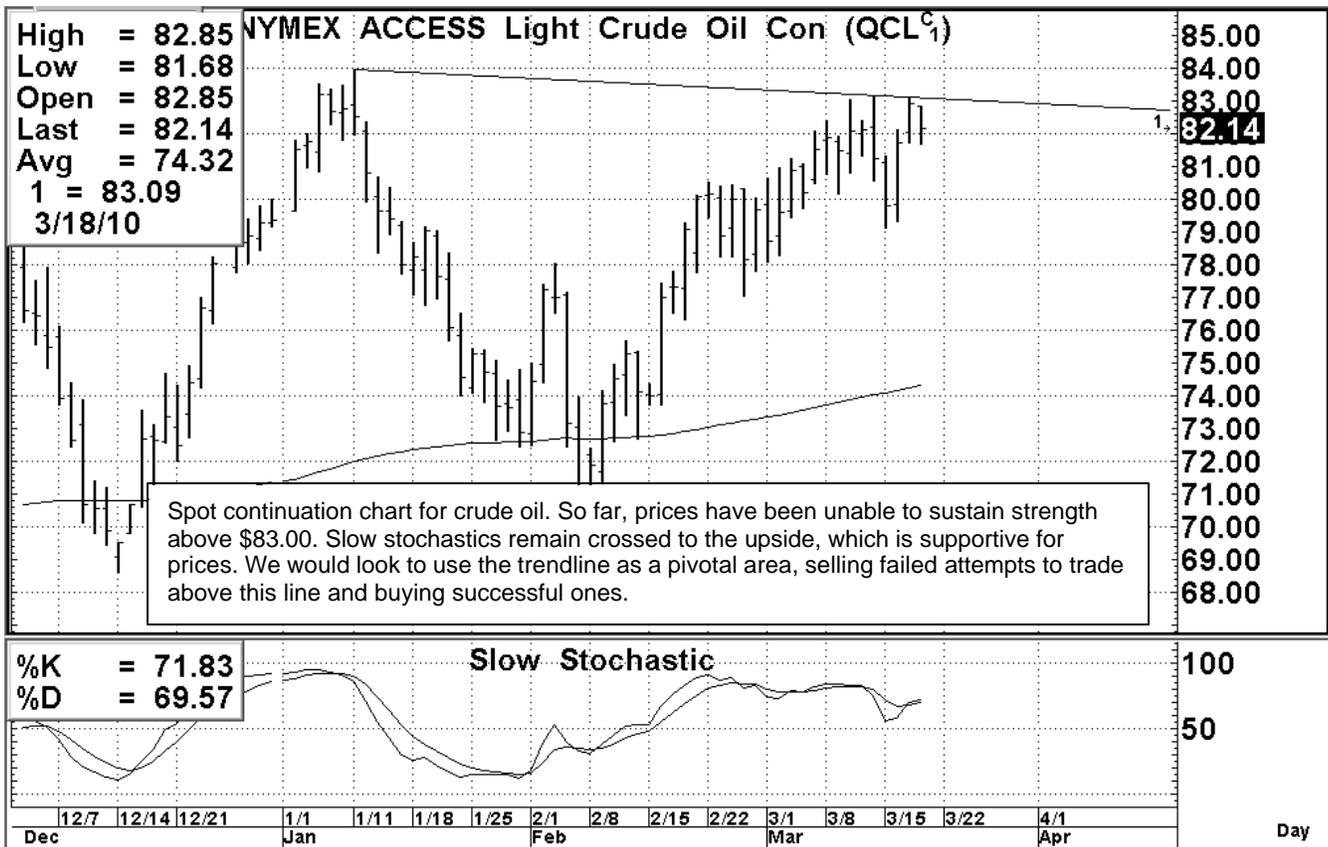
The Conference Board of Canada reported that Canada's oil industry will see a 66% increase in pretax profits this year as revenue from higher oil prices outweighs increasing costs. It however reported that the increase in activity in the western Canadian oil industry will begin to stoke inflation in material and labor costs next year, cutting into profits and slowing the industry's recovery from the economic downturn. Canadian oil industry revenue will increase to C\$70 billion this year and most of the increased activity will translate to oil companies' bottom lines, increasing profits to C\$8.1 billion from C\$4.9 billion last year. The Conference Board of Canada forecast that recovering demand from the industrialized economies, combined with rising demand from the developing world, will increase the price of WTI to an average of \$114 in 2014.

Market Commentary

Energy prices fell after two consecutive sessions of gains, as the dollar strengthened against the euro. Once again economic concerns regarding Greece stepped to the forefront as Greece expressed less optimism over receiving support from the European Community. This of course brings about demand woes. The overall fundamentals of this market remain bearish, with current inventories running five percent higher than that of the five-year average and are at their highest level since August. This market however, has proven that the strength and weakness of the dollar cannot be discounted, as it has reacted accordingly. The April crude oil was unable to gain momentum above the \$83.00 level after three attempts to do so. With the technicals of this market supportive for prices we would look for crude oil to work higher, attempting to reach the \$85.00 level. Since September, prices have been trading between the \$65.00 and \$84.00. Barring any major shift in the underlying fundamentals of this market, we would look for this range to remain intact.

Crude oil Apr. 10 72,916 -31,850, May 10 327,839 +10,938, June 10 167,839 +1,703 Totals 1,342,327 -15,099 Heating oil APR10 57,717 -1,045, May 10 76,610 +2,968 June10 50,906 -668 Totals: 330,106 +1,646. Gasoline APR10 59,677 -3,779, May 10 98,457 +4,896 Jun10 51,187 +1,345 Totals: 317,981 +4,971.

Crude Support 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	Crude Resistance 83.40, 84.83, 85.05, 85.40, 86.60, 88.80, 89.88
Heat Support 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	Heat resistance 2.2270, 2.2575, 2.4200
Gasoline support 2.1460, 2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	Gasoline resistance 2.3350, 2.5040,



The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.