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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 19, 2010

Qatar's Energy Minister Abdullah al-Attiyah said oil prices are fair and will provide stability for a world economic recovery. He said the current prices between \$70/barrel and \$80/barrel is the right price for consumers and producers.

Market Watch

According to a Reuters survey, world oil demand will grow faster than new supplies outside OPEC in 2010. However stocks are likely to increase as the group is currently pumping more crude than the market needs. Crude oil production levels are likely to see the oil market in a small surplus of 150,000 bpd this year. The survey shows demand for OPEC's crude averaging just 29.2 million bpd this year.

Russia's Foreign Minister Sergei Lavrov said Iran's defiance over its nuclear program is letting an opportunity to establish international dialogue slip away. Meanwhile, US Secretary of State Hillary Clinton said that the US was now seeking support for smart sanctions against Iran.

A Nigerian armed rebel group claimed to have sabotaged an oil facility in the Niger Delta region and threatened to increase its attacks in coming days. Units of Joint Revolutionary Council of Niger Delta attacked and exploded the Abbiama Manifold in Buguma. The Abbiama Manifold is operated by Royal Dutch Shell. The company said it was looking into claims of an attack in Nigeria but added that no production was shut in.

Refinery News

Enbridge Inc has more than doubled the capacity of a North Dakota oil pipeline to handle up to 161,000 bpd as crude production in the region increases. It has expanded capacity of the North Dakota system pipeline, which originates in eastern Montana and bisects North Dakota before reaching Clearbrook, Minnesota, where it ties into the 1.4 million bpd southbound Lakehead pipeline system.

Tesoro Corp reported flaring at its 100,000 bpd refinery in Wilmington, California on Thursday. Two compressors failed causing a flaring incident.

**March
Calendar Averages**
CL – \$81.14
HO – \$2.0911
RB – \$2.2553

Chevron Corp's 279,000 bpd El Segundo, California refinery is operating normally after issues earlier this week with the instrument air system were resolved.

BP Plc said an ultraformer unit at its 455,790 bpd Texas City, Texas refinery will halt operations during process equipment repair work starting on Friday.

Emissions associated with the repairs are seen lasting until April 3rd.

Motiva Enterprises LLC's 236,000 bpd refinery in Norco, Louisiana is expected to restart a crude unit undergoing repairs by the end of March. The unit has been offline since late January due to a fire. It was originally expected to restart in early April.

Hess Corp is on schedule to begin a month of planned work on its 70,000 bpd Port Reading, NJ refinery.

Valero Energy Corp said the St. Charles refinery in Norco, Louisiana resumed normal operations after completing a plantwide turnaround.

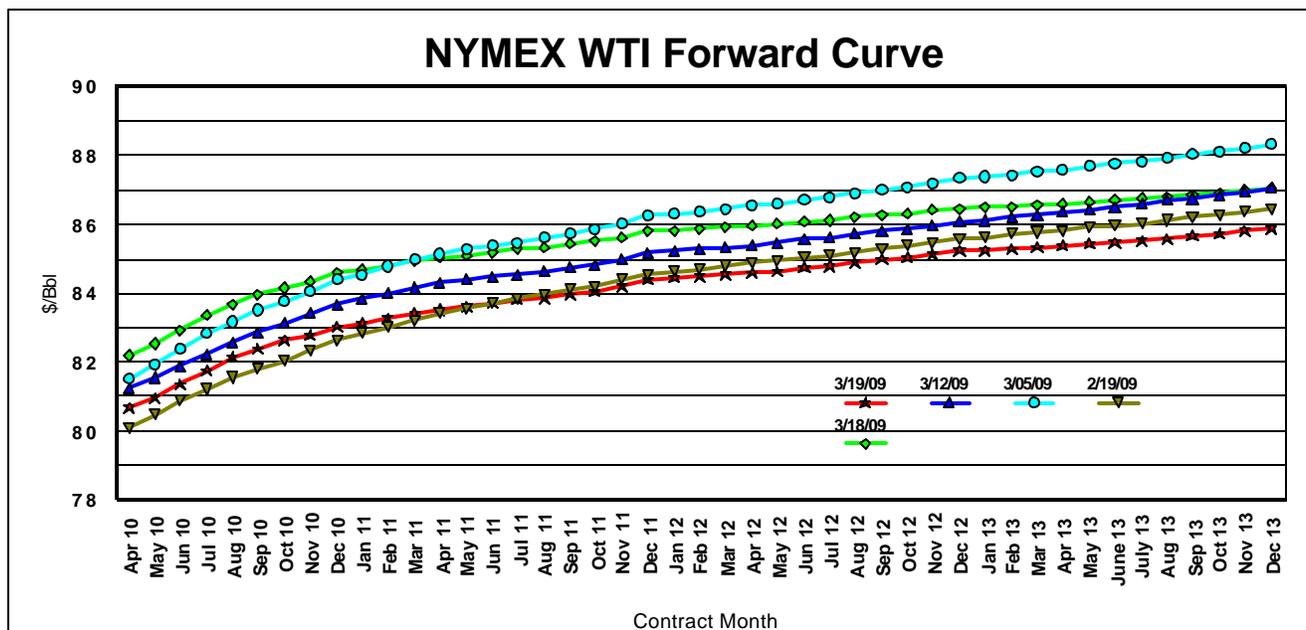
Euroilstock said oil refinery output in Europe fell 8.4% on the year in February to 11.359 million bpd. It was up 0.6% on the month. It also reported that gasoline production fell by 6.7% on the year but increased by 1.1% on the month to 2.867 million bpd while middle distillate production fell by 8.1% on the year but increased by 0.4% on the month to 5.716 million bpd and fuel oil production fell by 18.9% on the year but increased by 0.6% on the month to 1.363 million bpd. It reported crude intake in February fell by 6.4% on the year and by 0.9% on the month to 10.614 million. Refinery utilization rate fell to 81.02% from 81.76% in January.

China's Sinopec Corp's Guangzhou refinery may keep its 160,000 bpd crude unit shut for up to two weeks after it was damaged by a fire on Thursday. If the unit is shut for two weeks, the refinery's crude throughput will be cut by about 25% or 260,000 tons for the month from its plan of 238,000 bpd.

Japan's Nippon Oil Corp halted operations at its 46,000 bpd fluid catalytic cracking unit at its Mizushima refinery. The unit was shut on Wednesday.

Japan's Cosmo Oil Co Ltd is scheduled to shut its 120,000 bpd No. 2 crude distillation unit at its Chiba refinery from April 23rd to June 24th for planned maintenance. It is also scheduled to shut its 100,000 bpd No. 1 crude distillation unit at its Chiba refinery from September 13th to November 8th for planned maintenance.

Indonesia's Pertamina is considering processing sour crude in overseas refineries to increase its



efficiency. Currently Pertamina processes sour crude only at its Cilacap refinery.

South Korea's Korea National Oil Corp said the country's crude imports in February fell by 12% on the year to 65.5 million barrels due to poor margins and domestic oil product demand fell by 3% to 62.9 million barrel. It reported that crude runs in February fell by 1.3% on the year to 66.7 million barrels. It also reported that South Korea's private oil stocks at the end of February fell by 28% to 61 million barrels, with crude oil stocks falling by 77% to 8 million barrels.

Russia's pipeline monopoly Transneft will increase its exports of ESPO crude in April by 7.9% on the month. Russia's new Far East crude terminal of Kozmino will load 1.3 million tons of ESPO Blend in April, up from 1.245 million tons in March.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the week ending March 19th increased by 20 rigs to 1,427 rigs. The number of rigs searching for oil increased by 8 to 474 while the number of rigs searching for natural gas increased by 12 to 939.

Oil workers at Kazakhstan's KazMunaiGas Exploration and Production have ended their three week strike at the OzenMunaiGas oil production unit. It said its output loss was 12,000 tons due to the strike. It plans to produce 9.2 million tons of oil from its fields this year.

Nexen Inc and Royal Dutch Shell announced a significant discovery at Appomattox in the eastern Gulf of Mexico. It said its well results exceeded its pre-drill expectations.

Mexico's Pemex said the auditors of its oil and gas reserves expressed doubts about including the Chicontepec field as proven reserves. Pemex said it would continue to recognize proven reserves from Chicontepec despite the objection of the auditors. It said its proven reserves fell by 2% to 13.99 billion barrels of oil equivalent at the end of 2009. Separately, Pemex said two of its recent oil field discoveries, Ayatsil and Tsimin, have the potential to produce at least 100,000 bpd of oil each. Production at each field could increase to 150,000 bpd.

India's Oil and Natural Gas Corp said its crude oil output target for the 2011 financial year is 27 million tons.

India's government on Friday approved the award of 33 oil and gas blocks for exploration. The 33 blocks are part of the 36 bid in the eighth round of auction under the New Exploration Licensing Policy or NELP in October 2009.

OPEC's news agency reported that OPEC's basket of crudes fell slightly to \$77.90/barrel on Thursday from \$78.25/barrel on Wednesday.

Nigeria's state oil company lowered the official selling price for its Bonny Light and Qua Iboe crude for April loading to Dated Brent plus \$1.35, down 15 cents on the month.

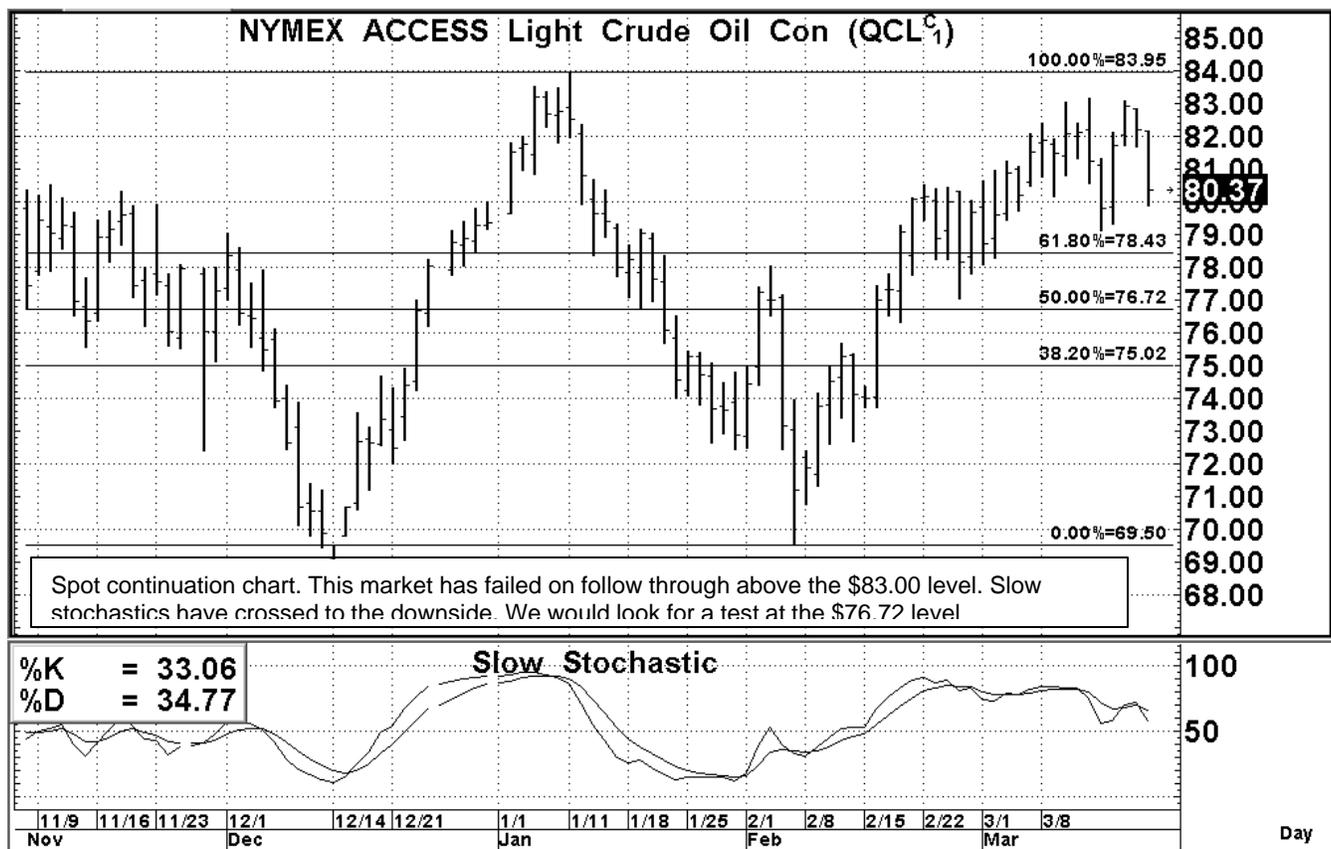
Market Commentary

With fuel demand dropping below the five-year average, the dollar strengthening and the inability to sustain itself above \$83.00, crude oil retracted, dipping below \$80.00. This market has yet to take out the \$83.95 high made in January and it appears that a range of \$84.00-\$69.50 has been established so far this year. It appears that there remains underlying weakness in this market and we would look for continued moves lower coming into next week, looking for an initial test at the \$76.72 support level. The April/May crude oil spread strengthened again today, as the financial appeal to hold on to inventory to sell at a later date is becoming less attractive. This has been causing the front month

spread to contract and move away from the gravitational area of -.43. With the April contract expiring on Monday, May/June will become the front spread. Given the underlying fundamentals of this market, we would look for the May to gain against the June as longs in the deferred liquidate.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 14,829 contracts to 124,143 contracts in the week ending March 16th. The combined futures and options report showed that non-commercials in the crude market increased their net long position by 17,901 contracts to 208,525 contracts on the week. The funds increased their total long position by 12,944 contracts to 295,371 contracts on the week. The disaggregated combined futures and options report showed that producers/merchants cut their net short position by 1,272 contracts to 210,214 contracts while swap dealers switched from a net long position of 8,442 contracts to a net short position by 7,644 contracts on the week. Managed money funds increased their net long position by 13,064 contracts to 173,541 contracts while other reportable increased their net long position by 4,836 contracts to 34,984 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market cut their net long position by 1,240 contracts to 23,283 contracts while non-commercials in the RBOB market increased their net long position by 7,070 contracts to 77,038 contracts.

Crude oil Apr. 10 52,698 -20,218, May 10 361,171 +33,332, June 10 189,402 +21,563 Totals 1,403,466 +61,139 Heating oil APR10 53,650 -4,067, May 10 80,253 +3,643 June10 51,807 +901 Totals: 329,435 -671. Gasoline APR10 55,941 -3,736, May 10 103,846 +5,389 Jun10 52,766 +1,579 Totals: 322,935 +4,954.



Crude Support	Crude Resistance
78.43, 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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