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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 22, 2010

US Secretary of State Hillary Clinton said the US will not compromise its commitment to prevent Iran from obtaining a nuclear weapon. She said the US is determined to prevent Iran from acquiring nuclear weapons. She noted that it is taking time to produce tougher sanctions against Iran. However she said that time was a worthwhile investment for winning the broadest possible support for its efforts.

OPEC President Germanico Pinto said he expects crude oil prices to remain stable for the rest of the year. He said the current level is good for both producers and consumers. He however cautioned that uncertainties remain over the stability of the economy.

Market Watch

The Chicago Federal Reserve said its National Activity Index suggested that the US economy remained in recovery mode during February. The index fell to -0.64 in February after it was revised down slightly to -0.04 in January while its three month moving average fell to -0.39 from -0.13 in the prior month.

The Reuters-Jefferies CRB index reached a 5 ½ week low on Monday as energy, metals and agricultural markets fell on the dollar's strength. The CRB was down 1.3% at 169.30 early Monday. The US dollar index was up 0.3% as the dollar rallied against the euro amid worries whether Greece will get the help of its neighbors to resolve its debt crisis or will have to turn to the IMF for help.

The Department of Transportation's Federal Highway Administration said the number of vehicle miles traveled in January fell 1.6% from a year earlier. The number of miles traveled was down 3.7 billion in January from a year ago at 222.8 billion miles. It was the first monthly decline in 12 months.

Fitch Ratings said a new report that a potential correction to crude oil prices poses risks to European integrated oil major's ability to control operating costs and increase profit margins. It said a prolonged downturn in oil prices or continued difficulty in the refining sector could delay cash generation needed for companies to meet their strategic goals and have a negative impact on ratings.

The Senate Agriculture Committee will not unveil a draft bill by the end of the week that would bring over-the-counter derivatives under federal regulation. A spokeswoman with the committee did not offer a time when the draft will be released.

The US Office of Naval Intelligence reported that the US has warned military and commercial vessels off the coast of Yemen that they may be targeted by al Qaeda. It said information suggests that Al Qaeda remains interested in maritime attacks in the Bab-al-Mandeb Strait, Red Sea and the Gulf of Aden along the coast of Yemen. It said that although it was unclear how the attacks would occur, it may be similar to the attacks against the USS Cole in October 2000 and the M/V Limburg in October 2002 where a small to mid-sized boat laden with explosives was detonated. Yemen's interior ministry said last week it has increased security around oil and maritime installations in case of retaliation by Al-Qaeda after several strikes against the jihadist network.

Weather Service International expects warmer than normal temperatures in April through June in northern Europe.

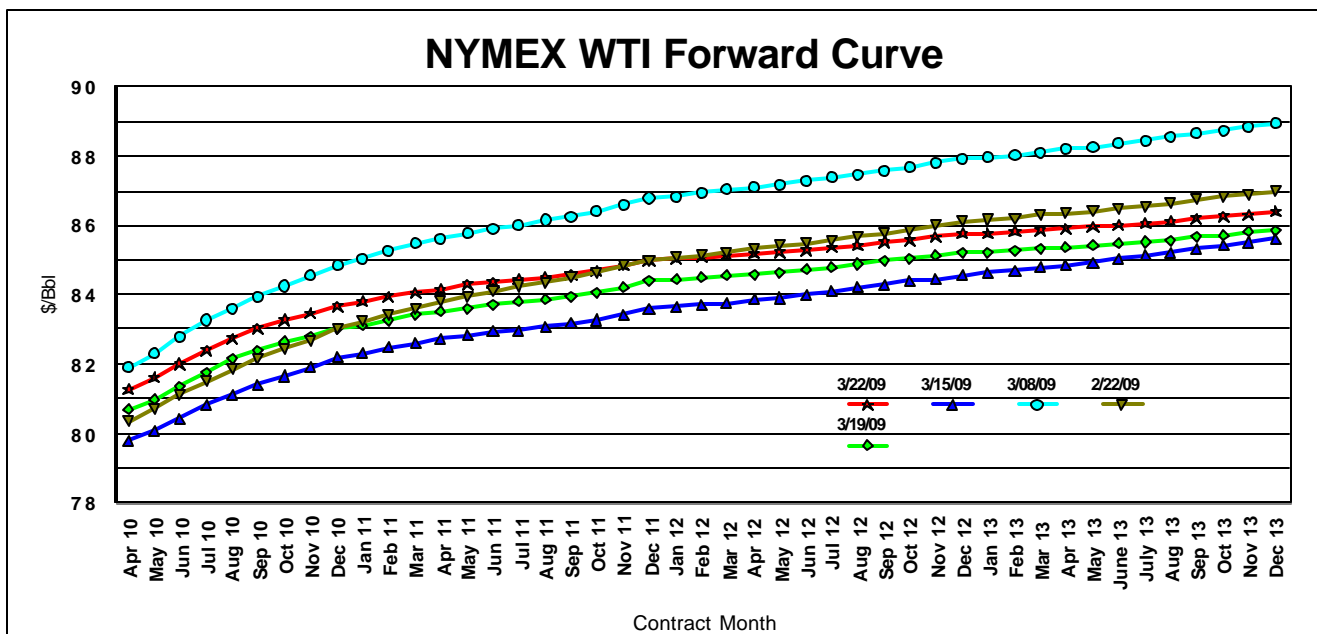
**March
Calendar Averages**
CL – \$81.15
HO – \$2.0907
RB – \$2.2554

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said OPEC is unlikely to hold an extraordinary meeting in June ahead of its scheduled meeting in October as the group foresees little change in oil prices. He said prices are at an acceptable range for producers and consumers and urged more compliance with quotas.

The chairman of Libya's National Oil Co, Shokri Ghanem said OPEC will no longer hold quarterly meetings during the Muslim month of Ramadan. He said the calls for change were led by Saudi Arabia's Oil Minister Ali Al Naimi and supported by Libya and other Muslim members. The next OPEC meeting will take place in Vienna on October 14th instead of September as previously planned. Ramadan will start on August 11th and end on September 9th.

Energy ministers from oil-producing countries called for stricter rules on speculation in commodities which they said were undermining investment to ensure energy supplies. OPEC's President Germanico Pinto was quoted as saying that "we are now encouraged to see some countries taking steps to introduce regulatory reforms to financial markets and commodity trading practices." He said increased speculation had led to excessive volatility in prices, creating difficulties for both consumers and producers by confusing the outlook for investment plans. UAE's Oil Minister Mohammed bin Dhaen al-Hamli said greater regulation is needed. Qatar's Energy Minister Mohammad al-Sada said market uncertainty, stemming from a lack of transparent data on supply and demand, was fueling speculation. Meanwhile, deputy executive director of the IEA, Richard Jones said there was little evidence that financial market activity in commodities was driving volatility. Separately, he said oil price risks are skewed towards the downside but prices will most likely drift in their recent range for the rest of the year. The price outlook hinges on oil demand growth and added that its prognosis is that there will not be many changes this year in fundamentals. He however said that in the next three to four years, new oil production, particularly from Brazil and West Africa, will weigh on prices.

The EIA reported that the US average retail price of diesel increased by 2.2 cents to \$2.946/gallon in the week ending March 22nd. It is at its highest level since November 3, 2008. Diesel prices are up 85.6 cents or 41% over the year ago level. The EIA also reported that the US average retail price of gasoline increased by 3.1 cents to \$2.819/gallon on the week.



Refinery News

ConocoPhillips reported flaring late Saturday at its 135,000 bpd Rodeo refinery in California. ConocoPhillips did not state the cause of the flaring in a filing with the California Emergency Management Agency.

ExxonMobil Corp is planning to perform about 60 days of maintenance on a fluid catalytic cracking unit at its 562,500 bpd refinery in Baytown, Texas at the end of August.

Valero Energy Corp's 195,000 bpd Memphis, Tennessee refinery will completely restart by the end of April following the completion of a \$225 million project that started on March 14th. The overhaul of its fluid catalytic cracker and alkylation unit should make the plant much more reliable. Separately, Valero Energy said it will spend \$200 million to improve reliability of its 100,000 bpd fluid catalytic cracking unit at its 287,000 bpd St. Charles refinery in Norco, Louisiana. The project will reduce the frequency of required maintenance on the unit. The work will begin in the first quarter of 2011.

Kuwait National Petroleum Co extinguished a fire at a gasoline unit at the 460,000 bpd Mina al-Ahmadi refinery. It said output and exports were not affected. The fire which injured 4 workers, broke out during routine maintenance at a gasoline unit.

TransCanada Corp said the Keystone pipeline should be filled by the end of June.

China's implied oil demand in February increased by 19.4% on the year, the second highest rate on record, due to record refinery output and a surge in net fuel imports. China consumed 8.65 million bpd last month, up 9.4% or 604,000 bpd on the month. China's commercial crude oil stocks at the end of February stood at 28.2 million tons or 206.7 million barrels, up 5.2% on the month. This excludes crude oil held in China's strategic oil reserve. China's crude stocks increased due to a net increase in crude imports and a decline in refinery processing rates. China's General Administration of Customs reported that February crude oil imports reached 18.51 million metric tons or 4.8 million bpd, up 59.6% on the year. China's crude runs in February fell on the month to 8.35 million bpd. Meanwhile, China's commercial gasoline stocks fell by 3.8% on the month to 6.38 million tons while diesel stocks increased by 21% to 11.53 million tons. The General Administration of Customs also reported that China exported 210,785 metric tons of gasoline in February, down 28% on the year while China exported 292,268 metric tons of diesel in February, down 11.8% on the year.

According to Reuters, China's commodity demand remained strong in February, showing the country's demand for raw materials held up despite the Lunar New Year holiday, the end of a cold winter and a second move by the People's Bank of China to tighten money supply. Oil and refined cooper both saw an increase in demand during the month.

Russian and transit oil exports via Transneft in the second quarter of 2010 are expected to increase by 1.6% on the quarter to 4.03 million bpd. Russian exports of its ESPO Blend via the new Pacific oil terminal of Kozmino in the second quarter are scheduled to reach 3.945 million tons, up 25.9%. Russia's seaborne exports from the Black Sea port of Novorossiisk will fall by 5.8% to 10.78 million tons or 870,000 bpd while loadings in the Ukrainian port of Yuzhny are set at 1.5 million tons or 120,800 bpd. Russia's Baltic Sea crude terminal of Primorsk will export 18.5 million tons of Urals, up 5.8%. The schedule showed Urals supplies to Europe via the Druzhba pipeline will fall by 3.4% in the second quarter to 1.12 million bpd.

Production News

Mexico reopened its Pajaritos oil terminal in the Gulf of Mexico on Monday morning as bad weather eased. The Pajaritos, Dos Bocas and Cayo Arcas oil terminals were closed on Sunday.

Statoil said that the Shell operated Vito appraisal well in deep water Gulf of Mexico has encountered more than 600 net feet of high quality oil pay in subsalt Miocene sands.

Nigeria plans to export 12 cargoes of 950,000 barrels of Qua Iboe crude in May and one cargo of 500,000 barrels. Nigeria is also expected to export six Bonny Light crude cargoes of 950,000 barrels each, plus five Bonga crude cargoes and four Yoho crude cargoes.

Brazil's Petrobras started long term well tests at two shallow water fields in the Santos Basin. The Tiro and Sidon fields are located in the southern Santos Basin's BM-S-40 block. The tests are expected to produce about 10,000 bpd. The two fields are estimated to hold recoverable reserves of about 150 million barrels of oil equivalent. Petrobras continues to ramp up operations in the Santos Basin, where a long term well test is underway at the Tupi field. The Tupi field is estimated to hold between 5 billion and 8 billion barrels of oil equivalent.

ConocoPhillips confirmed its 2010 production will be about 1.8 million bpd of oil equivalent, down 2.7% on the year.

BP Plc said it plans to increase its production by 1-2% through 2015.

Marathon Oil Corp said it expects to have a capital expenditure budget in the range of \$5 billion to \$6 billion a year through 2013, with increasing investment in its exploration and production business and lower spending in its refining arm.

Summit-Statoil said it will cut oil sand CO2 emissions by 25% by 2020 and by 40% by 2025. It also said it is open to partnerships to develop oil sands properties.

Qatar's Pearl Gas-to-Liquids project with Royal Dutch Shell Plc will start operations by the end of December. The second phase will start operations by the end of 2011. It is the largest gas-to-liquids development, with a capacity of 140,000 bpd. It will convert Qatari natural gas into diesel and other high value oil products.

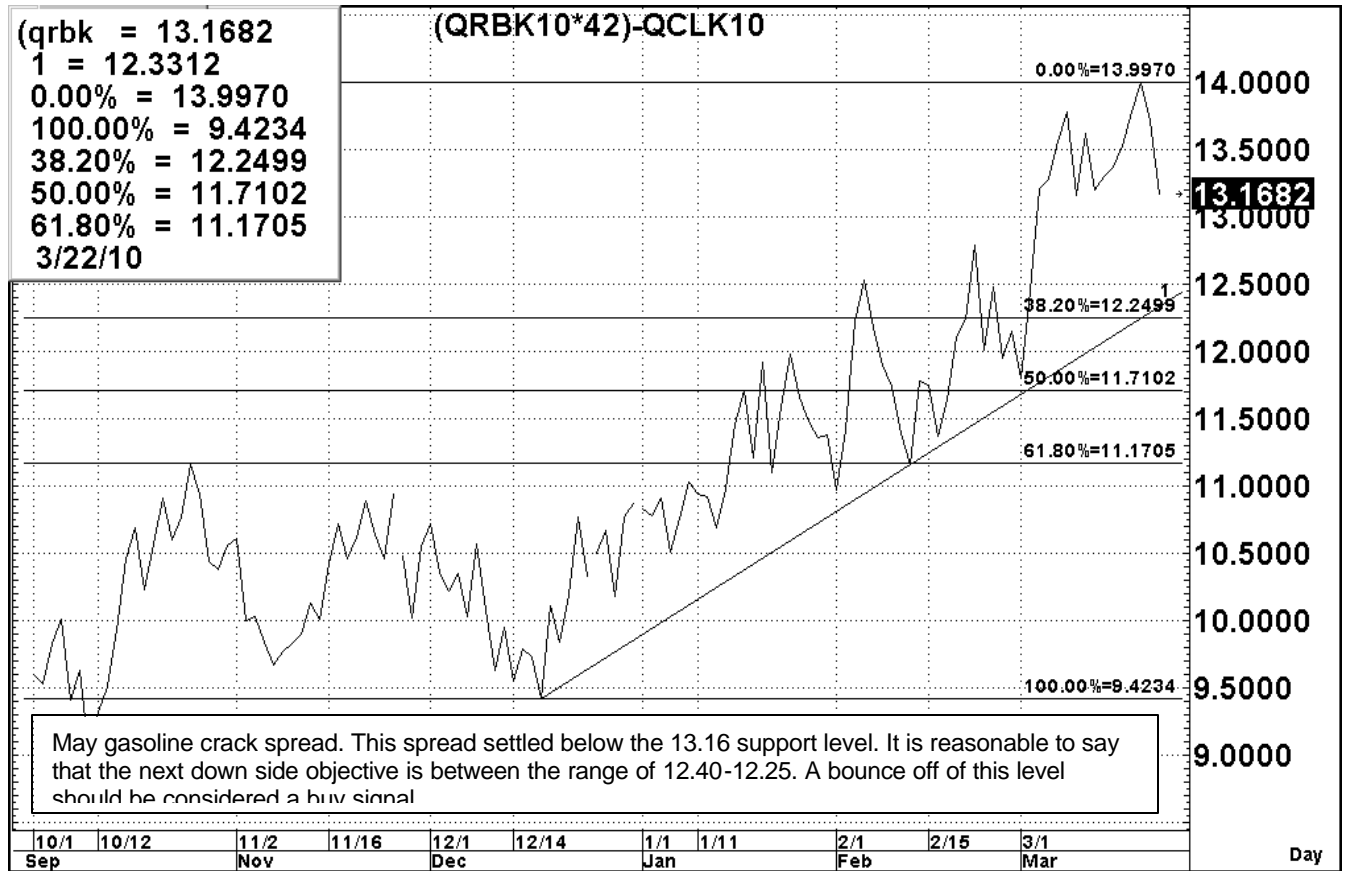
OPEC's news agency reported that OPEC's basket of crudes fell by 72 cents to \$77.18/barrel on Friday from \$77.90/barrel on Thursday. It also reported that OPEC's basket of crudes fell by 47 cents to \$77.24/barrel in the week ending March 24th.

Market Commentary

After falling to its lowest level in almost three weeks, crude oil rebounded throughout the session as the dollar weakened and equities rose. News of a 5.2 percent increase in Chinese crude oil imports helped propel prices higher. Both China and India have been significant market influences, as both these countries have been showing signs of steady demand. The May contract, which is now the spot month, found support above the 38.2 percent retracement level of \$78.43, using the range between \$81.70 and \$78.86. We would look for the May crude oil to remain within the trading range of \$65.00 to \$85.00 barring any major shift in fundamentals involving the economy or supply and demand. Both the heating oil and gasoline crack spreads have been coming under pressure with the recent sell off in prices. The May gasoline crack has penetrated the 13.16 support area. We would look for this spread to encounter support between 12.40 and 12.25. Failures to work below this level should be considered buy opportunities.

Crude oil May 10 342,543 -18,628, June 10 163,608 -25,794, July 90,467 -4,206 Totals 1,324,564 -78,902 Heating oil APR10 49,210 -4,440, May 10 50,921 +793 June10 50,921 -886 Totals: 325,660 -3,775. Gasoline APR10 47,921 -8,020, May 10 108,055 +4,209 Jun10 53,931 +1,165 Totals: 321,964 -971.

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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