



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 24, 2010

A Western diplomat said the US, Britain, China, France, Russia and Germany held a conference call on proposed new UN sanctions against Iran. The diplomat said China, who for weeks stalled on holding such discussions, took part in the call with senior foreign ministry officials from the other permanent members of the UN Security Council and Germany. The exchange did not focus on the substance of a fourth round of UN sanctions proposed by the western powers but the six world powers agreed to hold another conference call in the near future.

Market Watch

The Commerce Department reported that durable goods orders increased a third consecutive month in February by 0.5% to a seasonally adjusted \$178.12 billion. Economists had expected a 0.7% increase in February. Overall January durables increased 3.9%, revised from a previously reported 2.6% increase.

The Commerce Department also reported that sales of new homes in the US fell in February, primarily due to snowstorms and layoffs. Demand for single family homes fell by 2.2% on the month to a seasonally adjusted annual rate of 308,000, a new record low. Year over year, sales were down 13% despite the government tax credit. The month's supply at the current sales rate increased to 9.2 from a revised 8.9 in January. It reported that the median price for a new home increased year on year in February by 5.2% to \$220,500 from \$209,700 in February 2009.

The Senate's Agriculture Committee's chairman Blanche Lincoln said US financial reform should require the reporting of all trades in the swaps market and mandatory clearing for some standardized swaps. She however said not all swaps or swap users should face the same degree of regulation. She said the bill likely will not seek to force all routine swaps to be routed through central clearinghouses. She said she sympathizes with companies that fear a move to clearing could prove too costly because clearinghouses would force them to post cash collateral. She said the committee hopes to release a bipartisan draft discussion bill in April on regulation for over the counter derivatives, which could move to the Senate floor this summer.

China's State Council said China will use subsidies and an increase in credit to encourage private investment as part of its stimulus package aimed at combating the effects of the world financial crisis. It will encourage private investment in sectors such as transportation, telecommunications, energy, infrastructure, public affairs, defense technology, public housing as well as commercial and trade logistics. It will also encourage private investment in the establishment of financial institutions.

The European Union has yielded to Canadian demands it remove possible trade barriers to oil sands to avoid further damage to ties. Relations have been strained after the EU banned imports of seal products last July on animal welfare grounds. Canada warns that draft EU standards to promote greener fuels will harm the market for its oil sands. Environmentalists say the extra energy needed to extract oil from the North Alberta sands intensifies the damage they do to the climate, while extraction wastes harm wildlife and pollute rivers. Canadian Ambassador Ross Hornby cited research showing oil sands' carbon footprint was only 5-15% higher than most crude imports consumed in the US. A recent draft EU paper on fuel standards dropped all reference to Canadian oil sands or tar sands.

DOE Stocks

Crude – up 7.245 million barrels
Distillate – down 2.422 million barrels
Gasoline – down 2.715 million barrels
Refinery runs – up 0.5%, at 81.1%

The White House said US President Barack Obama held telephone talks with British Prime Minister Gordon Brown, German Chancellor Angela Merkel and French President Nicolas Sarkozy on Iran, the Middle East peace process and world economic issues.

Saudi Arabia's Interior Ministry said it has arrested 113 suspected al Qaeda linked militants accused of plotting attacks on oil installations and military sites in the country. The militants were organized in three cells, with 58 suspected Saudi militants and 52 from Yemen. It said two cells were working independently from each other and were in the early stages of plotting attacks in the oil producing Eastern Province.

Refinery News

Chevron Corp's 279,000 bpd El Segundo, California refinery is operating normally following the shutdown of an isomax unit last week.

BP Plc has delayed planned work on a fluid catalytic cracking unit at its 405,000 bpd Whiting, Indiana refinery until September.

ConocoPhillips expects to start up its Wood River refinery in mid-2011.

Separately, ConocoPhillips' chief executive Jim Mulva said the refining sector has hit bottom but will not see profit margins improve significantly until 2012 at the earliest. He said refiners' profit margins should improve as older, less-efficient facilities are shutdown, reducing global overcapacity. ConocoPhillips said asset sales will reduce production and reserves by the end of 2011, with about 60% to 80% of the divestitures coming from its exploration and production segment. Its production is expected to fall by about 80-120,000 bpd of oil equivalent due to the expected sale of \$10 billion in assets over two years while reserves will be cut by about 400 to 600 million barrels of oil equivalent. It expects production in 2012 to total 1.7 million bpd of oil equivalent. It plans to reduce its refining capacity by 19% to 26% to 2-2.2 million bpd in 2012.

Kuwait has shut its 200,000 bpd Shuaiba refinery due to a failure in the steam generation system.

Royal Dutch Shell is conducting maintenance work at a gasification unit at the south side of its Rheinland refinery in Germany. The maintenance is expected to last until the end of March or early April.

Japan's Ministry of Finance reported that the country's crude and condensate imports in February fell 5.7% on the year to 17.875 million kiloliters or 4.02 million bpd. Crude imports in January fell 3% on the year to 18.125 million kl.

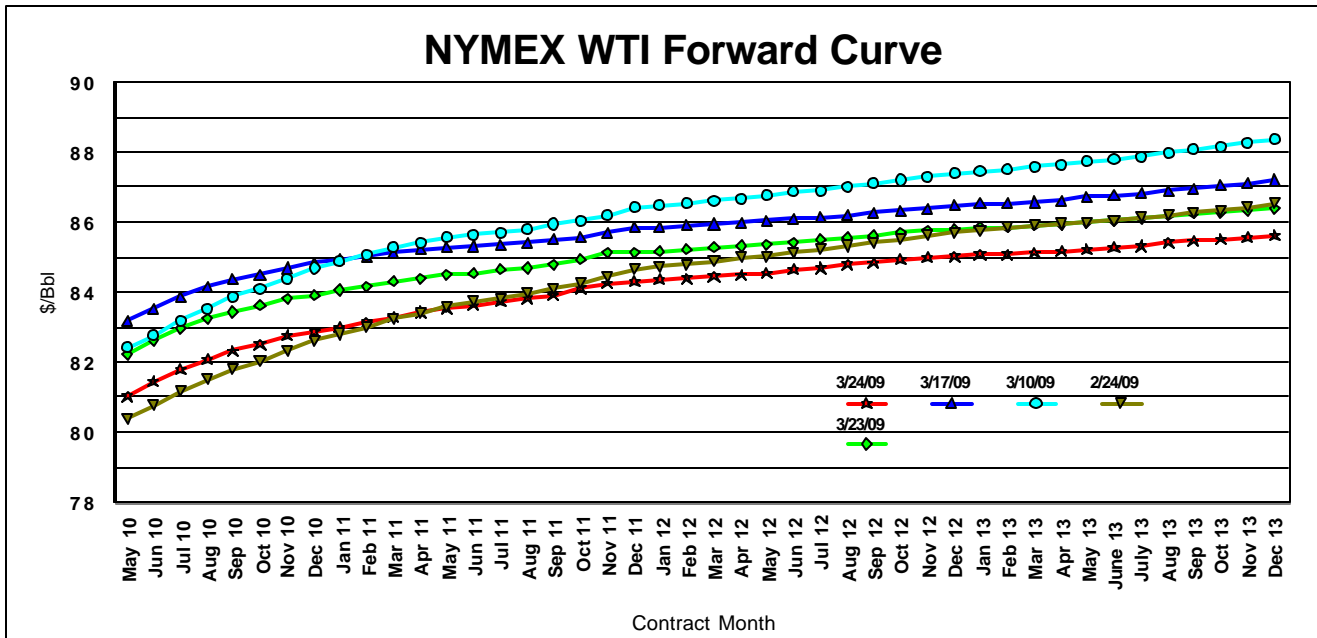
Russia's Baltic Sea oil product terminal of Primorsk will increase its diesel shipments in 2010 to 5.9 million tons from 4.25 million tons in 2009. The port shipped 441,000 tons of diesel in January, 462,000 tons in February and 393,000 tons in March so far.

Production News

Iraq's Kurdistan region is ready to start exporting oil at a rate of 100,000 bpd as soon as a new Iraqi government is formed. An official said exports could reach 200,000 bpd to 250,000 bpd by the end of the year and added that a new export pipeline, with a capacity of 1 million bpd, to link with the terminal in Ceyhan, Turkey was also planned. Disagreements over revenue and

March Calendar Averages
CL – \$81.16
HO – \$2.0902
RB – \$2.2539

production sharing between the Iraqi government and Iraq's Kurdish region delayed exports however exports could start as soon as a new government is in place.



BP Plc's Brazil assets, purchased from Devon Energy Corp, are expected to produce at least 100,000 bpd by the end of the decade. BP chief executive Tony Hayward aims to increase the company's production by 1-2% a year through 2015. While the deal with Devon includes just 40,000 bpd in current production, the purchase, along with new technology to improve oil and gas extraction, may allow the company to surpass its target.

Ecuador's Petroecuador reported oil export revenues of \$423 million in February, down 20% from the \$527 million reported in January. Petroecuador exported 6.03 million barrels of oil in February, down 19% from 7.44 million barrels in January.

Russia's OAO Lukoil Holdings said it has abandoned an Iranian project due to the threat of US sanctions against Iran. In its financial statement for 2009, Lukoil recognized an impairment loss of \$63 million related to the Anaran project in Iran. It said it may however return to the project if international political conditions improve. Lukoil's statement comes after western companies, including Royal Dutch Shell and Ingersoll-Rand Co said they would abstain from signing oil contracts as new sanctions against Iran loom.

Brazil's Petrobras will start selling Brazilian crude from a distribution hub in Okinawa next month as it seeks to increase its share of the Northeast Asian market. Petrobras is shipping 950,000 barrels of medium heavy Roncador 28 crude from South America due for arrival in Okinawa on April 18-19. It may send an additional 950,000 barrel parcel for arrival in May. Such frequency would add more than 33,000 bpd to Brazil's crude sales to Northeast Asia.

Brazil's OGX Petroleo e Gas Participacoes SA said it discovered more oil and gas in the BM-C-41 block of the offshore Campos Basin. It however did not specify the potential size of the reserves.

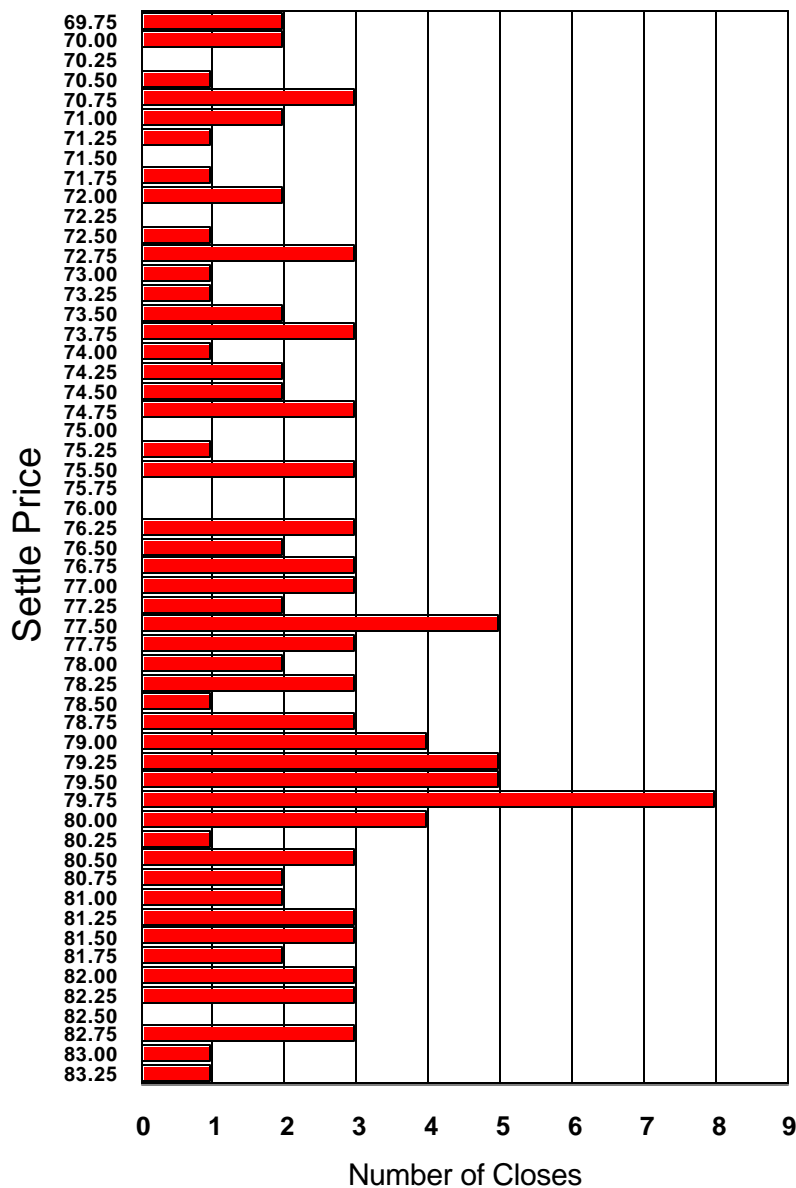
OPEC's news agency reported that OPEC's basket of crudes increased further to \$77.54/barrel on Tuesday from \$76.75/barrel on Monday.

India's Oil Secretary said India needs to price oil products rationally as state-run fuel marketing companies' revenue loss from selling products at government mandated prices is expected to rise to INR700 billion in the next fiscal year from INR450 billion this year.

NYMEX Spot WTI Daily Settlement

Price Distribution in 25 Cent Increments

October 1, 2009 - March 24, 2010



Market Commentary

As is typical for this time of year, crude oil inventories rose while gasoline and distillate inventories shrank. Stockpiles for crude oil increased 7.25 million barrels last week, with gasoline inventories falling by 2.72 million barrels and distillate inventories falling 2.42 million barrels. A strong dollar also dimmed the appeal of commodities as an investment hedge, adding to the downward pressure on prices. The economic recovery remains at the forefront of this market as concerns mount that the economic woes of Greece will spread within the European community. Should demand begin to show signs of recovery, there is ample supply to fulfill the demand factor. Since the beginning of October 2009 until present, crude oil has established a settlement range between \$83.18 and \$69.51, with the area between \$79.75 and \$79.51 being an area of gravitation. We would look to use this gravitational range as a pivotal area, selling dips below it and buying breaks above it. Based on today's settlement, we would look for this market to work higher, with attempts at the \$83.18 level.

Crude oil May 10 337,421 +1,262,
 June 10 164,044 -924, July
 91,450 -616 Totals 1,298,539 -
 1,950 Heating oil APR10 38,619 -
 3,431, May 10 87,254 +3,707

June10 52,371 +1,267 Totals: 326,194 +4,131. Gasoline APR10 37,341 -5,526, May 10 116,658 +6,183 Totals 324,322 +3,612.

Crude Support	Crude Resistance
79.75-79.51, 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	83.18, 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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