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ENERGY MARKET REPORT FOR MARCH 24, 2011

French warplanes struck an air base in central Libya early Thursday in a fifth night of bombardments by Western powers against Muammar Gaddafi's military. French fighter jets attacked a Libyan air base 250 kilometers inland from the Mediterranean coast. Western air strikes also hit a target in the Tajoura district of the Libyan capital and the town of Sabha in southern Libya. Western air strikes also hit government tanks on the outskirts of Libya's rebel held Misrata.

Rebels are negotiating the possible surrender of forces loyal to Libyan leader Muammar Gaddafi inside the town of Ajdabiya. Earlier, French Foreign Minister Alain Juppe defended the pace of the coalition air operation. He said it may take a coalition of Western powers days or weeks to destroy the Libyan military but it will not require months. Western warplanes hit Libya for a fifth night but have so far failed to stop Gaddafi's tanks shelling rebel held towns. The French Foreign Minister said President Nicolas Sarkozy will suggest that European Union leaders should start discussions on building peace in Libya during Thursday's summit. He said the goal of countries taking part in the air campaign in Libya is to foster dialogue and reach a peaceful solution to the conflict. He said the air strikes would continue until the Libyan government accepts a ceasefire that respects the UN's

Market Watch

The Labor Department said the number of US workers filing new claims for unemployment benefits fell slightly last week. Initial unemployment claims fell by 5,000 to 382,000 in the week ending March 19th. The prior week's figures were revised up slightly to 387,000 from an original estimate of 385,000. The four week moving average of new claims fell by 1,500 to 385,250 in the week ending March 19th. The number of continuing claims fell by 2,000 to 3,721,000 in the week ending March 12th. The unemployment rate for workers with unemployment insurance was 3% in the week ending March 12th, unchanged from the previous week.

The US Commerce Department said durable goods orders fell in February by 0.9% to a seasonally adjusted \$199.99 billion. The market expected a 1.5% gain in durable goods orders.

According to a Reuters survey, oil prices are expected to stay above \$100/barrel through 2013. Analysts increased the average full year 2011 Brent forecast up by \$12.07/barrel to \$104.57/barrel from a previous estimate of \$92.50/barrel. The price of Brent crude in 2012 is forecast at \$103.22/barrel and \$106.85/barrel in 2013. The price of WTI crude is forecast to average \$96.73/barrel in 2011, up from a previous estimate of \$89.96/barrel. In 2012, the price of WTI is forecast at \$97.72/barrel and at \$102.94/barrel in 2013.

The manager of Allianz RCM Commodities Fund said energy and precious metals markets look set to increase, while agricultural prices have peaked for now. Energy and industrial metals markets stand to benefit from the earthquake as Japan rebuilds damaged areas while unrest in the Middle East and North Africa is also expected to support energy and precious metals prices.

The SEC's chairwoman Mary Schapiro said the SEC should consider adopting rules requiring that market participants acquire technology to assure they can function in volatile market conditions. The SEC developed policy statements, not rules, setting out expectations that market participants acquire appropriate technology following Black Monday in October 1987, when stock markets around the world crashed.

**March
Calendar Averages**
CL – \$102.41
HO – \$3.0439
RB – \$2.9803

resolution. Separately, French Foreign Minister Alain Juppe said the wave of anti-government, pro-democracy revolts sweeping across the Arab world is irrepressible, citing Yemen, Syria, Bahrain and Saudi Arabia as examples.

US Secretary of State Hillary Clinton will attend a London conference Tuesday to discuss coalition military action against Libya. The visit was announced after a four way telephone conversation between Clinton and foreign ministers

William Hague of Britain, Alain Juppe of France and Ahmet Davutoglu of Turkey.

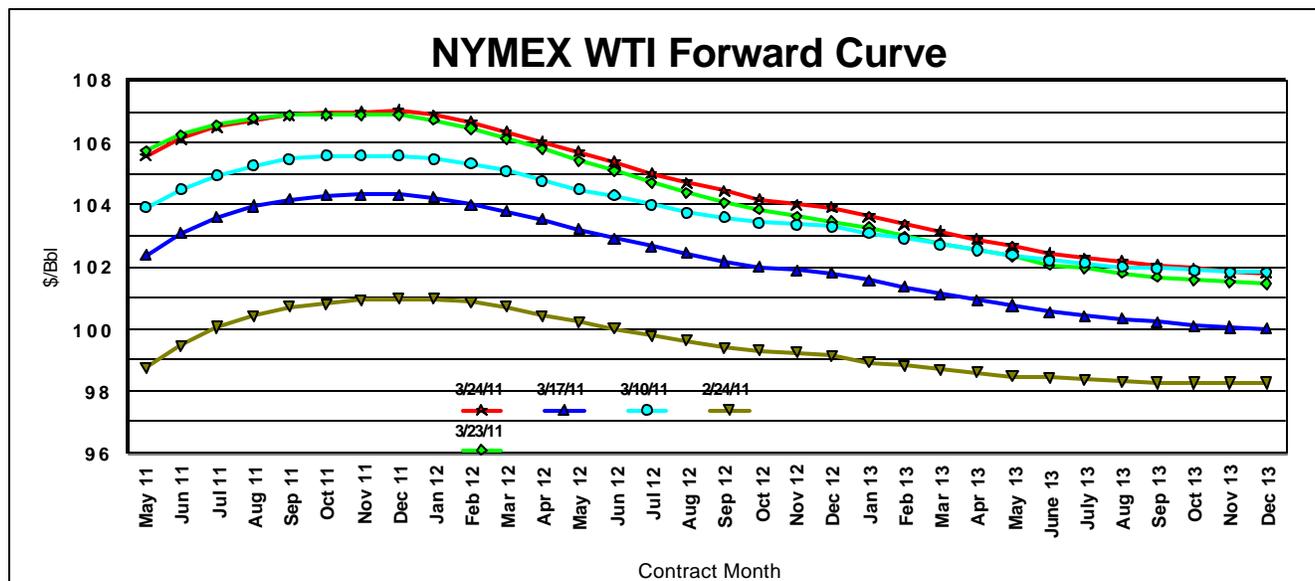
The African Union has invited representatives of Muammar Gaddafi's government, Libyan opposition representatives and others to talks in Addis Ababa this Friday.

NATO's head of Operation Unified Protector, Vice Admiral Rinaldo Veri said NATO will enforce the arms and mercenaries blockade on Libya with force if needed and hopes more nations would join those who have committed ships. He said his force has started operations on Wednesday evening with ships already in the area but had not detected any attempt to breach the embargo so far. He said his force was still in a build up phase and would have enough assets in a few days to fully sustain the embargo. Meanwhile Turkey urged NATO to have sole control over all military operations in Libya, voicing suspicion that some partners seeking to act outside NATO had their eyes on Libya's mineral wealth. Turkey's parliament was due to vote on Thursday on whether to support the government's decision to participate in a NATO naval operation to enforce an arms embargo.

US Defense Secretary Robert Gates arrived in Israel on Thursday in the wake of a deadly bombing that could complicate the planned efforts to press Israeli and Palestinian leaders to restart peace talks. A bomb exploded near a bus top in a Jewish district of Jerusalem on Wednesday, killing a woman and injuring at least 30 people, in an attack police blamed on Palestinian militants. The US Defense Secretary was scheduled to meet with Israel's Defense Minister Ehud Barak and President Shimon Peres on Thursday. On Friday, he is scheduled to meet with Israeli Prime Minister Benjamin Netanyahu and Palestinian Prime Minister Salam Fayyad.

Yemeni President Ali Abdullah Saleh vowed to defend himself by all possible means against protesters seeking to unseat him and urged army officers who defected to the opposition to return. He also rejected any dialogue with MPs opposed to his three decade rule.

European Union leaders said the impact of the recent earthquake and tsunami in Japan on the global



economy must be closely monitored with particular attention to the volatility of energy and commodity prices.

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador, are expected to fall by 430,000 bpd to 23.03 million bpd in the four weeks ending April 9th.

Refinery News

ExxonMobil Corp reported unplanned flaring at its 149,500 bpd Torrance, California refinery. It said a tubing leak caused a leak of hydrogen sulfide. The event had no impact on production.

Planned turnaround maintenance at a crude and coker unit has ended at Valero Energy Corp's 310,000 bpd Port Arthur, Texas refinery. The work started in February and was scheduled to last for about 51 days. It said units, including a heavy oil cracker, have restarted at the west plant of its 142,000 bpd Corpus Christi, Texas refinery. It suffered a plant wide power outage at the refinery earlier this week. Its 92,000 bpd heavy oil cracker was shut last week for repairs. Valero also stated that its 171,000 bpd refinery in McKee, Texas was operating at planned rates.

Tesoro Corp reported a shutdown and restart of an unspecified unit to replace a section of corroded piping at its 96,860 bpd Wilmington, California refinery. It said another process unit is expected to shutdown for maintenance at the refinery in the coming weekend. Tesoro does not expect these activities to have any impact on its ability to meet regional product supply commitments.

Holly Corp said an upset at its Tulsa, Oklahoma refinery was resolved.

India's Petroleum Planning and Analysis Cell said the country processed 3.42 million bpd of crude in February, down 1.16% from 3.46 million bpd in January.

Austria's OMV AG said it would adhere to European Union sanctions on business with Libyan state entities and said its German and Austrian refinery operations would not be affected as it is able to fully compensate through extra crude purchases from other countries. OMV said it was buying extra oil from Kazakhstan, Saudi Arabia and the Black Sea region to compensate for its normal 33,000 bpd oil equivalent of Libyan production that has been halted.

Japan's Ministry of Finance reported that the country's imports of crude oil in February increased by 5.6% on the year as refiners increased their output. Japan imported 18.87 million kiloliters or 4.2 million bpd of crude and condensate in February.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending March 24th fell by 7.27% on the week and by 5.53% on the year. Gas oil stocks increased by 5.74% on the week and 19.22% on the year to 2.636 million tons while fuel oil stocks increased by 5.07% on the week but fell by 6.7% on the year to 891,000 tons. Naphtha stocks increased by 82.35% on the week but fell by 16.22% on the year to 62,000 tons and jet fuel stocks fell by 1.22% on the week and by 2.55% on the year to 727,000 tons.

German consumer heating oil stocks were estimated at 49% as of March 1st, down from 50% as of February 1st.

Singapore's International Enterprise reported that the country's residual stocks fell by 8,000 barrels to 18.449 million barrels in the week ending March 23rd. Singapore's light distillate stocks fell by 527,000 barrels to 11.815 million barrels while its middle distillate stocks fell by 1.685 million barrels to 12.67 million barrels on the week.

Production News

A government official said Yemen's oil exports would not be affected by an attack that shut down a pipeline carrying crude from the country's western fields. The attack by tribal groups opposed to Yemeni President Ali Abdullah Saleh forced the shutdown of the pipeline, which ships 50,000-70,000 bpd to the port city of Ras Isa on the Red Sea.

BP Plc declared force majeure on supplies to Libya owned Tamoil Group. It did not say if the force majeure on Tamoil supplies was on oil products or crude. The EU announced sanctions on Libyan owned oil companies on Thursday. Tamoil was not listed in the EU decision and its managers said they were told it was not sanctioned.

ExxonMobil Corp is planning to resume drilling at its Hadrian North prospect in the Gulf of Mexico within a few weeks. ExxonMobil received a permit this week to drill the well in Keathley Canyon Block 919 after it met all of the new safety requirement from the Bureau of Ocean Energy Management, Regulation and Enforcement. Denmark's Maersk Drilling said it would soon resume drilling in the Gulf of Mexico and drill the first deepwater well since the US halted drilling after the Macondo oil spill last year.

Chevron received the first US permit to drill a complete exploratory well for oil or gas in a new deepwater reservoir since the end of the drilling moratorium that followed the BP oil spill. The well is in offshore tracts the company leased in the Keathley Canyon Block 736.

China on Thursday warned against any oil exploration without its consent in waters it claims in the South China Sea, after the Philippines announced plans for possible drilling. Manila's Department of Energy said that Forum Energy had completed a seismic survey for the Reed Bank, near the disputed Spratly Islands.

A senior oil ministry official said India's federal government currently does not have any plan to increase gasoline and diesel prices, despite high crude oil prices.

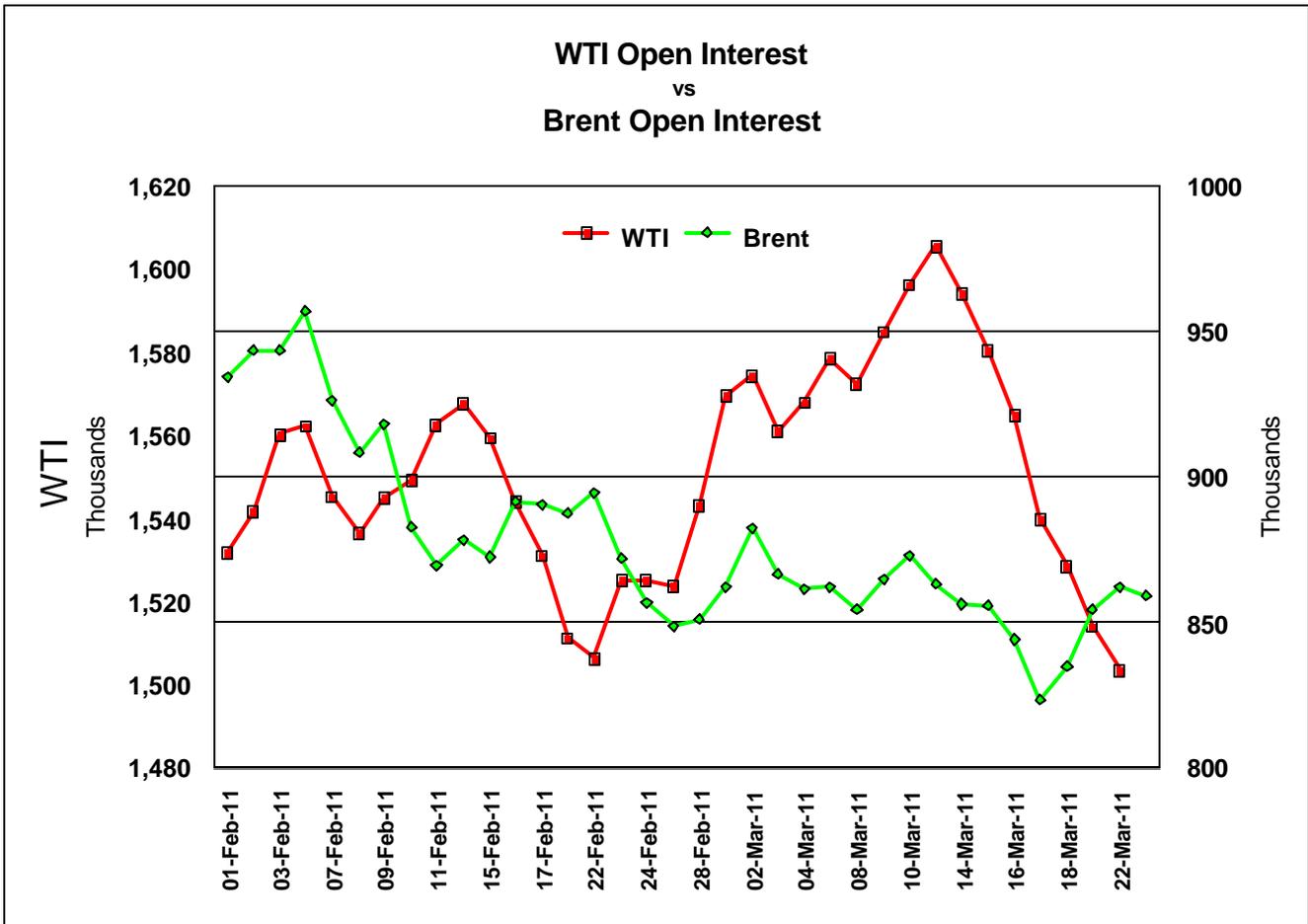
Market Commentary

Crude oil prices rose 9 percent early in the session as it responded to a convergence of news among which included mounting tensions in the Middle East and tsunami inflicted Japan and its nuclear problems. In recent days, crude oil has experienced its longest climb so far this year. As prices increased, open interest decreased and at the same time the deferential between the WTI and Brent narrowed, with the WTI gaining against the Brent. This can be attributed, in part, to the unwinding of the spread between the two, whereby short covering came into the WTI and longs liquidated in the Brent. We believe that there is more covering to be done and would look for continued narrowing of this spread. The near term objective is -\$7.92. Flat prices will remain news sensitive, experiencing wide swings.

Crude oil: May 11 363,643 -5,538 June 11 154,507 +240 July 11 99,462 +1,380 Totals 1,507,368 +3,754 Heating oil: Apr 11 31,327 -7,573 May 11 90,767 +3,406 June 11 54,594 -1,500 Totals 303,126 -3,548 Rbob: Apr 11 32,429 -1,478 May 11 93,602 +4,372 June11 43,077 -25 Totals 274,519 +3,816

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
10136		30810		30300	
9622	10695	27980	31525	26965	31970
9540	10880	26680	33510	26300	32450

9267	111.65	27375		25683	35915
9635		23685		25145	36310
8385		22960		24240	
				23631	
				23414	



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