



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 25, 2010

White House spokesman Robert Gibbs said the US is bringing the world community around to the need to pressure Iran over its nuclear program.

Qatar's Energy Minister Mohammed Bin Saleh al-Sadam said OPEC does not see any shortage of oil for the world and added that WTI crude prices at around \$80/barrel is well priced.

Oil Movements reported that

OPEC's seaborne oil exports, excluding Angola and Ecuador, will increase by 400,000 bpd in the four weeks ending April 10th to 23.39 million bpd.

According to Genscape, oil inventories in Cushing, Oklahoma increased by 754,739 barrels to 31.8 million barrels in the week ending March 23rd.

Barclays Capital said, citing data by the Joint Oil Data Initiative, that demand for crude in Europe weakened sharply in January, down 1.55 million bpd on the year.

Refinery News

Market Watch

The Labor Department reported that the number of initial claims for unemployment benefits in the week ending March 20th fell by 14,000 to 442,000. The previous week's level was revised to 456,000 from 457,000. The number of initial claims fell more than expected. Economists expected initial claims to fall by 7,000. The four week moving average fell by 11,000 to 453,750 from the previous week's revised average of 464,750. It is the lowest level since September 13, 2008. The number of continuing claims in the week ending March 13th fell by 54,000 to 4,648,000 from the preceding week's revised level of 4,702,000. The unemployment rate for workers with unemployment benefits in the week ending March 13th was 3.6%, unchanged from the previous week.

A CFTC commissioner, Bart Chilton, said he hopes to see position limits on energy and metals in place by the end of the year.

Total SA chief executive Christophe de Margerie expects oil prices to rise gradually in the next few months.

According to a Reuters survey, crude oil is expected to increase to an average of \$78.91/barrel in 2010, up from a previous estimate of \$77.70/barrel. The price of WTI crude is expected to average \$78.01/barrel in the first quarter of 2010, up from a previous estimate of \$75.70/barrel.

The Baltic Exchange's main sea freight index was at its lowest level in three weeks on Thursday. The index fell by 2.04% or 66 points to 3,177 points, bringing losses over the last eight consecutive trading sessions to over 9%. The Baltic's capesize index fell 0.34% on Thursday with average capesize earnings falling to \$28,593. The Baltic's panamax index fell 3.37% on Thursday while the Baltic's supramax index fell by 2.96%.

**March
Calendar Averages
CL – \$81.12
HO – \$2.0891
RB – \$2.2520**

Sunoco Inc is expected to complete 30 days of planned work at its 150,000 bpd refinery in Toledo, Ohio on April 12th. It is conducting work on its 105,000 bpd crude unit and its 55,200 bpd hydrocracker unit.

Marathon Oil Corp's newly expanded Garyville, Louisiana refinery is operating at full capacity and could actually exceed its nameplate capacity of 436,000 bpd. It said it could possibly exceed 450,000 bpd in oil processing capacity. Meanwhile, Marathon's 76,000 bpd refinery in Texas City, Texas is operating at full capacity. It said it is not actively marketing the refinery.

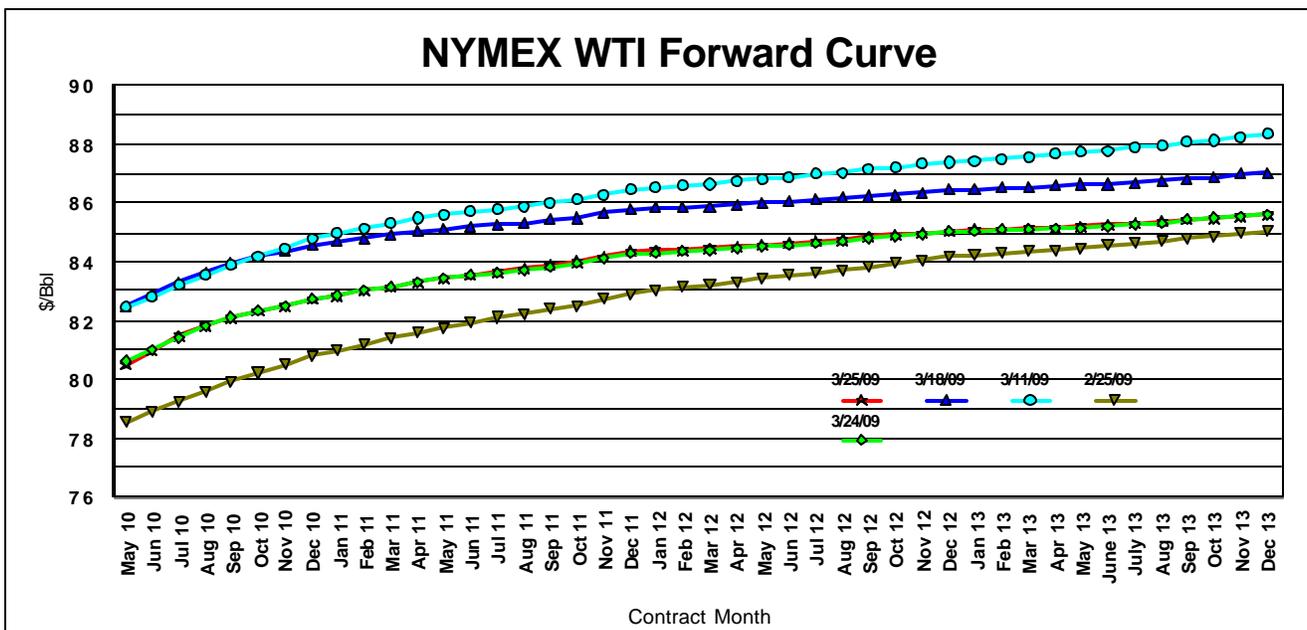
Alon USA Energy Inc's chief executive Jeff Morris said he expects a deal to purchase a Bakersfield, California refinery from Flying J to close by June 1st. Alon agreed to purchase the 70,000 bpd refinery from Flying J for \$40 million plus the market value for inventories.

Kuwait is scheduled to shut a 35,000 bpd diesel hydrotreater at its 270,000 bpd Mina Abdullah refinery in June for about two weeks of maintenance work.

Saudi Arabia may delay its plans for a 400,000 bpd Ras Tanura refinery expansion. The project could be delayed for 5 years or more. The Ras Tanura expansion plan is part of wider scheme within the country to increase refining capacity by more than 1.7 million bpd from the current level of about 2.1 million bpd. Without the expansion, Saudi Aramco would have to look at supplies from other refineries within the country.

PetroChina's refinery production in 2009 fell by 2.5% 828.6 million barrels. Its crude production fell by 3.1% on the year to 843.5 million barrels. Its gasoline production fell by 5.8% on the year to 22.11 million tons while diesel production increased by 1.1% to 48.83 million tons and its kerosene production increased by 2% to 2.25 million tons. PetroChina reported that its sales of gasoline, diesel and kerosene increased by 12.2% to 101.253 million tons. PetroChina's gasoline sales increased by 4.7% to 30.78 million tons, diesel sales increased by 15.3% to 64.7 million tons and kerosene sales increased by 21.2% to 5.8 million tons. Separately, PetroChina said inflation concerns will make a fuel price hike unlikely in the near term.

Indian refiners processed 3.39 million bpd of crude oil in February, up 0.76% on the year. India's refinery output increased at the slowest pace since July, as maintenance shutdown of some state-run units offset higher crude processing by private companies. Government data showed that India's



crude oil output in February increased by 4% on the year to 696,600 bpd. Despite the increase, crude oil output missed the government's target of 883,800 bpd by about 27% due to a decline in production or lower than expected output at Oil & Natural Gas Corp's fields in northeastern and western India. Output at ONGC increased by 1.5% to 507,800 bpd but missed the government set target by 11.9%.

Gasoline inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending March 25th increased by 4.81% on the week and by 32.46% on the year to 959,000 tons. Gas oil inventories fell by 0.36% on the week but increased by 2.69% on the year to 2.211 million tons while fuel oil stocks increased by 2.58% on the week and by 53.78% on the year to 955,000 tons. Naphtha stocks increased by 68.18% on the week but fell by 6.33% on the year to 74,000 tons while jet fuel stocks fell by 9.25% on the week but increased by 0.27% on the year to 746,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending March 24th increased by 567,000 barrels to 23.395 million barrels. It also reported that the country's light distillate stocks increased by 776,000 barrels to 10.467 million barrels while middle distillate stocks fell by 1.086 million barrels to 13.314 million barrels on the week.

The Petroleum Association of Japan reported that the country's commercial crude oil inventories in the week ending March 20th increased by 4.05 million barrels on the week and by 2.18 million barrels on the year to 99.81 million barrels. Its gasoline inventories increased by 40,000 barrels on the week but fell by 690,000 barrels on the year to 13.78 million barrels while kerosene stocks fell by 140,000 barrels on the week and by 950,000 barrels on the year to 11.19 million barrels and naphtha stocks increased by 210,000 barrels on the week to 10.54 million barrels. Its crude runs were unchanged on the week and up 20,000 bpd on the year at 3.79 million bpd. Its refinery utilization rate was unchanged on the week and increased by 2.2% on the year to 79%. The PAJ also reported that Japan's total oil product sales increased by 6.9% on the week and by 4.1% on the year to 3.21 million bpd. Its gasoline sales increased by 12% on the week and by 0.2% on the year to 980,000 bpd while its kerosene sales fell by 17% on the week but increased by 8.7% on the year to 450,000 bpd and gas oil sales increased by 11.5% on the week and by 21% on the year to 600,000 bpd. Japan's naphtha sales increased by 26.5% on the week but fell by 0.3% on the year to 390,000 bpd while jet fuel sales fell by 35.3% on the week and by 31% on the year to 80,000 bpd.

Saudi Aramco has sold two fuel oil cargoes, totaling up to 145,000 tons for April loading.

Russia's Sakhalin Energy has sold a 720,000 barrel cargo of light Vityaz crude for loading in June to the US. The cargo was sold at a premium between \$2.55 and \$2.60/barrel to Dubai quotes. Sakhalin Energy sold its first June-loading cargo of the Russian grade in a tender to a Japanese refiner at a similar level to the US deal.

Production News

The UK Department of Energy and Climate Change said the decline in total UK oil and gas production accelerated in 2009 as investment in new fields failed to offset natural decline from aging reservoirs. Total UK oil and natural gas liquids production fell by 5.1% to 1.4 million bpd.

Abu Dhabi National Oil Co will increase supply of its Murban crude in May but cut supply of its Lower Zakum crude. ADNOC plans to supply Murban crude at 13% below contract volume in May, up from 15% in April. It however plans to supply Lower Zakum at 15% below contract volumes, down from 10% in April. It also plans to supply Umm Shaif at 10% below term contract volumes in May, up from 15% in April.

Mexico's Pemex said the country produced 2.61 million bpd of oil in February, down 5,000 bpd on the month. Mexico's crude exports averaged 1.198 million bpd in February compared with 1.238 million bpd in January. Gasoline imports increased to 329,200 bpd in February from 258,000 bpd in January.

Colombia's Energy and Mines Minister Hernan Martinez said the country's crude oil production is likely to increase to about 800,000 bpd by the end of 2010, up from its current production of 750,000 bpd. Reserves are currently about 2.5 billion barrels.

India's Oil & Natural Gas Corp is evaluating an oil-sands field in Canada for a possible acquisition. The field under review is capable of producing 10,000 bpd of heavy crude.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$76.90/barrel on Wednesday, up from Tuesday's \$77.54/barrel.

Market Commentary

The oil market posted an inside trading day and settled in negative territory as the European Central Bank's president cast doubts over the prospect of a rescue package for Greece. He said an IMF bailout for Greece is not necessary. Early in the session the market was supported by the Labor Department reporting that the number of initial claims fell more than expected. The Labor Department reported that the number of initial claims for unemployment benefits fell by 14,000 to 442,000 in the week ending March 20th. In overnight trading on Globex, the crude market traded off a low of \$80.20 and rallied to \$81.40 early in the session following the unemployment report before it gave up some of its gains and traded to \$80.54. The market later bounced off that level and posted its high of \$81.48 in afternoon trading. It however erased its gains and traded to \$80.41 amid the strength in the dollar and fears over the Greece bailout ahead of a two day European Union summit. The crude market settled down 8 cents at \$80.53. The market will continue to be driven by economic news. The market is seen finding support at \$80.20, \$79.88, \$79.75-\$79.51, followed by \$78.86, \$78.44 and \$78.24. Resistance is seen at \$81.00, \$81.48, \$81.64, followed by \$82.20, \$82.47 and \$83.36. Similar to the crude market, the product markets also posted inside trading days. Both the heating oil and RBOB markets, which traded higher early in the session, sold off to their lows late in the session amid the weakness in the oil market. The heating oil market is seen finding support at \$2.0728, \$2.0709, \$2.0384, \$2.0180 and \$1.9975 while resistance is seen at \$2.086, \$2.095, \$2.101, \$2.1086 followed by \$2.1166. The RBOB is seen finding support at \$2.2123, \$2.2104, \$2.1988, \$2.146 and \$2.132. Resistance is seen at \$2.2258, \$2.2371, \$2.2534 and \$2.2660.

Crude Oil May 10 329,334 -8,087, June 10 168,159 +4,115, July 90,431 -1,019 Totals 1,291,232 - 7,307 Heating Oil APR10 33,747 -4,872, May 10 90,666 +3,412 June10 51,309 -1,062 Totals: 326,458 +264. Gasoline APR10 30,575 -6,766, May 10 118,567 +1,882, June 57,014 +1,681 Totals 323,219 -1,103

Crude Support	Crude Resistance
80.20, 79.88, 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	81.00, 81.48, 81.64, 82.20, 83.18, 84.83, 85.05, 85.40, 86.60, 88.80, 89.88
Heat Support	Heat resistance
2.0728, 2.0709, 2.0384, 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.0860, 2.0950, 2.1010, 2.1086, 2.1166, 2.1299, 2.1560
Gasoline support	Gasoline resistance
2.2123, 2.2104, 2.1988, 2.1460, 2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.2258, 2.2371, 2.2534, 2.2660, 2.3010, 2.3135, 2.3350, 2.5040

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