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ENERGY MARKET REPORT FOR MARCH 25, 2011

The North Atlantic Treaty Organization reached an agreement Thursday to command all military operations in Libya. US Secretary of State Hillary Clinton said the US will transition command of enforcing a no-fly zone in Libya to NATO. She said that while the no-fly zone has been effective, dangers still persist and the international community must remain vigilant and focused. It is unclear exactly when full transition of command to NATO will take place. Canadian Lt. General Charles Bouchard will head NATO's military campaign in Libya. He will lead the alliance's enforcement of the UN mandated no-fly zone and help

Market Watch

The US Commerce Department said the US economy picked up some speed at the end of 2010. GDP increased at an inflation adjusted annual rate of 3.1% in the fourth quarter of 2010. In its previous estimate, the Commerce Department said GDP increased by 2.8%. For all of 2010, the economy grew 2.9%. The GDP report showed that the price index for personal consumption expenditures, excluding food and energy, increased at an annualized rate of 0.4% in the fourth quarter. The overall price index for PCE increased by 1.7% in the fourth quarter compared with an earlier estimate of 1.8%.

The Thomson Reuters/University of Michigan Index on consumer sentiment fell to 67.5 this month, the lowest level since November 2009 from 77.5 in February.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 129.3 in the week ending March 18th from 130.3 the previous week. The index's annualized growth rate fell to 6.5% from 7.1% a week earlier, the highest level since the week ending May 14, 2010.

Federal Reserve data showed that US industrial production grew at a faster rate last year than previously believed. The Fed said production grew by 6.4% in 2010. It is up from a previous growth estimate of 5.9% for last year. It also reported that industrial production in February was revised to unchanged from a previous estimate of a fall of 0.1%.

Federal Reserve Bank of Atlanta President Dennis Lockhart said he would support a change in the policy to combat inflation if evidence mounts that the central bank's goal of low inflation is at risk. He said he is satisfied that the central bank's interest rate policy is appropriately calibrated to the current and projected state of the economy and the central bank's mandates of keeping inflation and unemployment in check.

JP Morgan said ongoing geopolitical issues in the Middle East North Africa region are having a much greater impact on oil markets than previously expected. It said supply issues from Libya have exceeded initial expectations and with increased social tensions in other nations, it expects elevated risks of a further supply disruption. There is a strong likelihood of a price spike in the second quarter as the market demands additional oil to meet summer demand. As a result, it lifted its Brent price target to \$118/barrel for the second quarter from its previous estimate of \$105/barrel. It increased its full year 2011 projection to \$110/barrel. It expects WTI crude to average \$99/barrel in 2011, up \$6 from its previous estimate.

The US Commodity Funds, a manager of US Oil Fund and US Natural Gas Fund said that a proposal that would place position limits in the commodities markets may not prevent manipulation or speculation and would prevent operators of commodity funds from meeting their investment goals. It said it could adversely affect the value of the exchange traded pools managed by it and others.

Germany's Ifo think tank said its business climate index fell to 111.1 in March from a revised 111.3 in February. German business sentiment fell less than expected, with market expectations of a fall to 110.5.

**March
Calendar Averages**
CL – \$102.57
HO – \$3.0445
RB – \$2.9837

protect civilians in Libya.

Libyan leader Muammar Gaddafi's delegation to African Union talks said Libya is ready to implement the road map envisaged by the African Union for a solution to the Libyan crisis. The road map calls for an immediate end to all hostilities, cooperation on the part of the relevant Libyan authorities to facilitate humanitarian aid and protection for all foreign nationals. The statement called on the international community to oblige the other parties in the conflict to respect a ceasefire. It also demanded the cessation of the air bombardment and the naval blockade carried out by Western forces and the US. It further asked for the lifting of the economic embargo.

French President Nicolas Sarkozy said France and the UK were preparing a political and diplomatic solution on Libya. The UK, France, the US and other coalition partners plus the African Union, the Arab League and all other interested European nations are scheduled to meet on Tuesday in London to discuss coalition military action in Libya.

European leaders said they are ready to prevent Libyan oil and gas revenues from reaching Muammar Gaddafi's regime.

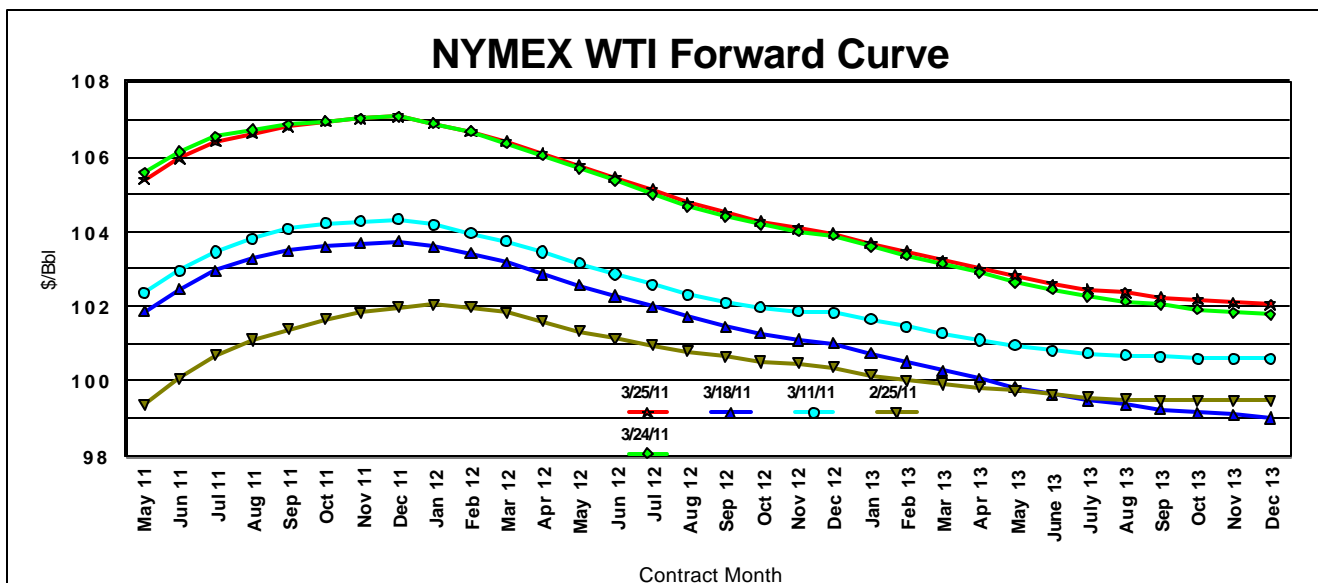
Hundreds of Saudi Shi'ites staged a protest in the country's Eastern Province on Friday calling for prisoner releases and a withdrawal of Saudi forces from Bahrain. There were rallies in two villages close to the main Shi'ite center of Qatif shortly after midday and afternoon prayers. Demonstrators called for political freedoms and an end to what they call sectarian discrimination against Saudi Arabia's Shi'ite Muslim majority by the absolute Sunni monarchy.

Small protests broke out in Bahrain's capital for a planned Day of Rage on Friday despite a ban under martial law imposed last week.

The IEA's chief economist, Fatih Birol said oil prices have entered a dangerous area from the perspective of global economic recovery.

Refinery News

Colonial Pipeline allocated cycle 19 shipments on its Line 20 carrying distillates from Atlanta, Georgia to Nashville, Tennessee.

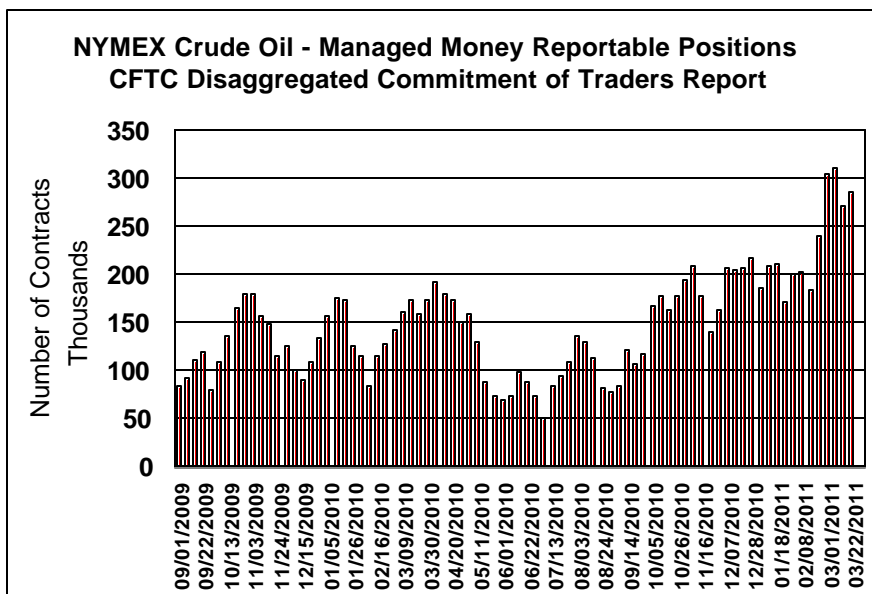


Valero Energy Corp's units were at planned rates at the west plant of its 142,000 bpd Corpus Christi, Texas refinery. Valero stated that it plans to begin a scheduled turnaround at the east plant of the Corpus Christi, Texas refinery. The turnaround work on its crude unit, delayed coker, platformer, several hydrotreaters and other associated units is expected to take about three to four weeks.

BP Plc plans to begin a 60 day planned turnaround on reformer 4, alkylation unit, sulfur recovery unit and other associated units at its 405,000 bpd Whiting, Indiana refinery on March 28th. The turnaround is expected to be completed by the end of May 2011. Separately, BP has shut part of its 386,000 bpd Rotterdam refinery. Sources stated that the outage was affecting output of distillates such as diesel but did not give a reason for the shutdown.

Tesoro reported unplanned flaring at its 96,860 bpd Wilmington, California refinery. An unspecified process unit was shut following a brief power trip late Thursday.

ExxonMobil Corp has yet to restart their hydrocracking unit at its Torrance, California refinery. Ongoing planned flaring at the refinery is associated with the turnaround, which is expected to end within next week.



BP and Shell have stopped conducting business with Libyan-controlled oil company Tamoil because of international sanctions, disrupting fuel supplies in Europe. BP said it stopped all oil deliveries with the Libyan firm and declared a force majeure while Shell also halted oil supply contracts. Traders said that the reluctance of oil firms to buy fuels such as diesel and gasoline from Tamoil could make it worthless for Tamoil to run its refineries in Italy, Germany and Switzerland with a combined capacity of about

300,000 bpd. Separately, Tamoil said it brought forward a full maintenance shutdown at its Collombey refinery to April because of weak margins and concerns about the impact of sanctions.

India's Oil Ministry signed an agreement with Royal Dutch Shell Plc's technology and consulting unit to improve efficiency and performance at three refineries, Bharat Petroleum Corp, Hindustan Petroleum Corp and Mangalore Refinery & Petrochemicals Ltd.

According to India's Petroleum Planning and Analysis Cell, India's refineries processed 3.5 million bpd of crude oil in February, down 2.9% from 3.6 million bpd in January. The refinery throughput in February was up 3.2% from 3.4 million bpd a year earlier. India produced 781,718 bpd of crude in February, up 2.2% on the month from 765,252 bpd and up 12.2% on the year from 696,533 bpd. India's crude oil imports fell by 7.4% on the month in February to 10.45 million metric tons. Fuel product imports in February fell 18% to 1.28 million tons from January while oil product exports fell by 26% in February to 1.97 million tons. Oil product sales in India fell by 3% in February to 11.66 million metric tons from January. However oil product sales increased by 3.5% on the year.

Japan's Ministry of Finance reported that the country's customs cleared crude oil imports in February increased by 5.6% on the year to 18.872 million kiloliters or 4.24 million bpd.

Calumet Specialty Products Partners LP said it entered into amendment of a supply agreement under which Legacy Resources supplies its Princeton refinery. The amendment modifies market based pricing mechanism, shortens termination notice period to about 60 days. It also entered into amendment of a supply agreement under which Legacy supplies its Shreveport refinery.

Production News

Libya's state media reported that the country has enough oil to meet demand in the country despite rumors to the contrary. Reports of oil shortages have circulated in recent days in the Libyan capital, prompting long lines at petrol stations. The National Oil Corp said last week that production fell to 400,000 bpd as a result of the unrest in the country.

Royal Dutch Shell Plc said it is examining strategic opportunities in Russia, including some with Russia's OAO Rosneft.

Vietnam's General Statistics Office reported that the country's crude oil exports are estimated to have declined 12.3% in the first three months of the year to 1.96 million tons or 159,900 bpd. In March alone, crude exports fell 29.6% on the year to 624,000 tons.

OPEC's news agency reported that OPEC's basket of crudes fell slightly to \$110.81/barrel on Thursday, down from Wednesday's \$111.09/barrel.

An oil payment dispute between Russia and China escalated this week as Russia believes China underpaid it \$100 million for oil in 2011 under a 20 year supply deal. Analysts said the dispute could jeopardize cooperation between the two countries.

Market Commentary

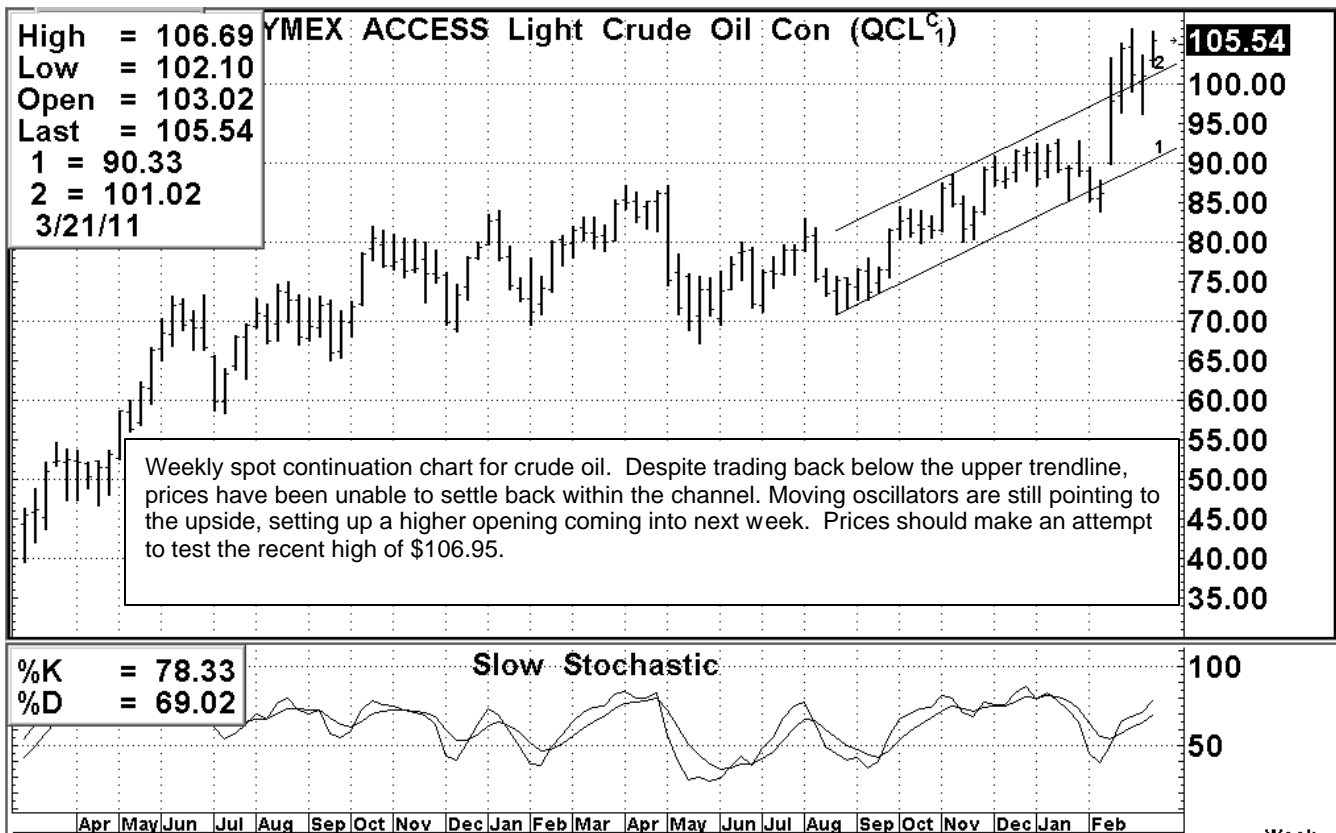
A choppy, low volume session left crude oil prices little changed on the day. In fact, this week is the lowest weekly total since the week of December 31, 2010. A confluence of news stretching from natural disasters, to economics and to tensions in the Middle East, continues to direct this market. As long as these factors remain, market activity will react accordingly. The WTI/Brent spread narrowed again today, losing 23 cents. Both contracts appear to be encountering resistance, the WTI at \$106.95 and the Brent at \$118.42. Weekly indicators are calling for additional moves higher and we would expect a test at the \$106.95 area.

The Commitment of Traders' combined futures and options report showed that non-commercials in the crude market increased their net long position by 5,514 contracts to 323,470 contracts in the week ending March 22nd. The disaggregated futures and options report showed that managed money funds increased their net long positions by 15,850 contracts to 286,812 contracts on the week following the previous week's decline.

Crude oil: May 11 362,319 -1,324 June 11 157,424 +2,917 July 11 100,738 +1,276 Totals 1,518,398 +11,030 Heating oil: Apr 11 25,656 -5,671 May 11 90,779 +12 June 11 54,125 -469 Totals 299,665 -3,461 Rbob: Apr 11 31,061 -1,368 May 11 99,384 +5,782 June11 43,879 +82 Totals 287,033 +6,945

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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