

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 31, 2011

Algeria's Energy Minister Youcef Yousfi said the world oil price does not seem to be a problem and it is unlikely that OPEC would hold an extraordinary meeting on the subject.

Oil Movements reported that OPEC's oil exports, excluding Angola and Ecuador, are expected to fall by 530,000 bpd to 22.91 million bpd in the four weeks ending April 16th.

The North Atlantic Treaty Organization warned Libyan forces that they would be ill-advised to kill civilians as the alliance took sole command of air strikes that were under US leadership until now. An armada of ships and warplanes from the US, France, the UK, Canada and other coalition nations came under NATO control after NATO overcame internal divisions to take over the mission.

The chairman of the US Joint Chiefs of Staff Admiral Mike Mullen said

Market Watch

The newly produced blend of super light crude by Saudi Arabia will not be available until early April, despite speculation that the oil has already been purchased in the Mediterranean. Saudi Aramco has produced a new blend to fill the gap created by the shut in of Libyan oil exports due to the unrest in the country.

Diesel prices in the US Midwest are expected to see an increase on expectations that US farmers will plant more corn acres this year. US farmers are expected to plant 92.2 million acres or 37.31 million hectares of corn this year, up 4.5% on the year, according to the US Agriculture Department.

The US Labor Department said the number of US workers filing new claims for unemployment benefits fell slightly last week. Initial jobless claims fell by 6,000 to a seasonally adjusted 388,000 in the week ending March 26th. The prior week's figures were revised up to 394,000 from an originally reported 382,000. The four week moving average of new claims increased by 3,250 to 394,250 in the week ending March 26th. The report showed that the number of continuing claims fell by 51,000 to 3,714,000 in the week ending March 19th. The unemployment rate for workers with unemployment insurance was 3% in the week ending March 19th, unchanged from the previous week.

The US Commerce Department said US factory goods orders unexpectedly fell in February. Orders for manufactured goods fell 0.1% to \$445.99 billion from the prior month. In addition, non-defense capital goods orders excluding aircraft fell 0.7% in February. It was the second consecutive decline. The Commerce Department also reported that US wholesale inventories increased by 1% in January while sales total increased by 3.5%.

The Institute for Supply Management-Chicago showed the economy continued to grow in March. The ISM -Chicago's business barometer fell to 70.6 in March from 71.2 in February. The employment component of the business barometer increased to 65.6 in March, the highest reading since December 1983. February's employment index was 59.8. The ISM -Chicago's prices paid index increased to 83.4 in March, up from 81.2 in February.

The Chicago Federal Reserve bank's Midwest Economy Index or MEI increased to 0.35 in February from 0.19 in January, with the service sector making its largest contribution in almost four years. The relative MEI increased to 0.35 in February from 0.28 in January.

The Federal Reserve Bank of Kansas City's monthly manufacturing index in March stood at 39, up from 23 in February.

Accuweather forecast an above average 2011 Atlantic hurricane season with a great threat to Gulf of Mexico oil production areas. It said on the Gulf Coast, the greatest threat will be to the Texas and Louisiana coasts in the early part of the season. It forecasts 15 named tropical storms, eight hurricanes with three of them major hurricanes of a category 3 or above.

**March
Calendar Averages**
CL – \$102.98
HO – \$3.0453
RB – \$2.9972

coalition strikes have seriously degraded Muammar Gaddafi's fighting power but added that the Libyan leader is not close to a military breaking point. US Defense Secretary Robert Gates said Libyan leader Muammar Gaddafi will likely be removed from power over time by his own people. He stressed that removing the Libyan leader was not part of the military mission by coalition forces acting under the UN Security Council mandate. Italy's Foreign Minister Franco Frattini said defections among Muammar Gaddafi's closest associates rather than Western military action would oust the Libyan leader. Separately, French Defense Minister Gerard Longuet said the UAE would participate in the coalition operation against Muammar Gaddafi's force in Libya. He also stated that France was not planning to arm rebels because such a move is not compatible with UN resolutions.

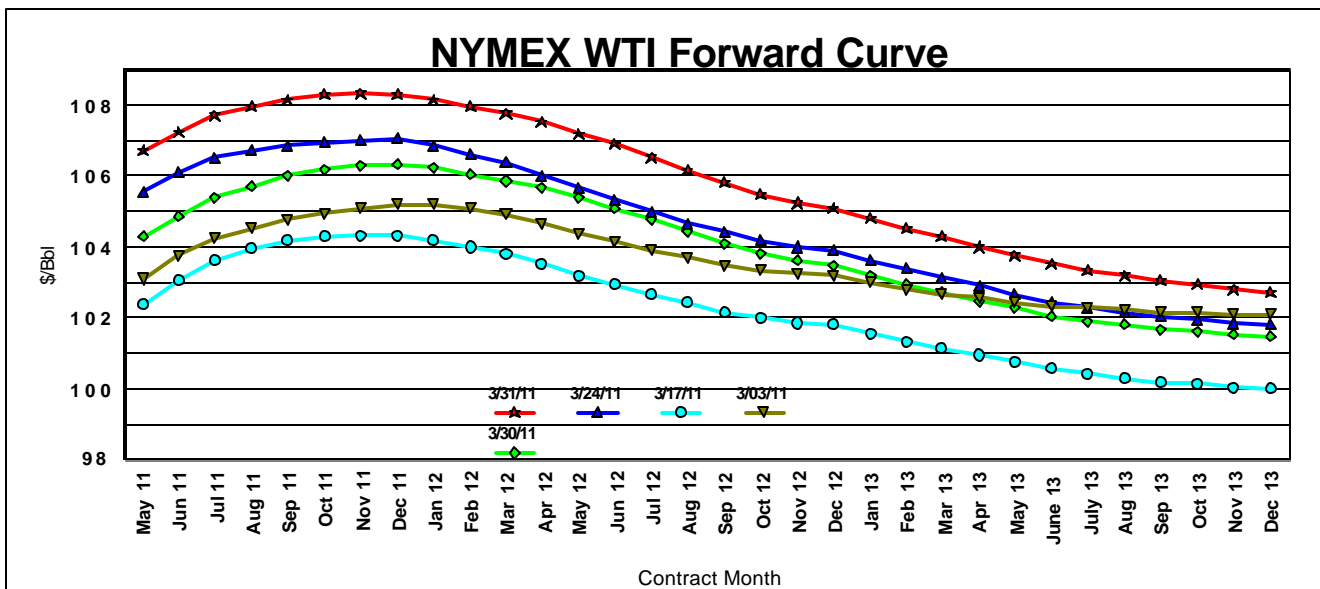
Meanwhile, a government spokesman said Libyan leader Muammar Gaddafi will stay in the country until the end to lead it to victory against its enemies. He dismissed suggestions that coalition air strikes had tipped the balance in favor of rebel forces fighting against Gaddafi troops or encouraged people to seek change after Gaddafi's four-decade rule. Libya's leader said that the West has started something in Libya that it cannot control.

Libyan rebels struggled to regain momentum a day after Muammar Gaddafi's forces overran the key oil hub of Ras Lanuf and neighboring villages. The frontline ebbed and flowed on the outskirts of Brega. Forces loyal to Libyan leader Muammar Gaddafi were shelling the rebel held city of Misrata on Thursday.

Libya's top oil official Shokri Ghanem said he remained in Tripoli and added that the country was continuing to produce some oil but at significantly reduced rates.

Qatar's Emir Sheikh Hamad bin Khalifa Al Thani said military operations in Libya were only aimed at protecting civilians and added that Libyans would decide their own future. Qatar was the only Arab state to have recognized Libyan rebels. Qatar's emir said western nations intervened in Libya after the Arab League failed to live up to its duty to protect civilians.

Kuwait's cabinet resigned as expected on Thursday to avoid questioning by parliament of three ministers, all members of the ruling al-Sabah family amid calls for political and economic reform. Kuwait's parliament has triggered several cabinet resignations or reshuffles through questionings.



Bahrain has increased the number of arrests of cyber activists and Shi'ites, with more than 300 detained and dozens missing since it launched a crackdown on pro-democracy protests.

Refinery News

The US Coast Guard said an offshore oil and natural gas pipeline was ruptured late Wednesday during a dredging operation in the Calcasieu Ship Channel near Cameron, Louisiana. The pipeline is linked to an offshore platform owned by El Paso Corp, which has been shut in.

Sunoco Inc's 178,000 bpd Marcus Hook, Pennsylvania refinery remained at reduced rates Thursday following a power outage earlier this week. The company was waiting for repairs to the fluid catalytic cracking unit's power recovery train.

Valero Energy Corp said its 45,000 bpd hydrocracker unit at its Port Arthur, Texas refinery was shut temporarily for repairs. Separately, its crude and coker units were at planned rates as of Thursday morning following their turnaround.

Chevron Corp plans flaring at its 260,000 bpd El Segundo, California refinery on April 1-5.

Marathon Oil Corp said an alkylation unit at its 76,000 bpd Texas City, Texas refinery shut earlier this week was in restart mode following the completion of unplanned repairs.

Husky Energy Inc repaired its 82,000 bpd heavy oil upgrading plant following an early February fire and is preparing to start ramping up production this weekend.

BP's 386,000 bpd Rotterdam refinery has shut one of its two crude distillation units for two weeks of planned maintenance. The unit was shut earlier this week.

Workers at Greece's Hellenic Petroleum have called for a 10 day strike starting April 3^d to demand more staff. The strike is over staffing at the company's new Thessaloniki gasoline unit and will affect all its three refineries in Greece. Workers are expected to start shutting down all of its units at its Aspropyrgos refinery on April 3^d in the morning followed by the shutdown of its Thessaloniki refinery on April 6th and its Elefsina refinery on April 7th.

Japan's JX Nippon Oil and Energy Corp said it aimed to restore production at its Kashima refinery by the summer. It also said it aimed to restore the shipping facility at its Sendai refinery by the summer but it is expected to take more time to restore operations.

Indian Oil Corp plans to shut its 160,000 bpd refinery in northern India for three weeks of maintenance in August-September. The shutdown of the crude unit would mean other secondary units would also remain idle for two to three weeks.

Venezuela's PDVSA will invest \$4 billion into a heavy crude oil conversion project at its Puerto La Cruz refinery.

Russia's Energy Ministry reported that Russian oil refining runs in February increased by 0.2% on the month and by 2.4% on the year to 5.1 million bpd.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending March 31st fell by 4.64% on the week and by 8.86% on the year to 864,000 tons. Gas oil stocks fell by 0.08% on the week but increased by 18.92% on the year to 2.634 million tons and fuel oil stocks increased by 1.8% on the week and by 1% on the year to 907,000 tons. Naphtha stocks

increased by 29.03% on the week and by 70.21% on the year to 80,000 tons while jet fuel stocks fell by 0.14% on the week and by 12.95% on the year to 726,000 tons.

German household heating oil stocks fell to 50% of capacity as of March 1st from 52% in February.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending March 31st increased by 126 barrels to 18.575 million barrels. It also reported that the country's light distillate stocks increased by 249 barrels to 12.064 million barrels and middle distillate stocks increased by 680 barrels to 13.35 million barrels on the week.

Thailand's crude oil imports in February fell by 6.1% on the year but increased by 25% on the month to 790,000 bpd.

Total has been awarded a spot tender for the supply of a gasoline cargo to Saudi Arabia's Aramco in April. Saudi Aramco issued tenders for an extra 180,000 tons of gasoline this month for delivery in the second quarter.

Qatar International Petroleum Marketing Co or Tasweeq, started sales of condensate separated from natural gas used as feedstock for the country's gas-to-liquid joint venture with Royal Dutch Shell. It is offering 400,000-600,000 barrels of condensate for May loading.

The Baltic Sea port of Primorsk is expected to export as much as planned in March despite thick ice cover, which has caused on and off delays throughout March that prevented tankers from entering and leaving the port. So far in the 30 days in March, Primorsk loaded 5.797 million tons of Russia's Urals crude while the full March loading schedule showed 6.2 million tons of crude leaving the port.

Production News

Semgroup Corp announced that it would build 1.95 million barrels of additional storage at its Cushing, Oklahoma terminal. The project would include seven 250,000 barrel crude oil tanks and two 100,000 barrel crude tanks. The new tanks would be leased to three customers following its completion mid-year 2012. Semcrude's total storage capacity in Cushing would total 7 million barrels.

According to UK government statistics, Britain's crude oil and natural gas liquids production fell by 7.7% to 461.58 million barrels or 1.26 million bpd in 2010. Britain was a net importer of 12.4 million tons of crude and natural gas liquids.

Royal Dutch Shell Plc and its partners, Malaysia's Petronas and Iraq's Missan Oil Co, are expected to start drilling the first new well in the Majnoon oil field in July. Between 15 and 20 wells will be drilled in the Majnoon oil field and about 27 others will be refurbished to bring output to 175,000 bpd by the end of next year from the current production level of 60,000 bpd.

Russia's Prime Minister Vladimir Putin signed a decree affirming equal access to domestic oil and oil product pipelines for all producers. In addition, the decree includes changes to the law on pipeline access, giving top priority to Russian refineries, followed by oil-trading exchanges and domestic suppliers.

Brazil's ANP reported that the country's crude oil and natural gas production increased in February. Brazil produced 2.06 million bpd in February, up 2.3% on the year. It however fell by 2.8% on the month. Brazil produced 62 million cubic meters/day of natural gas in February, up 3.8% on the year but down 5.2% on the month.

Brazil's Sugar Cane Industry Association said ethanol output was estimated at 25.5 billion liters in 2011/12 (April/March), up slightly from 25.4 billion liters this season.

Market Commentary

Crude oil reached its highest quarterly level in two and a half years on trepidation that unrest in the Middle East would further curtail production. The dollar also provided strength to this market. The May crude oil contract traded 2.5 percent higher on the day, reaching \$106.83. Attention was also given to reconstruction in Japan. OPEC production fell 363,000 barrels during the month of March, averaging 29.022 million barrels a day, the lowest level since September. It appears that the increase by Saudi Arabia has thus far been unable to make up for the short fall in Libyan production. This coupled with supportive technicals should boost prices further.

Crude oil: May 11 346,588 -4,209 June 11 159,687 -1,236 July 11 115,290 +9,041 Totals 1,525,654 +9,573 Heating oil: May 11 107,881 +2,678 June 11 55,428 -658 July 11 33,425 +2,706 Totals 309,220 +2,317 Rbob: May 11 104,394 +132 June 11 45,154 -307 July 11 24,402 +2,039 Totals 276,954 -4,678

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
10136		30810		30130	
10000	10695	27980	31525	26965	31970
9622	10880	26680	33510	26300	32450
9540	111.65	27375		25683	35915
9267		23685		25145	36310
9635		22960		24240	
8385				23631	
				23414	

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without permission is prohibited.