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Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 8, 2010

The US said it hopes to agree on new punitive measures against Iran over its nuclear program within weeks.

US Ambassador to the UN Susan Rice met with her counterparts from Britain, France, China, Russia and Germany on Thursday to begin drafting a resolution for a vote by the full UN Security Council. Separately, President Barack Obama and Russia's President Dmitry Medvedev urged Iran to renounce its nuclear program or face new sanctions as they signed a strategic nuclear disarmament treaty. The arms treaty will cut strategic

nuclear arsenals deployed by the US and Russia by 30% within seven years. Russia's President said he regretted Iran had not reacted to constructive proposals on its nuclear program and added that the Security Council may have to impose further sanctions against Iran. He said new UN sanctions against Iran are possible if Iran does not resolve doubts about its nuclear program.

Iran's President Mahmoud Ahmadinejad said that his US counterpart, President Barack Obama, speaks with the "language of bombs and bullets." His comments come a day after he warned President Obama of a tough response as he condemned Washington's new nuclear policy. A day earlier, Washington announced new limits on the use of its nuclear arsenal, saying it would only use atomic weapons in extreme circumstances and would not attack non-nuclear states. However

Market Watch

The EIA's monthly petroleum supply report due out on Thursday will reflect a more detailed methodology for gathering US crude inventory data that may lead to revisions to 2009 data later this year. The EIA said that instead of gathering data from companies on oil stocks on a state by state basis, the agency's surveys ask for data about inventories at the individual terminals where petroleum products are stored before going to retailers. The revisions for 2009, which will reflect the new system, will be released this summer in the agency's annual petroleum supply report.

The US Labor Department reported that initial claims for unemployment insurance benefits increased by 18,000 to 460,000 in the week ending April 3^d. The previous week's level was revised upwards to 442,000 from 439,000. It reported that the four week moving average increased by 2,250 to 450,250 from the previous week's revised average of 448,000. The Labor Department also reported that the number of continuing claims fell by 131,000 to 4,550,000 in the week ending March 27th. The unemployment rate for workers with unemployment insurance for the week ending March 27th was 3.5%, down 0.1% from the prior week's unrevised rate of 3.6%.

Russia's Energy Ministry has proposed taxing oil companies based on their financial results starting from 2012-2013.

The Baltic Exchange's main sea freight index fell to its lowest level in five weeks on Thursday. The index fell by 0.85% or 25 points to 2,922 points. The Baltic's capesize index fell 4.95% on Thursday with average capesize earnings falling to \$26,106. The Baltic's panama index increased by 2.33% while the supramax index increased 0.45%.

President Barack Obama warned that exceptions could be made for “outliers” such as Iran and North Korea. Iran’s President also said he would not beg the world powers not to impose further UN sanctions on Iran.

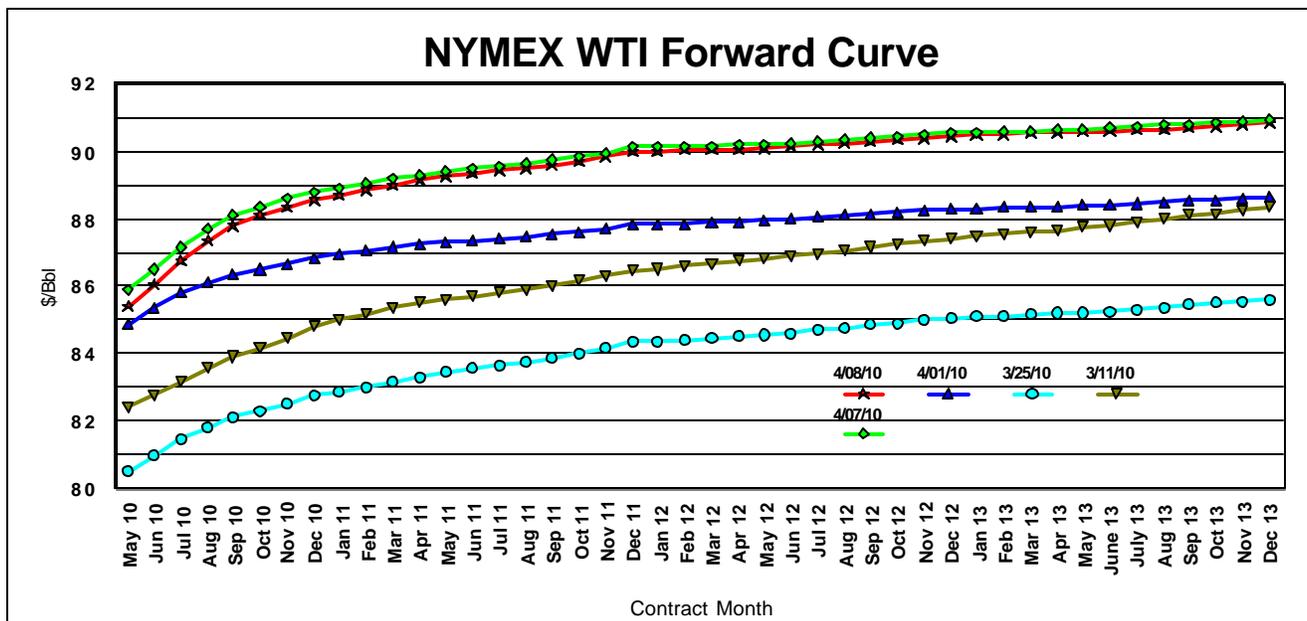
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| April Calendar Averages CL – \$85.92 HO – \$2.2449 RB – \$2.3270 |
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Separately, Iran’s Major General Hassan Firouzabadi said Iran would respond to any military attack from the US by striking US forces stationed in the Middle East. He also said that a strike on Iran would put oil supplies at risk.

The EIA reported that US oil demand in January fell by 3.1% or about 600,000 bpd on the year to 18.528 million bpd. Its demand estimate is down 1.4% or 271,000 bpd from its previous estimate. It reported that gasoline demand averaged 8.525 million bpd, down 1.9% or 165,000 bpd on the year. Gasoline demand was revised down 1.6% or 140,000 bpd from its previous estimate. Distillate demand fell by 10.3% or 419,000 bpd on the year to 3.656 million bpd, the lowest level in January since 1998. The figure was revised down 1.3% from its previous estimate. The EIA stated that refiners paid an average of \$75.48/barrel for imported and domestic crude oil supplies in January, up from last year’s price of \$37.45/barrel. Retail diesel prices in January averaged \$2.845/gallon nationwide, up 24.2% on the year while gasoline prices averaged \$2.715/gallon, up 51.8% on the year. The EIA also reported that US crude oil imports in January fell to its lowest level for the month in 10 years. US oil imports averaged 8.454 million bpd in January, down 14% or 1.4 million bpd on the year. It reported that crude imports from Canada fell by 169,000 bpd on the month to 1.882 million bpd while imports from Mexico fell by 30,000 bpd to 1.033 million bpd and imports in Nigeria fell by 24,000 bpd to 996,000 bpd. Crude imports from Saudi Arabia increased by 72,000 bpd to 958,000 bpd while imports from Venezuela increased by 55,000 bpd to 827,000 bpd. The EIA also reported that US ethanol production increased for the fourth consecutive month in January as distillers took advantage of relatively low prices for corn and natural gas. It reported that ethanol production increased by 3.9% in January to 818,260 bpd. It is up from 787,870 bpd in December and 786,400 bpd in November.

Oil Movements reported that OPEC’s crude oil exports, excluding Angola and Ecuador, will remain unchanged in the four weeks ending April 24th at 23.24 million bpd.

Ship broker ICAP said the volume of oil products in floating storage fell to 55.88 million barrels in early



April from 71.27 million barrels in early March. The number of vessels storing is now 65, down from 86 last month.

Genscape reported that crude oil stored in Cushing, Oklahoma increased by 1.7 million barrels to 33.8 million barrels in the week ending March 30th.

Refinery News

Colonial Pipeline said it freezing nominations on the main gasoline line north of Collins, Mississippi for cycle 22 as demand for space exceeds capacity.

Valero Energy Corp will restart a steam methane reformer at its Corpus Christi, Texas refinery on Thursday. Separately, Valero Energy Corp said it is selling its Delaware City, Delaware refinery for \$220 million to subsidiaries of PBF Energy Partners LP. It expects the sale to close in the second quarter, pending regulatory approvals.

ConocoPhillips is shutting down unit 6 at its 247,000 bpd refinery in Sweeny, Texas for maintenance. The event involves flaring at a coker that is expected to last until April 9th. It is also shutting down its unit 20 for maintenance work. The maintenance started on April 8th and will last until April 30th. Separately, ConocoPhillips shut a fluid catalytic cracking unit at its 146,000 bpd Borger, Texas refinery for repairs. The unit is expected to restart on April 14th.

Workers at Portugal's Galp plan to shut the country's two refineries and other Galp installations between April 19 and 21 if their wage demands are not met. The two refineries, in Sines and Porto, have a total capacity of about 300,000 bpd.

Marathon Oil Corp said it expects margins from its refineries to fall in the first quarter due to higher oil prices and heavy maintenance at its plants. It expects gross margins at its refineries to show a loss of 6 cents/gallon versus a profit of nearly 8 cents/gallon a year earlier. It expects crude oil capacity utilization in the first quarter of 84%, flat on the year and down from 98% in the 2009 fourth quarter. Marathon expects both production and sales for the first quarter of about 360,000 bpd of oil equivalent, down from 404,000 bpd of oil equivalent a year ago.

Vitol Holding is likely to move a very large crude carrier of North Sea Forties crude to the US or Canada. In late March, Vitol booked a VLCC for April 8th loading from the North Sea en route to the US Gulf of Mexico or East Coast of Canada. It is the second VLCC loading Forties crude since early January.

Gasoline inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending April 8th increased by 4.01% on the week and by 11.92% on the year to 986,000 tons. Gas oil stocks fell by 4.83% on the week and by 13.64% on the year to 2.108 million tons while fuel oil stocks fell by 0.33% on the week but increased by 38.12% on the year to 895,000 tons. Naphtha stocks increased by 61.7% on the week and by 4.11% on the year to 76,000 tons while jet fuel stocks increased by 1.08% on the week and by 6.71% on the year to 843,000 tons.

Belarus will import its first cargo of crude from Venezuela in late April or early May in a move that Minsk hopes will help it cut heavy dependence on supplies from Russia. Trading and industry sources said an 80,000 ton crude vessel was heading from Venezuela to Ukraine's Black Sea port of Odessa for further railway delivery to Belarus's Mozyr refinery. The cargo left Venezuela on April 2nd and is expected to take some 20-30 days to arrive at Odessa.

Indian Oil Corp bought 4 million barrels of Nigerian crude in its first tender for June loading cargoes.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.055 million barrels to 24.861 million barrels in the week ending April 7th. It also reported that the country's light distillate stocks fell by 236,000 barrels to 12.032 million barrels while its middle distillate stocks built by 1.201 million barrels to 13.815 million barrels on the week.

Estonia's main oil loading port, the port of Tallinn, shipped 1.907 million tons of oil products in March, down 17.3% on the year but up from 1.74 million tons loaded in February.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in March increased by 5.1% on the month and 28% on the year to 1,419. The international rig count was relatively unchanged on the month at 1,074.

Norway's Troll crude oil system is scheduled to load about 240,000 bpd or 7.2 million barrels in April, up from 213,000 bpd or 6.6 million barrels in March.

Saudi Aramco left its May term crude oil allocations unchanged for several European buyers.

Saudi Arabia's Southern Area Oil Operations said Saudi Aramco has produced more than 65 billion barrels of oil from the world's largest oilfield, Ghawar. Saudi Aramco is pumping more than 5 million bpd from the oilfield, more than half of its 8-8.5 million bpd crude production.

Separately, Saudi Aramco said it will drill at least 300 development wells on and offshore and 48 exploratory wells this year. The company would maintain the level of rigs it is now operating at 96, of which 17 are for exploration and the rest for development wells.

The Baku-Tbilisi-Ceyhan oil pipeline is expected to pump 27.35 million bpd in May, up 7.65 million bpd on the month.

Norway's Statoil expects its Peregrino oilfield off the coast of Brazil to start production at the start of 2011, with production eventually reaching about 100,000 bpd of oil equivalent in its first phase of development.

Angola is investing \$50.6 billion in upstream and downstream projects between now and 2013 as it expects its oil production to increase to 2.2 million bpd by next year.

Brazil's Petrobras said it plans to expand its exploration activities in Angola.

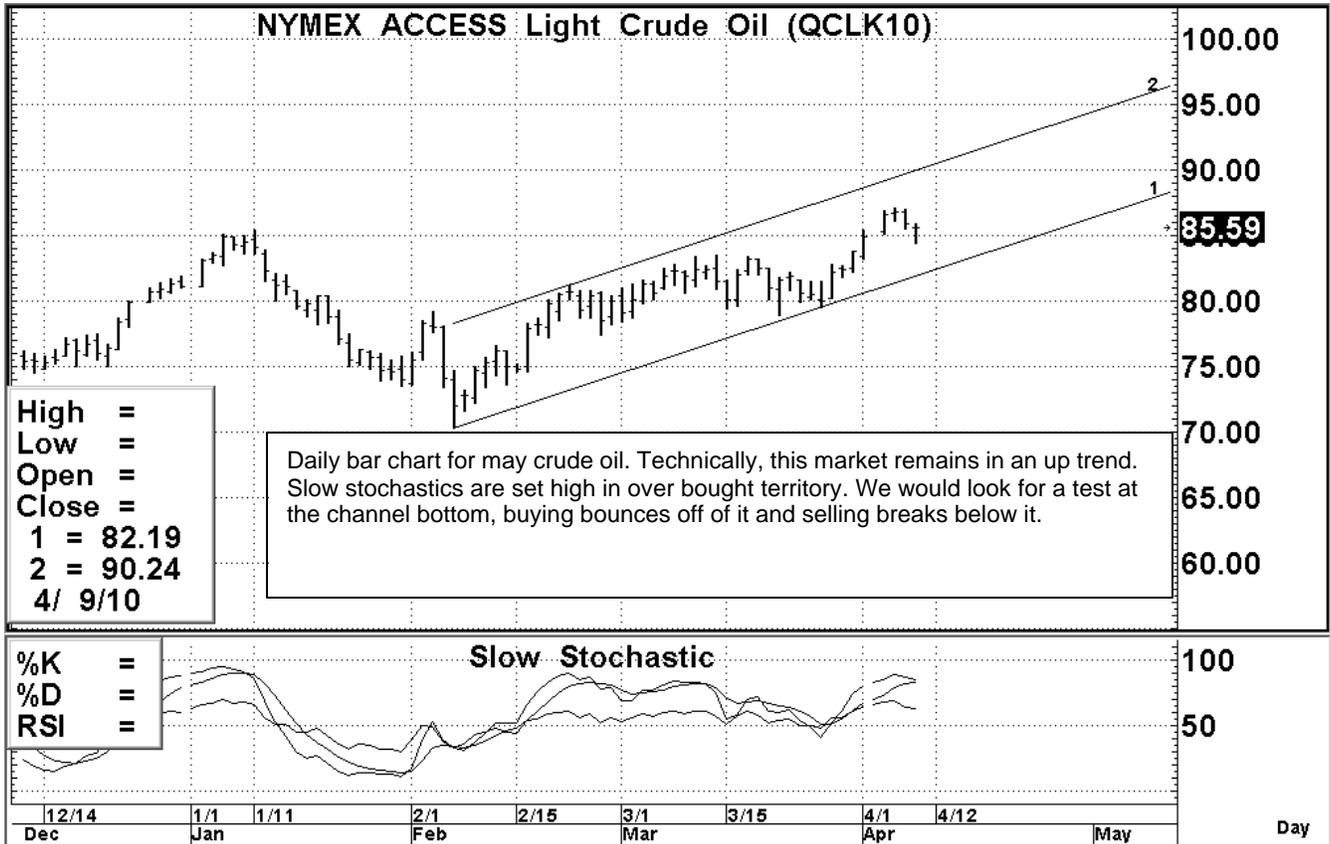
OPEC's news agency reported that OPEC's basket of crudes fell slightly to \$82.41/barrel on Wednesday from \$82.59/barrel on Tuesday.

Market Commentary

Crude oil prices extended yesterday's losses but found support from gaining equities markets. U.S. retail sales posted gains, sending hopes of demand growth across the market. The bearishness of this week's EIA numbers continues to weigh on prices and for this reason, we would look for prices to test the bottom of the channel that can be depicted on a daily bar chart for the May contract. This channel bottom will come in set at \$82.19 for tomorrow's trading session. Technical indicators remain in overbought territory and have not crossed to the downside. Our fundamental stance of this market has not changed. We believe that this market will continue to react positively to the equities markets, with the underlying fundamentals keeping any moves higher contained. For now we would stick with buying and selling at the listed support and resistance numbers.

Crude oil May 10 287,607 -10,586 June 10 199,873 +7,771, July 125,393 -70 Totals 1,349,903 +6,496 Heating oil May 10 99,144 -2,971 June10 59,558 July 10 30,066 +1,406 Totals: 322,597,-626. Gasoline May 10 124,175 -4,733 June 10 63,086 -1,610 July 10 39,778 +3,303 Totals 323,349 +1,355.

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|--|---|
| Crude Support | Crude Resistance |
| 85.40, 86.42, 84.40, 83.95, 83.18, 82.19, 679.75-79.51, 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, | 85.85, 86.65, 87.85, 88.80, 89.10, 89.88, 92.75 |
| Heat Support | Heat resistance |
| 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565 | 2.4200, 2.4940, |
| 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 | 2.4850, 2.5040, 2.5115 |



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