

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 APRIL 8, 2011

The North Atlantic Treaty Organization refused to apologize Friday for a deadly airstrike on Libyan rebel tanks, saying the military alliance was unaware that the opposition was using such vehicles. NATO generals also acknowledged that their air power was not enough to help insurgents remove Muammar Gaddafi by force alone. Hopes that Western air cover and attacks on Gaddafi forces would tip the balance in favor of the rebels have dissipated as government troops sheltered their mechanized forces near civilian areas which NATO fears attacking. Meanwhile, Libyan rebels in Misrata criticized NATO for what they said was its lack of response to Muammar Gaddafi's forces. The rebels said they are not seeking an apology but an explanation from NATO after a friendly fire incident that killed four of their members. A spokesman for the rebels said Gaddafi's forces killed one person and

Market Watch

The US Commodity Futures Trading Commission said most of its market oversight and surveillance operations would cease if the federal government shuts down due to a funding dispute among lawmakers. The CFTC commissioner Bart Chilton said a shutdown would stop oversight functions, such as contract approvals, registrations and the availability of certain public reports, including its weekly Commitment of Traders reports. The CFTC said 25 employees or 3.7% of its staff of 675 would be exempt from the shutdown.

The US Commerce Department said the inventories of US wholesalers increased in February however their sales fell, a sign of uncertainty in the economic recovery. Wholesale inventories increased by 1% to a seasonally adjusted \$437.99 billion. Meanwhile sales fell by 0.8% to \$378.97 billion. Sales in January had increased by 3.3%, revised down from an originally estimated 3.4%. Year over year, sales were 13.7% higher since February 2010. The inventory to sales ratio increased to 1.16 in February from 1.14 in January.

The Economic Cycle Research Institute said its Weekly Leading Index increased to 131.2 in the week ending April 1st from 130 the previous week. It was the highest level since early May 2010, when it stood at 132. The index's annualized growth rate increased to 6.7% from 6.5% a week before.

Federal Reserve Bank of Dallas President Richard Fisher continued to criticize the central bank's policy of buying Treasury debt to drive forward economic growth. He said no amount of further accommodation by the Fed would be wise, either by prolonging or tapering off the volume of purchases of Treasuries past June or adding another tranche of large scale asset purchases. He reiterated that he sees evidence the Fed's activities may be causing trouble.

Retail fuel prices in China are lagging the rally in international crude, eroding refiners' incentive to supply the country's increasing gasoline and diesel demand. China's demand was expected to provide a third of the world's oil demand growth this year however growth could be threatened if refiners cut output to avoid losses. China increased fuel prices 5-5.5% to new record highs this week, much less than the 20% increase in world oil prices.

European Union diplomats said a push to impose position limits on European traders in commodities markets was watered down on Friday amid British opposition to tough market intervention. France wants the European Union to crack down on what it sees as speculation pushing up prices in oil and agriculture markets by imposing limits. A draft EU proposal set to be endorsed by the bloc's finance ministers at an informal meeting on Saturday calls for greater transparency in commodities markets and linked derivatives markets.

The IntercontinentalExchange said it planned to introduce fixed position limits on its European gasoil contract. It is in talks with market participants over restricting the volume a single party can hold on its gasoil contract. It declined to disclose the proposed limit.

**April
Calendar Averages**
CL – \$109.45
HO – \$3.2013
RB – \$3.1936

wounded 24 on Wednesday and another four were wounded on Thursday. The spokesman said the fighting was concentrated on the road to Tripoli and added that Gaddafi's forces wanted to take control of the port. Libyan rebels later said they had repelled an assault by government troops. The forces loyal to Libyan leader Muammar Gaddafi fired six missiles on the western entrance of Ajdabiya on Friday, forcing rebels there to retreat.

Pentagon chief Robert Gates said US military action in Libya did not set a precedent for future American intervention in other Middle Eastern countries facing uprisings or unrest.

The US Treasury Department said it was imposing sanctions on Libya's prime minister, oil minister and other government officials as it seeks to pressure Libya's leader Muammar Gaddafi.

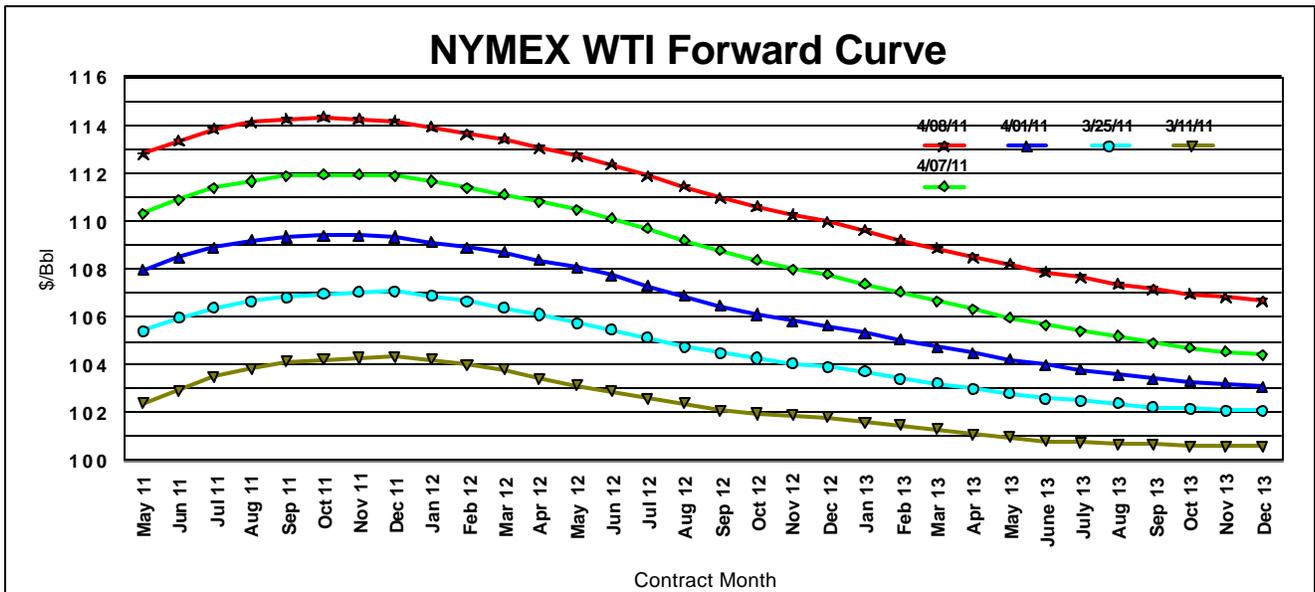
Iraqi government said Iraqi security forces clashed with residents of an Iranian dissident camp north of Baghdad overnight on Friday. Meanwhile, an Iranian opposition group said residents were attacked and killed. The government spokesman said five Iraqi security forces were wounded during the incident at Camp Ashraf while representatives of the camp called the incident a criminal attack in which 25 residents were killed and 320 wounded.

Hundreds of Saudi Shi'ite protested in the country's east on Friday seeking the withdrawal of Saudi troops from neighboring Bahrain and political rights and freedoms at home. The peaceful protests were held in the main Shi'ite Muslim center of Qatif.

Yemen's President Ali Abdullah Saleh told his supporters on Friday he rejected belligerent intervention from countries seeking to end the political crisis in the country, apparently dismissing a Gulf Arab plan aimed at ending his 32 year rule.

Syrian security forces fired live ammunition to disperse thousands of protesters in the southern city of Deraa on Friday and at least two people were wounded. Mass protests against autocratic Baath Party rule erupted on Friday in several Kurdish regions in eastern Syria.

Increased security protests after Friday prayers in the Omani city of Sohar, where protesters camped out for over a month before security forces moved them out last week. Checkpoints were set up across the northeastern industrial city with dozens of armored vehicles blocking access to protest areas. Demonstrations in Oman have focused on demand for better wages, jobs and an end to



corruption.

Russian state nuclear company Atomstroyexport said nuclear fuel is once again being loaded into the reactor of Iran's Bushehr nuclear power plant. Iran had removed the fuel after small pieces of metal entered the cooling system. The nuclear plant was due to start producing electricity early this year.

Somali pirates released the Greek owned oil tanker late Thursday after 58 days in captivity. All of the ship's 25 member crew members are safe. The tanker was bound for the US Gulf Coast from Mina Al Ahmadi, Kuwait carrying 270,000 metric tons of crude when it was attacked.

An emergency official said there was an explosion at the local offices of Nigeria's electoral commission in the central town of Suleja on Friday. Security sources said up to eight people may have been killed and a dozen injured in the explosion. However neither the election commission nor the emergency services could confirm this.

Refinery News

A fluid catalytic cracking unit at Sunoco Inc's 178,000 bpd Marcus Hook, Pennsylvania returned to service on Thursday, as expected. The unit was shut down by a power outage on March 28. Separately, Sunoco's fluid catalytic cracking unit at its 335,000 bpd Philadelphia refinery was operating at 50% of capacity on Friday after restarting on Thursday. The refinery's crude distillation unit and alkylation unit were restarting on Friday.

Alon USA Energy Inc said a fluid catalytic cracking unit at its 80,000 bpd Krotz Springs, Louisiana refinery was restarted after it was shut on Tuesday.

ConocoPhillips' 195,000 bpd refinery in Ponca City, Oklahoma resumed operations after planned work was completed. Work on a 20,000 bpd reformer and 16,000 bpd reformer feed hydrotreater began sometime in mid to late February and was expected to last 23 days.

Tesoro said an unspecified unit had been successfully restarted at its 96,860 bpd Wilmington, California refinery. The unit was operating at its targeted run rate.

Shell Oil Co plans to attempt a restart this weekend of a crude distillation unit at its Deer Park, Texas refinery. Shell shutdown the unit following the discovery of a light naphtha leak on Thursday.

Valero Energy Corp said there was no material impact on production from a power failure to an offsite problem at the east plant of its 142,000 bpd Corpus Christi, Texas refinery. Valero also said the fire hit crude unit remained shut for repairs at its 287,000 bpd refinery in Port Arthur, Texas. There is no estimate at this time for the unit's restart. No material impact to production is expected as the other crude unit remains in operation. It however restarted its 45,000 bpd hydrocracker unit after it was shut on March 31st due to a seal leak.

PDVSA said Venezuela's 180,000 bpd Petropiar upgrader is still not processing crude a day due to blackouts that hit most of the country. The facility had been due to fully restart early on Friday following the power cuts on Thursday. Meanwhile, its 146,000 bpd El Palito refinery was restarting following the blackouts.

Poland's PKN Orlen said it would fully restart its 197,000 bpd Orlen Lietuva refinery on April 11th after a planned two week turnaround. The refinery was shut for maintenance on March 26th for inspection and modernization of some of its units.

Workers at Greece's Hellenic Petroleum are extending their strike until April 19th. The workers started the walkout on April 3^d to demand more hirings for the company's new refinery units and thwart management plans to link their wages with productivity. Production at its three refineries was halted due to the strike. A new round of talks between management and labor is scheduled for April 13th.

China's twelve main refineries are scheduled to increase their crude oil throughput in April by 2% to 2.78 million bpd. The volume represents 85% of the 12 plants' total refining capacity.

Production News

Chevron Corp's head of North American deep water operations said that the company remains committed to its aggressive Gulf of Mexico plans but needs US regulators to accelerate the slow pace at which they are approving exploration there. Chevron has applications before US regulators to drill 11 deepwater wells and begin five exploratory projects. Chevron plans to spend \$14 billion on new deepwater Gulf of Mexico projects.

US regulator said they issued Statoil ASA a second permit to drill in the Gulf of Mexico's deep waters. Its permit allows the company to drill a new well south of Houma, Louisiana. It is the tenth permit US regulators have awarded.

Output from the four benchmark North Sea crude oil streams, Brent, Forties, Oseberg and Ekofisk, is expected to fall slightly in May to about 34.5 million barrels or 1.115 million bpd from about 1.145 million bpd in April. The North Sea Brent crude oil stream is scheduled to load 4.8 million barrels or 154,839 bpd in May, down from 160,000 bpd in April. The North Sea Forties crude oil stream is scheduled to load 16.2 million barrels or 522,581 bpd in May, up from 500,000 bpd in April. The North Sea Oseberg crude oil stream is scheduled to load 118,000 bpd in May, down from 160,000 bpd in April.

Deloitte's Petroleum Services Group said drilling in the North Sea is expected to decline further this year as an increase in UK production taxes announced two weeks ago is set to cut exploration profits. Finance Minister George Osborne unexpectedly raised tax charges on oil and gas production to 32% from 20% in the budget presented on March 23rd. Deloitte estimates the real impact of the rate hike would be felt in the second half of this year as oil and gas companies reassess their project's profitability.

Italy's Eni SpA said it forecasts its 2011 hydrocarbon output to fall from the previous year due to the conflict in Libya. In 2010, about 15% of its total hydrocarbon production came from Libya. Separately, Eni said it paid \$888 million to the National Iranian Oil Co for crude in 2010 and purchased a further \$1.1 billion of Iranian oil from others in the same period.

Iraq's Deputy prime minister for energy Hussain al-Shahristani said Iraq's theoretical oil capacity goal of 12 million bpd may not be reached as it focuses on maximizing revenue, not output and reassesses world demand. He said a partial agreement with the Kurdistan Regional Government, where exports reached 115,000 bpd was a positive step that should lead to further progress. Overall output was 2.7 million bpd, of which 2.2 million bpd was being exported.

Georgia's Black Sea port of Batumi does not expect to increase oil loading in 2011 in part due to increased competition from its rival Azeri-operated Kulevi terminal. The Batumi terminal shipped 293,956 tons in March 2011, down from 620,429 tons in March 2010 and 360,819 tons in February 2011.

Brazil's Mines and Energy Minister Edison Lobao said the Brazilian government wants Petrobras to act as a regulator of the domestic ethanol market in order to reduce pressure on prices. The

government's action comes amid a surge in ethanol prices. The increase in ethanol prices is due to an inter-harvest shortage of sugarcane. Petrobras is expected to build ethanol stocks in order to avoid shortages during the inter-harvest period.

OPEC's news agency reported that OPEC's basket of crudes increased to \$117.65/barrel on Thursday from \$117.62/barrel on Wednesday.

Market Commentary

A weaker dollar and Libyan output concerns pushed the crude oil higher today, sending the May crude oil contract above \$112 a barrel. The ominous shutdown of the federal government weakened the dollar, making dollar denominated commodities cheaper for investors holding foreign currencies. Possible supply disruptions due to a blackout in Venezuela contributed to today's higher prices. Based upon a weekly spot continuation chart, crude oil has been trending within an ascending channel since January of 2009. Prices are within \$5.50 of the upper trend line of this pattern. Although technical indicators are in over bought territory, they have not indicated that prices are getting ready to move lower. We would look for a test at the aforementioned trend line, selling failures to trade above it and buying successful breaks above. Should prices settle above this trend line, the projected move to the upside is \$149.33.

Crude oil: May 11 277,837 -25,569 June 11 198,218 +10,369 July 11 148,533 +5,998 Totals 1,568,417 -694 Heating oil: May 11 99,982 -1,856 June 11 57,636 -55 July 11 36,298 +1,189 Totals 309,835 +2,023 Rbob: May 11 95,311 -4,315 June11 53,967 +4,057 July 11 30,247 +1,638 Totals 289,633 +3,829

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 2,743 contracts to 252,151 contracts in the week ending April 5th. The combined futures and options report showed that the funds however increased their net long position by 9,544 contracts to 332,631 contracts. The disaggregated futures and options report showed that managed money funds increased their net long position for the third consecutive week by 13,231 contracts to 305,297 contracts in the latest week.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
11165		30810		32450	35915
10880	11563	27980		30130	36310
10695	11703	26680	33510	26965	
10136	12126	27375		26300	
10000	14933	23685		25683	
9622		22960		25145	
9540				24240	
9267				23631	
9635				23414	

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