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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 11, 2011

Iran's OPEC
Governor
Mohammad Ali
Khatibi said the oil
market is not facing
a shortage of supply
despite high prices,
which have been
pushed up by the
Arab world crisis.

Saudi Arabia said
that it stood ready to
produce 12.5 million
bpd if needed.

The chairman of
Libya's National Oil
Corp, Shokri
Ghanem called allied
bombings self
defeating and
warned any strike on
the country's man-
made river would
trigger a
humanitarian
disaster. He also
stated that it would
be a long time before
oil operations return
to normal even if
there is peace. He
said the oil
infrastructure has
suffered extensive

Market Watch

Goldman Sachs said it is not too sure the latest oil price surge can continue. It said that with Brent crude near \$125/barrel, price risk is more neutral. It said it was closing its Crude Oil, Copper, Cotton/Soybeans and Platinum basket trade, first recommended on December 1, 2010, for a gain of about 25%. It said that on a 12 month horizon, it believes the CCCP basket still has upside potential, the unrest in the Middle East and North Africa region and the potential for further supply shocks pushed the basket up significantly in a short period and thus the risk/reward no longer favors being long the basket.

Federal Reserve Vice Chairman Janet Yellen said that the time for the Federal Reserve to exit its monetary stimulus program has not yet arrived. Despite a recovery that has started to impact the US labor markets, the vice chairman indicated that an exit from the expansive monetary policy did not appear to be in the immediate future. She stated that the Fed would need to communicate its intentions to the market in order to guide expectations of when easy money policies would come to a close. Separately, New York Federal Reserve Bank President William Dudley said the US Federal Reserve should not be too enthusiastic about tightening monetary policy soon as there is still significant slack in the economy. He said there is still significant slack in the US economy as unemployment is high and wage growth low.

According to a Chicago Fed paper co-authored by bank president Charles Evans and the bank's director of economic research Jonas Fisher, increasing commodity prices does not push up underlying rates of inflation much and does not require a policy reaction from the Federal Reserve. They argue that commodity price increases do not get much of a reaction from Fed policy either. The paper argues that one of the key reasons commodity prices do not cause broader problems is due to the fact the public has greater confidence the Fed would act appropriately.

The International Monetary Fund said global economic growth should slow this year to 4.4% as new risks to the recovery surface. The IMF sees new risks to the world economy from an increase in the price of oil and other raw materials. It said risk of a major supply disruption that rallies oil to \$150/barrel and the potential for Europe's sovereign debt crisis to spread to its core economies are the biggest threats to the global recovery. However it said that the world economy is not facing "any major downside risk." The IMF said that although China's currency policy is increasing domestic economic activity, it could be putting the world economic recovery at risk if China does not allow faster appreciation of the yuan. It said higher commodity prices would draw more supply to the market in 2011, leading supply and demand growth to moderate. The overall IMF commodity price index increased by 32% from the middle of 2010 to February 2011.

Freight volumes on US railroads increased in February and March. According to the Association of American Railroads, major class I cross continental railroads hauled almost 200,000 multi-modal shipping containers in the week ending April 2nd. Broader freight volumes including hoppers, tanks and gondolas used for carrying coal, specialty chemicals and grains have also increased in February and March to hit levels not reported since the last recession started in 2007.

Brazil's business daily Valor Economico reported that Brazilian billionaire Eike Batista, along with other investors, will team with Intercontinental Exchange to form a local energy trading market. It said they would launch BRIX Energia e Futuros, a trading platform for energy contracts. The trading platform would expand the commercialization of electrical energy between power generators and consumers currently controlled by private companies that act as intermediaries between the two sides.

Nigeria's ruling party lost more ground on Monday in results emerging from an election. Results declared for half the seats in the national assembly suggested the People's Democratic Party's was on course for a majority but not of the size which has allowed it such dominance since army rule ended in 1999. President Goodluck Jonathan's PDP party lost out to the Action Congress of Nigeria in the southwest and the Congress for Progressive Change in parts of the north, highlighting Nigeria's regional divisions.

April
Calendar Averages
CL – \$109.51
HO – \$3.2086
RB – \$3.1946

damage due to the civil war.

The African Union said Libyan leader Muammar Gaddafi had accepted a roadmap to end the civil war in Libya, including an immediate ceasefire. However an opposition representative said it would only work if he left power. Libyan rebel leader Mustafa Abdul Jalil rejected the African Union initiative for a ceasefire and demanded the ouster of the leader. Meanwhile, forces loyal to Muammar Gaddafi continued to attack the town of Misrata despite the ceasefire.

Yemen’s President Ali Abdullah Saleh welcomed a Gulf Arab mediation plan that would see him hand power to his vice president and create a new opposition led government.

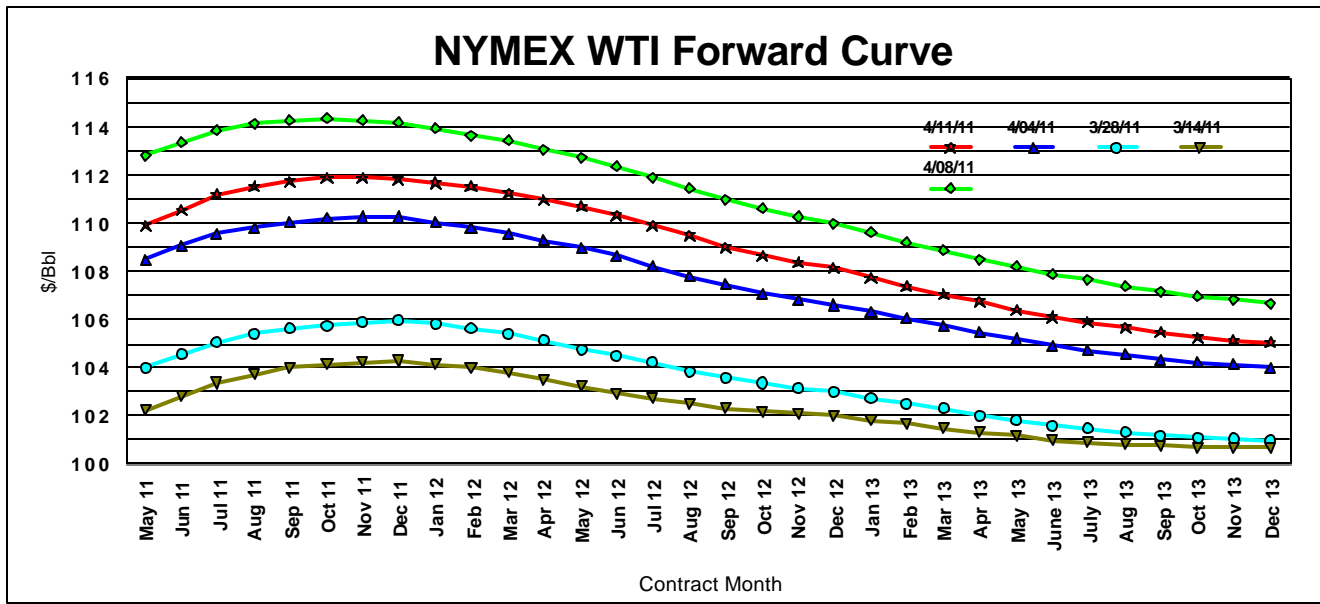
The head of Iran’s atomic energy organization Fereydoon Abbasi Davani said Iran would continue enriching uranium to 20% level to fuel four to five nuclear research reactors it intends to build in the next few years. He said the aim of the new reactors is to produce radioisotopes and to enable research and development.

Euroilstock reported that total oil and oil product stocks in March fell by 1.4% on the year and by 0.3% on the month to 1.132 billion barrels. Crude oil inventories in 16 European countries fell by 1.5% on the year but increased by 0.8% on the month to 471.22 million barrels in March. Gasoline stocks fell by 2.4% on the year and by 0.9% on the month to 116.2 million barrels while middle distillate stocks fell by 0.4% on the year and by 1.5% on the month to 405.38 million barrels. Refiners’ intake of crude in March fell by 6.5% on the year and by 5.8% on the month to 10.131 million barrels. Refiners’ utilization rate in March was 77.34% in March, down from 82.04% in February.

The EIA reported that the US average retail price of diesel increased by 10.2 cents/gallon to \$4.078/gallon in the week ending April 11th. Diesel prices have increased by 91.6 cents or 29% with 17 increases in the past 18 weeks. The price of diesel is \$1.009 or 32.9% above a year ago. It also reported that the price of gasoline increased by 10.7 cents to \$3.791/gallon on the week. Gasoline prices have increased by 93.5 cents or 32.7% since the end of November. The price of gasoline is 93.3 cents or 32.6% above a year ago.

Refinery News

Credit Suisse reported that US refined products margins increased by about 2% on average for the week ending April 8th. Margins in the Northeast fell by 43 cents to \$8.53/barrel while margins in the



Midwest increased by \$2.15 to \$24.40/barrel. Margins in the Gulf Coast increased by 56 cents to \$23.59/barrel while margins in the Rockies fell by \$1.12 to \$26.66 while margins in the West Coast increased by \$1.05 to \$20.67/barrel.

BP Plc is in the process of restarting a crude distillation unit at its 437,080 bpd Texas City, Texas refinery after completing maintenance activity. A crude unit was shut down in January for maintenance along with the fluid catalytic cracking unit. It could take several days for major processing units to complete the restart process and return to planned rates. Separately, overhaul work was starting on units at its 225,000 bpd Ferndale, Washington refinery on Monday. It started shutting units for the overhauls, including an atmospheric crude unit and coking unit. The work is expected to last two months.

Chevron Corp was expected to restart a fluid catalytic cracking unit at its 265,500 bpd refinery in El Segundo, California. The unit was expected to restart between Tuesday and Friday.

Koch Pipeline said it would build a new pipeline to transport oil from the Eagle Ford shale in Texas to the Gulf Coast for wider distribution. The pipeline would start in Pettus, Texas and end at Corpus Christi along the US Gulf Coast. The 250,000 bpd pipeline should be complete in the middle of next year.

Genesis Energy LP announced the expansion of its Texas crude oil infrastructure and refinery services. It acquired three above ground storage tanks, located in Texas City, Texas. It has also acquired an existing barge dock in Texas. The three above ground storage tanks represent aggregate capacity of about 230,000 barrels. It would be able to handle about 40,000 bpd of crude through the Texas City terminal.

Bahrain Petroleum Co is slowly ramping up its refinery after completing a maintenance shutdown that cut production by about 70,000 bpd. Output fell to 190,000 bpd from a full capacity of 260,000 bpd during the outage.

India's Essar Oil Ltd plans to source more heavy quality crude from Iran as it expands its refinery in the western Indian state of Gujarat. Processing heavier quality less expensive crude will help Essar expand its gross refining margin. Its refinery at Vadinar has a nameplate capacity of 10.5 million metric tons/year. It is in the process of expanding the capacity to 18 million tons in a phased manner by September and further to 20 million tons by September 2012. The refinery processed 14.76 million tons of crude in the year ended March 31st.

China's General Administration of Customs said China's daily oil imports fell slightly in March from a month earlier following a major build up of refined product stocks in the first two months of the year. It reported that China imported 21.67 million metric tons or 5.12 million bpd of crude in March, down 2.3% from February's 5.22 million bpd. The data showed that China imported 63.41 million tons or 5.16 million bpd of crude in the first quarter, up 12% on the year. Refined oil product imports totaled 3.88 million tons in March while exports totaled 2.58 million tons. Commercial diesel stocks at the end of February increased by 28% on the month while overall oil product stocks increased by 15%.

Iran plans to sell about 30,000-50,000 tons of gasoline to foreign customers in April. Traders said the majority of gasoline Iran plans to export this month would go to Afghanistan and other poor countries. During the first three months of the year, Iran imported only three cargoes of gasoline.

Production News

Saudi Aramco will maintain full contracted volumes to Asian refiners for May. Saudi Arabia is producing more light crude and exporting it to Mediterranean supplies to make up for the shortfall in

production from Libya. Saudi Aramco will also supply steady volumes of oil to European customers in May compared with April.

BP Plc Group chief economist Christof Ruhl said it might take years for Libya to resume significant oil exports, placing further upward pressure on already high oil prices. The cessation of exports from Libya is a dangerous situation for the oil market, which is already struggling to keep up with demand growth for the fuel. While Saudi Arabia and other producers have tried to compensate for the cut in Libya's exports of 1.3 million bpd, BP's chief economist does not believe the current increases are enough to cover recent demand growth.

Production from nine North Sea crude streams is expected to fall to about 1.77 million bpd in May from a planned 2.01 million bpd in April. This amounts to about 54.75 million barrels compared with 60.32 million barrels in April.

Norway's Statoil ASA said it evacuated all nonemergency personnel at its Visund platform in the North Sea. The company said there were no reports of injuries among the 123 people on board the oil and gas platform at the time of the incident. Separately, Statoil ASA started oil production at Brazil's offshore Peregrino field last week. Oil output from the field would gradually increase to a maximum of 100,000 bpd. The field contains between 300 million and 600 million recoverable barrels of oil equivalent.

Iraqi Kurdistan's Prime Minister Barham Salih said the region exported about 5 million barrels of oil from its newly discovered oil fields from the beginning of this year to the end of March. He said exports from the Kurdish oil fields are currently standing at more than 100,000 bpd. He also called on the federal government to pay the Kurdistan Regional Government's shares of revenues in order to pay back contracting companies.

Italy's Eni SpA said it would be able to compensate any losses at its operations suffered from the unrest in Libya due to high oil prices. It said as long as the price of oil remains above \$70/barrel, its results and dividend payments will not be compromised by a drop in production. Last week, Eni forecast that its 2011 hydrocarbon output would decline from the previous year due to the conflict in Libya. In 2010, about 15% of Eni's total hydrocarbon production came from Libya.

Ecuador's central bank said the country's crude exports in the first two months of the year increased by 8.5% to 19.58 million barrels or 331,864 bpd.

National Iranian Oil Co set its official selling price for Iranian Light crude bound for Asia in May to the Oman-Dubai average plus \$1.93/barrel, down 30 cents on the month. The price of its Iranian Heavy was set at the Oman-Dubai average minus 98 cents, down 55 cents and the price of its Forozan Blend crude was set at the Oman-Dubai average minus 89 cents, down 55 cents. The price of its Iranian Light crude bound for Europe was set at BWAVE minus \$4.45, down \$1.05; the price of its Iranian Heavy crude was set at BWAVE minus \$5.55, down 15 cents and the price of its Forozan Blend was set at BWAVE minus \$5.50, down 15 cents. The price of its Iranian Light crude bound for the Mediterranean was set at BWAVE minus \$5.80, down \$1.05; the price of its Iranian Heavy crude was set at BWAVE minus \$9.75, down \$1 and the price of its Forozan Blend was set at BWAVE minus \$9.70, down \$1.

Iraq cut the official selling prices of its Basra Light crude for May loading to all its customers. The price of Basra Light crude bound for Europe was cut to Dated Brent minus \$6.50, down \$1.90; the price of Basra Light crude bound for the US was set at the Argus Sour Crude Index minus \$1.95, down 30 cents and the price of its Basra Light crude bound for Asia was set at the Oman-Dubai average minus 15 cents, down 45 cents. The price of Kirkuk crude bound for Europe was set at

Dated Brent minus \$4, down \$1.15 while the price of its Kirkuk crude bound for the US was set at the ASCI plus 40 cents, up 20 cents.

Market Commentary

Pressured by a possible peace agreement in Libya and strength of the U.S. dollar, crude-oil futures fell from a 30-month high. A stronger dollar is detrimental to dollar-denominated commodities as it makes them more expensive for holders of other currencies, diminishing their appeal. With Goldman Sachs closing their recommendation to go long Crude Oil, Copper, Cotton/Soybeans and Platinum, investors decided it was time to take some profits. According to a report, Goldman Sachs is of the opinion that these markets have far exceeded their expectations and in fact rose significantly in a short period of time. Prices will continue to trade on Middle East tensions. Technically, Brent was unable to achieve a new high, settling lower on the day. WTI on the other hand traded in an outside fashion, making a higher high and lower low from that of the previous session, settling lower on the day. These scenarios are typically bearish for prices. This may be a pause in the present market trend, prior to prices heading higher. Although we are not comfortable with prices at this level, we believe that the situation in the Middle East will continue to lend support. Therefore, we expect prices to dip a little further prior to continuing higher. Look for dips down around the \$107.50 level, where we would like to be buyers on a technical play.

Crude oil: May 11 250,489 -27,348 June 11 221,105+22,887 July 11 150,970 +2,437 Totals 1,573,676 +5,259 -694 Heating oil: May 11 94,918 -5,064 June 11 58,907 +1,271 July 11 37,459 +1,161 Totals 310,095 +260 Rbob: May 11 91,294 -4,017 June11 56,335 +2,368 July 33,392 +3,145 Totals 291,587 +1,954

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
10880		30810			35915
10750	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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