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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 13, 2011

The US Interior Department said it would review plans issued by the George W. Bush administration to develop commercial oil shale and tar sands in three states. The department said its Bureau of Land Management plans to review the environmental impact of allocating oil shale and tar sands resources on federal government owned lands in Colorado, Utah and Wyoming.

The EIA reported that crude oil stored in Cushing, Oklahoma increased by 26,000 barrels to a record level of 41.9 million barrels in the week ending April 8th.

House of Representatives

Market Watch

The US Commerce Department said retail sales increased modestly in March by 0.4%, the smallest gain in nine months after rising 1.1% in February. US retail and food services sales increased to \$389.32 billion in March. Receipts at gasoline stations, which accounted for about 10.7% of overall retail sales last month, increased 2.6% after rising 2.4% in February. Excluding gasoline, retail sales increased by 0.1% in March following a 0.9% increase the prior month. Consumer spending, which accounts for 70% of US economic activity, is expected to slow after growing at a 4% annual rate in the fourth quarter. Separately, the Commerce Department said US business inventories increased to their highest level in more than two years in February. It reported that business inventories increased by 0.5% to \$1.458 trillion, the highest level since December 2008. The inventories to sales ratio held steady at 1.24.

The Chicago Federal Reserve said that its new weekly National Financial Conditions Index suggests financial conditions in the US were looser than would be expected at the current stage of the economic cycle. It said its index fell to -0.63 for the week ending April 8th.

The European Union's Eurostat agency said industrial production in the euro zone increased less than expected in February as strong growth in Germany and Italy was partly offset by sharp declines in Ireland and Greece. Growth in industrial output was impacted by a decline in energy production for the second consecutive month. Euro zone industrial output in February increased 0.4% from January and was 7.3% stronger than in February last year.

Bank of America Merrill Lynch forecast Brent crude would average \$122/barrel in the second quarter of the year. It believes Brent prices could briefly break through \$140/barrel in the next 3 months but fall by the end of the year, with an average fourth quarter Brent forecast of \$94/barrel. It estimates 2011 Brent crude price would average \$108/barrel. WTI crude in 2011 is estimated to average \$101/barrel.

JPMorgan Chase said its value at Risk for commodities stood at \$13 million in the first quarter compared with \$14 million in the fourth quarter of 2010 and \$15 million a year ago.

The IMF warned that the world's bank face \$3.6 trillion of maturing debt in the next two years and would have to compete with debt laden governments to secure financing. In its Global Financial Stability Report, the IMF said many European banks need larger capital cushions to restore market confidence and added that some banks will need to close. The IMF said overall global financial stability has improved over the past six months. It added that the most pressing challenges in the coming months will be funding of banks and sovereigns, particularly in vulnerable euro area countries.

CFTC chairman Gary Gensler said the new rules for the swaps market, including margin requirements proposed on Tuesday, benefit end users and the real economy. He defended the idea of requiring users of derivatives to post margin or collateral on deals, saying that margin requirements help prevent one financial entity's failure from spreading to other financial entities and the broader economy.

China Eastern Airlines Corp is planning to hedge half of its jet fuel costs for its international flights each year in the future as part of its efforts to cut rising fuel costs amid stronger crude oil prices. Hedging contracts signed in 2008, which expire by the end of this year, cover 5.32 million barrels of jet fuel.

DOE Stocks

Crude – up 1.627 million barrels

Distillate – down 2.681 barrels

Gasoline – down 7 million barrels

Refinery runs – down 3%, at 81.4%

Republicans are developing legislation to streamline the permitting process for oil and gas companies looking to drill off the coast of Alaska. The bill aims to support Royal Dutch Shell's year long effort to obtain clean air permits for drilling projects in the Beaufort and Chukchi seas. The legislation would force the EPA to either approve or disapprove permits within six months of receiving an application. The bill also

strips the EPA of its authority to impose certain emissions control requirements on vessels that perform services for a drilling operation.

The Foreign Minister of the Libya National Council, Ali El-Essawi said Libya's rebels are not seeking arms during a meeting of ministers in Qatar. He said that was not its priority. Qatar's crown prince said the Libyan people must be supplied with the means to defend themselves, at the start of a meeting of diplomats and international organizations discussing Libya's future.

German Foreign Minister Guido Westerwelle said Germany sees no military solution to the crisis in Libya.

Separately, a spokesman for the Libyan National Council said the rebels wanted to export more oil to pay for food and medicine. The rebels control fields that currently pump 100,000 bpd of crude but are only exporting that he termed a minimal amount of oil. The spokesman said the rebels managed to export 1 million barrels of crude this month with the aid of Qatar but have not received any cash for the crude. Although rebels have been unofficially excluded from sanctions imposed against Libya by the US, European Union and the UN, Western oil firms remain reluctant to buy their oil.

Bombings and political violence in Nigeria has shown no sign of posing a risk to the flow of oil. Nigeria's ruling People's Democratic Party, led by President Goodluck Jonathan, is set to lose some of its parliamentary majority as results emerge from last Saturday's vote, the first of three elections this month. President Goodluck Jonathan is the first Nigerian head of state from the Niger Delta and there are fears that should he lose a presidential election there could be a backlash in the region.

Refinery News

ConocoPhillips reported a process upset at its 146,000 bpd Borger, Texas refinery.

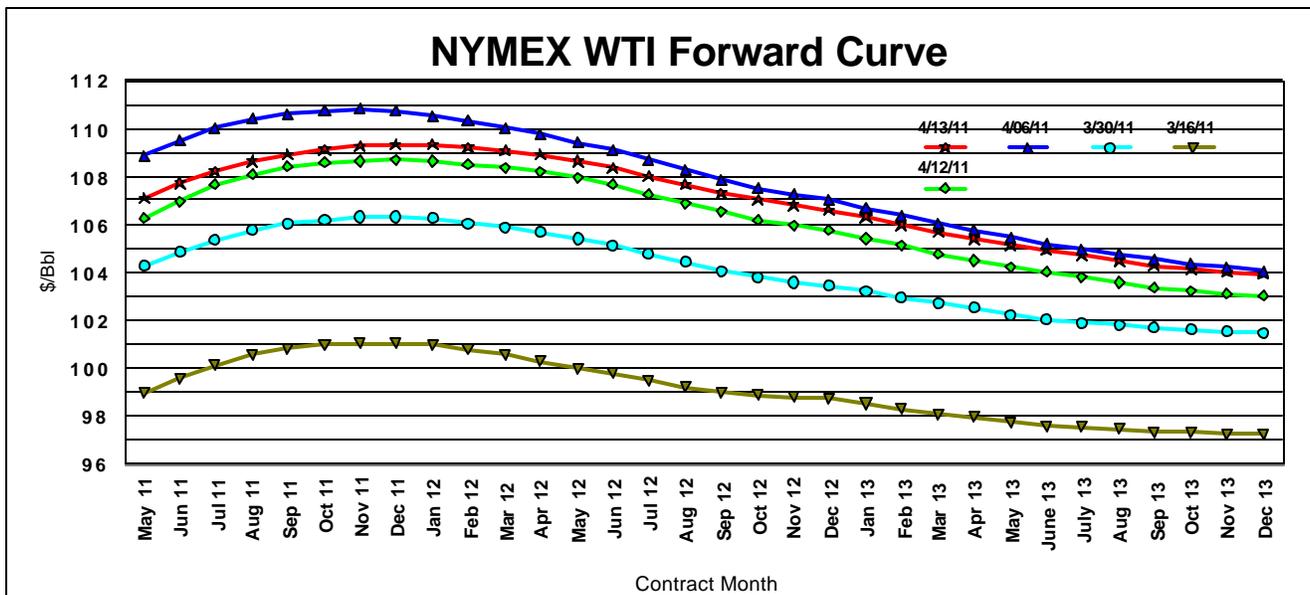
Sunoco Inc began restarting units at its Philadelphia, Pennsylvania refinery after completing repairs and maintenance activity that started in March. About half of the 335,000 bpd refinery has been shut for work over the past several weeks. The refinery is in the process of restarting a fluid catalytic cracking unit, a crude distillation unit and an alkylation unit.

Spain's Repsol halted the HD3 hydrodesulphurization unit at its 220,000 bpd Bilbao refinery for maintenance.

Workers at Greece's Hellenic Petroleum SA returned to work on Wednesday following a 10 day strike to protest wage and staffing issues at the company. The Pan Hellenic Federation of Employees in Petroleum Products-Refineries and Chemical Industry said the strikers had suspended their action in an effort to return to the bargaining table. The strike, which started April 3^d, had forced Hellenic Petroleum to shut its refining operations since late last week.

Abu Dhabi's International Petroleum Investment Co said it was going ahead with plans to build a 200,000 bpd refinery at Fujairah in the east of the UAE. The refinery is expected to be completed by mid-2016. The refinery is being built near the main oil terminal at Abu Dhabi's new crude oil export pipeline

April Calendar Averages
CL – \$108.88
HO – \$3.2040
RB – \$3.1965



and near deep water export terminals in Fujairah. It is designed to process UAE crudes such as Murban, Upper Zakum and Dubai crude.

Total is in talks to build a refinery in China, in addition to its existing 200,000 bpd joint venture Wepec refinery in Dalian.

The Petroleum Association of Japan reported that crude oil inventories in the week ending April 9th increased by 2.03 million kiloliters to 17.019 million kl. It reported that Japan's gasoline stocks increased by 312,401 kl to 2.241 million kl while gasoil inventories increased by 67,994 kl to 1.725 million kl and kerosene stocks increased by 66,137 kl to 1.693 million kl on the week. The PAJ also reported that crude runs fell to 3.25 million bpd from 3.38 million bpd the previous week while refinery runs fell to 68.1% from 70.9%.

The Maritime and Port Authority of Singapore said oil, gas and chemical tankers traffic passing through the port of Singapore in March increased 15% from the previous month while overall tonnage increased 13.5%. The port handled a total of 1,954 tankers with a combined gross tonnage of 58.27 million tons last month, up from 1,703 vessels in February. It said of the tankers handled last month, 1,405 were oil tankers, up from 1,230 in February.

Production News

Kuwait halted its oil exports on Wednesday as a precautionary measure following a dust storm. Oil exports at terminals, receiving vessels in addition to certain maintenance work at oil refineries have been halted as a precautionary measure. However a Kuwaiti official said it would not affect Kuwait's commitments to its clients as the exports will immediately resume after the dust clears.

Italy's Eni is in talks to charter a vessel carrying 600,000 barrels of crude oil from oilfields in Western Libya.

Woodside Petroleum Ltd will resume its exports of light sweet Cossack crude in July after installing a new floating production storage and offloading unit at the site. Woodside usually exports 1 million to 1.2 million barrels of Cossack crude each month. Production was halted in February for the FPSO change.

ConocoPhillips is expected to restart condensate production from its Bayu Undan joint venture in Timor Sea following a brief outage. Production from the field was halted on Sunday although the

cause was not immediately clear. Conoco exports two to three 650,000 barrel cargoes of Bayu Undan condensate each month and the outage is expected to delay cargoes loading from April.

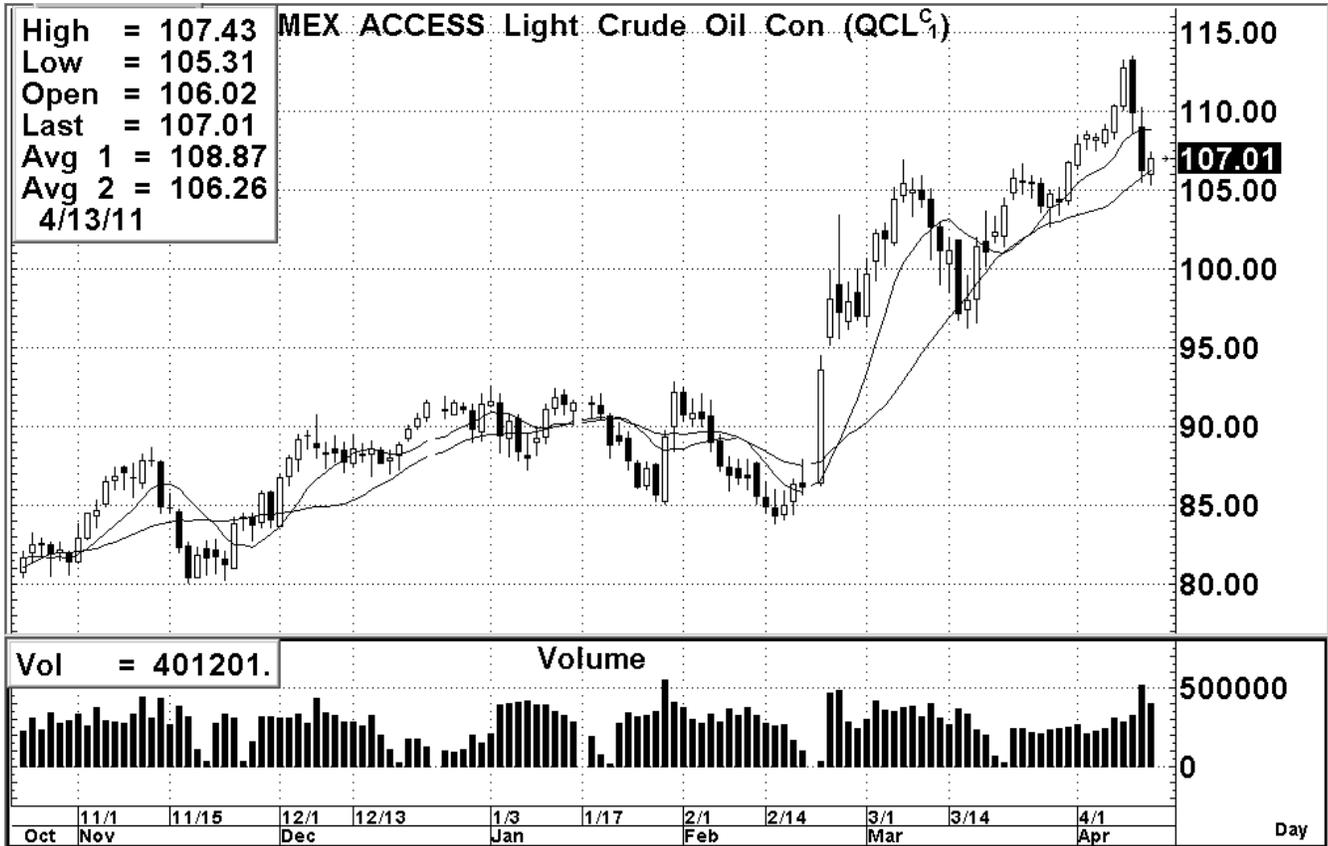
BG said oil production from Brazil's Lula field is expected to reach 70,000 bpd and 75,000 bpd by the end of 2011. Lula is estimated to hold as much as 8 billion barrels of recoverable oil and gas.

Market Commentary

Rising demand and fewer refinery runs lead to a 7 million barrel draw in gasoline inventories, making gasoline futures the strongest of the three markets. This was the largest drop in gasoline inventories since October of 1998. Expectations were calling for a draw of 1 million barrels. Crude oil traded in a choppy fashion as it seesawed above and below unchanged. Supportive U.S. jobless claims along with healthy retail sales figures spread hope amongst traders that demand and the economy are showing signs of rebounding. The May crude oil contract is trending between the 9 (\$108.87) and 20 (\$106.26) day moving averages, with both averages pointing to the upside, this is supportive for prices. As mentioned in our wire of yesterday, prices should continue to correct to the downside prior to resuming the current uptrend. Should prices dip below the 20-day moving average, a sell signal would occur. Likewise, should prices trade above the 9-day moving average a buying opportunity will present it self.

Crude oil: May 11 177,160 -32,035 June 11 267,722 +22,191 July 11 174,522 +14,313 Totals 1,584,517 +17,025 Heating oil: May 11 79,985 -8,838 June 11 62,946 +1,406 July 11 37,735 -752 Totals 302,561 -7,919 Rbob: May 11 80,798 -3,927 June11 62,683 +4,498 July 40,108 +2,935 Totals 293,832 +3,678.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	10880	30810			35915
10484	10750	27980		30130	36310
10281	10695	26680	33510	26965	
10136	11563	27375		26300	
10000	11703	23685		25683	
9622	12126	22960		25145	
9540	14933			24240	
9267				23631	
9635				23414	



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