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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 15, 2011

President Barack Obama said the US must be very careful about releasing oil from the US SPR at a time of uncertainty in the Middle East.

Iran's Oil Minister Massoud Mirkazemi said there was no reason to consider global oil prices to be too high. He said oil prices are not extraordinary and reiterated that there was no need for an emergency OPEC meeting. Meanwhile, Iran's OPEC Governor Mohammad Ali Khatibi said the oil price would increase further if tensions in the Arab world worsened. However he said there would be little OPEC could do to calm the market.

Market Watch

Goldman Sachs reported that commodity returns have outperformed, largely to the loss of Libyan oil production and concerns that unrest in the Middle East and North Africa could lead to losses in another oil producing country. While contagion risk remains high, Goldman Sachs believes crude oil prices have pushed ahead of where fundamentals currently suggest and that the near term downside risk to prices has increased in recent weeks. It said the market has adequate inventory and OPEC spare production capacity to avoid the degree of physical tightness experienced in 2008 well into next year.

The US Labor Department said US consumer prices continued rising in March as gasoline and food prices moved higher. It said the seasonally adjusted Consumer Price Index in March increased by 0.5% from February following a 0.5% increase in February. On an annual basis, prices were up 2.7% in March, the highest level since December 2009. However underlying inflation, which excludes energy and food prices, increased by only 0.1% in March from February. The energy index increased 3.5% in March from February.

The New York Federal Reserve said its Empire State general business conditions index increased to 21.7 in April from 17.5 in March. The index for the number of employees increased to 23.1, its highest level since May 2004 from 9.09 in March. The prices paid index increased to 57.69, the highest level since August 2008 from 53.25.

The Federal Reserve said industrial production increased to its highest level in three months in March. Industrial production increased 0.8% compared to the prior month while industries used 77.4% of their capacity from a downwardly revised 76.9% in February.

The Thomson Reuters/University of Michigan's preliminary April reading on the overall index on consumer sentiment came in at 69.6, up from 67.5 in March. It barometer of current economic conditions was at 82.7 in early April compared with 82.5 in March. Its gauge of consumer expectations increased to 61.2 from 57.9 in March. The survey's one year inflation expectation was unchanged at 4.6% while the survey's five to ten year inflation outlook was lower at 2.9% compared with 3.2% in March.

The US Treasury Department said private overseas investors led an increase in US securities in February. The US attracted a net inflow of \$97.7 billion from a downwardly revised \$30.6 billion in January. Net long term capital inflows moderated to \$26.9 billion in February compared to a downwardly revised \$51.1 billion.

Philadelphia Federal Reserve Bank President Charles Plosser said the US central bank could move to tighten monetary policy this year if the recovery unfolds as he expects. Meanwhile, Chicago Federal Reserve President Charles Evans said tightening of Federal Reserve monetary policy this year is unlikely. He expects QE2 to end in June as originally announced. While he said that when it was launched late last year he entertained the possibility the program could be larger, the economy's solid performance has changed his calculations.

China's National Bureau of Statistics said the country's GDP increased by 9.7% on the year in the first quarter, down from 9.8% growth in the fourth quarter last year. China's economy expanded 2.1% from the previous quarter.

Harvard University hired former RBS Sempra president and chief trader Satu Parikh to head commodity investments at the endowment fund. He would be responsible for building and leading a portfolio management team focused on commodities at Harvard Management Co.

April
Calendar Averages
CL – \$108.88
HO – \$3.2104
RB – \$3.2084

NATO Secretary General Anders Fogh Ramussen said he had indications that allies would provide extra strike aircraft needed for the operation in Libya. Britain and France have urged other NATO allies to provide more strike aircraft to increase the coalition's ability to hit ground targets in Libya.

Libyan leader Muammar Gaddafi's forces opened fire on rebels and killed one near the eastern Libyan town of Ajdabiyah on Friday. Gaddafi forces were spread out in the desert west of Ajdabiyah, a gateway to the rebel stronghold of Benghazi that has swung between government and rebel control in weeks of fighting.

Refinery News

Wolverine Pipeline Co shut its Spartan products pipeline, which carries up to 30,000 bpd of refined products from its Stockbridge terminal to Lansing, Michigan and Bay City, Michigan as it investigates a leak near the terminal. Wolverine transports gasoline from Chicago area refineries to terminals in Michigan and Northwest Indiana.

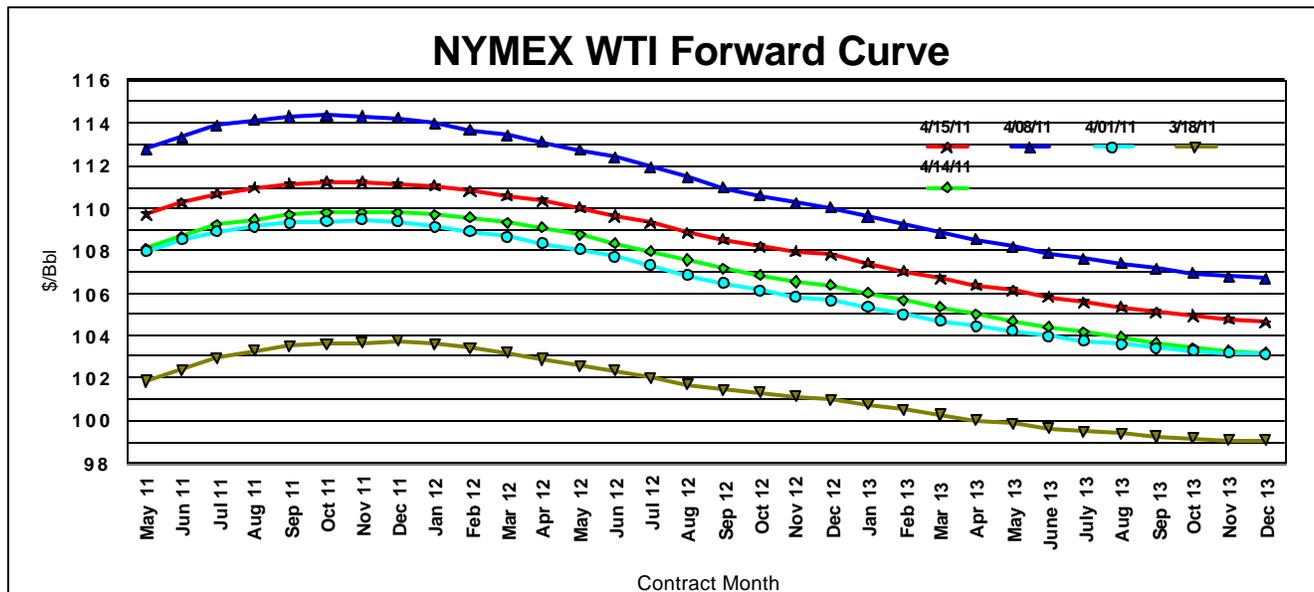
ExxonMobil Corp reported a unit breakdown at its 149,500 bpd Torrance, California refinery on Friday. It did not disclose which unit was involved. It said there was no impact to production due to temporary mechanical issue.

Sunoco Inc is preparing to repair a fluid catalytic cracking unit at its 335,000 bpd Philadelphia refinery. Throughput on a crude unit at the refinery was cut by 15,000 bpd to 125,000 bpd due to the FCC shutdown. The unit had been running at 140,000 bpd.

Marathon Petroleum Corp reported flaring due to a unit malfunction at its 206,000 bpd Robinson, Illinois refinery. On Wednesday, it shut a compressor following a valve leak at the refinery.

Alon said there was no impact on operations from the Shell Claus Off-Gas Treating unit 2 emissions at its 67,000 bpd Big Spring, Texas refinery. Earlier, it reported that it was changing the amine on the sulfur recovery unit 2.

Hovensa LLC plans to restart the distillate desulfurizer unit at its 350,000 bpd St. Croix refinery next month after completing repairs caused by a fire. The unit went offline after being damaged by a fire



on February 11th.

China's implied oil demand increased by 11% on the year in March to 9.16 million bpd. It was the sixth consecutive month that demand grew by double digits. It was however down 4% from February's 9.53 million bpd level.

China's National Bureau of Statistics said Chinese refiners processed 8.87 million bpd of crude in March, up 8% on the year but down 3.4% from a record 9.21 million bpd reached in February. In the first quarter, crude runs increased by 10.2% on the year to 9.04 million bpd. The statistics bureau also showed that China's oil production increased by 4.2% on the year to 4.14 million bpd in March and increased by 6.7% on the year to 4.17 million bpd in the first quarter of the year. China's diesel production in March totaled 13.84 million tons, up 9.3% on the year while gasoline output increased by 4.4% on the year to 6.64 million tons and fuel oil output increased by 16.6% to 1.76 million tons.

China's imports of mixed aromatics, mostly reformates, have been expanding rapidly since 2009. Reformates can be blended into gasoline by adding naphtha or catalytically cracked gasoline from China's refineries. China imported 2.45 million tons of mixed aromatics last year. It is triple the 820,000 tons in 2009 and up from 233,000 tons in 2008.

Production News

Norway awarded 24 oil and gas production licenses in its 21st offshore round on Friday, with a focus on exploration in northern areas including the Barents Sea region. Half of the licenses are in the Norwegian Sea and the other half is in the Barents Sea. Statoil ASA was awarded 11 licenses. The company has been given the right to act as operator for eight of the 11 licenses, with four the operatorships in the Barents Sea and four in the North Sea.

Azerbaijan's State Statistics Committee said the country's oil and gas condensate production fell by 2.1% on the year to 12.04 million tons in January-March 2011. The decline in production was due to repair work at some oil refineries in Azerbaijan. In 2010, Azerbaijan's oil and condensate production increased 0.9% to 50.83 million tons from 50.38 million tons in 2009. It plans to produce 51.5 million tons of oil in 2011.

Portugal's Galp said first quarter sales of refined products fell by 19% to 3.7 million tons as both refining volume and production fell. It refined 13.6 million barrels of crude in the quarter, down 39% on the year. Oil production fell by 24% to 9,600 bpd.

Chesapeake Energy said it will buy Bronco Drilling Co Inc for about \$315 million as part of its strategy to increase its ownership of the rigs it uses to drill wells and expand into oilfield services. The company already has rig and trucking operations and is looking to expand its hydraulic fracturing business as it increases drilling in oil and gas shale fields in the US. The deal is expected to close in the second quarter.

Brazil's Petrobras signed cooperation agreements with China's Sinopec and Sinochem Corp. The memorandum of understanding between Petrobras and Sinochem calls for strategic cooperation between the two parties in oil and gas exploration and production in Brazil and abroad, technological cooperation in development of projects aimed at increasing oil recovery, including in mature fields and joint sales efforts.

Market Commentary

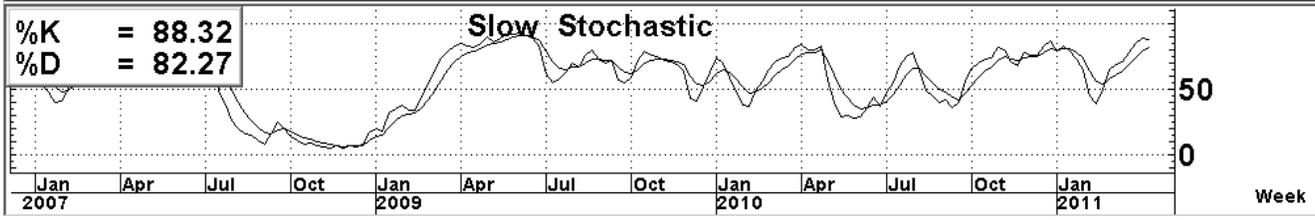
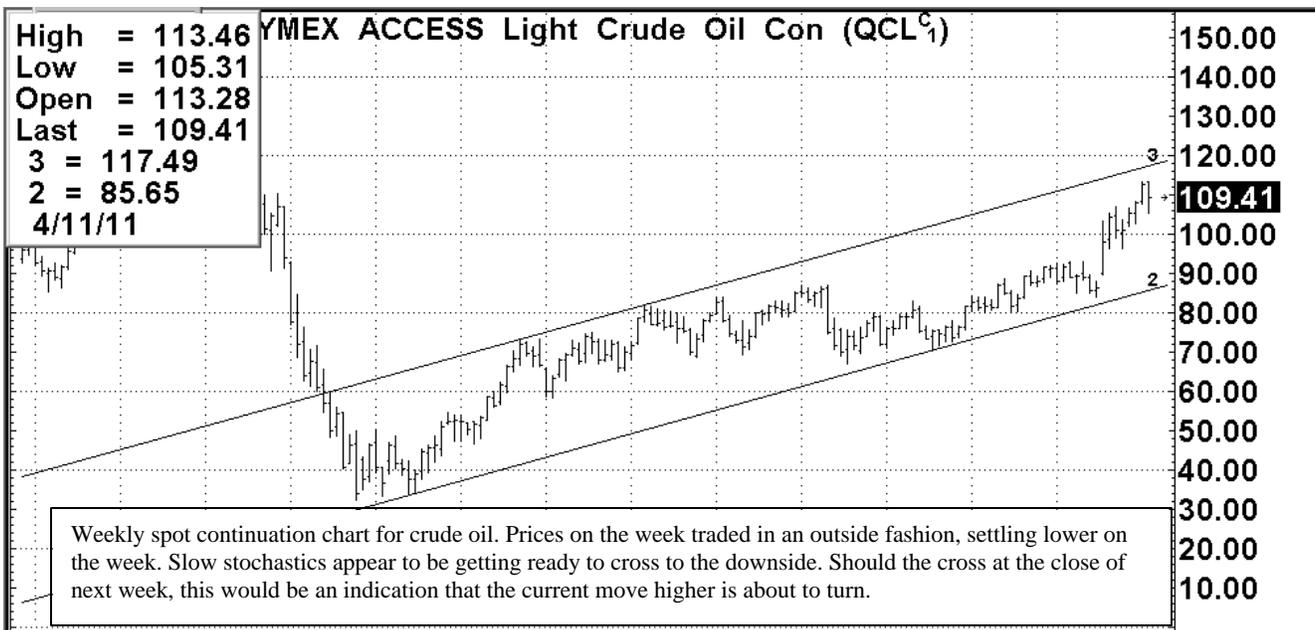
An early session sell-off was quickly reversed as the market gained on improving consumer confidence. Crude oil settled 1.4 percent higher on the day after a Thomson Reuters/University of Michigan preliminary report indicated that consumer confidence in the U.S. rose 2.1 percent during

the month of April. Gasoline was also higher, still supported by the shut-in of the Sunoco FCC unit in Philadelphia, which experienced a fire yesterday. This week crude oil prices gave back a portion of their gains, settling 3 percent lower on the week. The ascending channel, on a weekly chart, which began in January of 09 remains intact with technical indicators in over bought territory but have not turned to the downside. At the start of next week, we would look for prices to head lower. Slow stochastics are currently in over bought territory and appear to be getting ready to cross to the downside. Should they do so, prices should attempt to test the bottom of the channel. The initial downside objective for next week is \$102.70.

Crude oil: May 11 87,755 -52,299 June 11 311,358 +19,407 July 11 183,388 +146 Totals 1,559,249 -29,586 Heating oil: May 11 69,633 -2,736 June 11 74,245 +5,331 July 11 41,003 +2,066 Totals 309,454 +7,174 Rbob: May 11 70,481 -4,569 June 11 70,455 +2,152 July 43,204 +279 Totals 298,966 -82.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 8,890 contracts to 243,261 contracts in the week ending April 12th. The combined futures and options report showed that non-commercials cut their net long position by 13,074 contracts to 319,557 contracts on the week. Meanwhile, the disaggregated futures and options report showed that managed money funds cut their net long positions by 23,718 contracts to 218,579 contracts on the week amid the sharp selloff in the market following the news that Goldman Sachs was closing its crude oil, copper, cotton/soybean and platinum basket trade.

| Crude Oil | | Heating Oil | | Rbob | |
|-----------|------------|-------------|------------|---------|------------|
| Support | Resistance | Support | Resistance | Support | Resistance |
| | 10880 | 30810 | | | 35915 |
| 10484 | 10750 | 27980 | | 30130 | 36310 |
| 10270 | 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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