



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

NATURAL GAS & POWER MARKET REPORT FOR MARCH 23, 2011

NATURAL GAS MARKET NEWS

North America

Pioneer Natural Resources Company reported today that it was lowering its first quarter production estimates by 3.5% due to extreme weather conditions in the first half of February and an unplanned third party outage. The company noted that extreme cold in Texas, Kansas and Colorado caused pipeline freeze-ups, power outages and limited access to well locations. Operations recovered fully only by early March. The company said that the outage of a third party fractionator will lower quarterly production by about 1 mboe/d. However the company expects 2011 production to increase 15-19% at 125-130 mboe/d on the back of ramped up drilling operations in Spraberry and Eagle Ford shales.

Generation Outages

PJM –PSEG's 1161 Mw Hope Creek nuclear unit ramped up to full power by early Wednesday. The unit had been at 64% power on Tuesday.

The NRC reported this morning that some 82,853 Mw of nuclear generation capacity is online, up 0.8% from yesterday and some 0.7% higher than the same day a year ago.

The Pennsylvania Department of Environmental Protection has ordered Chesapeake to cease work at its Potter County gas well pre-construction site, as a result of the regulator finding the company had failed to comply with its regulations and its activities had impacted one of the water sources of the Water Authority of the Borough of Galeton. The company will not be allowed to resume work at the site until all terms of the regulator's order are met. The DEP has given the company until March 29th to meet all the terms of it order and correct the existing violations at the site.

ConocoPhillips CEO said today that he sees the Japanese disaster resulting in higher demand for LNG. He also noted that the company is experiencing

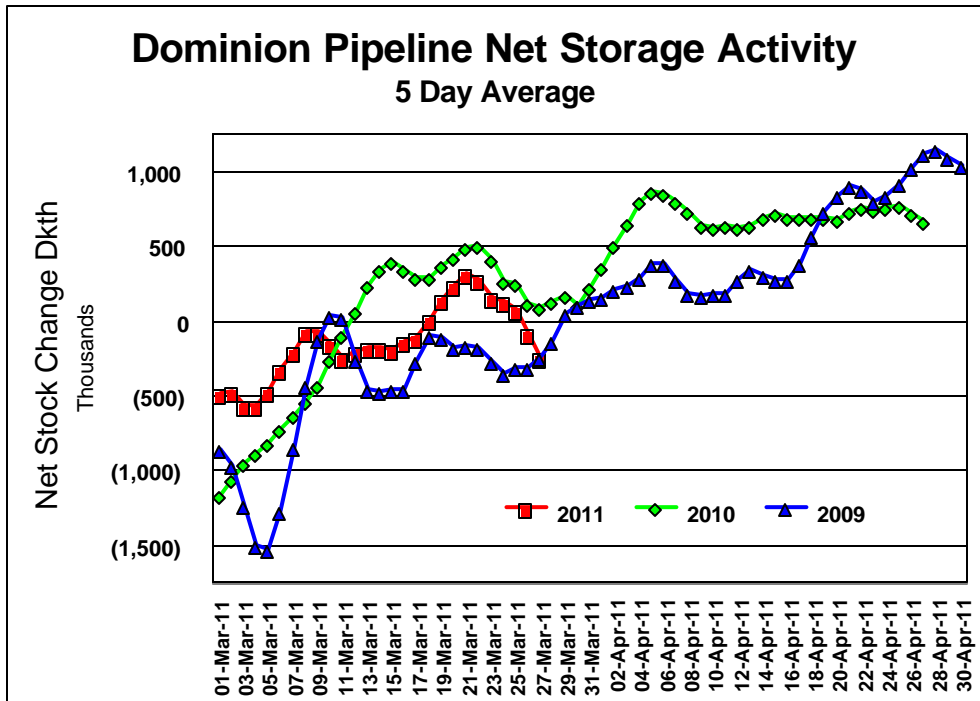
Natural Gas Cash Market						
ICE Next Day Cash Market						
Location	Volume Traded	Avg Price	Change	Basis (As of 12:30 PM)	Change	Basis 5-Day Moving Avg
Henry Hub	547,700	\$4.181	\$0.128	(\$0.149)	\$0.020	(\$0.129)
Chicago City Gate	600,300	\$4.408	\$0.189	\$0.078	\$0.046	(\$0.054)
NGPL- TX/OK	1,072,900	\$4.119	\$0.144	(\$0.211)	\$0.001	(\$0.283)
SoCal	503,700	\$4.240	\$0.118	(\$0.090)	(\$0.025)	(\$0.174)
PG&E Citygate	856,900	\$4.505	\$0.085	\$0.175	(\$0.058)	\$0.143
Dominion-South	410,200	\$4.501	\$0.190	\$0.171	\$0.047	\$0.019
USTrade Weighted	21,118,300	\$4.307	\$0.163	(\$0.023)	\$0.02	(\$0.129)

upward cost pressures on oil sands activity, LNG projects and busy basins like the Eagle Ford. The company is looking to drill 4 wells in the Gulf of Mexico in 2011 and the company also looks to spend \$1.4 billion in development in the Eagle Ford shale.

Energy Transfer Partners and Regency Energy Partners announced they have formed a joint venture to acquire NGL storage, fractionation and transportation assets from LDH Energy Assets Holdings LLC to expand their producer service offerings. The deal is valued at \$1.925 billion in cash. The deal

includes the West Texas Pipeline, 43 million barrels of NGL storage at Mt. Belvieu, 20% equity interest in the Sea Robin Pipeline, NGL storage at Hattiesburg, Mississippi of 3.9 million barrels and in South

Louisiana, 82 MMcf/d of cryogenic gas processing and 25,000 b/d of fractionation capacity.



International

Total SA announced today that it would partner with PetroChina to start non-conventional gas production project in China. PetroChina will own 51% of the operation and it will be located in Interior Mongolia. The project will require \$2 billion in investment and is expected to start production in 2012 or

2013.

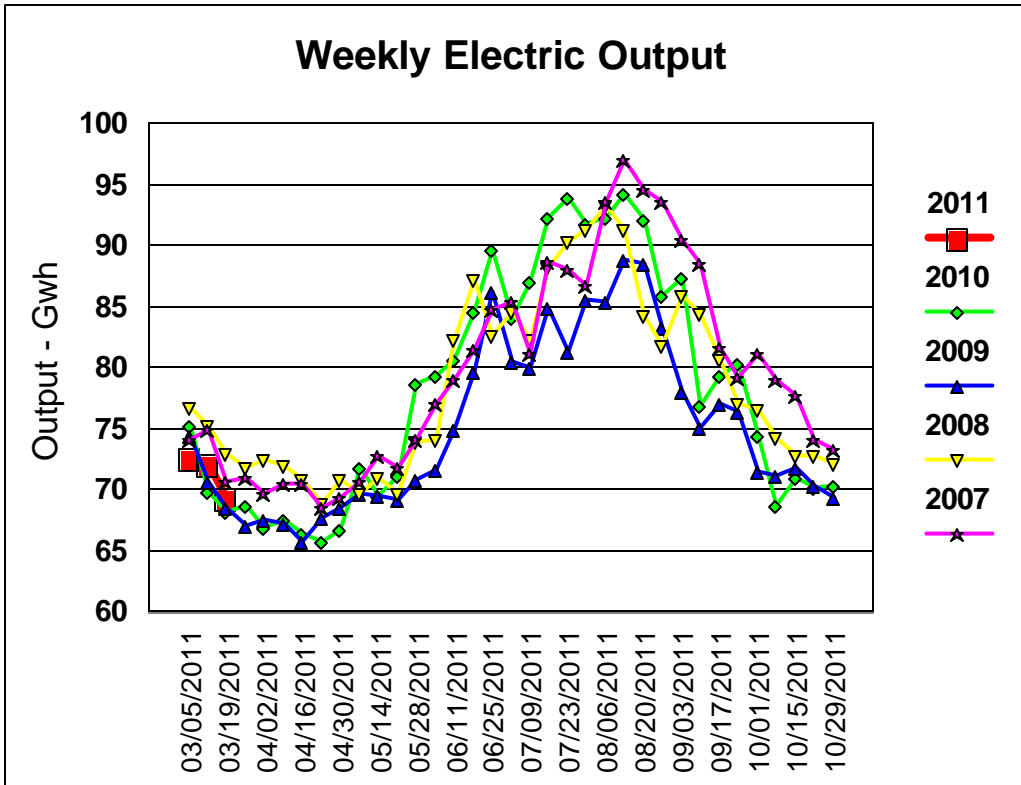
Gassco reported this morning that gas processing at the Kollsnes gas processing facility are expected to be back at full capacity on Thursday after completing maintenance work a day earlier than expected. Gas flows had been restricted to 129 mcm from its normal level of 143 mcm.

The head of Royal Dutch Shell's Russian operations said today the nuclear crisis that has followed the earthquake and tsunami in Japan may spur the further development or expansion of the Sakhalin LNG project. Talks prior to the disaster have been ongoing about the possibly 50% expansion of the facility by adding a third train. The official also confirmed that Shell is in talks with Novatek to join Total as a foreign partner in the Yamal LNG as well as partnering with Rosneft in exploration and production in the arctic.

BG Group has stopped major gas pipeline work for its \$15 billion Queensland Curtis Island coal seam gas to LNG project as a result an internal review that revealed construction work could breach some environmental regulations since some of its environmental management plans still have not been approved. Work on the line will remain suspended until these environmental conditions are met. The pipeline would link the company's gas fields in Queensland's Surat Basin to Gladstone port.

Reuters was reporting the 266,000 cubic meter Al Ghuwairiya LNG tanker is expected to arrive in Britain on April 2nd. The Maersk Marib LNG tanker is expected to arrive at the Isle of Grain terminal on April 5th. The vessel has a capacity of 166,000 cubic meters. Meanwhile Reuters was reporting that the Qatari Tembek LNG tanker was headed to the Chita terminal in Japan for an expected April 7th delivery. The tanker has a capacity of 212,000 cubic meters

PetroChina's first LNG terminal is slated to receive its first LNG cargo between April 26 and 28th and start selling the fuel in late May. The terminal is schedule to handle up to 3.5 million tons in its first year of operation. The terminal had originally been scheduled to begin commercial operations in April.



Serbia's participation in the South Stream pipeline is expected to generate for the country \$5.67 billion in transit fees over a 25 year period.

ELECTRIC MARKET NEWS

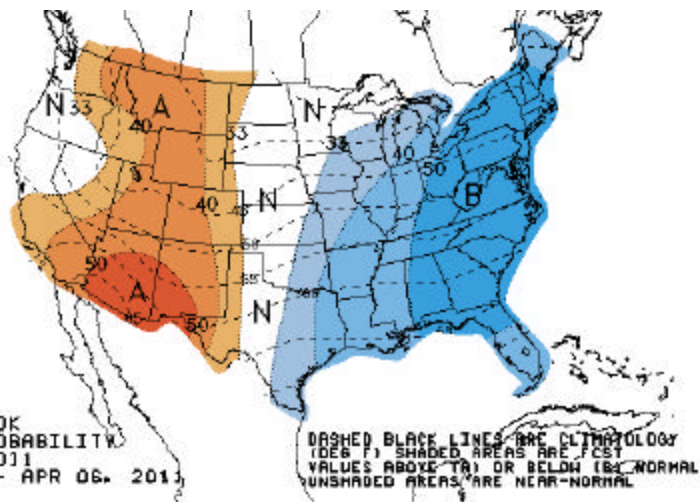
Japan's nuclear safety agency said on Wednesday that radiation from the crippled Fukushima #2 nuclear unit was recorded at 500 microsieverts per hour on March 18th. Japanese nuclear officials told the IAEA that radiation dose rates at the plant

were decreasing, although the overall situation remained serious. Meanwhile an Austrian nuclear expert said today that the release of two types of radioactive particles in the first 3-4 days of the Japanese nuclear problem is estimated to have reached 20-50% of the amounts released from Chernobyl in a 10 day period.

The U.S. NRC voted today to create a special task force that will conduct a safety review of U.S. nuclear power plants and provide regular updates on their safety standards. The task force is also expected to advise whether any immediate corrective action is needed at these plants. The action comes in response to the crisis in Japan.

The Edison Electric Institute reported that power production in the United States for the week ending March 19th declined by 3.8% from the prior week but was up 1.7% from the same week a year ago.

The U.S. Northwest River Forecast Center said today that it looks for water flows through the Dalles Dam for the April – September period will be 110% of normal up 6% from its forecast a week ago and 26% higher than a year ago.

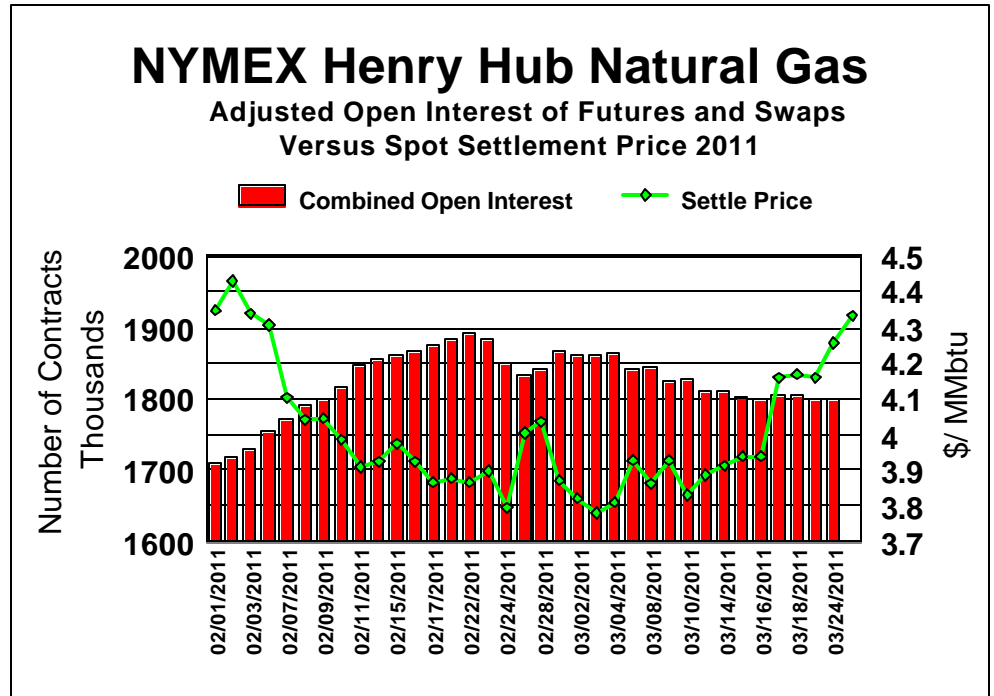


ECONOMIC NEWS

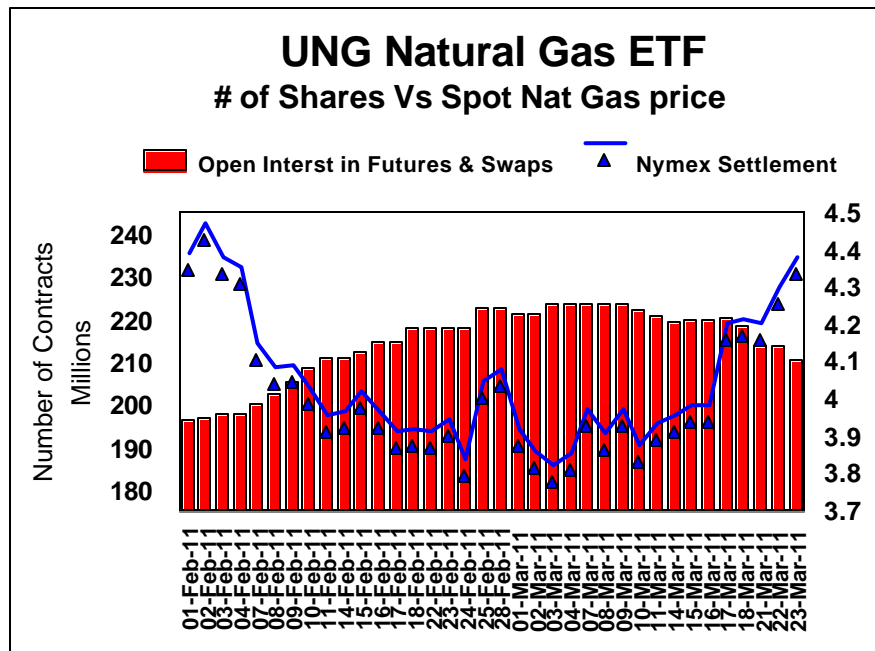
The Commerce Department said sales of new homes fell in February to a new record low and prices fell to the lowest in more than seven years. Sales of new homes fell by 16.9% on the month to a seasonally adjusted annual rate of 250,000 in February. The previous record low of 274,000 was set last August. It reported that the median sales price for a new home sold in February was \$202,100, down 13.9% from \$234,800 a month earlier. January's sales figures were revised to a 9.6% decline from a month earlier to a seasonally adjusted annual rate of 301,000 compared with the previous estimate of 284,000.

The Mortgage Bankers Association's weekly mortgage application market index in the week ending March 18th increased by 2.7% to 524.4 on the week.

Dallas Federal Reserve Bank President Richard Fisher expressed concern on Wednesday about high levels of liquidity in the US economy and warned the Fed's bond buying program set it on a dangerous course. He said concern was already increasing over the large amount of money in the US system.



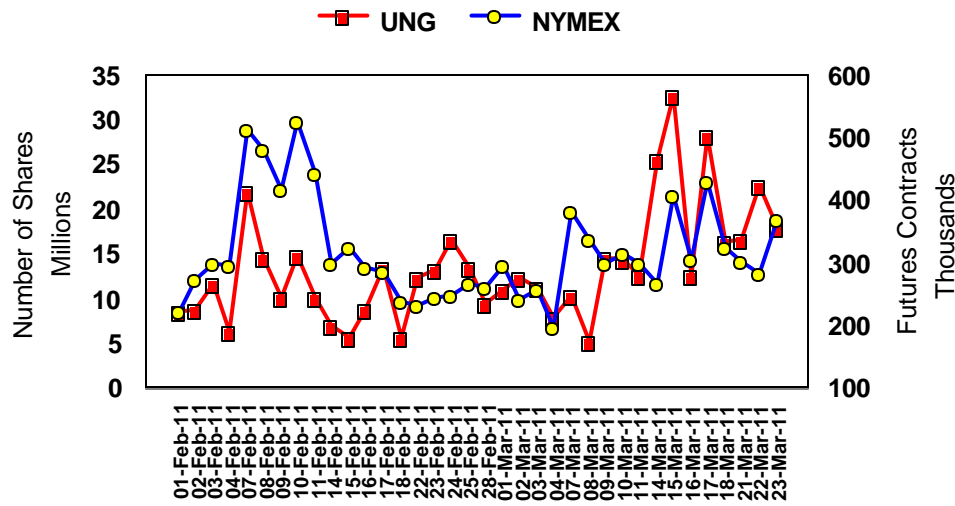
The European Union's Statistics Office Eurostat said industrial new order in January in the Euro zone increased by 0.1% on the month to 20.9 while industrial new orders in the EU increased by 0.2% on the month to 18.6.



MARKET COMMENTARY

The natural gas market continued to see a two prong fundamental push higher for this market, colder than normal temperatures expected over the eastern half over the next two weeks coming at a time that many coal and nuclear power plants are undergoing seasonal maintenance outages. To further support the bull move has been an international market that remains strong for spot LNG due to expectations of higher Japanese demand, helping to drive prices higher for spot cargoes and to a lesser extent helping to drag U.S. futures prices higher as well,

Natural Gas Volume UNG Vs NYMEX Futures



We remains skeptical of the staying power of this bull move. The vast majority of this price move has come since the earthquake and tsunami struck Japan. During this upward move traded volumes have moved higher especially in the ETFs but open interest in both the futures and ETFs have actually stagnated or actually declined. This signals to us that no new buyers have been coming to this market,

but rather it has been speculators riding on the coattails of the international markets and taking their cues from technicals, such as the move on last Thursday when prices broke through the 40 day moving average. We look for the 200-day moving average to remain a key technical point for tomorrow, which looks to be at \$4.415, and we will be willing to sell this market in front of that with a protective stop at \$4.51.

Market expectations for tomorrow's EIA Natural Gas Storage report appear to be running around a 5-6 bcf draw for the week ending March 18th. The same week a year ago saw an adjusted 7-bcf increase while the five-year seasonal average is for a 17 bcf decline.

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.

NBP Basis Henry Hub

