

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 19, 2010

US State
Department
spokesman Phillip
Crowley said the
US is still
interested in a deal
that envisages
international
powers swapping
nuclear fuel with
Iran to address
concerns over its

Market Watch

Weather Services International said most of mainland Europe and southern parts of Britain are likely to be cooler than normal in June and July following a relatively warm May. WSI expects temperatures for May-July to average above normal in Scandinavia and northern Britain. However WSI sees little chance of a hot summer for the rest of Europe.

The volcanic ash cloud from Iceland has cut world jet fuel demand by at least 1 million bpd or about 20% of world demand. The eruption has been disrupting air travel in Europe since Thursday, with about 70% of all flights grounded. Before the travel disruption, Europe's jet fuel demand averaged 1.17 million bpd in January and 1.25 million bpd last year.

nuclear program. Meanwhile, the chairman of the Joint Chiefs of Staff, Admiral Mike Mullen said a US strike against Iran would go a long way to delaying its nuclear program. However he said it would be his last option.

A senior adviser to Iran's President Mahmoud Ahmadinejad said Iran has started work on a new uranium enrichment nuclear plant. Iran's top nuclear official Akbar Salehi said in February that Iran would start construction of two enrichment sites by March 2011. Separately, Iran's Foreign Minister Manouchehr Mottaki said Iran plans to hold talks with all 15 members of the UN Security Council in an effort to break an impasse over a nuclear fuel deal.

Iran's Commerce Minister Mehdi Ghazanfari said a planned increase in gasoline prices will cut demand and reduce Iran's dependence on imported fuel, dismissing the threat of more sanctions on the country. He said a plan to reform Iran's costly subsidy system, under which energy and food subsidies would be phased out over five years, would increase domestic gasoline prices and thus impact demand and lower dependence on foreign imports. Iran bought about 128,000 bpd of gasoline in March, steady on the month.

The EIA reported that the US average retail price of diesel increased by 0.5 cents/gallon to \$3.074/gallon in the week ending April 19th. Diesel prices are 85 cents or 38.4% above the year ago level. The EIA also reported that the US average retail price of gasoline increased by 0.2 cents to \$2.86/gallon on the week.

Refinery News

**April
Calendar Averages**
CL – \$84.91
HO – \$2.2293
RB – \$2.3100

Credit Suisse reported that US refinery margins mostly increased last week, with only margins in the Northeast falling on weaker product prices. Margins in the Northeast fell by 39% or \$3.38/barrel. Margins in the Gulf Coast increased by 37 cents to \$8.77/barrel while margins in the Midwest increased by 91 cents to \$10.46/barrel, margins in the West Coast increased by 6 cents to \$15.23/barrel and margins in the Rockies increased by \$1.69 to \$18.33/barrel.

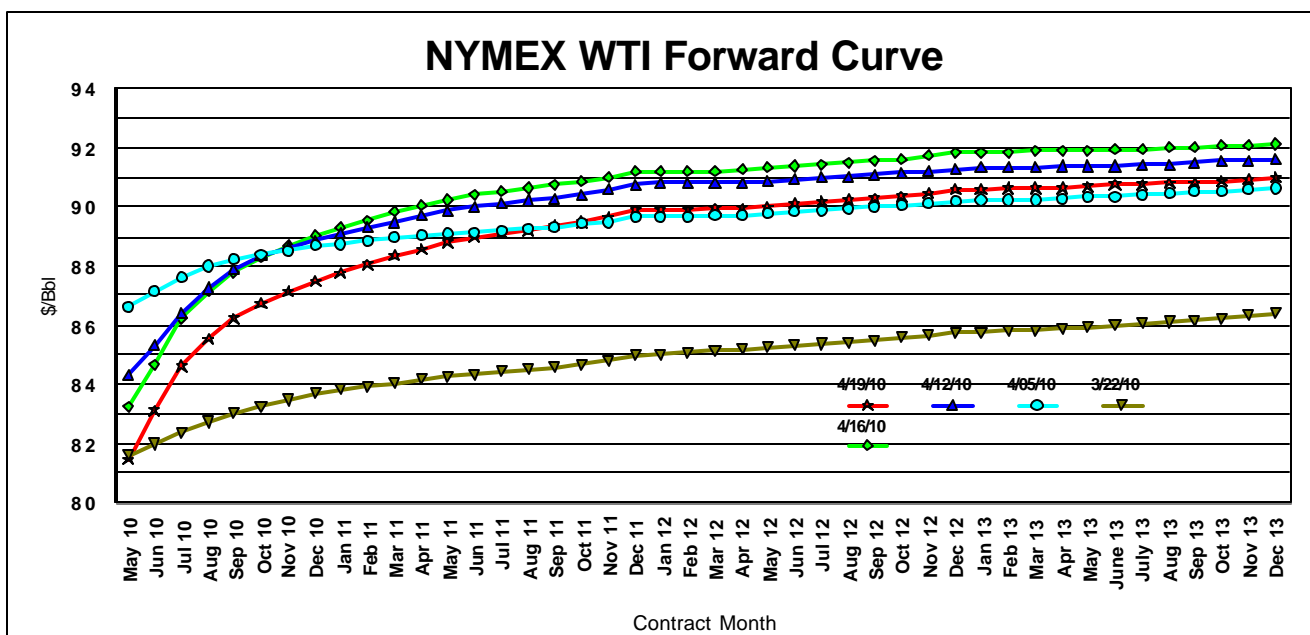
Valero Energy Corp cut rates on its fluid catalytic cracking unit at its 325,000 bpd Port Arthur, Texas refinery over the weekend. In a report filed with the Texas Commission for Environmental Quality, the catcracker experienced problems and the charge was cut to the unit to stabilize it and stop flaring. It said the problem did not have any material impact on its production. Separately, Valero's 170,000 bpd McKee refinery in Sunray, Texas has yet to begin work on a fluid catalytic cracking unit, which continues to operate at planned rates. Over the weekend, Valero reported that repairs would be performed on the casing for an expander at the fluid catalytic cracking unit starting Sunday evening. Valero also reported that its refinery in Three Rivers, Texas experienced a power outage Friday afternoon however power was restored to units within a couple of hours. There was no material impact to production as a result of the outage.

Total Petrochemicals reported flaring at its 174,000 bpd Port Arthur, Texas refinery due to operating conditions.

Japan's Cosmo Oil Co will not restart its 120,000 bpd No. 2 crude distillation unit at its Chiba refinery before the unit enters seasonal maintenance later this month. It shut the unit last week after discovering problems with an associated secondary unit.

Two refineries, with a total capacity of 300,000 bpd, operated by Portugal's Galp Energia reduced their output and were preparing for shutdowns on Monday as workers started a 3 day strike over pay. Talks between management and workers broke down last week after Galp refused to give workers salary hikes of 2.8% and stuck to its position of granting a wage increase of no more than 1.5%.

India's Reliance Industries plans to shutdown a 100,000 bpd vacuum gas oil hydrotreater at its oil refinery for about a month starting Wednesday or Thursday. It will shut the unit for 20-30 days to



change the catalyst. A source said there would be no impact on throughput due to the shutdown.

German residential heating oil stocks fell to 50% of capacity as of April 1st from 52% as of March 1st.

Japan is offering about 220,000 kiloliters or 1.39 million barrels of Kuwaiti Khafji crude and about 260,000 kl of Iraqi Basra Light crude from its national reserves in Okinawa in an attempt to make room for Saudi Arabia to store its crude there. The oil offered in the tender will be released from tanks the government rents at the Okinawa Oil Base and shipped between June 10th and September 9th.

Indonesia's Pertamina is in talks with Saudi Aramco to import 200,000 bpd of crude oil. It currently imports 125,000 bpd of crude from Saudi Arabia but is seeking to import more crude to feed its Balongan refinery.

Russia's Energy Ministry reported that Russia's gasoline and fuel oil exports in March increased by 15.7% on the month to 11,300 tons/day and 19.9% on the month to 153,400 tons/day, respectively. Russian gas oil exports in March fell by 8.5% on the month to 104,200 ton/day while domestic shipments increased by 18.4% to 90,500 ton/day.

Production News

Helicopter flights to offshore oil and gas installations in the Norwegian part of the North Sea are likely to be banned again later on Monday due to risk from volcanic ash from Iceland. Parts of Norway's air space have been open to helicopters flying oil and gas staff to platforms since Friday after a brief ban, with more areas opened over the weekend.

Indonesia's BPMIGAS said the country's oil output may reach 917,000 bpd, falling short of this year's target of 965,000 bpd and below last year's level due to environmental and other issues. Indonesia has previously stated that it would produce 965,000 bpd of crude and condensate this year, compared with 949,100 bpd in 2009. It said several oil companies had managed to slow down the decline in production by maximizing the output of several oil fields however the annual rate of decline was still between 12% to 20%.

Gabon's oil production returned to normal after a strike last week over government regulations briefly cut production. The strike on Thursday and Friday briefly halted most crude output from Gabon, which produces about 250,000 bpd and triggered fuel shortages in the capital. The strike ended on Friday evening as union officials agreed to resume negotiations.

Two extra Forcados crude cargoes have been added to Nigeria's loading schedule for May, increasing the country's total crude oil exports to about 2.1 million bpd. Five cargoes of the heavy, low sulfur crude are now due to load in May, up from three previously expected.

Angola is scheduled to load six Plutonio cargoes in June. It also scheduled to load three cargoes of Palanca crude, one Xikomba, three Saxi, four Girassol, five Hungo, two Kuito, two Mondo, eight Dalia and six Kissanje crude cargoes. Traders said programs showed the country aimed to ship 55.8 million barrels or 1.8 million bpd of crude in May compared with 54.74 million barrels or 1.82 million bpd in April.

OPEC's news agency reported that OPEC's basket of crudes fell to \$82.86/barrel on Friday, down from Thursday's \$83.28/barrel level.

Market Commentary

Crude oil fell to its lowest level in three weeks as investors continued to shy away from commodities as an investment hedge after the SEC announced last week that it was suing Goldman Sachs for

fraud. The Goldman news, although part of the recent sell-off, was not the only catalyst behind this move lower. Bearish fundamentals continue to loom in the background along with technicals that have turned to the downside. The June crude oil contract, which will be the spot month after the close of tomorrow's May expiration, should continue lower. Bets that prices will head lower can be seen in the open interest for the June \$60 and \$50 puts. As of the close of April 16th, open interest in these to contracts had a combined open interest in excess of 129,000 contracts. Technically speaking, the next downside objective for the June crude oil contract is \$80.54. A break below this level sets prices up for a test at the \$75.37 projected downside level. With flights to Europe still being canceled due to the volcano eruption in Norway, demand for jet fuel has been hampered, weighing on the price of heating oil. Heating fell to its lowest level since the end of March and is approaching the 38% retracement level of \$2.1084.

Crude oil May 10 53,387 -23,862 June 10 367,645 +5,258 July 10 178,166 +5,254 Totals 1,380,408 -7,497 Heating oil May 10 56,383 -5,621 June10 71,832 +3,263 July 10 34,394 +883 Totals: 305,069 +2,551 Gasoline May 10 62,058 -12,906 June 10 99,010 +4,469 July 10 52,860 +1,733 Totals 329,380 -3,597

Crude Support	Crude Resistance
80.27, 79.75-79.51, 78.43, 76.15, 75.37, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	85.45, 86.65, 87.85, 88.80, 89.10, 89.88, 92.75
Heat Support	Heat resistance
2.1084, 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.4200, 2.4940,
Gasoline support	Gasoline resistance
2.1460, 2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.4850, 2.5040, 2.5115

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.