



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 27, 2011

Russia's Prime Minister Vladimir Putin said that events such as the nuclear crisis in Japan and uprisings in the Middle East would increase demand for oil and gas. Russia faces a regional fuel supply crisis that could quickly spread after an order by Prime Minister Vladimir Putin to cut domestic pump prices led oil firms to increase export volumes.

The Maritime and Port Authority of Singapore said the first oil tanker from the rebel held east Libyan port of Marsa el Hariga is expected to arrive in Singapore on Thursday, transporting 80,000 tons of

Market Watch

Morgan Stanley said it remains long on oil as demand is still strong despite higher prices. Analysts at Morgan Stanley said crude inventories are expected to decline further as Atlantic Basin refiners exit maintenance. Also, the situation in Libya has worsened, with oil fields and infrastructure becoming the target of recent attacks.

The Federal Reserve said it would keep US interest rates at exceptionally low levels. It said it would complete its \$600 billion bond buying program this quarter as planned. It added that while energy and commodity prices were rising, their effects would be transitory.

The US Commerce Department said manufacturers' orders for durable goods increased by 2.5% to a seasonally adjusted \$208.37 billion. It was the third consecutive increase. Orders in February increased 0.7%, revised up from a previously estimated 0.6% decline.

Chicago Federal Reserve Bank's Midwest manufacturing index increased by 1.9% to 85 in March from 83.4 in February.

The US Commodity Futures Trading Commission announced a part of an expanded oversight of the swaps market by defining what products would be covered by financial reform legislation. It said most products and transactions would fall under the definition of a swap, except certain insurance products, consumer and commercial transactions such as a contract to purchase home heating oil and loan participations. The plan does not include commodity forward contracts as swaps. Most of the transactions and products in the CFTC plan would be classified as swaps, subjecting them to clearing requirements and trading on exchanges or swap execution facilities. The CFTC also proposed rules for capital requirements for non-bank swap dealers. The proposal would require that swap dealers and major swap participants maintain \$20 million in capital.

The EU's Statistics Office Eurostat said that industrial orders in February in the Euro zone increased by 0.9% on the month to 21.3 while industrial order in the EU increased by 1.2% to 19.8.

German consumer morale heading into May fell, a further sign growth may have already peaked this year. Market research group Gfk said its consumer sentiment indicator fell to 5.7 for the next month, down from 5.9 reported for April.

Standard & Poor's threatened to cut Japan's sovereign credit rating again, warning the large cost of last month's earthquake and tsunami would impact already weak public finances unless politicians can agree to raise taxes. It affirmed its long term sovereign credit rating on Japan at AA minus, the lowest among the major agencies, but downgraded its outlook to negative from stable. Public debt, already twice the size of its \$5 trillion economy, is set to increase as the country faces reconstruction costs following the March 11th earthquake and tsunami that could reach 50 trillion yen or \$613 billion.

DOE Stocks

Crude – up 6.156 million barrels
Distillate – down 1.805 barrels
Gasoline – down 2.508 million barrels
Refinery runs – up 0.2%, at 82.7%

crude oil. The oil tanker is expected to make a brief stop in Singapore to refuel and then depart of a port in China. Separately, an oil tanker booked by Italy's Eni to export crude from West Libya has left empty.

Refinery News

Kinder Morgan Energy Partners said that local conditions at the site of a leak on its 300,000 bpd Trans Mountain pipeline were hampering repairs. It could not say when it would complete the repairs. The pipeline has been shut since Friday following the discovery of a leak.

BP Plc said it would restart its fluid catalytic cracking unit No. 3, a crude distillation unit, an ultracracker unit and a refinery fuel gas system at its 437,000 bpd refinery in Texas City, Texas after a power outage shutdown the plant. It reported the startup of the sulfur recovery unit at the refinery.

ExxonMobil Corp reported a leak in the cooling exchanger at its 192,500 bpd refinery in Chalmette, Louisiana that led to a release of materials. It is planning to shut the unit down and repair the leak.

Valero Energy Corp said one of the two crude units at its 235,000 bpd Aruba refinery was shut late last week to repair a leak.

Iraq's parliament, in a bid to lure foreign investors to build new refineries, approved legal amendments to set a 5% discount on crude sold to refiners. Currently Iraq offers crude to refinery investors at a 1% discount to the world price. The new discount would have limits, a minimum of \$4/barrel and a maximum of \$8/barrel.

Japan's JX Nippon Oil & Energy Corp plans to refine 4.6 million kiloliters of crude oil in May for domestic consumption, down 21% on the year. It estimates its April crude refining for domestic use at 4.83 million kl or 1.01 million bpd, down 19% on the year.

The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending April 23rd increased by 1.07 million barrels on the week and by 11.28 million barrels on the year to 106.41 million barrels. Japan's gasoline stocks increased by 210,000 barrels on the week but fell by 260,000 barrels on the year to 14.83 million barrels while its kerosene stocks increased by 860,000 barrels on the week and by 3.54 million barrels on the year to 12.25 million barrels and naphtha stocks fell by 440,000 barrels on the week but increased by 2.03 million barrels on the year to 12.61 million barrels. Japan's crude runs fell by 80,000 bpd on the week but fell by 440,000 bpd to 3.23 million bpd. Refinery utilization rates fell by 2% on the week but increased by 4% on the year to 80.7%. The PAJ also reported that total oil sales increased by 10.3% on the week but fell by 1% on the year to 2.73 million bpd.

India's Petroleum Planning and Analysis Cell reported that the country's crude oil imports increased by 2.67% in the fiscal year ended March 31st as the recovery in the global economy and strong local demand increased sales of oil products. India imported 163.51 million metric tons or 3.27 million bpd of crude oil in the past fiscal year compared with 159.26 million tons or 3.19 million bpd, in the previous year. Crude oil imports are expected to increase in the current fiscal year as India's refining capacity is expected to increase by about 30% to 4.8 million bpd from about 3.7 million bpd. India's imports of fuel products increased by 16% to 17.01 million tons from 14.66 million tons a year earlier while its fuel product exports increased by 11% to 56.44 million tons from 50.97 million tons in the previous year. India's local oil product sales increased an annual 4.9% in March to 12.83 million tons in March.

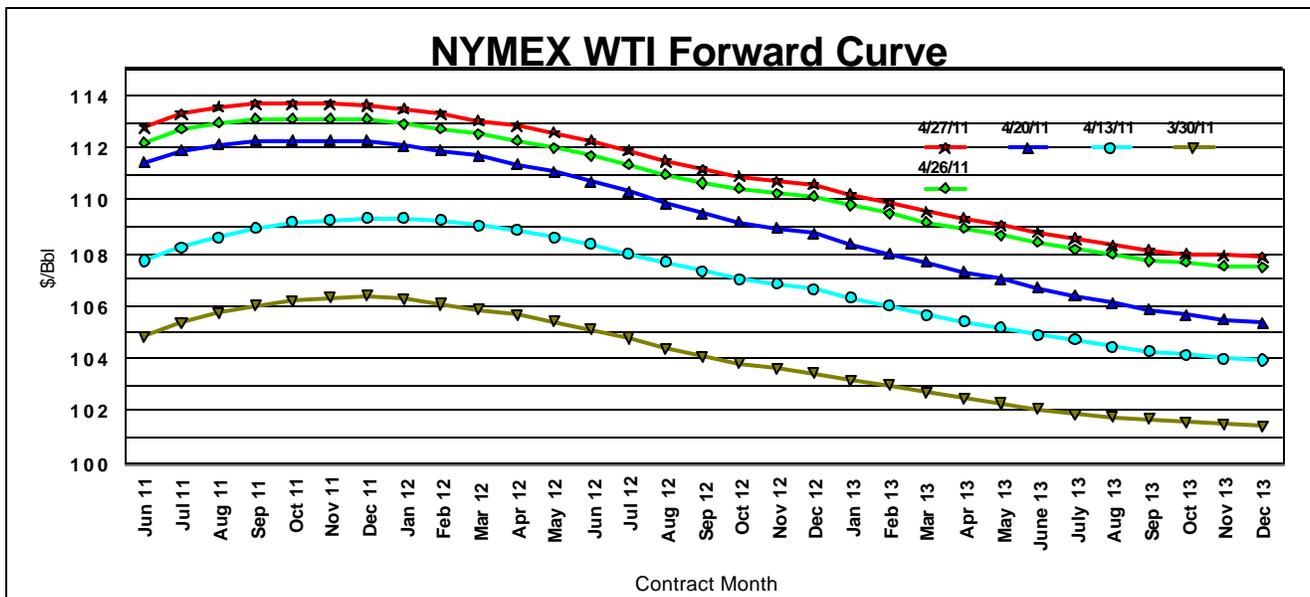
April

Calendar Averages

CL – \$109.67

HO – \$3.2057

RB – \$3.2480



Production News

Production at Statoil's Oseberg East oil platform in the North Sea was shut Tuesday following a gas leak. Production is expected to resume later on Wednesday afternoon. The maximum output of the platform is 75,000 bpd.

Maersk Oil Qatar said it would resume production in its fire stricken platform in the Al-Shaheen oil field in the next 24 hours. A fire broke out on one of its platforms on April 21st. The company's total output from the field is 300,000 bpd.

Nigeria's Qua Iboe crude exports in June are expected to fall compared with May. It is expected to load 12 Qua Iboe crude cargoes of 950,000 barrels each in June compared with 13 cargoes scheduled for loading in May.

BP said it expected to start drilling in the Gulf of Mexico in the second half of the year, following the drilling ban imposed due to its oil spill last year. It said it already applied for a permit to drill in the US Gulf of Mexico. Separately, BP said it increased production by 50,000 bpd in Iraq. BP expects US WTI crude discounts to other grades to narrow in the second quarter, reducing trading profits. BP's total refining throughput fell to 2.269 million bpd in the first quarter from 2.42 million bpd in the fourth quarter and 2.428 million bpd in the first quarter last year. Refining utilization fell to 93.9% from 94.9% in the previous quarter and 95.3% in the first quarter of 2010.

ConocoPhillips' first quarter earnings increased by 44% as it continued to benefit from high oil prices and stronger refining margins. It reported a profit of \$3.03 billion, up from \$2.1 billion a year earlier. ConocoPhillips said its oil and gas production this year would be lower than previously expected due to the loss of production in Libya. Its production target for this year was 1.7 million bpd of oil equivalent. However the events in Libya negatively impacted the company's production in the first quarter and would continue to do so at a rate of 45,000 to 50,000 bpd of oil equivalent. It said the impact on earnings from the Libyan production loss would be around \$25 million to \$30 million per quarter.

Italy's Eni SpA said there was no damage to its assets in Libya despite the unrest in the country. It said its facilities are on hot standby and ready to restart quickly. Separately, Eni said it would not be affected by the increase in Venezuela's windfall tax on oil income.

India's Oil & Natural Gas Corp said its production in fiscal year 2011 increased by 1.81% to 62.029 million metric tons of oil and oil equivalent gas from 60.927 million tons in the previous year.

According to a preliminary loading program, Russia is expected to export 6.2 million metric tons or 1.47 million bpd of Urals crude in May from its Baltic Sea port of Primorsk, down from April's 6.3 million tons. Russia is also expected to export 32 cargoes of Urals crude totaling 3.36 million tons from the port of Novorossiisk and 6 cargoes of Siberian Light totaling 456,000 tons from Tuapse in May.

Israel Energy Initiatives is leading a push in Israel to tap into the country's vast deposits of oil shale. It has invested tens of millions of dollars in preparing a pilot project it hopes to launch by the end of 2011. If successful, in a few years IEI could start producing 50,000 bpd or 20% of Israel's consumption.

Vietnam's crude oil output in April increased by 2.2% on the year to 1.19 million tons or 289,780 bpd.

An Indian Oil Ministry source said India is exploring payments via Turkey for oil imports from Iran, as the two countries search for a way to settle their trade after a long standing clearing system was scrapped by India's central bank. Iranian supplies to India have not been impacted yet.

The Petroleum Safety Authority Norway reported an increase in well incidents to 28 in 2010 from 11 in 2008. It said a continued number of gas leaks in 2010 need to be dealt with in a more purposeful manner to reverse the trend. It said fourteen gas leaks occurred during 2010, the same number as in 2008 and just one less than in 2009.

Cenovus Energy Inc's first quarter profit fell 91% to C\$47 million or \$49.4 million compared with C\$525 million a year ago. For 2011, Cenovus expects to spend C\$190 million more on capital investment and expects refining operating cash flow of C\$550-\$750 million. Production from the company's Foster Creek project averaged 57,744 bpd, up 13% on the year and output from its Christina Lake project increased by 22% to 9.084 bpd.

Market Commentary

Today's DOE report was filled with a mix of information that showed crude oil stocks increased 6.16 million barrels, gasoline stocks decreased 2.51 million barrels and distillate stocks declined 1.81 million. Crude oil prices initially dropped but were eventually pulled higher by gasoline and heating oil. The main focus of attention remains on gasoline demand as we approach the U.S. summer driving season. Prices are nearly doubled that of 2009, with gasoline prices at the pump closing in on an average of \$4.00 a gallon. It cost me \$65.00 today to fill my 15-gallon gas tank, which works out to \$4.33 a gallon. I better get that bicycle out quick! Downed refineries coupled with high prices, will most certainly impact demand, making us believe that recent strength in the energy markets will not be sustained. We would look for all three markets to remain economically sensitive, while trading in a choppy fashion. Tomorrow's pivotal area for crude oil is \$112.29. This has been the same pivotal number, give or take a few cents, for most of the week. We would look to trade off of this number, going long on bounces off of it and selling short below it.

Crude oil: June 11 346,993 -3,544 July 11 193,435 +6,152 Aug 11 72,959 +456 Totals 1,553,704 +5,371 Heating oil: May 11 22,133 -8,308 June 11 109,585 +3,629 July 11 47,794 +1,407 Totals 311,873 -1,194 Rbob: May 11 23,377 -12,857 June 11 96,013 +3,578 July 47,926 +2,546 Totals 295,262 -4,979

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
11070	11348	30810			35915
10988	11468	27980		30130	36310
10845	11563	26680	33510	26965	
10484	11703	27375		26300	
10270	12126	23685		25683	
10136	14933	22960		25145	
10000				24240	
9622				23631	
9540				23414	

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