



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 2, 2011

President Barack Obama announced on Sunday that terrorist Osama bin Laden was killed. He said US Navy Seals attacked a compound where bin Laden was hiding in Pakistan's northwestern district of Abbottabad. Two American helicopters took part in the operation. No US forces were hurt in the operation. One Pakistani helicopter involved in the raid crashed after it was hit by firing from militants. A US official said the US would have taken Osama bin Laden alive if he had given himself up. US Secretary Hillary Clinton said Osama bin Laden's death delivered a message to terrorist groups that they cannot defeat the US.

Market Watch

The National Weather Service reported that US heating demand this week is expected to be 3.9% below normal. Demand for heating oil this week will average 5.3% below normal, while heating demand for natural gas will average 3.5% below normal. Last week, heating demand was 19.7% below normal.

The US Commerce Department said construction spending in the US increased in March following three consecutive months of declines. It reported that construction spending increased by 1.4% to a seasonally adjusted annual rate of \$768.9 billion in March. Spending in February fell 2.4%, revised down from a previously estimated decline of 1.4%.

Manufacturing growth softened in the US and China but firmed in Europe and India. The Institute for Supply Management said its factory index fell to 60.4 in April from 61.2 in March. Its US Manufacturing Prices Paid Index stood at 85.5, its highest level since July 2008. It was up from 85 in March. China's official purchasing managers' index fell to 52.9 in April from 53.4 in March, down from market forecasts of an increase to 54. The Markit Eurozone Manufacturing Purchasing Managers' Index increased to 58 in April from 57.5 in March. Meanwhile India's PMI increased to 58 in April from 57.9 in March.

The EIA reported that the US average retail price of diesel increased by 2.6 cents to \$4.124/gallon in the week ending May 2nd. Diesel prices are up \$1.002 or 32.1% on the year. The EIA also reported that the US average retail price of gasoline increased by 8.4 cents to \$3.963/gallon on the week.

Forces loyal to Libyan leader Muammar Gaddafi launched a new incursion into the rebel city of Misrata on Monday ahead of the funeral of his son, who was killed in a NATO led air strike. Overnight fighting around Libya's third largest city killed at least six people and wounded dozens after the deadly air raid sparked protests against Western diplomatic residences in Tripoli. Meanwhile, Libya's rebels welcomed the death of al Qaeda leader Osama bin Laden said it would be a great gift if the US killed Libyan leader Muammar Gaddafi.

**April
Calendar Averages
CL – \$113.52
HO – \$3.2521
RB – \$3.3479**

The Gulf Cooperation Council Secretary General Abdullatif al-Zayani said a statement by a top Iranian military official, who said the Persian Gulf belongs

to Iran was aggressive. He said the Gulf belongs to all states on its shores and added that Iran has no right to claim otherwise as it owns nothing from the Gulf but its territorial waters.

Iran's Foreign Minister Ali Akbar Salehi warned of bad repercussions from the situation in Bahrain where authorities are accused of oppressing the Shi'ite majority. He also renewed Iran's criticism of Gulf countries for sending troops to Bahrain.

Refinery News

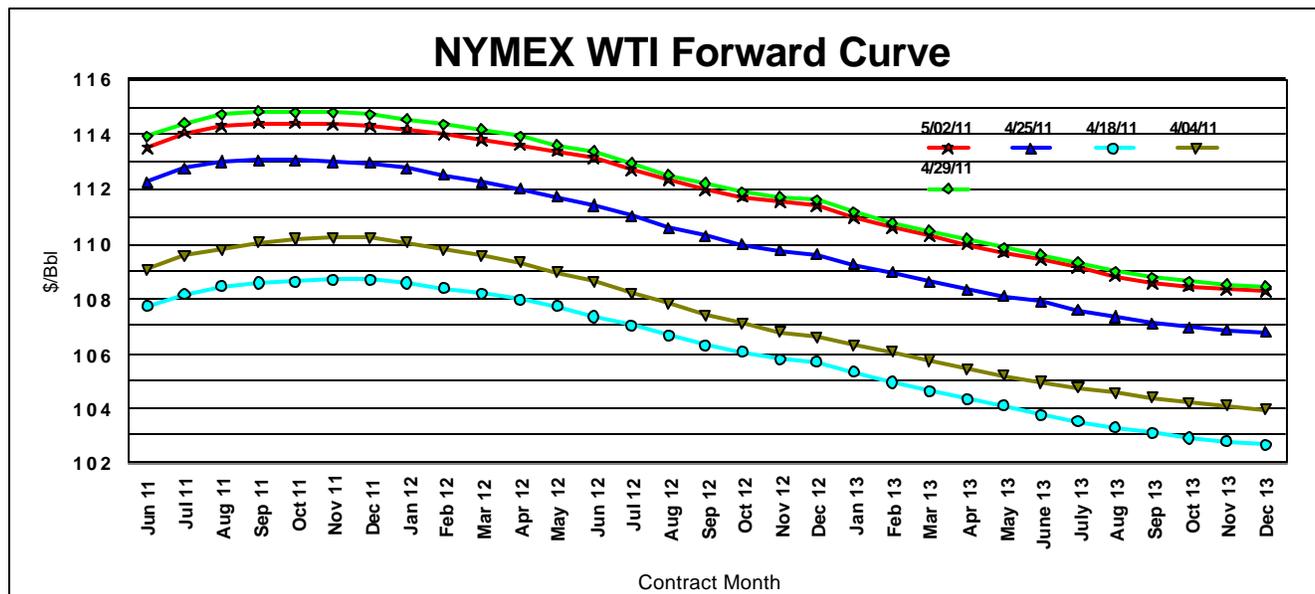
The EIA said US refiners will shut more crude capacity in May this year than the same month a year ago. A total of 742,000 bpd crude distillation capacity will be offline in planned and unplanned outages in May compared with 736,555 bpd a year ago. June's outage level however is expected to fall to 360,200 bpd this year from 681,000 bpd last year.

Credit Suisse reported that US refinery margins were mixed in the week ending Friday, April 29th. Refinery margins in the US Northeast increased by 15 cents to \$9.13/barrel while margins in the Midwest increased by \$1.17 to \$28.86/barrel. Margins in the Gulf Coast increased by \$1.54 to \$26.40/barrel while margins in the Rockies fell by \$1.28 to \$28.15/barrel and margins in the West Coast fell by \$1.54 to \$18.22/barrel on the week.

Plains All American Pipeline LP said it is repairing the 187,000 bpd Rainbow pipeline in northern Alberta after the line ruptured last week. There is still no estimate on how much oil spilled before the line was shut in on Friday and Plains cannot say when repairs will be completed.

The restart of all processing units at BP Plc's 475,000 bpd refinery in Texas City, Texas is progressing as planned following last week's plant wide shutdown due to power outages. Several units, including an ultracracker unit were restarted over the weekend but the refinery is expected to take several more days to return to normal rates.

Units at Valero Energy Corp's 214,000 bpd Texas City, Texas refinery resumed operations and were approaching planned rates after the refinery was shut down last week due to the power outage. Valero Energy Corp also reported a unit startup on Saturday following an unplanned shutdown of a compressor at its 142,000 bpd Corpus Christi, Texas refinery. Meanwhile, Valero's 180,000 bpd Memphis, Tennessee refinery was preparing for possible flooding on Monday as Mississippi River



levels were expected to peak in the next few days.

Planned maintenance at Tesoro Corp's 120,000 bpd refinery in Anacortes, Washington did not impact operations at the refinery. In a filing with Washington state environmental regulators, Tesoro said it would shut down a heater for maintenance.

Workers successfully restarted most production units at its 335,000 bpd La Isla refinery in Curacao, including its catalytic cracking units.

Workers at Greece's largest refiner Hellenic Petroleum called a 10 day strike from May 6th to May 16th over wage increases. Hellenic Petroleum said it would ask a court to declare the planned walkout illegal.

Production News

Saudi Aramco said it sees no need to increase its oil production past its current rate. A Saudi Aramco official said it would keep its oil production at about 8.5 million bpd. He said the company has not scheduled any projects to increase its oil production capacity past its current 12 million bpd.

An Iranian energy official said Iran plans to export 3 to 3.5 million liters/day of gasoline by March 2012. Iran, which was dependent on imported gasoline for 30-40% of its consumption, said last year that it had started exporting the fuel. Iran is currently exporting gasoline to Iraq and Afghanistan.

The head of Iraq's State Oil Marketing Organization, Falah Alamri said Iraq's revenue from exporting crude oil for the first four months of 2011 is expected to reach about \$26.7 billion, a record high. Revenue from oil sales in April are expected to reach \$7.4 billion, the monthly record high, compared with \$7.167 billion in March. Iraqi crude oil exports fell 0.8% in April to 2.141 million bpd from 2.158 million bpd in March due to bad weather conditions. A total of 1.656 million bpd was exported in April from southern terminals in Basra compared with 1.687 million bpd exported in March while 485,000 bpd were exported from Kirkuk and Kurdish oil fields in April compared with 471,000 bpd in March.

Norway's Statoil and partners will invest 5.4 billion Norwegian crowns or \$1.03 billion to develop the Katla field in the North Sea. Norway's Oil Ministry said production is due to start in the first quarter of 2013 after it received the development plans for the field from Statoil. The Katla field is estimated to contain about 45 million barrels of oil equivalent, of which 60% is oil.

Russia's Energy Ministry reported that the country produced 10.24 million bpd of oil in April, up 0.5% from 10.19 million bpd in March. It also reported that Russia exported about 5.59 million bpd of crude oil in April. Russia's gas production stood at 1.91 billion cubic meters/day in April, down from 1.99 bcm in March.

Brazil's National Petroleum Agency reported that the country's oil and natural gas production increased year on year in March as platforms shut for maintenance resumed operations. Brazil produced 2.082 million bpd in March, up 2.2% on the year and 1% on the month. Brazil also produced 61 million cubic meters/day of natural gas in March, up 3.3% on the year.

Colombia's National Hydrocarbons Agency said the country's monthly oil production continued to surpass record highs in April, increasing by 16% on the month to 903,000 bpd. Ecopetrol's output increased by 18.5% on the year to 806,000 bpd in April.

India's Oil Ministry said the country's state-run marketing companies are suffering a daily revenue loss of INR4.95 billion on discounted sales of diesel, kerosene and cooking gas. Indian Oil Corp, Bharat Petroleum Corp, Hindustan Petroleum Corp sell diesel, kerosene and cooking gas at prices set by the government to help it control inflation.

India's exports increased to record high growth of 37.6% in the fiscal year 2010/11 to \$245.9 billion, as demand increased for engineering goods, oil products and gems manufactured in the country. Oil imports for the fiscal year 2010/11 increased by 16.7% to \$102 billion.

Abu Dhabi National Oil increased the April retroactive official selling price for its benchmark Murban crude by \$8.15/barrel to \$120.70/barrel. It set the official selling price for Lower Zakum and Umm Shaif at \$120.70/barrel, respectively. It set the Upper Zakum official selling price at \$116.50/barrel.

OPEC's news agency reported that OPEC's basket of crudes fell to \$120.35/barrel on Friday from \$120.91/barrel on Thursday.

Market Commentary

Crude oil traded in a choppy fashion as it reacted to news over the death of Osama Bin Laden by U.S. Special Forces. The initial reaction was for crude oil to trade lower, however fear grew that retaliation by those loyal to Bin Laden would lead to supply disruptions. Weakness in the dollar also supported crude oil. Despite the death of Bin Laden, nothing has really changed in direct regards to the oil market. Tensions remain in Syria and Libya, the dollar continues to fluctuate and supplies in the U.S. are ample. Investors still need to look to commodities as an investment alternative when the dollar is not a viable option. We would continue to look for this market to be economically sensitive while it remains in a technical up trend. Moving oscillators appear to be getting ready to turn to the down side as they trend in over bought territory. Based on this, prices should make an attempt to test \$109.10.

Crude oil: June 11 341,620 -10,699 July 11 211,987 +5,969 Aug 11 80,317 +1,913 Totals 1,608,194 +5,845 Heating oil: June 11 118,157 +890 July 11 48,641 +444 Aug 11 29,485 +585 Totals 310,653 -1,463 Rbob: June11 103,366 +2,928 July 51,530 +2,140 Aug 11 27,354 +59 Totals 294,684 +2,720

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
11070		30810			35915
10988	11483	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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