

W The
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ENERGY MARKET REPORT FOR MAY 3, 2010

BP's chief executive Tony Hayward accepted the company was fully responsible for the cleanup of the accident. He said BP will pay for the clean up operation. He said the company was mounting a massive response to what he called a tragic accident. He said BP was ready for the "worst-case scenario," containing the oil while drilling relief wells to divert the flow of oil, a process that could take two to three months. BP said the flow rate of the oil leak remains unchanged.

Meanwhile, industry experts said the oil spill in the US Gulf of Mexico could be

leaking 25,000 bpd, five times the government's current estimate. They said the Gulf spill may already rival the 1969 Santa Barbara, California and 1989 Exxon Valdez disasters. There may already be more than 9 million gallons of oil floating in the Gulf now. Interior Department officials said it may take 90 days to cap the leaking well. If the 25,000 bpd estimate is accurate and the leak lasts 90 days, the spill may total 2.25 million barrels or 94.5 million gallons.

Market Watch

Attorney General Eric Holder said the US Justice Department is part of the ongoing investigation into the BP Plc oil spill in the US Gulf of Mexico. Meanwhile a Justice Department official said it is not a criminal probe at this stage.

The US Commerce Department reported that US consumer spending increased twice as fast as income in March as savings fell to its lowest level in 18 months. It reported that personal income increased by 0.3% in March as a weak labor market continued to halt wage growth. The Commerce Department also reported that consumer spending increased by 0.6%. The core price index for personal consumption expenditures advanced 0.1% in March. On a year on year basis, it stood at 1.3%.

Separately, the US Commerce Department said US construction spending increased for the first time in five months during March as an increase in the commercial sector offset continued weakness in housing. Construction spending increased by 0.2% to a seasonally adjusted annual rate of \$847.32 billion compared to the prior month. Spending on residential construction in March fell 1% to \$260.5 billion after falling by 3.1% in February.

The Commodity Futures Trading Commission fined Noble Americas Corp \$130,000 for wash and fictitious trades in heating oil and gasoline contracts. It said the sales trades were for the same contract, quantity and same or similar price with Noble Americas on both sides of each trade. The transactions were conducted on the NYMEX on several occasions between March 30 and July 30, 2007. Noble Americas also agreed to internal controls to ensure it is complying with trading rules in place. The company neither admitted nor denied the charges.

US farmers are still seeding corn at a record pace this spring and have made a good start in soybean planting despite the rainy weather during the past week. The US Agriculture Department's weekly crop progress update is expected to show that farmers completed 67.5% of their corn planting as of May 2nd and 13.4% of their soybean planting. A year ago, corn planting was only 33% complete while soybean planting was 6% complete.

**May
Calendar Averages**
CL – \$86.19
HO – \$2.3451
RB – \$2.4351

The National Iranian Drilling Company offered to avert an ecological disaster by helping to curb the oil spill in the Gulf of Mexico. The managing director of the company said Iran's drilling specialists are capable of controlling the most complicated spills in any part of the world.

The Louisiana Offshore Oil Port said shipping operations are normal despite the oil spill offshore.

The director general of the UN's IAEA, Yukiya Amano told a conference of the Non-Proliferation Treaty that the agency was unable to confirm that all Iranian nuclear activities were peaceful. Meanwhile, Iran's President Mahmoud Ahmadinejad called for the US to be suspended from the UN's IAEA executive board over its threats to use nuclear weapons. In response, the White House dismissed Iranian President Mahmoud Ahmadinejad's speech as a "predictable" recitation of "wild accusations" which show the country's isolation.

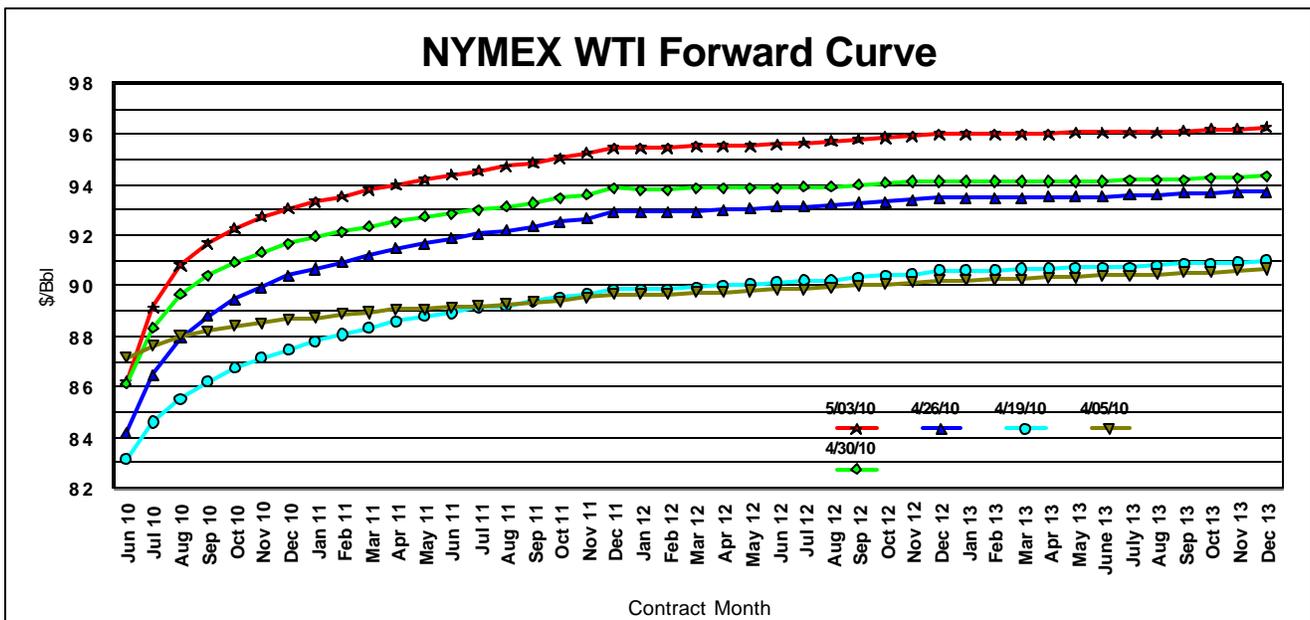
The EIA reported that the US average retail price of diesel increased by 4.4 cents/gallon to \$3.122/gallon in the week ending May 3rd. It is at its highest level since October 27, 2008. Retail diesel prices are 93.7 cents or 42.9% above the year earlier level. The EIA also reported that the US average retail price of gasoline increased by 4.9 cents/gallon to \$2.898/gallon on the week. Retail gasoline prices are 82 cents or 39.5% above a year earlier.

Refinery News

US Gulf Coast refineries said they were still operating normally on Monday as the oil spill off the coast of Louisiana has not disrupted crude supplies. A delay in vessel traffic, particularly tanker delivering crude into the LOOP, could force refiners to cut back on the crude processed.

Credit Suisse reported that US refinery margins increased in four of five regions last week. On average US margins increased by 11.3%, with margins in the Northeast gaining the most, up 33.5% or \$1.82/barrel to \$7.25. Along the Gulf Coast, margins increased \$1.17 to \$11.90/barrel while in the Midwest margins increased by \$1.09/barrel to \$11.91/barrel. On the West Coast margins increased by 43 cents to \$17.35/barrel while margins in the Rockies region fell by 4 cents to \$19.63/barrel.

ExxonMobil Corp reported a malfunction at its 238,600 bpd Joliet, Illinois refinery.



Valero Energy Corp restarted all major units at its 195,000 bpd Memphis, Tennessee refinery after completing its planned maintenance. A brief fire last Thursday at a sulfur hydrogenation unit was related to the FCC, initially raising concerns that the start up of the FCC could be delayed. Separately, Valero said that the compressor snag at its 145,000 bpd Houston, Texas refinery on Saturday was brief and did not impact operations significantly. There was no material impact to production associated with the emissions report.

BP Plc's 256,000 bpd refinery in Carson, California reported that planned flaring activity will start Tuesday and will last about six days. The company did not disclose the cause of the emissions release.

ConocoPhillips said planned work at its 238,000 bpd Bayway refinery in Linden, NJ was completed.

Petrobras' board approved a plan to produce biodiesel in Portugal, in partnership with Galp Energia SGPS SA. It plans to produce about 250,000 tons of biodiesel. Production is expected to start in 2015 and will be aimed to supply the European market.

Production News

Russia's Energy Ministry reported that Russia's oil production fell to 10.11 million bpd in April, down slightly from 10.12 million bpd in March. It however remained close to record levels and well above 10 million bpd for the eighth consecutive month. Oil exports via Transneft also fell to 4.27 million bpd from 4.3 million bpd in March. Russia's overall gas output fell to 1.87 billion cubic meters/day in April from 1.94 bcm/d in March.

Suncor Energy said its oil sands production during April averaged about 333,000 bpd. Year to date oil sands production at the end of April averaged about 234,000 bpd.

Abu Dhabi National Oil Co set the official selling price of its Murban crude at \$84.80/barrel retroactively for April term supply, up \$6.50/barrel on the month.

OPEC's news agency reported that OPEC's basket of crudes increased by 54 cents to \$84.13/barrel on Friday from \$83.59/barrel on Thursday. It also reported that OPEC's basket of crudes increased by \$1.34/barrel to \$83.36/barrel in the week ending April 30th.

Market Commentary

A report that indicated U.S. consumer spending rose in the month of March helped to push crude oil prices above \$87.00. This set a new high for the year after surpassing the April 6th high of \$87.09. Oil also rallied in response to details of an aid package for Greece by the European Community. All this brought with it hopes of increasing demand going forward. Despite this move higher, the June/July spread showed signs of weakness as it continues to reflect the true underlying fundamentals of this market. It appears that investors are not yet ready to throw in their hats as they continue to ignore the current market conditions from the fundamental perspective. Instead, they hold onto hopes of demand growth going forward. Technically, the June contract failed to settle above the upper trendline on the descending channel. We would continue to use this number as a pivotal area, buy breaks above it and selling failed attempts to penetrate. This trendline comes into tomorrow's session set at \$86.52.

Crude oil June 10 355,407 +2,485 July 10 210,905 +12,324 Aug 10 93,095 +8,753 Totals 1,446,580
+40,141 Heating oil June10 109,323 +4,009 July 10 41,053 Aug 10 26,559 +182 Totals: 315,441
Gasoline June 10 117,584 +2,952 July 10 58,310 +2,802 Aug 10 31,949 -532 Totals 311,335 +4,068

Crude Support	Crude Resistance
85.95, 85.15, 82.00, 80.35, 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,	87.85, 88.80, 89.10, 89.88, 91.11, 92.75
Heat Support	Heat resistance
2.1084, 2.0800, 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.4200, 2.4940,
Gasoline support	Gasoline resistance
2.3930, 2.3640, 2.1460, 2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650,	2.4850, 2.5040, 2.5115, 270.80

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