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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR MAY 5, 2010**

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Ecuador's Oil  
Minister Wilson  
Pastor said world  
crude oil prices are  
expected to remain  
between \$80 and  
\$84/barrel.

US Energy  
Secretary Steven  
Chu defended the  
Obama  
administration's  
plans to expand  
offshore drilling,  
even while the  
growing oil spill  
threatens the Gulf  
Coast.

The National  
Oceanic and  
Atmospheric  
Administration said  
one of three leaks  
from the ruptured  
Gulf of Mexico  
undersea well  
owned by BP has  
been capped. It

said oil was still flowing out a rate of 5,000 bpd. If estimates are correct, some 2.5 million gallons of oil have spilled since the platform sank on April 22<sup>nd</sup>. The Coast Guard also said the successful plugging of one of the leaks is not expected to reduce the overall flow of oil into the Gulf of Mexico. BP is preparing to deploy a metal dome to try to contain the oil from the main leak and funnel it up to a ship on the surface. Late Tuesday, BP diverted an oil tanker from its scheduled trip to the Gulf of Mexico and sent instead to Europe. Officials stated that the oil spill has not slowed ship traffic to

#### Market Watch

ADP reported that US private sector jobs in April increased by 32,000 compared with market expectations of an increase of 20,000. The estimated change in employment from February to March 2010 was revised up from a decline of 23,000 to an increase of 19,000.

The US ISM Non-Manufacturing Index in April held at 55.4.

Senate Republicans on Wednesday proposed an alternative package of rules to regulate the \$450 trillion over-the-counter derivatives markets, including broader exemptions from the rules for end users than are in the Democratic bill under debate. The bill would allow regulators to decide which derivatives would need to pass through clearinghouses and would not require clearing for foreign exchange swaps, forwards and options unless the Treasury Department determines it is required.

Shipping brokers said another three tankers are storing jet fuel at sea in Europe, after an ash cloud from an erupting Icelandic volcano disrupted flights last month, resulting in a build up of inventories. The total number of vessels increased to at least five or six. Russia's Gunvor booked the "Ruby Express" to store 80,000 tons of jet fuel for 30-90 days starting this week. US trading firm Hetco fixed the "DL Iris" to store 80,000 tons of jet fuel for storage at sea in Europe while a third tanker, the "Estia" was booked to store 60,000 tons of jet fuel from the end of April for an unspecified period.

Standard & Poors has launched its first index of non-US commodities to meet demand from clients who want an international product mix and trading opportunities unrestricted by upcoming US market regulations. The S&P World Commodity Index will consist of 23 commodities such as ICE Brent crude, ICE Gasoil, Malaysian palm oil and Tokyo traded kerosene and gasoline. The other products will include LIFFE- Paris Wheat, TGE Corn, LIFFE-UK Robusta Coffee, White Sugar, No. 7 Cocoa, ICE Canola, LIFFE-Paris Rapeseed, TOCOM Rubber, ICE Nat Gas (monthly), NBP Winter, UK Nat Gas NBP Summer, LME Aluminum, Copper Grade A, Standard Lead, Primary Nickel, High Grade Zinc, Tin, TOCOM Gold and Platinum.

**May  
Calendar Averages**  
**CL – \$82.97**  
**HO – \$2.2630**  
**RB – \$2.3259**

central US Gulf ports and shipping lanes into the key port of New Orleans are expected to remain clear at least into Friday. Operators of lightering tankers, which unload oil from supertankers to big to enter US ports for trans-shipment to onshore terminals, also reported no significant impacts on operations.

Rep. Ed Markey said as much as 40,000 to 60,000 bpd of oil could spill into the Gulf of Mexico from BP's leaking well under the worst cases envisioned by company officials.

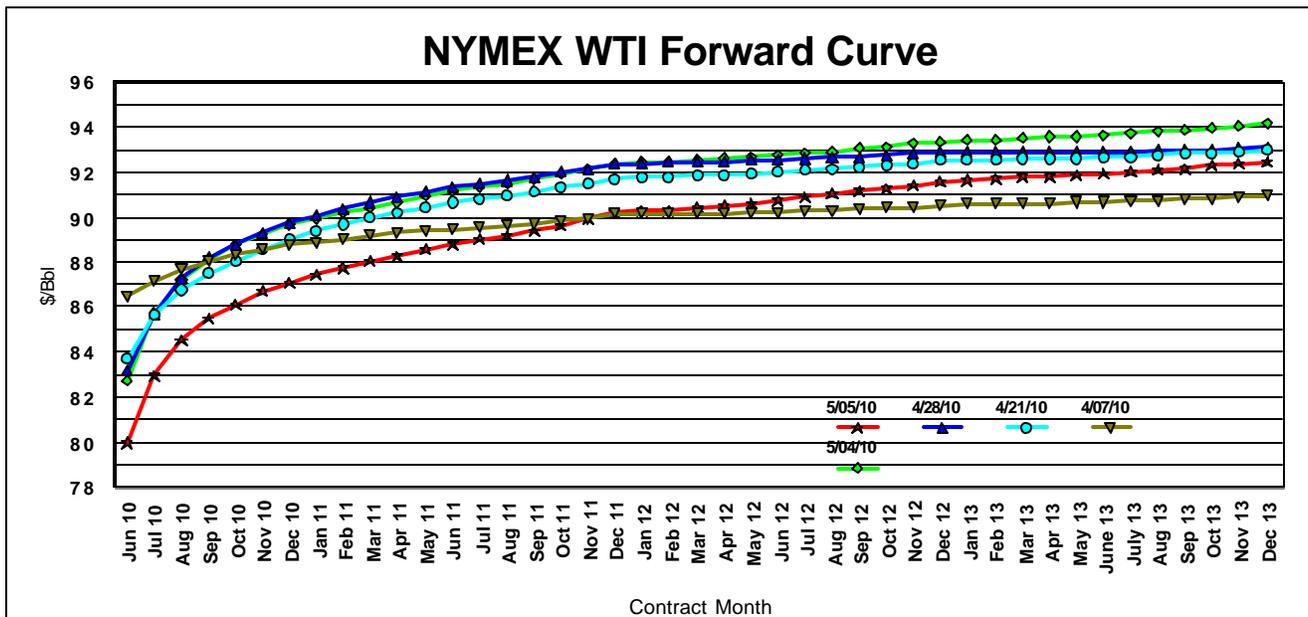
Norway's Statoil ASA said the oil spill from the BP well in the Gulf will have an impact on all companies operating in the region, including the likelihood of tighter regulations and slower opening of new exploration areas.

China's President Hu Jintao will discuss the Iranian nuclear standoff with Russian leaders during a visit to Moscow over the weekend. He is scheduled to meet with Russian President Dmitry Medvedev and Prime Minister Vladimir Putin during the May 8 and 9 visit.

Iran's President Mahmoud Ahmadinejad said Iran would definitely continue its nuclear program despite Israeli threats of military action. Israeli officials, including Prime Minister Benjamin Netanyahu and President Shimon Peres, have suggested Israel could use military force to prevent Iran from developing nuclear weapons. Iran's President also accused US Secretary of State Hillary Clinton of seeking to provoke a clash with Iran over its nuclear program. Meanwhile, the semi-official Fars news agency reported that Iran's President has agreed in principle to Brazilian mediation to revive a UN brokered nuclear fuel swap deal.

The API reported that oil inventories at the Cushing, Oklahoma delivery hub increased to a record level in the week ending April 30<sup>th</sup>. Crude inventories built by 1.7 million barrels to 36.3 million barrels. Separately, the EIA reported that crude stocks at Cushing increased by 1.6 million barrels to a record level of 36.2 million barrels in the week ending April 30<sup>th</sup>. It surpassed the previous record of 35.67 million barrels set in the week ending January 1<sup>st</sup>.

The European Union's anti-piracy mission said Somali pirates captured a massive Russian oil tanker in the Gulf of Aden early on Wednesday. The 106,000 metric ton tanker was hijacked as it made its way of the Gulf bound for China.



## **Refinery News**

BP said it will begin start-up operations on an unidentified unit at its 417,000 bpd refinery in Texas City, Texas on Wednesday.

Chevron Corp reported flaring activity at its El Segundo, California refinery on Tuesday. The emissions release occurred when a 75,000 bpd fluid catalytic cracking unit was shutdown on Tuesday and was restarted. The unit is operating at 50% of capacity.

Petroplus Holdings AG said it planned to restart its 190,000 bpd Delaware City, Delaware refinery in the second quarter of 2011. It announced in early April that it had reached a deal to buy the plant from Valero Energy Corp.

A 13,500 bpd oil refinery in San Antonio, Texas suffered an explosion. The refinery is owned by AGE Refining Inc, a San Antonio company that refines specialized petroleum products including jet fuel and diesel. An 18 wheeler tanker truck that was refueling at the plant exploded.

Russia's TNK-BP shut its Ukrainian Lysychansk refinery on May 1<sup>st</sup> for a 50 day upgrade to improve the quality of the fuel.

Venezuela is currently supplying 150,000 bpd of oil to Indian refineries. India's Oil Minister Murli Deora said most of the Venezuelan crude is being supplied to private sector refineries, including those of Reliance Industries Ltd and Essar Oil Ltd. India's oil Ministry said Indian companies will help increase production in Venezuelan oil fields and added that output can be utilized by upcoming refinery projects in India.

The first shipment of 80,000 tons of crude from Venezuela to Belarus has arrived in the Ukrainian Black Sea port of Odessa. The oil will be transported by rail to Belarus' Mozyr oil refinery. Russian oil supplies to refineries in Belarus fell by 42% in January-March on the year as the country's refiners could not afford to pay Russian export duties.

Russia's pipeline monopoly Transneft is expected to export 1.3 million tons of ESPO crude in April, up 7.9% on the month.

Loadings at Lithuanian oil terminal Klaipėdos Nafta increased to 2.7 million tons during the first four months of the year. It is up from 2.4 million tons loaded in the same period of 2009. In April alone, Klaipėdos loaded 700,000 tons of oil products, up from 400,000 tons a year ago.

## **Production News**

According to a Dow Jones Newswires survey, OPEC's oil production in April increased by 0.24% or 70,000 bpd on the month to 29.285 million bpd, mainly due to an increase in production by Saudi Arabia and Nigeria. It estimates that OPEC's 11 quota bound members produced 2.16 million bpd above the group's output quota of 24.845 million bpd. It reported that Saudi Arabia's production increased by 50,000 bpd to 8.285 million bpd while Nigeria's oil production increased by 50,000 bpd to 2.12 million bpd. The Dow Jones survey showed that OPEC's total production, including Iraq, increased by 70,000 bpd to 29.285 million bpd. It reported that Iraq's oil production fell by 20,000 bpd to 2.28 million bpd.

Qatar International Petroleum Marketing Co or Tasweeq said Qatar will produce 12.6 million tons/year of liquefied petroleum gas by 2012, up from the current level of 8.2 million tpy, making it the largest LPG producer in the Middle East. Qatar has become a major petrochemical feedstock supplier to Asia. It said Qatar exports 90% of its 27 million tpy condensate production, oil products, such as

naphtha, gasoline and gas oil and LPG to Asia. Asia will add a record 6.3 million tpy of naphtha cracking capacities in 2010, with China accounting for more than 30% of the additions.

South Africa's Sasol said production from its gas-to-liquids project in Nigeria may be delayed further until 2013. It had previously planned to start operations of the GTL plant by 2011 but had last said it may be completed in 2012. Sasol's chief executive Pat Davies said he expects oil prices to remain around the \$80/barrel level for the rest of the year.

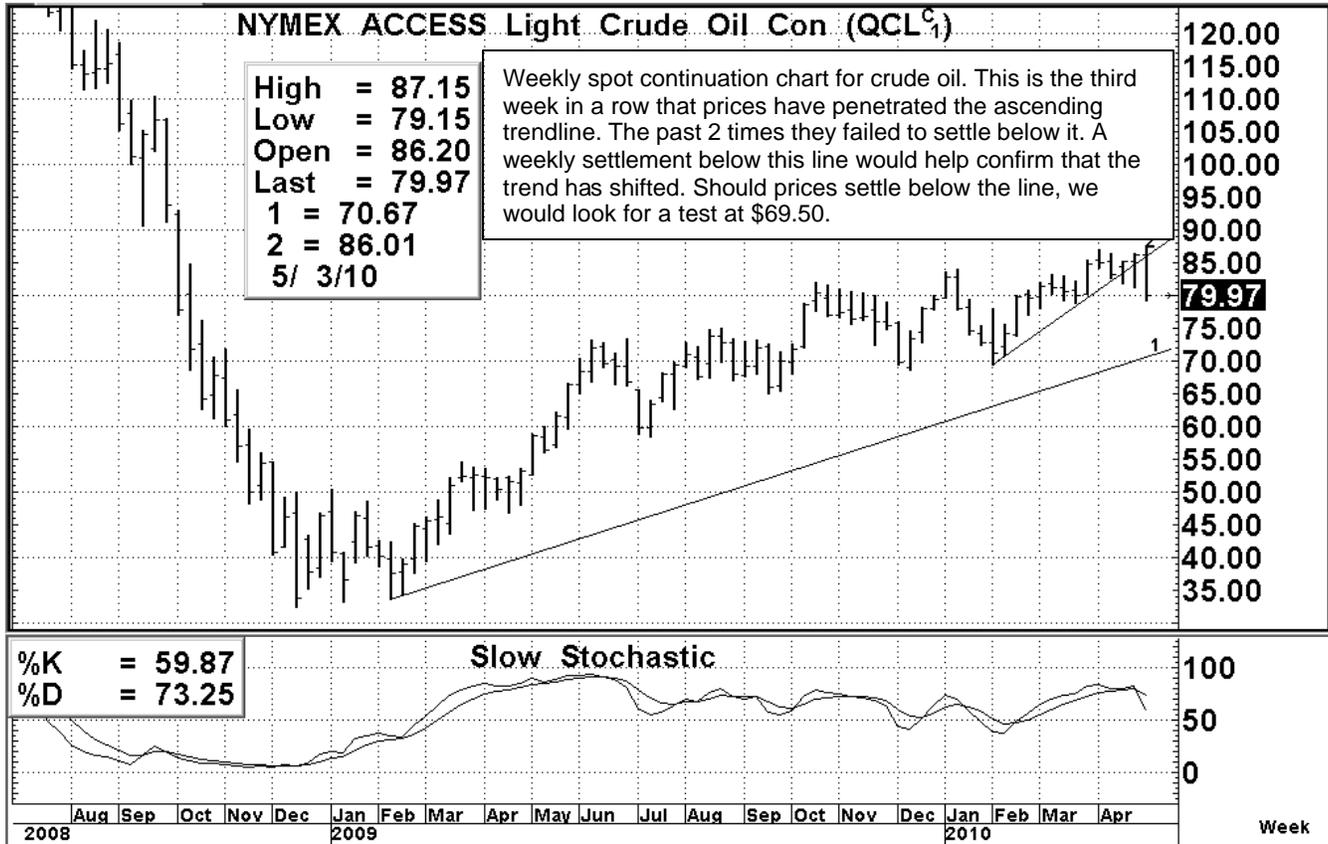
OPEC's news agency reported that OPEC's basket of crudes fell by 20 cents to \$84.16/barrel on Tuesday from \$84.36/barrel on Monday.

**Market Commentary**

The slump in the euro pounded commodities across the board as fears that Greece's economic woes could spread beyond its borders. Rising crude oil and product inventories helped push crude oil prices to their lowest level in fourteen weeks. Prices have been gaining support on hopes that demand would begin to resurface along with an improving economy. As it became evident that the global economic struggles are far from over, bulls bowed their horns to the bears, which have been touting the underlying fundamentals of this market. The front month spread settled at -\$3.02, unchanged on the day, after widening out to -\$3.43. This market appears to be breaking down technically. The June crude oil contract, based upon a weekly spot continuation chart, is experiencing an outside trading session, whereby it penetrated the ascending trendline. This is the third time in three weeks that this line has been penetrated; however the previous two times, the market failed to settle below this line. We would look for a settlement below \$86.00 on the week for confirmation that the trend is turning to the downside. Moving oscillators are indicating that the trend has shifted.

Crude oil June 10 340,627 -4,912 July 10 221,252 +5,976 Aug 10 91,964 -488 Totals 1,445,326 +1,218 Heating oil June10 101,984 -5,254 July 10 43,304 +1,747 Aug 10 27,009 +479 Totals 313,517 -731 Gasoline June 10 105,751 -10,818 July 10 57,461 -184 Aug 10 31,398 +604 Totals 301,231 -8,144

<b>Crude Support</b>	<b>Crude Resistance</b>
79.15, 77.18, 75.37, 72.60, 71.31, 70.70, 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
<b>Heat Support</b>	<b>Heat resistance</b>
2.1084, 2.0800, 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.4200, 2.4940,
<b>Gasoline support</b>	<b>Gasoline resistance</b>
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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