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ENERGY MARKET REPORT FOR MAY 5, 2011

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, would increase by 100,000 bpd to 22.61 million bpd in the four weeks ending May 21st.

Delegates from Africa and the Gulf said an increase in OPEC's output quota is unlikely to be discussed when OPEC meets in June. The delegates are denying a report that this option is being considered by OPEC.

Frontier Oil Corp said US gasoline demand is declining as we head into the summer driving season. A Frontier official said nationwide, demand destruction is there.

Market Watch

The CME Group sharply increased silver futures margins for a fifth time in under two weeks, an 84% increase that has helped provoke a nearly unprecedented sell off of about 20%.

The US Labor Department reported that initial unemployment claims increased by 43,000 to a seasonally adjusted 474,000 in the week ending April 30th. The prior week's level was revised to 431,000 from an originally reported 429,000. The four week moving average of new claims increased by 22,250 to 431,250 in the week ending April 30th. The report showed that the number of continuing unemployment claims increased by 74,000 to 3,733,000 in the week ending April 23rd. The unemployment rate for workers with unemployment insurance was 3% in the week ending April 23rd compared with 2.9% a week earlier.

The Labor Department also reported that US productivity slowed in the first quarter. Nonfarm business productivity increased at a 1.6% annual rate in January through March after increasing by 2.9% in the final three months of 2010. The fourth quarter level was revised up from an originally reported 2.6% increase. It reported that nonfarm business output increased 3.1% during the first quarter, down from a 4.4% increase in the fourth quarter.

Federal Reserve Chairman Ben Bernanke said regulators are strengthening their ability to spot fault lines in the financial system rather than focusing exclusively on specific companies.

Federal Reserve Bank of Atlanta President Dennis Lockhart said the Federal Reserve plans to end its \$600 billion bond buying as scheduled in June and will set a high bar for another potential round. He said no further stimulus would be added but could not speculate about what accommodations may be needed. He added that he saw very little chance of a double dip recession that could harm the US economy.

A CFTC commissioner Scott O'Malia said the CFTC has proposed rules that would increase costs for power companies, airlines and major manufacturers. He renewed his concern that the agency's proposal defining a swap dealer is too broad and could end up including businesses that use swaps primarily to hedge their risks, increasing costs.

S&P Indices said it launched the S&P 500 Oil Hedged Index, which seeks to reduce the effects of a rise in inflation as reflected in higher oil prices or against declines in the value of the US dollar by simulating the returns of an investment strategy that is long the S&P 500 and hedged against changes in the US dollar, as measured by oil prices. The hedge uses NYMEX crude oil and ICE Brent crude oil futures as a hedge.

Major European banks took less risk in commodity trading in the first quarter in contrast to US banks and despite a commodity price rally. European banks increased their investment in credit spreads and interest rates. First quarter data showed the largest risk tankers in commodities trading in Europe, Deutsche Bank and Credit Suisse both cut their exposure quarter on quarter. Deutsche Bank's Value at Risk in commodities fell to 11.8 million euros or \$17.5 million from 12.7 million euros while Credit Suisse's VaR fell to 8 million Swiss francs from 16 million Swiss francs or \$9.3 million from \$18.6 million. Meanwhile UBS said its total VaR increased to 73 million Swiss francs from 66 million Swiss francs in the previous quarter. BNP Paribas's VaR increased to 6 million euros from 4 million euros and Societe Generale cut its VaR to 4 million euros from 5 million euros.

Britain's service sector grew less than expected in April. The Markit/CIPS headline services PMI index fell to 54.3 in April from 57.1 in March.

**May
Calendar Averages**
CL – \$108.40
HO – \$3.1182
RB – \$3.2738

Russian Prime Minister Vladimir Putin said collusion is the most likely cause of an increase in gasoline prices in Russia. He said there was no shortage of supply, contrary to comments made by Deputy Prime Minister Igor Sechin, who said that price increases resulted from a lack of oil products offered for sale on commodities exchanges. Russia's Deputy Prime Minister also said the government may take measures to control domestic crude prices.

NATO air strikes destroyed at least two helicopters near the Libyan town of Zintan as government forces transported them on trucks.

Turkey's Foreign Minister Ahmet Davutoglu clarified remarks, saying a Libyan ceasefire plan Ankara had proposed included a seven day implementation period before a political transition phase could begin.

Israel Defense Minister Ehud Barak said even if Iran obtains nuclear weapons it would not use them against Israel or other countries in the Middle East.

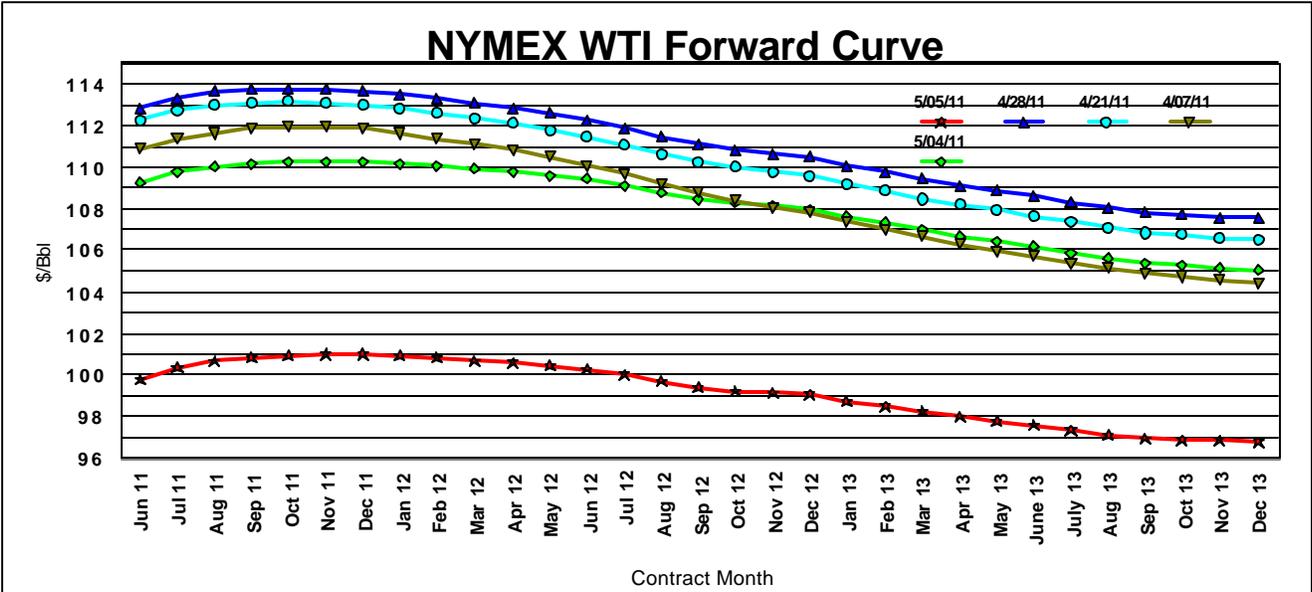
Refinery News

Plains All American Pipeline LP said Alberta regulators are examining the section of the Rainbow Pipeline that was shut in due to a leak. The Rainbow Pipeline will not reopen until inspectors are satisfied that the pipeline can operate safely.

Citgo Corp is expected to briefly shut a coker unit at its 165,000 bpd Corpus Christi, Texas refinery to repair a leak in a feed line on Thursday.

Tesoro Corp plans for its seven refineries to run between 86 and 92% of their combined capacity of 667,000 bpd in the second quarter of 2011. Tesoro said it is planning an overhaul of its San Francisco area refinery. Separately, Tesoro said demand for gasoline fell slightly more than 1% in California during April. Tesoro Corp's chief executive Greg Goff said higher fuel prices threaten fuel sales along the West Coast during a time that should be the busiest refining season.

Western Refining Inc said it planned a full refinery turnaround at its 40,000 bpd Gallup, New Mexico refinery in the third quarter. It is expected to complete planned maintenance on a reformer at the plant by mid-May.



Murphy Oil said it hopes to sell one of its two US refineries in the middle of this year but is still having difficulty in selling its refinery in the UK. It is seeking to sell its 120,000 bpd refinery in Meraux, Louisiana, 34,000 bpd refinery in Superior Wisconsin and 130,000 bpd refinery in Milford Haven, Wales.

China's Sinopec Corp plans to build a diesel hydrotreater with a capacity of 2.6 million metric tons a year at its Yanshan plant. It expects to put the hydrotreater into operation as early as 2012. Separately, Sinopec said it would increase its crude oil processing in May at its Jinling refinery by about 15% from April to 263,700 bpd following delayed maintenance. It completed repairs of a 50,000 bpd crude oil unit, a 1.5 million ton per year coking unit and a 1.5 million tpy hydro catalytic cracker. Fujian Refining and Petrochemical Co Ltd may increase crude oil processing in May by about 20% from April after regular maintenance.

China's major refineries are expected to increase their crude oil throughput in May by about 1% on the month. China's twelve major refineries plan to process 2.81 million bpd of crude this month, up from 2.79 million bpd in April.

Japan's JX Nippon Oil & Energy's 145,000 bpd Sendai refinery is expected to resume operations by the summer of 2012. Its 189,000 bpd Kashima refinery is expected to restart by the end of June.

China's Ministry of Commerce issued instructions to ban illegal gas-filling stations and investigate unauthorized fuel price increases. The ministry said unauthorized fuel filling equipment and fuel price increases are hurting consumers and unbalancing the market.

China Aviation Oil Corp said its jet fuel supply and trading volume for the quarter increased more than 55% on the year to 2.08 million metric tons. The increase was largely due to higher trading activity.

Iran imported about 50,000 bpd of gasoline in March and April. Five vessels carrying a total of 1.505 million barrels of gasoline were shipped from Asia in March. In total, imports in March stood at more than 48,500 bpd. In April, Iran imported 49,400 bpd.

The US is set to be a net ethanol exporter again in 2011 as production exceeds implied E10 demand by about 5%. Meanwhile, Brazil's ethanol supplies remain tight as its supplies have been unable to match the increase in demand. A lack of new investment in cane production, rising sugar prices and production and underlying weaknesses in the earning structure resulted in ethanol output falling short of 2010/11 forecasts, reaching 25.3 billion liters, just 3% higher than 2009/10.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending May 5th increased by 10.51% on the week but fell by 17.81% on the year to 757,000 tons. Gasoil stocks increased by 10.56% on the week and by 19.68% on the year to 2.974 million tons while fuel oil stocks increased by 7.19% on the week and by 15.99% on the year to 805,000 tons. Naphtha stocks fell by 15.52% on the week and by 2% on the year to 49,000 tons while jet fuel stocks increased by 9.46% on the week but fell by 6.36% on the year to 648,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.37 million barrels to 21.819 million barrels in the week ending May 5th. Its light distillate stocks fell by 653,000 barrels to 10.733 million barrels while its middle distillate stocks increased by 2.75 million barrels to 12.247 million barrels.

Production News

Kinder Morgan Energy Partners said it was investing in two US shale oil and gas plays in Louisiana and Texas. It said would spend about \$220 million to build a new crude pipeline which would be able

to carry 300,000 bpd of crude and condensate from the Eagle Ford Shale play in south Texas to the Houston Ship Channel. It said it would build 61 mile of new pipeline and convert 109 miles of existing natural gas pipeline converted to carry crude and condensate. The pipeline is expected to be completed in the second quarter of 2012.

The head of the Iraqi Oil Ministry's Petroleum Contracts and Licensing Directorate, Abdul Mahdy al-Ameedi denied a report by The Times of London that Iraq was preparing to cut its official crude production targets by 50% to between 6.5 million and 7 million bpd from the previously announced 12 million bpd in 2017.

A fourth cargo of North Sea Forties crude has been dropped from the May loading program due to ongoing production issues at the 200,000 bpd Buzzard field.

Yemen is expected to meet its obligation for the export of about 2 million barrels of Masila Blend crude in mid-May. There has been increasing speculation that the country's crude exports may be halted by the political dispute that has spread across the country due to growing opposition to Yemeni President Ali Abdullah Saleh's rule.

Australia's Woodside Petroleum announced its Laverda oil project off Australia's west coast could contain over 100 million barrels of recoverable oil.

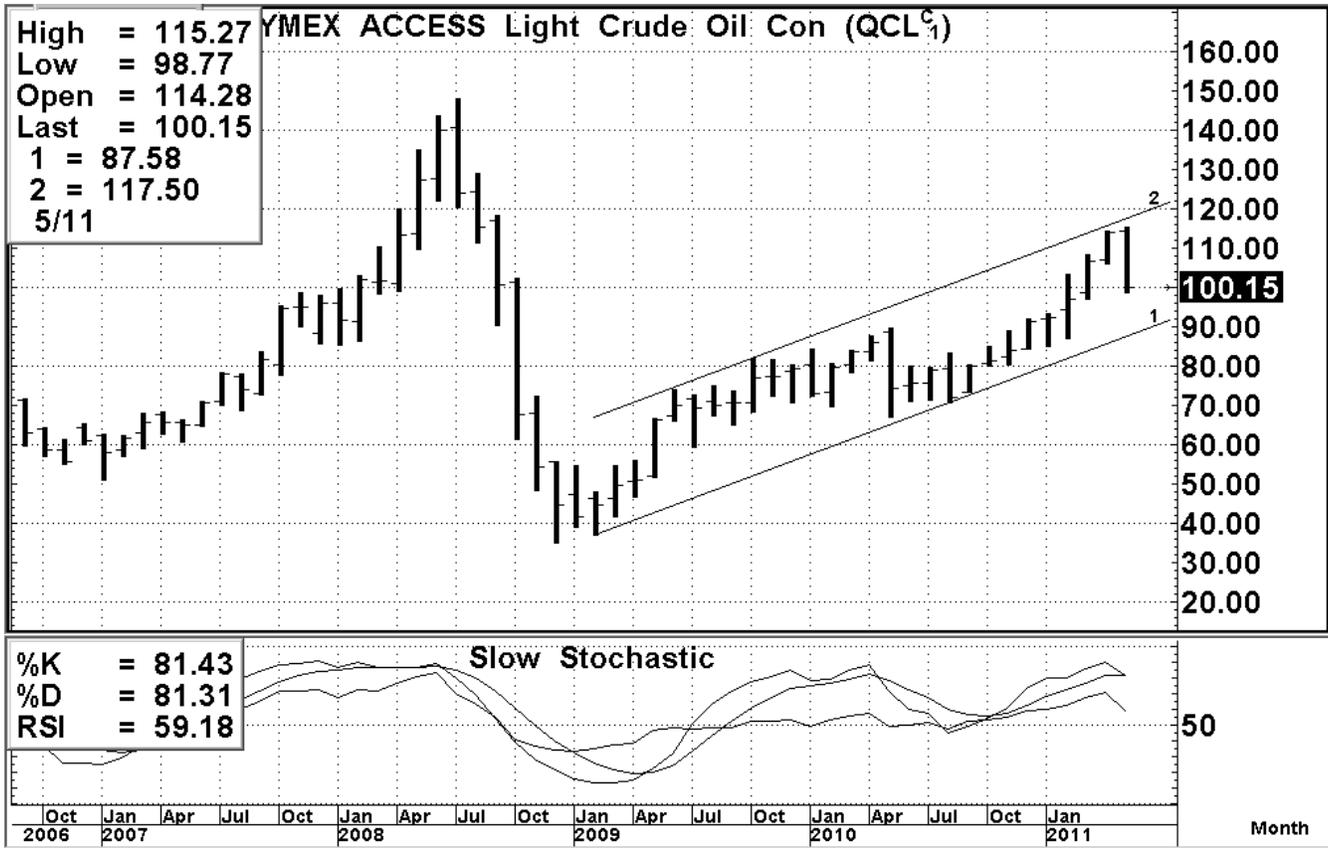
Indonesia's subsidized fuel consumption totaled 7.88 million kiloliters during the first four months of the year, up 6.9% above the government's target for the period. Consumption of subsidized fuel for the entire year could reach 42 million kiloliters, exceeding the government's initial target of 38.5 million liters.

Market Commentary

Crude oil experienced its sharpest fall in two years as the dollar firmed and U.S. unemployment rates rose. The dollar firmed in response a statement by European Central Bank President Jean-Claude Trichet stating that the ECB would closely watch inflation risks, indicating that interest rates would most likely not be raised. This reignited concern that an economic rebound would slow and that fuel demand would decline, which in turn accelerated the slide in crude oil. With total fuel demand slipping 6.4 percent to 18.3 million barrels a day, the lowest since November 2009, gasoline futures fell 6.8 percent, with heating oil tumbling 8.9 percent. Coming into tomorrow's session, we would look for a bit of a correction and for an opportunity to sell this market again. A retractment to \$111.20 is possible

Crude oil: June 11 321,820 -6,190 July 11 235,195 +5,004 Aug 11 82,744 -541 Totals 1,630,319 +5,991 Heating oil: June 11 113,461 -4,153 July 11 48,422 +854 Aug 11 30,397 +189 Totals 312,166 -2,007 Rbob: June11 102,911 -1,377 July 53,404 -367 Aug 11 28,370 +151 Totals 304,128 +2,915

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9622			31325		33369
9540	11120	27980	32777	30130	35915
9284	11483	26680	33370	26965	36310
8625	11563	27375	33510	26300	
8500	11703	23685		25683	
8385	12126	22960		25145	
	14933			24240	
				23631	
				23414	



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