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ENERGY MARKET REPORT FOR MAY 6, 2010

Qatar's Oil Minister Abdullah bin Hamad al Attiyah said crude oil prices are being pressured by the weakness in the euro amid rising concerns over Greece's debt crisis. He said present oil price levels are not related to supply and demand and both producers and consumers will have to live with price fluctuations. He said OPEC does not need to take any action despite

the recent price fluctuations. Analysts believe OPEC will continue pumping beyond their quotas rather than change its production quota after crude traded above \$80/barrel this week.

Iraq's Oil Minister Hussain al-Shahristani said Iraq sees no need to discuss an OPEC quota until its output reaches 4 million bpd. He said Iraq could reach a production level of 4 million bpd in two to three years. Iraq has signed deals that would increase its output to over 12 million bpd in seven years from about 2.5 million bpd. Separately, Iraq's Oil Minister said an oil dispute between Iraq and the autonomous northern region of Kurdistan has been resolved. He said they agreed that all revenue would be handed over to SOMO and the Iraqi government will be responsible for paying the extraction expenses in Kurdistan.

US Energy Secretary Steven Chu downplayed the chances of releasing oil from the SPR in response to the oil spill in the Gulf of Mexico. He said the leak involves a test well, so in terms of real supply of petroleum in the US it was not going to affect it in the near term.

Market Watch

The US Labor Department reported that the number of initial claims for unemployment benefits fell by 7,000 to 444,000 in the week ending May 1st. The previous week's level was revised slightly upward to 451,000 from 448,000. The report showed that the four week moving average fell by 4,750 to 458,500 from the previous week's revised average of 463,250. It reported that the number of continuing claims fell by 59,000 to 4,594,000 from the preceding week's revised level of 4,653,000. The unemployment rate for workers with unemployment insurance for the week ending April 24 was 3.6%, unchanged from the prior week's unrevised rate.

Brazil's ANP energy regulator said the country will ask oil companies operating its offshore fields to provide information on well control systems and to review their emergency response protocols in the wake of the BP Gulf of Mexico spill.

Senator Joseph Lieberman said a US climate bill to reduce pollution that contributes to global warming could be unveiled in the US Senate next week. The Senator has worked closely with Senator John Kerry and Senator Lindsey Graham on the bill to achieve a 17% cut in US emissions of carbon dioxide and other greenhouse gases by 2020 from 2005 levels. Senator Lieberman said that offshore oil drilling provisions of the climate bill were being ironed out in the aftermath of the oil spill in the Gulf of Mexico.

**May
Calendar Averages**
CL – \$81.50
HO – \$2.2257
RB – \$2.2835

BP Plc worked on Thursday to lower a containment dome over two leaks in an oil well on the seabed of the Gulf of Mexico. Officials said it still did not know if the steel containment chamber will stem the flow of oil leaking into the US Gulf of Mexico as hoped. An official said the science involved in the company's effort to contain the leak within a few days has never been done a mile beneath the ocean's surface. BP said its other activities to address the spill will continue, such as burning the oil spill at the water's surface when weather allows, continued efforts by underwater robots to activate the failed blowout preventer and booms deployed to try to prevent oil from reach Gulf Coast shorelines. BP is also considering a permanent fix known as "top kill" which would involve pumping heavy fluids into the top of the failed blowout preventer to try to plug the leak. The option would be used in a couple of weeks as BP continues trying to fix the blowout preventer with underwater robots.

Separately, Transocean Ltd said the cause of the explosion that sank the Deepwater Horizon rig remains unknown. It said the company and its customers are anxious to determine the cause of the blast to figure out what changes need to be made to drilling practices.

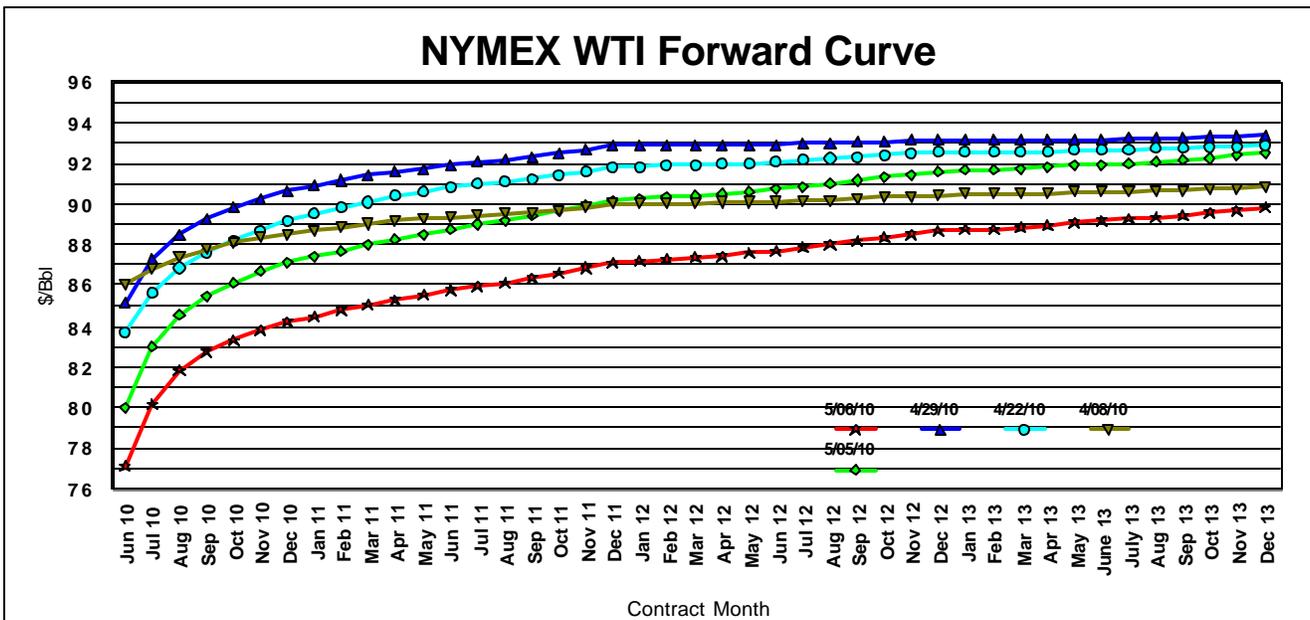
Oil Movements reported that OPEC's oil shipments, excluding Angola and Ecuador, are expected to fall by 150,000 bpd to 23.24 million bpd in the four weeks ending May 22nd.

Genscape reported that oil inventories at the Cushing, Oklahoma crude oil hub increased by 990,795 barrels to 37.8 million barrels in the week ending May 4th.

Shipping broker ICAP Shipping said the volume of clean oil products held in tankers at sea was estimated to have fallen slightly to 54.81 million barrels compared with 55.87 million barrels on April 8th. The number of tankers holding clean products increased to 68 versus 65 in April.

Vice President Joe Biden said Iran faces a "stark choice" to scrap its nuclear program or face further consequences and increased isolation. He said Iran's nuclear program violates its obligation and the nuclear non-proliferation treaty and risks sparking a nuclear arms race in the Middle East.

Russian forces freed a hijacked Russian oil tanker and rescued its crew on Thursday. Russian investigators said 10 captured pirates, which seized the MV Moscow University in the Gulf of Aden, will be brought to Moscow for prosecution. They hijacked the tanker on Wednesday with its 23



member crew and a cargo of crude oil worth \$52 million.

Refinery News

Alon USA shut down the off-gas compressor to repair the lube oil system at its 70,000 bpd refinery in Big Spring, Texas.

Murphy Oil Corp does not anticipate any interruption of crude supply to its 125,000 bpd refinery in Meraux, Louisiana due to an oil spill off the US Gulf Coast. It said it does have alternative supply options in the event of a disruption. Separately, Murphy Oil said its Milford refinery in the UK is resuming operations following a 60 day turnaround that increased the plant's throughput to 130,000 bpd.

ExxonMobil Corp's 149,500 bpd refinery in Torrance, California reported flaring Thursday. The refinery continues to operate. The flaring event had no impact on production. Meanwhile, ExxonMobil reported a leak in an unidentified exchanger to its alkylation unit No. 2 cooling tower No. 17 at its 348,500 bpd refinery in Beaumont, Texas.

Delek US said it is increasing its run rates at its 60,000 bpd Tyler, Texas refinery as demand for gasoline and diesel in its core West Texas market improves. During the first quarter of 2010 the refinery ran at 81.7% of capacity compared with 76.6% the previous year.

Western Refining said it delayed the planned work on its 64,500 bpd refinery in Yorktown, Virginia from the third quarter of 2010 to the first quarter of 2011.

Russia's TNK-BP has completed the turnaround of eight processing units at its Ryazan refinery ahead of schedule. The refinery has returned to normal throughput targets.

The head of Libya's National Oil Corporation said Libya is looking to invest in a new refinery in Indonesia and is ready to supply crude for the refinery. Construction of new refineries has become a more pressing need in recent years as growing demand has forced Pertamina to import more fuel. A Mines and Energy Ministry official said Indonesia needs an additional capacity of at least 600,000 bpd to cut imports.

India's Oil Minister Murli Deora said India expects to increase its refining capacity by 39% to 255.83 million metric tons/year or 5.1 million bpd by December 2012.

China's State Council said the country will build a commercial crude oil reserve depot in Lanzhou city in northwest Gansu province with a capacity of 1.8 million cubic meters or 11.3 million barrels. Meanwhile, Gansu's crude oil refining capacity will increase to over 20 million metric tons or 400,000 bpd by 2020.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp are in the week ending May 6th fell by 10.23% on the week but increased by 40.4% on the year to 921,000 tons. Gas oil inventories increased by 5.88% on the week and by 0.2% on the year to 2.485 million tons while fuel oil inventories fell by 23.74% on the week but increased by 5.63% on the year to 694,000 tons, naphtha stocks fell by 18.03% on the week and by 31.51% on the year to 50,000 tons while jet fuel stocks fell by 12.52% on the week and by 7.49% on the year to 692,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 2.072 million barrels to 22.902 million barrels in the week ending May 5th. It reported that Singapore's light distillate stocks built by 288,000 barrels to 11.675 million barrels while its middle distillate stocks built by 719,000 barrels to 14.006 million barrels on the week.

Production News

Royal Dutch Shell was forced to shut some oil production in Nigeria following a fire at a major pipeline in the Niger Delta. Shell said it did not know the cause of the fire at its Trans Niger pipeline. It declined to specify how much oil output was affected.

Italy's Eni SpA said the force majeure declared on some of its Nigerian Brass River crude oil production was lifted late Wednesday. The force majeure was declared following an unexpected disruption to flows at the facility, with about 12,000 bpd of Eni's equity production interrupted.

Kuwait offered several of its Asian customers the opportunity to receive fully contracted crude volumes for the second quarter after initially announcing supply cuts. However sources were unsure if full volumes would be extended when Kuwait releases its allocations for July-September, due out later this month.

Azerbaijan's Socar said exports of oil products fell by 11.9% on the year at 759,173 tons between January and April.

Azeri State Statistics Committee said Azerbaijan's crude production in the first quarter increased by 6.4% on the year to 12.3 million tons.

OPEC's news agency reported that OPEC's basket of crudes fell by \$3.04/barrel to \$81.12/barrel on Wednesday from \$84.16/barrel on Tuesday.

Market Commentary

With late reports by Bloomberg news that a major firm experienced a trading error in the equities market, perhaps today's late session sell-off was exaggerated. Crude oil slipped as the dollar rose and economic woes spread. With credit downgrades threatening to span across Europe, panic selling appeared in the market, pushing crude oil to its lowest level since February. Since May 3rd the June contract has declined 12%, falling to a twelve week low. With the market coming off as hard as it did, one has to think that a correction is due. We would look for prices to correct with a possible test back up to the \$79.15 area. For now, we would stick to buying and selling against the listed support and resistance numbers.

Crude oil June 10 333,696 -6,931 July 10 220,356 -896 Aug 10 98,330 +6,366 Totals 1,443,681 -1,645
Heating oil June 10 93,180 -8,804 July 10 44,563 +1,259 Aug 10 27,291 Totals 308,793 -4,724
Gasoline June 10 96,365 -9,386 July 10 61,195 3,734 Aug 10 33,951 +2,553 Totals 301,660 +429

Crude Support	Crude Resistance
72.60, 71.31, 70.70, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	78.58, 79.15, 79.75, 80.38, 81.65, 82.80, 87.85, 88.80, 89.10, 89.88,
Heat Support	Heat resistance
2.0568, 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.1430, 2.1760, 2.1920, 2.3575, 2.4200, 2.4940,
Gasoline support	Gasoline resistance
2.0954, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650,	2.2260, 2.3240, 2.4270, 2.4850, 2.5040, 2.5115, 270.80

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