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ENERGY MARKET REPORT FOR MAY 6, 2011

An OPEC delegate said the sharp selloff in oil markets this week is welcome because prices above \$120/barrel were too high and crude at \$90/barrel to \$100/barrels is ideal. The delegate said OPEC was unlikely to change its formal output target when it meets in June.

Venezuela's Oil
Minister Rafael

Ramirez said nobody can predict how oil prices will trade. He said the recent decline in prices is characteristic of the typical fluctuations in the market and added that OPEC members should maintain their production quotas.

Goldman Sachs said oil prices could surpass its recent highs by 2012 as global oil supplies continue to tighten. It did not rule out a further limited short term decline in prices if macro-economic data continued to disappoint the market. It said the sell off yesterday has likely removed a large portion of the risk premium that we believe has been embedded in oil prices, which could suggest further downside may be limited from here.

Iraq's Kurdistan Prime Minister Barham Saleh said the Iraqi government has paid oil contractors in its autonomous Kurdistan region for the first time. The central government transferred a total of \$243 million to contractors working in the Kurdistan region. The payment amounts to about 50% of net revenue derived from the export of over 5 million barrels of oil from the Kurdistan region between the beginning of February and March 27th.

Muammar Gaddafi's regime reacted angrily on Friday to NATO led decision to provide funding to the rebellion against his rule in Libya, describing as piracy plans to tap its assets frozen abroad. The fund, set up a meeting of the International Contact Group of Libya on Thursday, is intended to provide

Market Watch

The US Labor Department said nonfarm payrolls in April increased by 244,000 as the private sector posted the strongest employment gain in five years. The March data was revised upward slightly to show an increase of 221,000 jobs from the previously reported gain of 216,000. However it reported that the unemployment rate increased to 9% in April from 8.8% in March. It was the first increase in the jobless rate since November, when it reached 9.8%. The private sector added 268,000 jobs in April. In March, employment in the private sector increased by 231,000.

The Economic Cycle Research Institute said its Weekly Leading Index for the week ending April 29th fell to 128.7, its lowest level since the week ending January 21st from 129.2 the previous week. The index's annualized growth rate slowed to 6.7% from 7.5% a week earlier.

Diapason Commodities Management said US crude oil prices could fall to \$90/barrel if it breaches the lows it reached on Thursday.

**May
Calendar Averages**
CL – \$106.16
HO – \$3.0637
RB – \$3.2371

an emergency lifeline to the rebels, whose provisional administration has no source of financing to replace receipts from oil exports which have been halted. It would initially receive international donations, while blocked assets, estimated to be worth \$60 billion in Europe and the US would be used to finance it as a later date. At the meeting, the rebel leader, Mahmud Jibril outlined a political plan that would be enacted if Gaddafi leaves power in which an interim government would hold a referendum on a new constitution and parliamentary and presidential elections within eight months.

Refinery News

Valero Energy Corp said there was no material impact on production at its Memphis, Tennessee or St. Charles, Louisiana refineries from flooding along the Mississippi River. The two refineries have a combined crude distillation capacity of 365,000 bpd.

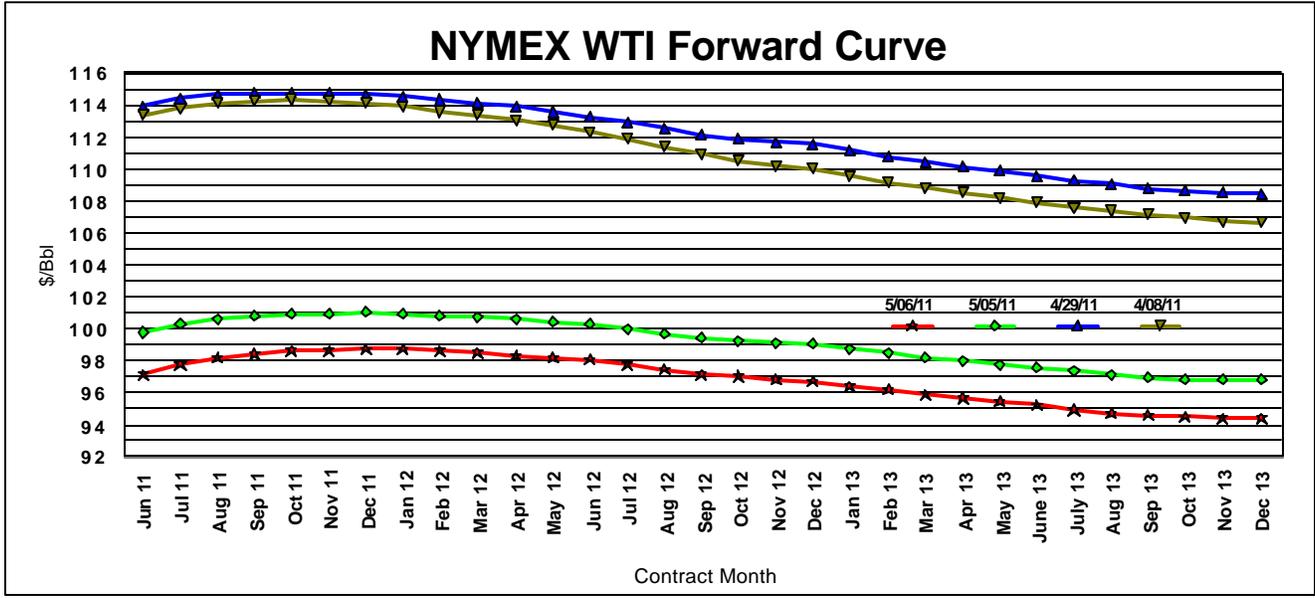
Murphy Oil Corp said it did not expect any effects on operations at its 125,000 bpd refinery in Meraux, Louisiana due to the rising Mississippi River.

Alon USA said it would take a fluid catalytic cracking unit and reformer unit down for planned maintenance at its Big Spring, Texas refinery at the end of the second quarter of the year. It is also expected to take a gasoline hydrotreater down for maintenance. The work is expected to reduce refinery throughput to 60,000 bpd from the normal 70,000 bpd capacity.

BP Plc said it would resume pipestill Unit 3B operations at its 437,080 bpd Texas City, Texas refinery. The startup would take place between May 6th and May 10th. The refinery resumed making gasoline for the first time in a week.

Workers at Greece’s Hellenic Petroleum SA started a 10 day strike early Friday over an ongoing wage dispute with the company and in the process circumvented an earlier court ruling that ordered them back to work. The strike is the second walkout by workers at the company in the past month and comes after talks between the union and management failed to resolve their earlier differences. Hellenic Petroleum has enough supply to last at least 15 days.

China’s Sinopec Corp suspended operations of a catalytic reforming unit at its Anqing plant in Anhui province for maintenance.



China's two largest oil companies are buying more gasoline and diesel from small private refineries to help offset a supply shortfall. The increased purchasing from private refineries will further squeeze their already declining market share of the gasoline and diesel market. Sinopec and China National Petroleum Corp may buy more fuel from private refiners and traders than last year's 60 million metric tons or about 30% of combined annual fuel output of the two oil companies.

Production News

Apache Corp may have shut its Van Gogh oilfield in Western Australia again for up to four months to carry out repairs. The field may have to be shut down to repair the floating production storage and offloading unit.

Ecuador's central bank said the country produced an average of 501,000 bpd of crude in March, down about 2% from 508,900 bpd reported in February. Ecuador's oil production increased by 5% on the year.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$112.80/barrel on Thursday from \$116.96/barrel on Wednesday.

Market Commentary

Crude oil traded in a choppy fashion after the U.S. Labor Department report indicated that payrolls increased by 244,000 and as the dollar grew stronger. This week prices fell sharply as commodities across the board plunged in response to the strength in the dollar. It appears that speculators came to the realization that price rises over the past few months were too quick and too high. There is also concern that steps by China and India to quell inflation would lead to less demand in those regions. The overall trend of this market is still to the upside and there are those that believe that this move lower is a correction prior to the resumption of the major trend. Based upon the underlying technicals, we cannot discount this opinion. Coming into next week we would look for the downward move to continue and for a test of the \$87.00 weekly channel bottom. As for gasoline, as refinery glitches are resolved and supplies begin to increase, the extra supply combined with higher prices should begin to weigh on prices.

Crude oil: June 11 3331,066 +9,246 July 11 249,389 +14,194 Aug 11 80,592 -2,152 Totals 1,653,508 +23,189 Heating oil: June 11 107,501 -5,960 July 11 49,284 +862 Aug 11 30,214 -183 Totals 311,585 -581 Rbob: June11 96,492 -6,419 July 54,055 +651 Aug 11 28,606 +236 Totals 298,796 -5,332

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9284	9622		31325		30130
8700	11120	27695	32777		33369
8625	11483	26680	33370	26965	35915
8500	11563	27375	33510	26300	36310
8385	11703	23685		25683	
	12126	22960		25145	
	14933			24240	
				23631	
				23414	

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 13,742 contracts to 244,326 contracts in the week ending May 3^d. The combined futures and options report showed that non-commercials cut their net long positions by 13,515

contracts to 322,038 contracts on the week. Meanwhile the disaggregated futures and options report showed that managed money funds cut their net long position by 7,295 contracts to 293,823 contracts on the week. The funds continued to cut their net long position, given the market's sharp selloff in the last few trading sessions.

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