



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 7, 2010

BP has started to lower the containment dome that it hopes will capture oil leaking from the oil well at the seabed in the Gulf of Mexico and prevent it from reaching the surface. It will take some time for the device to reach the bottom and be connected to a vessel on the surface that would store the leaking oil but it hopes to have it up and running by Monday. BP is also drilling a relief well, which should eventually halt the flow of oil from the seabed, a process that could take three months.

Royal Dutch Shell PLC's chief executive Peter Voser called for a thorough evaluation of the cause of oil spill in the Gulf of Mexico, while indicating that he is against a White House move to put new offshore drilling on hold. Separately, he stated that he sees world energy demand doubling by 2050 amid lower fossil resources. He said fossil resources will account for

Market Watch

The US CFTC issued a warning to the market on Friday to remind participants that speculative trading limits apply throughout the trading day as well as at the end of trading. A spokesman said the release of the advisory was not connected to Thursday's unusual market events. It gave no explanation for why it decided to issue the advisory.

According to the Labor Department, nonfarm payrolls in April increased by a higher than expected 290,000, the largest gain since March 2006. This followed an upwardly revised 230,000 gain in March. The US economy added an average of 143,000 jobs a month in the first four months of the year. The unemployment rate however increased to 9.9% in April. In a sign that the labor market remains weak, a broader measure of unemployment continued to increase. The underemployment rate increased to 17.1% in April from 16.9% in March. The report also showed that average hourly earnings of all employees increased by 1 cent to \$22.47 in April.

Late Thursday, the Interior Department said it will not make a final decision on permits needed by Royal Dutch Shell Plc for drilling exploratory wells off the coast of Alaska until a review of offshore drilling safety issues is completed. The Obama administration also said that no new applications for drilling permits will go forward for any new offshore drilling activity until the review is complete.

Republican US Senator Lindsey Graham, who has been collaborating on a compromise climate change and energy bill, called for putting the climate bill on hold following the Gulf of Mexico oil spill.

China's Vice Premier Li Keqiang met with Saudi Arabia's Oil Minister Ali al-Naimi to discuss expanding energy cooperation between the two nations. A report by the official Xinhua news agency did not disclose details of the talks.

The Bank of Canada warned investors and governments not to expect a continuous rise in oil and other commodity prices, even though they could rise to unprecedented levels. The Deputy Governor of the central bank, John Murray, said it was tempting to see a spectacular future for the oil industry and other commodity sectors based on rapidly growing demand from emerging economies like China and India.

Europe's climate commissioner, Connie Hedegaard, looks set to announce in coming weeks that extending cuts in carbon dioxide levels to 30% below 1990 quantities would be about a third cheaper than before the crisis. The current plan is a 20% cut by 2020. The additional total costs for the EU to increase from 20% to 30% are estimated at 33 billion euros or \$44.3 billion in 2020 or 0.2% of GDP. Industry bodies for steel, refining, glass, paper, cement, ceramics and chemicals said the burden of heavier carbon caps would still increase their disadvantage versus competitors in less regulated regions.

**May
Calendar Averages**
CL – \$80.22
HO – \$2.1965
RB – \$2.2518

about 60% of energy sources by 2050 compared with 85% currently.

Diplomats said the US, Britain, China, France, Russia and Germany will present a proposal for a further round of sanctions against Iran to the UN Security Council next week. The six world powers aim to pass a Security Council resolution by mid-June. Separately, a senior US official said Iran's dinner invitation to all 15 UN Security Council members is another sign that Iran is quite worried about its international isolation.

Iran's Foreign Minister Manouchehr Mottaki will discuss a proposed nuclear fuel exchange deal with his Turkish counterpart when he visits Turkey later Friday.

Refinery News

BP Plc's 265,000 bpd refinery in Carson, California reported flaring activity due to an unidentified problem late Thursday. It said flaring activity is expected to take place on May 8-15.

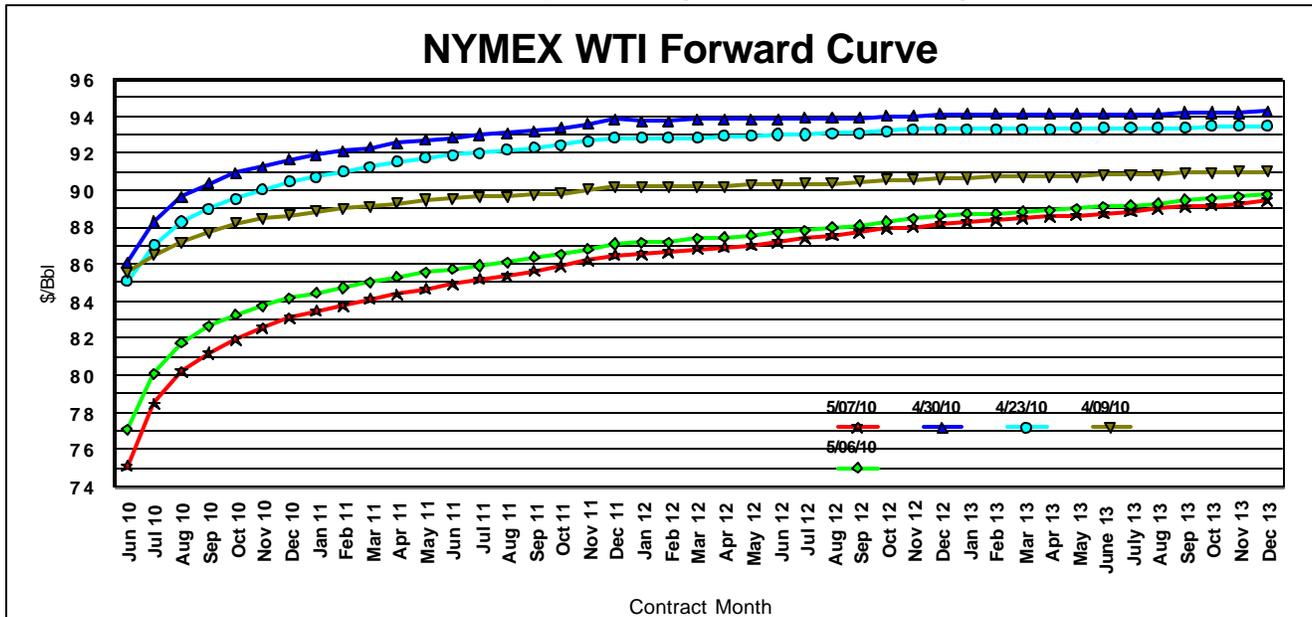
ConocoPhillips reported a process problem at its 146,000 bpd Borger, Texas refinery. It did not disclose the cause of the problem.

China's twelve major refineries plan to process 2.96 million bpd of crude in May, slightly lower than the record rate of 2.98 million bpd in April. The May volume represents 93.6% of their total refining capacity.

Indian Oil Corp Ltd booked 4 million barrels of West African crude as part of its monthly spot tender for July loading.

Production News

Royal Dutch Shell Plc shut in oil flow through the 150,000 bpd capacity Trans-Niger pipeline following the discovery of a number of fires and oil leaks. Shell said some of the fires and leaks have already been stopped, but it isn't possible to say how long it will take to extinguish them all or when the



pipeline may resume flowing. The damaged pipeline is connected to oil production fields outside Ogoniland, feeding crude to Shell's Bonny export terminal. As a result, Shell declared force majeure on Nigeria's Bonny Light crude lifting for May and June. Preliminary investigations indicate that the leaks and fire were caused by theft activities.

Bakers Hughes reported that the number of rigs searching for oil and natural gas in April increased by 60 to 1,479. It reported the number of rigs searching for oil and gas increased by 9 to 1,492 in the latest week. It reported that the number of rigs searching for oil increased by 15 to 528 while the number of rigs searching for natural gas fell by 5 to 953.

The Baku-Tbilisi-Ceyhan oil pipeline is expected to pump 24.8 million barrels of crude in June, down 2.55 million barrels from the May program. June loadings will amount to 826,667 bpd compared with 882,258 bpd in May.

Russia's Sakhalin-1 Sokol crude oil field is expected to be shut for two to three weeks in August for maintenance. Operators are not expected to increase production before or after the maintenance period to make up for lost output.

Petrobras' chief executive Jose Sergio Gabrielli said the company oil production in April increased to a record level of 2.078 million bpd. It is up from an average of 1.994 million bpd in March.

China's Energy Minister Zhang Guobao said Brazil will receive \$10 billion from China under an oil-for-loan agreement signed last month. The volume of crude oil supply that Sinopec Group will get in return is still under discussion.

OPEC's news agency reported that OPEC's basket of crudes fell by \$2.60/barrel to \$78.52/barrel on Thursday from \$81.12/barrel on Wednesday.

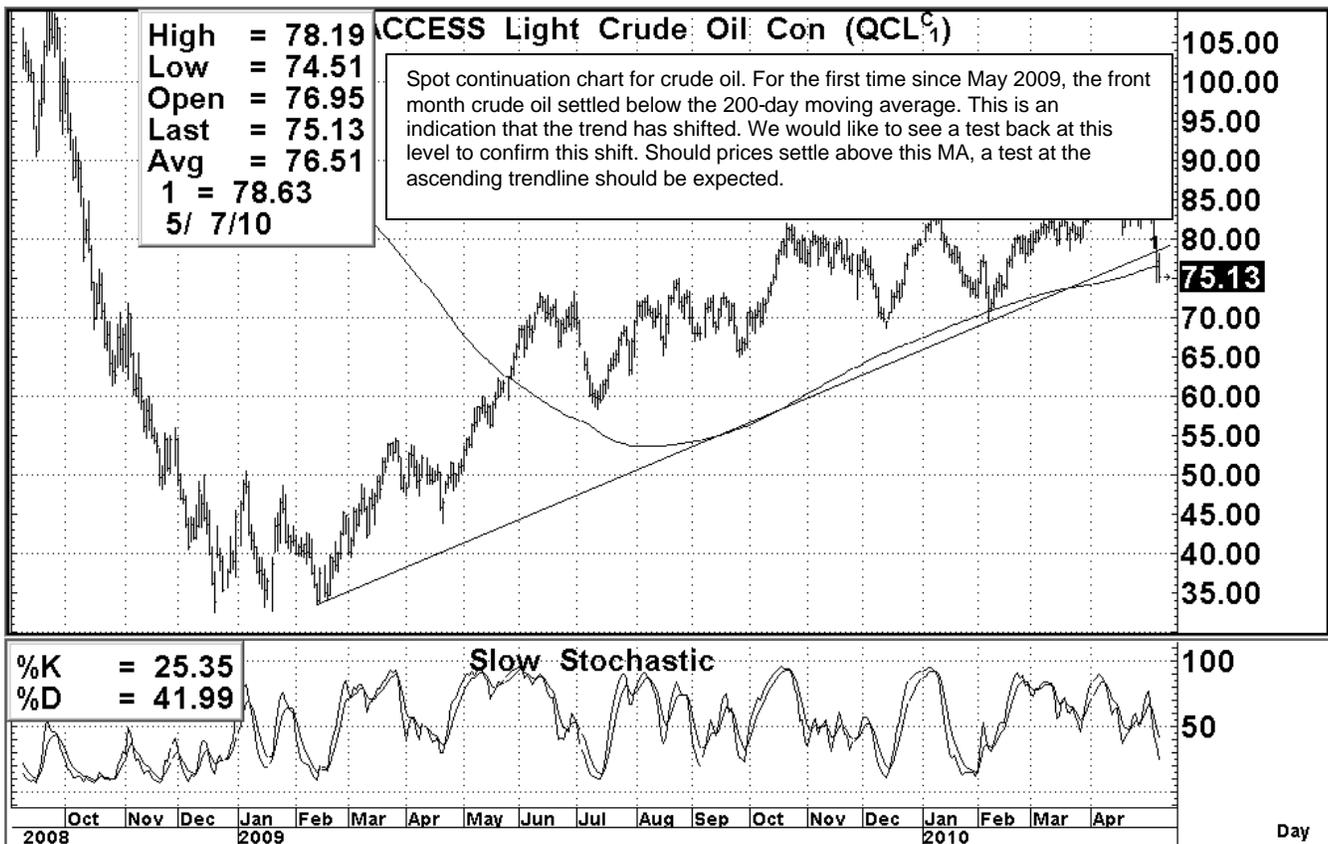
Market Commentary

European economic woes continued to pressure this market to its lowest weekly drop since December 2008. Further adding to the downward spiral was the U.S. unemployment numbers. A first look at unemployment numbers can be a little deceiving. The numbers indicated that U.S. payrolls increased by 290,000 in April, however another measure used is referred to as the underemployment rate. Under this measurement, those who have quit job hunting and those working part time due to the inability to find full time work increased to 17.1% in April from 16.9% in March. This is yet another sign that the job market remains weak. Since January of 2009, the upward trend has remained untouched, despite experiencing intermittent dips. The June crude oil contract fell 15% from week to week as it took into account the supply/demand scenario. This market is still suffering from a lack of demand as stockpiles sit near all time highs. The June crude oil contract settled below the 200-day moving average based upon a spot continuation chart. This is the first time since May of 2009 that prices have traded below this number. This is a key indication that the trend may be turning to the downside. We would like to see a failed attempt to trade back above the 200-day moving average, which is currently \$76.51, to confirm a shift in direction. A failure to settle above this number supports the belief that this market has more room to the downside.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position slightly by only 606 contracts to 109,870 contracts in the week ending May 4th. The combined futures and options report showed that non-commercials in the crude market increased their net long position by 928 contracts to 190,691 contracts on the week. The disaggregated combined futures and options report showed that producers/merchants cut their net short position by 7,979 contracts to 199,728 contracts while swap dealers increased their net short position by 922 contracts to 13,644 contracts on the week. The managed money funds increased their net long position by 7,599 contracts to 159,005 contracts while other reportable cut their net long position by 6,670 contracts to 31,687 contracts on the week.

Crude oil June 10 331,817 -1,879 July 10 233,630 +13,274 Aug 10 97,524 -806 Totals 1,483,173 +39,492 Heating oil June10 86,310 -6,870 July 10 46,275 +1,712 Aug 10 27,826 +535 Totals 308,196 -597 Gasoline June 10 92,115 -4,250 July 10 61,086 -109 Aug 10 34,462 +511 Totals 298,363 -3,297

Crude Support	Crude Resistance
74.55, 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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