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Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR MAY 10, 2010

European Finance
Ministers agreed to set up
a 500 billion euro or \$670
billion fund on Monday
after the IMF unanimously
approved 30 billion euro or
\$40 billion rescue loan for
Greece on Sunday, to
stem a crisis that
threatens other members
of the union. A senior
OPEC delegate said the
impact from the Greek
debt crisis will be limited
and oil prices are unlikely
to fall below \$65/barrel.
Meanwhile, OPEC's
Secretary General

Market Watch

Iran's Oil Minister Massoud Mirkazemi said Iran needs about \$25 billion a year in oil and gas industry investment and could turn into an importer of oil due to lack of such funds.

Goldman Sachs Group Inc said the fall in commodity prices last week created a buying opportunity because economies are improving. It said it favors copper, crude oil and precious metals. It said commodities, as measured by the S&P GSCI Enhanced Total Return Index, should increase by 17.6% in 12 months. The index fell 7.4% last week, the largest decline since December 2008.

Mars sour US cash crude sold for \$1.50/barrel over WTI, up \$1/barrel on Monday.

Crude oil tankers rates from the Caribbean to the US Gulf reached their highest level in over three months on Monday due to concerns that a spreading oil spill could lead to shipping delays.

Abdullah Salem El Badri said the market will look positively at this development. He expects oil prices to increase to \$80/barrel on the euro bailout package. He also said that there was no doubt that OPEC was overproducing and called for greater compliance among members. However he said OPEC will not take action to meet before October if current market conditions remain. He said there is no \$75/barrel floor for the oil price. He also stated that demand for oil is expected to increase by 900,000 bpd in 2010. Separately, OPEC's President and Ecuador's Oil Minister, Wilson Pastor said world oil prices are expected to remain close to \$80/barrel until the end of the year. He said world crude oil prices are expected to average between \$75 and \$80/barrel this year.

Saudi Arabia's Oil Minister Ali al Naimi said that supply and demand in the world oil markets were balanced.

The UAE's Oil Minister Mohammad Al Hamli said the global oil markets are well supplied and added that there is no need for OPEC to meet before its scheduled meeting in October. He however stated that OPEC's compliance could be better, contradicting other ministers who said adherence to their quotas was good. Qatar's Oil Minister Abdullah bin Hamad al Attiyah said he was happy with OPEC members' compliance. He also said OPEC is unlikely to take action when it meets next on October 14th. He said OPEC was not planning to an emergency meeting in response to a recent decline in

**May
Calendar Averages**
CL – \$79.65
HO – \$2.1838
RB – \$2.2386

crude prices. Meanwhile, Libya’s oil head, Shokri Ghanem said compliance “is okay now.” He said oil prices will likely rise to \$85-\$87/barrel following the euro bailout package. Algeria’s Oil Minister Chakib Khelil said there was no need for OPEC to take action despite the recent drop in oil prices. He also said that he expects oil prices to return to \$80-\$85/barrel once the euro bailout package takes effect. However Kuwait’s Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said if oil prices fell below \$65/barrel OPEC could call for a meeting ahead of its scheduled meeting in October.

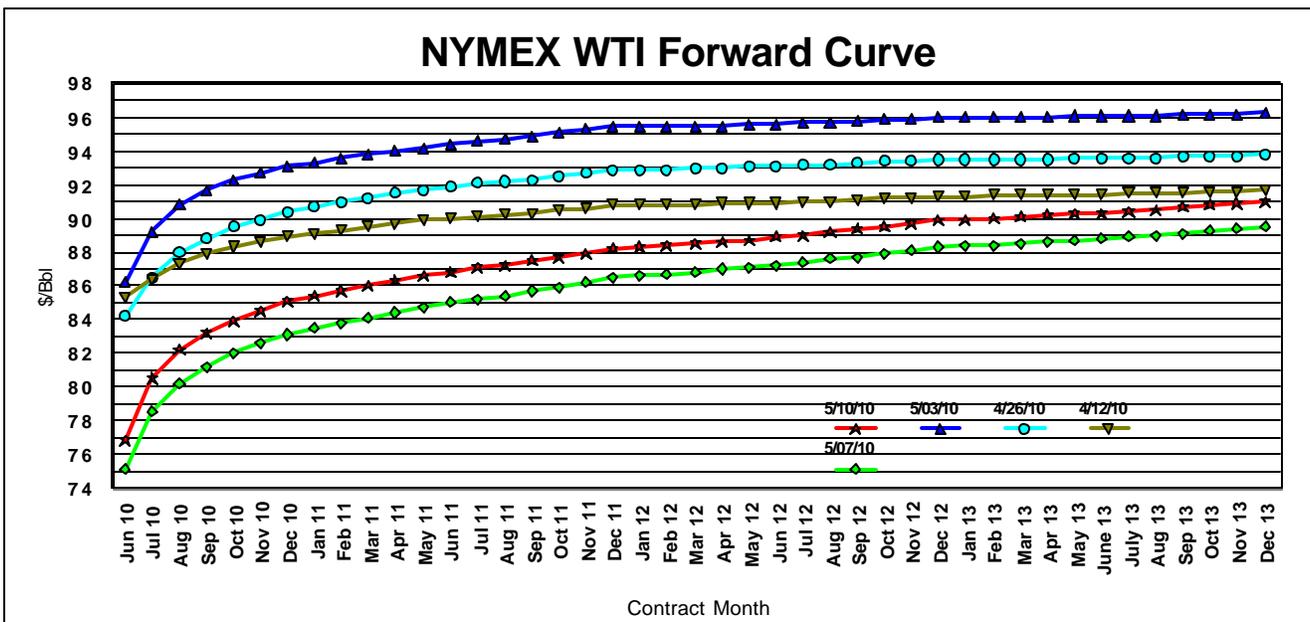
The IEA’s executive director Nobuo Tanaka said the debt crisis in Europe and the potential move by China to tighten fiscal policy were among the biggest risks to global oil demand. He said the world oil market is very well supplied.

BP Plc is working on several options to try to control the oil leak from its well in the Gulf of Mexico, including the possible use of a smaller containment dome or tapping directly into the well riser pipe. The other option is a possible junk shot of rubber and other materials into the failed blowout preventer of the well to try to plug it up. Separately, BP’s chief executive Tony Hayward said the company could be spending as much as \$10 million a day on clean up efforts, exceeding initial estimates. He said it could still be weeks or months before the leak is brought under control.

An Iranian official said Iran test-fired a version of its short range Fajr, or Dawn, missiles for the first time during military exercises in the strategic waters of the Gulf. On Wednesday, Iran’s navy began eight days of maneuvers in the Gulf, Sea of Oman and the northern Indian Ocean covering an area of 250,000 square kilometers.

Separately, the International Institute for Strategic Studies or IISS said Iran could target western Europe with missiles by 2014. It said Iran is more than a decade away from developing a missile capable of reaching the US east coast. It said Iran was making strides in developing ballistic missiles in tandem with its efforts to expand its nuclear capabilities.

A deputy to Israel’s Prime Minister Benjamin Netanyahu said the country is ready for a war with Iran. He said the Israeli air force had gained the techniques necessary for any future strikes on Iranian sites.



The EIA reported that the US retail price of diesel increased by 0.5 cents/gallon to \$3.127/gallon in the week ending May 10th. Retail diesel prices are 91.1 cents or 41.1% above the year earlier level. The EIA reported that the US retail price of gasoline increased by 0.7 cents/gallon to \$2.905/gallon.

Refinery News

All shipping lanes on the US Gulf of Mexico coast remained open on Monday despite the growing oil spill. The Louisiana Offshore Oil Port said there was no impact to its operations from the Gulf of Mexico oil spill. Meanwhile, Chevron Corp's operations in and on the Gulf are operating normally.

Credit Suisse reported that US refinery margins were mixed last week. Margins in the Midwest increased by 91 cents to \$12.82/barrel while margins in the Rockies region increased by \$3.87 to \$23.50/barrel. Margins in the Gulf Coast fell by 7 cents to \$11.83/barrel while margins in the Northeast fell by 75 cents to \$6.51/barrel and margins in the West Coast fell by 48 cents to \$16.87/barrel.

ExxonMobil Corp said there was no impact to operations from emissions at its 150,000 bpd refinery in Torrance, California.

Valero Energy Corp said a coker module at its 325,000 bpd Port Arthur, Texas refinery resumed operations following the completion of repairs.

Royal Dutch Shell reported a late Friday upset in a hydro desulfurization unit at its 329,000 bpd Deer Park, Texas refinery. Feed to the unit was halted and the unit was placed on circulation.

Venezuela's PDVSA said its 104,000 bpd catalytic cracking unit at its 300,000 bpd Cardon refinery was still offline on Monday, despite previous assurances it would restart at the weekend. The unit has been shut since the end of April due to a fire.

Kuwait workers on strike at the country's 460,000 bpd Mina al-Ahmadi refinery will escalate their strike action. The deputy president of the Kuwait National Petroleum Co workers union, Mohammad al-Hamlan, said the protests, which started on Sunday, have not yet affected production but added that they will. Thirty two workers at the refinery's utility unit walked out on Sunday to protest a company decision to cut the number of workers assigned to the refinery's utility unit.

Angola's 37,500 bpd refinery was shut for about 45 days of maintenance on Monday.

Qatar will double the capacity of the Ras Laffan condensate refinery and is likely to issue contracts for the expansion work in the next few months. The second phase of the refinery will add about 140,000 to 145,000 bpd of new capacity to the existing plant. The 146,000 bpd Ras Laffan plant, which produces 24,000 bpd of gas oil, 52,000 bpd of kerosene and jet fuel and 8,000 bpd of liquefied petroleum gas will be aimed at markets in Southeast Asia and Europe.

China's General Administration of Customs reported that China imported 21.17 million metric tons or 5.17 million bpd of crude in April. It reported that China's crude imports in the first four months increased by 36.7% on the year to 77.85 million tons. China maintained its position as a net fuel importer in April, with imports at 3.41 million tons, up from 3.22 million tons in March and exports at 2.57 million tons, up from 2.64 million tons in March.

China's Transportation Ministry reported that the country's main ports received 18.46 million tons of crude in April, up 26.6% on the year.

Two major South Korean refiners plan to export a total of 1.5 million barrels of spot diesel in June, steady from May. South Korea's SK Energy plans to export 600,000 barrels in June while GS Caltex plans to export 900,000 barrels.

Japan's JX Holdings Inc reiterated its plans to cut 400,000 bpd of its refining capacity by the end of March 2011. It will cut an additional 200,000 bpd to about 1.19 million bpd by the end of March 2014, a year earlier than originally planned. It said it aimed to cut total capacity to about 1 million bpd by 2020.

Nigeria is expected to import between 19 and 20 cargoes of gasoline in June.

German residential heating oil stocks fell to 49% of capacity on May 1st from 50% on April 1st.

Production News

The Interior Department's Minerals Management Service completed inspections of some 30 deepwater drilling rigs searching for oil in the Gulf of Mexico and found no safety problems that would require any rigs to temporarily cease operations. The MMS will begin inspecting 47 deepwater production platforms that are already pumping crude oil on a commercial basis. Those inspections may take up to a month to complete. The Interior Department said oil from the spill has not reached managed coastal areas in Mississippi, Alabama and Florida yet.

Saudi Aramco said oil exports from Saudi Arabia's Ras Tanura terminal were not affected by bad weather conditions on Saturday. The Ras Tanura terminal has the capacity to load between 5.5 million and 6 million bpd of oil.

Saudi Arabia will supply full contracted volumes to at least seven Asian customers in June, unchanged on the month. Meanwhile, sources at two European oil refineries said their Saudi crude supplies in June were also steady from May and that they were only receiving Arab Light crude.

North Sea BFOE crude oil loading in June are expected to total 965,000 bpd in June, down from 1.24 million bpd in May. The North Sea Brent crude stream is scheduled to load 3.697 million barrels or 123,233 bpd in June, down 2.303 million barrels on the month. The North Sea Forties crude stream is scheduled to load 16.8 million barrels or 560,000 bpd in June, up 1.8 million barrels on the month. The North Sea Oseberg crude stream is scheduled to load 4.9 million barrels or 163,333 bpd in June, down 550,000 barrels in May. The North Sea Ekofisk crude stream is scheduled to load 3.55 million barrels or 118,000 bpd in June, down 8.3 million barrel from 11.85 million barrels in May.

The North Sea Troll crude stream is scheduled to load 6.4 million barrels or 213,333 bpd in June, down 200,000 barrels on the month. The North Sea Forties crude stream is scheduled to load 16.8 million barrels or 560,000 bpd in June, up 1.8 million barrels on the month. The North Sea Staffjord stream is scheduled to load 5.13 million barrels or 171,000 bpd, unchanged from May. The North Sea Flotta crude stream is expected to load 22,000 bpd in June, down from 63,000 bpd in May.

ConocoPhillips said it will carry out planned maintenance at its North Sea Ekofisk oil fields in early June. Maintenance at the Ekofisk area will occur around June 5 to June 20.

Qatar's Oil Minister Abdullah bin Hamad al Attiyah said Qatar is expected to reach a production level of 5 million bpd of oil equivalent in 2014, up from the current level of 2.7 million bpd.

Colombia's Ecopetrol exported 403,510 bpd of crude and processed products in April. Ecopetrol's main export destination was the US Gulf Coast, with 58% of total volume, followed by Asia, with 24% of total exports.

OPEC's news agency reported that OPEC's basket of crudes fell by \$2.11/barrel to \$76.41/barrel on Friday. It also reported that OPEC's basket of crudes fell by \$2.45/barrel to \$80.91/barrel in the week ending May 7th.

Market Commentary

As the European Union and the International Monetary Fund agreed to a bailout plan, stocks around the world rallied, taking the energy markets with them. Last week's sharp sell-off was European debt related and this weekend's decision on a 1 trillion dollar bailout put optimism back into the marketplace. The June Brent continues to hold its strength against the WTI. It has been steadily gaining since the beginning of March as stockpiles in Cushing mount. We are beginning to think that the WTI will start to gain against the Brent as the spill in the Gulf of Mexico worsens, with the possibility of slowing down shipments in that region. We are drawing closer to the U.S. summer driving season, which may also provide strength to this market. The June crude oil contract traded and settled back above the \$78.77, the 200-day moving average, and worked towards the ascending trendline mentioned in Friday's wire. As long as global economic optimism is apparent, we would look for crude oil to continue to gain support, working towards the aforementioned trendline, which comes into tomorrow's trading session set at \$78.91. Technical indicators are in oversold territory but have not crossed to indicate a change in market direction.

Crude oil June 10 328,397 -3,420 July 10 244,232 +10,602 Aug 10 97,904 +380 Totals 1,474,582 - 8,591 Heating oil June 10 85,113 -1,197 July 10 50,166 +3,891 Aug 10 28,373 +547 Totals 316,597 +8,401 Gasoline June 10 87,462 -4,653 July 10 62,057 +971 Aug 10 31,166 -296 Totals 293,678 - 4,685.

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	78.81, 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	2.1760, 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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