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ENERGY MARKET REPORT FOR MAY 13, 2010

The White House said US President Barack Obama and Russian President Dimitry Medvedev agreed during a phone conversation to instruct their negotiators to intensify efforts toward new UN sanctions against Iran. They discussed the good progress being made by major world powers towards an agreement on a new round of UN Security council sanctions against Iran over its nuclear program.

Earlier, Russia's Foreign Minister Sergei Lavrov warned the US and other western nations on Thursday against imposing unilateral sanctions on Iran over its nuclear

Market Watch

The US Labor Department reported that the number of workers filing initial claims for unemployment benefits fell by 4,000 to 444,000 in the week ending May 8th. The previous week's level was revised slightly upward to 448,000 from 444,000. It reported that the four week moving average fell by 9,000 to 450,500 from the previous week's revised average of 459,500. It also reported that the number of continuing claims in the week ending May 1st increased by 12,000 to 4,627,000 from the preceding week's revised level of 4,615,000. The unemployment rate for workers with unemployment insurance for the week ending May 1st was 3.6%, unchanged from the prior week's unrevised rate.

Separately, the US Labor Department reported that US import prices posted their largest increase in three months in April. Import prices increased 0.9% in April following a 0.5% gain in March, revised down from 0.7%. It reported that petroleum import prices increased by 3.3% in April. Excluding petroleum, import prices were 0.3% higher from March. The year on year increase of 3.3% is the largest since October 2008.

US investor Jim Rogers said oil prices are on an indefinite path higher as declining supplies fail to keep pace with demand while the latest European debt crisis is the beginning of the end for the euro. This month the euro has come under extreme pressure following a Greek debt crisis that threatened to spread across the continent, prompting policymakers to make available a \$1 trillion rescue package, which Jim Rogers said could spell the end of the European currency.

According to Global Port Tracker of trade group National Retailer Federation, US demand for diesel fuel is expected to increase as consumers increase spending on hopes of economic recovery and retailers look to shippers to deliver goods to replenish inventories. Import cargo volumes at the nation's major retailer container ports are expected to increase 10% in May and continue rising into autumn.

Total said the impact of the Greek debt crisis may not only squeeze global demand for oil but also make it harder for energy companies to finance new projects. A Total executive said oil volatility is likely to continue for some time, predicting prices would move within a wide range of \$60-\$100/barrel in the coming months.

Russia has proposed to Ukraine a formula for calculating oil transit fees in exchange for a stable volume of oil passing through Ukraine in the next three years. Russia wants a predictable transit fee for the near future to avoid sharp increases.

Bulgaria's Environment Minister Nona Karadzhova said the country is set to be banned from carbon emission trading as of June 30th after a UN body opened a procedure to revoke its accreditation under the Kyoto Protocol. The move, expected to be approved at the end of June, will exclude Bulgarian companies from the European Union's carbon trading scheme.

May
Calendar Averages
CL – \$78.26
HO – \$2.1704
RB – \$2.2258

program. The European Union has stated that it may impose unilateral sanctions if a UN Security Council resolution fails. Russia's Foreign Minister said countries facing Security Council sanctions cannot under any circumstances be the subject of one-sided sanctions imposed by one or other government bypassing the Security Council.

BP Plc said a small containment dome may begin trapping oil from BP's leaking oil well next week. It changed its timing for placing the undersea dome meant to pump oil from the leak to a vessel on the surface, after a company executive said the device could be in place by late Thursday.

Oil Movements reported that OPEC's oil shipments, excluding Angola and Ecuador, are expected to fall by 110,000 bpd to 23.29 million bpd in the four weeks ending May 29th. According to Reuters estimates, OPEC's compliance with the 4.2 million bpd of promised cuts has fallen to about 51%.

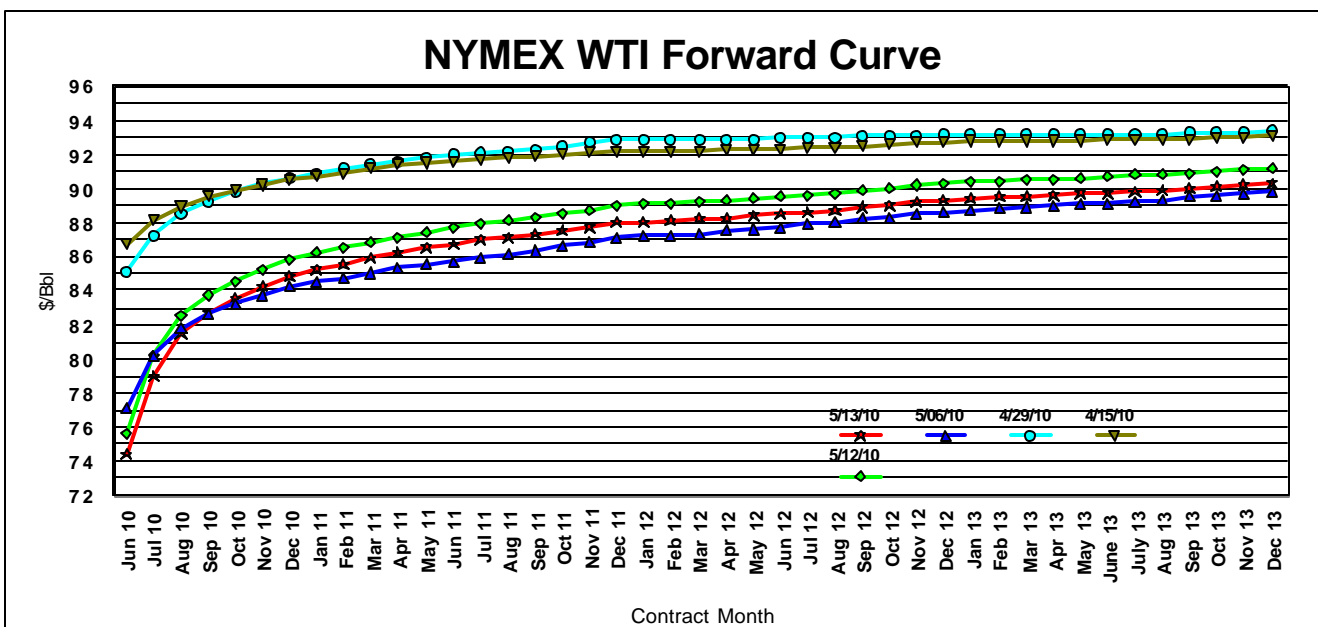
According to Genscape, oil inventories at the Cushing, Oklahoma crude oil hub increased by 1.2 million barrels to a record 38.96 million barrels in the week ending May 11th. It said crude stocks at Cushing was at 79% of capacity as of Tuesday. Genscape data also showed that Cushing stocks increased by about 572,000 barrels in the four day period from May 7th to May 11th.

Traders said the large quantity of sour crude currently available in Southern Europe may start to decline in coming weeks as refiners return from annual maintenance. Russian Urals and Iranian and Iraqi grades have accumulated due to poor margins for fuel oil and following a much larger than expected June export program from Russia.

Nigeria's President Goodluck Jonathan will relaunch efforts to educate and provide jobs to thousands of former militants next month after delays to an amnesty program led many to return to criminality. A government official said Nigeria will seek to rehabilitate and reintegrate 20,192 former rebels, with the first group of 2,000 rebels scheduled for training in the first week of June. Nigeria's post-amnesty program has stalled for months since ailing President Umaru Yar'Adua became ill last November. The official said Nigeria's oil production has declined by 1 million bpd since May 2009 due to insecurity in the Niger Delta.

Refinery News

Colonial Pipeline is allocating Cycle 29 nominations for gasoline shipments on its main line north of



Collins, Mississippi as demand for space exceeds pipeline capacity. It is the ninth consecutive cycle in which high demand for space has restricted shipping volumes.

Officials said ship speed limits at the entrance to the Mississippi River have slowed traffic however US ports and shipping lanes remain open despite the oil spill in the Gulf of Mexico.

Motiva Enterprises LLC said operations at its 275,000 bpd Port Arthur, Texas refinery were near normal following a partial power failure on Wednesday. It filed an emissions event report to Texas state environmental regulators stating a power outage slowed or shut several processing units at the refinery. The power outage was caused by a fire at an electrical pole.

ExxonMobil restarted its 100,000 bpd fluid catalytic cracking unit at its 150,000 bpd Torrance, California refinery. The unit has been in planned turnaround since March.

Kuwaiti workers at the 460,000 bpd Mina al-Ahmadi refinery ended a five day strike on Thursday after reaching an agreement with the management over staffing. The protest by 32 workers did not affect production at the facility. The workers at the refinery's utility unit walked out on Sunday to protest against a company decision to cut the number of workers assigned to it.

Indian Oil Corp said India is seeking more crude oil supplies from Venezuela to meet the country's expanding refining capacity. Venezuela currently supplies 150,000 bpd of crude oil to Indian refiners.

Poland's PKN Orlen said it will decide whether to sell additional part of its oil reserves at the turn of the second quarter and third quarter.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending May 12th built by 884,000 barrels to 23.786 million barrels. It also reported that light distillate stocks fell by 762,000 barrels to 10,913 million barrels while middle distillate stocks fell by 1.472 million barrels to 12.534 million barrels on the week.

Oil consumption by Tokyo Electric Power Co fell in April as the utility relied more on nuclear energy to meet its power generation needs. TEPCO said its crude oil consumption fell by 36.3% to 58,000 kiloliters and fuel oil burn fell by 78.2% to 85,000 kiloliters in April.

Italy's Unione Petrolifera said Italy's demand for refined oil products in April fell by 1.8% on the year to 6.03 million tons. Petrol demand fell by 6.9% to 850,000 tons last month while diesel demand for road vehicles increased by 0.5% to 2.13 million tons. Total oil products demand fell by 4.7% to 23.41 million tons in the first four months of the year.

Production News

A consortium led by Cnooc Ltd will sign a final deal with Iraq to develop the 2.5 billion barrel Missan oil field complex in southern Iraq. Cnooc set a production plateau target for the oil fields at 450,000 bpd to be reached in six years and accepted the ministry's remuneration fee of \$2.30/barrel. The fields are currently producing about 100,000 bpd.

Canada's Penn West Energy Trust said it agreed with a unit of China Investment Corporation to form a joint venture to develop the trust's bitumen assets at the Peace River area of northern Alberta. The assets include about 237,000 net acres of oil-sands leases containing significant bitumen resources and current production of about 2,700 bpd of oil equivalent of bitumen and associated gas.

Singapore's JTC Corp said it will likely call for a building tender early next year for two floating oil and petrochemicals storage units. It said two very large floating storage units, each with a capacity of

300,000 cubic meters, will be built at Pulau Sebarok, an island south of Singapore, to store all grades of oil products and petrochemicals. The floating storage project follows the construction of underground oil caverns as JTC seeks way to maximize space in land constrained Singapore. JTC's Jurong Rock Cavern project will add close to 3 million cubic meters of storage for liquid hydrocarbons such as crude oil, condensates and diesel fuel.

Market Commentary

The oil market continued to trade lower and sold off little more than \$2 as it posted a low of \$73.62 early in the session. It traded to its lowest level since mid-February. The market remained pressured amid the builds in oil inventory levels in Cushing, Oklahoma. Market activity seemed to have been dominated by spread trading between the June-July contracts, which widened out to as much as -\$4.96 during the session. The market however bounced off its low and rallied to a high of \$76.38 before it once again gave up its gains ahead of the close. It settled down \$1.25 at \$74.40. With inventories continuing to build, the June-July spread is seen trading at a further discount. The spread is seen trending towards -\$5 followed by -\$8, where the front spread traded in early 2009. The June contract is seen finding support at \$72.70, \$72.08, \$70.75 followed by \$69.40. Resistance is seen at \$75.10, \$76.38, \$77.00, \$78.51 and \$80.39. Meanwhile, the product markets also ended the session in negative territory, with the heating oil market settling down 2.72 cents at \$2.1319 and the RBOB market settling down 1.53 cents at \$2.1951. The heating oil market posted a high of \$2.1750 in overnight trading and sold off to \$2.1358 early in the session. The market retraced some of its losses before further selling pressured the market to \$2.1305 ahead of the close. The market continued to trade lower in late afternoon trading and posted a low of \$2.1269. The heating oil market is seen finding support at \$2.1269, \$2.10, \$2.0851 and \$2.0568 while resistance is seen at \$2.1415, \$2.1627, \$2.175 and \$2.1920. The RBOB market posted an inside trading day as it failed to test Wednesday's trading range. The market posted a high of \$2.2190 and sold off to a low of \$2.1828 late in the session. The RBOB market is seen finding support at \$2.1828, \$2.1520, \$2.1341, \$2.1021 and \$2.0954 while resistance is seen at \$2.2050, \$2.21, \$2.2190, \$2.2345 and \$2.3240.

Crude oil June 10 214,648 -46,564 July 10 338,106 +37,995 Aug 10 104,243 +1,441 Totals 1,469,845 -389 Heating oil June 10 68,875 -2,501 July 10 56,910 +2,158 Aug 10 31,660 +597 Totals 320,304 +3,469 Gasoline June 10 67,962 -5,577 July 10 70,010 +3,199 Aug 10 34,292 +243 Totals 280,763 -1,665.

Crude Support	Crude Resistance
73.62, 72.70, 71.31, 70.75, 69.40, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	75.10, 76.38, 77.00, 78.51, 78.81, 79.15, 79.75, 80.38, 81.65, 82.80, 87.85, 88.80, 89.10, 89.88
Heat Support	Heat resistance
2.1269, 2.10, 2.0851, 2.0568, 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.1415, 2.1627, 2.1750, 2.1920, 2.3575, 2.4200, 2.4940
Gasoline support	Gasoline resistance
2.1828, 2.1520, 2.1341, 2.1021, 2.0954, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650	2.2050, 2.21, 2.2190, 2.2345, 2.3240, 2.4270, 2.4850, 2.5040, 2.5115, 2.7080

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