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ENERGY MARKET REPORT FOR MAY 14, 2010

US Secretary of State Hillary Clinton said that Iran still refuses to discuss its nuclear program with the international community and is unlikely to do so until the UN imposes new sanctions on the country.

Russia's President Dmitry Medvedev said that Brazilian President Luiz Inacio Lula da Silva's trip to Iran next week may be the last chance for Iran to engage in dialogue before sanctions are imposed.

BP Plc is preparing an attempt to siphon crude from a leaking well in the Gulf of Mexico up to a tanker on the surface. Remote controlled

submarines were set to perform the operation to insert a narrow six-inch diameter tube into the main leak in a 21 inch thick riser pipe 5,000 feet below the surface. It expects to have it in place within the next 24 hours. This could contain most of the leaking oil and allow BP to focus on cleaning the oil spill. BP said it does not plan to deploy the top hat containment device over the leak. Earlier the US

Market Watch

The US Commerce Department said US business inventories increased in March as sales rose. Inventories increased by 0.4% on the month to a seasonally adjusted \$1.327 trillion. Sales increased by 2.3% to \$1.069 trillion, the largest gain since November as demand increased for cars. February inventories rose an unrevised 0.5% and sales increased 0.6%, adjusted from a previously reported 0.3% gain. The inventory to sales ratio in March was 1.24, below February's 1.27 and March 2009's 1.46. The Commerce Department also reported that retail sales in April increased by 0.4% following a 2.1% increase in March. One year inflation expectations increased to 3.1% compared with 2.9%. The five year inflation reading increased to 2.9% from 2.7%.

The Federal Reserve said US manufacturing output increased slightly in April, its second consecutive rise. Widespread growth in durable goods gave manufacturing output a 1% increase. It reported that overall industrial production in April increased by 0.8%. Capacity utilization increased to 73.7%, the highest since November 2008 from a revised 73.1% in March.

The Thomson Reuters/University of Michigan's Surveys of Consumers report showed that US consumer sentiment increased in May. The preliminary May reading on the overall index on consumer sentiment was 73.3, up from April's 72.2. The one-year inflation expectation index increased to 3.1% in May, the highest since June 2009 from 2.9% in April while the 5-10 year inflation measure increased to 2.9% from 2.7%. The surveys' gauge of current economic conditions increased to 81.1 at the beginning of May from 81 in April. The barometer of consumer expectations also increased in May to 68.3 compared to 66.5 in April.

The chairman of India's Reliance Industries said crude oil prices can increase to more than \$100/barrel due to sluggish refinery growth and high costs of new discoveries and production.

Nigeria's Junior Finance Minister Remi Babalola said its windfall oil savings in its excess crude account stood at about \$4.4 billion at the end of April, up \$300 million from the previous month.

**May
Calendar Averages**
CL – \$77.60
HO – \$2.1594
RB – \$2.2163

Coast Guard reported that BP was expected on Friday to deploy its “top hat” device to contain the large oil leak in the Gulf of Mexico. The top hat is not intended to completely capture all the oil leaking out but it should substantially reduce it if it’s successful.

Meanwhile, US President Barack Obama said he shared the anger felt by Gulf Coast residents over the BP oil spill and promised to use every resource to stop the leak.

Refinery News

Valero Energy Corp said it expects a 20,000 bpd coker unit and associated compressor at its 315,000 bpd Corpus Christi, Texas refinery to resume operations at the start of next week. The unit was shut after a small flange fire on Monday.

Sunoco Inc said its upstate New York ethanol plant should be operational by July 1st after the completion of nearly six months of repairs needed to make the facility operational. It said the retrofit of the 100 million gallon/year plant should be nearly complete by the end of June but will take several months before the facility can run at full capacity. The facility could eventually meet 25% of the company’s ethanol needs.

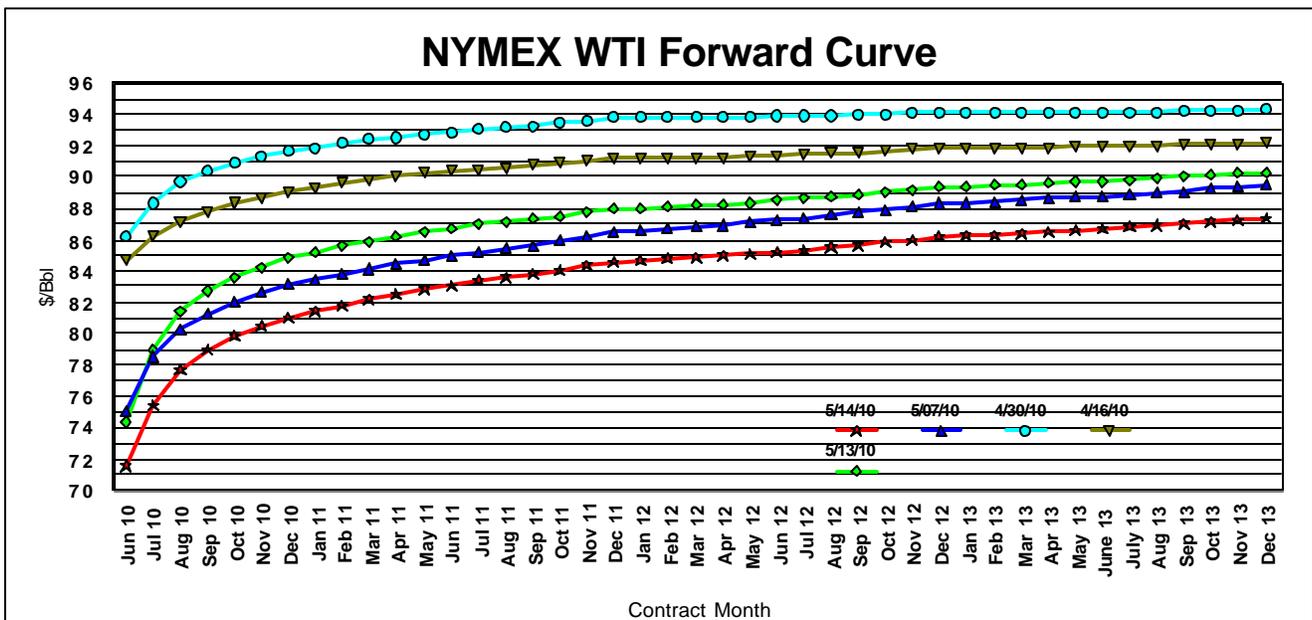
China’s end-April oil product stocks fell by 7-8% on the month due to a rise in fuel demand. Diesel inventories fell more than gasoline stocks in April due to demand for spring planting. The China Petroleum & Chemical Industry Association said domestic oil product sales in April increased by 16.8% on the year to 20.25 million metric tons. Gasoline sales in April increased by 10.3% on the year to 5.78 million tons while diesel sales increased by 18.1% to 13.41 million tons.

Sri Lanka’s Ceylon Petroleum Corp has purchased 630,000 barrels of oil products for June via two spot tenders.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas increased by 14 to 1,506 in the week ending May 14th. It reported that the number of rigs searching for oil increased by 16 to 544.

Italy’s ENI has lifted a force majeure on Brass River crude exports in Nigeria. It declared a force



majeure starting April 25th following a cut in output of 60,000 bpd. ENI said its share of daily output affected was 12,000 bpd of oil equivalent.

Nigeria is due to export 1.95 million bpd of crude oil in June, down from the previously planned 2.16 million bpd due to disruptions to output.

Russia's Russneft said its oil production amounted to 3.01 million metric tons in January-March. In 2009, the company produced 12.69 million tons of oil. As of January 1st, the company's proved reserves of oil amounted to 1.055 billion barrels.

Brazil's National Petroleum Agency, ANP, said a second well controlled by the agency in the pre-salt region on the Atlantic shelf may contain major additional oil reserves. Earlier this week, the ANP announced that its first well in the region, called the Franco prospect, contained recoverable reserves of 4.5 billion barrels. It also announced that it will drill two more wells in the pre-salt region. The oil obtained from the ANP wells will be used in a complex capitalization plan for Petrobras SA. Under the plan, Petrobras will receive the rights to explore and produce 5 billion barrels of crude oil in pre-salt regions as part of a government infusion of capital into the company.

Royal Dutch Shell Plc will likely bid for the oil and gas exploration rights in Colombia to be awarded in July. It said there is a good environment in Colombia for the company to seek and extract oil or gas because of the economic stability, transparency with contracts and benefits for the oil industry. Separately, BP Plc said it may bid for additional reserves in Colombia. BP's President of Colombian exploration, said the country is studying fields that are scheduled to be auctioned this year.

OPEC's news agency reported that OPEC's basket of crudes increased by 14 cents to \$78.43/barrel on Thursday from \$78.29/barrel on Wednesday.

Market Commentary

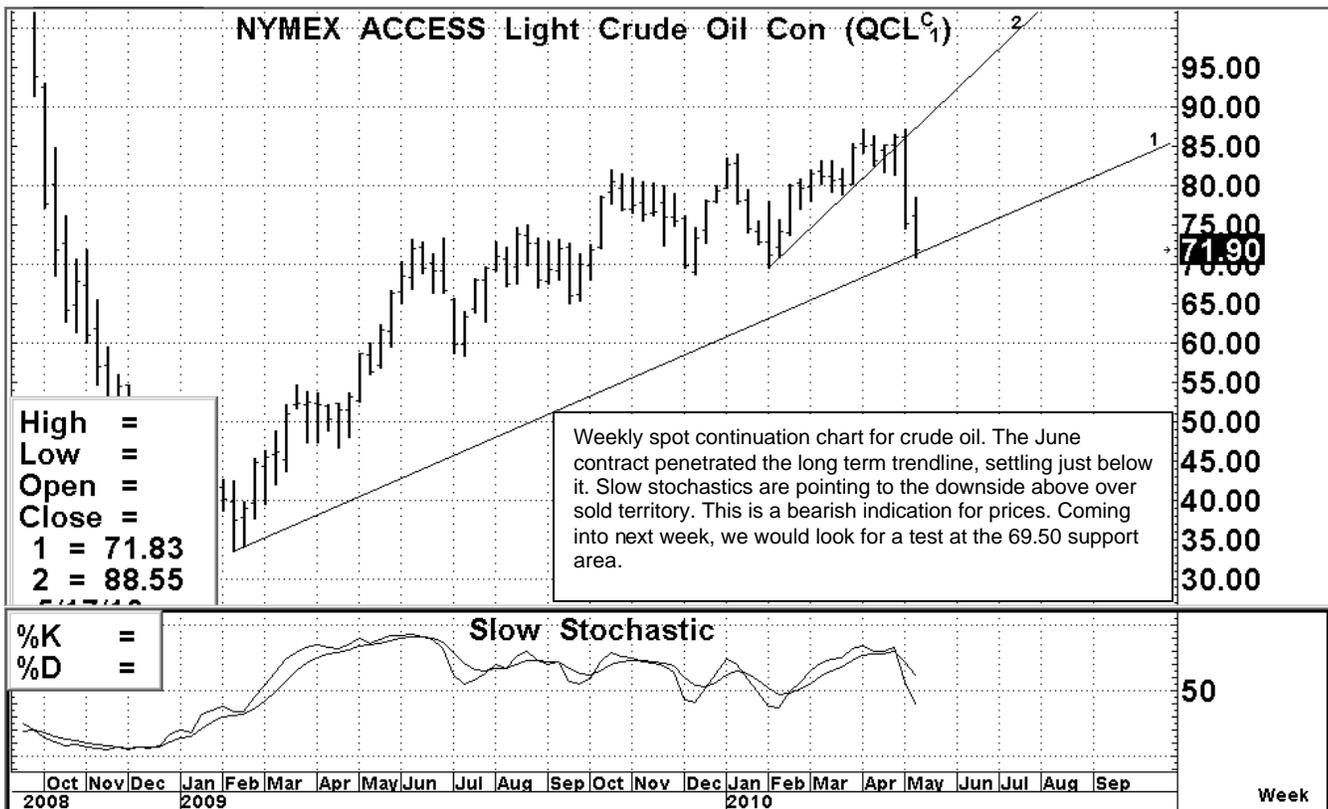
Prices tumbled across the board today in reaction to concerns that European sovereign debt will hamper a global economic recovery, hindering demand growth. Crude oil settled 3.8 percent lower, after falling to its lowest level in three months. Deferred contracts for crude oil traded at a deeper discount than the June contract as concerns that demand going forward would not surface. Ever increasing inventories will continue to weigh on prices, especially with stock levels in Cushing, OK reaching record highs. With hopes of increasing demand diminishing from this market, we would look for continued pressure on prices and for the front to middle part of the curve to go deeper into contango. Despite coming under pressure, gasoline did not trade below last week's low. We believe that this is more of a function of the pending U.S. summer driving season, which begins with the Memorial Day weekend at the end of May. Should demand not increase, prices will surely trade below this line. There is major support at the 1.6010 level and we may see prices make an attempt at that level.

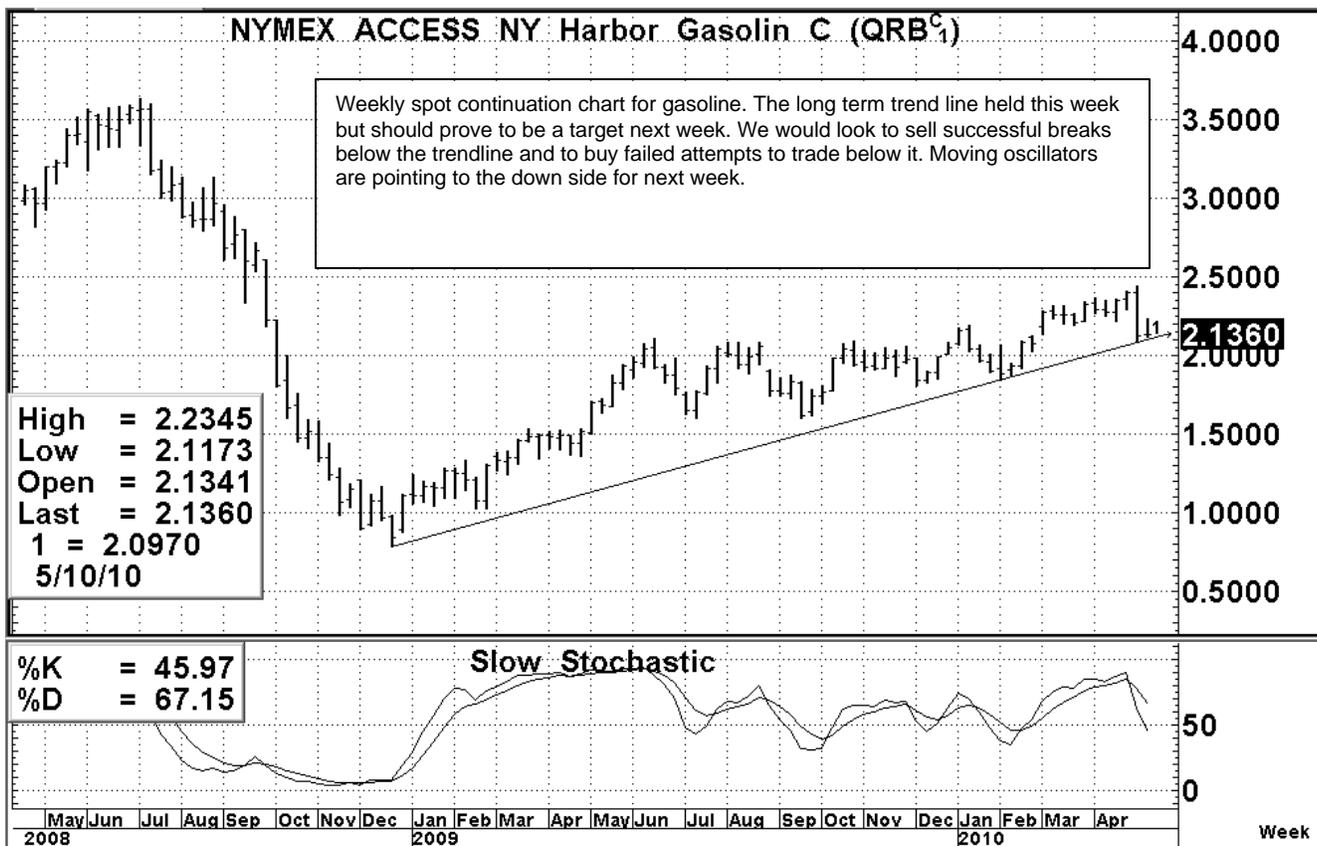
The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 16,975 contracts to 92,895 contracts in the week ending May 11th. The combined futures and options report showed that non-commercials in the crude market cut their net long position by 20,664 contracts to 170,027 contracts on the week. Given the market's move during the past few sessions, the funds have likely continued to cut their net long position. The disaggregated futures and option report showed that producers/merchants increased their net short position by 16,690 to 216,418 contracts while swap dealers switched from a net short position of 13,644 contracts to a net long position of 15,130 contracts. Managed money funds cut their net long position by 28,149 contracts to 130,856 contracts while other reportables increased their net long position by 7,485 contracts to 39,172 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market cut their net long position by 13,361 contracts

to 21,344 contracts and non-commercials in the RBOB market cut their net long position by 27,930 contracts to 52,937 contracts on the week.

Crude oil June 10 185,618 -29 030 July 10 374,665 +36,559 Aug 10 103,243 -1,000 Totals 1,482,103 +12,258 Heating oil June10 62,515 -6,360 July 10 61,387 +4,477 Aug 10 32,695 +1,035 Totals 320, 756. Gasoline June10 60,300 -7,662 July 10 74,434 +4,424 Aug 10 36,746 +2,454 Totals 278, 693 -2,070

Crude Support 70.70, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	Crude Resistance 76.71, 78.81, 79.15, 79.75, 80.38, 81.65, 82.80, 87.85, 88.80, 89.10, 89.88
Heat Support 2.0528, 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	Heat resistance 2.1760, 2.1920, 2.3575, 2.4200, 2.4940
Gasoline support 2.0954, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.6010	Gasoline resistance 2.2345, 2.3240, 2.4270, 2.4850, 2.5040, 2.5115, 2.7080





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