



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 14, 2011

The EIA reported that the US average retail price of diesel fell by 4.3 cents to \$4.061/gallon in the week ending May 16th. The price of diesel is up 96.7 cents or 31.3% on the year. It also reported that the US average retail price of gasoline fell by 0.5 cents to \$3.95/gallon on the week. The price of gasoline fell for the first time in eight weeks.

Iran's OPEC
Governor Mohammad Ali
Khatibi denied

naming anyone to take over the Iranian presidency of OPEC. He was responding to a report earlier that his country's energy minister would be eligible to take over temporarily as president of OPEC after the government on Saturday dismissed the oil minister. Meanwhile, Iran's President Mahmoud Ahmadinejad said he may become president of OPEC.

Pakistan's al Qaeda linked Taliban said they killed a Saudi Arabian diplomat in the Pakistani city of Kirachi.

May Calendar Averages
CL – \$102.86
HO – \$2.9918
RB – \$3.1851

Refinery News

According to Credit Suisse, US refinery margins increased by about 6% on average in the week ending May 13th, due to a decline in crude prices. Refinery margins in the Northeast increased by 33 cents to \$11.54/barrel on the week while margins in the Midwest increased by \$2.23 to \$36.72/barrel

Market Watch

The National Association of Home Builders said US homebuilder's sentiment was unchanged at low levels in May as ongoing foreclosures and tight credit kept buyers reluctant to get into the market. The NAHB/Wells Fargo Housing Market Index held at 16.

The New York Federal Reserve said a gauge of manufacturing in New York State fell much more than expected in May to its lowest level in five months. The New York Fed's Empire State general business conditions index fell to 11.88 from 21.7 in April. It was the lowest level since December 2010 and well below economists' expectations of 19.85. The pace of new orders showed to 17.19 from 22.34. The prices paid index increased to 69.89 from 58.69, the highest level since July 2008.

Hedge funds and speculators cut their bullish bets on commodity markets by \$17 billion in the week ending Tuesday. According to the CFTC, managed money funds cut their overall net long holdings in 22 US futures markets by over 222,000 contracts or 13% in the five days ending May 10th. The value of total fund holdings fell to \$116.8 billion, less than a third of the total amount of investor capital estimated to be allocated to commodity markets worldwide.

Trafigura said China's monetary policy tightening moves should pave the way for sustained commodity demand in the country of most base metals. Strong global economic growth should ensure strong demand for commodities despite high prices.

India's deputy chairman of the Planning Commission said it is time to correct the country's fiscal deficit on the subsidy oriented side. He added that India could only grow rapidly if it aligned energy prices to global prices. India's state run oil refineries raised petrol prices by about 8.6% or 5 rupees a liter starting Sunday.

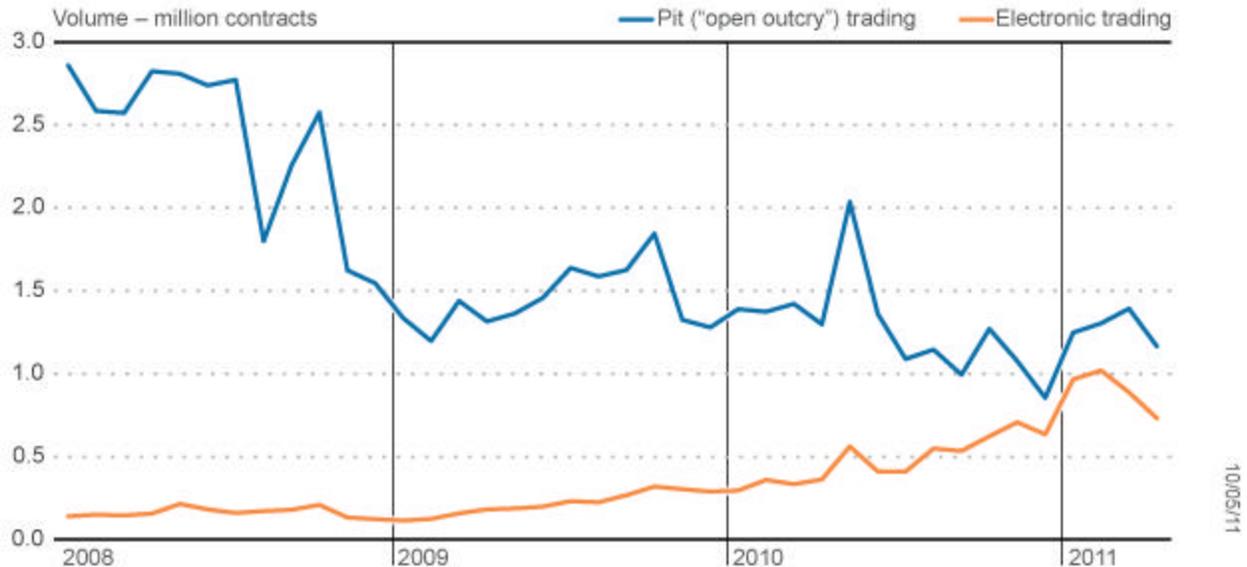
and margins in the Gulf Coast increased by \$4.66 to \$32.91/barrel on the week. Margins in the Rockies region increased by \$4.11 to \$39.46/barrel while margins in the West Coast fell by \$1.79 to \$16.88/barrel on the week.

A portion Plains All American Pipeline's 187,000 bpd Rainbow pipeline that remained open following an oil spill in northern Alberta was shut on Sunday due to a threat of forest fires. Also clean up operations at the site of last month's 28,000 barrel spill was suspended due to a fire risk. Meanwhile, Cenovus Energy Inc said it has enough storage at its 22,000 bpd of its Pelican Lake heavy oil field to continue producing until tomorrow afternoon amid the closure of the Rainbow pipeline.

The opening of the Morganza Spillway on Saturday to relieve flooding along the Mississippi River could create logistical problems for Gulf Coast refiners but would likely spare most of the area's refining capacity from flooding. The spillway's opening brings relief to the eight large refineries that

NYMEX U.S. crude options

Electronic trading grows market share.



Source: CME Group



are located along the Mississippi River between Baton Rouge and Meraux, Louisiana.

Alon USA Energy said its 80,000 bpd Krotz Springs, Louisiana refinery should be safe from flood waters because of new levees built in the past few days to protect the plant.

Shell Oil Co said a depressure plan in a light oil processing unit caused emissions at its 156,400 bpd refinery in Martinez, California.

Japan's Idemitsu Kosan Co expects its crude throughput in the April-June period for the domestic market to fall 13% on the year to 5.6 million kiloliters or 387,000 bpd. The planned decline in crude processing volume is mainly due to a regular maintenance shutdown of Idemitsu's 220,000 bpd Chiba refinery.

Colombia's Ecopetrol said it would begin work on the modernization project to its main refinery in Barrancabermeja. It said construction would be completed in 2016 and said the improvements would

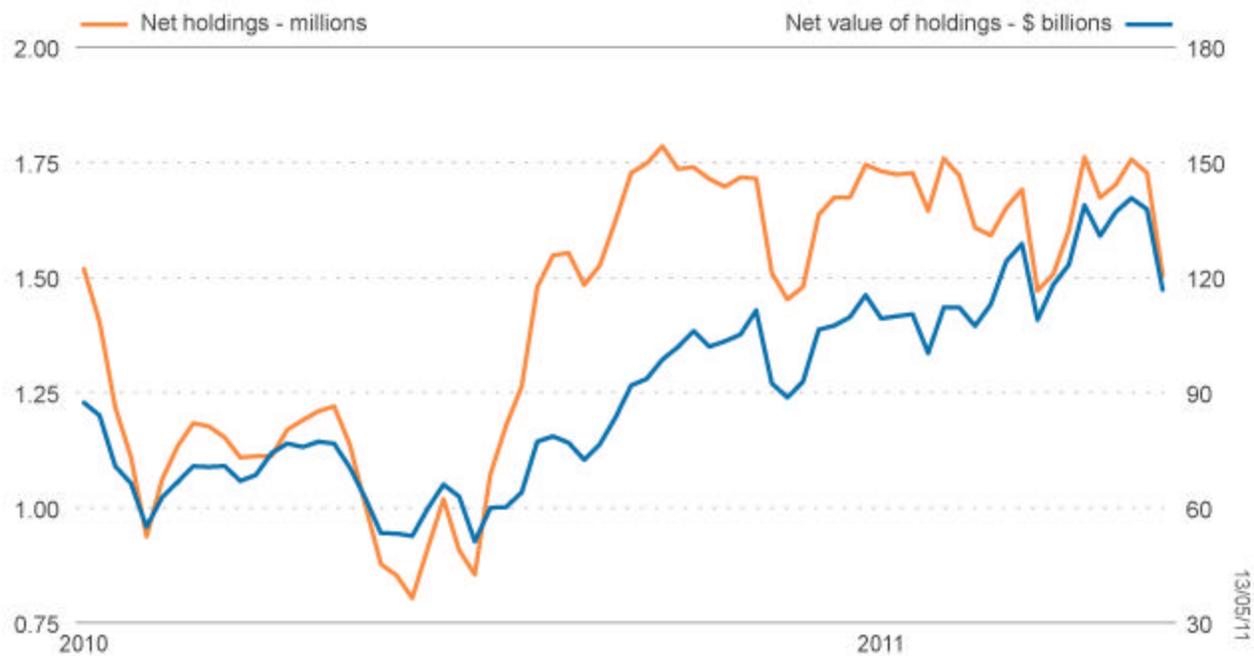
improve profitability and eliminate the need for Colombia to import any fuel. The project would enable the country's largest refinery to increase the conversion factor from 76% to 95%.

Preliminary sales data showed that growth in India's diesel consumption fell to an annual 1.7% in April, its lowest increase since September. Overall oil product sales increased by 3.9% to 12 million tons. Consumption of petrol increased by an annual 7.5% in April however demand for the fuel is expected to fall in May following an increase in gasoline prices. India consumed 5.46 million tons of diesel and 1.2 million tons of petrol in April. Consumption of liquefied natural gas in April increased an annual 13.4% to 726,000 tons.

Production News

Trade sources said North Sea oil output from nine grades in May and June would remain below April's level partly due to reduced production from the Forties stream. Production in May is expected to average 1.63 million bpd, less than earlier expected and 1.83 million bpd in June. Another cargo of Forties crude due to load in June has been dropped due to production problems.

Net managed money in commodities



Source: Reuters calculations based on CFTC data

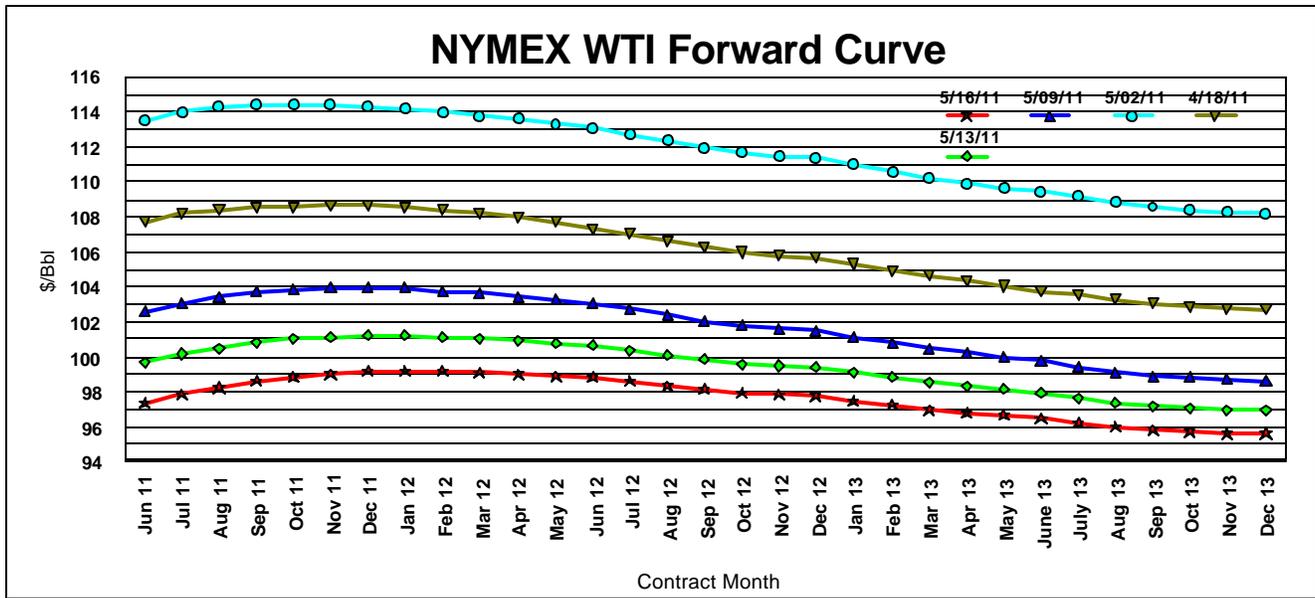


The Petroleum Safety Authority Norway said production at Marathon's Alvheim oil and gas field off Norway is shut. It was not immediately clear whether the shutdown was due to planned maintenance. The Alvheim oil and gas field produced an estimated 73,000 bpd of oil and 470 million standard cubic meters of gas in 2010.

Royal Dutch Shell Plc denied reports that its northern Alberta oil sands mining operations had been evacuated due to a wildlife threat. It said operations at Shell Albian Sands were not affected by the forest fires.

Penn West Petroleum Ltd shut in 35,000 bpd to 40,000 bpd of oil production due to Alberta wildfires.

Angola is scheduled to export 1.64 million bpd of crude in July, up from 1.4 million bpd in June.



Brazil's Petrobras drilled eight wells in pre-salt oil prospects as the company increases its exploration efforts to develop the massive ultra deep water oil fields. Petrobras also stated that it would restart an extended well test at the Guara prospect soon.

Iraqi parliament's energy committee chief Adnan al-Janabi said Iraq's gas field auction set for January must be delayed until a new energy law is passed and companies signing new contracts with Iraq do so at their peril. The 4th bidding round for 12 new exploration blocks, scheduled for January 25-26, is expected to add 29 trillion cubic feet of gas and 10 billion barrels of oil to Iraqi reserves.

Russia's Finance Ministry reported that the country's oil export duty in June is expected to increase by 1.9% to \$462.10/ton from the current level of \$453.70/ton in May. The duty on light refined fuels, such as gasoline, is expected to increase to \$309.60/ton compared with \$304/ton in May while the duty on heavy fuels is expected to increase to \$215.80/ton, up from \$211.80/ton in May.

OPEC's news agency reported that OPEC's basket of crudes rebounded to \$108.93/barrel from \$107.19/barrel on Thursday.

According to data from Cepea/Esalq, ethanol prices in Brazil fell last week as harvesting of the new crop advanced and mills favored production of the fuel over sugar. A recent decline in sugar prices should also contribute to a downward trend in ethanol prices, as mills could be induced to direct more cane than planned to produce the fuel rather than sugar in search of higher returns. Anhydrous ethanol traded last week at 1.42 reais or \$0.87/liter, not including freight costs or taxes, down 25% from the previous week and down 48% from a record of 2.73 reais about a month ago.

Market Commentary

The oil complex ended in negative territory, dragged lower by the weakness in the RBOB market. The RBOB market sold off as the opening of the Morganza Spillway on Saturday eased fears that refineries in Louisiana would have to shut down due to flooding along the Mississippi River. The RBOB market posted a high of \$3.081 in overnight trading before it erased its slight gains and extended its losses to over 15 cents as it posted a low of \$2.9183. It settled down 14.33 cents at \$2.9311. The crude market, which was pressured by the sharp losses in the RBOB market, sold off to a low of \$96.89 late in the session. It settled down \$2.28 at \$97.37. The oil market will trade lower as it continues to give up last week's premium caused by the concern over refinery outages. The crude

market is seen finding support at \$96.83, \$95.25 and \$94.63. Resistance is seen at \$98.50, its high of \$99.65 followed by more distant resistance at \$100.70 and \$104.60.

Crude oil: June 11 191,189 -16,956 July 11 363,444 +7,228 Aug 11 90,516 -3,213 Totals 1,650,960 -12,535 Heating oil: June 11 72,768 -2,912 July 11 70,810 +2,795 Aug 11 33,264 +484 Totals 312,140 +938 Rbob: June11 59,694 -3,630 July 67,786 +2,383 Aug 11 26,201 -1,208 Totals 280,015 -2,299.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9690	9820	28563	29000	29183	29620
9525	9965	28479	29160	28256	30130
9463	10070	27695	29396	27745	30530
9284	10460	27375	29598	26300	30810
9284	10938	23685	30224	25683	31388
8700	11122	22960	31700	25145	31725
8625	11322			24240	33590
8500	11483			23631	
8385				23414	

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