



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 18, 2010

Saudi Arabia's Finance Minister Ibrahim Alassaf said he did not think oil prices would fall below \$62/barrel.

The head of Libya's National Oil Co, Shokri Ghanem said OPEC members will watch the market before deciding on any action following the drop in oil prices. He said the decline in prices was partially due to members' failure to fully comply with their output quotas. He also said there are several reasons, including the strengthening of the dollar, demand for oil in the second quarter

and speculation on other commodities. Meanwhile, Angola's Oil Minister, Jose Botelho de Vaconcelos said OPEC would need to hold an extraordinary meeting if oil prices fell sharply again.

Market Watch

The US Labor Department said US wholesale prices fell in April as energy prices dropped. It reported that the Producer Price Index for finished goods fell by a seasonally adjusted 0.1% in April from March. The index increased an unrevised 0.7% in March. It said the core PPI increased by 0.2% in April following a 0.1% rise in March. The PPI increased by 5.5% in the 12 months ending April while the core PPI increased by 1% on the year. On a monthly basis, energy prices fell by 0.8% in April following a 0.7% rise in March. The gasoline index led the decline last month, falling by 2.7%.

The Commerce Department reported that housing starts increased by 5.8% to a seasonally adjusted 672,000 annual rate compared to the prior month. March starts, originally seen up 1.6%, were revised to an increase of 5%. Year over year, overall housing starts in the US last month were 40.9% higher than the pace of construction in April 2009. The April report showed that building permits fell by 11.5% to a 606,000 annual rate.

More than 80 independent oil and gas producers in Kansas, Oklahoma and Texas have sued units of Goldman Sachs Group Inc and BP Plc, alleging they conspired with SemGroup LP to defraud the plaintiffs of money owed for oil and gas delivered prior to it's the energy trader's 2008 bankruptcy. According to law firm McKool Smith, the producers are owed millions of dollars for oil and gas the defendants took from SemGroup as margin calls were driving that company toward bankruptcy.

Russia's Finance Ministry said Russia may start apply export duties on oil produced in East Siberia as early as July. Russia's Finance Minister Alexei Kudrin has been pressing hard to impose duties on East Siberian oil, arguing that the budget is annually losing about 150 billion roubles or \$4.91 billion on tax breaks.

API Stocks

Crude – down 794,000 barrels
Distillate – down 331,000 barrels
Gasoline – up 981,000 barrels
Refinery runs – up 1%, at 85.9%

Turkey's Foreign Minister Ahmet Davutoglu called on Western powers not to weaken the chances of a nuclear fuel swap deal with Iran with talk of new sanctions. He argued there was no need to doubt the deal, touting the agreement as a basis to overcome the standoff over Iran's nuclear program which the West suspects is a cover for a nuclear arms drive.

BP said a tube inserted into a ruptured oil pipe is siphoning about 40% or 2,000 bpd of the crude leaking into the Gulf of Mexico, about twice as much as it did on Monday. BP said the captured oil is being stored on a container vessel while produced gas is being flared. It said operations to skim oil from the surface of the water in the Gulf of Mexico has now recovered 158,000 barrels of oil liquid. It also stated that the cost of the response date is about \$625 million. At least 99,000 barrels or 3.9 million gallons have leaked into the Gulf since the explosion.

<p style="text-align: center;">May Calendar Averages CL – \$76.29 HO – \$2.1284 RB – \$2.1875</p>
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Separately, US Interior Secretary Ken Salazar told a Senate committee that BP's Atlantis oil production platform in the Gulf of Mexico was being investigated. It was not clear if his comments referred to a government investigation of a lawsuit in federal court filed by a consumer group over safety issues related to the Atlantis platform.

According to MasterCard's SpendingPulse report, US retail gasoline demand increased by 0.8% to 9.421 million bpd in the week ending May 14th. Year on year, US gasoline demand increased by 1.3%. The US average retail price of gasoline fell by 3 cents to \$2.88/gallon.

Refinery News

Valero Energy Corp said a 20,000 bpd coker unit at its 315,000 bpd Corpus Christi, Texas refinery resumed planned rates following repairs from a flange fire. The coker unit was restarted over the weekend following an emergency shutdown due to a small flange fire last Monday.

Total SA reported intermittent flaring caused by emissions of sulfur dioxide at its 232,000 bpd Port Arthur, Texas refinery.

LyondellBasell said it was assessing damage to a fire hit crude distillation unit at its 268,000 bpd Houston, Texas refinery to determine repairs needed before a restart date is set. It said maintenance work on a second crude unit was expected to be completed on Tuesday. The unit was due back by the end of the week.

A fluid catalytic cracking unit at Shell's 340,000 bpd refinery in Deer Park, Texas was shut following a fire on Monday.

ExxonMobil Corp restarted an alkylation unit at its 150,000 bpd refinery in Torrance, California. The unit was shut as part of a multiunit overhaul started in early March.

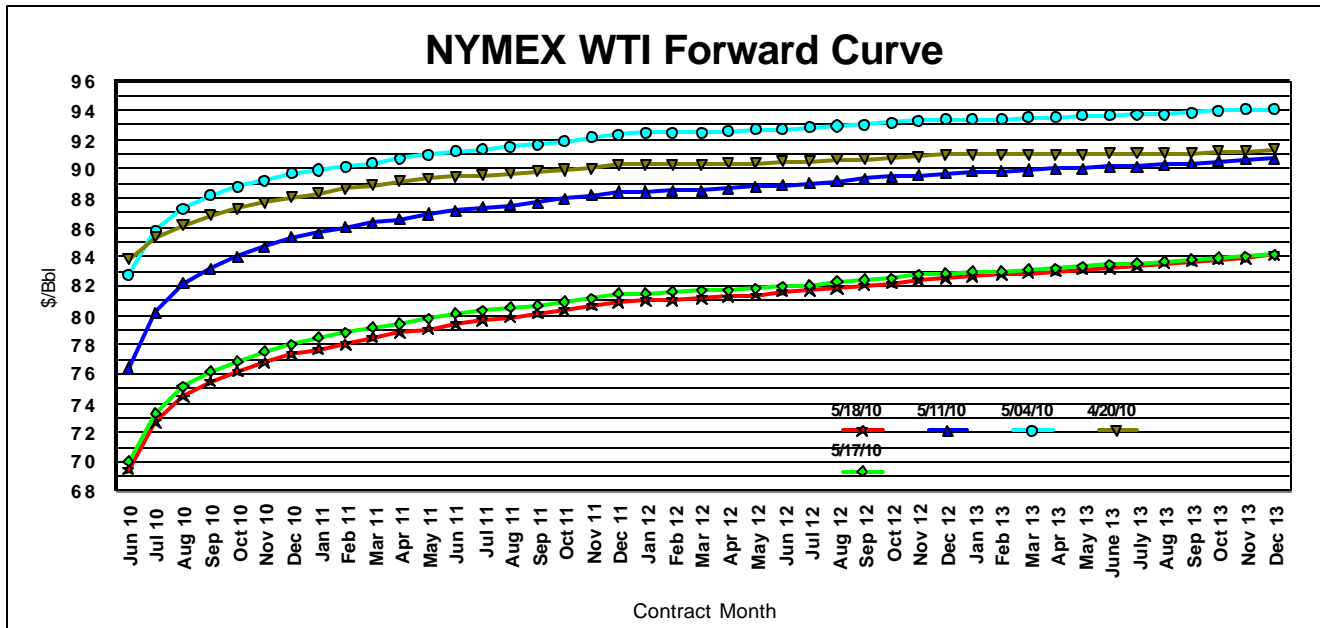
Flint Hills Resources reported a leak on a lead line at its Port Arthur, Texas refinery. The line cannot be taken out of service without shutting down the light olefins unit.

Hess Corp said it completed planned maintenance on a fluid catalytic cracking unit at its 70,000 bpd refinery in Port Reading, New Jersey. It is preparing to resume operations later this week.

Production News

Iraq's Oil Ministry said the country's oil exports in April fell by 4.3% to 1.76 million bpd, compared with 1.84 million bpd in March due to bad weather at the southern oil terminal and sabotage at the northern oil export pipeline. Iraq exported an average of 1.42 million bpd from the southern oil terminal and about 343,000 bpd from the Turkish port of Ceyhan.

The Iraqi federal government approved a plan to resume oil exports from oil fields in the semi-autonomous region of Kurdistan in northern Iraq. The exports will be handled by the State Oil



Marketing Organization. A cabinet spokesman said the cabinet has instructed federal finance ministry to issue a letter addressed to the Kurdistan Regional Government guaranteeing payment of costs incurred by international oil companies, which developed the region's fields.

The head of Iran's Offshore Oil Co, Mahmoud Zirakchian-Zadeh said Iran's offshore oil and gas fields will increase production by 20% in 2010. Offshore production grew 12% year on year last year.

Angola's crude oil exports are scheduled to fall to an average of 1.7 million bpd in July from a revised 1.79 million bpd for June. The program of loadings shows 56 cargoes of crude oil due to load in July, unchanged from June's loading program and down from 59 liftings scheduled for May.

Colombia's oil production increased by 19.5% to 776,000 bpd in April compared with 649,000 bpd last year.

Australia's Woodside Petroleum Ltd will not offer any Cossack crude cargoes for July loading due to scheduled oilfield maintenance. The company, which usually exports two 550,000 barrel lots of the light sweet crude each month from the Cossack-Pioneer oilfield, plans to resume sales in August. It said its output in April in the first quarter fell to 19.2 million barrels of oil equivalent, primarily due to scheduled maintenance at the Stybarrow oil field off western Australia and the sale of the Otway gas assets off Victoria state.

Romania's OMV Petrom SA said investment in its Black Sea production facilities is expected to increase output by over 300,000 barrels of oil equivalent in 2010. The current offshore production stands at around 32,000 bpd of oil equivalent, about 18% of Petrom's production in Romania.

OPEC's news agency reported that OPEC's basket of crudes fell to \$73.25/barrel on Monday from \$75.95/barrel on Friday.

Market Commentary

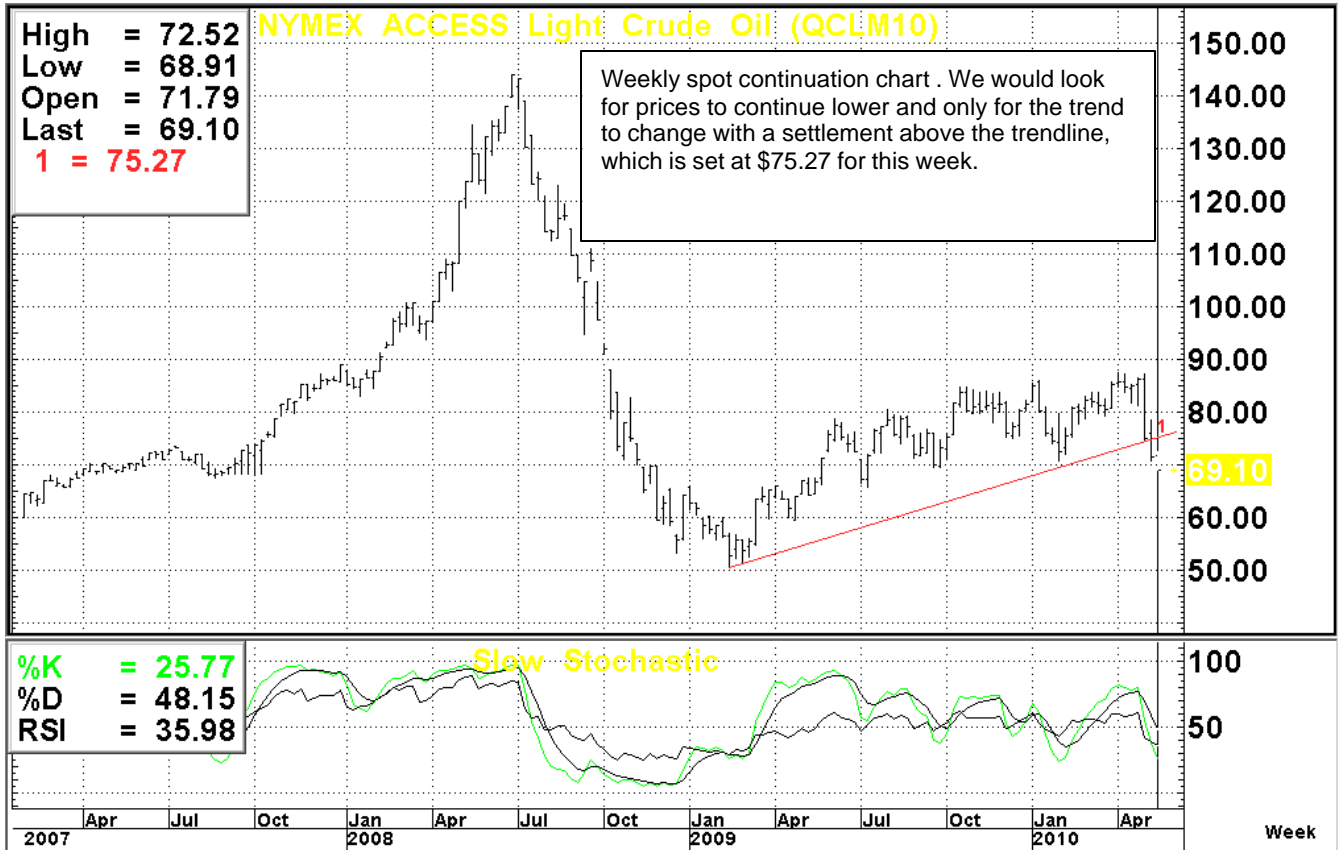
Crude oil failed to hold onto early strength and extended yesterday's losses in a late session sell-off. The June crude oil contract settled below the \$69.50 level, getting its weakness from debt concerns and just ahead of the EIA inventory report, which is forecasted to reflect a 700,000 increase in crude oil stocks. With the June crude oil contract expiring on Thursday, the rolling over of positions took

place, adding to front-end pressure. This market is again trading in a lock-step fashion with the equities market and reflects where the supply and demand situation really is. The June contract traded slightly above our target of \$72.25, failing to hold onto strength. We would continue to look for this market to try and gather momentum to the upside, where we would look to be sellers. We would continue to use the \$72.25 area as a selling opportunity. Currently, there is weekly support set above at the \$75.27 area. Should prices settle above this trendline, a shift in market direction could occur.

The API reported an unexpected draw in crude stocks of 794,000 barrels on the week, with a large draw of 2.153 million barrels reported in Padd 5 alone. The API however reported builds in Cushing stocks once again of 914,000 barrels in the latest week. Crude stocks in Padd 3 also built by 1.799 million barrels on the week. It reported the draw in crude stocks as runs increased by 301,000 bpd to 14.747 million bpd. Crude imports however increased by 2.592 million bpd to 10.98 million bpd on the week. The API also reported an unexpected draw in distillate stocks of 331,000 barrels. Distillate stocks in Padd 1 fell by 954,000 barrels on the week. It reported a draw in stocks as apparent demand increased slightly by 0.4% on the week and by 8.3% on the year to 4.476 million bpd and apparent demand basis its three week moving average increased by 1.2% on the week and by 0.2% on the year to 4.335 million bpd. Distillate stocks also fell as production fell by 19,000 bpd or 0.4% on the week to 4.219 million bpd and imports fell by 23,000 bpd or 9.9% to 210,000 bpd. Gasoline stocks unexpectedly built by 981,000 barrels on the week, with a build of 1.982 million bpd. Gasoline stocks built as apparent demand fell by 2.9% on the week and by 10.4% on the year to 9.116 million bpd while apparent demand basis its three week moving average fell by 0.3% on the week and by 6.9% on the year to 9.131 million bpd. Gasoline production increased by 122,000 bpd or 1.4% on the week to 9.135 million bpd.

Crude oil June 10 138,574 -19,599 July 10 394,192 +14,308 Aug 10 112,619 +2,590 Totals 1,472,247 +1,320 Heating oil June10 53,411 -2,862 July 10 63,783 +1,234 Aug 10 34,114 +683 Totals 319,595 +1,255. Gasoline June10 52,726 -4,642 July 10 73,977 -3,179 Aug 10 37,355 +701 Totals 297,469 -9,966.

Crude Support	Crude Resistance
65.55, 64.20, 63.38, 62.70, 61.61, 60.95,	69.50, 72.25, 76.71, 78.81, 79.15, 79.75, 80.38, 81.65, 82.80,87.85, 88.80, 89.10,
Heat Support	Heat resistance
1.9480, 1.8570, 1.8280, 1.7670, 1.7565	2.1760, 2.1920, 2.3575, 2.4200, 2.4940,
Gasoline support	Gasoline resistance
2.0190 1.9970, 1.9862, 1.8650, 1.6010	2.2345, 2.3240, 2.4270, 2.4850, 2.5040, 2.5115, 270.80



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