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ENERGY MARKET REPORT FOR MAY 24, 2010

The chairman of Libya's National Oil Corp, Shokri Ghanem said OPEC is concerned about the fall in oil prices.

The chief economist at the IEA, Fatih Birol, said oil prices are reacting to the euro issue. He said the downward move in oil prices is justified amid the lack of any signs of a strong global economic recovery. He said oil prices could fall below \$70/barrel if the world economy deteriorates. However he stated that prices could recover amid new signs of a continued recovery.

A senior economist at the EIA said gasoline prices are expected to fall even as the Memorial Day holiday approaches. Prices for gasoline usually rise during this time of year, as fuel wholesalers stock up while some refineries shutdown equipment for maintenance. According to the AAA, the average retail price of gasoline was \$2.827/gallon on Friday.

Iran formally notified the UN's IAEA of its response to a nuclear fuel swap deal. Iran submitted a

Market Watch

Royal Dutch Shell Plc is storing North Sea Forties crude in floating storage off Southwold, England. A Very Large Crude Carrier, BW Lake, chartered by Shell, is anchored off Southwold after loading Forties in Hound Point, Scotland on May 20-22. Floating storage of Forties crude has been limited since early February partly due to narrow time spreads in crude futures.

Enterprise Products Partners said the company plans to expand its network of crude oil and natural gas pipelines in the Eagle Ford Shale in South Texas. Under a long term transportation agreement with a producer, Enterprise would construct a 140 mile crude oil pipeline from Karnes County to Austin County. The project would provide access to refining markets in the Houston area as well as the major crude oil storage hub in Cushing, Oklahoma.

The National Hurricane Center said a weather system about 500 miles south-southwest of Bermuda has a 30% chance of becoming the Atlantic Hurricane Season's first storm. The system is expected to move north-northwest.

Weather Services International said temperatures in June through August are likely to be cooler than normal in northern Europe while southeast Europe could see a sustained heat wave. Britain, Scandinavia and northernmost parts of mainland Europe are likely to be cool however WSI expects above normal temperatures across the rest of mainline Europe.

Mexico's Finance Minister Ernesto Cordero said Mexico will continue to hedge its oil revenues as it has in recent years.

Spain's Central Bank seized CajaSur, a small savings bank. Spain is one of several high-debt euro zone members believed to be in danger of sliding into a financial crisis similar to Greece.

The head of Hermes Commodities said a slowdown in China's property market casts a shadow on its nearby copper imports. However it said copper prices are still set for new highs in the second half of the year.

The Department of Transportation's Federal Highway Administration said the number of US vehicle miles traveled in March increased by 2.3% on the year to 254.8 billion. It was the highest for the month since 2007.

**May
Calendar Averages**
CL – \$74.60
HO – \$2.0740
RB – \$2.1351

letter to the UN's IAEA outlining a deal, brokered by Brazil and Turkey, on sending some of its uranium abroad in exchange for reactor fuel. The letter signed by Ali Akbar Salehi, head of Iran's Atomic Energy Organization, said Iran sees the offer to send 1,200 kg of its low enriched uranium to Turkey as a breakthrough. Meanwhile, Turkey called on world powers to help see through a nuclear fuel swap deal with Iran. It said the deal should be seen as a confidence building move to improve the psychological atmosphere required for the success of the negotiation process between the permanent members of the Security Council and Germany and Iran in order to reach a diplomatic solution. UN Secretary General Ban Ki-Moon also expressed similar sentiment, stating that the fuel swap could be a confidence building measure if endorsed by the IAEA. He confirmed Iran had formally notified the IAEA on the deal. The IAEA and the Security Council must now review the plan. The UN Secretary General said Iran should show greater transparency about its nuclear program and stressed the importance of Iran's full cooperation with the IAEA and full compliance with relevant Security Council resolutions.

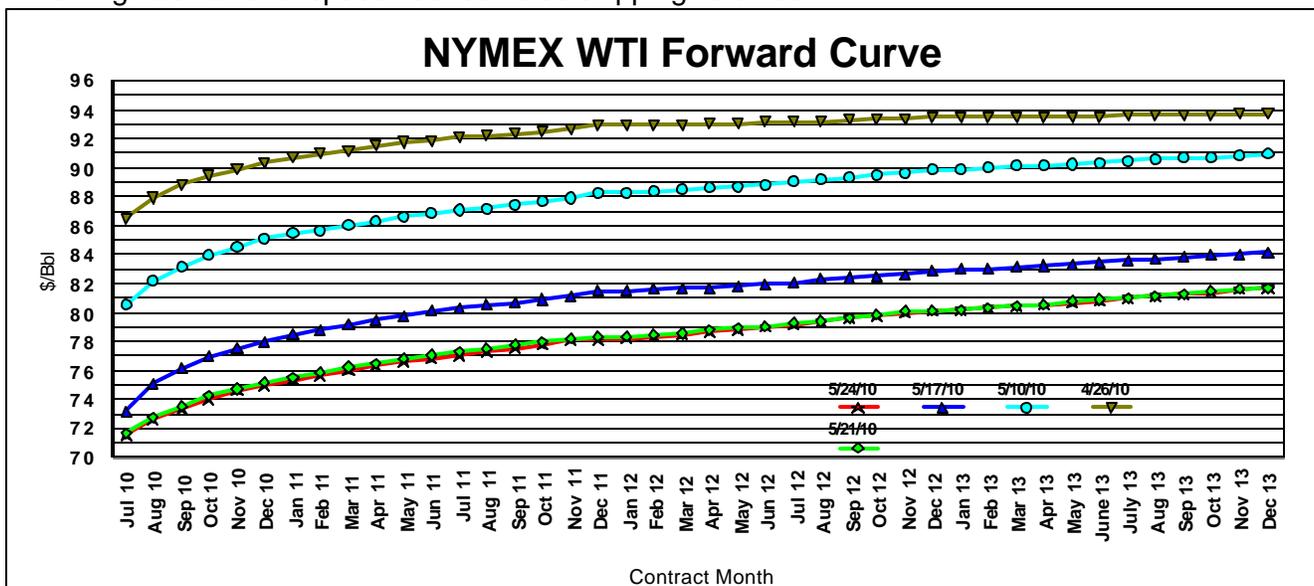
The Deputy Director of the National Iranian Oil Co, Hujjatollah Ghanimifard said any Western bid to prevent Iran from importing gasoline would fail. The US is working on legislation to penalize fuel suppliers to Iran in an effort to pressure Iran to halt its nuclear work. Some traders and international oil companies have ceased gasoline sales to the country. The Iranian official said refineries in the world would suffer losses unless they supplied the market with the gasoline they produced. He also said Iran would face no problems in importing fuel. Separately, Iranian opposition leader Mir Hossein Mousavi said he is opposed to sanctions on Iran over its nuclear program.

BP Plc said the amount of oil it is siphoning from the damaged well in the Gulf of Mexico has declined to 1,120 bpd. It was the third consecutive day BP has collected less oil from the damaged well. It confirmed that it is planning to start a procedure known as a top kill on Wednesday morning, which involves shooting heavy drilling fluids into the well followed by cement to seal it.

The EIA reported that the US average retail price of diesel fell by 7.3 cents/gallon to \$3.021/gallon in the week ending May 24th. It also reported that the US average retail price of gasoline fell by 7.8 cents to \$2.786/gallon on the week.

Refinery News

Colonial Pipeline is allocating nominations for gasoline shipments for Cycle 31 on its main line north of Collins, Mississippi as demand for space exceeds pipeline capacity. It is the 11th consecutive cycle in which high demand for space has restricted shipping volumes.



Credit Suisse reported that US refinery margins fell in most regions last week. Margins along the Gulf Coast fell by \$1.40 to \$12.59/barrel while margins in the Midwest fell by \$1.99 to \$13.53/barrel. Refinery margins in the Northeast fell by 6 cents to \$7.22/barrel while margins on the West Coast fell by \$1.79/barrel to \$17.10/barrel and margins in the Rockies region increased by \$2.20 to \$28.84/barrel.

Hess Corp said all units at its 70,000 bpd Port Reading, NJ refinery resumed operations following planned work on a fluid catalytic cracking unit.

Citgo's 167,000 bpd Lemont, Illinois refinery was operating at reduced rates following a power outage over the weekend. Both its fluid catalytic cracking unit and crude unit were operating at reduced rates.

Sunoco Inc shut its fluid catalytic cracking unit at its 179,000 bpd refinery in Marcus Hook, Pennsylvania over the weekend. It reported that excess emissions of sulfur dioxide occurred due to equipment failure during start up on Saturday.

ExxonMobil Corp restarted a sulfur recovery unit at its 150,000 bpd refinery in Torrance, California. The unit was shut as part of a multi-unit overhaul which is underway at the refinery.

ExxonMobil Chemical said new petrochemical capacity from the Middle East and Asia will outpace growth in demand and put pressure on profitability. Project costs are expected to remain high with capital markets expected to be selective in financing for new projects. An Exxon executive said global energy demand will increase by 35% between 2005 and 2030. He said without energy efficiency, global energy demand will not grow by 35% but will nearly double.

Indian Oil Corp Ltd booked 4 million barrels of West African crude to load in July.

China Aviation Oil Corp issued a tender seeking up to 120,000 metric tons of jet fuel for June and July.

Production News

Statoil ASA said the North Sea Gullfaks C platform remains offline after it was shut on Thursday due to unstable pressure in one well. The production from Gullfaks C remains shut in addition to production from the Tordis and Gimle satellites. The daily output of the Gullfaks C platform is about 60,000-70,000 bpd.

Venezuela's President Hugo Chavez said the country will increase its oil production by 300,000 bpd starting near the end of the year. He however did not say from what fields the new production would come from or what companies may be involved. Venezuela said it currently produces 3 million bpd however estimates from OPEC and the IEA put Venezuela's output between 2.2 million and 2.4 million bpd. Separately, Venezuela's President said it is increasing its use of thermoelectricity and has started to ease a power rationing program that started when a drought reduced the power generating capacity of its hydroelectric plants.

Nigeria's crude oil exports look set to recover in July. Nigeria is due to export about 1.7 million bpd in July. It plans to ship three full cargoes and three parcels of Brass River crude in July after a force majeure on exports from the field was lifted on May 6th. Three full cargoes of 950,000 barrels will be shipped in July in addition to one parcel of 863,000 barrels, one of 565,000 barrels and one of 490,000 barrels. Forcados is scheduled to load seven full cargoes in July. The July loading schedule also shows nine cargoes of Qua Iboe crude. Nigeria is also expected to export seven 975,000 barrel

cargoes of Agbami crude and a parcel of 375,000 in addition to nine cargoes of Akpo crude of the same size. Four Amenam cargoes will also be shipped, two of 950,000 barrels and two of 1 million barrels.

Royal Dutch Shell has started commissioning the first phase of its Pearl gas-to-liquids project in Qatar. Shell expects Pearl and a liquefied natural gas plant it is building in Qatar to generate about \$4 billion a year in cash flow once running. Major construction of both phases of the GTL plant would be completed by the end of the year.

Market Commentary

The oil market dismissed the cues from the equities market and currencies during today's session. It held its ground despite the weakness in the equities market and the strength in the dollar as it settled in positive territory. The oil market posted an inside trading day for the second consecutive session as it stabilized following its recent selloff. It posted the day's range from \$70.96 to \$69.57 in overnight trading on Globex. The market however traded back to \$70.82 in early morning trading and settled in a sideways trading range during the remainder of the session as it found support just below \$70. It settled up 17 cents at \$70.21. The crude market's gains are still seen limited amid the economic concerns. Technically, the market is seen finding support at \$69.84, \$69.70, \$69.57 followed by \$69 and \$68.85 while resistance is seen at \$70.50, \$70.96, \$71.20, \$72.25 and \$73.25. The crude market was also supported by the strength in the RBOB market, ahead of the Memorial Day holiday weekend. The RBOB market settled up 96 points at \$1.9708. The market bounced off a low of \$1.9513 and rallied to a high of \$1.9864 before it settled in a sideways trading range. The RBOB market is seen finding support at \$1.9650, \$1.96, \$1.9513, \$1.9339 and \$1.92. Similar to the crude market, the heating oil market posted an inside trading day after it too posted the day's trading range in early morning trading. The market is seen finding support at \$1.8940, \$1.89, \$1.8840, \$1.8759 and \$1.8636. Resistance is seen at \$1.91, \$1.9130, \$1.9157, \$1.9264 and \$1.9609.

Crude oil July 10 397,031 -1,735 Aug 10 114,362 +3,225 Sept 10 98,771 +693 Totals 1,344,302 +2,710 Heating oil June10 36,137 -3,281 July 10 68,656 +458 Aug 10 36,432 +1,193 Totals 308,062 -1,387 Gasoline June10 39,055 -1,970 July 10 85,016 -954 Aug 10 37,625 -840 Totals 267,852 -2,708.

Crude Support	Crude Resistance
69.84, 69.70, 69.57, 69.00, 68.85, 65.55, 64.20, 63.38, 62.70, 61.61, 60.95	70.50, 70.96, 71.20, 72.25, 73.25, 76.71, 78.81, 79.15, 79.75, 80.07, 81.65
Heat Support	Heat resistance
1.8940, 1.89, 1.8840, 1.8759, 1.8636, 1.8570, 1.8280, 1.7670, 1.7565	1.91, 1.9130, 1.9157, 1.9264, 1.9609, 1.9691, 2.022, 2.0698
Gasoline support	Gasoline resistance
1.9650, 1.96, 1.9513, 1.9339, 1.92, 1.8650, 1.6010	1.9765, 1.9864, 2.0245, 2.0330, 2.0440, 2.0975, 2.1700

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