



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 31, 2011

The EIA reported that net available oil storage capacity in Cushing, Oklahoma increased from 55.067 million barrels in September 2010 to 57.859 million barrels in March 2011.

The EIA reported that the US average retail price of diesel fell by 4.9 cents to \$3.948/gallon in the week ending May 31st. The price of diesel increased by 96.8 cents or 32.5% on the year. The retail price of gasoline fell by 5.5 cents to \$3.794/gallon on the week.

Iran's Economy Minister Shamseddin Hosseini will most likely be the country's representative at the next OPEC meeting.

The semi-official Mehr news agency said that Iran was corresponding with OPEC to introduce Iran's Economy Minister. Earlier this month, President Mahmoud Ahmadinejad dismissed Oil Minister

Market Watch

The Conference Board said its index of consumer attitudes fell to 60.8 from a revised 66 in April. April was originally reported as 65.4. The expectations index fell to 75.2 from 83.2, while the present situation index fell to 39.3 from 40.2.

US single family home prices fell in March to below the low reached in April 2009 during the financial crisis. The S&P/Case Shiller composite index of 20 metropolitan areas fell 0.2% in March from February on a seasonally adjusted basis. The 20 city composite index was at 138.16, falling below the 2009 low of 139.26.

The Institute for Supply Management -Chicago business barometer fell to 56.6 in May, its lowest level since November 2009. The reading was 67.6 in April. The employment component of the index fell to 60.8 from 63.7 in April.

The euro fell against the US dollar after a German Parliament member told business newspaper Handelsblatt that Greece should leave the euro zone.

The chief executive of Eni SpA said crude oil prices are set to decline in the coming months.

JP Morgan reported that China accounts for 50% of world demand growth in 2011 and presents the largest risk to the demand side for its 3Q outlook for Brent of \$130/barrel.

India's economy grew at its slowest annual pace in five quarters in January to March as increasing interest rates cut consumption and investment. GDP increased 7.8% on the year, lower than 8.3% in the previous quarter.

India's consumer price index increased 9.41% in April from a year earlier. It is up from March's annual increase of 8.82%.

Japan's industrial output increased 1% in April, a sign that companies have made headway in repairing damaged facilities and broken supply chains following the earthquake and tsunami in March.

The API's petroleum stocks report will be delayed by one day until Wednesday at 4:30 pm EDT. The EIA's weekly petroleum report will be delayed by one day until Thursday at 11am EDT.

The chairman of France's Financial Markets Authority said the G20 will agree on a framework this year to help dampen commodity speculation and price swings by identifying who is behind large positions that influence markets.

**May
Calendar Averages**
CL – \$101.36
HO – \$2.9639
RB – \$3.0957

Massoud Mirkazemi and two other ministers as part of a plan to merge several ministries to cut their number to 17 from 21.

South Africa's President Jacob Zuma was in Tripoli attempting to revive a roadmap for ending the conflict in Libya. The talks produced no breakthrough, with Gaddafi's refusal to quit, a condition the rebels and NATO have set as a precondition for any ceasefire. Libya's Muammar Gaddafi is defiant that he will not leave the country. South Africa's President said Muammar Gaddafi is not prepared to leave Libya and is prepared to seek a political solution to the conflict in the country.

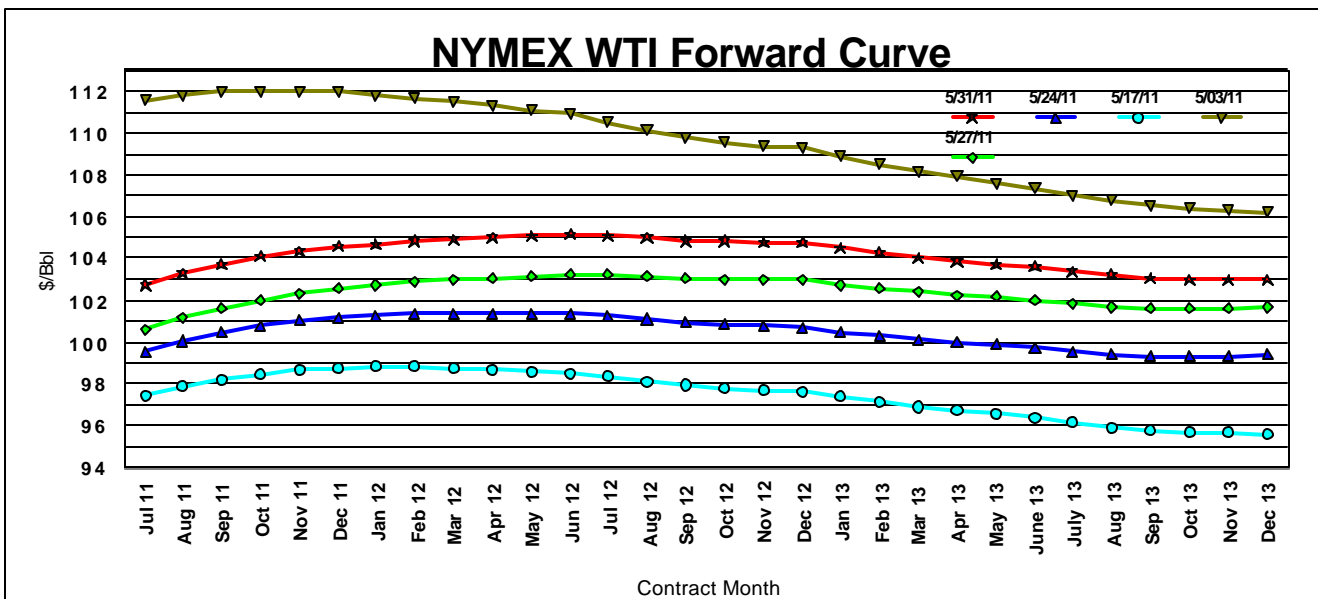
Bahrain's King Hamad bin Isa al-Khalifa called for talks on reform in the country without preconditions starting July 1st. The offer comes as the government prepares to lift on Wednesday a state of emergency imposed in March to restore order and break up a pro-democracy protest movement.

Refinery News

TransCanada Corp said a broken pipe fitting at the Severance pump station in Kansas along the Keystone pipeline system caused a spill of less than 10 barrels early Sunday morning. Workers shut down the entire pipe network a short time later and are working to clean the spill and repair the line. It could not yet say when it would restart the pipeline. The company is working to bring the pipe network back online as soon as possible. It does not expect the spill to affect its delivery schedule on the pipeline network. The pipeline, which has a maximum capacity of 591,000 bpd, connects heavy oil sands fields in Alberta with the Cushing, Oklahoma oil terminal. The spill was the 11th spill on the Keystone network over the last year.

Storm related power outages shut down a number of Enbridge Inc's oil pipelines in the US Midwest. Severe storms cut electricity to three pumping stations along Enbridge's 290,000 bpd Line 6B in Michigan on Sunday. Crews restored power to one 6B station late Monday and the line is operating at reduced rates. The 6B outage forced the company to shut the connected 670,000 bpd Line 6A as supplies filled up storage capacity at Griffith. Flow rates were also reduced on the 800,000 bpd Line 4. Line 17, which runs from Toledo, Ohio from Stockbridge, Michigan was also down as a result of the 6B outage.

Credit Suisse reported that US refinery margins were up 15% on average in the week ending May 27th. Margins in the Northeast increased by \$1.35 to \$8.45/barrel while margins in the Midwest increased by \$8.86 to \$35.08/barrel. Margins in the Gulf Coast increased by 70 cents to \$23.34/barrel



while margins in the Rockies fell by \$2.69 to \$35.36/barrel and margins in the West Coast increased by \$3.42 to \$16/barrel.

ExxonMobil Corp's 150,000 bpd refinery in Torrance, California restarted a unit that was shutdown on Saturday. There was minimal operational impact to overall site production.

Valero Energy Corp said all production units at its 214,000 bpd Texas City, Texas refinery were restarted. The units were increasing to planned rates.

PBF Energy halted the restart on Friday of a fluid catalytic cracking unit at its 182,000 bpd refinery in Delaware City, Delaware due to a malfunction.

Sinopec Beijing Yanshan Co plans to process more than 11 million metric tons of crude this year at full capacity.

Japan's JX Nippon Oil & Energy Corp plans to refine 4.25 million kiloliters or 891,000 bpd of crude in June for domestic consumption, down 11% on the year.

LyondellBasell Industries said it was looking to sell its 105,000 bpd refinery at Berre, southern France and plans to appoint an investment bank to handle the divestiture process. It said the refinery had not fulfilled economic projections made at the time of the acquisition.

Kuwait Petroleum International may start building a refinery project in Indonesia next year. It said the project would cost between \$8 billion and \$9 billion, as planned, however the feasibility study was not complete yet.

Japan's total oil product sales in April fell 11.9% on the year to 14.14 million kiloliters or 2.96 million bpd, with gasoline sales falling 11.8% on the year to 4.2 million kl. Crude oil shipments for direct burn to electricity power companies increased 93.4% to 474,200 kl. Japan's oil product exports fell to 1.18 million kiloliters in April. Meanwhile, Japan's Ministry of Economy, Trade and Industry said the country's oil imports in April fell 7% on the year to 17.01 million kiloliters or 3.57 million bpd.

Japanese traders have been stocking up large volumes of low sulfur oil products since March's earthquake, in anticipation of an increase in demand to meet power generation needs during the summer.

Repairs to a major oil terminal near Onahama port in northeast Japan damaged by the earthquake and tsunami in March are almost complete and operations at the port are expected to resume in early June. It has storage capacity of 1.22 million kiloliters or 7.69 million barrels of crude oil and 281,000 kiloliters of C-fuel oil.

National Iranian Oil Co does not plan to import gasoline or diesel in the current financial year. Iran, which produces 650 million standard cubic meters/day of natural gas, has increased its gas usage.

Production News

Qatar has notified at least one Asian buyer that it would supply Marine crude at full contracted volumes for July, unchanged from June levels.

Another two cargoes of Forties crude due to load in June have been delayed because of reduced output in the North Sea. The latest delays bring the number of deferred cargoes to at least 10 in June. A further four cargoes have been dropped from the June program, meaning more than 8 million

barrels of crude supplies have so far been affected. Reduced output at Nexen's Buzzard field has cut shipments along the Forties pipeline.

Kazakhstan's KazMunaiGas Exploration Production is suffering a daily output loss of some 2,000 tons of crude oil due to a workers' strike. Workers at the company's Uzenmunaigas facility in western Kazakhstan went on strike on May 24th, demanding that a new system of payment be introduced.

Noble Energy Inc said it made a new deepwater oil discovery in the Gulf of Mexico at the Santiago site where it resumed drilling in April. The Santiago project is the third discovery in Noble's Galapagos development. Along with the Santa Cruz and Isabela projects, it is estimated to hold about 130 million barrels of oil equivalent.

Statoil said it would be tough to achieve the cost cutting measures it seeks to achieve for developing new small fields off Norway as oil prices remain at high levels. It is seeking to cut the time and costs of developing new satellite fields off Norway in the coming years in order to make it more profitable to develop discoveries that are becoming smaller.

Thailand's Ministry of Energy reported that the country's crude oil imports in April fell 8.4% on the year but increased 10.6% on the month to 870,000 bpd. Crude imports in the January-April period averaged 787,000 bpd, down 4.6% on the year. Refined oil imports fell 11.3% to 44,700 bpd in April while exports fell 2.6% to 193,900 bpd. Domestic demand for diesel increased 7.1% on the year and 0.5% on the month to 55.3 million liters/day while gasoline demand increased by 1.7% on the year and 3.8% on the month to 20.6 million liters/day.

Russia's Deputy Prime Minister Igor Sechin said the disagreements regarding the tariff for the oil pumped through the second stage of the Eastern Siberia Pacific Ocean, ESPO, pipeline have been resolved.

India and Iran agreed to continue discussions relating to the settlement of payments for crude oil purchases.

Indian Oil Corp cut its jet fuel prices by about 4% effective Wednesday. Prices were lowered by INR2,435.04/kiloliter to INR57,166.96 in Mumbai.

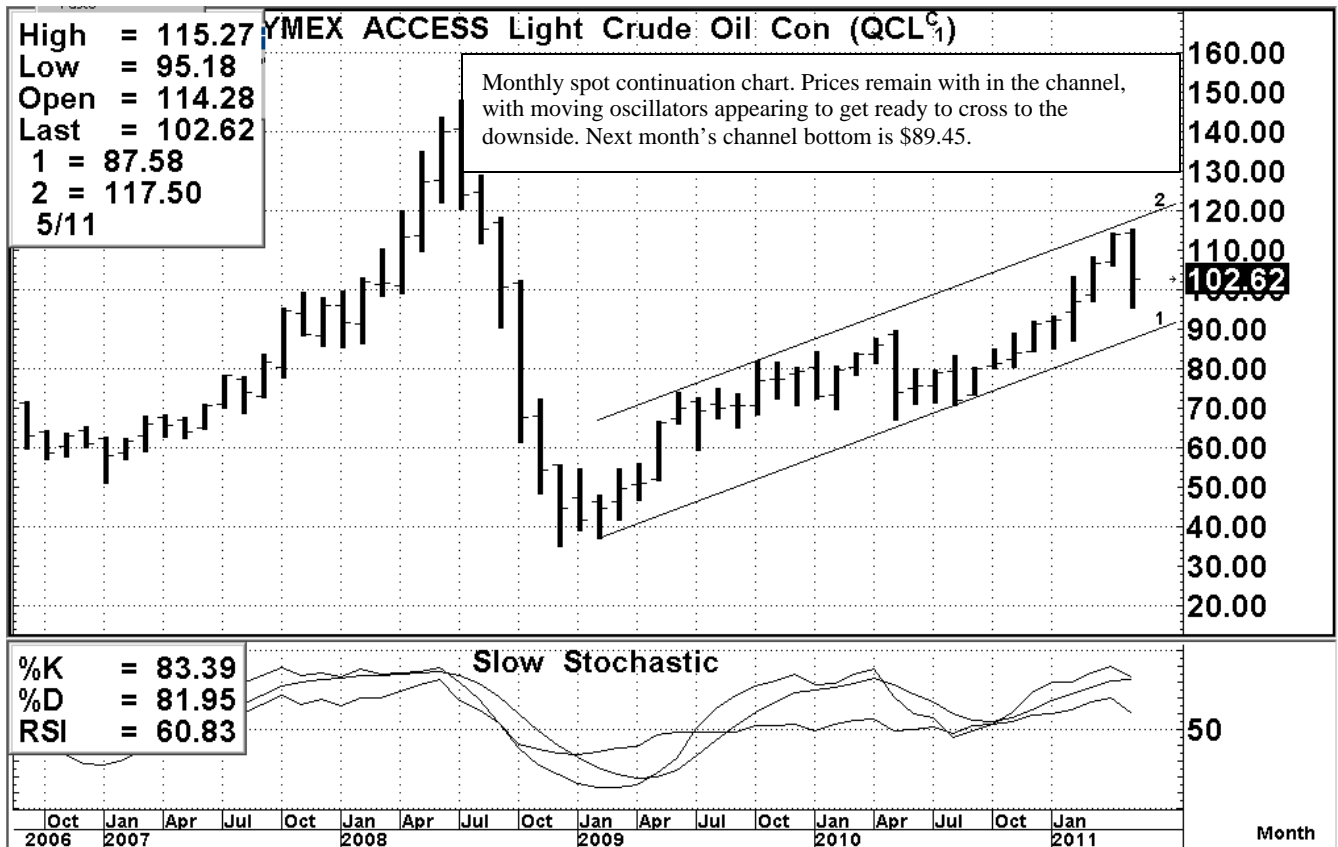
Saudi Aramco set its June contract price for propane at \$855/ton, down \$90/ton from a record high of \$945/ton in May. It also lowered its June butane price to \$925/ton from a record high of \$995/ton in May.

Market Commentary

The closure of the Keystone crude oil export pipeline, which runs from Alberta to Cushing, amplified the weak dollars bullish impact on crude oil prices. This is the second time in less than a month that this pipeline had to be closed and no date was given for it to reopen. This may have a negative impact on stock levels at Cushing, should the closure last long enough to disrupt supplies held there. The July contract traded above \$103 per barrel and for the first time in three weeks, settled above \$102. Although today's settlement was higher than that of the previous one and this month's high surpassed that of April's, today's settlement is the lowest monthly settlement for crude oil in eight months. Prices remain within the ascending channel that can be depicted on the monthly spot continuation chart. Slow stochastics are trending in over bought territory and appear to be getting ready to cross, indicating a bearish move is coming. The RSI settled the month turning to the downside. We would wait to see if the slow stochastics cross over for confirmation that lower prices are ahead. Should this be the case a test at the \$89.45 channel bottom is possible.

Crude oil: July 11 376,620 -10,326 Aug 11 92,006 +4,140 Sept 11 102,134 +1,213 Totals 1,506,435 -4,241 Heating oil: July 11 102,968 +1,589 Aug 11 40,103 +1,578 Sept 11 31,214 +455 Totals 300,994 -3,377 Rbob: July 11 92,170 +2,656 Aug 11 27,692 +1,697 Sept 11 33,826 +820 Totals 258,242 -3,319

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9620	10340		31325		
9535	10845	27695	32777		33369
9284	11120	26680	33370	26965	35915
8700	11483	27375	33510	26300	36310
8625	11563	23685		25683	
8500	11703	22960		25145	
8385	12126			24240	
	14933			23631	
				23414	



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