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Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 22, 2009

OPEC ministers are expected to maintain their current production policy when they meet in Vienna next week on May 28th. A senior Gulf source said the group will maintain its current targets but stress the need for full compliance with them. Irritation has grown among OPEC members that less disciplined members, namely Iran and Venezuela, still are not complying with their quotas. Leading exporter Saudi Arabia has yet to make any public comment ahead of the OPEC meeting. Core Gulf OPEC members want any future price

Market Watch

The House of Representatives Energy and Commerce Committee passed a climate change and renewable energy bill. The bill aims to cut US greenhouse gases that contribute to global warming by 17% below 2005 levels by the year 2020 and 83% by 2050. The legislation also requires utilities to generate 15% of their electricity supplies by 2020 from renewable energy sources, such as wind and solar power. The legislation is a "cap-and-trade" system that would gradually reduce the amount of greenhouse gases from utilities, oil refineries, steelmakers and other companies by requiring them to have permits to emit greenhouse gases. The American Clean Energy and Security Act still faces significant political hurdles, including in the Senate, where a similar proposal failed to pass last year. The bill would also close loopholes in federal regulations that have allowed speculators to manipulate energy markets and inflate fuel prices. Under the plan, the Commodity Futures Trading Commission would have the authority to regulate carbon derivatives as an energy commodity. It would also regulate foreign boards of trades with energy transactions traded for delivery in the US or on a computer terminal located in the US, close the swaps loophole, no longer allowing energy transactions to be excluded from the requirements of the Commodity Exchange Act, ban naked credit default swaps, set aggregate position limits for energy speculators across all markets, clear all swaps through a designated clearing organization, allow the CFTC to collect fees and create an independent funding stream for oversight and enforcement of commodity markets.

StatoilHydro ASA expects the price of oil to be around \$50/barrel in the second half of the year, with further OPEC supply cuts unlikely as the economic crisis continues.

The NYMEX reported that 2 contracts were delivered against the expired June crude contract.

The API's petroleum stocks report will be delayed 24 hours to Wednesday, May 27th at 4:30pm EDT due to the Memorial Day holiday. The EIA's petroleum stocks report will also be delayed until Thursday, May 28th at 11am EDT.

May Calendar Averages

CL – \$57.94
HO – \$1.4816
RB – \$1.6960

rise to be based on sustained demand growth driven by economic strength, rather than on a short-term supply shortage engineered by OPEC.

Nigeria's lower house of parliament has passed a resolution urging President Umaru Yar'Adua to extend its largest military operation for years in the Niger Delta into neighboring states of Bayelsa and Rivers states. The army says the offensive is targeting fighters loyal to Government Tompolo, leader of a faction of the Movement for the Emancipation of the Niger Delta.

According to the AAA, the number of Americans traveling for the Memorial Day holiday will increase 2.7% this year to 27 million despite the effects of the economic recession. Average US gasoline prices on Friday stood at \$2.39/gallon, down 37% from \$3.83/gallon last year.

Refinery News

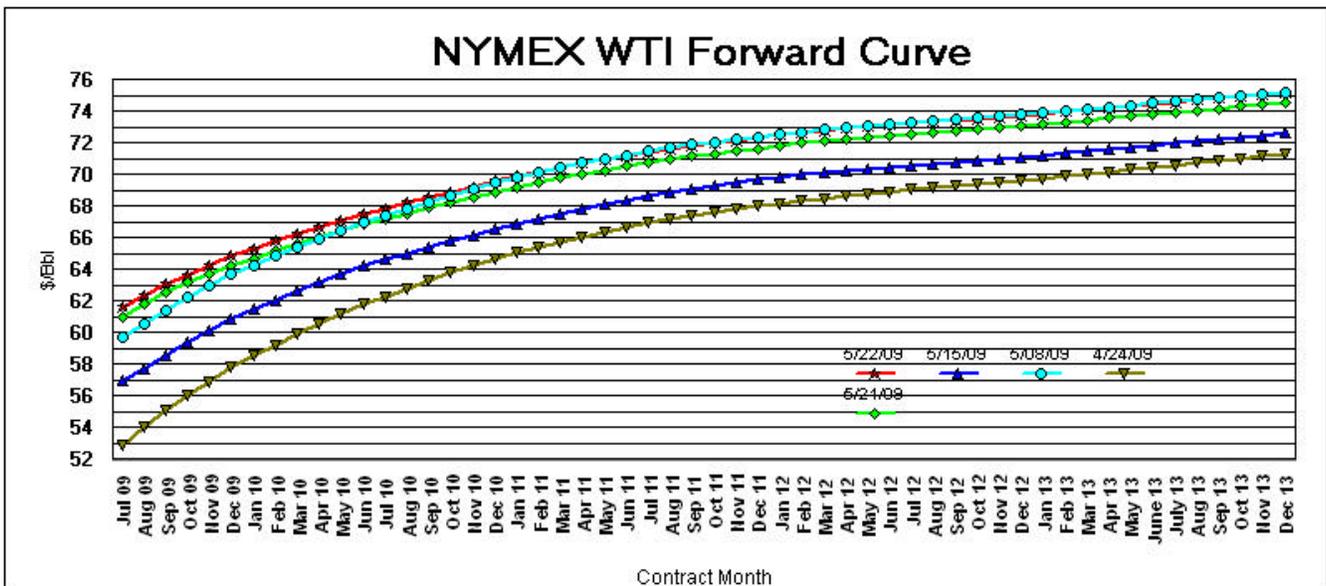
The Louisiana Offshore Oil Port said it halted offloading of tankers for a second day on Friday due to winds and high seas on the US Gulf Coast. A spokesman said the LOOP may resume offloading tankers on Friday evening, although weather risks remained throughout the weekend and could prompt the LOOP not to resume offloading tankers. The LOOP initially halted operations early Thursday.

Flint Hills Resources LP notified state environmental regulators of its intention to restart a fluid catalytic cracking unit at its 288,126 bpd Corpus Christi, Texas refinery. The unit was shut on Tuesday following a fire.

BP Plc is performing planned maintenance on an unidentified unit at its 265,000 bpd Carson City, California oil refinery from Friday until Wednesday.

ExxonMobil Corp is planning a turnaround on one of its 26,000 bpd coker units at its 155,000 bpd refinery in Torrance, California, during the month of July.

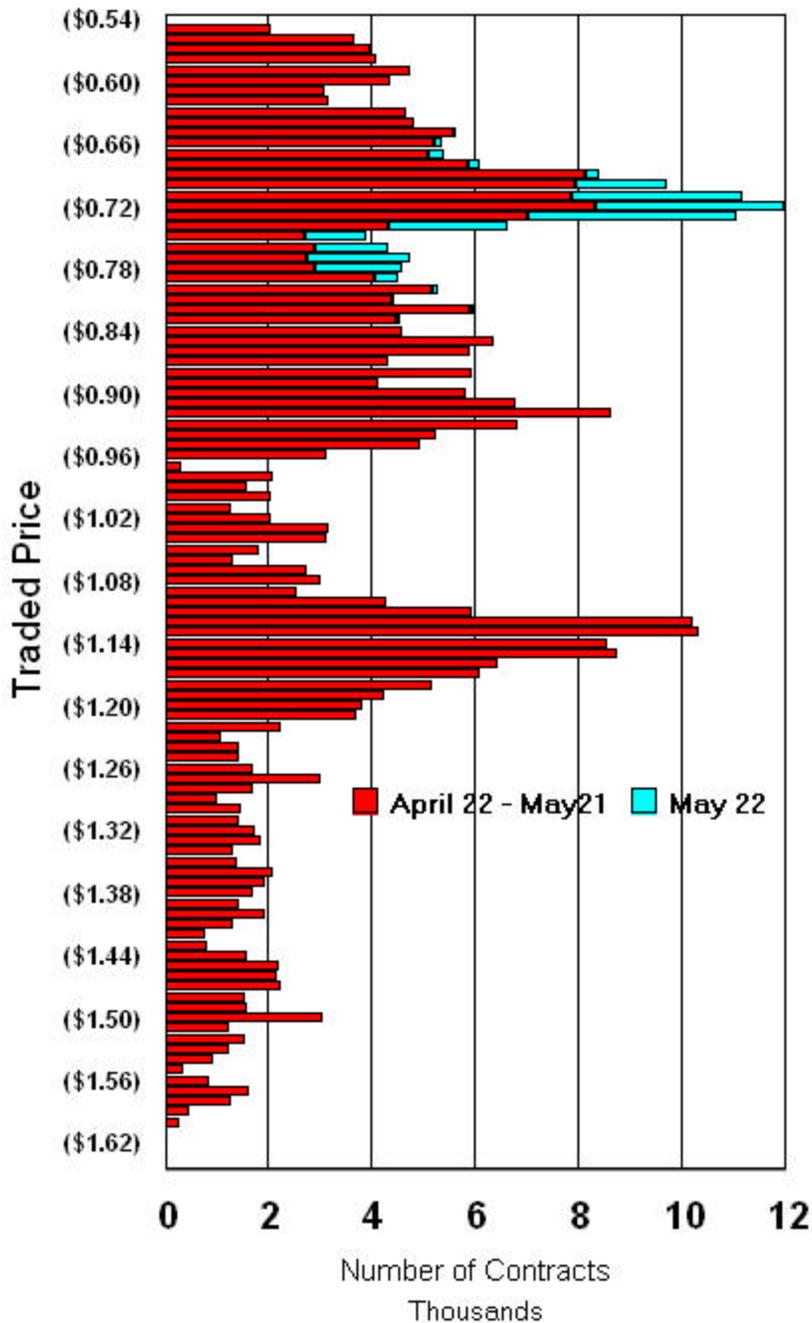
According to Euroilstock, oil refinery production in 16 European countries fell by 79,000 bpd or 0.6% on the month and by 666,000 bpd or 5.2% on the year to 12.147 million bpd in April. It reported that gasoline production fell by 76,000 bpd or 2.4% on the month and by 96,000 bpd or 3% on the year to



NYMEX WTI: July Aug Spread

Price Vs Volume for April 22 - May 22, 2009

Trade Weighted 5/20 -0.61, 5/21 -.70 5/22 -0.73



3.083 million bpd while distillate production increased by 6,000 bpd or 0.1% on the month but fell by 272,000 bpd or 4.3% on the year to 6.008 million bpd. It reported that refinery utilization increased to 85.37% in April from 84.56% in March.

China's apparent oil demand increased by 3.9% on the year in April to 7.586 million bpd, its first significant rise since October last year. China's crude oil imports increased by 12.8% on the year to 3.848 million bpd while its oil product imports fell by 21.4% on the year to 425,031 bpd. China's diesel exports in April increased by 761.5% on the year to 3.74 million barrels while its gasoline exports increased by 113.9% to 2.273 million barrels. China's crude production increased by 0.8% on the year to 3.794 million bpd while gasoline production increased by 19.6% on the year to 1.622 million bpd and kerosene production increased by 8.6% to 283,233 bpd. China's diesel production increased slightly by 0.7% on the year to 2.643 million bpd while its fuel oil production fell by 14% on the year to 352,428 bpd.

The General Administration of Customs of China reported that the country's liquefied natural gas imports in April increased by 4.2% on the year to 200,105 tons while its imports in January-April increased by 54.24% on the year to 1.059 million tons.

Royal Dutch Shell has cut crude runs at its 500,000 bpd Singapore refinery in Bukom Island to 85% from more than 90% due to weak refining margins.

Sinopec Corp's refinery rates have increased to 90% of capacity after five months of rising domestic fuel sales. It said daily average fuel sales will reach 330,000 to 340,000 tons this month compared with 330,000 tons in April. The refinery rates are expected to stay at about 90% until at least June.

Japan's Taiyo Oil Co Ltd plans to shut crude distillation units at its Kikuma plant starting from mid-August for construction. It plans to shut its 88,000 bpd No. 1 crude distillation unit for about two weeks in mid-August and its 32,000 bpd No. 2 crude distillation unit for about two weeks in September.

Poland's PKN Orlen canceled maintenance of one of the installations at its Plock refinery to cut costs and increase margins. The shutdown of the catalytic reforming installation, initially planned for this summer, is now scheduled for 2010, allowing for an increase in gasoline volumes produced this year and making the most of improved margins.

India's Reliance Industries has offered up to 270,000 tons of gasoline for June-August loading via private negotiations.

Production News

Baker Hughes reported that the number of rigs drilling for oil and natural gas in the US fell by 18 to 900 in the week ending May 22nd. It reported that the number of rigs searching for oil fell by 1 to 180 while the number of rigs searching for natural gas fell by 17 to 711 on the week.

Saudi Aramco said it will start production at its 1.2 million bpd Khurais oilfield in a few weeks. It is the largest of three oilfield projects that would take Saudi Arabia's total production capacity to 12.5 million bpd by the end of June.

Canada's Prime Minister Stephen Harper said the country's oil sands are critical to the Canadian economy and must be developed. Some critics in the US and elsewhere have suggested banning the import of oil from the oil sands in northern Alberta on the grounds that vast amounts of energy are required to produce it, making oil sands developments major emitters of greenhouse gases.

Azerbaijan plans to increase its crude production this year to between 46 million metric tons and 47 million tons. Azerbaijan's Energy Minister Natiq Aliyev said the country's production can reach 65 million tons in the next two to four years.

ExxonMobil has made an oil discovery on the Eitri prospect in the North Sea. However one of its partners said the discovery is too small to be regarded as commercial.

Petroecuador exported 6.92 million barrels of oil in April, up 2% from 6.79 million barrels in March. It reported oil export revenues of \$279 million in April, an increase of 13% on the month.

Brazil's Petrobras and the Turkish Petroleum Corp signed an agreement to explore for oil in the Black Sea, which Turkey estimates holds 10 billion barrels of oil. The two companies will operate a drilling rig in the Black Sea.

OPEC's news agency reported that OPEC's basket of crudes fell slightly to \$58.32/barrel on Thursday from \$58.47/barrel on Wednesday.

China's National Development and Reform Commission confirmed China increased ex-factory jet fuel prices to CNY4,020/metric tons, up 13%. The increase in jet fuel prices continues to fan speculation China may also soon increase gasoline and diesel prices.

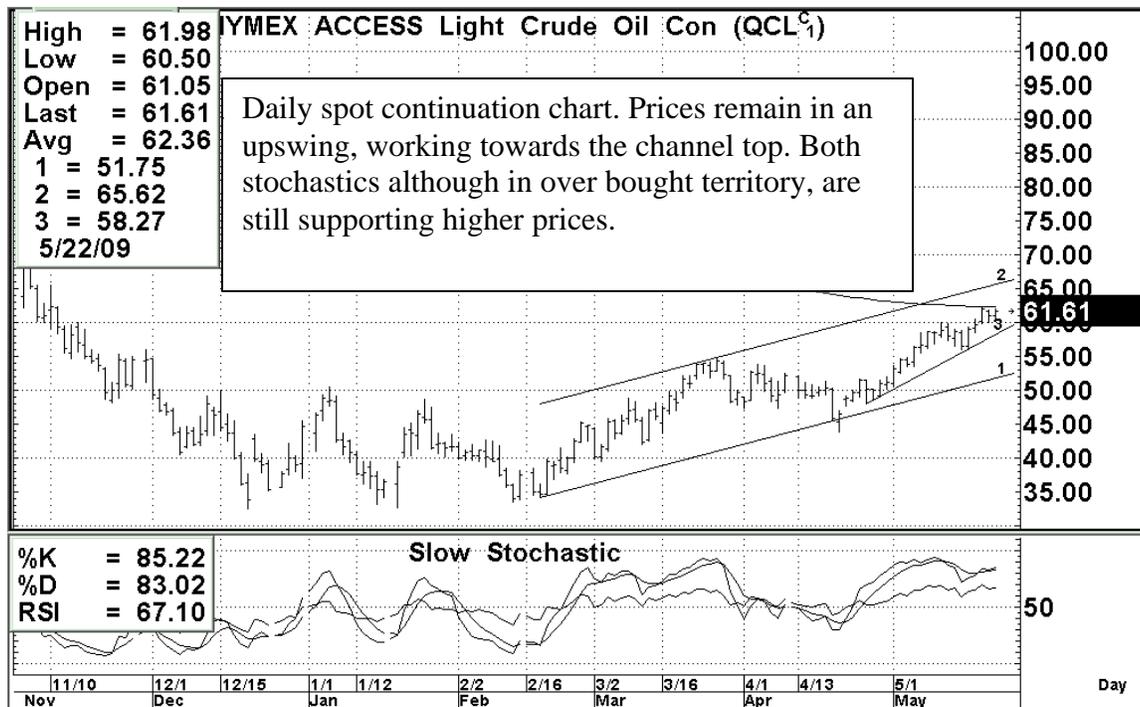
Market Commentary

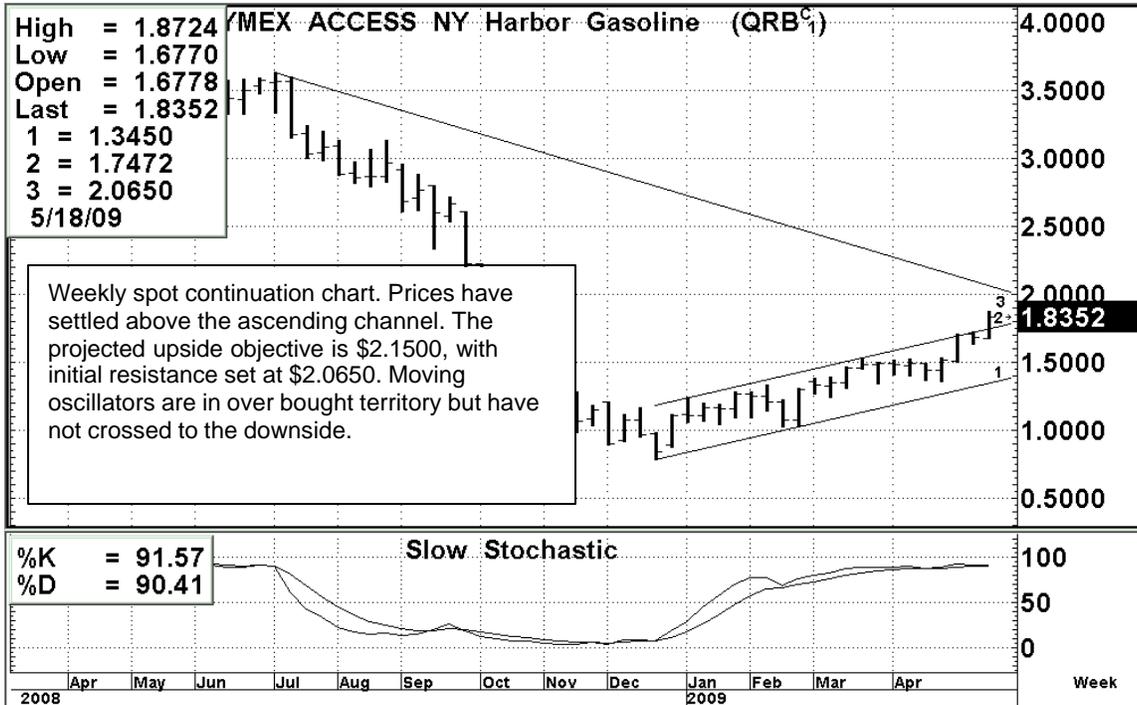
Reacting to a weak dollar and a fluctuating stock market, crude oil prices bounced above and below unchanged. The dollar fell to a four-month low against the euro, attracting investors to the commodities markets. Once again the true fundamentals of this market were pushed to the side and outside influences took over. The July crude oil contract worked towards \$62.37 the 200-day moving

average for the third straight day but failed to surpass it. From a technical standpoint, moving oscillators are in overbought territory but are trending higher still. A failure to trade and settle above the aforementioned 200-day moving average should bring with it a round of selling. Gasoline rallied just ahead of the long U.S. Memorial Day weekend. The June contract continues to follow the historical pattern first mentioned in our wire 2 weeks ago. Typically, during the month of May, the June contract begins to move higher on the fourth business day of the month, retreats on the ninth day of the month and then on the eleventh day begins to move higher again up and until expiration. Technically, price movement for this market still appears constructive as the June contract settled above the ascending channel depicted on the chart within this wire. Despite moving oscillators trending in overbought territory, they have not crossed to the downside to indicate a shift in market direction. There is initial resistance set at \$2.0650 based on a trendline drawn off of the highs made back in July08. The projected upside objective based upon the channel breakout is \$2.1500.

Crude Oil JUL.09 344,894 -6,101 AUG.09 93,668 +1,167 SEP.09 71,082 +4,025 OCT.09 42,653 +851
 Totals: 1,103,516 +3,402 N.Y. Heating Oil (HO) JUN.09 28,852 -3,057 JUL.09 56,273 +5,040 AUG.09
 25,197 -578 SEP.09 19,565 -295 Totals: 260,622 + 162 NEW YORK HARBOR RBOB (JUN.09 40,337
 -1,767 JUL.09 91,387 +5,159 AUG.09 34,866 +1,501 SEP.09 24,055 +901 Totals: 239,807 +5,524

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 32,171 contracts to 35,237 contracts in the week ending May 19th. The combined futures and options report also showed that non-commercials in the crude market increased their net long position by 18,662 contracts to 94,011 on the week. The funds cut their total shorts by 15,190 contracts to 83,809 contracts on the week. Meanwhile the combined futures and option report showed that non-commercials in the heating oil market increased their net long position by just 22 lots to 20,099 contracts while non-commercials in the RBOB market increased their net long position by 659 contracts to 57,034.





Crude Support	Crude Resistance
60.50 59.85, 58.90, 56.75, 55.45, 54.49, 53.45, 52.33	62.37, 65.55, 67.65,
Heat Support	Heat resistance
1.2715, 1.2300, 1.1359, 1.1095, 1.0520	1.5520, 1.6025, 1.6475, 1.6688, 1.6715
Gasoline support	Gasoline resistance
1.5370, 1.5260, 1.3560, 1.3400, 1.3180, 1.2700, 1.2625 1.1680, 1.0128, .9590	1.8800, 2.0650, 2.1600

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