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Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 4, 2009

An OPEC official said most members of OPEC will support a decision to keep output quotas unchanged at their next meeting because prices have stabilized. OPEC is scheduled to meet on May 28th. The official said OPEC are dissatisfied over the non-cooperation of Mexico, Russia and Oman, which as observers in the organization, pledged to coordinate efforts to balance the market.

Market Watch

The Federal Reserve Bank of Richmond, Jeffrey Lacker said that the severe US recession will end later this year. He said the two driving factors behind the eventual recovery are the resilience of US consumers and the power of monetary policy. He said that while overall activity is still contracting, it now appears as if the pace of contraction is diminishing.

Separately, Federal Reserve Bank of Kansas City President Thomas Hoenig said it will take most of the rest of the year to move out of the contraction. He said that while there remains uncertainty about what will happened over the near term, his contacts are saying that the economy does not appear to be worsening, even if it does not appear to be improving.

The European Commission said EU economies will contract by 4% this year. Its previous estimate was downwardly revised. It said the worsening of the world financial crisis, falling levels of world trade and continuing declines in house values prompted the downward revision. It said Europe's economy will not start recovering until the second half of next year. It also predicted unemployment in the EU will reach 10.9% in 2010. The commission expects inflation to fall well below the European Central Bank's target of 2%. It projects inflation to fall to 0.4% this year from 3.3% in 2008 and to increase to 1.2% in 2010. While the downturn is widespread, the extent of economic contraction varies between nations. Germany is expected to contract 5.4% this year while the UK and Italy are expected to fall by between 4% and 4.5%.

April Calendar Averages

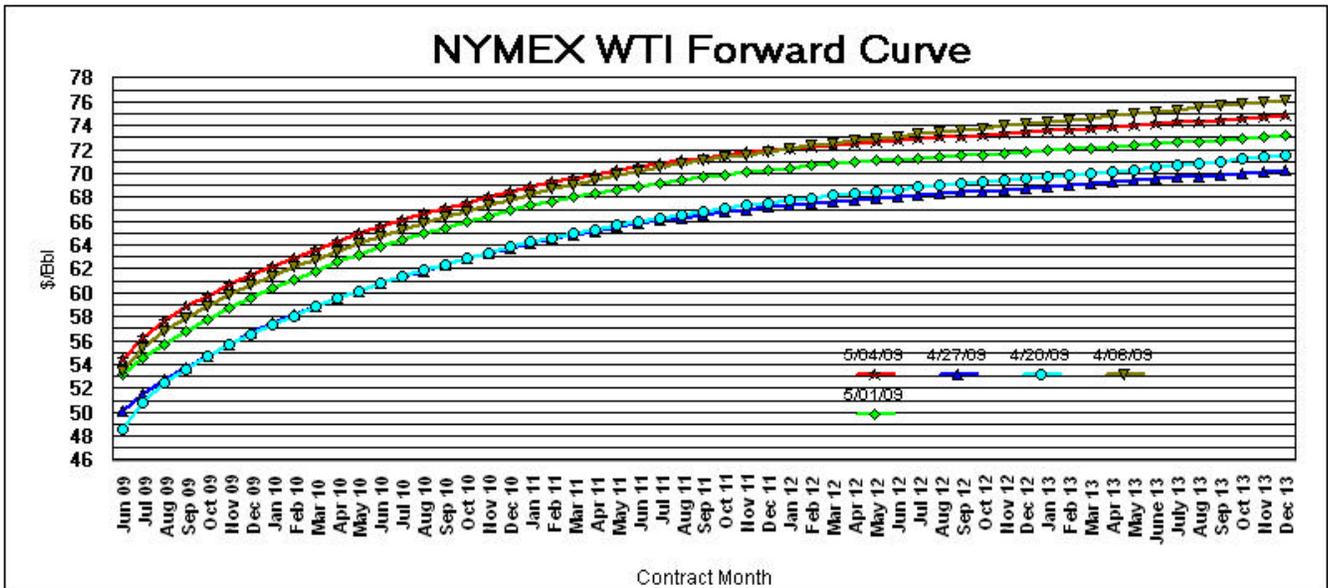
CL – \$53.84

HO – \$1.4115

RB – \$1.5517

Angola is seeking an official clarification from OPEC's Secretariat General over its crude oil output quota, saying a widely used figure of 1.517 million bpd is incorrect. Angola's Oil Minister Jose Botelho de Vasconcelos said the quota it agreed with is 1.656 million bpd and that it is complying with this level.

The EIA reported that the US average retail price of diesel fell by 1.6 cents/gallon to \$2.185/gallon in the week ending May 4th. It is at the lowest level since March 23. The EIA reported that the US retail price of gasoline increased by 2.9 cents to \$2.078/gallon on the week.



Refinery News

Enbridge Inc is shutting down about 500,000 bpd of its oil storage capacity at Cushing, Oklahoma, including some older tanks being permanently taken out of service and others that will temporarily shutdown for maintenance. Cushing stocks peaked at 34.9 million barrels in February, out of a total usable capacity of 40 million and 48 million barrels. Cushing inventories fell to 29.8 million barrels in the week ending April 24th.

Valero Energy Corp's 325,000 bpd Port Arthur, Texas refinery will restart a 55,000 bpd hydrotreater in the next 48 hours. Separately, Valero restarted a fluid catalytic cracking unit at its 182,000 bpd Delaware City, Delaware refinery following an extended outage. Other units at the refinery remain shut and are scheduled to begin restarting over the next few days.

South Korea's SK Energy cut crude operation rates to 780,000 bpd in May from 820,000 bpd in April. SK made an unexpected cut in crude operation rates last month, cutting runs by 15.5% due to weak margins for gasoline and diesel.

China's 240,000 bpd Huizhou refinery will operate at 70% of capacity in May. It is working to obtain permits to export fuel ahead of any increase in operations.

China's National Development and Reform Commission said China will eliminate outdated refining capacity over the next few years to promote an industry upgrade. China will eliminate oil refining facilities with capacities of no more than 1 million tons/year or 20,000 bpd by 2011 and take measures to encourage the closure, merger or transformation of refining units with capacities of 1-2 million tpy or 20,000-40,000 bpd. The government will also prohibit any new refining projects that are built to process bitumen or heavy oil.

Germany's BAFA reported that the country's crude oil imports bill in the 12 months ending March 2009 was 44.2 billion euros or \$58.51 billion, down 3.7% on the year. Total crude imports in the 12 months fell by 3.3% on the year to 103.1 million tons.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 05/04/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	4	10P	58	6.05	6.68	300	0	0	
AO	6	10C	76	6.23	5.73	300	0	0	
AO	5	10C	76	5.73	5.27	300	0	0	
AO	4	10C	76	5.37	4.91	300	0	0	
AO	6	10P	58	6.08	6.69	300	0	0	
AO	5	10P	58	6.1	6.76	300	0	0	
LC	12	11C	120	2.92	2.87	3500	0	0	
LC	12	11C	80	9.5	9.04	3500	0	0	
LC	8	9P	40	0.42		550	0	0	
LC	8	9P	45	1.04	1.41	550	0	0	
LC	6	9P	50	0.63	1.09	500	0	0	
LC	6	9C	58	0.83	0.71	500	0	0	
LO	12	11C	150	1.45	1.45	5000	0	0	
LO	6	9C	60	0.43	0.39	3524	0.44	0.25	
LO	7	9P	40	0.24	0.38	3122	0.53	0.22	
LO	7	9C	60	2.46	2.06	3029	2.35	1.9	
LO	6	9C	55	1.89	1.58	2611	1.87	1.29	
LO	12	11C	100	5.16	5.01	2500	0	0	
LO	6	9P	50	0.63	1.09	2374	1.2	0.62	
LO	6	9P	45	0.12	0.26	1957	0.32	0.14	
LO	6	9C	56	1.46	1.23	1929	1.37	0.99	
LO	7	9C	65	1.13	0.93	1728	1.1	1	
LO	8	9P	40	0.42	0.61	1634	0.56	0.5	
LO	7	9P	45	0.7	1.03	1617	0.98	0.71	
LO	9	9C	65	3.48	3.01	1600	0	0	
LO	7	9P	43	0.47	0.71	1529	0.65	0.5	
LO	9	9P	55	4.24	5.21	1500	0	0	
LO	8	9C	60	4.1	3.44	1373	3.1	3.1	
LO	7	9C	70	0.5	0.41	1325	0.44	0.4	
LO	7	9P	50	1.69	2.32	1313	2.15	1.6	
LO	6	9P	46	0.17	0.36	1305	0.33	0.2	
OB	9	9P	1.25	0.0512	0.0641	450	0	0	
OB	9	9P	1.5	0.1377		355	0	0	
OB	8	9C	1.3	0.3471	0.2957	265	0	0	
OB	9	9P	1.4	0.0968	0.1172	219	0	0	
OH	12	9C	1.62	0.2265	0.2018	465	0	0	
OH	10	9P	1.56	0.1878	0.211	465	0	0	
OH	12	9P	1.62	0.2116	0.2336	465	0	0	
OH	10	9C	1.56	0.1987	0.1751	465	0	0	
OH	7	9C	1.64	0.0552		211	0.045	0.045	
WA	6	9P	-2	0.3	0.27	1710	0.3	0.28	
WA	6	9C	0	0.04	0.12	800	0.05	0.05	
WA	6	9C	-0.5	0.09	0.22	750	0	0	
WA	7	9C	0	0.1	0.25	200	0	0	

Production News

According to Dow Jones, OPEC's 11 members bound by production quotas produced 25.55 million bpd in April, down 0.18% or 45,000 bpd on the month. OPEC has cut production by a total of 3.535 million bpd since September. OPEC's total oil production, including Iraq, fell by 19,000 bpd to 27.871 million bpd. Saudi Arabia maintained its oil production unchanged at 7.9 million bpd, remaining below its target of 8.051 million bpd. The UAE, Kuwait, and Qatar each cut its production by 10,000 bpd to 2.21 million bpd, 2.24 million bpd and 730,000 bpd, respectively. Iran's production remained unchanged at 3.62 million bpd while Nigeria's oil production increased by 30,000 bpd to 1.86 million bpd. It reported that Iraq's oil production increased by 6,000 bpd to 2.321 million bpd.

Royal Dutch Shell said it halted operations its Draugen field in the Norwegian Sea for maintenance on April 30 and plans to restart its on May 13th. The field's estimated production for 2008 amounted to 62,000 bpd, with small amounts of gas and natural gas liquids.

Norway's oil and gas industry said the latest oil and gas licensing round was disappointing after the government accepted bids for only about a fifth of the offshore acreage sought by companies. In its 20th

licensing round, Norway awarded 21 licenses in the Norwegian and Barents Sea to a record 34 oil and gas companies. Norway's oil production is declining and may fall below 2 million bpd this year as its North Sea oilfields mature.

Oman's Ministry of Economy said the country's oil production in the first two months of 2009 increased by 6.1% on the year to 780,000 bpd. It sold its oil at an average price of \$45.25/barel from January to February 2009, down 48% on the year. Oman's natural gas production fell by 0.9% on the year to 170.867 billion cubic feet for the first two months of 2009.

An oil industry source said Saudi Arabia plans to release 15 oil rigs by the end of the year as it reduces drilling activity amid lower demand. By the end of 2009, the number of rigs working in Saudi Arabia will fall to about 100, down from 115 currently in operation. Saudi Aramco had already released 15 rigs from the 130 operating in October 2008. The source said rigs could quickly be contracted to return to work if demand picked up and more oil was needed.

Iraq's Oil Minister Hussein Al Shahrastani said the country is expected to award the contract to develop the Nassiriyah oilfield to one of three competing international oil companies within weeks. Italy's Eni SpA, Japan's Nippon Oil Corp and Spain's Repsol YPF SA have submitted bids for the field. Iraq's Oil Minister previously stated that the field could produce 100,000 bpd within 18 months from the start of development.

Iraq's monthly oil exports increased slightly in April to 1.821 million bpd from 1.815 million bpd in March. Iraq exported an average of 1.4 million bpd or 42.4 million barrels from its southern oil fields through the Basra oil terminal while the remaining 408,366 bpd or 12.251 million barrels were exported from northern Iraqi fields via Turkey's port of Ceyhan. The head of Iraq's State Oil Marketing Organization said he expects oil exports to exceed 1.9 million bpd in May.

Russia's oil output increased in April to 9.85 million bpd from 9.79 million bpd in March while exports via Transneft increased to 4.37 million bpd from 4.22 million bpd. In the first four months of the year, the country's oil production fell by 0.5% on the year to 160.364 million tons with the average daily output in the period showing a marginal increase of 0.3% to 9.755 million bpd. Russia transported a total of 19.979 million metric tons or 4.883 million bpd of crude to non-CIS countries through Russian territories in April, up 2.2% on the year.

Secretary General of EU bioethanol fuel association eBio said Europe is likely to produce an increasing amount of bioethanol over the next 10 years. While wide discrepancies remain among the European Union's 27 countries in terms of their bioethanol industries, overall production has increased exponentially since the EU started its first biofuels directive with renewables targets in 2003. Last year, 2.82 billion liter of bioethanol was produced up from 1.8 billion in 2007.

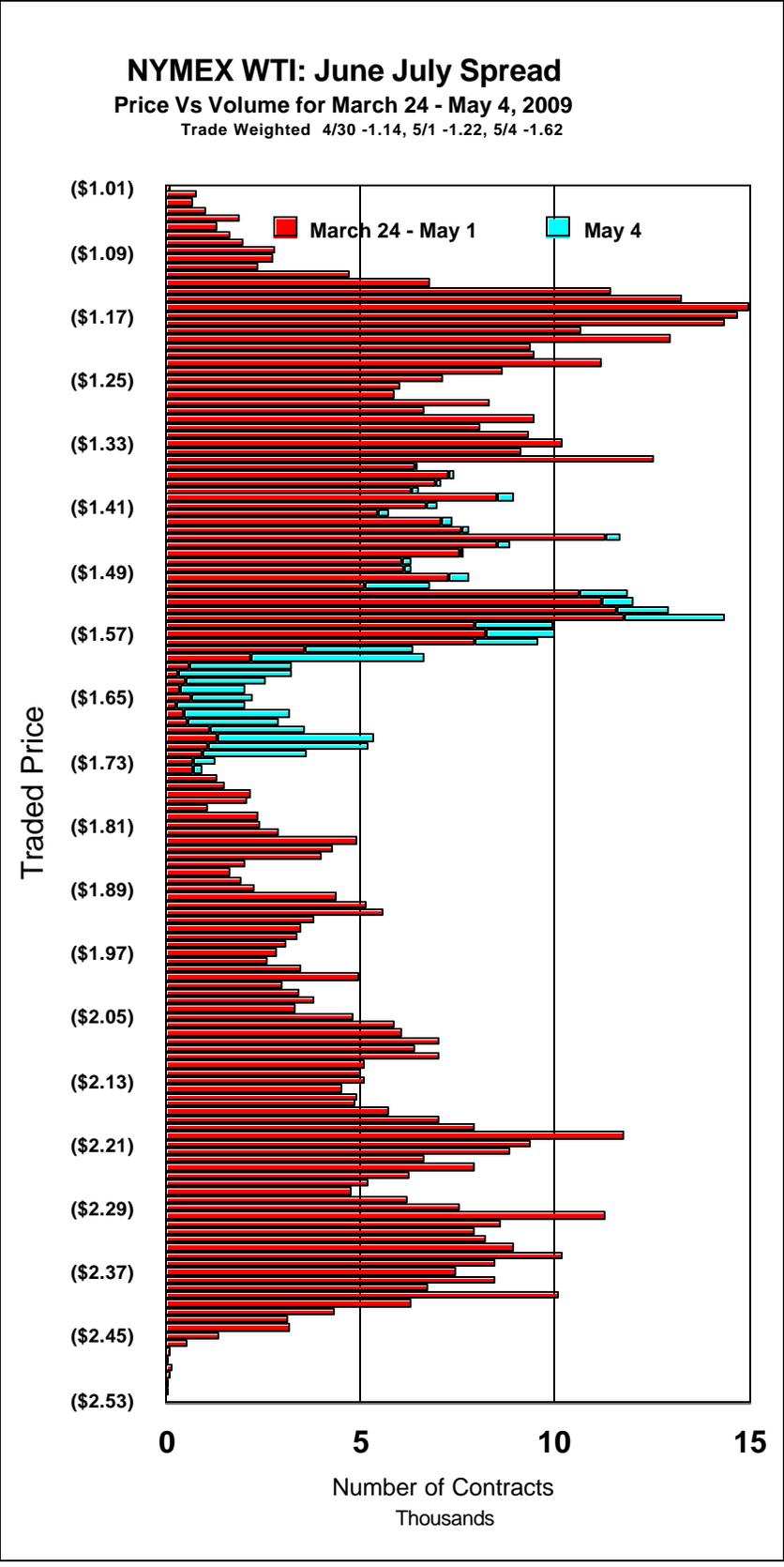
Brazil's President Luiz Inacio Lula da Silva said the country will continue to develop biofuels to help meet the country's future energy needs, despite finding massive oil deposits off the country's coast. He said the country has 400 million hectares ready for agricultural use and a portion of the available acreage could be used to plant and produce castor, jatropha, palm and sunflower oils.

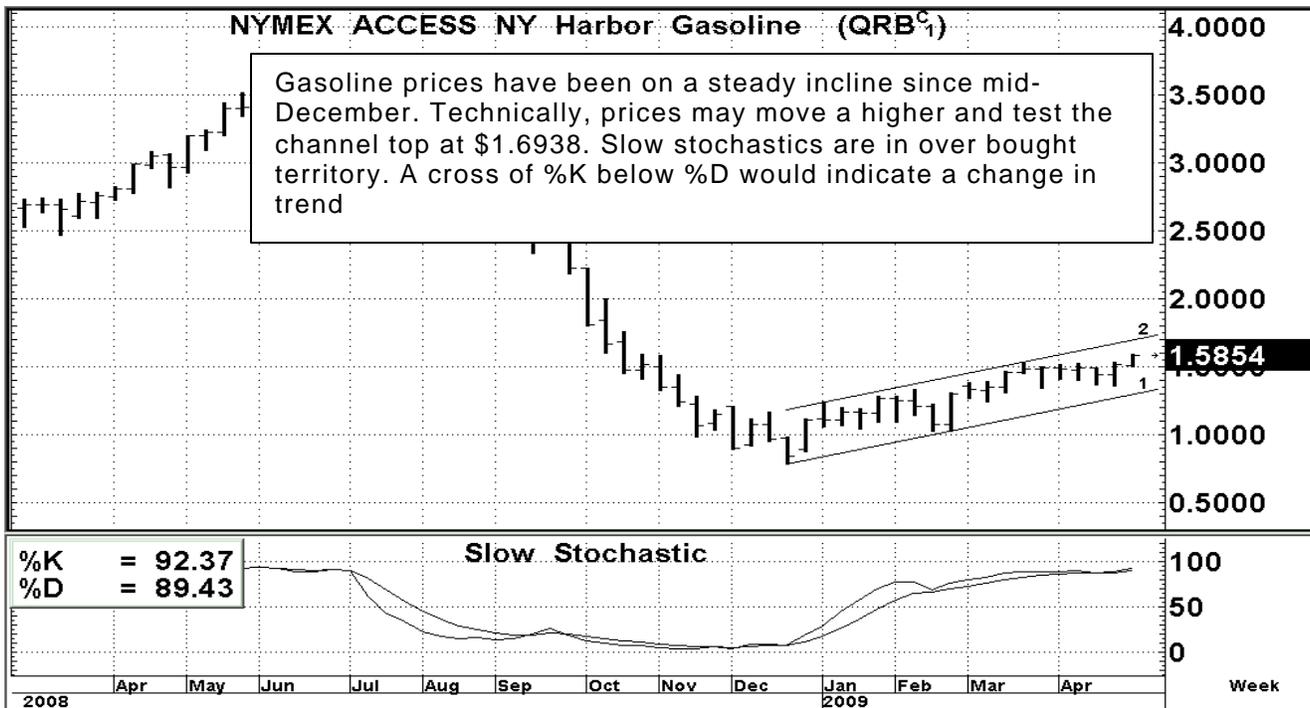
Abu Dhabi National Oil Co said it raised the April retroactive selling price for its Murban crude by \$4.60/barrel to \$52.15/barrel. ADNOC set the price for its Lower Zakum crude at the same price of \$52.15/barrel and set the price of its Umm Shaif crude at \$51.50. Its Upper Zakum crude price was set at \$50.05.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$50.41/barrel on Friday from \$50.36/barrel on Thursday. It also reported that OPEC's basket price increased by 70 cents to \$49.73/barrel in the week ending May 1st from \$49.03/barrel in the week ending April 24th.

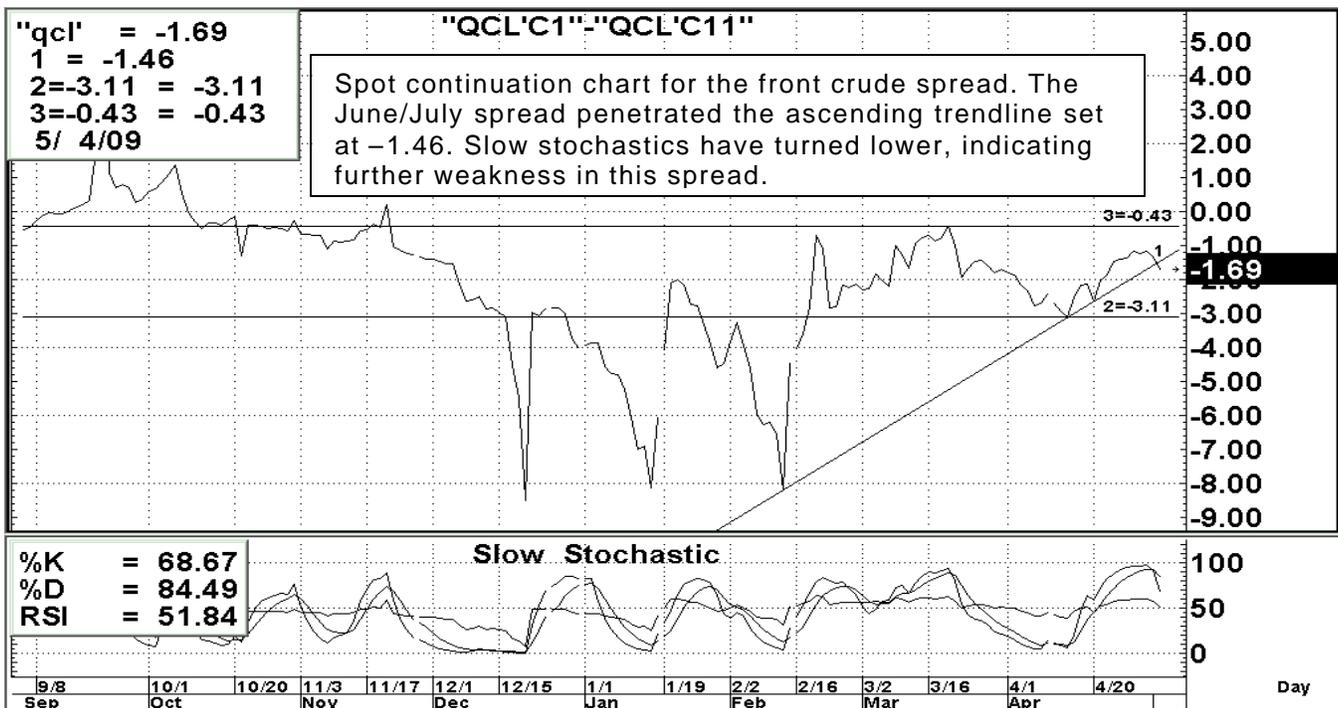
Market Commentary

Crude oil reached a five-week high today, reacting to a report that the resale of homes in the U.S. climbed along with spending on construction projects in the U.S. According to a report by the National Association of Realtors, agreements to purchase homes jumped 3.2 percent in the month of March. This is compared to a 2 percent gain in February. Spending on U.S. construction unexpectedly rose in March for the first time in six months as increases in commercial and government projects overshadowed a drop in home



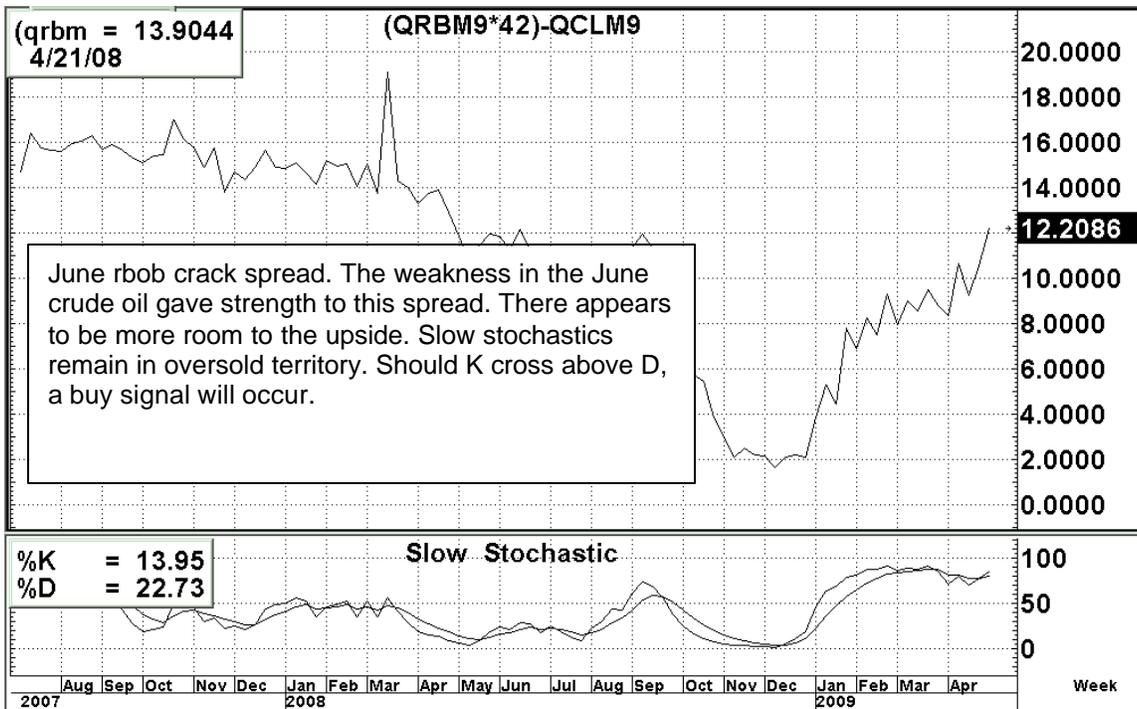


building. Crude oil also rose as the dollar fell against the euro, sending investors into commodities markets as a financial hedge. Market participants viewed this as a sign that energy demand in the near future will improve along with the economy. This was evident in the tail end of the third quarter, in particular, the September 09 contract. There continues to be a large overhang in crude oil inventories, which are expected to post a gain of 2.5 million barrels for the week ending 5/1. This should put additional pressure on the front end of the curve and further weaken the June09/July09 spread. Based upon a spot continuation chart for the front crude spread, the June09/July09 penetrated an ascending trendline set at -\$1.46, which dates back to mid-February. The next level of support on this spread is -\$3.11. Given the aforementioned supply surplus and the upcoming index rolls for this spread, we



believe that this level is attainable. Gasoline also moved higher today has hopes of a better than anticipated U.S. summer driving season circulated the market place. As mentioned in Friday's wire, gasoline tends to experience gains at the beginning of the month of May, stall around the ninth day of the month and then continue higher. It appears that prices are setting up to repeat this performance. We would look for a test up at the channel top, which is set at \$1.6938. Given the near term bearishness of the front end of the crude curve and the U.S. driving season approaching, we would look for gasoline crack spreads to gain strength. Poor refining margins have hindered the production of gasoline and may ultimately lead to a shortage of this product.

Crude Oil (CL) JUN.09 312,127 -1,702 JUL.09 217,264 +10,361 AUG.09 65,695 +1,584
 SEP.09 44,306 +1,842 Totals: 1,183,449 +16,069 N.Y. Heating Oil (JUN.09 69,209 -2,549 JUL.09
 34,702 +175 AUG.09 20,216 -129 SEP.09 16,579 -285 Totals: 260,565 -4,112 NEW YORK HARBOR
 RBOB (RB) GASOLINE JUN.09 86,689 +608 JUL.09 38,136 +1,404
 AUG.09 23,688 +1,657 SEP.09 19,100 +427 Totals: 210,724 +3,979



Crude Support	Crude Resistance
48.00, 46.68, 45.10, 44.50, 43.80, 40.00, 38.95, 32.25, 29.66, 28.63, 26.65, 25.50	53.94, 54.65, 55.98, 57.20
Heat Support	Heat resistance
1.2715, 1.2300, 1.1359, 1.1095, 1.0520	1.4593, 1.4715, 1.4865, 1.5050, 1.5143, 1.5285, 1.5520 167.15,
Gasoline support	Gasoline resistance
1.3560, 1.3400, 1.3180, 1.2700, 1.2625 1.1680, 1.0128, .9590	1.5800

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