



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 21, 2009

A member of the Kuwaiti Supreme Petroleum said OPEC is unlikely to decide on a further output cut in its next meeting in Vienna on May 28th. A senior Gulf OPEC delegate also said OPEC is likely to keep its supply targets unchanged when it meets next week as stronger oil demand in coming months cut inventories. He said OPEC will call on its members to fully comply with their quotas.

Russia's Deputy Prime Minister Igor Sechin said Russia is unlikely to send a delegation to the May 28th OPEC meeting in Vienna. Russia

Market Watch

JP Morgan raised its oil price forecasts for 2009 and 2010, partly due to an improvement in the economic outlook. It raised its 2009 US oil price forecast to \$55.63/barrel from \$49.38/barrel on expectations of an economic recovery later this year. The bank increased its 2010 forecast by \$10 to \$67.50/barrel. JP Morgan also said it does not believe OPEC will change its output policy at its upcoming meeting next week.

The Abraham Energy Report issued its summer outlook for gasoline supplies and prices, forecasting the national price of all grades of gasoline in the US could average \$2.30/gallon for the summer driving season and reach \$2.40/gallon during peak-demand periods. It said US commercials stocks of crude and petroleum products are well above the upper boundary of the five year average range for this time of year and close to the highest levels seen in nearly 20 years. Despite a recent decline, gasoline stocks are still high and at the upper boundary of the five year average range as well. Distillate fuel stocks are also well above the upper boundary of the five year moving average.

The US Labor Department reported that initial claims for unemployment benefits fell by 12,000 to a seasonally adjusted 631,000 in the week ending May 16th. It reported that the previous week's level was revised up by 6,000 to 643,000 from 637,000. The four-week average of new claims in the week ending May 16th fell by 3,500 to 628,500. The number of continuing claims increased by 75,000 to 6,662,000. The unemployment rate for workers with unemployment insurance increased to 5%, the highest level since December 25, 1982.

The Association of the American Railroads said freight traffic across North America in the week ending May 16th fell 23.2% on the year. For the first 19 weeks of the year, North American rail freight fell by 19.7% on the year to 6.4 million car loads. US rail car loads fell by 0.9% on the year to 247,258.

China's National Development and Reform Commission said developed countries should cut their greenhouse gas emissions by at least 40% by 2020 from 1990 levels as part of a new global climate change agreement. It said developed countries should also contribute 0.5-1% of their economic worth to help other countries cope with global warming and curtail greenhouse gas emissions.

Venezuela's President Hugo Chavez took control of a gas compression plant as the government continues to nationalize oil service firms.

May Calendar Averages

CL – \$57.69
HO – \$1.4779
RB – \$1.6864

has attended OPEC meetings in the past as an observer.

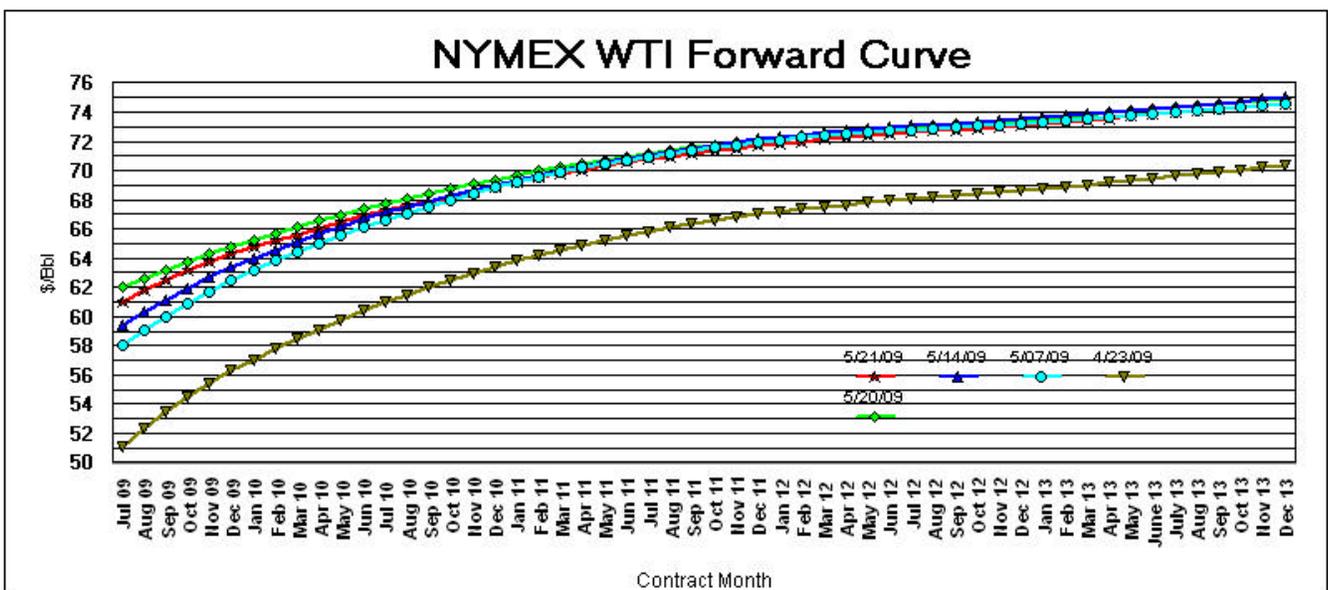
According to Oil Movements, OPEC's crude oil exports, excluding Angola and Ecuador, are forecast to increase by 200,000 bpd to 22.44 million bpd in the four weeks ending June 6th. It said OPEC's crude oil exports are expected to increase due to an increase in demand.

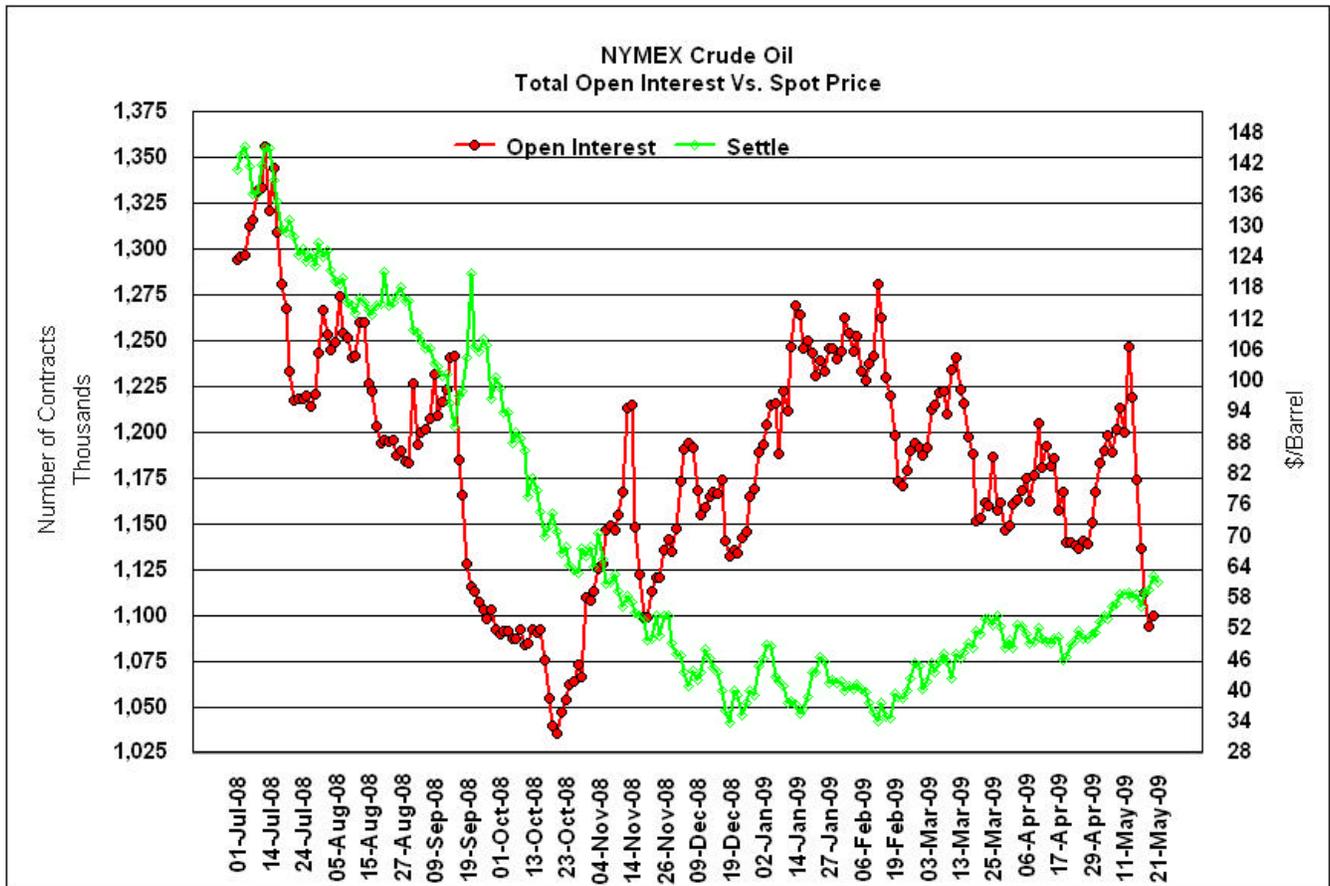
The IEA said it will not change its Venezuelan oil supply estimate for now following a bid by the country to show its output is higher than widely believed. Venezuela believes its production has been underestimated by sources such as the IEA. The IEA last month estimated Venezuelan output at about 2.1 million bpd. According to a report given to Reuters by Venezuela's Ministry, the country's net exports reached 2.428 million bpd in April, up from 2.387 million bpd in March.

The World Bank said Angola's economy will perform better in 2009 if the country does not comply with its OPEC quota. A senior World Bank economist said if Angola complies 100% with the cuts agreed by OPEC its economy should contract by about 3% this year following several years of double digit growth. Angola has so far failed to comply with its OPEC production target of 1.656 million bpd and is set to export 1.74 million bpd in July.

US Secretary of State Hillary Clinton played down the chances of imposing more US sanctions on Iran for now and suggested that if diplomatic efforts to halt Iran's nuclear ambitions fail, multilateral sanctions may be better. On Monday, US President Barack Obama said he hoped to begin negotiations with Iran soon, following Iran's elections next month. Iran's leaders however has so far largely rebuffed his efforts to reach out to them and toughened their rhetoric.

Nigeria's army declared the leader of a faction of the Movement for the Emancipation of the Niger Delta, Government Tompolo, wanted dead or alive on Thursday. It vowed to continue with its offensive in the creeks of the Niger Delta. Amnesty International said it received reports suggesting hundreds of people, mainly civilians, may have been killed in a week old Nigerian military offensive. It said the highest death toll was believed to have come when the joint military taskforce in the delta used helicopter gunships to attack communities around a major militant camp close to Warri last Friday. The Nigerian army has denied using excessive force and has said that no innocent civilians have been killed or displaced. Nigeria's Minister of State for Petroleum Odein Ajumogobia said the government was doing all it could to minimize the loss of lives. Militant group, MEND promised to "pay back" the oil industry on Thursday, the latest in a series of public threats in recent weeks.





Renewable fuel pipeline projects will be eligible for US energy loan guarantees under an amendment approved Thursday by the US House Energy and Environmental subcommittee.

Refinery News

The Louisiana Offshore Oil Port has resumed operations Thursday afternoon following an 18 hour shutdown caused by strong currents in the Gulf of Mexico.

Sunoco Inc said its fluid catalytic cracking unit remained shut and cuts in crude runs remained in place on Thursday at its 178,000 bpd refinery in Marcus Hook, Pennsylvania following a fire at an ethylene plant on Sunday. The refinery's crude distillation is running at 85% of planned production levels. Sunoco previously said it will increase rates at its 335,000 bpd Philadelphia and 145,000 bpd New Jersey refineries to make up for lost production at Marcus Hook.

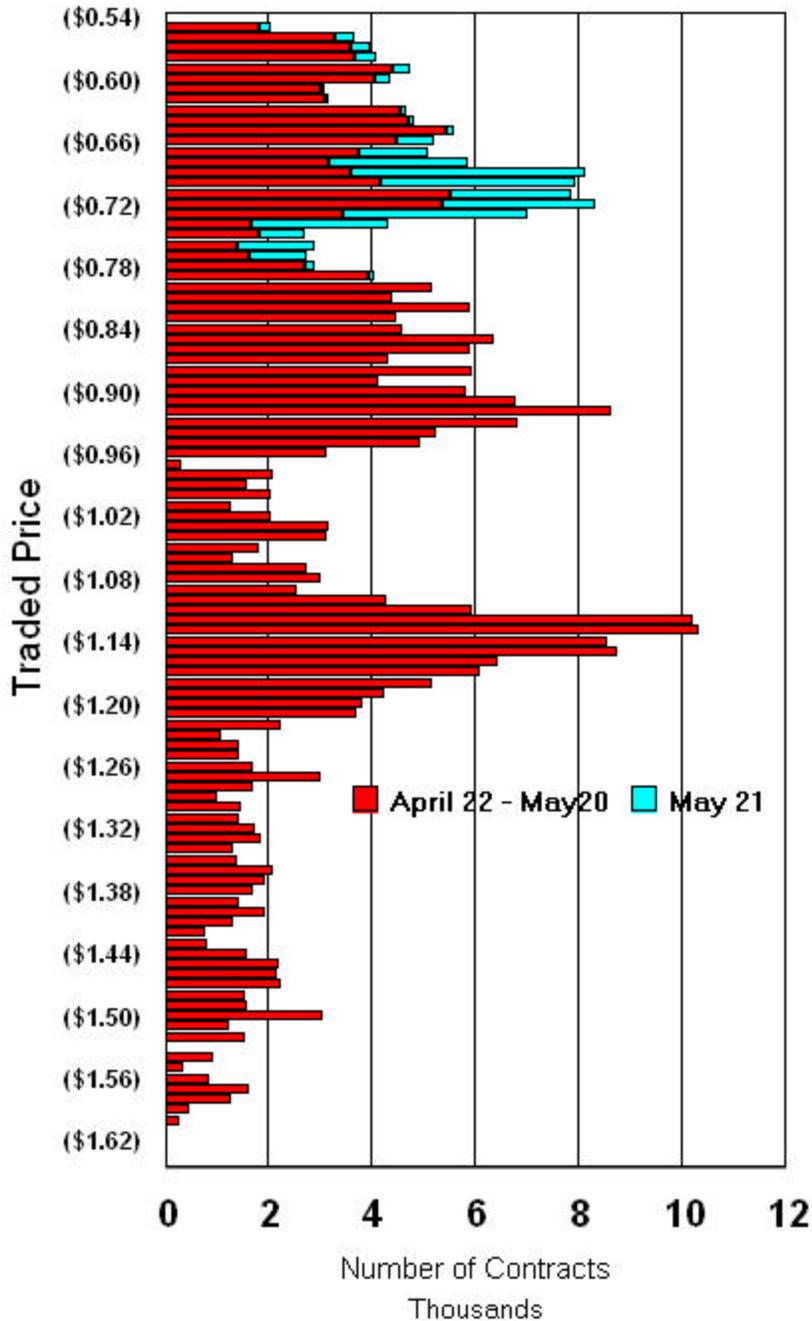
Chevron Corp reported a gas oil release from a leaking pipe at its 243,000 bpd refinery in Richmond, California on Wednesday.

Japan's Teiseki Topping Plant Co plans to shut its 4,724 bpd crude distillation unit at its Kubiki plant for scheduled maintenance starting on Friday.

Gas oil inventories in independent tanks in the Amsterdam-Rotterdam-Antwerp area increased to a record high in the week ending May 21st due to an increase in imports and the contango in the market. Gas oil inventories increased by 1.01% on the week and by 125.8% on the year to 2.606 million tons. Inflows of gas oil into the ARA tanks came from India, Russia and the US. Gasoline inventories

NYMEX WTI: July Aug Spread Price Vs Volume for April 22 - May 21, 2009

Trade Weighted 5/19 -0.89, 5/20 -0.61, 5/21 -.70



increased by 12.5% on the week but fell by 25.44% on the year to 765,000 tons while fuel oil stocks increased by 9.63% on the week but fell by 27.72% on the year to 558,000 tons. Naphtha stocks increased by 51% on the week but fell by 56.44% on the year to 71,000 tons while jet fuel stocks increased by 0.84% and by 215% on the year to 722,000 tons.

South Korea's Korea National Oil Corp said the country's imports of crude oil in April increased by 4.4% on the year to 70.57 million barrels or 2.35 million bpd from 67.61 million barrels or 2.25 million bpd a year ago. It is also up from 61.93 million barrels or 2.06 million bpd imported in March.

Separately, Korea National Oil Corp said it aims to increase joint crude stockpiling with foreign oil majors to 40 million barrels by 2010 from its current level of 38.7 million barrels. South Korea also has 80 million barrels of crude stored for strategic stockpiling, increasing the total inventory to 119 million barrels. KNOC, which has started building six additional storage tanks, each with a capacity of 300,000 barrels, plans to increase total crude stockpiling capacity to 146 million barrels by 2010, up 30% from the current level.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 466,000 barrels to 20.243 million barrels in the week ending May 20th. It also reported that Singapore's light distillate stocks built by 217,000 barrels to 9.916 million barrels while its middle distillate stocks built by 446,000 barrels to 11.683 million barrels.

Production News

According to preliminary loading schedules for Nigerian crude, a total of 43.5 cargoes of 950,000 barrels are due to load in July, up from 35 in June. Six Bonny Light cargoes of 950,000 barrels or 184,000 bpd are due to load in July, up from three cargoes in June. The Escravos crude stream has

six cargoes scheduled to load, up from five, while Bonga has six cargoes scheduled to load, up from five and Qua Iboe has just over 10.5 cargoes scheduled to load, up from eight in June. Forcados has five cargoes scheduled to load in July.

Mexico's Pemex reported that the country's oil production in April fell to 2.64 million bpd from 2.65 million bpd in March. Mexico's oil production in the first four months of the year fell by 7.4% on the year to 2.661 million bpd. It said the declining Cantarell field produced 769,000 bpd over the first four months of the year. Mexico's Pemex said the country's crude exports fell by 18% on the year in April to 1.18 million bpd

Azerbaijan's State Statistics Agency reported that the country produced 15.878 million metric tons or 969,881 bpd of crude from January to April, up 0.9% on the year. The BP led consortium that operates Azerbaijan's Azeri-Chirag-Guneshli block in the Caspian Sea produced 13.1 million tons in the first four months of the year while Azerbaijan's Socar produced 2.78 million tons in the period. Azerbaijan's gas output over the four months increased by 0.9% on the year to 7.99 billion cubic meters.

Eni SpA denied a report that it had submitted a \$1.5 billion plan to develop the third phase of Iran's Darkhovin oilfield.

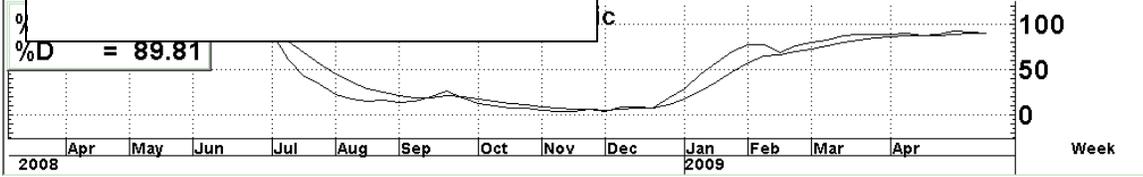
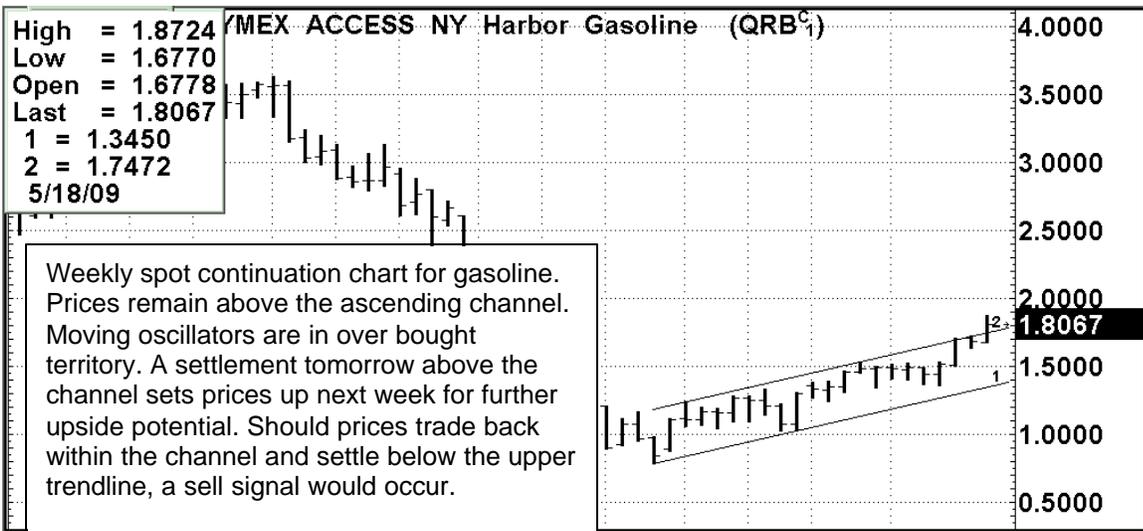
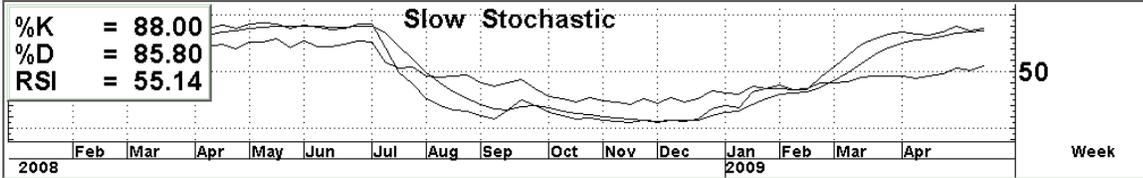
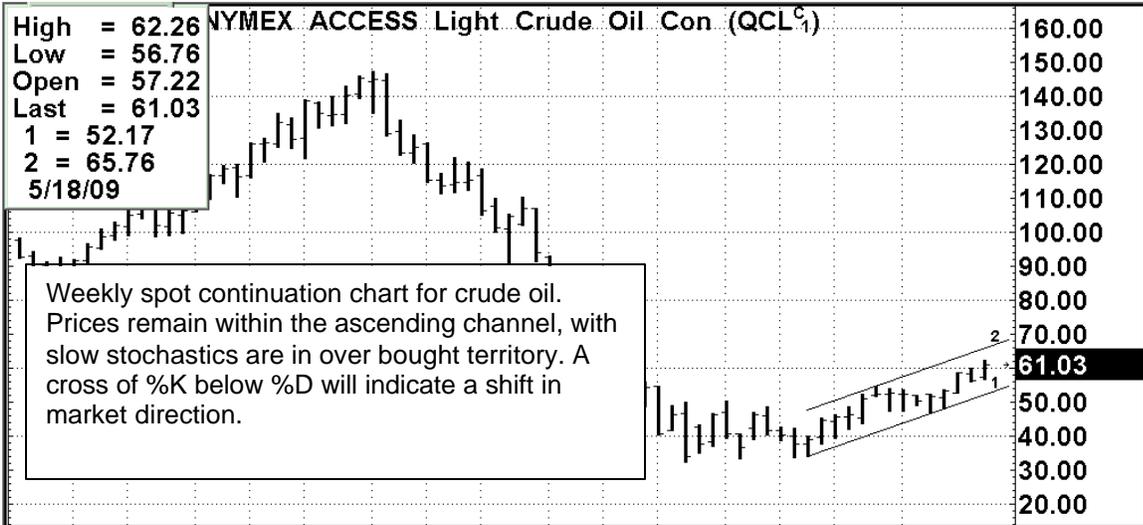
Brazil's President Luiz Inacio Lula da Silva said Petrobras should not be afraid to make investments overseas. Petrobras will sign an exploration deal with the Turkish Petroleum Corp on Friday. The deal will cover exploration in the Black Sea, which Turkey estimates holds 10 billion barrels of oil.

The Brazilian Petroleum Agency, or ANP, denied a request by Petrobras to extend a number of existing offshore oil concessions for four more years. The decision was widely expected.

Market Commentary

Once again crude oil worked in tandem with the stock market and tumbled from a six-month high. Today's sell off came as the U.S. Federal Reserve cut its forecast for the economy and jobless claims in the U.S. were greater than expected. U.S. policy makers cautioned that the economy, although showing signs of improvement, is still fragile. U.S. jobless claims have reached a record high for the 16th consecutive week and are currently set at 6.66 million. Given the fact that open interest has not risen with the price of crude oil, one would have to consider that the recent rise in prices could be contributed to short covering rather than new longs entering the market. Total open interest over the past week has declined by 11%, while the price of crude oil has risen by 9%. Once this short covering is over, prices may very well head back towards the \$35.00 range. The July contract failed to take out the 200 day moving average after coming close to it yesterday. From a technical standpoint, this is disappointing to the bulls. The failure to take out this number indicates that the market is running out of steam.

Crude Oil (JUN.09 1,838 -18,112 JUL.09 344,067 -8,458 AUG.09 95,864 +3,305 SEP.09 64,748 +2,233 OCT Totals: 1,093,976 -18,253 N.Y. Heating Oil (HO) JUN.09 33,580 -1,651 JUL.09 47,676 +1,674 AUG.09 26,132 -467 SEP.09 19,620 +38 Totals: 260,622 + 162 NEW YORK HARBOR RBOB (JUN.09 47,862 -5,924 JUL.09 81,896 +2,974 AUG.09 32,385 +853 SEP.09 22,335 +2,181 Totals: 230,487 +1,099



Crude Support	Crude Resistance
60.85, 59.85, 58.90, 56.75, 55.45, 54.49, 53.45, 52.33	62.28, 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, 2.0700, 2.1600

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