



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,

& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR MAY 27, 2009

OPEC is poised to maintain its current production policy unchanged at its meeting on Thursday, even though OPEC ministers have set their sights on \$75-\$80/barrel. OPEC's Ministerial Monitoring Committee noted oil inventories were high and stated the need for improved compliance with existing output cuts. Earlier, Saudi Arabia's Oil Minister Ali Al Naimi said the world can cope with oil at \$75-\$80/barrel, the level the country considers high enough to sustain energy investment for the long term. He said it could be achieved before the end of the year. He said OPEC does not need to change its output policy at

Market Watch

US Treasury Secretary Timothy Geithner said the US economy is stabilizing but has a long way to go to recover from its current recession.

Manufacturers Alliance/MAPI said in its quarterly industrial outlook that the US manufacturing sector will likely see an increase in growth in 2010 as a confluence of factors cause a modest rebound next year. Manufacturing production is expected to fall 12% in 2009 but grow 2% in 2010.

Saudi Arabia's Oil Minister Ali Al Naimi said he saw Saudi energy demand rising at 7% a year.

The Baltic Exchange's main sea freight index increased 7.55% on Wednesday. The index increased by 222 points to 3,164 points on Wednesday.

According to Planalytics, the Atlantic hurricane season this year is expected to be less active as water temperatures and wind conditions may violent storms less likely. It expects 10 named storms, six of which will become hurricanes, with one or two reaching category three or greater.

Private weather forecaster WSI Corp expects cooler than normal temperatures across most of the eastern US this summer and above normal temperatures across the West. The highest probability for a cool summer is in the Southeast, while the Southwest, Rockies and Northwest are most likely to have a warm summer. The Northeast will be will warmer than normal in June followed by cooler than normal in July and August.

The World Bank said the world recession may lead to an oversupply of greenhouse gas credits through 2012. Investors in emission-reduction projects in developing countries may obtain credits from them that exceed estimated demand by 2.2% through 2012. Total supply of carbon credits, which may be used in Europe instead of EU allowances, will cover 1.671 billion metric tons of avoided emissions by the end of 2012, exceeding estimated demand of 1.635 billion tons. It said new climate protection programs, such as the emissions trading system proposed by US President Barack Obama, will come too late to restore a shortage and increase prices.

ExxonMobil Corp said there has been little change in demand for crude and added that some marginal refineries will not survive. It also said it continued to advocate for a US carbon tax.

API Stocks

Crude – down 2.821 million barrels
Distillate – up 1.42 million barrels
Gasoline – down 758,000 barrels
Refinery runs – up 3.2%, at 83.8%

Thursday's meeting but stopped short of saying there was already a consensus among the 12 members. Saudi Arabia's Oil Minister also stated that customers were asking for extra oil but he would not supply all they asked until the market was back in balance. He also stated that oil inventories will fall as demand rises, with the increase in demand driven by emerging economies. OPEC's Secretary General Abdullah al-

Badri also said OPEC members can live with oil prices of \$75-\$85/barrel. He said the increase in oil prices is due to sentiment, not fundamentals. Venezuela's Oil Minister Rafael Ramirez said he hoped the oil price would stay above \$60/barrel and that the market would rise to \$75/barrel in the fourth quarter. He does not expect OPEC to change its output policy. Iran's Oil Minister Gholam Hossein Nozari said OPEC ministers are unlikely to cut oil production when they meet on Thursday. Two senior Kuwaiti oil officials said OPEC members have no reason to decide to cut output when they meet. An official at Kuwait's Supreme Petroleum Council said OPEC will focus on member compliance with previous output cuts. Separately, Kuwait's OPEC Governor, Siham Abdulrazzak Razzouqi said compliance remains on the OPEC agenda and Kuwait supports further compliance with last year's output cuts. Algeria's Oil Minister, Chakib Khelil said there is a consensus within OPEC that they will not change their output quotas and that oil prices will remain around \$60-\$65/barrel at the end of the year. The UAE's Oil Minister Mohammed bin Dhaen al-Hamli said the oil market is oversupplied. The head of Libya's OPEC delegation, Shokri Ghanem said he sees oil prices continuing to improve and added that there is no urgent need for a cut in production.

An OPEC delegate said Ecuador's Oil Minister, Derlis Palacios, will not attend this week's OPEC meeting to focus on renegotiating foreign oil companies. Ecuador's OPEC Governor, Diego Stacey will instead attend the meeting.

The EIA said higher oil prices will not be helpful to the world economy. Oil prices are forecast to increase from an average \$61/barrel this year, to \$110 in 2015 and \$130 in 2030. It said world energy demand is expected to increase 44% over the next two decades, with petroleum still accounting for the largest share of the world's energy mix. World oil demand is expected to reach 107 million bpd over the next two decades, up from this year's 84 million bpd and accounting for 32% of the world's energy supply by 2030. Biofuels demand is expected to reach 5.9 million bpd by 2030.

An IEA official said OPEC is unlikely to see a need to cut production at its meeting on Thursday. Meanwhile the head of the IEA, Nobuo Tanaka said the global economy needs to be shored up by stable oil prices and not output cuts by OPEC countries. Separately, the IEA reiterated its warning that reduced investment in energy could result in future supply shortages and a new oil price spike in a few years' time. It said evidence showed that energy investment across the world would fall sharply this year, with global upstream oil and gas investment budgets already cut by 21% or almost \$100 billion from 2008 levels. The IEA said between October 2008 and the end of April 2009, over 20 planned large scale upstream oil and gas projects, valued at a total of more than \$170 billion and involving about 2 million bpd of oil production capacity and 1 bcf/d of gas capacity, were deferred indefinitely or cancelled. A further 35 projects, involving 4.2 million bpd of oil capacity and 2.3 bcf/d of gas capacity has been delayed by at least 18 months. Canadian oil sands projects account for the majority of the postponed oil capacity.

Refinery News

Sunoco Inc restarted the larger of two fluid catalytic cracking units on Wednesday morning at its 335,000 bpd Philadelphia refinery. The unit was shut following an equipment problem on Tuesday.

Nigeria's Warri refinery in the Niger Delta has sufficient crude oil supplies

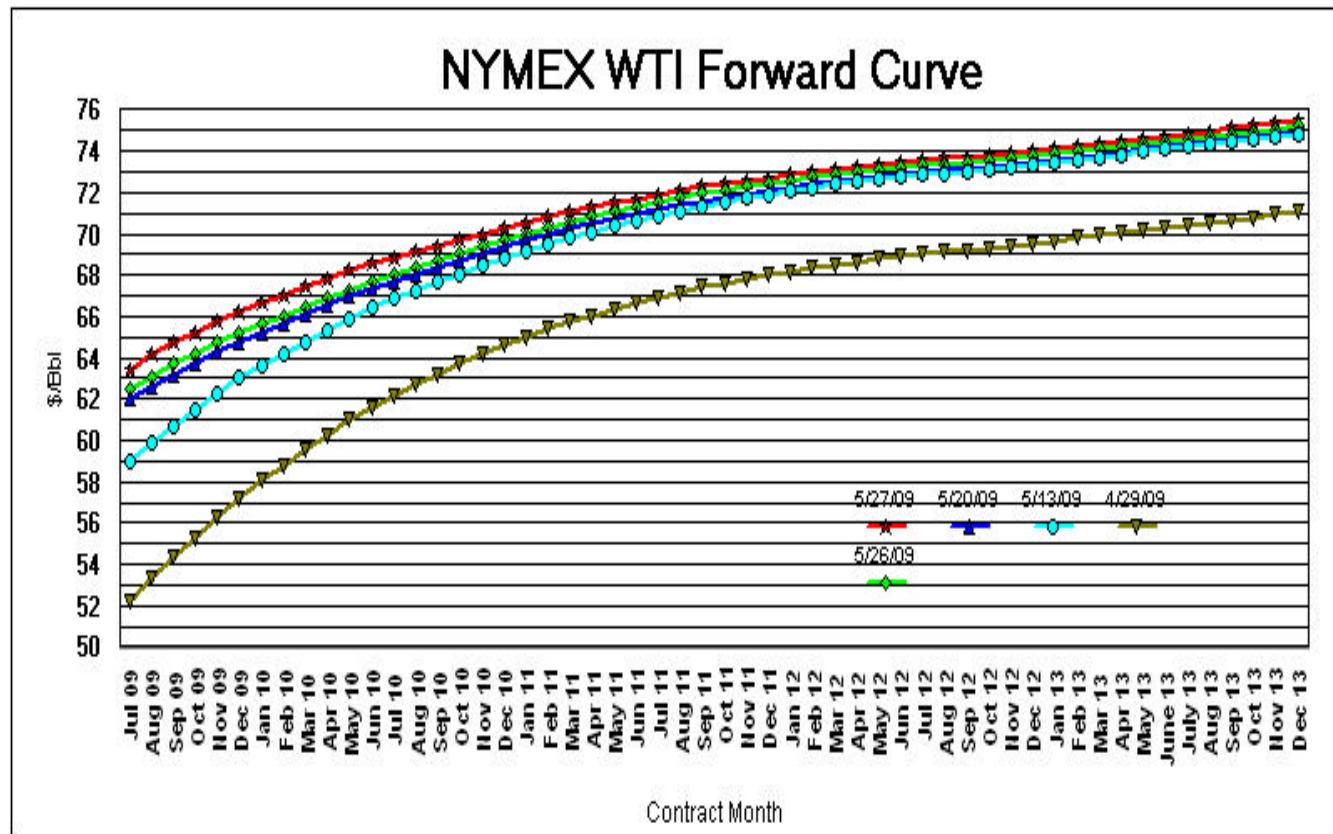
May Calendar Averages
CL – \$58.49
HO – \$1.4896
RB – \$1.7156

to maintain current output despite a recent militant attack on its feeder pipeline. The Movement for the Emancipation of the Niger Delta sabotaged crude oil pipelines in southern Delta state on Sunday. Chevron Corp confirmed one of its pipeline was breached, forcing it to shut 100,000 bpd of oil production.

Japan's Petroleum Association of Japan reported that the country's crude oil stocks in the week ending May 23rd fell by 4.67 million barrels on the week but increased by 3.02 million barrels on the year to 99.53 million barrels. Japan's gasoline stocks increased by 1.26 million barrels but fell by 2.43 million barrels on the year to 13.27 million barrels while gasoline sales fell by 27.9% on the week and by 13.8% on the year to 780,000 bpd. Japan's kerosene stocks increased by 730,000 barrels on the week but fell by 490,000 barrels on the year to 10.98 million barrels and its naphtha stocks fell by 430,000 barrels on the week to 10.37 million barrels. The refinery utilization rate fell by 0.4% to 72%.

Japan's Ministry of Finance reported that the country's oil imports in April fell 11.1% on the year to 18.919 million kiloliters or 3.97 million bpd. Its imports fell for the sixth consecutive month. Its liquefied natural gas imports fell by 7.9% to 5.266 million tons in April while imports of thermal coal used for electricity generation fell by 25.3% in April.

Taiwan's CPC Corp has purchased two Very Large Crude Carriers or 4 million barrels of West African crude for July loading. Last month, CPC also bought 4 million barrels of West African crude in its tender for June loading sweet crude.



Shell booked 40,000 tons of Europe bound jet fuel supplies for loading in the Middle East on June 1st. About 65,000 tons of Middle East jet fuel sailed to Europe this month.

Kuwait Petroleum Corp will export for the first time light naphtha, used mainly to produce ethylene and gasoline, after its new aromatics plant starts operations around the end of the year. The plant, which

has a capacity of 830,000 tons per year of paraxylene and 400,000 tpy of benzene, can produce up to 1 million tpy of light naphtha, all of which would be exported via term contracts.

Production News

The head of Nigeria's NNPC, Mohammed Barkindo said that about 1 million bpd of oil production capacity remains shut in due to recent and past militant attacks on energy infrastructure.

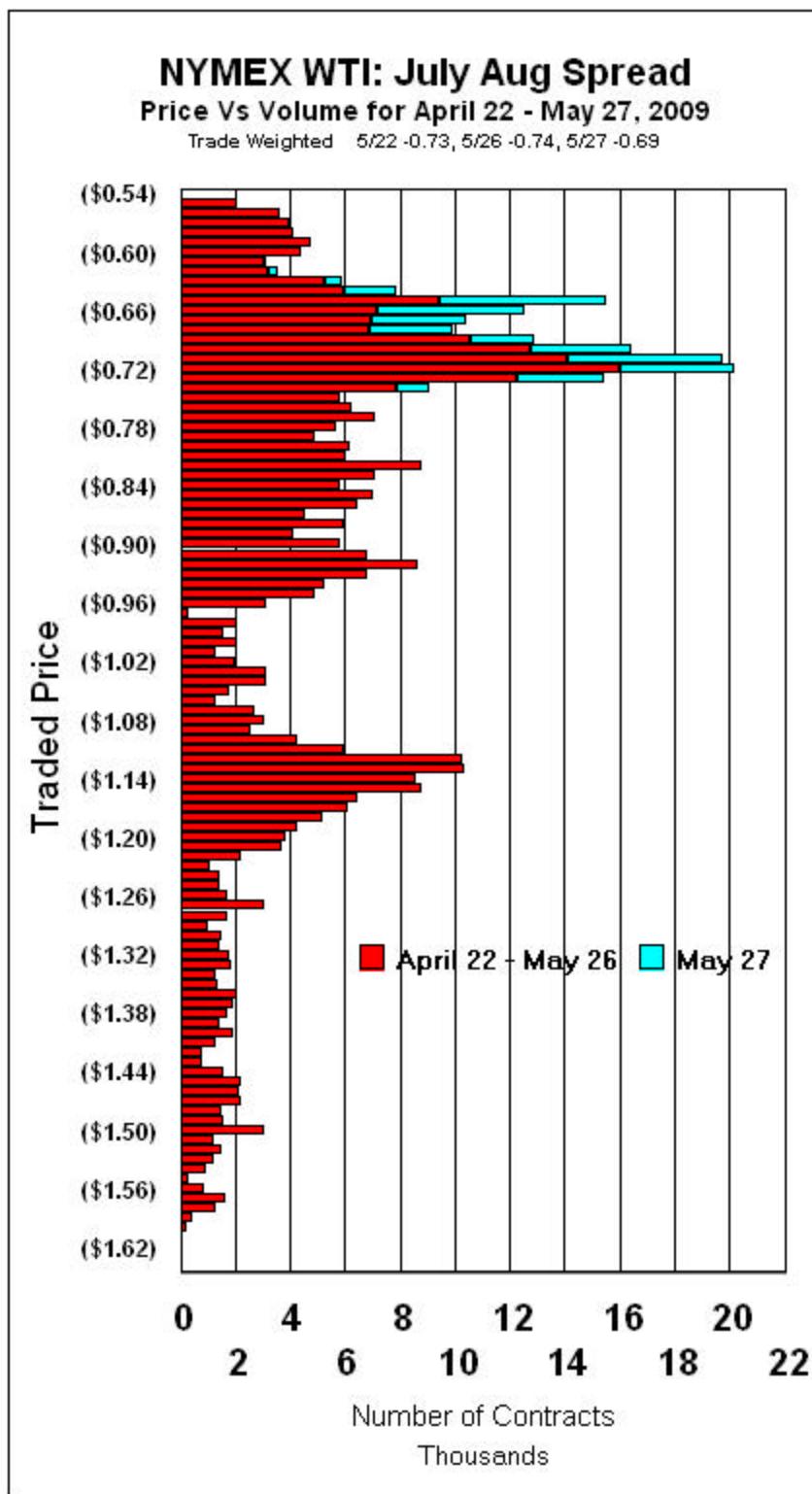
Venezuela's Oil Minister Rafael Ramirez said the country's output is 3 million bpd and is exporting 2.6 million bpd.

Sudan's State Minister for Energy and Mining Angelina Teny said the country expects to produce 600,000 bpd by the end of 2009.

Iraq's Oil Ministry said it started exports from the Tawke and Taq fields in Iraq's Kurdistan region on Wednesday at an initial rate of 10,000 bpd with hopes to reach 50,000 bpd.

Cambridge Energy Research Associates said Petrobras may need benchmark oil prices near \$60/barrel to profitably tap Brazil's subsalt offshore finds. Petrobras and partners have could up to 14 billion recoverable barrels of subsalt oil since 2007.

OPEC's news agency reported that OPEC's basket of crudes increased to \$58.71/barrel on Tuesday from a revised level of \$58.55/barrel on Monday.



Market Commentary

NEW YORK MERCANTILE EXCHANGE(r) NYMEX OPTIONS CONTRACT LISTING FOR 05/27/2009							
			TODAY'S SETTLE	PREVIOUS SETTLE	ESTIMATED VOLUME	DAILY HIGH	DAILY LOW
CONTRACT							
AO	7	9 C	90	0.03	0.03	600	0
AO	9	9 C	90	0.4	0.37	600	0
AO	11	9 C	90	0.92	0.86	600	0
AO	8	9 C	90	0.19	0.16	600	0
AO	12	9 C	90	1.13	1.05	600	0
AO	10	9 C	90	0.71	0.68	600	0
LC	7	9 P	63	2.45		1511	0
LC	12	9 C	120	0.07	0.08	500	0
LO	7	9 C	65	1.93	1.61	6246	2
LO	7	9 P	50	0.15	0.15	3596	0.22
LO	7	9 C	70	0.53	0.43	3545	0.57
LO	12	9 C	70	5.53	5.13	3228	5.2
LO	7	9 C	68	0.94	0.76	3075	0.95
LO	12	12C	150	2.06	2.11	3000	0
LO	12	12C	120	3.97	4.03	3000	0
LO	8	9 P	50	0.48	0.55	2923	0.65
LO	7	9 P	55	0.44	0.53	2745	0.55
LO	12	9 C	80	2.42	2.25	2548	2.4
OB	7	9 C	1.8	0.129	0.1125	331	0
OB	7	9 C	1.91	0.0764	0.0665	300	0
OH	12	9 C	1.85	0.1817	0.1619	200	0
WA	1	10C	0	0.49	0.48	300	0
WA	11	10C	0	0.56	0.55	300	0
WA	6	10C	0	0.55	0.53	300	0
WA	12	10C	0	0.54	0.53	300	0
WA	7	10C	0	0.55	0.53	300	0
WA	2	10C	0	0.51	0.5	300	0
WA	9	10C	0	0.55	0.53	300	0
WA	5	10C	0	0.53	0.51	300	0
WA	10	10C	0	0.54	0.53	300	0
WA	3	10C	0	0.52	0.52	300	0
WA	6	10P	-0.5	0.57	0.59	300	0
WA	4	10C	0	0.53	0.52	300	0
WA	3	10P	-0.5	0.64	0.65	300	0
WA	8	10C	0	0.54	0.52	300	0
WA	2	10P	-0.5	0.61	0.62	300	0
WA	10	10P	-0.5	0.58	0.6	300	0
WA	1	10P	-0.5	0.6	0.61	300	0
WA	8	10P	-0.5	0.56	0.59	300	0
WA	9	10P	-0.5	0.56	0.59	300	0
WA	11	10P	-0.5	0.58	0.6	300	0
WA	4	10P	-0.5	0.63	0.65	300	0
WA	7	10P	-0.5	0.57	0.59	300	0
WA	5	10P	-0.5	0.63	0.65	300	0
WA	12	10P	-0.5	0.56	0.57	300	0

The oil market continued to trend higher on Wednesday in light of supportive comments made by Saudi Arabia's Oil Minister, Ali Al Naimi. He stated that the world economy has strengthened enough to cope with oil prices at \$75-\$80/barrel. He said oil prices will likely reach that level by the end of the year. The market was also supported as the US housing data showed that sales of existing homes in the US increased by 2.9% in April. The crude market rallied above the \$63.00 level to a high of \$63.82 in early afternoon trading. However the market retraced some of its gains as the weakness in the equities market limited the oil market's gains. The oil market remained rangebound ahead of the close and settled up \$1 at \$63.45. The market traded above the 200 day moving average, signaling a short-term support price of \$60. The market on Thursday will be driven by the release of the DOE report, which is expected to show draws of 1.1 million barrels in crude stocks, draws in gasoline stocks of 1.8 and builds in distillate stocks of 900,000 barrels. The market will also seek further direction from the outcome of the OPEC meeting, even though the oil ministers are likely to leave their output policy unchanged. Technically, the crude market is still trading in an upward trending channel and is

seen finding resistance at 65.80, basis its resistance line. Support is seen finding support at 62.70, its low of 62.19 followed by 59.53 and 58.98. The gasoline market continued to rally, posting a high of \$1.8992 ahead of the close amid the expected draw in gasoline stocks. It settled up 3.93 cents at \$1.8917. The market is seen finding resistance at \$2.0171, basis a channel line.

Crude Oil JUL.09 341,237 -1,226 AUG.09 93,971 +2,215 SEP.09 69,217 -1,019 OCT.09 39,553 -2,281 Totals: 1,095,865 -3,050 N.Y. Heating Oil (HO) JUN.09 20,765 -5,602 JUL.09 58,523 +1,504 AUG.09 26,817 +456 SEP.09 19,444 +238 OCT.09 14,509 +81 Totals: 265,843 -822 NEW YORK HARBOR RBOB (RB) JUN.09 24,553 -11,968 JUL.09 91,639 -258 AUG.09 35,174 +474 SEP.09 25,530 +666 OCT.09 16,120 -349 Totals: 226,947 -11,121.

Crude Support	Crude Resistance
62.70, 62.19, 59.53, 58.98 56.75, 55.45, 54.49, 53.45, 52.33	63.82, 65.55, 65.80, 67.65
Heat Support	Heat resistance
1.5360, 1.4770, 1.4543, 1.4130	1.5728, 1.6025, 1.6475, 1.6688, 1.6715
Gasoline support	Gasoline resistance
1.8484, 1.8210, 1.7800, 1.7424	1.8800, 1.8992, 2.0171

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