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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 11, 2009

A Kuwaiti oil official said OPEC is not expected to cut output in its upcoming meeting later this month for political reasons. A member of Kuwait's Supreme Petroleum Council, Musa Marafie said oil prices are expected to stay in the current level of \$50/barrel.

Iran's OPEC governor, Mohammad Ali Khatibi said OPEC will either cut production at its May 28th

meeting to reduce high crude oil stock levels or decide to maintain its current output on expectations of an improved economic situation and a rise in demand.

May Calendar Averages

CL – \$55.96

HO – \$1.4607

RB – \$1.6221

Market Watch

In a proposal unveiled last week, the CFTC said it may increase the minimum adjusted net capital requirements for futures commission merchants by three fold to \$ 1million from \$250,000. It may also increase adjusted net capital requirements for introducing brokers from \$30,000 to \$45,000. The proposal also calls for increasing the percentage that futures commission merchants must use to calculate their margin requirements for customer and non-customer accounts to 10%, up from 8% and 4%, respectively. The proposal also calls for firms to incorporate over-the-counter derivative positions into their risk based capital calculations.

According to a Rand Corp study, the greatest threat to the US from crude oil imports is the economic cost of a long term major global supply interruption. It said a large, extended drop in the world supply of oil would trigger a sharp increase in oil prices and significantly affect the US, no matter how much or how little oil the US imports.

Managing director of National Iranian Oil Co said Iran will need foreign capital if it is expected to meet its plans to invest up to \$30 billion a year in its oil sector. He said the available information indicates that the use of internal resources does not meet investment needs. He said Iran needs to increase its investment in the oil sector to maintain until 2025 its status within OPEC. Iran's income from the export of crude oil in the Iranian year to March 21 was \$75 billion of which about \$10 billion was used to develop the oil and gas sector.

Venezuela will seize the assets of two foreign oil service companies as part of its plan to nationalize a host of oil business contractors. PDVSA will take over the maintenance and pipeline substitution business of Gulmar Offshore Middle East and Tidwater Inc, a US contractor that operates ships and barges in the Lake Maracaibo area.

Algeria's Oil Minister Chakib Khelil said late Saturday that it would be difficult for OPEC to cut production at current price levels given that two or three of its members had not complied fully with previous supply cuts.

Separately, an OPEC delegate said current oil prices were acceptable but added that OPEC is unlikely to agree on a supply cut at its meeting at the end of the month.

The EIA reported that the US retail price of diesel increased by 3.1 cents to \$2.216/gallon in the week ending May 11th. The rise, the largest since March 30th, was the first after three weeks of declines. It also reported that US average retail price of gasoline increased by 16.2 cents to \$2.24/gallon on the week.

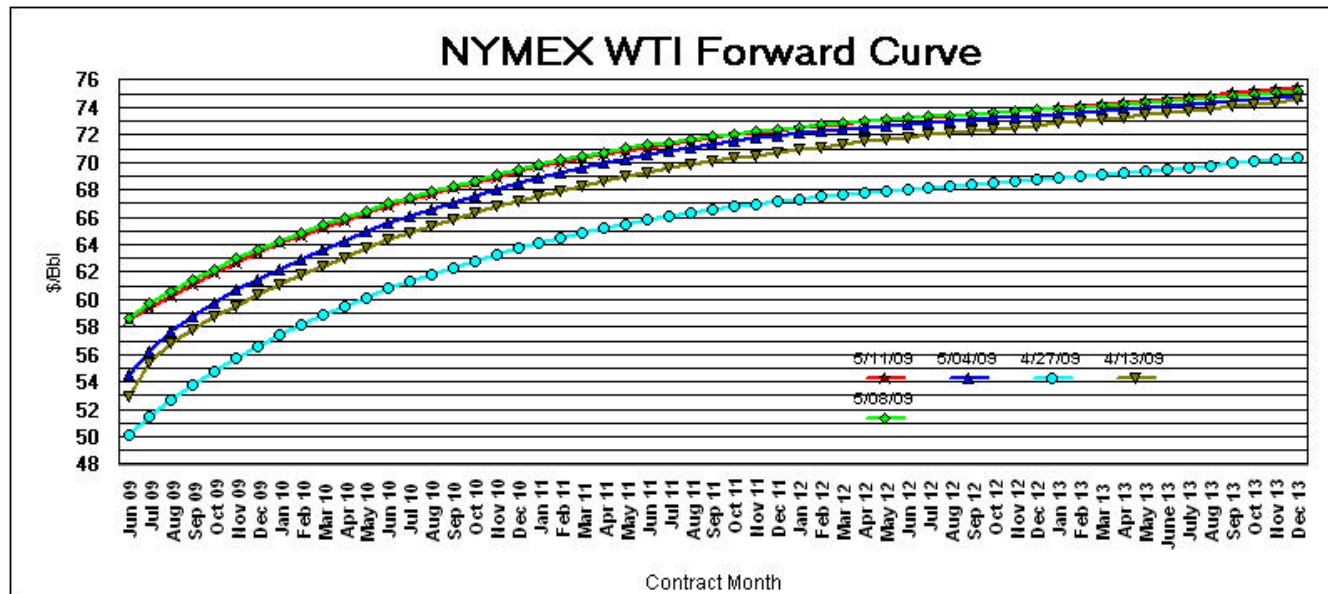
Refinery News

An unscheduled shutdown on the Buckeye pipeline will delay oil product delivery to the region. Buckeye said that an unscheduled shutdown of the pipeline for 33 hours over the weekend delayed scheduled batches to Inkster, Detroit, Dearborn, Huntington and Woodhaven in Michigan and to Toledo, Ohio. The delay will shift last cycle May barrels into June to complete May nominations. The delays in the pipeline deliveries may back up from oil product in the Chicago market, preventing it from flowing west into the Group Three market.

Gasoline supported complex oil refining margins globally last week. Complex refiners in Europe's oil hub of Rotterdam saw margins increase by 50 cents to \$2.75 by cracking a barrel of North Sea Brent crude last week while simple refinery margins increased by 8 cents to an average \$1.11/barrel on the week. In the US Gulf, complex refining margins on WTI averaged \$5.21, up 30 cents on the week. In the Mediterranean, complex margins on Russian Urals increased by 10 cents to \$1.80/barrel while simple margins fell by 8 cents to 54 cents. In Asia, complex margins on Dubai crude increased about 40 cents to an average \$3.87/barrel while simple margins fell by 15 cents to 80 cents/barrel.

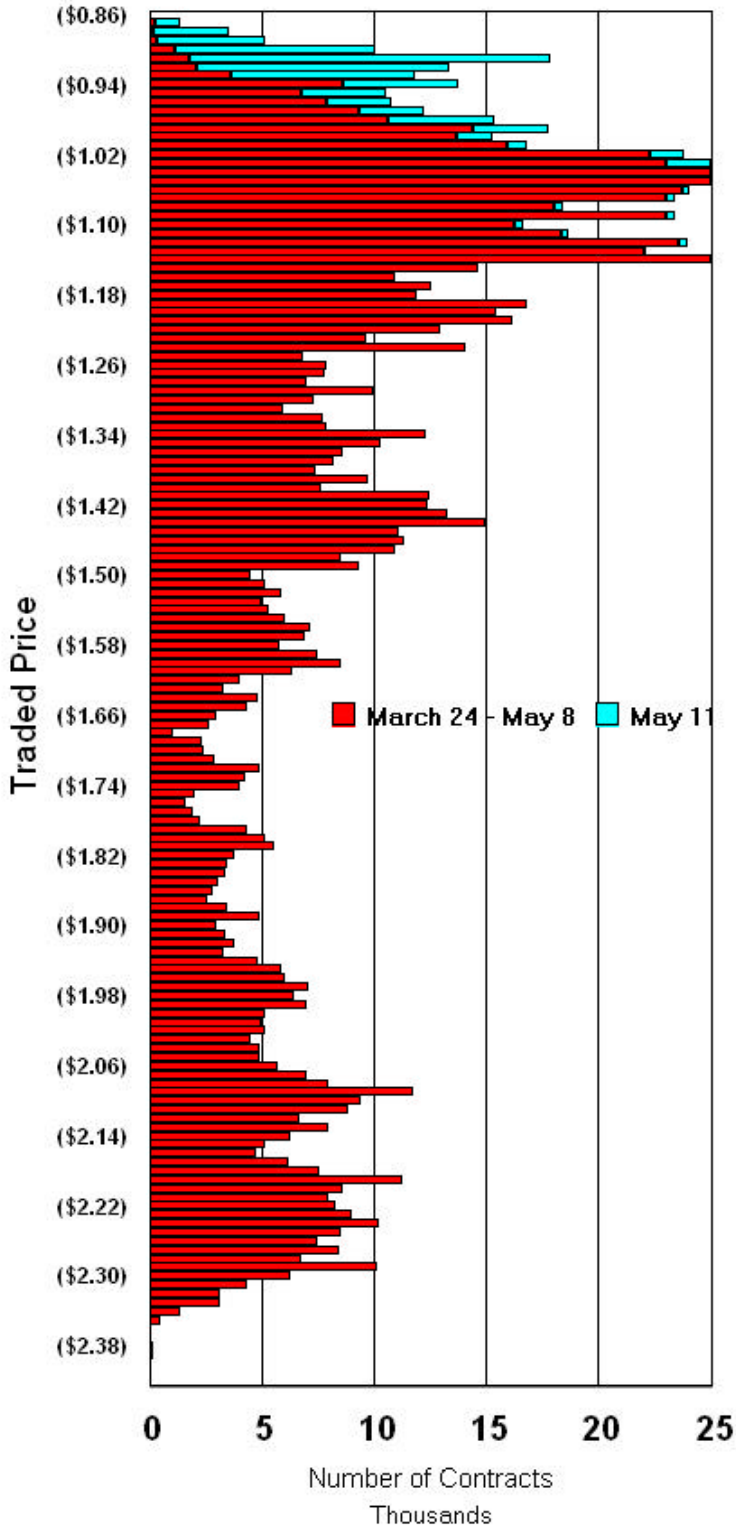
BP Plc restarted its 95,000 bpd sour crude unit at its 410,000 bpd refinery in Whiting, Indiana after about 5 weeks of planned work. Separately, an ultracracker malfunctioned at BP's 467,720 bpd Texas City, Texas refinery on Monday.

Valero Energy Corp said there was no impact to production from weekend malfunctions of two sulfur recovery units in the east plant of its 315,000 bpd Corpus Christi, Texas refinery. An electrical power problem triggered a malfunction Friday with its sulfur recovery unit No. 1 while the cause of a Sunday malfunction in its sulfur recovery unit No. 2 is still under investigation. Valero said it is restarting an 18,000 bpd hydrocracker unit at its refinery in Delaware City, Delaware adding it is expected at planned rates in several days.



NYMEX WTI: June July Spread Price Vs Volume for March 24 - May 11, 2009

Trade Weighted 5/7 -1.02, 5/8 -1.15, 5/11 -.94



Shell Oil Co's 332,000 bpd Deer Park, Texas refinery has experienced disruptions to production after suffering a power outage at a steam plant during the weekend. The outage occurred after an unexpected outage of the Calpine steam utilities plant, which supplies the refinery.

ExxonMobil's 120,000 bpd fluid catalytic cracking unit at its 503,000 bpd Baton Rouge, Louisiana refinery suffered a problem during a restart on Thursday. This followed an unplanned shutdown earlier in the week. ExxonMobil said it will be able to meet its customer supply obligations.

Sunoco Inc reported a weekend gasoline spill at a pump station near its 178,000 bpd refinery in Marcus Hook, Pennsylvania. An instrument failure caused the release of gasoline late Friday and early Saturday at the Twin Oaks facility.

Tesoro Corp said a hydrocracker and reformer unit at its 166,000 bpd Golden Eagle refinery in Martinez, California were shutdown over the weekend for planned maintenance. The units should return to service by late June.

Frontier Oil is in the process of restarting its 130,000 bpd refinery in El Dorado, Kansas after losing power in a storm early Friday. It is expected to reach planned rates later Monday.

LyondellBasell started up a depropanizer tower in its fluid catalytic cracking unit at its 270,000 bpd Houston, Texas refinery.

Irving Oil began the restart of a fluid catalytic cracking unit at its 300,000 bpd St. John, New Brunswick refinery following the completion of its maintenance. It is not clear as to when the unit will return to full rates following the work.

Total is expected to shut its 153,000 bpd

Vlissingen refinery in the Netherlands on May 25 for one month of maintenance.

Mexico's Pemex plans to begin building a 160 ton/day sulfur recovery unit at the Salamanca oil refinery in July as part of an effort to improve gasoline quality. Pemex also plans to build similar units at other refineries to improve fuel quality and reduce carbon emissions. It also plans to build a 300,000 bpd refinery in Tula to ease dependence on imported fuel.

India's Mangalore Petroleum Corp will shut a 120,000 bpd crude unit or 62% of its refinery for about 10 days from the end of May. It shut a 1.2 million ton a year hydrocracker unit since Friday for catalyst replacement for about 30 days.

Sinopec Corp's 240,000 bpd joint venture refinery is in the final stage of preparation before starting operations. Trial operations of the project's first main refining equipment is expected to start in two months while the project is expected to enter full operations in the second half of the year.

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said an agreement with China's government on a new refinery in China could be reached soon following a meeting between the countries' leaders. The planned facility includes a refinery that can process 15 million tons of Kuwaiti crude a year or 300,000 bpd and a 1 million tons/year ethylene complex.

China imported 16.17 million tons or 3.93 million bpd of crude in April, up 13.6% on the year. The higher imports will prompt state oil majors to increase production after they increased domestic and international sales and cut production to deplete record refined fuel stocks in the past several months. Refined fuel inventories held by China's top two oil companies fell by 15% at the end of April while sales increased more than 5% on the month.

Indonesia's Pertamina plans to export between 150,000-200,000 barrels of jet fuel in June, down from an expected level of 280,000 barrels in May.

Qatar Petroleum is offering about 1.3 million barrels of gasoline for delivery between July and December.

Production News

Saudi Arabia will mostly maintain its supply cuts to its customers in Asia in June while deepening its cuts to some customers in Europe. Five refiners in Asia were notified they will receive steady supplies, while a sixth will get even lower supplies, deepening the reductions beyond 10%. A seventh will get a narrow cut of 7% against 11% in May. The supply cuts to Asia fell within a wide range of 7% to 14% compared with between 8% and 14% for May. Two refiners in Europe said they will receive lower supplies in June while a third said its volume will be steady on the month. IN the US, refiners were told to expect steady Saudi allocations in June.

The National Iranian Oil Co's executive director, Seifollah Jashnsaz said Iran's oil production capacity has surpassed the 4.3 million bpd level on Monday.

A senior Nigerian Oil Ministry official said unrest in the Niger Delta is preventing Nigeria from meeting its OPEC output quota.

The North Sea Ekofisk crude oil stream is scheduled to load 10.55 million barrels in June, down 1.8 million barrels from 12.35 million barrels in May.

The Norwegian Petroleum Directorate said Norway's oil production fell to 1.99 million bpd on average in April from 2.15 million bpd in March. Norway's production of natural gas liquids and condensate fell to 350,000 bpd in April from 389,000 bpd in March.

Oman's oil production in the first quarter of 2009 increased by 6.1% on the year to 786,700 bpd, compared with an annual target of 800,000 bpd for 2009.

Iraq's Oil Ministry will begin exporting oil from fields in Kurdistan following a breakthrough in a feud over control of Iraq's oil wealth. An official said that once fields in the northern Kurdish region are connected to the national export pipelines, the Iraqi Oil Ministry will start exporting crude extracted from some oilfields in Kurdistan. Meanwhile, Norway's DNO International said it received formal approval from Iraq's regional government in Kurdistan to start exporting crude oil from the Tawke field in northern Iraq on June 1st. DNO previously stated that it could increase its production in Iraq to about 50,000 bpd once it obtained an export license.

Iraq has increased its June official selling price for Basra Light crude to all buyers. The price of Basra crude bound for the US was increased to WTI plus \$3.35 while the price of Basra crude bound for Europe was increased to BFOE minus \$1.50 and the price of Basra crude bound for Asia was increased to the Oman/Dubai average plus 45 cents, up 80 cents on the month. The price of Kirkuk crude bound for the US was cut to WTI minus \$2.30 and the price of Kirkuk crude bound for Europe was increased to BFOE minus \$1.50.

The National Iranian Oil Co increased the price of Iranian Light crude bound for Northwest Europe by 50 cents to BWAVE minus \$2.80. The price of Iranian Heavy crude bound was increased by 40 cents to BWAVE minus \$3.65 and the price of its Forozan Blend was increased by 40 cents to BWAVE minus \$3.50. Its Iranian Light crude bound for the Mediterranean fell by 5 cents to BWAVE minus \$3.45 while its Iranian Heavy and Forozan Blend crude prices were unchanged at BWAVE minus \$4.20 and BWAVE minus \$4.05, respectively. The price of its Iranian Light crude bound for Asia was increased by 20 cents to the Oman/Dubai average plus \$1.30, the price of its Iranian Heavy crude was increased by 65 cents to the Oman/Dubai average plus 20 cents and the price of its Forozan Blend crude was increased by 65 cents to the Oman/Dubai average plus 25 cents.

Maersk Oil said that DUC oil and condensate production in April totaled 236,300 bpd.

Brazil's Petrobras made its sixth oil or natural gas discovery in the Espirito Santo Basin over the past month, with a wildcat well in the BT-ES-15 block testing positive.

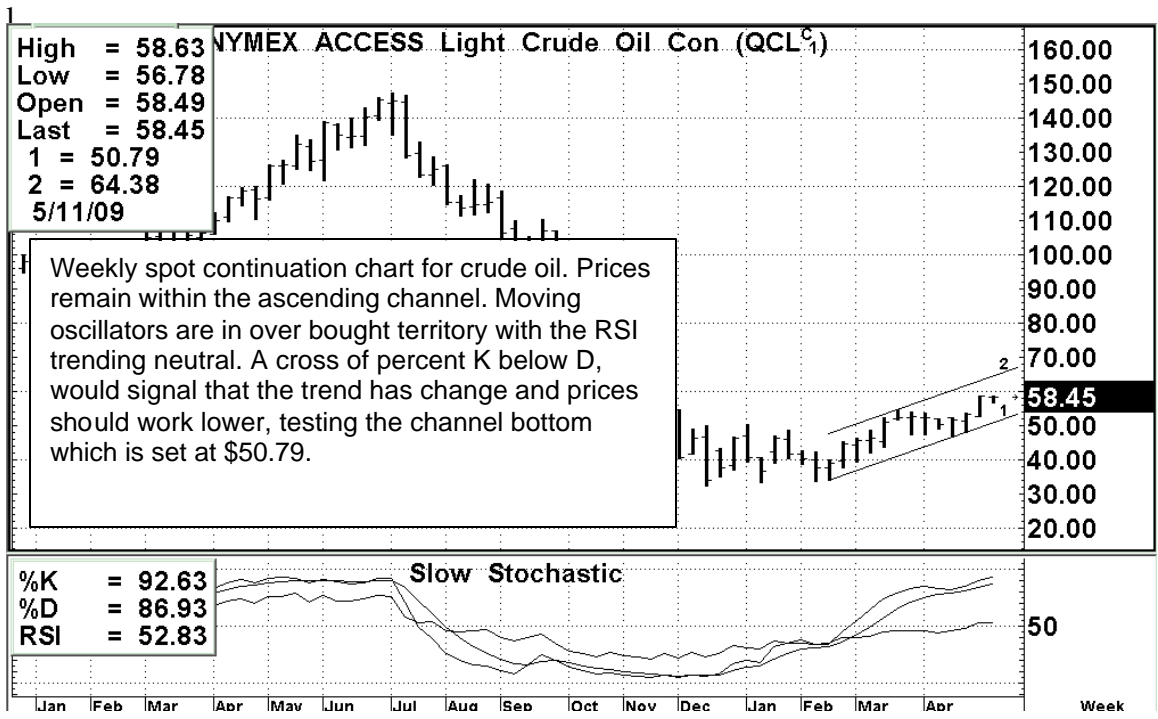
OPEC's news agency reported that OPEC's basket of crudes increased further to \$56.35/barrel on Friday, up from Thursday's \$56.05/barrel. OPEC also reported that OPEC's basket of crudes increased to \$54.26/barrel in the week ending May 8th, up from \$49.73/barrel in the previous week.

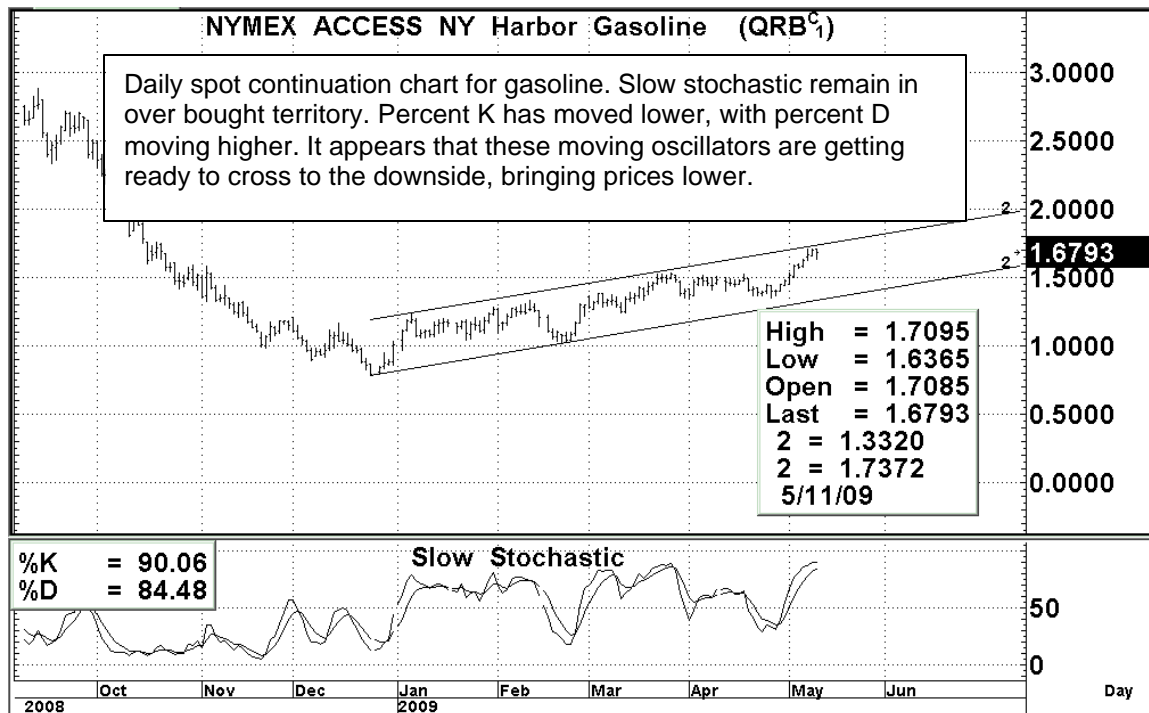
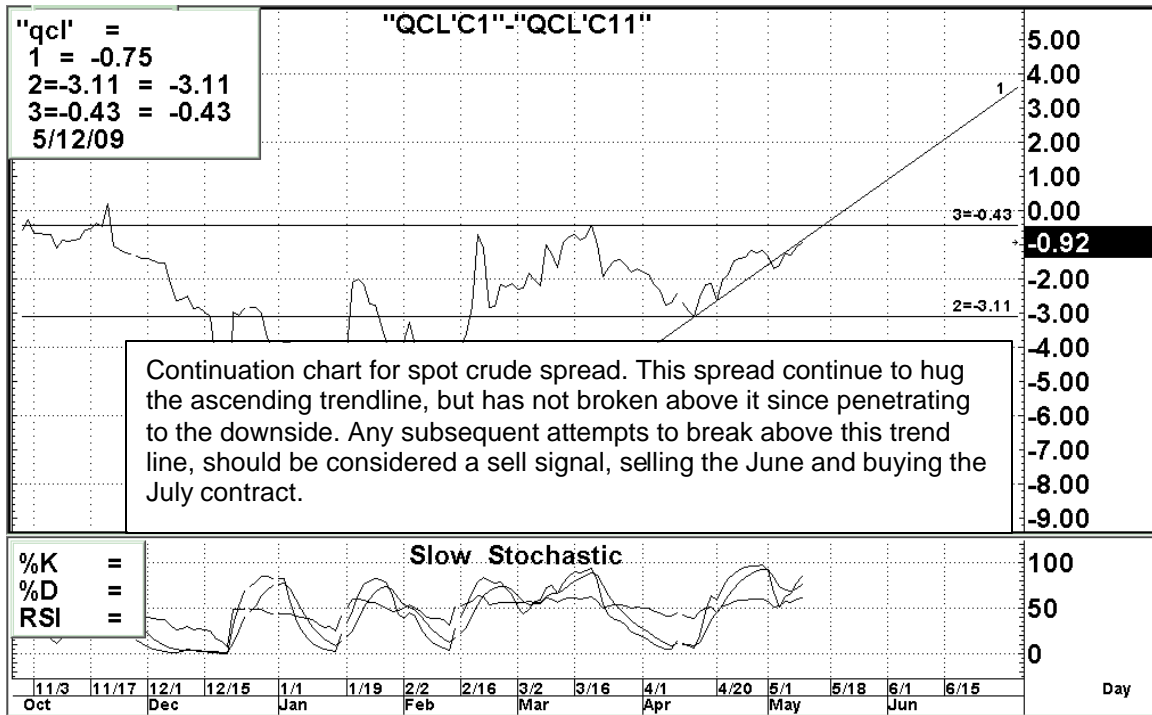
Market Commentary

The energy markets continue to react to detached fundamentals, trading lower today in response to a stronger dollar and weaker stock market. Last week's optimistic economic outlook was forgotten quickly today as expectations of inventory builds in crude oil circulated the marketplace. According to a report by the Energy Department, U.S. crude oil stocks are expected to increase by 1.2 million barrels with gasoline expected to increase by 500,000 barrels and distillates to increase by 1.2 million barrels. Despite today's sell off, the June/July crude oil spread strengthened. This may not be a clear indication of prompt demand as it is more of an indication that optimism about future demand is waning. The June/July spread, which settled at -\$1.11 on Friday, settled at -.91 cents today. We would look for the crude oil market to continue to chop around, trading between the range of \$35.00 and \$60.00. Not until we see steady increases in demand, would we look for this market to be able to sustain any strength.

Fuel demand continues to suffer at the hands of the economy and is currently running 7.9 percent lower than a year ago. Both products are reflective of this demand destruction, giving back some of their gains from last week. Gasoline has been trending within the ascending channel that began in the middle of December. We would look for this pattern to continue. Slow stochastics on a spot continuation chart for gasoline are in overbought territory, appearing to get ready to cross to the downside. Should percent K cross below D, a sell signal would occur. We would, at this point, look for a test at the channel bottom of \$1.3320.

Crude Oil (JUN.09 231,266 -18,390 JUL.09 283,464 +27,162 AUG.09 77,226 -3,183 SEP.09 54,392 +1,855 Totals: 1,213,184 +11,230 N.Y. Heating Oil (HO) JUN.09 54,337 -3,652 JUL.09 39,922 +2,239 AUG.09 21,342 +548 SEP.09 17,531 +44 Totals: 259,095 +1,479 NEW YORK HARBOR RBOB (RB) GASOLINE JUN.09 71,244 -3,831 JUL.09 49,270 +2,311 AUG.09 25,719 +1,085 SEP.09 18,775 -323 Totals: 208,766 - 584





Crude Support	Crude Resistance
55.45, 53.45, 52.33, 46.68, 45.10, 44.50, 43.80, 40.00, 38.95, 32.25, 29.66, 28.63, 26.65, 25.50	59.20, 59.66
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	1.7372, 1.7555, 1.8800, 2.0700

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