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ENERGY MARKET REPORT FOR MAY 12, 2009

Algeria's Energy and Mines Minister Chakib Khelil said OPEC will have no need to cut oil production quotas at its meeting later this month if the oil prices continue to increase. However he said there should be better discipline among OPEC members in complying with output cuts previously agreed by OPEC. He said if all OPEC members complied with their production targets, a further 600,000-700,000 bpd would be removed from the market. He added that oil prices were continuing to increase and should rise past \$60/barrel this year.

Market Watch

According to the AAA, about 32.4 million Americans will travel 50 miles or more away from home during the long holiday weekend, up from 31.9 million last year. Trips by automobile will increase by 2.7% from 26.3 million travelers last year to 27 million this year. In contrast, trips by air will decrease 1% with 2.1 million air travelers this year.

ETF Securities stated that inflows into its oil ETCs increased by \$954 million between January and April as investors bet on a rebound in oil prices from near 5 year lows reached at the end of December. Assets under management in ETF Securities' oil ETCs increased to \$1.4 billion by the end of April, a \$902 million increase since December 2008.

Investor's Business Daily and TechnMetrica Market Intelligence said their IBD/TIPP Economic Optimism Index fell to 48.6 in May from 49.1 in April, which had been the index's strongest level since November 2008. The index is 4.2 points above its 12 month average of 44.4 and 2.7 points below its all time average of 51.3.

A Russian Finance Ministry official said Russia is likely to increase its export duty by up to 10% to \$149-\$152/ton starting June 1, following an increase in crude prices over the last month. Russia's light refined products export duties is expected to increase to \$112.50-\$115/ton in June, up from \$105.10/ton this month while its heavy refined products export duties is expected to increase to \$60.50-\$62/ton from \$56.60/ton.

A total of 1,200 lots or 120,000 metric tons of gasoil was physically delivered against the expiry of the ICE May gasoil futures contract. It is down 20% on the month.

Pacific Ethanol Inc said that its first quarter sales had fallen by nearly half and warned again that it would need to file for bankruptcy protection if it could not restructure its debt soon. It said sales fell 46% to \$86.7 million in the quarter on the year. Its volume of ethanol sold fell 24% in the quarter while the average sales price fell by 28%.

API Stocks

Crude – down 3.13 million barrels
Distillate – down 1.757 million barrels
Gasoline – down 2.006 million barrels
Refinery runs – down 1.4%, at 81.9%

Qatar's Oil Minister Abdullah bin Hamad Al Attiyah said OPEC output cuts are helping balance the oil market but added that greater compliance is needed. He also called for independent oil companies and service operators to take on more of the burden of lower oil prices by renegotiating operating terms that were agreed when prices were near record highs.

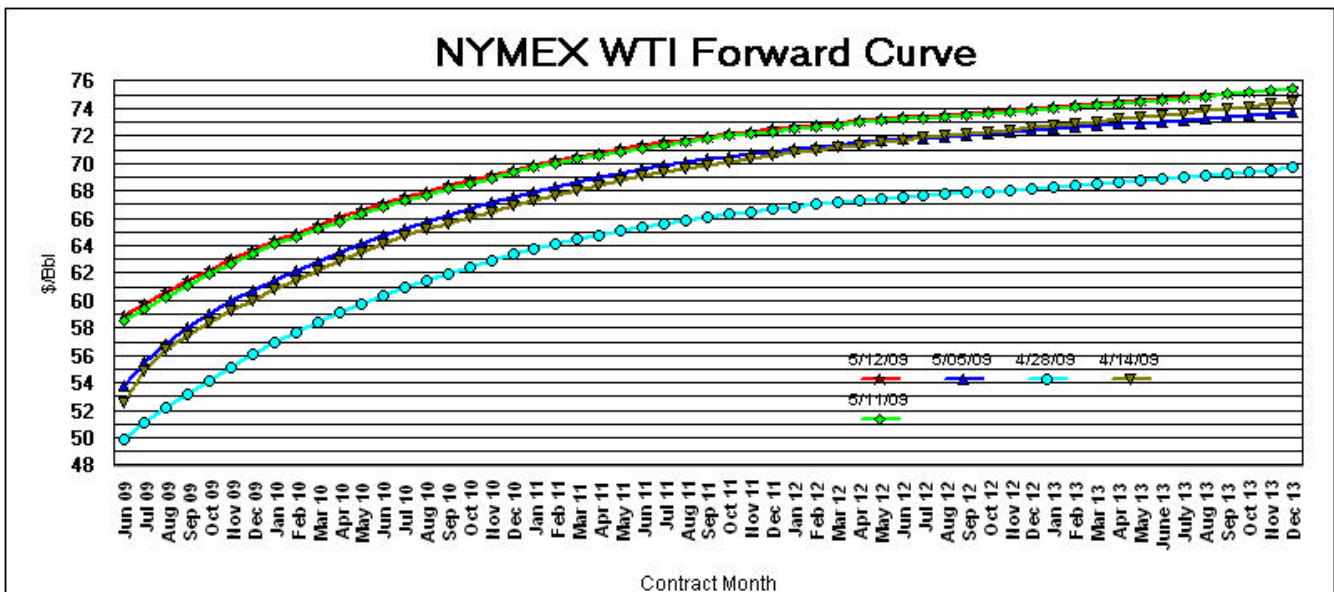
Separately, a source close to Angola's President and an OPEC delegate said OPEC is unlikely to further cut its oil output targets at its meeting this month. They said OPEC is likely instead to focus on complying in full with 4.2 million bpd of existing oil output cuts.

In contrast, Iran's OPEC Governor Mohammad Ali Khatibi said a further cut in oil supply is necessary. He said crude inventories have increased to the equivalent of 61 days of consumption from 52 on average during the past five years, posing a problem for the market.

The IEA's Executive Director Nabuo Tanaka said it is unlikely to reduce its oil demand forecast in its next report. He said according to the IEA's forecasts non-OPEC supply will be reduced by 500,000 bpd in 2009 and total production will be reduced by 1.7 million bpd. Last month, the IEA said it expected total demand to fall by 2.4 million bpd this year, a large reduction from 1.25 million in its previous monthly report. The IEA will release its next report in mid-May.

May Calendar Averages
CL – \$56.32
HO – \$1.4665
RB – \$1.6278

The EIA reported in its Short Term Energy Outlook that the price of WTI is expected to remain relatively flat for the remainder of 2009, averaging about \$55/barrel over the second half of 2009. The price of WTI is expected to average \$58 in 2010, assuming a modest economic improvement next year. It is down \$5 from its previous estimate. During this summer driving season, regular gasoline retail prices are expected to average \$2.21/gallon, down about \$1.60 from last summer. The annual retail price of gasoline in 2009 is expected to average \$2.12/gallon, increasing to an average of \$2.30 in 2010. The annual retail price of diesel is expected to average \$2.26/gallon in 2009 and \$2.48/gallon in 2010. World oil demand is expected to fall by 2.07% on the year to 83.67 million bpd in 2009, which is down 0.50% from its previous estimate. World oil demand in 2010 is expected to increase by 0.85% on the year to 84.39 million bpd. It is down 0.97% from its previous estimate. It showed that non-



OPEC production is expected to increase by 0.20% on the year to 49.83 million bpd in 2009 and increase by 0.08% to 49.87 million bpd in 2010. OPEC production is expected to fall by 2 million bpd on the year to 33.5 million bpd in 2009 and increase to 34.4 million bpd in 2010. Surplus crude production capacity in OPEC estimated at 4.3 million bpd is projected to remain relatively high over the forecast period, exceeding 5 million bpd in 2010. OECD commercial inventory at the end of 2008 stood at 2.7 billion barrels or 57 days. It increased by 34 million barrels during the first quarter, reaching 60 days of forward supply. The EIA estimates that there is an additional 130 million barrels of oil in floating storage. Total demand in the US is expected to fall by 2.94% on the year to 18.85 million bpd in 2009 but increase by 1.33% to 19.1 million bpd in 2010. Its demand estimates for 2009 is down 0.74% from its previous estimate while its forecast for 2010 is down 0.83% from its previous estimate. Gasoline demand is estimated to increase slightly by 0.22% on the year to 8.98 million bpd in 2009 and increase by 0.78% to 9.05 million bpd in 2010. Its estimates for 2009 and 2010 are down by 0.33% and by 0.44%, respectively. Distillate demand is expected to fall by 5.08% on the year to 3.74 million bpd in 2009 and increase by 1.34% on the year to 3.79 million bpd in 2010.

Nigeria's umbrella labor union organization, the Nigeria Labour Congress, will proceed with its mass protests against the deregulation of the downstream sector of the oil industry despite a government appeal to postpone them. It said the first phase of the protest will begin in Lagos on Wednesday followed by rallies in the southern town of Asaba on Friday and the northern cities of Kano and Maiduguri on Tuesday and Thursday next week. The second phase will be held in the southern cities of Ibadan and Enugu and the northern city of Makurdi and finally in Abuja.

Refinery News

Citgo shut a vacuum crude unit at the East Plant of its 156,000 bpd refinery in Corpus Christi, Texas from May 12-18.

Total Petrochemicals USA cut rates on a gasoline unit and a diesel unit at its 232,000 bpd Port Arthur, Texas refinery following a malfunction of a Shell Claus off-gas treating unit on Monday. Both its fluid catalytic cracking unit and diesel hydrotreater 1 had their throughputs cut back by the SCOT unit malfunction on Monday afternoon.

Harvest Energy Trust said it completed a major maintenance turnaround at its 115,000 bpd refinery at Come by Chance, Newfoundland and Labrador. The maintenance included catalyst replacement in the hydrocracker and distillate hydrotreater and regeneration of a platformer catalyst. Harvest also refurbished several other process and utility units at the facility. It expects the refinery's throughput for the year to average 98,000 bpd.

Japan's Nansei Sekiyu KK is scheduled to shut its 100,000 bpd crude distillation unit at its Nishihara plant for planned maintenance from May 18 to June 7.

China's Sinopec and Kuwait Petroleum Corp are looking at alternative sites for a proposed refining and petrochemical project in Guangdong province in southern China after environmentalists opposed their original choice of Nansha.

China's General Administration of Customs said China imported 16.17 million tons or 3.93 million bpd of crude oil in April, up 13.6% on the year. Crude oil imports in the first four months of the year fell by 4.5% to 57.07 million tons. Refined oil products imports in April increased by 2.6% on the year and up 21.1% on the month to 3.7 million tons. Oil product imports in the first four months fell by 1.8% on the year to 12.66 million tons. China exported 360,000 tons of crude oil and 2.08 million tons of refined oil in April. China's refined oil product exports totaled 6.25 million tons, up 29.4% on the year.

The UAE's Emarat will increase the capacity of its petroleum products storage unit in Fujairah to 250,000 cubic meters from 50,000 cu meters. The facility is used for storing and distributing gas oil, diesel, gasoline and jet fuel. Oil storage in Fujairah is estimated at 2.5-3 million cubic meters while future expansions could increase it to up to 6.5-7 million cubic meters.

German residential heating oil stocks increased to 62% of capacity on May 1st from 61% on April 1st. Last year, German heating oil stocks fell to 45% in May from 46% the previous month.

Production News

Iraq's Oil Minister Hussein al-Shahristani said the Iraqi government still does not recognize oil contracts signed by the autonomous Kurdish government in northern Iraq with several foreign companies, despite the government approving oil exports from the region.

Korea National Oil Corp will start drilling at an oil block in Kurdistan in October after the Iraqi government agreed to export crude oil from the region. KNOC has stakes in five oil blocks in the Kurdish region.

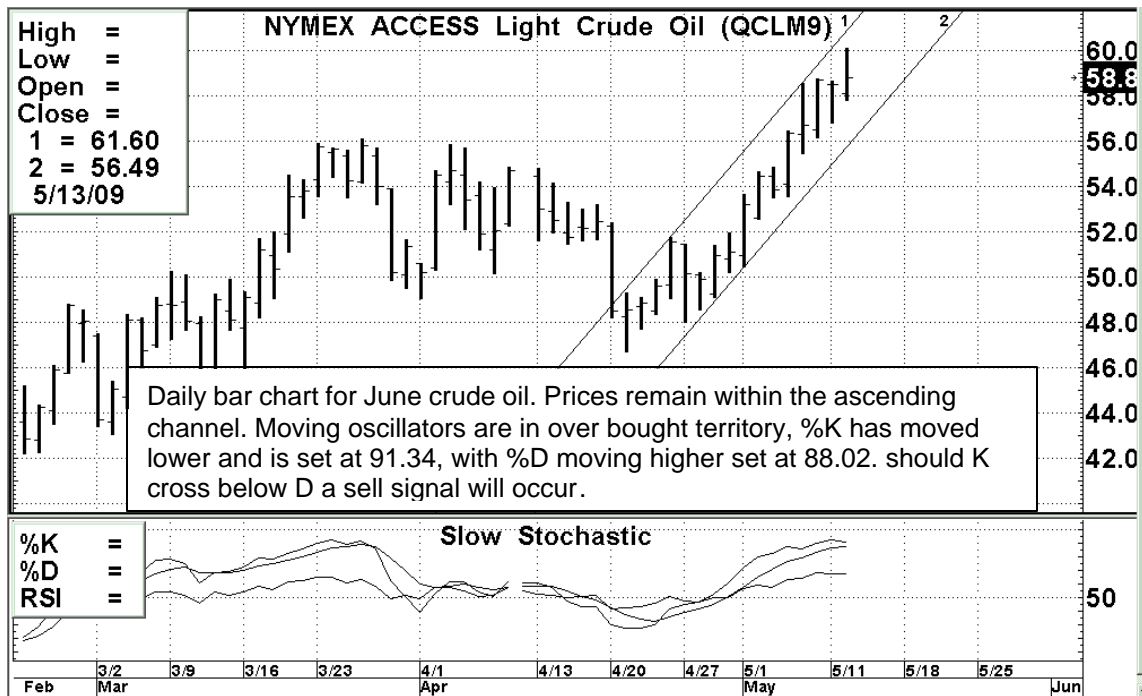
Kazakhstan's Roxi Petroleum Plc said it successfully tested two wells in central Kazakhstan. The company said it estimated reserves of 13 million barrels of C1 and 5 million barrels of C2.

OPEC's news agency reported that OPEC's basket of crudes fell to \$56.11/barrel on Monday from Friday's \$56.35/barrel level.

Market Commentary

The U.S. stock market opened higher today in response to comments made by Federal Reserve Chairman Ben Bernanke and this strength spilled over into the crude oil markets. This move higher is predicated on demand growth. Inventory levels are still at 19-year highs and are expected to increase further, while demand remains moderate. According to two OPEC officials, OPEC is unlikely to add additional cuts at its upcoming May 28th meeting. These fundamentals continue to make it difficult to conceive that prices can sustain substantial strength. The June/July crude oil spread strengthened again today, which could lead to an influx of imports into an already saturated market. An increase in imports can be offset by increases in refinery runs. We will have to keep a watchful eye on this spread and its impact on imports compared to refinery runs. From a technical standpoint, this market remains in an uptrend, with moving oscillators in overbought territory. The June contract is trading within an ascending channel that can be depicted on a daily bar chart. This channel will begin tomorrow's session set between \$61.60 and \$56.49. Gasoline came under pressure again today in response expectations of inventory builds. Tomorrow, Wednesday, will be the ninth trading day of the month. If anyone is following the historical pattern mentioned in last week's wire, this is the day to lighten up on any length and rethink going long the June contract. Should one decide to go long this market, historically, it should continue higher up and until the end of May.

Crude Oil (JUN.09 202,327 -28,939 JUL.09 300,933 +17,469 AUG.09 75,633 -1,593 SEP.09 53,885 -507 Totals: 1,200,035 -13,149 N.Y. Heating Oil (HO) JUN.09 51,169 -3,168 JUL.09 39,227 -695 AUG.09 21,959 +617 SEP.09 18,086 +555 Totals: 257,941 -1,153 NEW YORK HARBOR RBOB (RB) JUN.09 67,032 -4,212 JUL.09 53,169 +3,899 AUG.09 26,181 +462 SEP.09 18,792 +17 Totals: 209,418 + 652



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, 61.60
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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