



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 14, 2009

The IEA reported that world oil demand this year will fall by 2.56 million bpd in 2009, the sharpest decline since 1981 as the economy struggles to recover. It previously forecast that demand will fall by 2.4 million bpd. The IEA expects world demand to average 83.2 million bpd, down 230,000 bpd from its previous forecast. Total non-OPEC supply was forecast to fall to 50.3 million bpd from 50.6 million bpd in 2008. The IEA said stocks in developed countries at the end of March equaled 62.4 days of forward demand. Meanwhile, the IEA warned that continued weak demand will cut global refinery runs further in the next few months. Global refinery runs are expected to average 71.1 million bpd in the second quarter, down 3.1 million bpd on the year and down 200,000 bpd from last month's estimate.

Market Watch

The US dollar fell after data showed initial US weekly jobless claims was higher than expected. The US Labor Department reported that the initial claims for unemployment benefits increased by 32,000 to 637,000 in the week ending May 9th. US jobless claims increased due to auto plant shutdowns related to Chrysler's bankruptcy. The total number of unemployed drawing jobless benefits increased by 202,000 to 6.56 million, the highest level since the government started keeping track in 1967. The four week average increased by 6,000 to 630,500. The unemployment rate for workers with unemployment insurance increased by 0.1% to 4.9%.

The Labor Department said the producer price index increased a seasonally adjusted 0.3% in April after it fell by 1.2% in March. The core PPI, which excludes food and energy costs, increased by 0.1% last month from March. Energy prices fell 0.1% in April compared with a 5.5% decline in March.

The Baltic Exchange's main sea freight index reached a new 2009 high on Thursday as buoyant demand for goods in China continued to drive activity. The index increased 4.29% to 2,432 points on Thursday from 2,332 on Wednesday.

Accuweather's Joe Bastardi predicted a below average hurricane season this year in the US and added that the East Coast is at risk of being hit by a major storm. It said out of 10 tropical storms forecast for 2009, down from 16 last year, an estimated six will become hurricanes and three storms may strike the US.

According to the Association of American Railroads, freight traffic across North America fell by 24.4% in the week ending May 9th from the same week a year ago, including a 23.9% decline in US rail freight. US rail carloads fell by 1.6% to 249,576 from 253,573 carloads the prior week.

China's central bank will stick to the monetary policy it adopted late last year and urged commercial banks to ensure that a reasonable pace of credit growth is translated into support for the real economy.

Japan's Tokyo Electric Power Co said it expects to resume generating power from the world's largest nuclear plant on Friday, about two years after it was closed due to earthquake damage. The restart of the No. 7 unit could cut TEPCO's annual fuel purchases by more than 70 billion yen or \$734.4 million and cut carbon dioxide emissions by more than 5 million tons. The IEA said oil demand in Japan will fall as much as 70,000 bpd after the planned restart of its nuclear reactor.

Glencore International AG agreed to more than \$5.5 billion of loans to refinance debt. The loans will help Glencore renew in advance an \$8.2 billion loan maturing in 2011 and extend a \$925 million one year revolving credit line.

The IEA also stated that OPEC's 11 members with output targets in April increased its output by 230,000 bpd to 25.8 million bpd, reducing its compliance with the cutbacks to 78% from 83% in March.

May Calendar Averages

CL – \$56.72
HO – \$1.4717
RB – \$1.6435

Saudi Arabia's al-Hayat newspaper reported that the country sees factors other than demand behind the oil price's increase this week to \$60/barrel.

Iraq's Oil Minister Hussein al-Shahristani said OPEC could decide to keep its production levels unchanged when it meets on May 28th. He said if the trend continues and prices improve further, then perhaps OPEC will keep its current production policy. However he said if oil demand continues to fall, there is no other solution for OPEC but to cut production at its meeting. He said OPEC's compliance with its cut of 4.2 million bpd has reached 95%. Separately, Iraq's Oil Minister said Iraq is aiming to award the contract to develop its Nassiriya oilfield next month.

Iran's Oil Minister Gholamhossein Nozari said he saw possible signs of improved crude demand from China and India that could help increase prices.

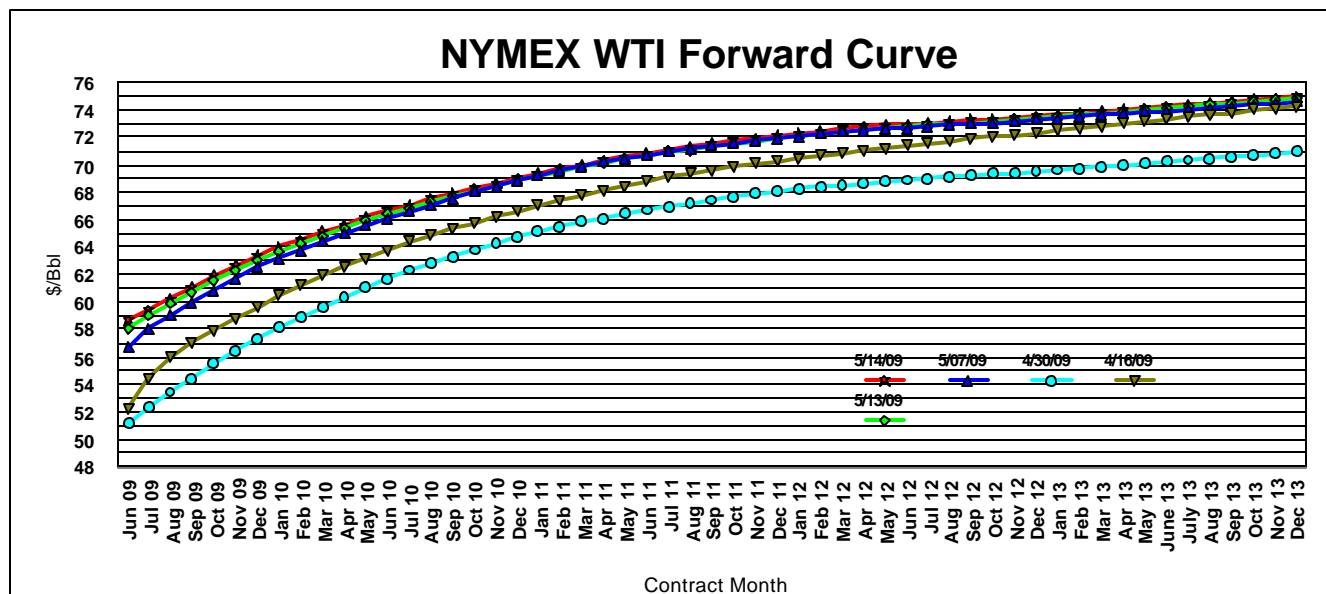
A Senate panel is considering the pros and cons of a proposal to create a strategic stockpile of refined petroleum products that would hold 30 million barrels of gasoline and diesel.

US Senator Charles Schumer said the SEC may have the edge over the CFTC in regulating derivatives.

E A Gibson Shipbrokers said oil companies are storing close to 150 million barrels of crude oil and petroleum products at sea, with just over 100 million barrels of oil and 30-40 million barrels of petroleum products.

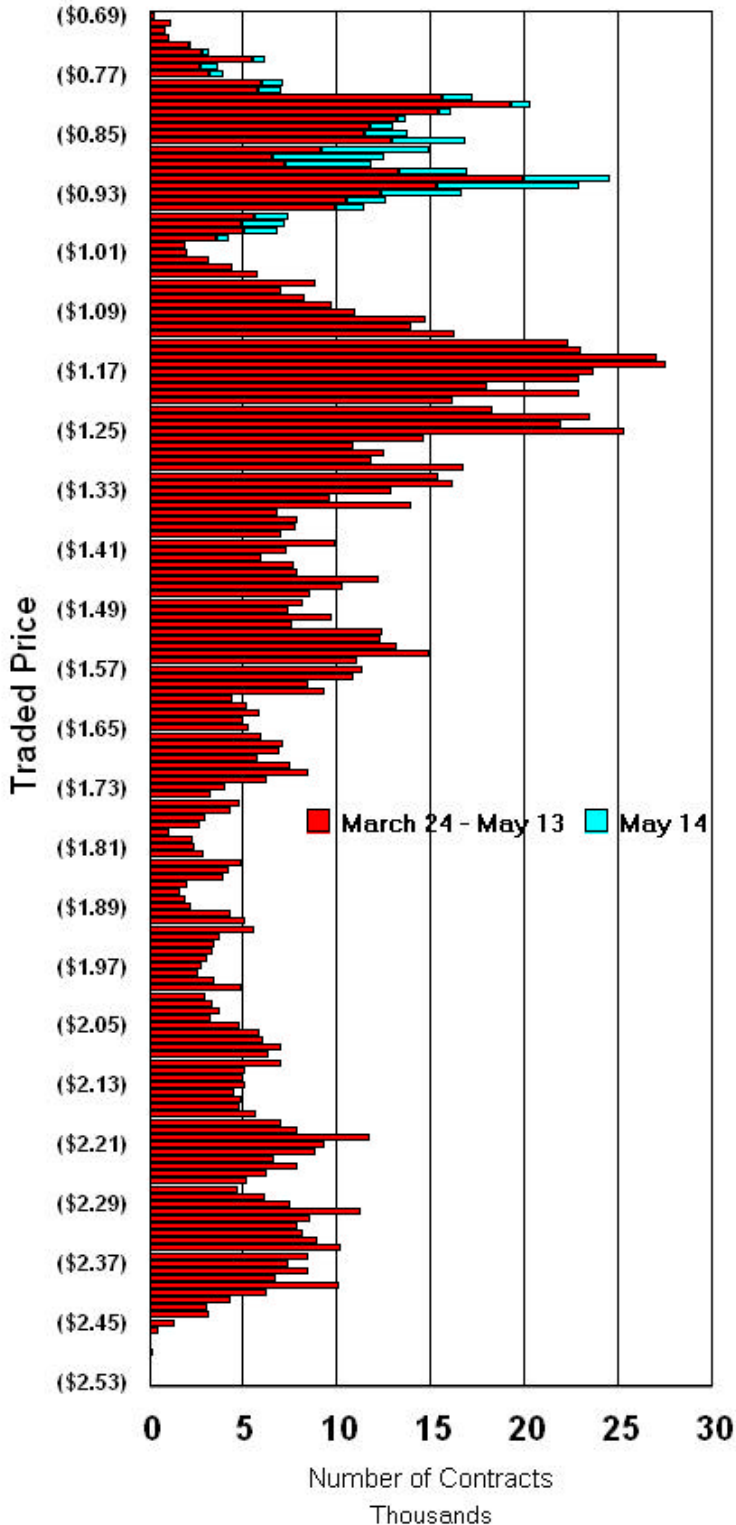
BP PLC plans to book a VLCC to move North Sea Forties crude to the US Gulf of Mexico. It plans to book a supertanker for May 24-25 loading from Hound Point, Scotland to the US Gulf at a freight rate of Worldscale 32.5, with an option for one to three months of storage at \$32,500/day.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, will fall by 30,00 bpd to 22.27 million bpd in the four weeks ending May 30th. It said OPEC's compliance with supply cuts is



NYMEX WTI: June July Spread
Price Vs Volume for March 24 - May 14, 2009

Trade Weighted 5/12 -.84, 5/13 -.84, 5/14 -.89



about 75% compared with about 80%. Middle East shipments are expected to fall by 140,000 bpd to 16.15 million bpd in the four weeks.

Nigerian militants, the Movement for the Emancipation of the Niger Delta, hijacked two cargo ships in the Niger Delta and have given oil companies until Saturday to evacuate staff, warning they would attack helicopters and planes after the deadline. On Wednesday, the militant group issued a 24 hour ultimatum for oil workers to leave the region following clashes with the military. A military spokesman said the militants hijacked the MV Spirit, a condensate tanker chartered by NNPC, while it was sailing to Warri in Delta State on Wednesday and kidnapped the captain and crew. A second vessel was also seized in the same area.

Iran has sent two warships to the Gulf of Aden to protect oil tankers and other vessels against attacks by pirates off the coast of Somalia. Pirate attacks have continued almost unabated despite the presence of an armada of foreign warships patrolling the Indian Ocean and Gulf of Aden. Iran's two warships will arrive in the Gulf of Aden in the next two days and stay there for five months.

Refinery News

Valero Energy Corp said it finished maintenance work on an exchanger at its 340,000 bpd Corpus Christi, Texas refinery.

ExxonMobil Corp's 503,000 bpd Baton Rouge, Louisiana refinery returned to normal operations following repairs to a fluid catalytic cracking unit. ExxonMobil said a hydrocracker unit at its 567,000 bpd Baytown, Texas refinery was shut for repair work on Tuesday. It said the shutdown has no impact on supply. There is no word on when the unit will be restarted.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 05/14/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	4	12C	150	1.46	1.44	500	0	0	
AO	6	12C	110	4.29	4.24	500	0	0	
AO	6	9P	40	0.05	0.06	500	0	0	
AO	6	12C	150	1.59	1.57	500	0	0	
AO	4	12C	110	4.06	4.02	500	0	0	
AO	5	12C	150	1.51	1.49	500	0	0	
AO	5	12C	110	4.15	4.1	500	0	0	
LC	3	10C	90	1.79		2250	0	0	
LC	3	10P	50	3.07		2250	0	0	
LC	6	10P	50	3.3	3.38	1725	0	0	
LC	6	10C	90	2.48	2.44	1725	0	0	
LC	12	10P	48.5	3.37		1000	0	0	
LC	12	11C	120	2.67	2.63	1000	0	0	
LC	12	11C	100	4.79	4.73	1000	0	0	
LO	7	9P	50	0.8	0.9	5327	1.2	0.78	
LO	6	9P	56	0	0.19	4208	0.3	0.01	
LO	7	9P	45	0.33	0.38	4066	0.42	0.28	
LO	2	10P	35	0.55	0.59	4000	0	0	
LO	6	9P	55	0	0.08	3794	0.3	0.01	
LO	12	10C	150	0.51	0.5	3521	0.6	0.5	
LO	12	10C	100	2.53	2.55	3210	2.75	2.5	
LO	7	9C	75	0.24	0.24	3161	0.22	0.17	
LO	7	9C	60	3.38	3.23	2977	3.52	2.8	
LO	6	9C	58	0.62	0.83	2451	0.7	0.15	
LO	7	9P	55	1.91	2.1	2447	2.5	1.82	
LO	6	9C	60	0	0.18	2168	0.05	0.01	
LO	9	9P	45	0.95	0.99	2026	1.11	1.11	
LO	2	10P	50	2.92	3.03	2000	0	0	
LO	6	10C	85	3.29	3.25	1725	0	0	
LO	6	9P	60	1.38	2.16	1712	1.1	1.1	
LO	6	10P	52	3.81	3.9	1650	0	0	
OB	8	9C	1.85	0.1016	0.0929	151	0	0	
OH	4	10P	1.7	0.2351	0.2372	400	0	0	
OH	4	10P	1.3	0.0738		400	0	0	
OH	6	9C	1.49	0.0585	0.0582	328	0.05	0.05	
OH	1	10C	2.5	0.058	0.0575	325	0	0	
OH	6	9P	1.49	0.0538	0.0582	225	0	0	
OH	12	9P	1.45	0.1102	0.1118	225	0	0	
OH	8	9P	1.4	0.0685	0.0702	200	0	0	
WA	9	10C	0	0.53	0.53	100	0	0	
WA	1	10C	0	0.42	0.42	100	0	0	
WA	2	10C	0	0.46	0.45	100	0	0	
WA	4	10C	0	0.48	0.46	100	0	0	
WA	6	10C	0	0.52	0.51	100	0	0	
WA	5	10C	0	0.49	0.48	100	0	0	
WA	8	10C	0	0.53	0.54	100	0	0	
WA	10	10C	0	0.54	0.53	100	0	0	
WA	3	10C	0	0.48	0.48	100	0	0	
WA	11	10C	0	0.55	0.54	100	0	0	
WA	7	10C	0	0.53	0.52	100	0	0	
WA	12	10C	0	0.55	0.55	100	0	0	

Shell Oil Co said its 332,000 bpd refinery in Deer Park, Texas will resume normal rates over the weekend after it was shut due to a power outage on Monday. The crude, fluid catalytic cracking unit, coker and hydrotreating units are operating at planned rates while the hydrocracker unit is continuing its start up.

ConocoPhillips restarted a fluid catalytic cracking unit at its 306,000 bpd refinery in Wood River, Illinois after completing unplanned work that started in late April.

Alon USA Energy Inc's 70,000 bpd refinery in Big Spring, Texas returned to full rates after planned work. It had shut a reformer and hydrotreater and cut rates to its fluid catalytic cracking unit and crude unit.

Kuwait's 460,000 bpd Mina al-Ahmadi refinery will return to full capacity by Sunday after it completed maintenance on a 200,000 bpd crude unit. The crude unit was shut on April 5. KNPC had built up stocks to guarantee delivery to buyers during the shutdown.

Saudi Aramco plans to restart its 44,000 bpd hydrocracker unit at its Ras Tanura refinery in early June after repeated delays following an unplanned outage in early March. It had previously targeted to restart the unit in mid-May. As a result of the

extended outage, Saudi Aramco has been offering unusually high volumes of A960 fuel oil cargoes over the past two to three months. The extended outage has also prompted Saudi Aramco to cut volumes of A130 naphtha grades from Ras Tanura for the ongoing second half 2009 term contract negotiations with Asian customers.

Germany's MWV said total sales of oil products in Germany increased by 2.3% on the year in April to 6.36 million metric tons. It reported that diesel sales fell by 5.1% to 2.5 million tons while gasoil sales increased by 11.6% to 1.66 million tons and high sulfur fuel oil sales increased by 12.2% to 460,000 tons. It reported that gasoline sales increased by 3.2% on the year to 1.74 million tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.743 million barrels to 20.709 million barrels in the week ending May 13th. It also reported that its light distillate stocks built by 917,000 barrels to 9.699 million barrels while its middle distillate stocks built by 406,000 barrels to 11.237 million barrels on the week.

Production News

According to a Reuters survey, low freight rates and production cuts by Middle Eastern OPEC oil exporters have led to an increase in sales of West African crude to Asia over the last two months. Forty five supertankers are sailing east from West African ports this month carrying about 43 million barrels or 1.38 million bpd to refineries in India, China and other countries in east Asia.

Colombia's Ecopetrol said it expects to increase its oil production to more than 600,000 barrels of oil equivalent/day by 2011. It produced 458,000 bpd of oil equivalent in the first quarter, up 27,000 bpd of oil equivalent on the year.

Brazil's President Luiz Inacio Lula da Silva will sign a financing deal for Petrobras during a state visit to China next week. The financing will help underwrite the company's \$174.4 billion investment plan. Petrobras also agreed to oil supply deals with Sinopec and China National Petroleum Corp. It will provide between 60,000 and 100,000 bpd to Sinopec and 40,000 and 60,000 bpd to CNPC.

Turkey's petrol company TPAO said Turkey has been unable to agree on a deal for oil and gas exploration in the Black Sea with Chevron and talks with Germany's RWE has stalled. The two companies have been in talks with to carry out exploration in the Black Sea region, which Turkey believes holds some 10 billion barrels of oil and 1.5 trillion cubic meters of natural gas.

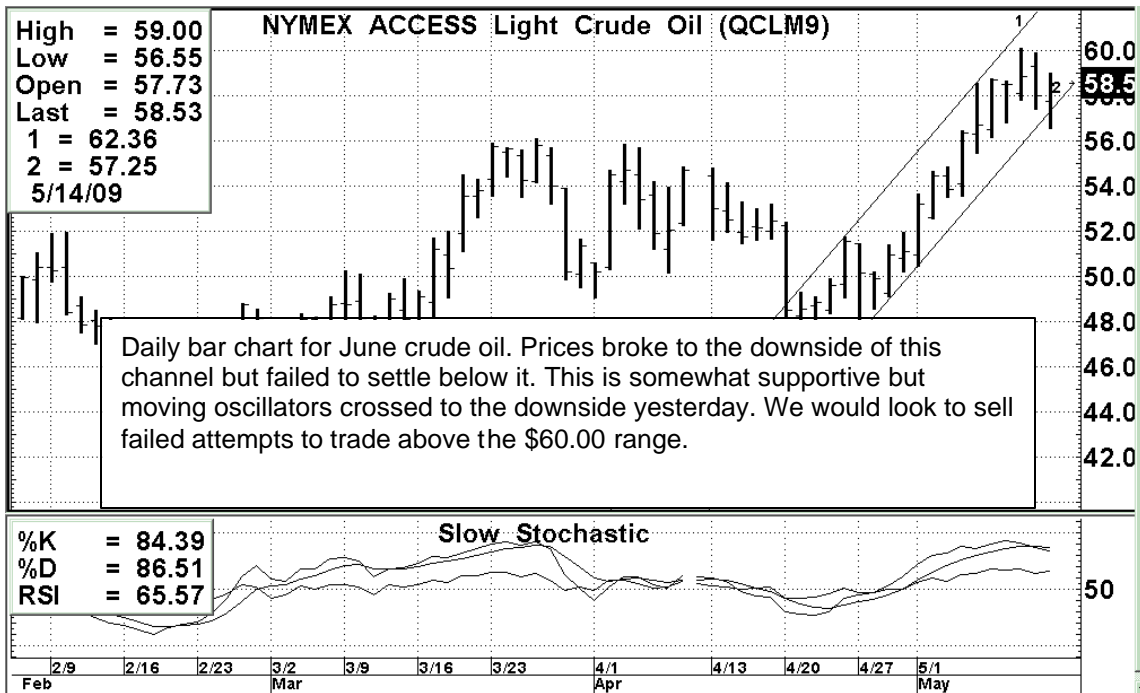
OPEC's news agency reported that OPEC's basket of crudes increased by 40 cents to \$57.16/barrel on Wednesday.

Market Commentary

As the dollar dropped against the euro and U.S. equities increased, heightened commodities appeal led to a rise in crude oil. Despite the fact that the IEA lowered its 2009 forecast for demand by 3% compared to last year, crude oil responded positively to outside influences. Oil prices continue to track the equities markets, influenced by traders who are looking for signs of an economic recovery. This move higher is totally detached from the true fundamentals of this market. Stockpiles remain at 19-year highs, while demand continues to shrink. At this point in time, it is difficult for one to believe that rallies can be sustained. The June crude oil contract continues to trade within the ascending channel that can be depicted on a daily bar chart for the June contract. Prices did penetrate this channel to the downside but failed to settle below it as a late session rally came into play. Technicals remain in overbought territory after having stochastics crossed to the downside. The \$60.00 range appears to be key resistance at this point and any failed attempt to penetrate it should be considered selling opportunities. Gasoline is enjoying seasonal rallies as we approach the U.S. summer driving season, which begins on May 25th. While we do not discount a seasonal rise in prices, future price movement will be determined by the economic situation, which at

this point in time does not show signs of recovering. U.S. jobless claims increased by 32,000 last week and with the U.S. auto industry in turmoil, more jobs will most certainly be lost. We would continue to stick to the game plan based upon the historicals for the June gasoline contract during the month of May.

Crude Oil (JUN.09 154,931 -31,895 JUL.09 348,474 +11,834 AUG.09 82,315 -2,459 SEP.09 60,125 -1,518 Totals: 1,219,628 -27,178 N.Y. Heating Oil (HO) JUN.09 45,339 -1,209 JUL.09 45,460 +2,518 AUG.09 24,021 +1,022 SEP.09 18,641 +204 Totals: 261,990 +3,584 NEW YORK HARBOR RBOB (RB) JUN.09 64,091 -598 JUL.09 63,811 +6,710 AUG.09 27,827 +1,499 SEP.09 19,682 +525 Totals: 220,591 +8,939



Crude Support	Crude Resistance
55.45, 54.49, 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	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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