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Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 18, 2009

OPEC's President and Angola's Oil Minister Jose Botelho de Vasconcelos said tighter compliance with OPEC's supply targets is crucial to stabilizing the oil market. He said fundamentals are still weak with continued demand erosion and high oil stocks on land and floating storage.

Iran's President Mahmoud Ahmadinejad said the country considers an oil price of \$80 to \$90/barrel as suitable. Separately, Iran's President vowed to offer all Iranians bonds giving them a

Market Watch

The Baltic Exchange's main sea freight index reached a new 2009 high on Monday with Chinese imports continuing to drive activity. The index, which gauges the cost of shipping resources including iron ore, cement, grain, coal and fertilizer, increased by 2.4% to 2,605 points on Monday from 2,544 on Friday.

Russia's Federal Statistics Service said industrial output in April fell by 16.9% on the year and by 8.1% on the month. Industrial output fell by 14.9% in the first four months of the year compared with a gain of 6.9% in the same period a year earlier.

Pacific Ethanol Inc announced that its subsidiaries, which own its four ethanol production facilities, have filed voluntary petitions under Chapter 11 of the US Bankruptcy Code in the District of Delaware. Pacific Ethanol and its marketing subsidiaries, Kinergy Marketing LLC and Pacific Ag Products, LLC have not filed for Chapter 11 bankruptcy protection. The company is expected to continue to manage the Plant subsidiaries under an Asset Management Agreement and Kinergy and PAP are expected to continue to market and sell the Plant Subsidiaries' ethanol and feed production under existing Marketing Agreements.

Russia's Energy Minister Sergei Shmatko said the Russian government is considering creating a strategic oil reserve in an effort to get a bigger role in world oil pricing. He said the creation of a strategic oil reserve in Russia is expected to cost several billion dollars and may be financed by the government.

CME Group announced the launch of clearing services for eight new petroleum swap futures contracts, scheduled to start trading on May 31 for trade date June 1st. The new swap futures contracts and their commodity codes are New York jet fuel (Platts) (1Q), New York jet fuel (Platts) vs. heating oil (1U), propane non-LDH Mont Belvieu (OPIS) (1R), propane non-LDH Mont Belvieu (OPIS) BALMO (1S), jet aviation fuel (Platts) cargoes FOB Med (1T), jet aviation fuel (Platts) cargoes FOB Med vs. ICE gasoil (1V), 1% fuel oil (Platts) cargoes CIF Med (1W), and 1% fuel oil (Platts) cargoes CIF New (1X).

share in the profits from the oil industry if he is reelected to office in Iran's election on June 12th. He said the income from the sale of the bond will help finance Iran's oil and gas industry and decrease its dependence on others for financing oil projects.

May Calendar Averages
CL – \$56.88
HO – \$1.4676
RB – \$1.6562

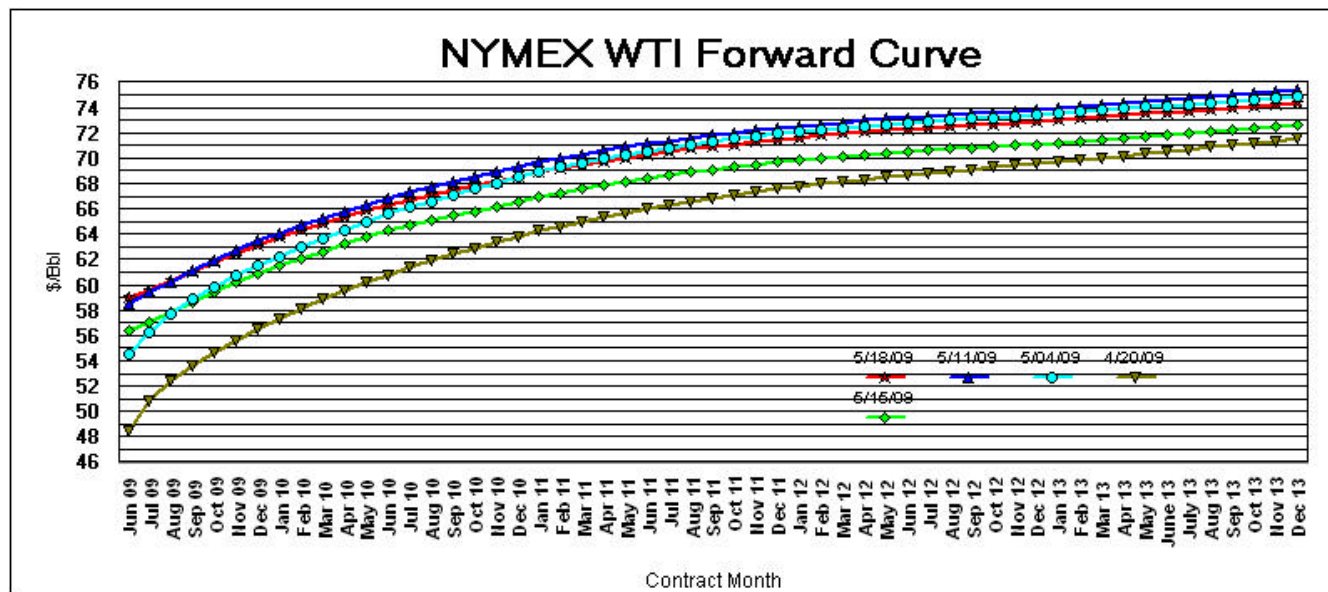
Iran's Oil Minister Gholamhossein Nozari said Iran has plans in place to deal with the consequences of a proposed US law that would penalize companies supplying the country with gasoline. He said there are seven Iranian refineries that could raise their gasoline production at short notice, if needed. He added Iran could meet its gasoline needs within 48 hours. The US Congress is considering legislation to impose sanctions on companies that sell, ship, finance or insure gasoline exports to Iran. Under the bill, which aims to pressure Iran over its nuclear plans, foreign companies doing so would be barred from conducting business in the US.

Venezuela became the first OPEC country to publish audited export data, which suggests output is significantly higher than previously estimated.

The EIA reported that the US retail price of diesel increased by 1.5 cents to \$2.231/gallon in the week ending Monday. It is the highest level since the week ending February 2nd. It also reported that the US retail price of gasoline increased by 6.9 cents to \$2.309/gallon on the week.

Refinery News

A fire caused by an explosion at the ethylene complex Sunday night at Sunoco Inc's 335,000 bpd Marcus Hook, PA refinery was still burning Monday morning. It shut a fluid catalytic cracking unit following the fire. Sunoco is increasing production at its refineries in Philadelphia and Westville, NJ, with a combined capacity of 480,000 bpd, to make up for output lost at its Marcus Hook plant. It did not disclose by how much production was down at Marcus Hook or by how much output will increase at its Philadelphia and Eagle Point refinery in NJ.

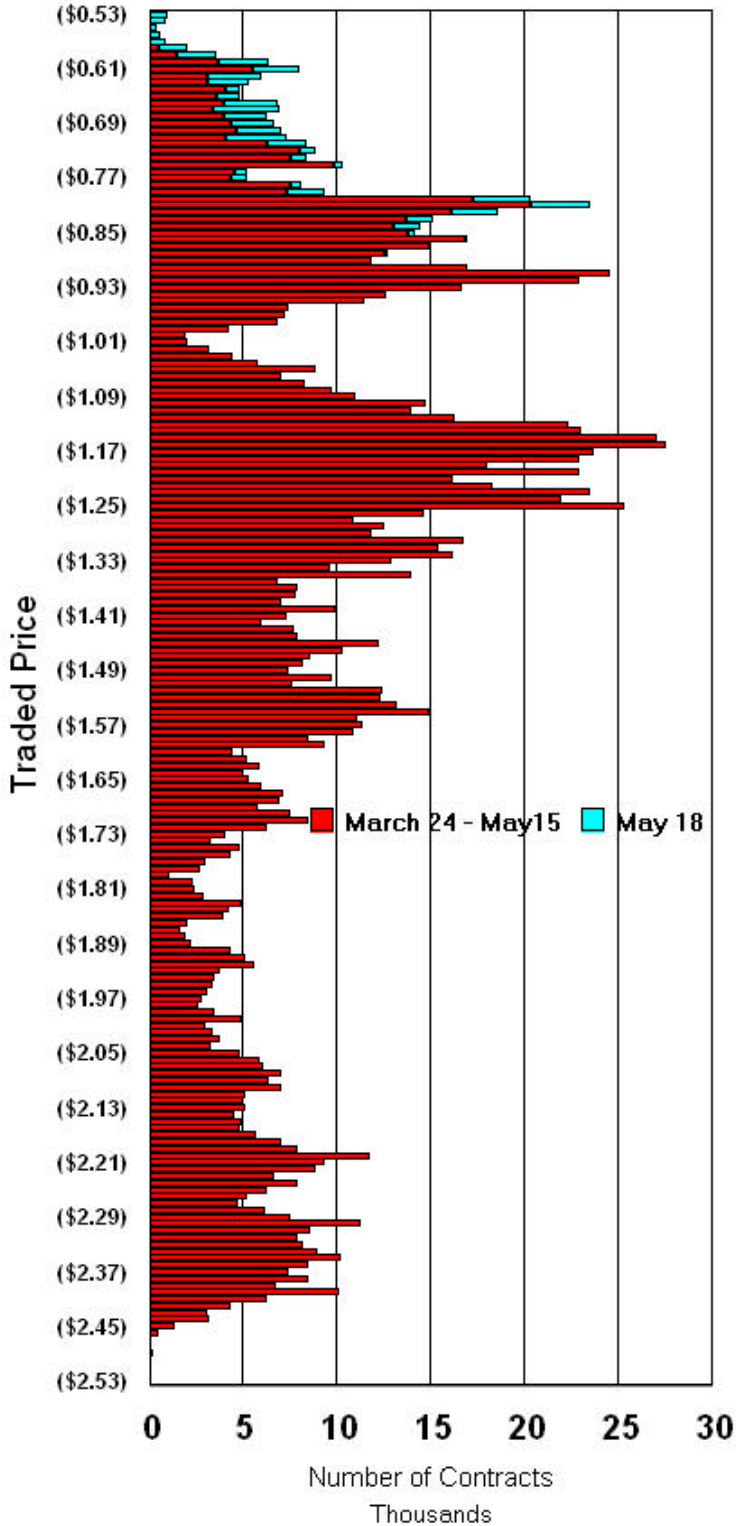


Citgo Petroleum Corp said on Sunday operations at its 167,000 bpd Lemont, Illinois refinery was unaffected by fire in a conveyor belt.

BP Plc restarted an ultracracker at its 467,720 bpd Texas City, Texas refinery on Sunday. The restart of the ultracracker is expected to last through Thursday after it was shut last Monday for unplanned

NYMEX WTI: June July Spread Price Vs Volume for March 24 - May 18, 2009

Trade Weighted 5/14 -.89, 5/15 -.68, 5/18 -0.65



repairs. Separately, BP is resuming operations at its No. 1 ultraformer unit at its Galveston, Texas refinery. The restart is expected to be completed in three days, ending on Thursday.

Valero Energy Corp is restarting a coker unit at its 160,000 bpd Paulsboro, NJ refinery after completing maintenance on the unit.

ExxonMobil Corp is restarting a hydrocracker unit after completing its repair following an unplanned shutdown at its 567,000 bpd refinery in Baytown, Texas.

Royal Dutch Shell Plc said that crude rates are still curtailed at the Deer Park, Texas refinery following a power outage last week. All of its refinery units have been restarted and are operating. The refinery is expected to resolve the remaining operational issues soon.

Shell purchased its sixth cargo of 97 octane gasoline in three weeks. Shell previously bought five cargoes of 50,000 barrels each of gasoline for lifting in May and on Monday it purchased its first cargo of the higher octane gasoline for June lifting, increasing its May and June purchases so far to 300,000 barrels.

Pemex's Salina Cruz refinery resumed full operation on Sunday after it was shut on Friday due to an electrical snag. The refinery began restarting the units on Saturday and resumed normal rates of nearly 300,000 bpd since Sunday.

Ineos Group Holdings Plc is starting units at its 200,000 bpd Grangemouth oil refinery in Scotland following the completion of planned turnaround.

India's Reliance Industries Ltd on Sunday started a 200,000 bpd fluid catalytic cracking unit at its 580,000 bpd refinery in Jamnagar. The unit is operating at about 50% of capacity. Reliance is expected to

commission its second crude unit in a month's time.

Saudi Arabia is holding up to 1.5 million barrels of gasoline on ships just off the Red Sea Coast port of Jeddah. The ships have been waiting to discharge for more than two days but because of high inventories on land, they have not been able to proceed. Saudi Arabia typically imports between 60,000 to 70,000 bpd of gasoline monthly but has increased purchases up to 80,000 bpd in April and May.

China plans to process 405 million tons or 8.1 million bpd of crude oil in 2011 and increase the output of refined oil products to 247.5 million tons and ethylene to 15.5 million tons.

China said it will increase state reserves of refined fuels, its first official plan to expand beyond its crude reserves. China will implement plans to build six refining and eight ethylene key projects during 2006-2010 with an aim to start operation by 2011. Last week, industry officials said that China plans to set up 10 million tons of state fuel reserves by 2011 or about two weeks' worth of current consumption of gasoline, diesel and kerosene combined.

Production News

Royal Dutch Shell Plc said it is investigating reports of an attack on a facility in the Niger Delta after a militant group said it had blown up two pipelines in the region. On Sunday, the Movement for the Emancipation of the Niger Delta reiterated a warning of future attacks on the oil industry in the region and claimed responsibility for blowing up two oil and natural gas pipelines near Escravos on Saturday, in retaliation for the destruction of one of its camps. The militant group said it will blockade key waterways in the Niger Delta to try to prevent crude oil exports after days of military helicopter and gunboat raids on its camps. A source said one of the pipelines belonged to the Nigerian National Petroleum Corp and supplied crude to the 110,000 bpd Kaduna refinery while the other pipeline was a gas pipeline operated by Shell that fed natural gas to power plants in the region. Separately, Nigeria's white collar oil workers union Pengassan over the weekend called for an end to the violence that has plagued the restive region for several years.

Britain's North Sea Flotta crude oil stream is scheduled to load about 65,000 bpd in June, up 2,000 bpd on the month.

Norway's government delayed a parliamentary vote on Monday on whether StatoilHydro should withdraw from a \$2 billion Canadian oil sands venture. A centre-right opposition party had proposed the parliamentary resolution as a way to instruct the government on how to vote at Tuesday's StatoilHydro shareholders' meeting on a similar motion about Statoil exiting oil sands. However the majority coalition of the Labour Party, the Socialist Left and the agrarian Centre Party instead voted to send the motion to committee, which means it will not be voted on by parliament before StatoilHydro shareholders meet. Without government support, the motion has no chance of passing at the shareholders' meeting.

According to provisional loading programs, Angola will export at least 48 cargoes or 1.67 million bpd of crude oil in July. The program includes seven cargoes comprising 1 million barrels each of Girassol crude, seven 950,000 barrel cargoes of Nemba crude and seven 950,000 barrel cargoes of Dalia crude.

China's Vice Premier Wang Qishan announced the start of construction of a crude oil pipeline to Russia following a loan-for-oil agreement between the two countries in April. China agreed to lend \$10 billion to Russia's Transneft and \$15 billion to Rosneft in exchange for 300 million tons of Russian oil to be transported over the pipeline over 20 years. About 15 million tons of crude oil will be sent to

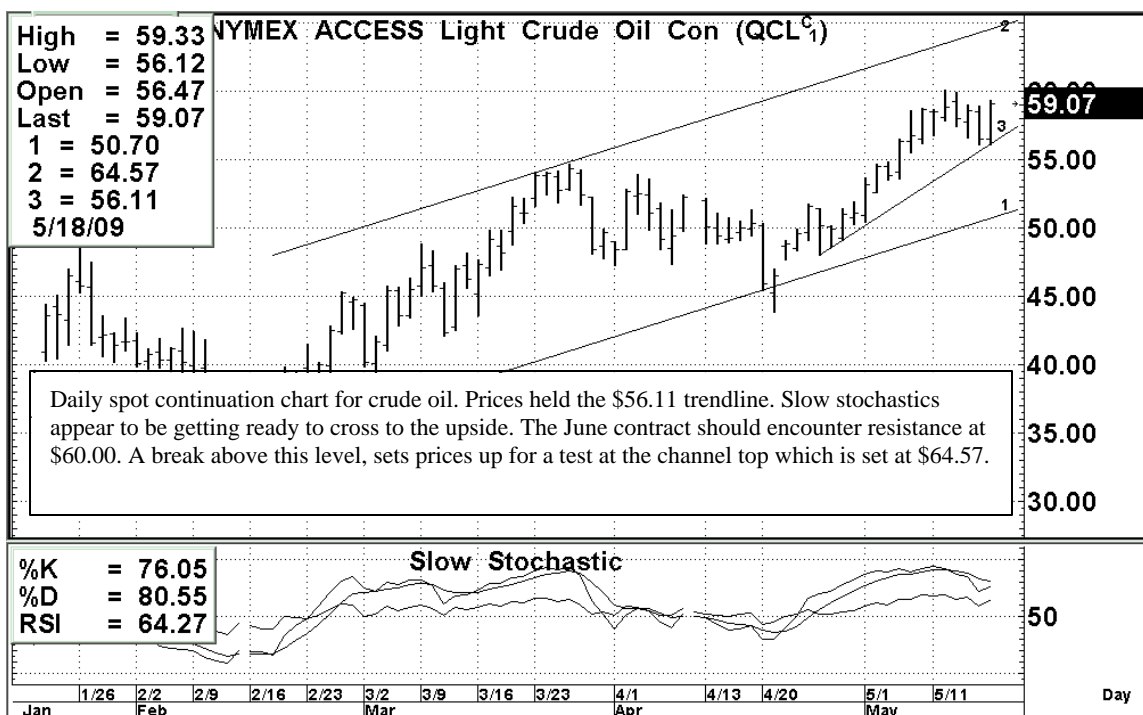
China from Russia every year upon the completion of the pipeline, which is scheduled for October 2010.

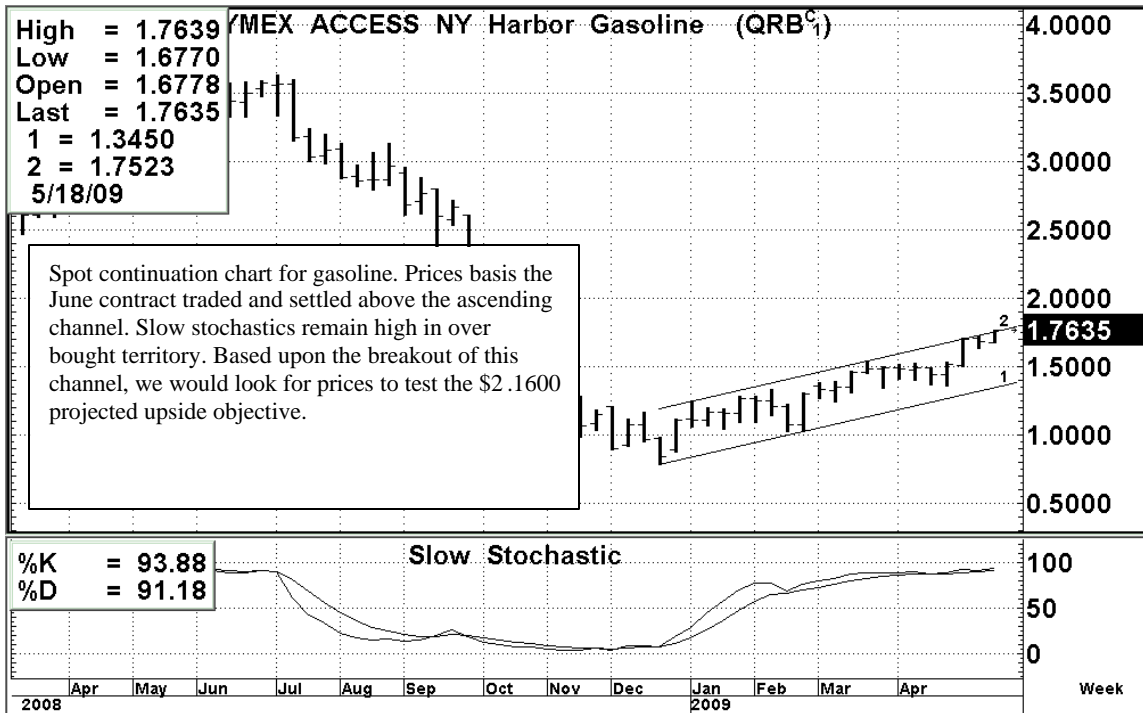
OPEC's news agency reported that OPEC's basket of crudes increased by 38 cents to \$56.37/barrel on Friday from \$55.99/barrel on Thursday. OPEC also reported that its basket of crudes increased by \$2.22/barrel to \$56.48/barrel in the week ending May 15th.

Market Commentary

Energy markets worked higher today off of news that Sunoco Inc's Marcus Hook refinery, located on the border of Pennsylvania and Delaware, experienced a fire late yesterday. Nigerian militants also threatened to block waterways used for exports that travel through the southern part of the nation. This move higher may be no more than a psychological move, as we approach the U.S. summer driving season and gasoline leads the way. Despite this move higher, total fuel demand in the U.S. based on a four-week average still sits 7.9 percent below that for the same period last year. In order for prices to maintain strength, we would have to see a steady rise in demand. Today's market activity for June gasoline held Friday's low but traded above its high. The June gasoline contract has settled above the upper trendline of the ascending channel on a weekly spot continuation chart. Slow stochastics, although in overbought territory, crossed to the upside indicating additional moves higher. Based upon the aforementioned breakout, the projected upside objective is \$2.1600. The June contract continues to follow the historical pattern mentioned in our previous wires. Based upon this historical observation, this market should continue higher up and until at least the nineteenth business day of the month. Dragged higher by gasoline, the June crude oil bounced off of Friday's lows and extended its highs. Slow stochastics appear to be getting ready to cross to the upside. Percent K has moved higher, while percent D moved lower. A cross of percent K above percent D would indicate further upside potential. A break above the \$60.00 resistance level sets prices up for a test of the \$64.57 channel top depicted on the chart within this wire.

Crude Oil (JUN.09 58,524 -34,135 JUL.09 342,592 -7,277 AUG.09 90,259 +1,103 SEP.09 63,151 +350 Totals: 1,136,233 -37,496 N.Y. Heating Oil (HO) JUN.09 38,179 -4,757 JUL.09 45,392 +782 AUG.09 25,006 +1,063 SEP.09 19,161 +385 Totals: 260,147 +3 NEW YORK HARBOR RBOB (RB) JUN.09 57,231 -4,265 JUL.09 75,416 +5,780 AUG.09 29,886 +1,351 SEP.09 20,324 +288 Totals: 227,006 +2,220





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	60.00, 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	1.8800, 2.0700, 2.1600

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