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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 20, 2009

A member of Kuwait's Supreme Petroleum Council reiterated that OPEC is unlikely to cut output at its meeting next week. He said OPEC will aim in the current global economic circumstances to maintain market balance and commit to the cuts agreed upon before. He previously said he expects OPEC to maintain its output steady at its May 28th meeting for political reasons.

The IEA said oil firms have cancelled or delayed about \$170 billion of investment in supplies due to the economic downturn. It said an additional 6.2 million bpd of oil

Market Watch

Trading firms are offering to sell large amounts of foreign crude stored offshore in the US as the crude futures curve flattens. Front month crude oil futures are trading near their lowest discount to second month futures since late 2008. The spread between July and August WTI futures fell to 40 cents on Wednesday. The narrowing spread means that trading firms cannot profit from storing oil offshore. According to industry estimates, monthly crude storage costs between 60 cents and \$1/barrel onshore while offshore storage costs more than \$1/barrel. There is an estimated 100 million barrels of crude stored on VLCCs worldwide, mostly in the Gulf of Mexico off the US Coast.

Technical analysts said crude oil may extend its rally should prices cross their 200 day moving average of \$63.29/barrel. A sustained move above \$60 will make that price a support level and reinforce the level below at \$55/barrel.

The Energy and Commerce Committee rejected the first of several expected Republican amendments designed to dilute the renewable energy requirement and include nuclear and hydropower as part of an alternative clean energy mandate. The panel is in the midst of a weeklong hearing to consider a greenhouse gas bill that includes a proposal requiring an increasing percentage of power to come from renewable energy sources such as landfill methane, wind, solar and biomass generation, up to 20% by 2020.

Europe's Futures and Options Association said a planned US crackdown on over-the-counter derivatives should make some exceptions for mining and energy firms that hedge their output to avoid regulatory overkill. The US proposals include mandatory clearing of standardized OTC derivatives and increased levels of transparency. Standardized OTC transactions should be executed either on exchange or some other electronic platform and that regulated institutions should be encouraged to deal on exchange rather than in OTC transactions. Under EU rules known as Markets in Financial Instruments Directive, there are exemptions for specialist commodity dealers such as energy producers or metal mining companies. The Bank for International Settlements said that the value of outstanding OTC commodity derivatives contracts worldwide fell 66.5% to \$4.4 trillion in the second half of 2008 as commodity prices fell.

The Baltic Exchange's main sea freight index increased by 0.79% to 2,665 points on Wednesday from 2,644 points on Tuesday, with activity still driven by Chinese imports. The index increased to new 2009 highs for the sixth consecutive session and was at its highest level on Wednesday since early October 2008 when it reached 2,764 points.

DOE Stocks

Crude – down 2.1 million barrels
Distillate – up 600,000 barrels
Gasoline – down 4.3 million barrels
Refinery runs – down 1.9%, at 81.8%

supply capacity has been delayed by at least 18 months as companies are unable to raise funds.

Shooting broke out in the Nigerian oil port city of Warri on Wednesday following days of military helicopter and gunboat raids on militant camps. Some oil firms have evacuated non-essential personnel from the area around Warri in Delta state

for fear that militant fighters will launch retaliatory attacks on Nigeria's oil industry. Italy's Eni SpA declared force majeure on 52,000 bpd of exports from its Brass River terminal in Bayelsa state as a precautionary measure following militant threats to block key waterways. However Nigeria's NNPC said there was no significant impact on oil production following days of heavy clashes between the security forces and militants in the Niger Delta.

Iran's President Mahmoud Ahmadinejad said Iran test fired a new medium range surface to surface missile. Iran's Defense Minister Mohammad Mostafa Najjar notified Iran's President that a Sejil-2 missile was launched and reached its intended target.

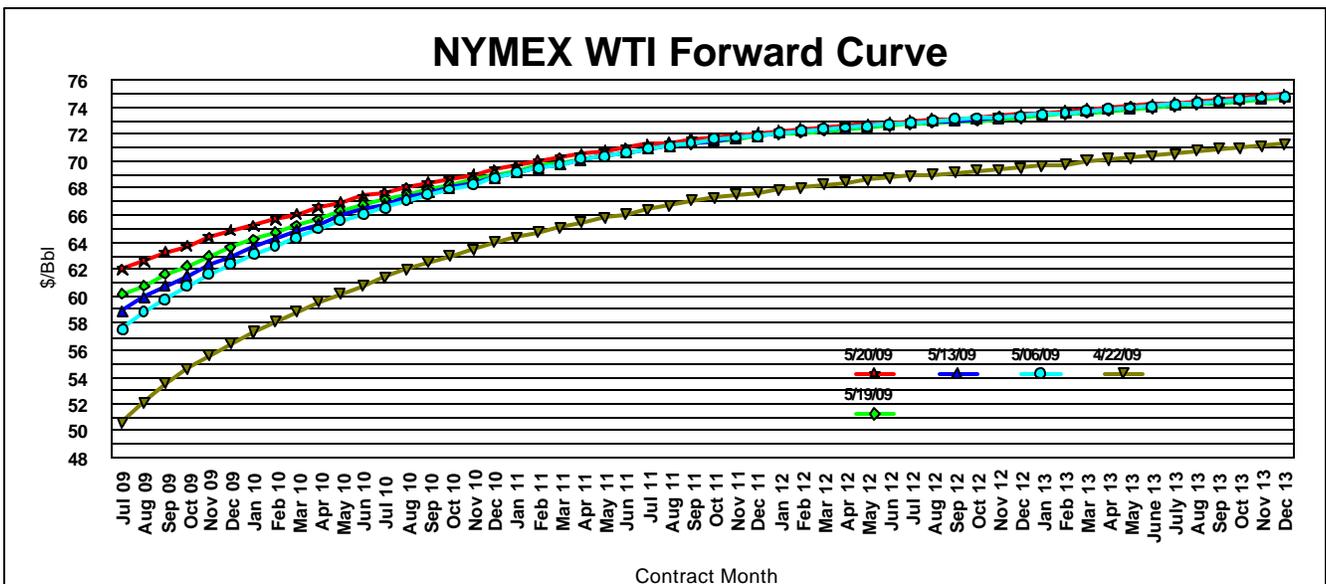
The House Energy and Commerce Committee is currently reviewing a bill sponsored by Reps. Henry Waxman and Ed Markey that would give refiners 2% of the total free emissions credits allotted with the institution of a decreasing cap on carbon dioxide emissions. This will force refiners to pay significant amounts of money for the carbon dioxide that they release into the atmosphere. Refiners say the bill will hurt consumers, lead to refinery closures and increase foreign import from countries that do not have to abide by CO2 emissions regulations.

May Calendar Averages
CL – \$57.45
HO – \$1.4742
RB – \$1.6783

The US Transportation Department said US highway travel in March fell for the 16th consecutive month amid the weak economy. US highway travel in March fell by 1.2% on the year or 3.1 billion miles to 245.1 billion miles.

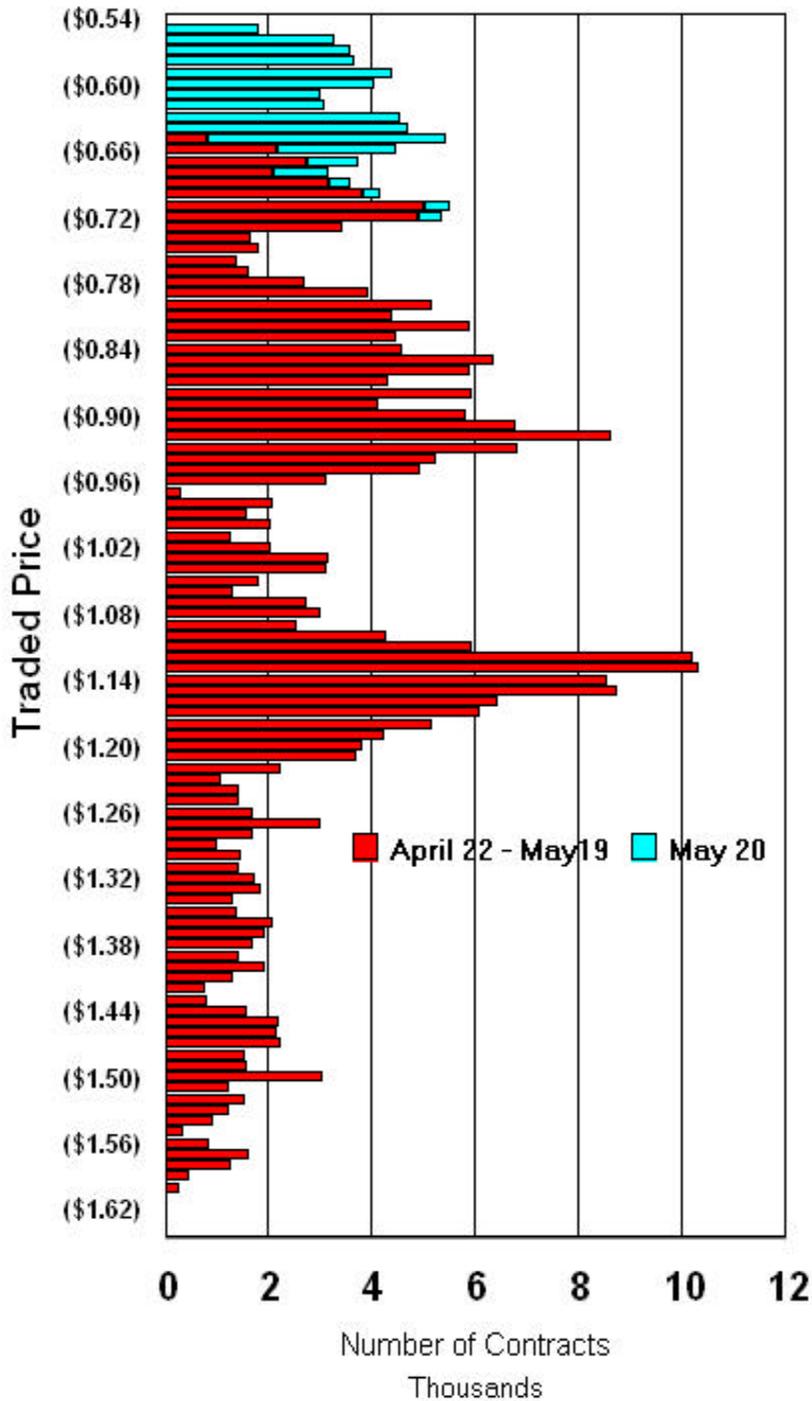
Refinery News

The US Coast Guard reopened the Mississippi River south of Memphis, Tennessee 15 hours after it was shut on Tuesday when a vessel collision set 26 barges adrift. Valero Energy Corp said its 195,000 bpd refinery in Memphis was not impacted by the closure of the Mississippi River.



NYMEX WTI: July Aug Spread Price Vs Volume for April 22 - May 20, 2009

Trade Weighted 5/18 -0.72, 5/19 -0.69, 5/20 -0.61



In a filing with the Texas Commission on Environmental Quality, BP's 467,720 bpd Texas City, Texas refinery suffered a small fire in tank 1011.

Delek US Holdings' 58,000 bpd Tyler, Texas refinery suffered a problem with a sulfur recovery unit and a SCOT unit on Tuesday.

Flint Hills Resources is in the process of restarting a fluid catalytic cracking unit at its 300,000 bpd Corpus Christi, Texas refinery. The unit was shut on Tuesday due to a fire.

Valero Energy Corp's 210,000 bpd Delaware City, Delaware refinery is running at reduced rates ahead of the restart of its coking unit. The refinery was shutdown for a comprehensive maintenance turnaround in mid-March and the major process units have been returning to service sequentially. The refinery will be at planned rates after the coker unit is restarted.

Sunoco Inc said its fluid catalytic cracking unit remains shut and its crude runs remain down at its 178,000 bpd refinery in Marcus Hook, Pennsylvania following a fire Sunday at the ethylene plant.

Separately, Sunoco Inc said its purchase of a New York biofuels plant has been approved by a bankruptcy court. It said the plant may eventually meet 25% of the company's ethanol needs. The Northeast Biofuels LP plant is the largest biofuels plant on the East Coast, with a capacity to process up to 100 million gallons of ethanol a year. Sunoco plans to operate the plant at full capacity by 2010.

Total Petrochemicals will temporarily shut unit 790 of its refinery in Port Arthur, Texas for maintenance work. The shutdown will begin and end on Wednesday.

Shell Oil is working to stabilize a compressor problem on an unidentified unit at its 155,000 bpd refinery in Martinez, California. It said it is too early to give a timeline or anticipate how long it will take to stabilize the situation.

ConocoPhillips is planning work on a unit linked to a fluid catalytic cracking unit at its 247,000 bpd refinery in Sweeny, Texas on Wednesday.

Separately, maintenance contract workers at ConocoPhillips' 221,000 bpd Humber refinery continued their walkout for a second day on Wednesday. The action has not affect the normal operations at the site. The contract workers hold an unofficial strike for a second day in sympathy with workers from the South Hook liquefied natural gas terminal at Milford Haven, Wales. Contract workers at Total SA's 200,000 bpd Lindsey refinery also joined the strike action on Wednesday. Output at the refinery is unaffected by the action and the company hopes the contract workers will return to work on Thursday.

A fire that broke out on a dock at Imperial Oil's refinery in Sarnia, Ontario early Wednesday was extinguished. It is not known if there was any impact to operations at the refinery.

Valero Energy Corp agreed to buy Dow Chemical Co's stake in a Dutch refinery for \$725 million. The deal to buy Dow's 45% stake in the 190,000 bpd Total Raffinaderij Nederland N.V. refinery is subject to a right of first refusal by Total SA.

Singapore Refining Co cut runs to 75% at its 290,000 bpd refinery from 93% in the first quarter. It is currently upgrading a diesel related unit to produce 10 ppm grade supplies and the works are due for completion by September.

Japanese refiners will export 90,000-100,000 tons of spot gas oil next month after it did not export gas oil in May, when refinery maintenance was at its peak level.

According to the Petroleum Association of Japan, the country's crude oil inventories in the week ending May 16th fell by 300,000 barrels on the week but increased by 6.56 million barrels to 103.78 million barrels. Japan's gasoline stocks fell to its lowest level since September 2007. Gasoline stocks fell by 1.58 million barrels on the week and by 4.29 million barrels to 11.57 million barrels. Gasoline sales remained high at 1.14 million bpd, down 6.7% on the week but up 28.9% on the year. Japan's kerosene stocks fell by 870,000 barrels on the week and by 1.65 million barrels on the year to 9.87 million barrels while naphtha stocks increased by 710,000 barrels on the week to 10.8 million barrels. The refinery utilization rate fell by 0.4% to 72.4% on the week.

Traders said about 180,000 tons of Northeast Asian diesel, originally bound for Europe, will be stored in vessels offshore Singapore as tanks are full. They said there is plenty of vessel supply and freight rates are low due to the economic downturn and arbitrageurs can store the product in ships, especially in a contango market structure. Shipbroker EA Gibson has forecast oil companies storing 100 million barrels of crude and 30-40 million barrels of petroleum products at sea. The majority of the tankers storing middle distillates are anchored in Europe, with the IEA estimating that about 10-15 million barrels of the stored product is gas oil and 2-4 million barrels is jet fuel.

China's diesel exports in April increased by more than 100,000 tons on the month to 510,000 tons, the second consecutive record high. Meanwhile, China's gasoline exports more than doubled to 310,000 tons. China's kerosene exports increased by 15% on the month while imports fell, turning China into a net exporter of about 80,000 tons. Coal imports increased to a record high of 9.16 million tons in April, up 3.4 million tons from a month earlier. Customs data showed that China remained a net importer of steel products during April, with 1.62 million tons flowing in and 1.41 million tons leaving the country.

Production News

Saudi Arabia started operations of its Nuayyim oilfield this week. It is one of three oilfield projects due for completion by the end of June to increase the country's total production capacity to 12.5 million bpd. Potential capacity from the project is close to 100,000 bpd. Saudi Arabia's two other fields at Shaybah and Khurais are on schedule to start up before the end of June.

BP Plc said its 50,000 bpd Valhall oil field in Norway will remain closed for weeks after it was closed since April 2nd for checks and maintenance related to pipeline corrosion.

Nigeria will export 10.5 cargoes, each with 950,000 barrels, of Qua Iboe crude in July. Schedules so far indicate that at least 20.5 cargoes will be shipped. Nigeria is expected to export six cargoes of Bonga crude, three cargoes of Yoho crude and one cargo of Oso condensate.

Ukraine's Fuel and Energy Ministry reported that the country's oil and gas refineries processed 3.606 million tons of crude oil and gas condensate in January-April 2009, up 18% on the year. It said refineries received 3.163 million tons of crude in January-April, including 858,900 of Ukrainian crude, 2.258 million of Russian crude and 19,300 tons of Kazakhstan crude.

Brazil's Minister for Mining and Energy, Edison Lobao said the country's new oil law governing licenses in the pre-salt region could pass within five months. He said it is too early to comment on what form the law will take.

Brazil's Petrobras' production fell slightly in April due to planned maintenance outages at three platforms. It said overall oil and gas production reached an average 2.519 million barrels of oil equivalent, down 0.7% on the month. Petrobras' domestic oil production fell by 0.8% to 1.976 million bpd in April. Planned outages at the Linguado, Voador and Marlim Leste fields cut production by about 16,000 bpd. Petrobras said its domestic natural gas production fell to 49.2 million cubic meters/day in April, down from 51.4 million cubic meters/day in March.

The Brazilian unit of Royal Dutch Shell will start operations at its Parque das Conchas oil field in August. The Espirito Santo floating production, storage and offloading vessel, which will have a capacity of 100,000 bpd will be installed at the field.

Iraq's Oil Minister Hussein al-Shahristani said Iraq will invite Egyptian oil and gas companies to drill wells in Iraq's oil and gas fields and extend pipelines connecting wells and production stations. He said Egyptian companies are also invited to rehabilitate and develop Iraq's existing refineries.

Italy's Eni SpA wants to sign a \$1.5 billion deal to develop the third phase of Iran's Darkhovin oil field. Eni is currently active in the first two phases of Darkhovin. Production at the field is expected to reach 260,000 bpd once the third phase of the field becomes operational.

OPEC's news agency reported that OPEC's basket of crudes increased to \$57.52/barrel on Tuesday from \$55.86/barrel on Monday.

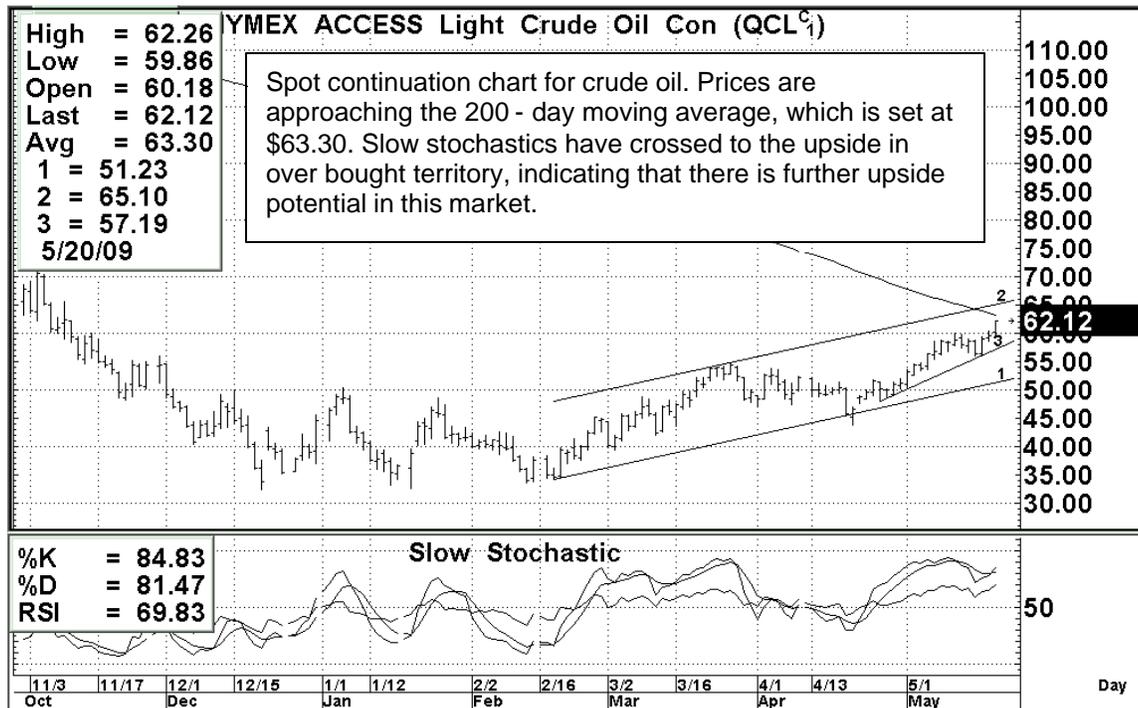
Iraq's cabinet approved a bill that will impose a minimum 35% corporate tax on foreign oil firms in a bid to increase government revenues.

India's new federal government is likely to take up a proposal to deregulate pricing of gasoline and diesel in the country.

Market Commentary

Crude oil prices traded above the \$62.00 level for the first time since November but were unable to sustain any strength. Bullish inventory numbers combined with a rash of refinery accidents in the U.S. helped push prices higher. Keeping a lid on prices is the every looming economic outlook. The fundamentals of the energy markets have taken on a new appearance as they have been closely following the stock market. Investors have been climbing in and out of the crude oil market as they look for a safe haven against the dollar. With demand still low, refiners have been reluctant to kick it up a notch, which has had a positive effect on crack spreads. Troubles in low-sulfur producing Nigeria continue and as fighting escalates between Nigerian troops and MEND, U.S. refiners may soon be deprived of this gasoline producing crude oil. At the onset of the U.S. summer driving season, demand is still being impacted by the economy and based on a four-week average is 1.2% below the same period last year. Steady increases in demand will remain key to this market as to whether or not it will be able to sustain its strength. The July crude oil continues to trend higher within the ascending channel on a spot continuation chart and is slowly approaching the 200-day moving average which was set today at \$63.29. Slow stochastics have crossed to the upside in overbought territory. This is supportive for prices. Gasoline continues to move seasonally higher, aided by today's stock draw. As with the crude oil, we would remain cautious in any move higher and its ability to sustain itself. We would however, continue to stick with the strategy laid out in our previous wires for gasoline, looking for the June to work higher. The projected upside objective for this contract remains \$2.1500.

Crude Oil (JUN.09 1,838 -18,112 JUL.09 344,067 -8,458 AUG.09 95,864 +3,305 SEP.09 64,748 +2,233 OCT Totals: 1,093,976 -18,253 N.Y. Heating Oil (HO) JUN.09 33,580 -1,651 JUL.09 47,676 +1,674 AUG.09 26,132 -467 SEP.09 19,620 +38 Totals: 260,622 + 162 NEW YORK HARBOR RBOB (JUN.09 47,862 -5,924 JUL.09 81,896 +2,974 AUG.09 32,385 +853 SEP.09 22,335 +2,181 Totals: 230,487 +1,099



Crude Support	Crude Resistance
60.85, 59.85, 58.90, 56.75, 55.45, 54.49, 53.45, 52.33	62.28, 65.55, 67.65,
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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