



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 28, 2009

On Thursday, OPEC decided to leave its output policy unchanged, as expected. OPEC's communiqué stated that it reviewed the oil market situation, as well as the demand and supply projections for 2009, in particular the third and fourth quarters. OPEC observed that the severe and broad impact of the ongoing global economic downturn, precipitated by the financial crisis, has led to the weakness in world oil demand, which is likely to remain for some time. OPEC members reiterated their firm commitment to their quotas and their readiness to respond swiftly to any developments, which may place oil market stability and their interests in jeopardy. OPEC is scheduled to

Market Watch

The US Labor Department reported that initial claims for unemployment benefits fell by 13,000 to a seasonally adjusted 623,000 in the week ending May 23rd. It revised the previous week's figure upward by 5,000 to 636,000. The four-week average of new claims in the week of May 23rd fell by 3,000 to 626,750. The number of continuing claims increased by 110,000 to a record 6,788,000. It was the 17th consecutive week in which that figure set a new record. The unemployment rate for workers with unemployment benefits increased by 0.1% to 5.1%, the highest level since December 1982.

The US Commerce Department reported that US durable goods orders in April increased by 1.9% however March's figure was revised to -2.1% from -0.8%.

The Chicago Federal Reserve Bank said its Midwest manufacturing index fell in April to the lowest level in more than 15 years on a sharp decline in steel output. The index fell 11.1% to a seasonally adjusted 81 from a downwardly revised 81.8 in March. Midwest output was down 22.7%, much worse than the 14.3% national decline.

The European Commission plans to extend antidumping and anti-subsidy duties on imports of biodiesel from the US by up to 5 years. In March, the EU imposed temporary duties lasting up to six months on imports of US biodiesel. If approved on Thursday, EU ministers will most likely approve the duties next month. Once approved by ministers the tariffs come into force once translated and published in the EU's official journal, which normally takes 4-6 weeks.

The Association of American Railroads reported that freight traffic across North America in the week ending May 23rd fell by 21.5%. In the first 20 weeks of the year, North American rail freight fell by 19.9% to 6.7 million carloads from the same 2008 period. US rail carloads increased by 4.9% to 259,264 from 247,258 carloads the prior week. However carloads are down 21.5% on the year at 330,440.

DOE Stocks

Crude – down 5.4 million barrels
Distillate – up 300,000 barrels
Gasoline – down 600,000 barrels
Refinery runs – up 3.3%, at 85.1%

hold its next ordinary meeting on September 9th followed by an extraordinary meeting on December 17th.

OPEC’s Secretary General Abdullah al-Badri said the oil market is still oversupplied and added that about 130 million barrels of crude and refined products are stored floating storage. He said the secretariat always urges members to improve compliance with their output targets. He added that

demand has started to increase in the US. Meanwhile, OPEC’s director of research Hasan Qabazard said oil inventories can fall in absolute terms to a five year average by the end of the year. He said stocks should fall by 1.3 million bpd on average this year. Saudi Arabia’s Oil Minister Ali Al Naimi said OPEC’s agreement to leave output quotas unchanged is a “great decision.”

According to Oil Movements, OPEC’s oil exports, excluding Angola and Ecuador, in the four weeks ending June 13th will increase by 310,000 bpd to 22.6 million bpd. It said OPEC’s compliance with the supply cuts is 75% or lower.

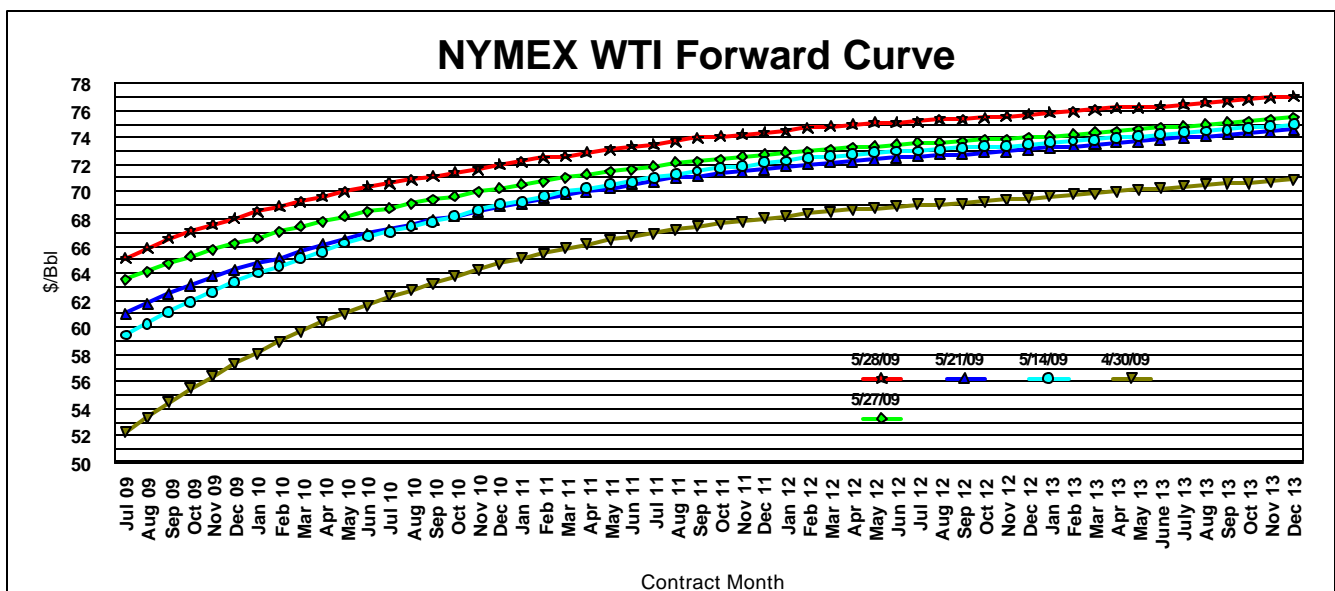
Iran’s Press TV reported that Iran is taking measures, including increasing its petroleum production, to counter recent US threats to penalize companies supplying Iran with petroleum. Various projects at Iran’s refineries to increase petroleum production are 45% complete.

A US House Natural Resources Committee proposal calls for an increase of the minimum royalty rate for onshore leases to 18.75%. The proposal also calls for an end to the royalty-in-kind program, which gives oil companies another way to pay royalties by shipping crude to the US SPR in lieu of making cash royalty payments.

May Calendar Averages
CL – \$58.84
HO – \$1.4955
RB – \$1.7258

The EIA reported that US oil demand in March was revised down by 192,000 bpd or 1.02% from its previous estimate to 18.672 million bpd. It is down 5.37% on the year. Gasoline demand in March was revised down by 174,000 bpd or 1.92% to 8.866 million bpd, the lowest level for the month since 2003. Gasoline consumption was down 203,000 bpd or 2.24% on the year. Distillate demand was revised down by 86,000 bpd or 2.25% to 3.732 million bpd, the lowest level in March since 2000. Distillate demand fell by 408,000 bpd or 9.86% on the year.

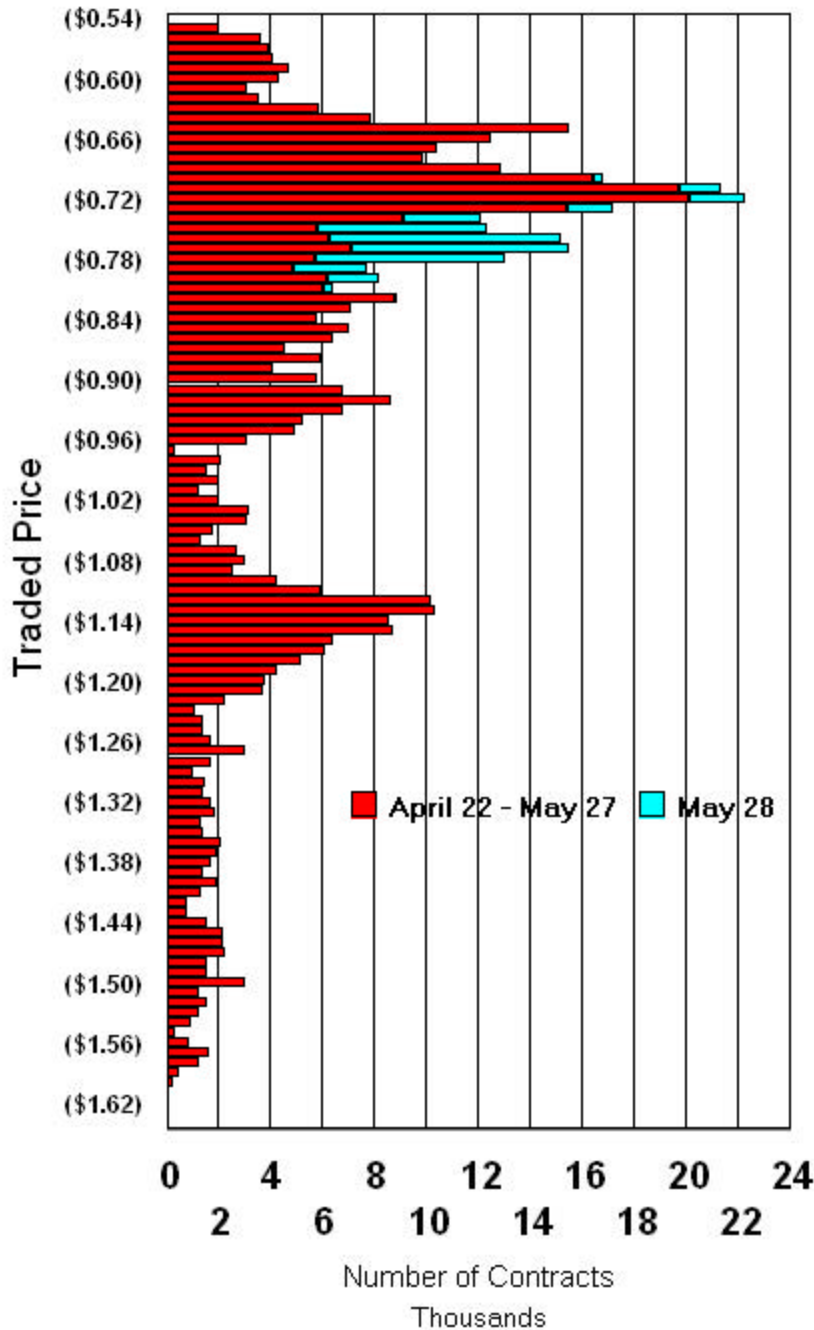
Refinery News



NYMEX WTI: July Aug Spread

Price Vs Volume for April 22 - May 28, 2009

Trade Weighted 5/26 -0.74, 5/27 -0.69, 5/28 -0.76



Valero Energy Corp restarted its fluid catalytic cracking unit at its 171,000 bpd Mckee refinery in Sunray, Texas following a turnaround. A state environmental filing did not say if a crude unit shutdown during the turnaround was restarted. Valero's 340,000 bpd Corpus Christi, Texas refinery is restarting an IsoOctene unit following the completion of minor maintenance. Valero also said it is preparing to restart a coker unit at its 210,000 bpd Delaware City, Delaware refinery after the unit was shut down for maintenance. Separately, Valero said progress is being made to modify a proposed law in Tennessee that threatens the future of its 195,000 bpd refinery in Memphis, Tennessee. As originally proposed, the law would have required Valero to produce gasoline without ethanol to fuel wholesalers in the state who supply retail filling stations. Valero said the unblended gasoline would have required the refinery to add between \$130 million and \$150 million in storage and transfer systems to keep the unblended separate from blended fuels.

Shell Oil said the fluid catalytic cracking unit is operating normally at its 220,000 bpd joint venture Motiva refinery in Norco, Louisiana after a mechanical malfunction caused an upset and flaring on Wednesday.

Vitol said it opened new oil tanks in Rotterdam in the Netherlands and plans to add more capacity by 2011 to expand its trading activity. Eight new storage tanks have been

added to receive gasoil and fuel oil, providing an additional 356,000 square meters of storage capacity, alongside the existing 286,000 square meters of storage.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 05/28/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	10	10	P	50	2.81	3.08	212	0	0
AO	12	10	P	50	2.81	3.06	212	0	0
AO	7	10	P	50	2.53	2.83	212	0	0
AO	8	10	P	50	2.58	2.87	212	0	0
AO	9	10	P	50	2.69	2.99	210	0	0
AO	11	10	P	50	3.04	3.31	210	0	0
LC	7	9	P	50	0.09	0.15	15000	0	0
LC	7	9	P	55	0.25	0.44	7500	0	0
LC	12	10	P	50	3.13	3.42	600	0	0
LC	12	15	P	100	25.44	26.67	400	0	0
LC	12	15	C	200	2.08	2.04	400	0	0
LC	12	10	P	60	5.74	6.2	300	0	0
LO	7	9	P	55	0.25	0.44	9555	0.44	0.26
LO	7	9	P	40	0.01	0.02	9225	0	0
LO	7	9	P	52	0.13	0.23	8166	0.2	0.13
LO	7	9	P	50	0.09	0.15	5092	0.13	0.05
LO	12	9	P	48	1.33	1.57	4201	0	0
LO	7	9	C	70	0.72	0.53	4022	0.78	0.53
LO	12	9	P	50	1.61	1.9	3991	1.6	1.6
LO	7	9	C	75	0.17	0.11	3443	0.15	0.11
LO	12	9	P	55	2.55	2.98	3079	2.76	2.76
LO	7	9	C	65	2.53	1.93	2781	2.7	1.95
LO	8	9	C	75	0.96	0.78	2774	1.01	0.92
LO	8	9	C	70	2.26	1.89	2483	2.25	2.13
LO	12	9	P	45	0.96	1.15	2421	1	1
LO	8	9	P	60	1.86	2.47	2237	2.32	1.9
LO	12	9	P	54	2.33	2.73	2100	0	0
LO	12	10	C	150	0.69	0.65	2002	0.47	0.47
LO	12	11	C	100	5.06	4.76	2000	0	0
LO	12	11	C	150	1.25	1.19	2000	0	0
OB	9	9	C	2.4	0.036	0.0344	251	0	0
OB	8	9	C	1.78	0.184	0.1706	242	0	0
OB	8	9	C	1.83	0.1571	0.1452	230	0	0
OB	8	9	C	1.84	0.152	0.1407	221	0	0
OH	7	9	C	1.64	0.0762	0.0581	200	0	0
OH	8	9	C	1.76	0.0824	0.0739	200	0	0
WA	7	9	P	-1.5	0.13	0.11	250	0.12	0.12
WA	8	9	P	-0.75	0.4	0.36	250	0	0
WA	12	9	P	-0.75	0.47	0.41	250	0	0
WA	7	9	P	-0.75	0.37	0.32	250	0	0
WA	10	9	P	-0.75	0.45	0.45	250	0	0
WA	9	9	P	-0.75	0.35	0.29	250	0	0
WA	11	9	P	-0.75	0.48	0.4	250	0	0
WA	7	9	P	-1	0.27	0.23	200	0	0
WA	8	9	C	0	0.21	0.21	125	0	0
WA	7	9	C	0	0.11	0.12	125	0	0

Dutch oil and chemicals storage company Vopak NV said it would start construction of a new storage terminal for oil products in the Port of Amsterdam. The new terminal will be used for storage and blending of gasoline and other clean oil products adding 620,000 cubic meters of storage capacity in 2011 and later increase to more than 1.1 million cubic meters.

Japan's Idemitsu Kosan Co plans to refine 2.2 million kiloliters or 460,000 bpd of crude in June, down 14% on the year. It plans to refine about 6.6 million kl in April-June, down 17% on the year.

India's refiners processed 3.04 million bpd of crude oil in April, down 4.3% on the year.

India's Haldia Petrochemicals resumed maintenance work at its 520,000 ton/year naphtha cracker one day after a deadly accident last weekend. The plant was shut on May 8th for regular maintenance.

Gasoline inventories in the Amsterdam-Rotterdam-Antwerp area in the week ending May 28th fell by 23.9% on the week and by 41% on the year to 582,000 tons. Gasoline exports from the ARA tanks were shipped to Mexico,

Nigeria, Senegal and the US. Imports came from Denmark, France, Russia and Britain. Gas oil inventories increased by 3.61% on the week and by 128.6% on the year to another record high of 2.7 million tons. Fuel oil inventories however fell by 13.8% on the week and by 37.37% on the year to 481,000 tons while jet fuel stocks fell by 3.74% on the week but increased by 313.69% on the year to 695,000 tons and naphtha stocks increased by 35.21% on the week but fell by 35.14% on the year to 96,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 2.106 million barrels to 18.137 million barrels in the week ending May 27th. It also reported that the country's light distillate stocks fell by 590,000 barrels to 9.326 million barrels and its middle distillate stocks built by 211,000 barrels to 11.894 million barrels on the week.

Production News

The Abu Dhabi National Oil Co will maintain its crude oil supplies to Asian customers mostly unchanged in July, deepening cuts for only one grade. It said it will supply Murban, Umm Shaif and Lower Zakum crude at 18% below contracted volumes in July, unchanged on the month. However it will deepen supply cuts of Upper Zakum crude to 18% below the contracted volumes in July compared with a 16% cut in June.

Angola is set to export about 1.86 million bpd of crude oil in July, well above its implied OPEC output target of 1.656 million bpd. In June, Angola is scheduled to export 1.79 million bpd, down from 1.82 million bpd anticipated earlier due to a delayed cargo.

Indonesia's crude oil production is expected to increase in May as production resumes at several oil wells following the completion of maintenance. Crude oil production is expected to increase to 823,100 bpd in May compared with 818,000 bpd in April. The country's condensate output is expected to remain stable at 120,000 bpd in May.

Russian seaborne oil exports in June is expected to fall by 3.4% on the month to 11.2 million tons or 2.74 million bpd due to lower shipments from the Black Sea ports of Novorossiisk, Yuzhny and Odessa. The schedule shows that Urals exports from Black Sea ports will decline by 203,000 bpd or 16.5% due to maintenance work on the pipeline to Novorossiisk and lower shipments from Odessa and Yuzhny.

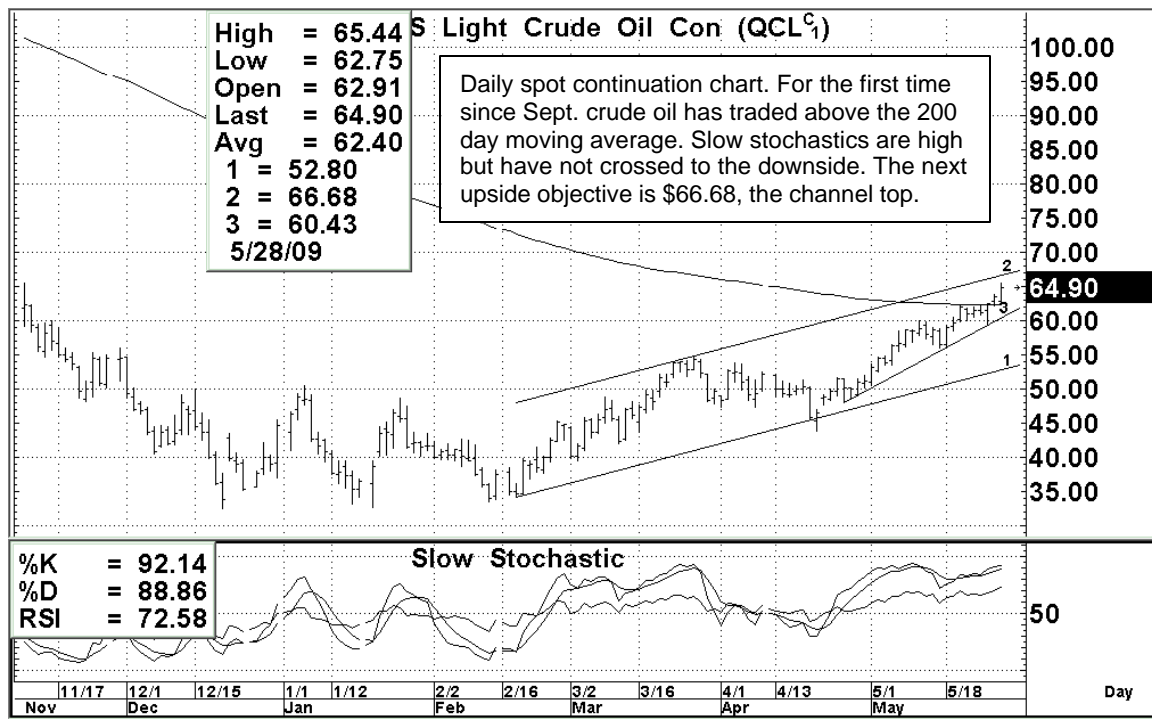
The Caspian Pipeline Consortium said a final investment decision on the expansion of the capacity of an oil pipeline from Kazakhstan should be made in mid-2010. The CPC pipeline carries crude from Kazakhstan's Tengiz field to the Russian port of Novorossiisk in the Black Sea.

OPEC's news agency reported that OPEC's basket of crudes increased to \$60.75/barrel on Wednesday from a revised level of \$58.71/barrel on Tuesday.

Market Commentary

A larger than expected draw in inventory stocks and statements by OPEC Secretary General, Abdalla el-Badri, calling for a \$60.00 - \$70.00 range, gave crude oil a boost to its highest level since November. Lending additional support was a report by the U.S. Commerce Department stating that new orders for durable goods rose 1.9% from March. This is the biggest percentage gain since December 2007. Separately, the U.S. Labor Department showed initial claims for state unemployment insurance dropped by 13,000 to a seasonally adjusted 623,000 in the week ending May 23. This is the second weekly drop. Based on these factors the July contract extended yesterday's gains above \$62.37, the 200-day moving average, and is closing in on the \$66.68 channel top. Moving oscillators remain in overbought territory and are trending higher. As long as the July contract remains above the 200-day moving average, this market should continue to find

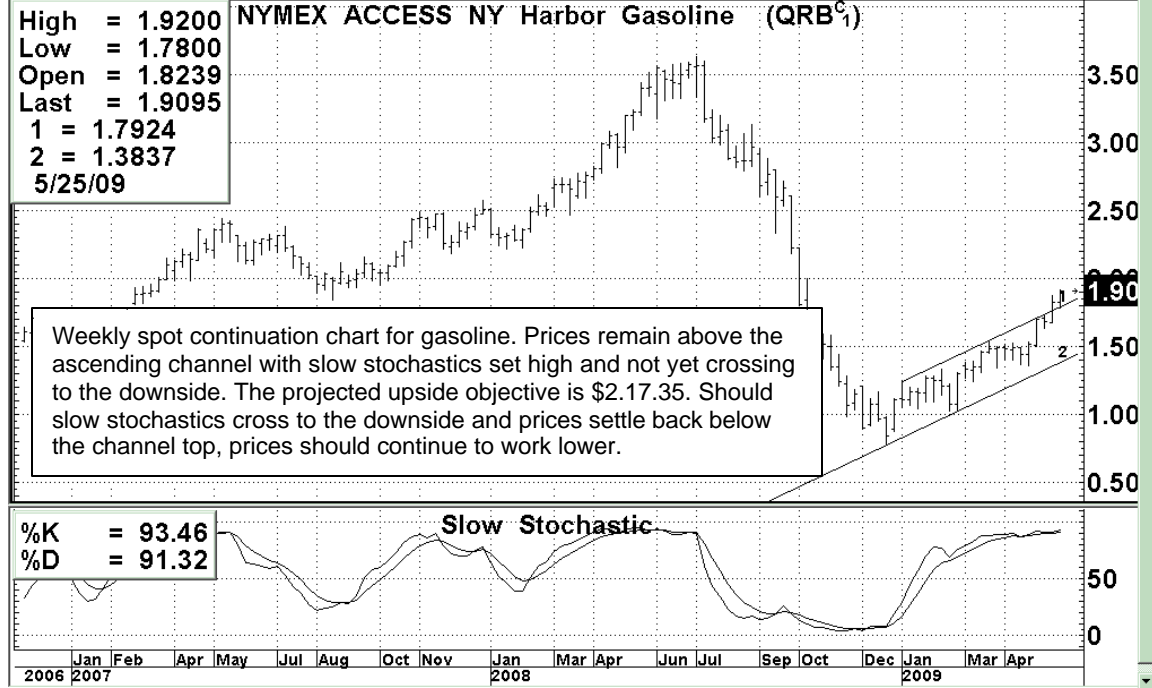
support. Gasoline sluggishly moved higher after the inventory report showed a lower than expected decrease in stock levels. Gasoline demand rose to 9.5 million barrels per day, from 9.2 million bpd the week before, reflecting buying ahead of last weekend's Memorial Day holiday. Keeping prices somewhat contained was the leveling out of positions in the June contract. Those that were long the June contract exited their positions prior to tomorrow's June expiration. Based upon a weekly spot continuation chart, gasoline has retreated and bounced off of the channel top. This is supportive for



prices. The projected upside objective for gasoline, based upon the channel breakout is \$217.35.

Crude Oil	
JUL.09	348,653
	+7,416
AUG.09	101,858
	+7,887
SEP.09	

71,912 +2,695 OCT.09 40,409 +856 Totals: 1,123,863 +27,998 N.Y. Heating Oil (HO) JUN.09 15,055 -5,710 JUL.09 60,742 +2,219 AUG.09 26,057 -760 SEP.09 19,668 +224 OCT.09 15,333 +824 Totals: 262,750 -3,093 NEW YORK HARBOR RBOB JUN.09 18,672 -5,881 JUL.09 93,326 +1,687 AUG.09 36,179 +1,005 SEP.09 25,716 +186 OCT.09 15,990 -130 Totals: 223,599 -3,348



Crude Support	Crude Resistance
60.50 , 59.85, 58.90, 56.75, 55.45, 54.49, 53.45, 52.33	65.55, 67.65,
Heat Support	Heat resistance
1.2715, 1.2300, 1.1359, 1.1095, 1.0520	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	2.0000, 2.0650, 2.1600

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