



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 8, 2009

Algeria's Energy and Mines Minister Chakib Khelil said oil prices will remain at between \$65 and \$70/barrel until the end of 2009 before rising further next year.

Venezuela's Oil Minister Rafael Ramirez said OPEC members are complying with 86% of output cuts agreed upon over the last year, underpinning a rise in oil prices.

The IEA's executive director Nobuo Tanaka expects OECD oil stocks to fall to 57 days by the year end from the current level of 63 days, if OPEC's production remains unchanged and if the economy and demand recovers.

Saudi Arabia's King Abdullah urged US President Barack Obama to impose a solution on the Arab-

Market Watch

JP Morgan raised its forecast for fourth quarter 2009 US oil prices to \$65/barrel compared with \$55/barrel in May, on expectations of economic recovery and seasonal factors. For the end of next year, JP Morgan also revised its forecast to \$70/barrel compared with its previous forecast of \$60/barrel.

Vitol is storing distillates and crude oil on floating vessels to take advantage of lower freight rates. Vitol recently booked a supertanker to store 2 million barrels of Northeast Asian diesel off European waters, taking the total stored inventory on vessels so far to 12-14 million barrels since the start of the year. In June alone, diesel stored in floating storage worldwide increased to 1.62 million tons or 12.15 million barrels. The cost of storing diesel in an 80,000-100,000 ton tanker is pegged at about \$20,000 daily, deemed viable due to weak demand for freight amid the world economic downturn. Separately, Vitol's CEO Ian Taylor said the recent rise in oil prices is not based on supply and demand. He said the market is not expected to rebalance before year-end.

Royal Dutch Shell Plc's chief executive Jeroen van der Veer said crude oil prices are set to rally without new investments. He said the world energy industry is facing severe challenges and the world needs unconventional energy supplies to meet rising demand. He said he is seeing early signs that the Western gasoline and diesel markets are stabilizing following the fall late last year and added that the next oil price spike may already be in the making due to the long lead time for investments to increase output.

Iraq's Prime Minister Nouri al-Maliki said Iraq may be able to increase government spending in the coming months due to rising oil prices and recent increases in the country's production capacity.

Brazilian officials drafting a reform of the oil sector will propose that President Luiz Inacio Lula da Silva create a federal tax on companies developing offshore oil reserves in deep waters. Proceeds from the new tax will be used to fund federal government social spending. The levy would tax companies involved in searching for oil in the sub-salt area. The area is believed to contain as much as 14 billion barrels of oil. The proposed changes will also include a mixture of production sharing agreements and the concession system currently in place.

Net profits at Venezuela's PDVSA increased by 50% in 2008 to \$9.4 billion, driven by windfall oil prices that also financed an increase in spending by President Hugo Chavez.

Israeli conflict if necessary. Saudi Arabia and other Arab countries want President Barack Obama to get tough with Israeli Prime Minister Benjamin Netanyahu, who has balked at Palestinian statehood and defied US calls to halt the expansion of Jewish settlements.

Pirates in the Gulf of Aden fired on a Libyan oil tanker bound for China early on Sunday but failed to hijack the ship, which moved into safer waters. The Aisha was carrying 144,464 tons of Nile crude from Bashir port in Sudan and was in a shipping lane subject to international monitoring.

June Calendar Averages
CL – \$68.10
HO – \$1.7725
RB – \$1.9340

The EIA reported that the US average retail price of diesel increased by 14.6 cents/gallon to \$2.498/gallon in the week ending December 8th. It is the highest level since December 8th. The 14.6 cent gain was the largest since May 26th, when diesel gained 22.6 cents in the week. The EIA also reported that the US average retail price of gasoline increased by 10 cents/gallon to \$2.624/gallon on the week. It is the highest price since October 27, 2008.

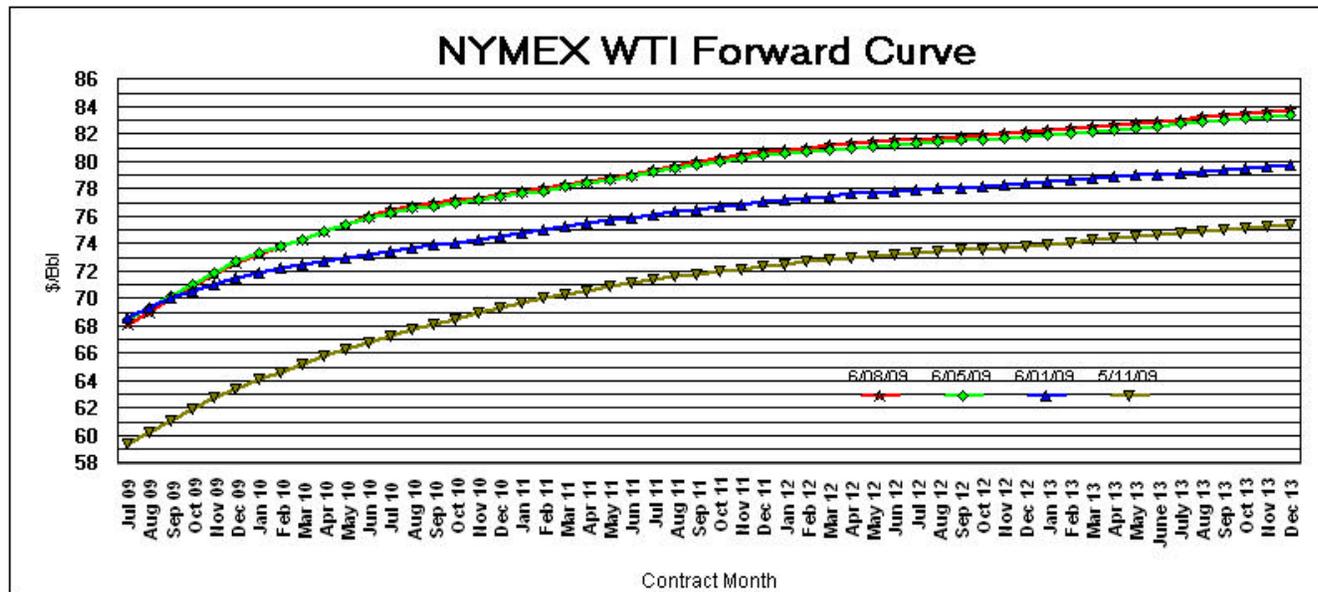
Refinery News

Capline, the crude pipeline from the US Gulf Coast to the Midwest, was shut for repairs on Monday. Shell said a valve leak caused a minor spill and forced the shutdown for repair on Saturday. The line was restarted but then shut again on Monday for additional repair. Shell said customers have not been impacted by the shutdown.

Credit Suisse said US refining margins were mixed with margins in the Midwest rising for a third consecutive week by \$4.76 to \$20.60/barrel due to strong gasoline prices. Gulf Coast margins increased by 86 cents to \$10.32/barrel while Northeast margins fell by \$1.48 to \$7.09/barrel. In the Rockies, margins fell by \$1.57/barrel to \$13.99/barrel while West Coast margins increased by \$1.09.

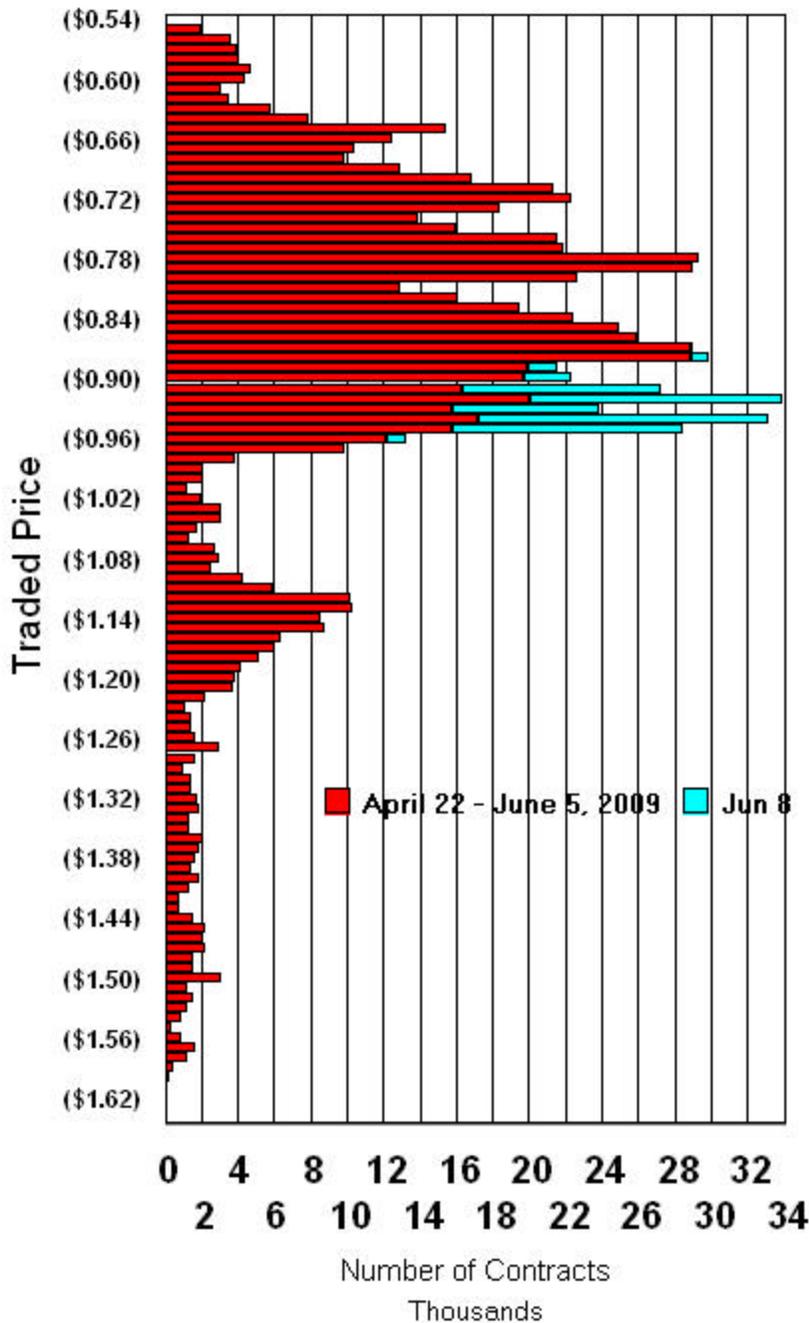
ExxonMobil Corp reported a problem on Friday night in a coking unit at its 348,500 bpd Beaumont, Texas refinery. A wet gas compressor on the coker tripped offline.

A fluid catalytic cracking unit at BP Plc's 467,720 bpd Texas City, Texas refinery is operating normally following flaring on Saturday. The flaring was triggered by an instrumentation problem on FCC No. 3.



NYMEX WTI: July Aug Spread Price Vs Volume for April 22 - June 8, 2009

Trade Weighted: 6/4 -0.88, 6/5 -.87, 6/8 -0.93



Citgo shut a sulfur recovery unit at its 165,000 bpd refinery in Corpus Christi, Texas on Monday. In a filing with the Texas Commission for Environmental Quality, Citgo said it will shutdown the No. 2 SCOT unit in the east plant of the refinery for work, which is expected to last until June 14th.

ConocoPhillips will restart unit 45 at its 152,000 bpd Borger, Texas refinery from June 6 to June 14th.

Tesoro Corp shut a hydrocracker and isom unit for repairs at its 72,000 bpd refinery in Kenai, Alaska following a June 4th power outage. The units are expected to return to service next week after repairs are completed.

Pemex has shut two key units at the Salina Cruz refinery for planned work that will last into early July. It shut one of its two fluid catalytic cracking units at Salina Cruz and one of its two crude units in early June. Pemex normally has to increase gasoline imports during periods of refinery work.

China is estimated to have imported 1.844 million tons of fuel oil for May delivery, down 26% from 2.499 million tons in April due to increased use of LNG.

Iran's gasoline imports in June are expected to remain steady at levels seen in the previous month as the country continues to build inventories to meet rising demand. Iran will import about 128,000 bpd of gasoline next month, relatively unchanged on the month.

Production News

A ship to ship transfer of North Sea Forties crude was completed in Scapa Flow, Scotland. The Orkney Islands Council Department of Harbors said the VLCC, Olympia, transferred 1.2 million barrels of Forties crude to Aframax tankers Primo Stealth and Thornbury. Another transfer of 660,000 barrels

of Norwegian Volve crude from the Sallie Knutsen to the Montiron was completed over the weekend. The total number of barrels transferred in Scapa Flow this year increased to 14.5 million barrels.

ConocoPhillips shut 23,000 bpd of oil production at its Ekofisk field off Norway due to damage by a vessel to a water injection platform. It is reviewing the damage and cannot say when production will be restored.

North Sea Forties crude oil loading volumes for June have been revised down by at least 1.8 million barrels or 9% to 18.6 million barrels due to a maintenance shutdown at the Buzzard oilfield. A total of three 600,000 barrel cargoes have been dropped from the original June loading program. Traders expect the Forties market to tighten further in coming months. The Buzzard field will shut in production in August for nearly six weeks of maintenance and as a result, Forties output for August will fall to 365,000 bpd from 678,000 bpd expected to load in July.

Norway's North Sea Gullfaks crude oil stream is scheduled to load about 303,000 bpd in July, up from 199,500 bpd in June.

Saudi Arabia will maintain oil supplies to major Asian buyers steady in July, as expected. Saudi Arabia has notified five Asian term buyers in Northeast Asia it will keep cuts on contracted volumes of crude oil in July at 7-14%.

Iran is China's second largest crude supplier, with daily volume of close to 500,000 barrels in the first four months of the year.

Iraq's crude oil exports from its northern oil fields to the Turkish port of Ceyhan increased by 20.8% to an average 580,000 bpd due to the start up of Kurdish oil exports. The newly added barrels are expected to increase the country's oil sales, which stood at 1.9 million bpd in May.

The BP Plc led Baku-Tbilisi-Ceyhan oil pipeline is expected to ship 27.2 million barrels in July.

The Canadian Association of Petroleum Producers cut its forecast for oil sands production for the third time in a year due to project deferrals and cancellations due to weak oil prices and tight credit markets. Its new outlook for oil sands output by 2015 represents a drop of at least 27% from its previous forecast. It expects production of heavy unconventional crude from northern Alberta of as much as 2.2 million bpd in six years, down from its 2007 outlook of 3 million barrels. Oil sands production averaged 1.2 million bpd in 2008. Overall Canadian crude oil production is estimated to total 3.3 million bpd by 2015 in its most optimistic case and 3 million in its most conservative.

Ecuador's central bank said the country's crude oil export revenue totaled \$1.3 billion between January and April, down 65% on the year. It said Petroecuador received \$342.2 million for its exports in April, down 46% on the year. Ecuador exported 40.47 million barrels or 337,283 bpd in the first four months of the year, down 8.5% on the year from 44.23 million barrels or 365,545 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.07 to \$68.08/barrel on Friday. It also reported that OPEC's basket of crudes increased by \$6.24/barrel to \$66.94/barrel in the week ending June 5th.

Market Commentary

The oil complex settled in negative territory on Monday as the strength in the dollar prompted traders to retreat from commodities. The crude market opened lower amid the lack of any supportive news. It also remained pressured following the market's failure to remain above the \$70 level on Friday. The market posted a low of \$66.78 and traded mostly sideways in overnight trading. However the market

bounced off its lows on the opening of the open outcry session and traded to a high of \$68.95 in afternoon trading before it erased its gains ahead of the close. The crude market settled down 35 cents at \$68.09. While the fundamentals remain bearish and the market seems to have lost its momentum as it failed to remain above the \$70 level, the market will look to the weekly petroleum stock reports for further direction. Technically, the crude market is seen finding support at \$62.83, its 200-day moving average. The heating oil market traded sideways as it remained within its recent trading range, still holding resistance at its 200-day moving average. The market seemed to have shrugged off the news that Vitol booked a tanker to store distillate, further increasing the total amount of distillate stocks worldwide. The market settled down just 22 points at \$1.7679. The heating oil market is seen finding resistance at \$1.8205, its 200 day moving average. Support is seen at its gap of \$1.678 to \$1.6512. Similarly, the RBOB market continued to retrace its previous gains. It posted a low of \$1.9211 in overnight trading before it traded to its high of \$1.9629 early in the day. It however retraced its gains and settled down 1.86 cents at \$1.936. The market is seen trading lower as the market awaits the latest weekly inventory reports.

Crude Oil JUL.09 300,939 -43,772 AUG.09 147,567 +8,179 SEP.09 90,801 +3,731 OCT.09 44,339 +1,286 Totals: 1,221,400 -16,326 N.Y. Heating Oil (HO) JUL.09 62,232 -3,560 AUG.09 34,596 +777 SEP.09 28,826 +1,610 OCT.09 17,769 +304 Totals: 277,455 -558 NEW YORK HARBOR RBOB (RB) JUL.09 84,856 -5,551 AUG.09 44,372 +2,655 SEP.09 31,879 +946 OCT.09 16,021 +426 Totals: 214,428 -1,048.

Crude Support	Crude Resistance
Spot 200 day MA 62.63, 60.50 59.85, 58.90, 56.75, 55.45, 54.49,	70.32, 71.80, 74.50, 76.10
Heat Support	Heat resistance
1.7350, 1.7104, 1.6780, 1.6512, 1.6235, 1.5615	1.7850, 1.8139, 1.83000, 1.9090
Gasoline support	Gasoline resistance
1.8940, 1.8591, 1.7515, 1.7188	1.949, 2.0000, 2.0650, 2.1600