



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 3, 2009

Libya's top oil official, Shokri Ghanem said the price of oil could reach a level as high as \$90/barrel by the end of the year and is likely to average \$80/barrel in 2009.

According to a report by MasterCard Advisors LLC, US gasoline demand fell by 0.1% to 9.244 million bpd in the week ending May 29th. Demand increased by 2.2% on the year. Gasoline demand in the last four weeks averaged 9.26 million bpd, up 1% on the year. It reported that the US average retail price increased by 10 cents to \$2.45/gallon on the week.

The EIA reported that US propane inventories increased nearly 2 million barrels last week to

51.3 million barrels, the highest level for this time of the year since 1982. The largest gain was

Market Watch

The ADP Employer Services report stated that US private employers cut 532,000 jobs in May, down from the revised 545,000 jobs lost in April. The April figure was originally reported as a decline of 491,000.

The US Commerce Department reported that US factory orders increased in April less than expected. It reported that orders for manufactured good increased by 0.7% following a downwardly revised 1.9% decline in March. Demand for durable goods were revised down to an increase of 1.7% in April. Non-durable goods factory orders fell by 0.1%, after falling by 1.6% in March.

Orkney Islands Council Department of Harbours said a VLCC, chartered by ConocoPhillips, loaded with North Sea Ekofisk crude oil will sail to Chile on Wednesday after spending three and a half months in use as floating storage in Scapa Flow, Scotland. The VLCC will carry almost 2 million barrels of Ekofisk crude.

JP Morgan Chase & Co. has hired a newly built supertanker to store gas oil off Malta, the company's first booking in at least five years. It booked the Front Queen for nine months. JP Morgan has hired the Front Queen at \$35,000 to \$41,000/day. It is also paying \$1.6 million for the ship to sail from Singapore to Europe without a cargo. Separately, a shipping source said another new VLCC has been fixed to store gas oil off Malta's coast by a trading house.

Russia's Energy Minister Sergei Shmatko said the country expects investment in its oil industry to remain stable at \$32.6 billion in 2009 as tax incentives and other measures offset lower crude prices.

Total's chief executive urged Nigeria to increase its transparency and lay down clearer rules for foreign partners as it seeks reforms in its oil and gas industry.

DOE Stocks

Crude – up 2.9 million barrels
Distillate – up 1.6 million barrels
Gasoline – down 200,000 barrels
Refinery runs – up 1.2%, at 86.3%

reported in the Midwest, with a build of 1.2 million barrels. Gulf Coast inventories increased by 500,000 barrels while the East Coast region and the combined Rocky Mountain/West Coast region had increases of 100,000 barrels each during the period.

Israeli Defense Minister Ehud Barak did not rule out a military strike on Iran, hours after Israel's Foreign Minister said the country is not planning a military strike against Iran. Israel's Defense Minister said Israel supports US President Barack Obama's initiative to try to talk to Iran but believe this should be limited to a set timeframe. He added it will not take long to discover Iran's nuclear ambitions.

Refinery News

Flint Hills Resources will restart a coker unit at its 288,000 bpd Corpus Christi, Texas refinery on Wednesday. The unit was shut on Sunday for planned maintenance.

Valero Energy Corp said a crude unit and fluid catalytic cracking unit at its 170,000 bpd McKee, Texas refinery are increasing to planned rates.

Citgo's 167,000 bpd oil refinery in Lemont, Illinois is operating at planned rates on Wednesday following a brief outage at the plant's fluid catalytic cracking unit on Monday. Other units affected by the FCC unit shutdown returned to normal operations throughout the day on Tuesday.

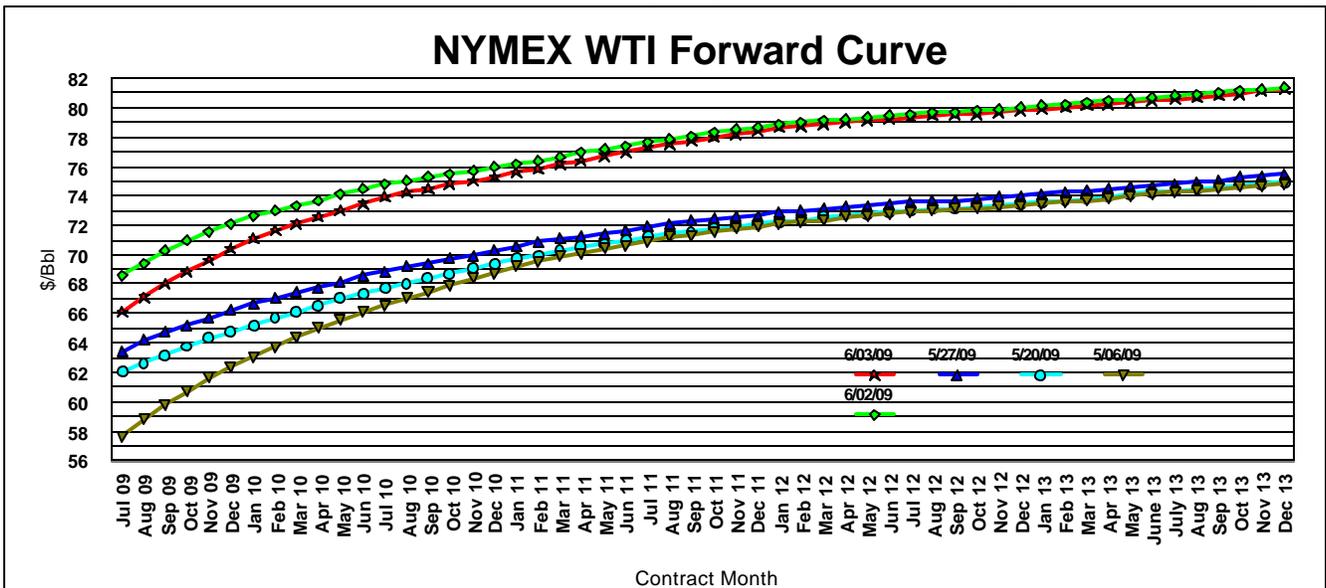
June Calendar Averages

CL – \$67.75
HO – \$1.7709
RB – \$1.9170

LyondellBasell said its 270,600 bpd refinery in Houston, Texas is operating at 200,000 bpd due to a malfunction in a sulfur recovery unit at the refinery.

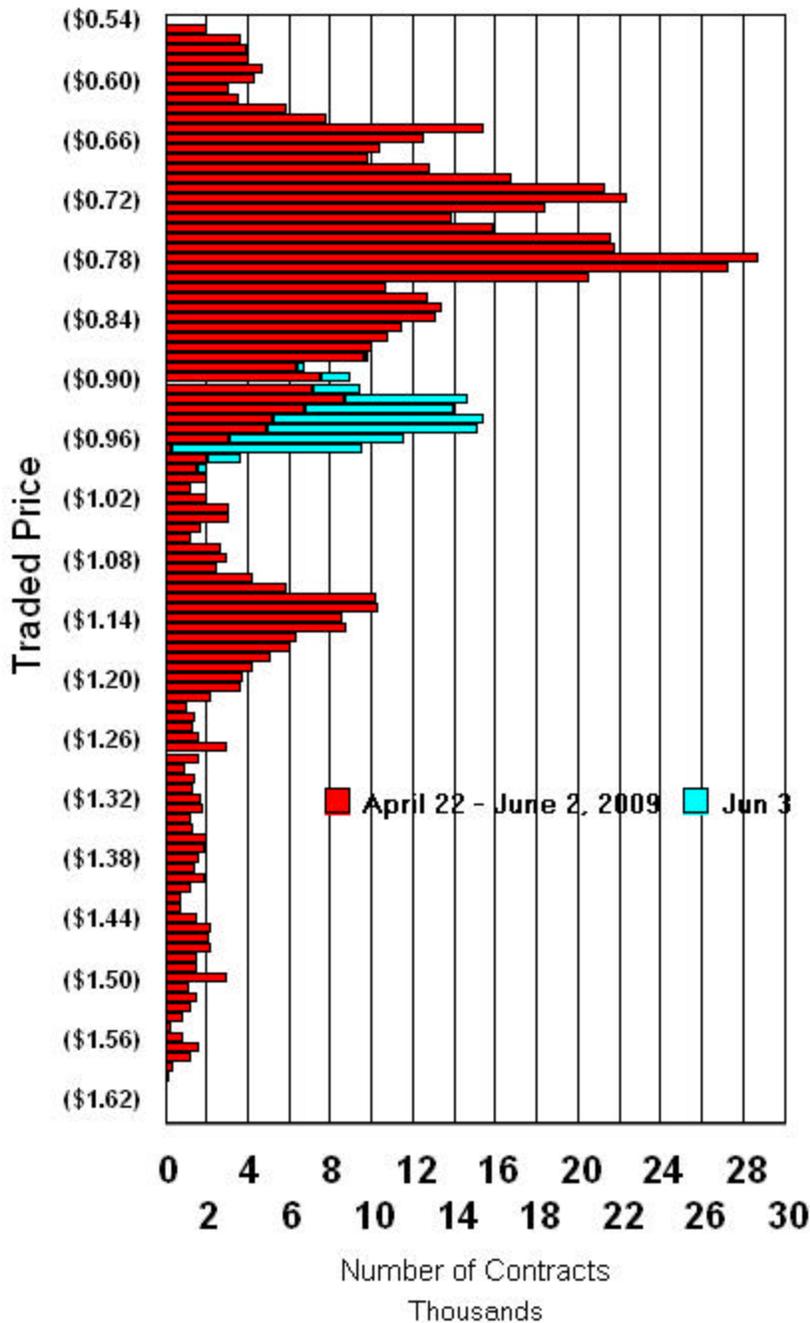
Venezuela's 135,000 bpd El Palito refinery missed a May restart date following the completion of its maintenance. There is no current target to restart the unit.

Indonesia's Pertamina has shut its Cilacap refinery due to a fire nearby. Separately, Pertamina is targeting new refinery capacity totaling 700,000 bpd, as part of its efforts to cut its oil product imports. Pertamina's nine refineries have a combined capacity of about 1 million bpd. However they only



NYMEX WTI: July Aug Spread Price Vs Volume for April 22 - June 3, 2009

Trade Weighted: 6/1 -0.78, 6/2 -.85, 6/3 -0.94



supply 70% of domestic oil product consumption and 30% comes from imports. Pertamina also said that it will start work at its Balongan refinery next year, which is expected to be completed in 2014. It will increase the refinery's capacity to 220,000 bpd from 125,000 bpd.

The Petroleum Association of Japan reported that Japan's refineries operated at a two year low rate of 68.7% in the week ending May 30th, down 3.3% on the week due to slowing demand. It reported that Japan's crude oil stocks increased by 4.61 million barrels on the week and by 3.64 million barrels on the year to 104.14 million barrels. It also reported that Japan's gasoline stocks increased by 770,000 barrels on the week but fell by 620,000 barrels to 14.04 million barrels while kerosene stocks increased by 1.82 million barrels on the week and by 2.27 million barrels on the year to 12.81 million barrels. The PAJ also reported that Japan's naphtha stocks increased by 1.25 million barrels on the week to 11.62 million barrels. Japan's total oil product sales fell by 7.7% on the week and by 38.4% on the year to 2.02 million bpd while gasoline sales increased by 2.5% on the week but fell by 27.9% on the year to 800,000 bpd.

China allowed reporters into its secretive strategic oil reserve on Wednesday. An official at China's Department of Policies and Laws under the National Energy Administration said the first phase of the country's strategic petroleum

reserve is now full. He said the government does not plan to stockpile more crude until new tanks are ready. China's first phase of SPR construction has a capacity of 16.4 million cubic meters or 103.153 million barrels. China is planning to store 10 million tons of refined oil products.

Iran plans to start kerosene exports before the end of June as higher gas supplies replace oil products used for heating. It will ship up to 450,000 barrels per month. The cargoes will be sold on the spot physical market rather than through long term deals.

Traders said about 180,000 tons of gas oil are anchored in West Africa and Northwest Europe, supported by a price contango structure. The majority of tankers storing middle distillates are anchored in Europe, with the IEA estimating about 10-15 million barrels to be gas oil and 2-4 million barrels of jet fuel.

Production News

According to a Reuters survey, OPEC members bound by output targets increased their oil production to 25.91 million bpd from a revised 25.62 million bpd in April. OPEC's production level is 1.07 million bpd above the implied target of 24.845 million bpd, translating to a 75% compliance rate, down from a revised 81% in April and March. It reported that OPEC's total production increased by 240,000 bpd to 28.16 million bpd. Saudi Arabia increased its oil production by 30,000 bpd to 7.98 million bpd in May while Iran increased its production by 60,000 bpd to 3.76 million bpd. Angola and Nigeria also increased their production by 50,000 bpd to 1.76 million bpd and by 80,000 bpd to 1.79 million bpd, respectively. Iraq's oil production fell by 50,000 bpd to 2.25 million bpd in May.

Dow Jones reported that OPEC's oil production, excluding Iraq, increased by 0.4% or 90,000 bpd to 25.74 million bpd in May, compared with 25.65 million bpd in April. The OPEC-11 produced about 895,000 bpd above their target of 24.845 million bpd. It reported that OPEC's compliance rate was 3.345 million bpd or 79.6%. Saudi Arabia increased its production level by 50,000 bpd to 7.95 million bpd while Iran increased its production level by 40,000 bpd to 3.71 million bpd. It showed that Nigeria's production fell by 50,000 bpd to 1.81 million bpd on the month. OPEC's total production increased by 139,000 bpd to 28.11 million bpd in May, with Iraq's oil production increasing by 49,000 bpd to 2.37 million bpd on the month.

Royal Dutch Shell Plc said exports of Nigeria's Bonny Light and Forcados crude may remain down in June after pipelines were damaged. Shell has extended the force majeure into June. Shell originally declared force majeure on Bonny Light crude on April 14 following a fire on the Trans-Niger pipeline and while Shell declared force majeure on Forcados exports at the beginning of March following an attack on the Trans-Escravos pipeline.

The head of Iraq's State Oil Marketing Organization, Falah Alamri said Iraq is targeting to export between 1.88 million bpd and 1.95 million bpd of Basra Light crude and Kirkuk crude in the second half of 2009. Iraq's crude oil exports during the first five months of the year averaged 1.846 million bpd. He said that 1.43 million to 1.45 million bpd are expected to be sold via the southern Basra export terminal while the remaining 450,000 to 500,000 bpd will be exported via the Turkish port of Ceyhan.

Georgia's Black Sea port of Batumi shipped 595,951 tons of crude oil and refined oil products in May, down 122,849 tons on the year but up 131,638 tons on the month.

Malaysia's Petronas said it signed a production sharing agreement with a unit of ExxonMobil for a \$2.1 billion deal to develop seven existing offshore oil fields.

Saudi Aramco has increased its crude oil official selling prices for extra light, light, medium and heavy grades for July supply bound for northwest Europe, the US and Asia. Saudi Aramco set the price of its Arab Extra Light crude bound for northwest Europe at BWAVE minus \$1.05, up \$1.05 on the month while it set the price of its Arab Light crude at BWAVE minus \$1.70, up \$1.10. It also increased the price of its Arab Medium and Arab Heavy crudes by \$1.15 each to BWAVE minus \$2.70 and BWAVE minus \$3.15, respectively. The price of its Arab Extra Light crude bound for the US was increased by

60 cents to WTI minus \$1.35 while the price of its Arab Light was increased by 45 cents to WTI minus \$2.50, the price of its Arab Medium was increased by 30 cents to WTI minus \$3.80 and the price of its Arab Heavy crude was increased by 10 cents to WTI minus \$4.75. Meanwhile, Saudi Aramco set the price of its Arab Super Light crude bound for Asia at the Oman/Dubai average plus \$2.20, up 40 cents on the month. It set the price of its Arab Extra Light crude at the Oman/Dubai average plus \$1.70, up 45 cents and set the price of its Arab Light crude at the Oman/Dubai average plus \$1.40, up 40 cents. The price of its Arab Medium crude was set at the Oman/Dubai average plus 60 cent, up 45 cents and the price of its Arab Heavy crude was set at the Oman/Dubai average plus 15 cents, up 55 cents.

Kuwait Oil Co has not canceled or postponed any upstream projects and has reached production of 3 million bpd. The company's chairman, Sami Al Rushaid said it is pursuing its strategic objective to reach 4 million bpd by 2020.

A UAE official said Abu Dhabi National Oil Co will proceed with its five year investment plan to increase crude oil production and increase domestic refining capacity by 400,000 bpd.

Venezuela and Russia have signed an agreement to develop two oil fields in the Orinoco region. Venezuela's Congress approved an energy cooperation deal with Russia that includes the creation of a joint venture company to develop the Carabobo 1 north and Carabobo 1 center oil fields, two of seven that Venezuela has offered to foreign oil companies. The Carabobo 1 north and center fields are expected to each produce between 200,000 and 240,000 bpd.

Ecuador received five offers in its auction of three marginal oil fields in the country's Amazon region. The three fields have proven reserves of about 18.3 million barrels.

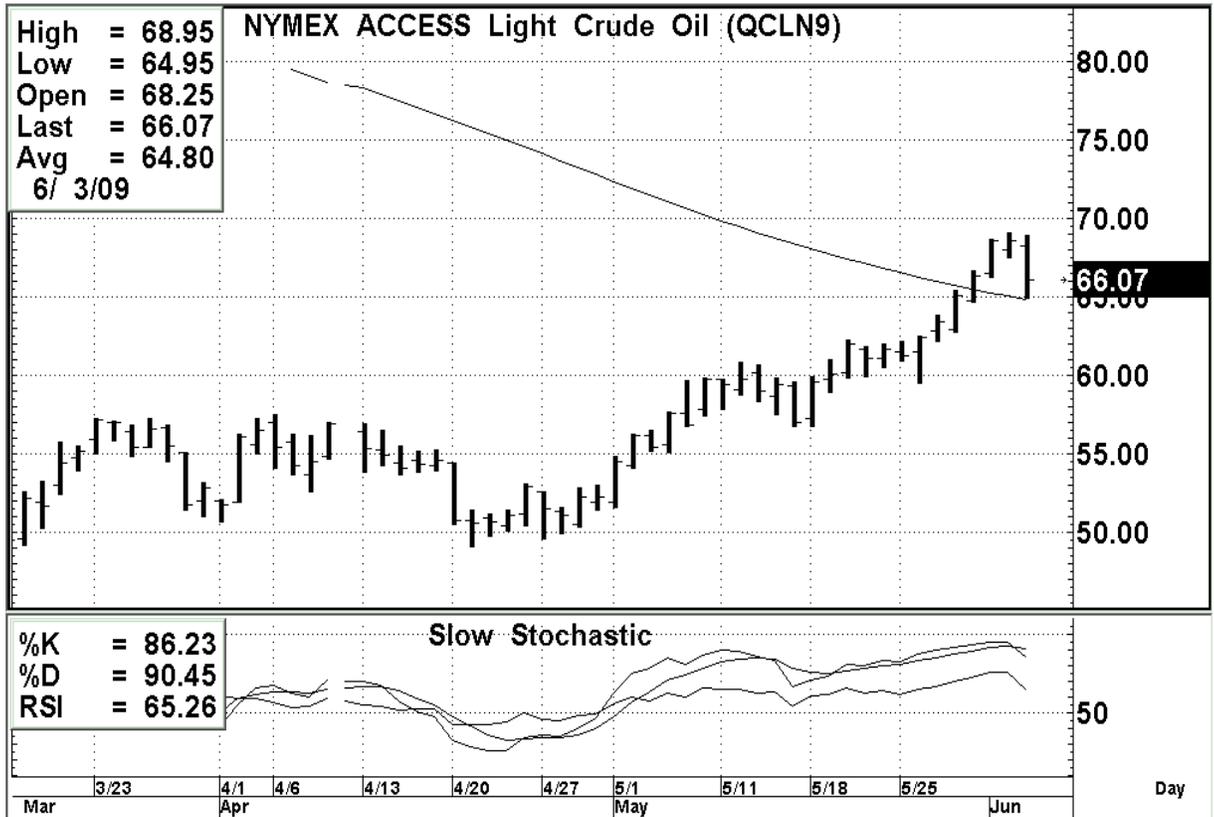
OPEC's news agency reported that OPEC's basket of crudes increased further to \$66.87/barrel on Tuesday from Monday's \$66.35/barrel.

Market Commentary

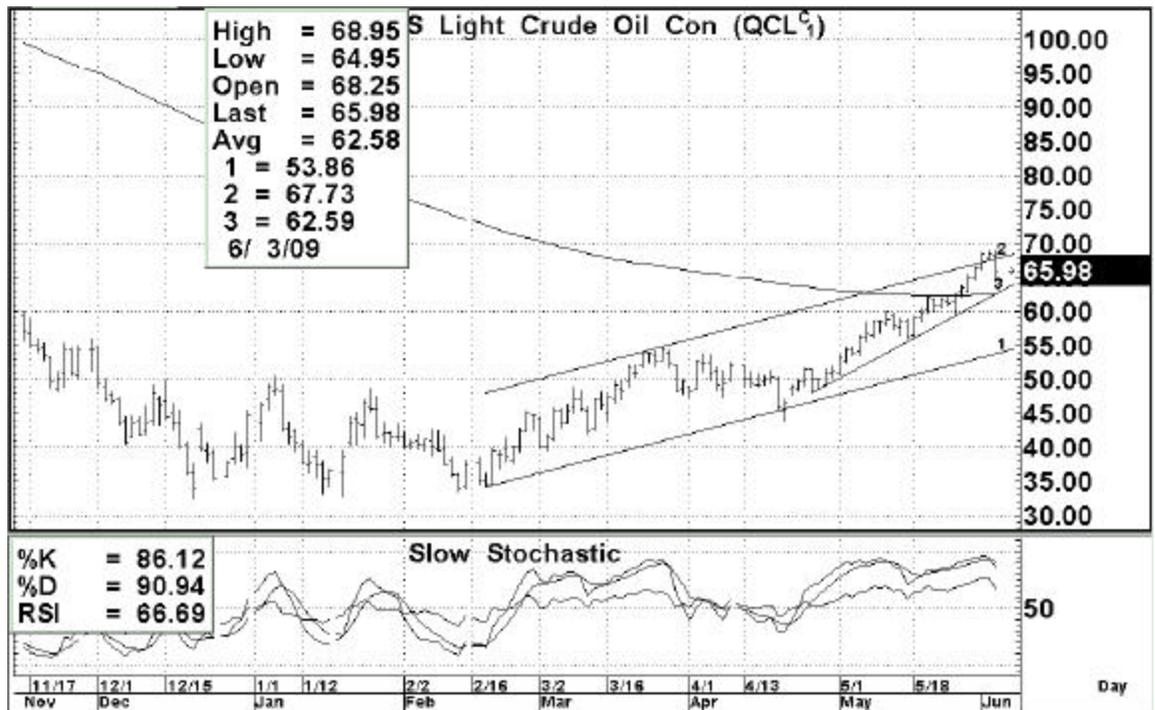
Crude oil tumbled today in response to the DOE report that indicated crude oil stocks increased 2.9 million barrels for the week ending 5/29. This increase in stocks coupled with the largest decrease in demand since May 1999, pushed crude oil prices into the deepest fall in two weeks. Post Memorial Day weekend, gasoline demand decreased, another sign that consumers are still using discretion in their driving in response to the current economic situation. The true fundamentals of the market are now taking center stage. This coupled with a strong dollar, are now forcing investors out. Today's move lower had a negative impact on technical indicators as the July contract has now reentered the ascending channel on a spot continuation chart, with slow stochastics crossing to the downside. As mentioned in yesterday's wire, a settlement back within this channel and a cross of these moving oscillators would indicate a shift in market direction. We would keep an eye on the 200-day moving average for the July contract, which appeared to be key support. Given the bearish fundamental outlook for this market we would look for prices to reach the aforementioned 200-day moving average and eventually test the \$53.86 level, basis a trendline that can be seen on the chart below.

Crude Oil JUL.09 342,921 -5,830 AUG.09 125,124 +4,684 SEP.09 75,952 +2,060 OCT.09 40,918 +991 Totals: 1,191,638 +23,472 N.Y. Heating Oil (HO) JUL.09 67,992 -358 AUG.09 30,321 -215 SEP.09 24,360 +1,388 OCT.09 15,853 +28 Totals: 267,770 +2,444 NEW YORK HARBOR RBOB (RB) JUL.09 93,127 -713 AUG.09 39,290 +1,771 SEP.09 26,915 +184 OCT.09 14,969 -309 Totals: 210,410 + 936

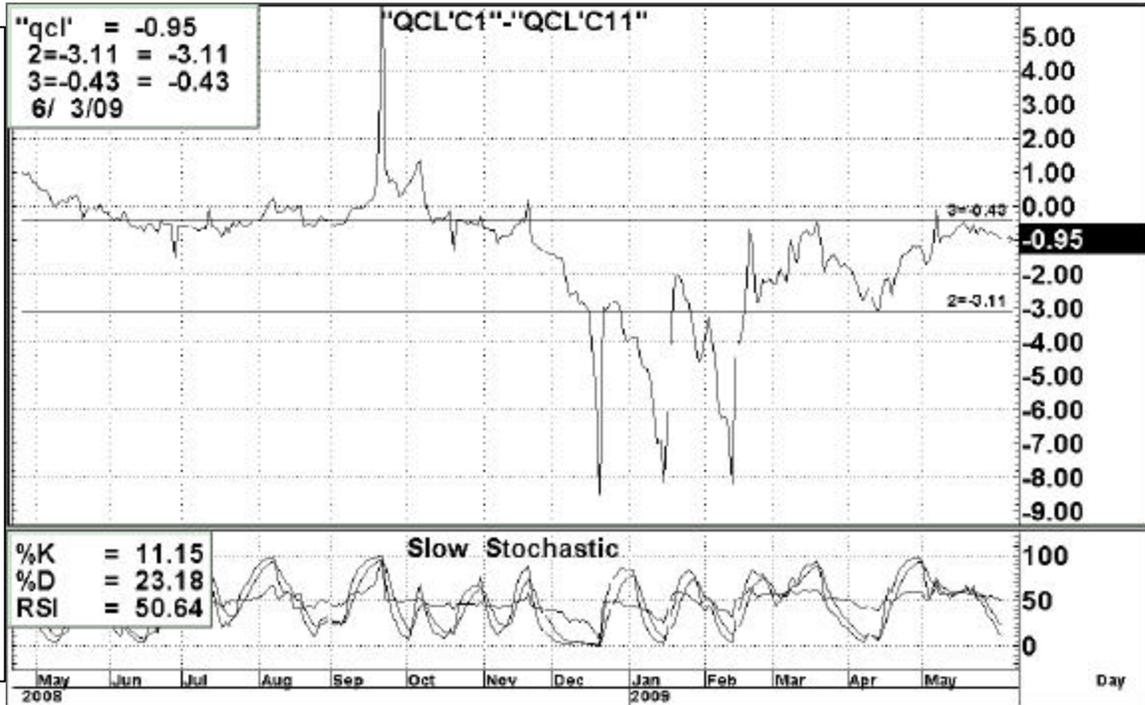
Daily bar chart for July crude oil. Once again the 200 – day moving average came into play today. We would continue to monitor this number as it as proven to be a key area. As of the close of the floor traded session, \$64.80 was the moving average.



Crude oil spot continuation chart. The July contract is now trading back within the ascending channel. Moving oscillators have crossed to the downside in over bought territory, a bearish signal. The initial downside objective is \$62.59.



Continuation chart for front crude spread. This chart indicates that the market is overbought and lacking demand. With immediate demand for crude oil and products extremely weak, the July/August crude oil spread should succumb to additional pressure. The near term downside objective for this spread is the \$1.70 area.



Crude Support	Crude Resistance
July 200 day MA 64.80, spot 200 day MA 62.53, 60.50, 59.85, 58.90, 56.75, 55.45, 54.49,	71.80, 74.50, 76.10
Heat Support	Heat resistance
1.6775, 1.6550, 1.6235, 1.5615	1.83000, 1.9090
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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