



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 3, 2010

Genscape reported that oil inventories at the Cushing, Oklahoma oil hub fell by 19,000 bpd to 39.9 million barrels in the week ending June 1st. It said crude at Cushing was filling up 77% of shell capacity, down from 78% the previous week.

Coast Guard Admiral Thad Allen said BP Plc's underwater robots have succeeded in cutting the riser pipe atop the blown out well in the Gulf of Mexico. It completed the second cut on the fractured pipe connected to the leaking well in the Gulf of Mexico paving the way for engineers to install a containment device that officials hope will send the majority of the oil to a ship. He said there is a chance that some oil will continue to seep out even once the containment device is in place. He said it not yet known how much oil may escape until the containment cap is in place and it is clear how

Market Watch

The Commerce Department reported that new orders received by US factories increased by 1.2% in April to \$420.08 billion following March's upwardly revised 1.7% increase. Excluding transport, orders fell by 0.5%, the first decline in nine months.

The US Labor Department reported that US productivity increased less than previously reported in the first quarter of 2010 as companies cut labor costs by a lower amount than originally estimated. Nonfarm business labor productivity increased by a seasonally adjusted annualized rate of 2.8% in the first quarter compared to the fourth quarter of 2009. Unit labor costs fell at a 1.3% annualized rate last quarter compared with previous estimates of a 1.6% decline.

The US Labor Department also reported that the number of initial claims for unemployment benefits fell by 10,000 to 453,000 in the week ending May 29th. The previous week's level was revised slightly upwards by 3,000 to 463,000. The four week moving average increased by 1,750 to 459,000 from the previous week's revised average of 457,250. The number of continuing claims increased by 31,000 to 4,666,000 from the preceding week's revised level of 4,635,000. The unemployment rate for workers with unemployment insurance was 3.6% in the week ending May 22nd, unchanged from the previous week.

According to the ADP Employer Services report, the US private sector added 55,000 jobs in May compared with an upwardly revised gain of 65,000 in April. The April figure was originally reported as a gain of 32,000.

Floating storage of Forties crude in the North Sea has increased to 4 million barrels, with a second supertanker chartered. The VLCC Bunga Kasturi Empat, chartered by Royal Dutch Shell Plc, is heading to Southwold, eastern England, after loading Forties crude on May 31-June 2 at Hound Point, Scotland. Another VLCC, BW Lake, also chartered by Shell, has been floating off Southwold since May 23 after loading Forties at Hound Point.

The Nigerian government is revisiting concerns expressed by foreign oil companies about its Petroleum Industry Bill. However a NNPC official said the legislation should still be passed before the country's presidential elections next year.

A North Korean diplomat said tensions on the Korean peninsula were running so high over the sinking of a South Korean warship that war may break out at any moment. He blamed the grave situation on South Korea and the US.

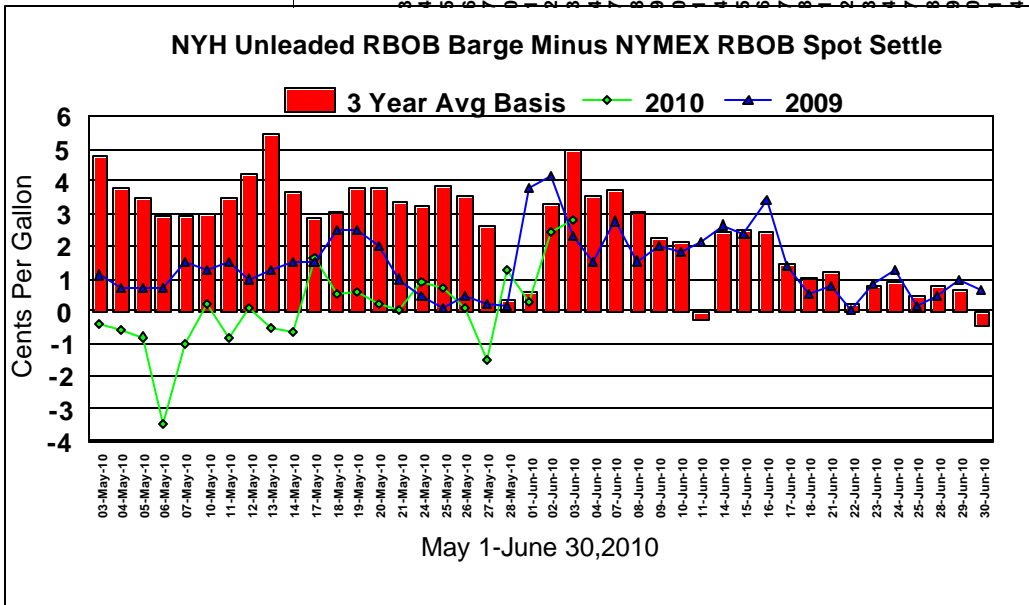
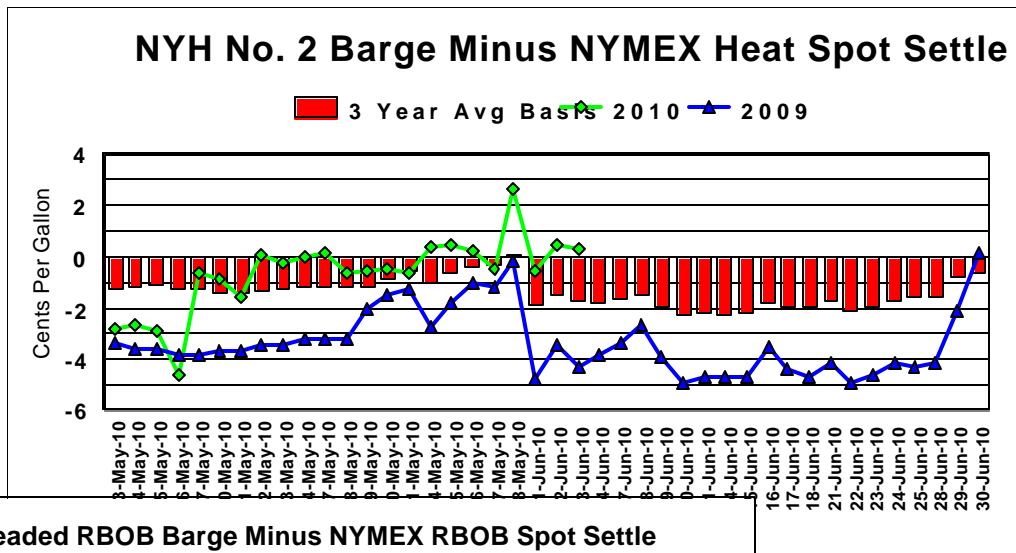
DOE Stocks

Crude – down 1.9 million barrels
Distillate – up 500,000 barrels
Gasoline – down 2.6 million barrels
Refinery runs – down 0.3%, at 87.5%

well the rubber seal is working. Earlier the official downplayed the possibility of using a nuclear or other explosive device to try to seal off the well.

CFTC Commissioner Scott O'Malia said today that the CFTC is planning on taking a hard look at whether to impose new rules to limit high frequency and algorithmic trading strategies

that threaten to distort prices. The commissioner noted that the CFTC would look closely at the practice of "baiting" the market by using small volume trades to drive prices in one direction. He also noted that the agency should gauge the impact of the broad new powers it expects to receive from Congress to regulate swap markets before making a decision on a position limit plan. The new commissioner said the CFTC would need more



computing power and staff with quantitative analysis expertise to tackle the new authority to regulate the vast OTC market.

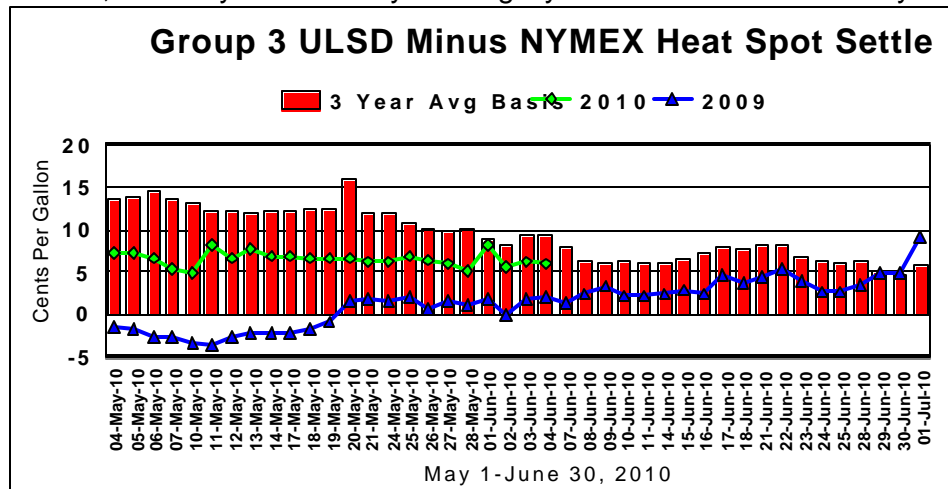
Refinery News

Valero Energy Corp will shut its smaller crude distillation unit at its 195,000 bpd Paulsboro, NJ refinery for about two weeks of

maintenance work on its reformer and hydrotreater units. Separately, Valero Energy said it will soon start maintenance work at its Aruba refinery, which it shutdown last year due to economic reasons and has been trying to sell. It aims to restart the refinery later this year, unless economic conditions deteriorate. The turnaround is expected to start in the next few weeks and is expected to last 90 days.

Citgo Petroleum said it cut rates to a fluid catalytic cracking unit at its 156,000 bpd refinery in Corpus Christi, Texas after heavy rain caused a trip in an associated unit on Wednesday night.

China's major refineries will continue oil processing in June at the second highest level on record as oil companies see rising domestic fuel sales on continued economic strength. China's twelve major refineries accounting for more than 30% of China's capacity plan to process 2.97 million bpd of crude in June, relatively flat with May and slightly lower than the record daily rate of 2.98 million bpd in April.



An oil product pipeline linking PetroChina Co's Liaoyang refinery with Yingkou port in northeastern China's Liaoning province has started operations. The pipeline, with a capacity to transport 2.8 million metric tons of low sulfur diesel, will enable the refinery to supply the southern China market. The refinery is expanding its capacity by

11% to 10 million tons a year or 200,822 bpd by the end of the year.

Gasoline inventories held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending June 3rd increased by 12.12% on the week and by 57.12% on the year to 971,000 tons. Gas oil inventories fell by 5.83% on the week and by 4.74% on the year to 2.389 million tons while fuel oil stocks fell by 18.51% on the week but increased by 9.1% on the year to 731,000 tons. Naphtha stocks increased by 10% on the week but fell by 43.9% on the year to 55,000 tons while jet fuel stocks increased by 5.46% on the week and by 6.59% on the year to 792,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.582 million barrels to 20.644 million barrels in the week ending June 2nd. It also reported that the country's light distillate stocks increased by 1.528 million barrels to 10.999 million barrels while its middle distillate stocks fell by 623,000 barrels to 10.874 million barrels on the week.

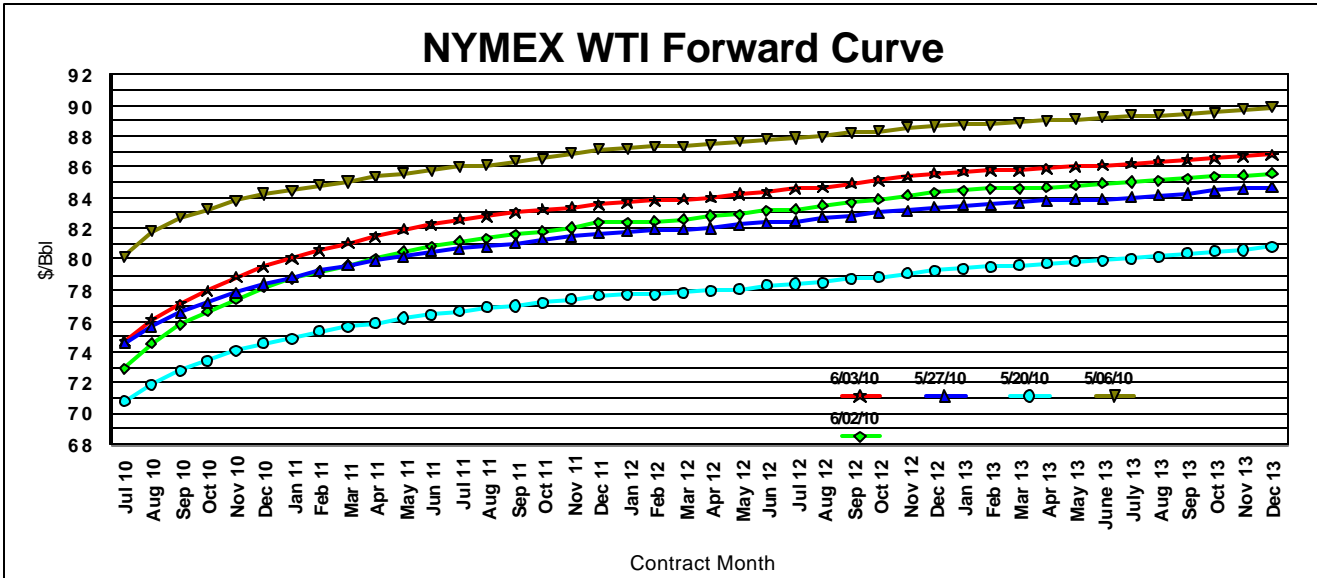
Production News

Norway's Statoil said it will bring on stream fields off Norway producing 70,000 bpd in 2010. It is expected to drill 18-20 wells off Norway in 2010.

Ecuador's central bank reported that the country's oil exports increased to 381,820 bpd in April from 354,930 bpd last year.

Azerbaijan has increased its oil reserve estimates for the Azeri-Chirag-Guneshli project by 30% to 1.2 billion tons as resources become available from a new expansion development project. The Azeri government estimates oil production by ACG will reach 44.8 million tons in 2010, 46.8 million tons in 2011 and 44.6 million tons in 2012.

June Calendar Averages	
CL	-\$73.35
HO	-\$2.0051
RB	-\$2.0299



Kazakhstan's KazMunaiGas signed a memorandum of understanding with Total SA and Statoil ASA to jointly assess the exploration potential of hydrocarbons at two blocks in the Caspian Sea. The Zhenis block is forecast to have 615 million tons of oil equivalent, with estimated recoverable reserves of 179 million tons. KazMunaiGas said it identified the Abai region as a potential area of cooperation.

Market Commentary

Crude oil experienced another choppy trading session as it responded to falling equities, lower jobless claims in the U.S. and decreasing inventory numbers. Inventory numbers gave mild support to prices as they reflected an increase of 1.6 percent in fuel demand, which climbed to its highest level since January of 2009. Despite being historically weak, an increase in demand sends waves of promise throughout the marketplace. Gasoline led the complex higher as it rallied more than 5 cents after the DOE's reflected a decrease of 2.65 million barrels, negating the strength in the dollar and the weakness in the stock market. Crude oil continues to range trade as it decides whether or not to respond to the equities market or react to the underlying fundamentals. We will stick with our view that crude oil is range bound, looking to sell failed attempts to trade above the \$75.79 level and buying settlements above it.

Crude oil July 10 348,406 -22,054 Aug 10 132,907 -1,046 Sept 10 104,700 -159 Totals 1,344,865 -22,155 Heating oil July 10 75,116 -1,157 Aug 10 47,080 +1,393 Sept 10 32,158 +997 Totals 298,959 +4,437 Gasoline July 10 89,144 -868 Aug 10 43,757 -168 Sept 10 37,796 +363 Totals 246,798 +53

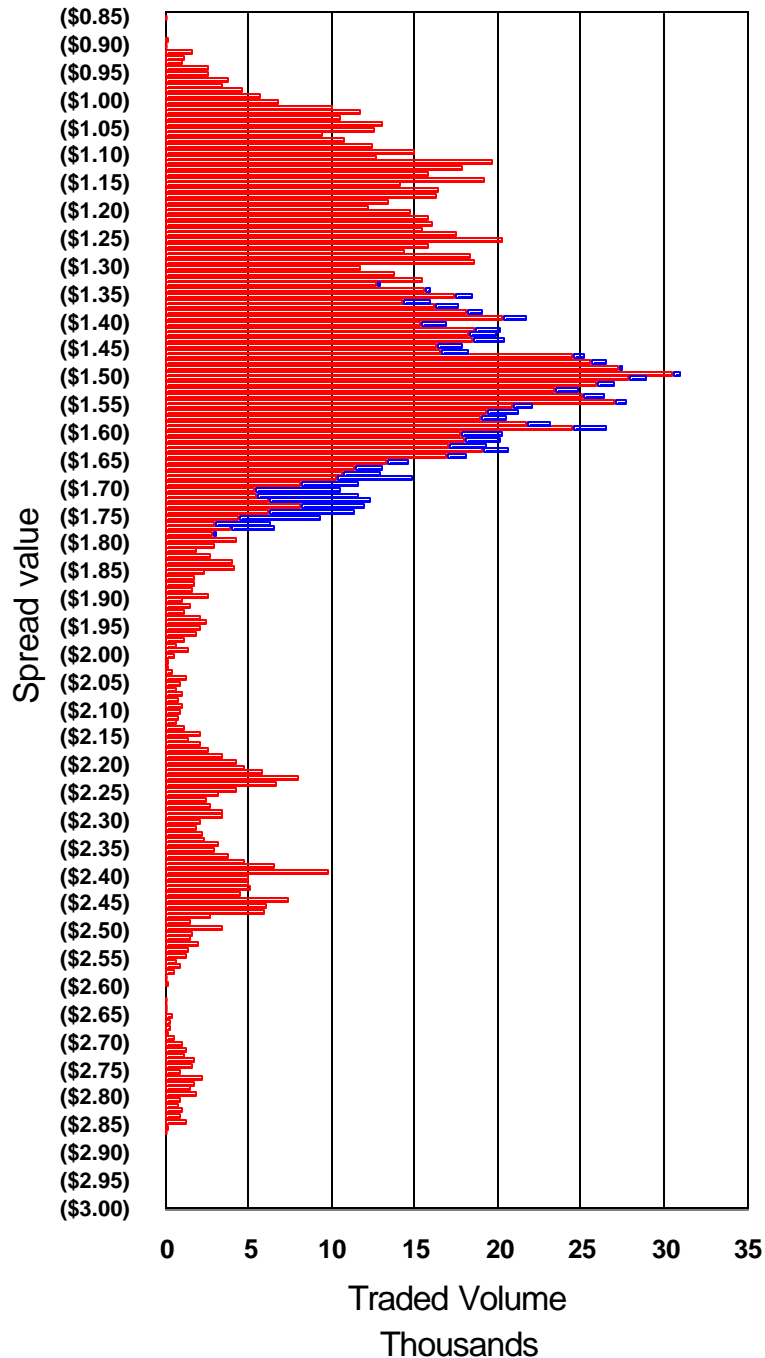
Crude Support	Crude Resistance
72.15, 67.15, 65.55, 64.20, 63.38, 62.70, 61.61, 60.95	74.75, 75.79, 76.71, 78.81, 79.15, 79.75, 80.07, 81.65
Heat Support	Heat resistance
1.9520, 1.9200, 1.8570, 1.8280, 1.7670, 1.7565	2.1760, 2.1920, 2.3575, 2.4200, 2.4940
Gasoline support	Gasoline resistance
1.9465, 1.8880, 1.8650, 1.6010	2.0975, 2.1700, 2.2345, 2.3240, 2.4270, 2.4850, 2.5040, 2.5115, 2.7080

NYMEX Jly - Aug WTI Spread

Traded Volume Skew

April 21 - June 3, 2010

■ April 21 - June 2 ■ June 3



This is a volume-weighted chart for the July/August crude oil spread. Today's market activity gave strength to this spread. Based upon previous activity, a settlement below the -\$1.50 level could widen back out to the -\$1.90 level.

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