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ENERGY MARKET REPORT FOR JUNE 6, 2011

Gulf Arab OPEC members led by Saudi Arabia will push for an increase in supplies at OPEC's meeting on Wednesday in effort to support world economic growth by bringing crude oil prices back below \$100/barrel.

Data indicating that economic recovery may be stalling in the West is worrying OPEC's core Gulf members Saudi Arabia, Kuwait and the UAE. However, Saudi Arabia's Oil Minister Ali al-Naimi said it is too early to say if OPEC would definitely increase its output ceiling later this week. OPEC is scheduled to meet on Wednesday.

Ecuador's Oil Minister Wilson Pastor said the oil market is stable and that it is too soon to say what OPEC would do this week. Meanwhile Venezuela's Oil Minister Rafael Ramirez said the oil market is in balance and OPEC does not need to increase its output when it meets on Wednesday.

Iraq's former Oil Minister Issam Chalabi said OPEC is expected to maintain its output ceiling and production quota when it meets on Wednesday.

Iran's new Oil Minister, Mohammad Aliabadi is scheduled to attend the OPEC meeting this week. Separately, on Saturday a top Iranian official warned of the risks of an output increase by OPEC after the group's advisory board recommended such move for its meeting next Wednesday. A senior Gulf oil official said he now saw a production increase as the most probable outcome of the gathering.

A close ally of Libya's leader Muammar Gaddafi and former head of Libya's national electricity company, Omran Abukraa will represent Libya at the OPEC meeting on Wednesday. However people close to anti-Gaddafi rebels said they were still considering sending an envoy to Vienna.

Market Watch

According to a survey by the Federal Reserve Bank of Chicago, US economic growth will slow this year as inflation increases, a pattern that will reverse next year. US GDP will grow 2.6% this year, down from 2.8% last year. Survey participants saw unemployment, which averaged 9.6% in the fourth quarter of 2010, falling to 8.5% in the fourth quarter of 2011 and 8.2% in the last quarter of 2012.

According to the European Union statistics agency Eurostat, the Euro zone Producer Price Index in April increased 0.9% on the month.

The head of Brazil's National Petroleum Agency, Haroldo Lima said regulatory reform of Brazil's ethanol sector would initially focus on how to stimulate investment and avoid supply shortages of the biofuel. Brazil's government vowed to work with the private sector to increase investment in the ethanol sector.

The US National Hurricane Center said a large low pressure system over the north western Caribbean Sea has a 50% chance of developing into a tropical storm over the next 48 hours from 40% earlier. It said some additional development of this system was possible.

**June
Calendar Averages**
CL – \$99.98
HO – \$3.0317
RB – \$2.9720

The IEA's Executive Director Nobuo Tanaka said OPEC needs to increase its actual production and not just its production ceiling when it meets this week. He said the world needs more oil to be produced and reiterated that the IEA may respond if OPEC does not meet expectations.

Total's chief executive Christophe De Margerie said there is no shortage of oil supply. He added that the market needs to be assured that there would be no cuts in its oil supply.

The EIA reported that the US average retail price of diesel fell 0.8 cents to \$3.94/gallon in the week ending June 6th. The price of diesel is up 99.4 cents or 33.7% above a year ago. It also reported that the US average retail price of gasoline fell by 1.3 cents to \$3.781/gallon on the week.

The Director General of the IAEA, Yukiya Amano said Iran may have until recently carried out nuclear work with possible military links. The UN agency received further information related to possible past or current undisclosed nuclear related activities that seem to point to the existence of possible military dimensions to Iran's nuclear program.

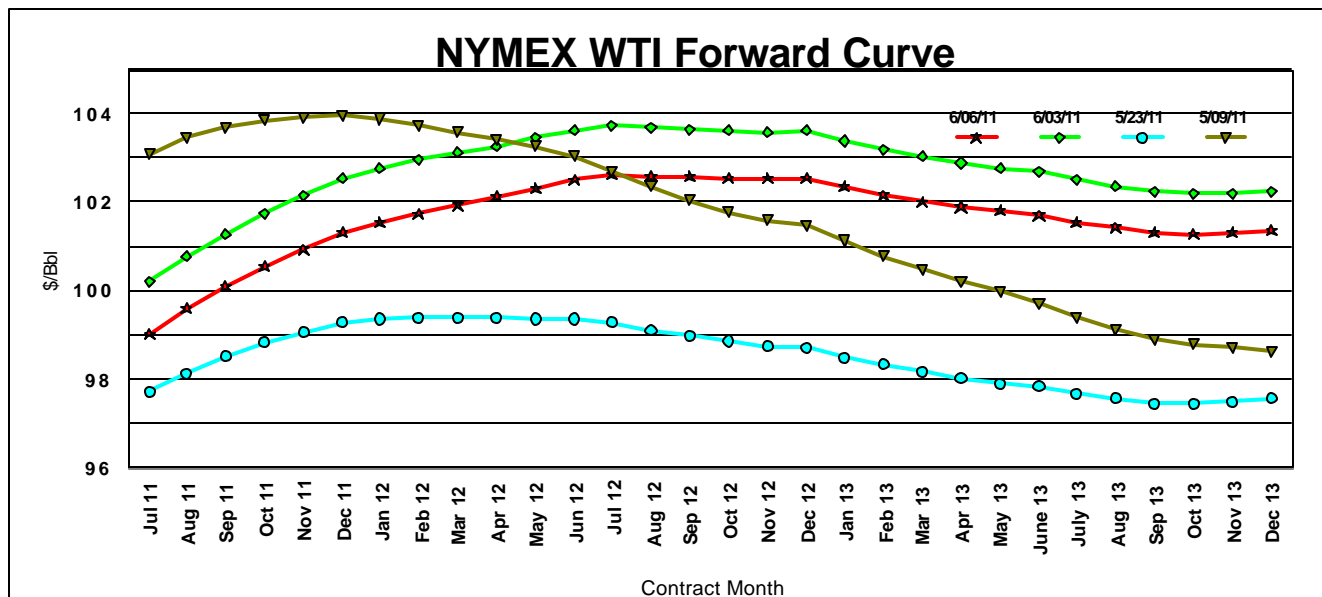
Refinery News

Colonial Pipeline allocated Cycle 33 shipments on its Line 20 carrying distillates from Atlanta, Georgia to Nashville, Tennessee.

TransCanada Corp's 591,000 bpd Keystone pipeline resumed its operations after it was shut due to a leak at a Kansas pumping station. This comes a day after the US Pipeline and Hazardous Materials Safety Administration said TransCanada could restart the Keystone pipeline by meeting safety requirements to prevent leaks.

Refineries in Illinois have suffered upsets over the past several days, including ExxonMobil Corp's 238,600 bpd Joliet refinery, Marathon Oil Corp's 206,000 bpd Robinson refinery and Citgo Petroleum's 167,000 bpd Lemont refinery. However there was talk of a restart of units at ExxonMobil's 238,600 bpd refinery in Joliet, Illinois.

ConocoPhillips reported sulfur dioxide emissions as a result of flaring at its 120,200 bpd refinery in Rodeo, California. Meanwhile, ConocoPhillips' 238,000 bpd Linden, New Jersey refinery continued to operate at reduced rates on Monday following a fire in a crude unit last week. The crude unit is expected to restart by the weekend.



PBF Energy reported flaring events on Saturday due to startup operations at its 182,000 bpd refinery in Delaware City, Delaware. It halted the restart of a fluid catalytic cracking unit due to a malfunction on May 27th.

Total's 360,000 bpd refinery in Antwerp resumed operations following a delay to its restart on May 15th. The refinery's crude distillation unit was taken out of service for six weeks in April for maintenance.

Chevron said it plans to partially shut its 100,000 bpd refinery in South Africa in early 2012 for scheduled maintenance and safety inspection. It said it would shut for some 45 days from February to March next year.

Saudi Arabia's Rabigh Refining and Petrochemical Co is scheduled to carry out maintenance on its refining and chemical production units in June and July. Work is scheduled to start on its crude distillation unit starting June 7th, on the ethane cracker in late June and on the high olefins cracking unit in mid-July.

Japan's Cosmo Oil Co changed its maintenance schedule for the Yokkaichi and Sakaide refineries. Under the new schedules, its 85,000 bpd Yokkaichi No. 6 crude distillation unit will be offline from October 11-24 and the 140,000 bpd crude distillation unit at the Sakaide refinery will be offline from June 20-July 21.

Kuwait Petroleum Corp agreed on a new contract to supply 720,000 tons of aviation fuel to Brazil's Petrobras from mid-2011 to the end of 2012.

Russia's Transneft resumed receiving 161,000 bpd of oil to its pipeline, which was shut after arms depot explosions. Transneft said the pipeline leading to Naberezhnye Chelny started receiving 131,000 bpd of oil from Russia's Rosneft.

Production News

Yemen's Masila Blend crude continues to be exported despite an escalation of violence in the country. The recent increase in violence has seen forces loyal to the central government enter into armed conflict against tribes opposing the rule of the country's president Ali Abdullah Saleh, increasing uncertainty over the country's ability to export its crude.

Mexico's Pemex cut the number of oil and gas wells it drilled in the first quarter and saw an increase in oil thefts compared to the same period last year. It drilled 112 fewer wells in the first three months of 2011, mostly due to a decline at its natural gas field in the Burgos basin in northern Mexico. The siphoning of oil increased 71% in the first quarter of the year with 248 thefts compared with 145 in the same period in 2010.

Bahrain is seeking to increase its daily production capacity at its refinery to 400,000 bpd from 267,000 bpd by investing \$5 billion and \$6 billion into modernizing the facility. Bahrain's Energy Minister said the country is in the final design studies of a project to replace the existing pipeline that carries Saudi crude oil to Bahrain at a capacity of 230,000 bpd with a new line that has the capacity to pump as much as 350,000 bpd. The new pipeline is expected to be completed by the end of 2014.

Cenovus Energy Inc plans to accelerate oil projects. Its plan targets total oil production of about 500,000 bpd net oil production by the end of 2021. It is targeting oil sands production of more than 400,000 bpd net by the end of 2021.

Oman is scheduled to offer five oil and gas blocks in a new exploration licensing round to be launched in August.

Saudi Aramco, in its annual review, said its crude oil production in 2010 was steady from 2009 at 7.9 million bpd. Exports by Saudi Aramco fell slightly to 2.02 billion barrels in 2010 from 2.06 billion barrels in 2009. Its recoverable reserves stand at 260 billion barrels and its production capacity remains at 12 million bpd. Saudi Aramco's gas reserves increased to 279 trillion cubic feet, up from 275.2 trillion cubic feet in 2009.

Saudi Aramco set its official selling price for July term supply of its Extra Light to the US at the Argus Sour Crude Index, down 55 cents on the month. It set the official selling price of its Light Crude at the ASCI plus 25 cents, down 20 cents while the price of its Medium crude was set at ASCI minus \$2.15, up 10 cents and the price of its Heavy crude was set at ASCI minus \$3.90, up 90 cents. Saudi Aramco set the price of its Extra Light crude bound for Northwest Europe at BWAVE minus 10 cents, up 90 cents on the month; the price of its Light crude at BWAVE minus \$2.45, up \$1.70; the price of its Medium crude at BWAVE minus \$4.65, up \$2.25 and its Heavy crude at BWAVE minus \$6.80, up \$2.80. The price of its Super Light crude bound for Asia was set at the Oman-Dubai average plus \$4.85, down 2.90 on the month; the price of its Extra Light crude was set at the Oman-Dubai average plus \$3.45, down \$1.40 on the month; the price of its Light crude was set at the Oman-Dubai average plus \$1.45, down 70 cents; the price of its Medium crude was set at the Oman-Dubai average minus 65 cents, up 10 cents and the price of its Heavy crude was set at the Oman-Dubai average minus \$2.65, up 85 cents on the month.

Market Commentary

The oil market, which posted an inside trading day, sold off amid expectations that OPEC will increase its production targets at its meeting on Wednesday. There was also concern that slowing economic growth in the US would dampen demand. The oil market sold off from a high of \$100.68 posted in overnight trading to \$98.64 early in the session. In choppy trading, the market bounced off its low and traded back above the \$100 level before it sold off to its low of \$98.55 in afternoon trading. The market was further pressured amid the restart of TransCanada's 591,000 bpd Keystone pipeline on Sunday. The crude oil market settled down \$1.21 at \$99.01. The market is seen remaining range bound ahead of the OPEC meeting on Wednesday. The crude market is seen finding support at its low of \$98.55, \$98.12, \$96.37 \$95.54 and \$95.18. Resistance is seen at \$99.50, \$100.68m \$100.93 and \$103.39.

Crude oil: July 11 328,205 -9,927 Aug 11 114,535 +3,843 Sept 11 119,776 +5,144 Totals 1,512,379 - 2,840 Heating oil: July 11 100,688 -1,478 Aug 11 45,336 +2,724 Sept 11 36,446 +2,493 Totals 310,558 +7,466 Rbob: July 11 86,071 +471 Aug 11 40,956 +570 Sept 11 36,198 +793 Totals 258,731 +2,596.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9855	9950	30047	30680	29470	30165
9812	10068	29852	30691	29200	30575
9637	10093	29762	30750	28435	30889
9554	10339	27885	31825	28214	32404
9518	10516	27695		26965	32591
9497	10985	27375		26300	33652
	11527	23685		25683	
		22960		25145	
				24240	

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