



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 9, 2009

The EIA stated in its Short Term Energy Outlook that world oil demand remains below year ago levels. It estimates that world oil demand will total 83.68 million bpd in 2009, down 2.05% on the year. It is up 0.1% from its previous estimate. World oil demand is expected to increase by 0.87% to 84.41 million bpd in 2010. It is up 0.02% from its previous estimate. The EIA estimates that total non-OPEC supply is expected to increase by 400,000 bpd in 2009 to 50.15 million bpd and increase by 20,000 bpd to 50.17 million bpd in 2010. OPEC oil production is expected to average 28.5 million bpd in 2009 before rising slightly to 28.8 million bpd in 2010. However OPEC production capacity is expected to increase by 1.2 million bpd by the end of next year, relative to the end of 2008, which will increase surplus production capacity and help mitigate upward price pressure. The EIA said

Market Watch

Societe Generale raised its crude oil price forecasts, citing non-fundamental factors. It raised its third quarter 2009 forecast for US crude by \$8.50 to \$65/barrel. It revised the annual average for 2009 to \$59.66 from \$51.64.

Export Development Canada raised its 2009 oil price forecast but its chief economist said he does not believe the fundamentals support current levels just below \$70/barrel. It sees an average WTI price of about \$55/barrel, up from its previous forecast of \$47/barrel. It expects total energy exports to fall 41% from last year's C\$134.2 billion or \$122 billion. It expects oil production to fall this year on Canada's East Coast but increase in Alberta, where two major oil sands projects are in start up mode.

The US Commodity Futures Trading Commission said Europe and the US should coordinate on regulation to make sure price discrepancies that can be used as profit opportunities are not created. A commissioner at the CFTC said part of the challenge is to make sure that regulators work together to make sure we don't unintentionally create an opportunity for arbitrage.

Republican Representative Scott Garrett, the top Republican on the capital markets subcommittee said that central counterparties and clearinghouses for over-the-counter derivatives hold promise. However he is hesitant to go so far as to say that there should mandatory central clearing for standardized products.

The US Commerce Department said US wholesale inventories fell for the eighth consecutive month in April to \$405.4 billion, the lowest level since September 2007. The 1.4% decline in inventories was greater than the 1.1% decline analysts expected. It also said that March's decline was revised to 1.8% from a 1.6% decline. The inventory to sales ratio fell to 1.31 months' worth from 1.32 months.

Raising the allowable levels of ethanol in conventional US gasoline will increase prices of corn and other grains and ultimately meat and dairy. The government allows conventional gasoline to be blended with up to 10% ethanol. However the ethanol industry wants the blend rate raised to 12% to 15% ethanol for the industry to continue growing. In a report 12-15% blends will increase the amount of land needed to grow corn to at least 100 million acres by about 2010 to 2015. The US EPA is evaluating whether to lift the blend level beyond 10%.

API Stocks

Crude – down 5.959 million barrels
Distillate – up 19,000 barrels
Gasoline – up 27,000 barrels
Refinery runs – up 1.2%, at 84.1%

OECD commercial inventories at year end 2008 stood at 2.693 billion barrels or 57 days of forward supply. Preliminary estimate suggest that OECD commercial inventories increased by 46 million barrels during the first quarter of 2009, reaching 60 days of forward cover. The EIA reported that US oil and petroleum product demand is expected to fall by 2.88% to 18.86 million bpd in 2009, up 100,000 bpd from its previous

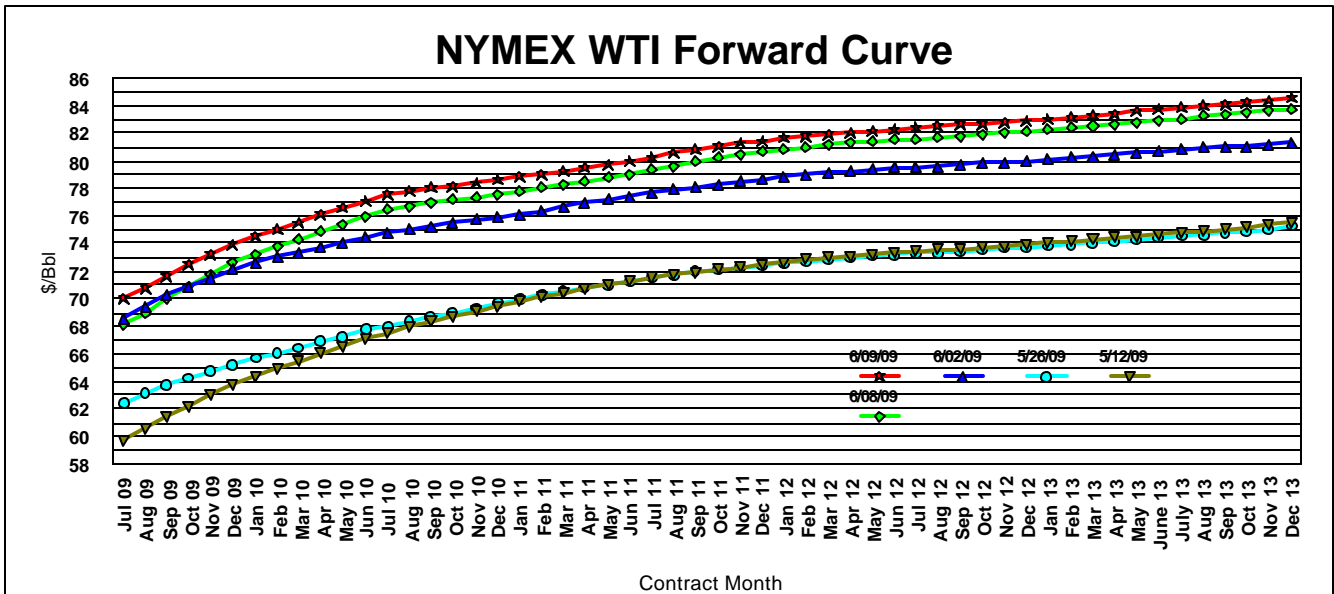
estimate and increase by 1.57% to 19.16 million bpd in 2010, which is up 60,000 bpd from its previous estimate. Gasoline demand in 2009 is estimated to increase by 0.33% on the year to 8.99 million bpd, which is up 0.11% from its previous estimate while demand in 2010 is expected to increase by 0.55% on the year to 9.04 million bpd, which is down 0.11% from its previous estimate. Distillate demand in 2009 is expected to fall by 5.58% on the year to 3.72 million bpd, which is down 0.53% from its previous estimate while demand in 2010 is expected to increase by 2.11% to 3.8 million bpd, which is up 0.26% from its previous estimate. In regards to prices, the EIA stated that the price of crude is projected to average \$58.70/barrel in 2009 and \$67.42/barrel in 2010. It also projects that regular gasoline prices will average \$2.33/gallon this year, up 21 cents/gallon from its previous projection and will likely peak in July at \$2.70/gallon. Diesel prices are expected to average \$2.40/gallon in 2009, up 14 cents from the previous outlook.

Venezuela’s Oil Minister Rafael Ramirez said OPEC should not discuss any production increases as the high level of inventories can potentially hurt prices. He said Venezuela’s price target for the year is \$80/barrel and expects oil prices to close the year at \$70 to \$75/barrel.

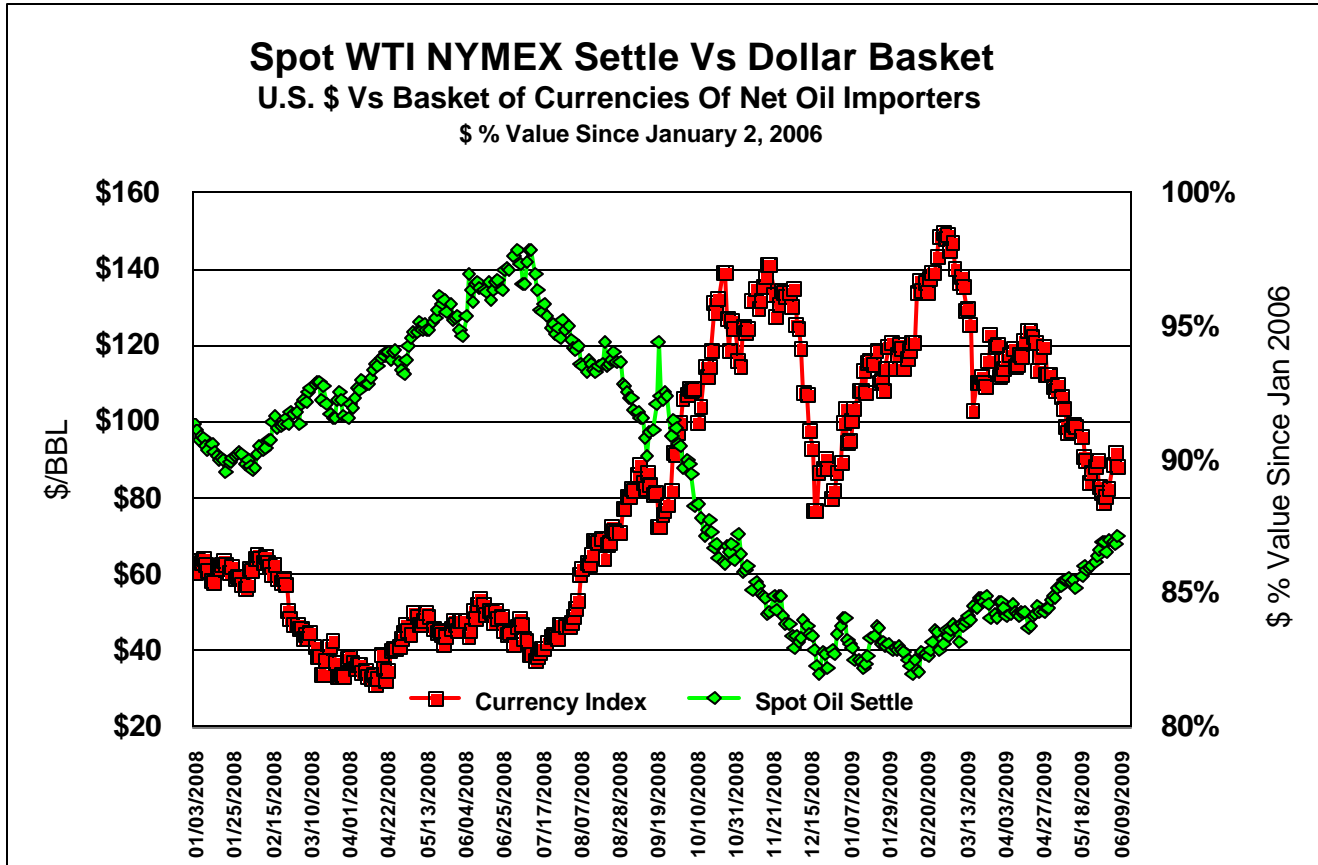
June Calendar Averages
CL – \$68.37
HO – \$1.7775
RB – \$1.9386

Ecuador’s new Oil and Mines Minister Germanico Pinto there is no need for OPEC to cut its production further as world oil prices recover. He also said there is no need to nationalize the oil industry a day after President Rafael Correa asked him to be stricter on foreign oil companies. Ecuador’s President said he wanted to radicalize his socialist revolution and asked the new minister to speed up negotiations to change foreign oil deals.

The Nigerian army said that a wanted leader of the Movement for the Emancipation of the Niger Delta, or MEND, has not escaped to Ukraine. Nigerian newspapers reported that Government Ekpemupolo



fled to Ukraine promising to return with greater vengeance and escalate militancy in the Niger Delta. The army said the militant is still in Nigeria.



The Senate Energy and Natural Resources Committee passed an amendment to a broad energy bill that will require large oil traders to disclose reserves held offshore. The provision is an attempt to prevent manipulation of crude and petroleum markets by holding resources in tankers offshore. It will require the 50 largest traders of oil contracts to report to federal regulators all of their reserves stored offshore.

Refinery News

Capline, the major crude oil pipeline from the US Gulf Coast to the Midwest, restarted operations after the completion of repairs.

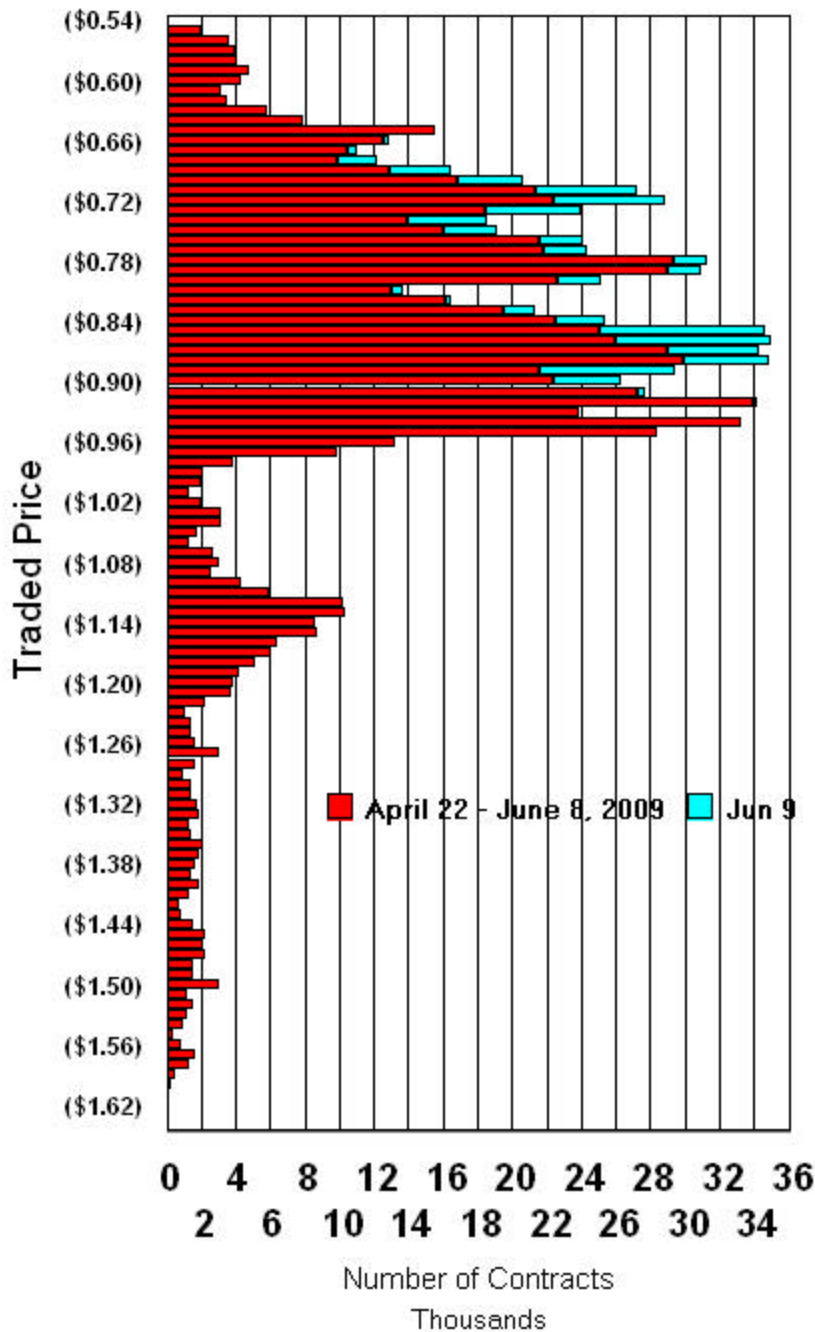
Valero Energy Corp said its 210,000 bpd refinery in Delaware City, Delaware returned to planned rates after extensive maintenance on the coking unit. It has been running at reduced rates since late April, when the restart began. Separately, Valero said a small fire at its 185,000 bpd St. Charles refinery in Norco, Louisiana forced the shutdown of a crude, vacuum and coker unit. It is not expected to be a lengthy outage after the fire was quickly extinguished.

Sunoco said its fluid catalytic cracking unit at the Girard Point section of its 335,000 bpd Philadelphia refinery failed to restart in the initial attempt and it will be several days before restart is attempted again. The unit was shut last week following catalyst issues.

Neste Oil said a new diesel line at its Porvoo Refinery is currently operating at around 40-50% of its capacity but will resume full operations within a week following the completion of maintenance. The line, which can refine 1 million tons of diesel a year, was shut since the beginning of April.

NYMEX WTI: July Aug Spread Price Vs Volume for April 22 - June 9, 2009

Trade Weighted: 6/5 -.87, 6/8 -0.93, 6/9 -.80



Indonesia's Pertamina restarted its 230,000 bpd crude distillation unit at its Cilacap refinery after an unplanned outage last week. It shut the crude distillation unit on Wednesday after an emergency tube burst, causing a fire.

Japan's Cosmo Oil Co said it plans to refine 1.64 million kiloliters or 344,000 bpd of crude in June, down 20.7% on the year. It plans to refine 2.15 million kl of crude in July, down 6.2% on the year. The company's crude oil refining for April-June is expected to total 6.11 million kl, down 9% on the year.

India's Reliance Industries Ltd has deferred the planned shutdown of half of its 660,000 bpd refinery to July from May-June. It will shutdown for 15-18 days and depending on the job the shutdown may be extended. It is expected to shut a 325,000 bpd crude distillation unit, a 100,000 bpd diesel hydro desulphurization unit and a vacuum gas oil hydrotreater for maintenance.

China's Ministry of Transport reported that the country's main ports received 13.8 million tons or 3.25 million bpd of crude in May. It is down 17% from April's import level of 3.93 million bpd, the second highest on record. China's demand for foreign crude may remain at high levels in the coming months as refineries are increasing runs and new plans will come online soon.

China is reducing its diesel exports this month due to higher retail prices while gasoline shipments

remain high despite higher car sales. China is expected to cut its diesel exports to 170,000 tons due to stockpiling on speculation of a retail price increase that took effect on June 1. China's gasoline exports however remain high at 300,000-330,000 tons in June while jet fuel imports are expected to fall to 300,000 tons. China's 12 major refineries will process 2.59 million bpd of crude in June, up nearly 10% from the 2.36 million bpd in May.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 06/09/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	8	9	C	80	2.01	1.6	500	0	0
AO	7	9	C	80	0.73	0.5	500	0	0
AO	9	9	C	80	3.08	2.57	500	0	0
LC	9	9	P	40	0.05	0.06	1500	0	0
LC	7	9	P	55	0.03	0.04	1500	0	0
LC	12	16	C	100	14.91	14.36	500	0	0
LO	12	9	P	50	1.14	1.24	6400	1.2	1.14
LO	8	9	P	60	0.83	1.06	5026	1.1	0.78
LO	8	9	P	55	0.33	0.42	4724	0.39	0.34
LO	12	10	C	135	1.96	1.79	4250	0	0
LO	7	9	C	63	7.26	5.6	4005	6.5	6.5
LO	7	9	C	66.5	4.26	3.01	3923	0	0
LO	7	9	C	70	1.99	1.27	3248	2.27	1.48
LO	12	9	C	100	1.2	0.98	3175	1.12	1.12
LO	12	9	C	90	2.47	2.08	3060	2.22	2.22
LO	8	9	C	80	0.9	0.63	3039	1	0.8
LO	8	9	P	65	1.82	2.32	3021	1.9	1.75
LO	9	9	C	75	3.74	3.09	3000	3.65	3.6
LO	12	9	P	70	6.04	6.4	2760	6.2	6.1
LO	12	9	C	95	1.73	1.43	2728	0	0
LO	8	9	C	75	2.13	1.59	2625	2.3	1.85
LO	9	9	P	55	0.74	0.89	2501	0.82	0.82
LO	9	9	P	60	1.45	1.73	2289	1.63	1.52
LO	8	9	P	45	0.03	0.04	2203	0.07	0.05
LO	12	10	C	100	5.23	4.69	2103	5.15	4.9
LO	9	9	P	65	2.63	3.12	1950	0	0
LO	12	9	P	60	2.86	3.03	1884	2.95	2.8
LO	9	9	P	50	0.35	0.42	1832	0.43	0.43
LO	9	9	C	90	0.65	0.53	1788	0.7	0.56
LO	6	10	P	50	2.1	2.11	1650	0	0
LO	7	9	P	65	0.46	0.94	1644	0.72	0.46
LO	7	9	P	50	0.01	0.01	1588	0.02	0.01
LO	9	9	C	80	2.11	1.7	1577	2.1	1.9
LO	12	9	C	85	3.55	3	1508	0	0
LO	12	10	P	70	8.47	8.51	1500	0	0
OB	9	9	C	2.25	0.06	0.0535	237	0	0
OB	8	9	P	1.85	0.0768	0.0886	150	0.0825	0.08
OB	9	9	C	2	0.1311	0.1184	100	0	0
OH	9	9	P	1.45	0.0143	0.0175	750	0	0
OH	12	9	C	2	0.1969	0.1803	350	0	0
OH	10	9	C	2.15	0.0848	0.0745	276	0	0
OH	10	9	P	1.6	0.0469	0.0536	250	0	0
OH	12	9	P	1.6	0.0587	0.065	250	0	0
OH	12	9	C	2.75	0.0338	0.0298	250	0	0
OH	12	9	C	3	0.0182		200	0	0

India's Bharat Petroleum Corp will continue to buy crude from Iran this fiscal year at a level of 250,000 tons, dismissing earlier reports that it may stop the purchases.

The head of Japan's METI's natural resources and fuel department said the rate of decline in Japan's crude oil imports will start to ease toward the end of this year, enabling the country to post a fall of only 5-6% for 2009 as a whole. However much depends on whether signs of improvement in the country's economy can be sustained. Japan imported 13% less crude in the first quarter of the year compared with the corresponding period last year.

Production News

ConocoPhillips said it was not yet clear when it will restart one of its Ekofisk field platforms in the North Sea after it was hit by a service vessel on Monday. It shut in about 23,000 bpd or less than 10% of the field's normal production of about 330,000 bpd.

Norway's StatoilHydro has shut six oil and gas fields and a refinery for planned maintenance. It declined to say when the facilities are expected to restart. It shut the Oseberg, Grane, Huldra, Veslefrikk, Draugen and Heimdal fields and Sture refinery.

The July loading program

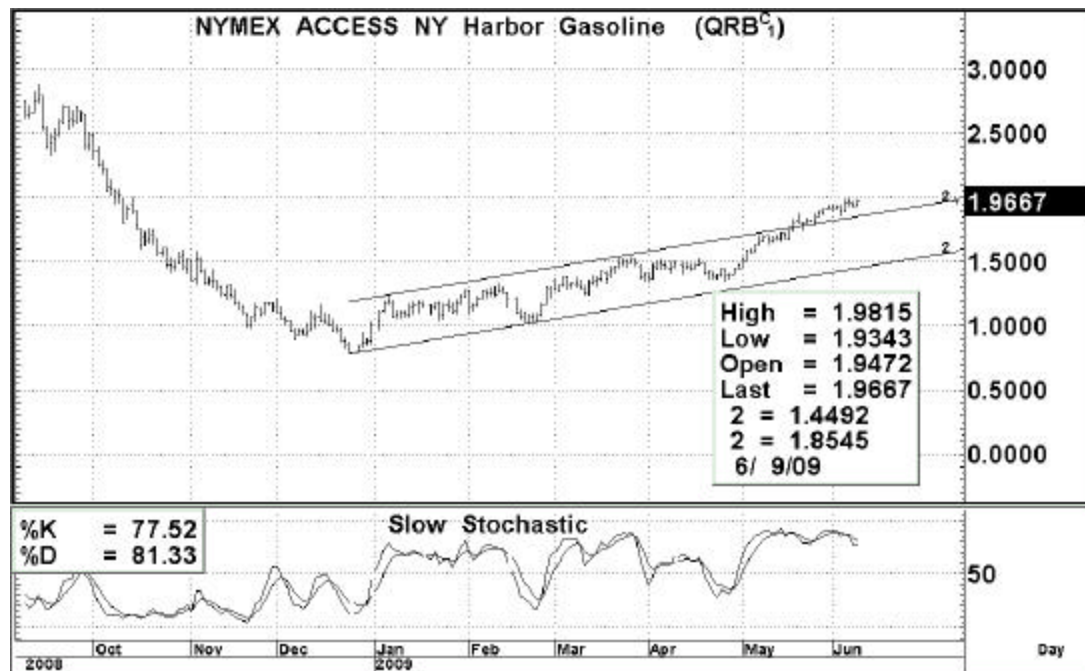
for North Sea Brent crude totals 4.8 million barrels, up 1.132 million barrels from 3.668 million barrels set for loading in June. The volume is equivalent to 154,839 bpd, up from 122,267 bpd in June.

The North Sea Forties crude oil stream is set to load about 658,065 bpd or 20.4 million barrels in July, up from 620,000 bpd or 18.6 million barrels in June. The North Sea Gullfaks crude oil stream is scheduled to load 276,000 bpd or 8.55 million barrels in July, up from June's level of 199,500 bpd but less than previously planned. The North Sea Statfjord crude oil stream is set to load about 221,000 bpd or 6.84 million barrels in July, up from 171,000 bpd or 5.13 million barrels in June.

Denmark's DUC crude oil stream is scheduled to load about 155,000 bpd in July, down from 160,000 bpd in June.

Iraq is preparing to award eight of its prized oil and gas fields to international companies as scheduled on June 29-30. The ministry is planning to award 20 year long service contracts. There have been rumors that the first bidding round may be canceled because Oil Minister Hussein al-Shahristani will be summoned by the country's parliament for questioning. Iraq hopes contracts for the fields will help increase the country's crude production by 1.5 million bpd by 2012 from its current production level of 2.4 million bpd.

Spot continuation chart for gasoline. Since breaking out of the channel, prices continue to move higher. A cross to the downside in stochastics should take prices back to test the channel top. Failures to penetrate would present buying opportunities, with a settlement within the channel presenting selling opportunities.



China's CNPC plans to start drilling in Iran's North Azadegan oilfield next year. CNPC is waiting for Iran's final approval for a deal agreed in January with National Iranian Oil Co to establish 75,000 bpd of oil production in four years.

OPEC's news agency reported that OPEC's basket of crudes fell to \$67.02/barrel on Monday from Friday's \$68.08/barrel level.

Market Commentary

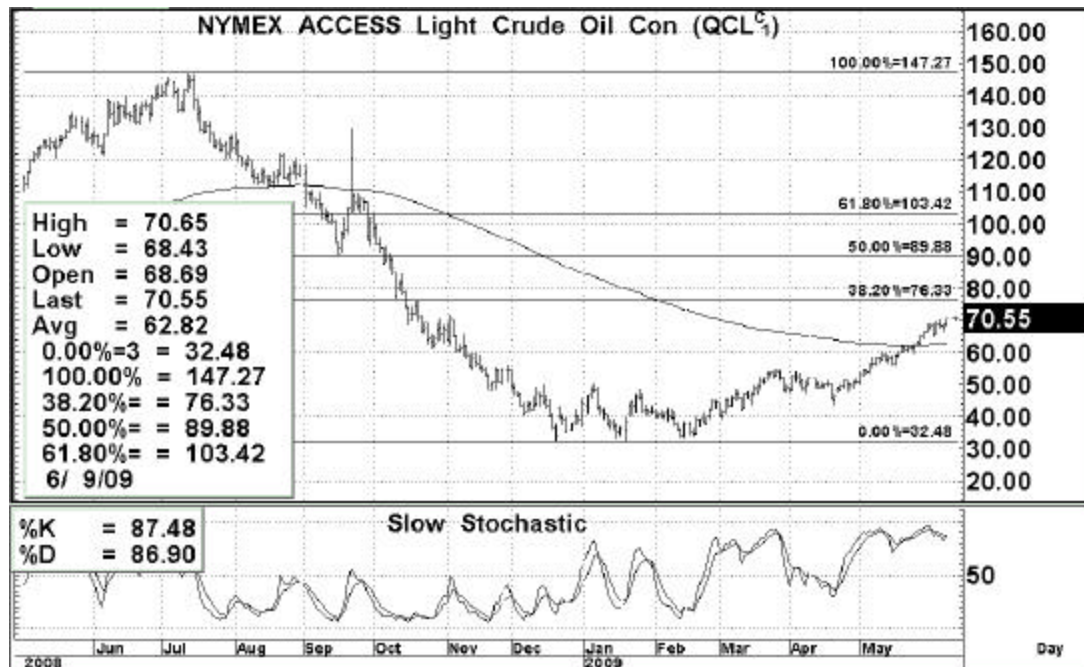
Belying the true fundamentals of this market, crude oil rose for the first time in three days. Adding to the higher move was a revision by the EIA of its forecast for demand for 2009, increasing it by 10,000

barrels per day. This is the first time that the EIA has raised its forecast since September, amid signs of economic recovery. Any signs, even faint ones that demand is stabilizing, will continue to push this market higher. A late session rally in response to a 5.6 million barrel build in crude oil inventories took the July contract to a high of \$70.44. This is the highest level for prices since November. From a technical standpoint, this market appears to have further upside potential. Moving oscillators have crossed to the upside in over bought territory, indicating that prices can move higher. The initial upside objective would be \$76.33, the 38.2% retracement between the range of \$147.27 and \$32.48. The July gasoline contract peaked today at \$1.9815, gaining on the revision in demand by the EIA. This year's cheaper prices in comparison to last year's prices are expected to increase demand during the U.S. summer driving season as vacationers take to the roads. This market will continue to be economically sensitive. From a technical standpoint, moving oscillators are indicating that prices can move higher. Based upon the chart below, there is support at \$1.8545, the channel top. Failures to penetrate and settle below this channel, should be viewed as buying opportunities, with successful attempts sold.

Crude Oil JUL.09 262,530 -38,409 AUG.09 161,536 +13,969 SEP.09 95,687 +4,886 OCT.09 44,142 -197 Totals: 1,206,717 -14,683 N.Y. Heating Oil (HO) JUL.09 59,139 -3,093 AUG.09 37,459 +2,863 SEP.09 30,269 +1,443 OCT.09 17,948 +179 Totals: 280,029 +2,574 NEW YORK HARBOR RBOB (RB) JUL.09 78,001 -6,855 AUG.09 47,721 +3,349 SEP.09 32,085 +206 OCT.09 16,507 +486 Totals: 211,941 -2,487

The API lent some support the oil market in overnight trading in light of the larger than expected draw in crude stocks of 5.959 million barrels on the week. It reported a large draw of 2.499 million barrels in Padd 3 alone. It reported the draw in crude stocks as imports fell by 510,000 bpd to 8.518 million bpd. Meanwhile, crude stocks in Cushing, Oklahoma built by 240,000 barrels on the week. It also reported the draw in stocks as crude runs increased by 203,000 bpd to 14.751 million bpd. Meanwhile, the API

Spot continuation chart for crude oil. Slow stochastics crossed to the upside in over bought territory. A possible sign of further upside potential. The initial upside objective is \$76.33, the 38.2% retracement between the range of \$32.48 and \$147.27.



reported smaller than expected builds in product stocks, with builds of 19,000 barrels in distillate stocks and 27,000 barrels in gasoline stocks. The API reported the build in distillate stocks despite the increase in apparent demand of 7.5% on the week to 4.255 million bpd while apparent demand basis its three week moving average increased by 1% to 4.151 million bpd. It also showed that distillate production and imports fell by 3.5% to 4.096 million bpd and by 22.5% to 162,000 bpd, respectively. Gasoline

stocks built slightly as apparent demand fell by 1.3% to 9.027 million bpd while apparent demand basis its three week moving average fell by 3.9% to 9.348 million bpd. However gasoline production fell by 0.2% to 8.899 million bpd while imports fell by 47.2% to 132,000 bpd.

Crude Support	Crude Resistance
Spot 200 day MA 62.63, 60.50 , 59.85, 58.90, 56.75,55.45,54.49,	71.80, 74.50, 76.10
Heat Support	Heat resistance
1.6780, 1.6512, 1.6235, 1.5615	1.83000, 1.9090
Gasoline support	Gasoline resistance
1.5370, 1.5260, 1.3560, 1.3400, 131.80,1.2700, 1.2625 1.1680,1.0128, .9590	2.0000, 2.0650, 2.1600

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