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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 9, 2010

OPEC stated in its latest monthly report that world oil demand is expected to increase by 940,000 bpd in 2010, down 10,000 from its previous estimate. Total world oil demand for 2010 is estimated at 85.4 million bpd. Demand for OPEC crude is expected to fall by 175,000 bpd from last year. Oil demand in the OECD will fall to 45.3 million barrels in 2010 from 45.5 million barrels last year. In contrast, demand in

non-OECD countries will increase by about 1.1 million bpd to 40.1 million bpd, with almost 50% of the increase coming from China. It also stated that non-OPEC production is expected to increase by 640,000 bpd this year, increasing its estimate from a previous forecast of a 530,000 bpd rise. It reported that total OPEC supply, including Iraq, increased by 140,000 bpd in May to 29.26 million bpd. OPEC also stated in its report that gasoline demand and potential supply disruptions this summer will support the oil product markets. It reported that despite stronger refinery margins in May, global refinery utilization rates remained low in major consuming markets apart from the US, where refinery runs increased to 87.9% from 86.9% in April. European refinery utilization was steady at about 80% while Japanese refinery runs fell to about 82%.

Market Watch

The US Commerce Department said US wholesale inventories increased for the fourth consecutive month in April. Inventories increased by 0.4% from the prior month to a seasonally adjusted \$397.81 billion. Sales of US wholesalers increased 0.7% to a seasonally adjusted \$351.14 billion. The Commerce Department said March inventories were revised up to a 0.7% increase from a previously reported 0.4% gain. The inventory to sales ratio in April fell to 1.13 from 1.14 in March.

A commissioner at the CFTC said US regulators need to implement mandatory circuit breaker rules for all markets and all contracts that ensure harmony between the securities and futures exchanges. The SEC is expected to adopt later this month so-called circuit breakers that would halt trading market wide when individual shares move sharply.

China's exports in May grew about 50% on the year, a sign the country's economy was still growing.

China's power generation in May increased by 20% on the year following a 21.4% increase in April.

DOE Stocks

Crude – down 1.829 million barrels

Distillate – up 1.836 million barrels

Gasoline – down 8,000 barrels

Refinery runs – up 1.6%, at 89.1%

BP Plc informed the US government on Wednesday that it is capturing about 15,000 bpd from the leaking pipeline in the Gulf of Mexico. A government group led by the US Geological Survey Director Marcia McNutt has estimated that the BP pipeline is releasing about 12,000-19,000 bpd. By next week, BP hopes to have in place a system that could gather up to 28,000 bpd.

US Interior Secretary Ken Salazar said a moratorium on new deepwater drilling in the Gulf of Mexico was a pause but declined to offer assurances that the ban would last six months. The ban is intended to last six months, the period of time allotted to a presidential commission to review the causes of BP oil spill.

June
Calendar Averages
CL – \$72.77
HO – \$1.9909
RB – \$2.0155

The UN Security Council on Wednesday approved a new resolution imposing broader military and financial sanctions on Iran over its nuclear program. US President Barack Obama said the new UN sanctions send an unmistakable message to Iran but do not close the door to diplomacy. UK Foreign Secretary William Hague said the new UN sanctions on Iran represented a very significant step forward. Russia’s Foreign Ministry said the new UN sanctions against Iran are intended as an impetus to resolve the nuclear dispute through diplomatic channels. French Foreign Minister Bernard Kouchner said that the UN Security Council vote for new sanctions against Iran does not preclude the possibility of talks with the country. In response, Iran’s UN ambassador said Iran will not halt its uranium enrichment activities in spite of new UN resolution imposing new sanctions on the country. Iran’s Foreign Ministry said the new sanctions are an incorrect step and will complicate the situation more. Meanwhile, Turkey’s Foreign Ministry said it is worried that the latest UN sanctions will hurt diplomatic efforts to resolve the standoff over Iran’s nuclear program. Earlier, Iran’s atomic chief Ali Akbar Salehi said Iran will address the concerns raised by the Vienna Group regarding the fuel swap deal signed with Brazil and Turkey. The US, Russia and France, known as the Vienna Group, gave their responses to the fuel deal to the UN’s IAEA in separate letters.

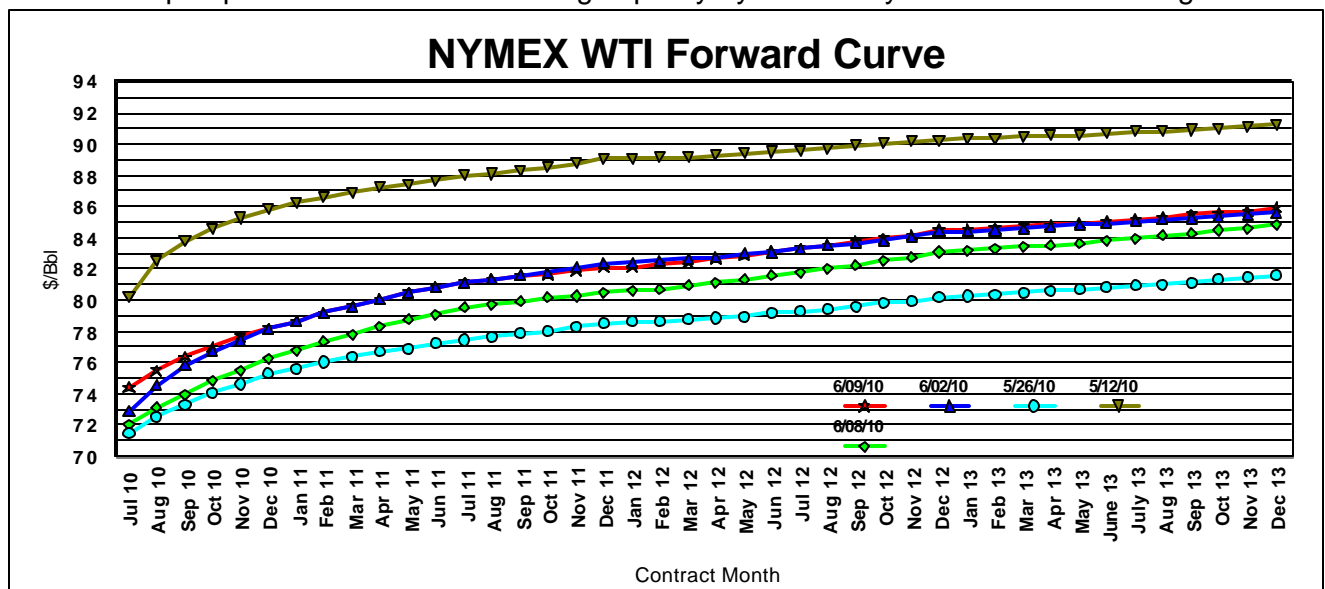
Refinery News

ConocoPhillips reported flaring on Sunday at its 195,000 bpd refinery in Belle Chase, Louisiana due to an equipment failure.

ExxonMobil Corp reported a release from a flarestack at its 238,600 bpd refinery in Joliet, Illinois on Sunday. Separately, ExxonMobil Corp has work scheduled in the autumn at its 348,500 bpd refinery in Beaumont, Texas. A source was unable to confirm what units would shutdown for maintenance or the exact timing of the maintenance outage.

Eni’s and Kuwait Petroleum Corp’s Milazzo refinery in Italy resumed normal operations following the completion of maintenance on its hydrocracker unit. The unit was closed for 30 days starting May 2nd.

China’s Sinopec plans to increase its refining capacity by 10% this year to meet increasing domestic



demand. Last year, Sinopec processed 228 million tons of crude.

PDVSA's 320,000 bpd La Isla refinery has lost more than \$50 million during the three month closure of the refinery after it suffered an explosion and fire. There is currently no estimate of when the facility would resume production at full capacity. The only part of the refinery operating is its lubricants complex.

Euroilstock reported that total oil and product stocks in 16 European countries in May fell by 0.3% on the month but increased by 0.9% on the year to 1.164 billion barrels. Crude oil stocks fell by 1.9% on the month but increased by 1.1% on the year to 486.18 million barrels while gasoline stocks were unchanged on the month but increased by 0.1% on the year to 116.79 million barrels and middle distillate stocks increased by 1.3% on the month and 1.9% on the year to 417.6 million barrels. Fuel oil stocks increased by 1.7% on the month but fell by 9.4% on the year to 106.93 million barrels and naphtha stocks fell by 4.7% on the month but increased by 31.8% on the year to 36.08 million barrels. Crude intake fell by 2.2% on the month and by 6.3% on the year to 10.371 million bpd and refinery utilization fell to 79.17% in May from 80.89% in April.

The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending June 5th increased by 5.83 million barrels on the week and by 80,000 barrels to 102.86 million barrels. Japan's gasoline stocks fell by 450,000 barrels on the week but increased by 1.17 million barrels on the year to 15.54 million barrels while its kerosene stocks fell by 20,000 barrels on the week and by 2.14 million barrels to 11.3 million barrels and naphtha stocks fell by 930,000 barrels to 11.87 million barrels. The refinery utilization rate fell by 0.9% on the week and by 1.5% on the year to 62.9%. Japan's crude runs fell by 70,000 bpd on the week and by 120,000 bpd on the year to 2.99 million bpd. The PAJ also reported total oil product sales increased by 9.2% on the week and by 15.8% on the year to 2.66 million bpd. Japan's gasoline sales fell by 6.7% on the week but increased by 5% on the year to 890,000 bpd while its kerosene sales increased by 29.3% on the week and by 194.8% on the year to 200,000 bpd and gas oil sales fell by 18.3% on the week and by 11.4% on the year to 500,000 bpd. Japan's naphtha sales increased by 597.6% on the week and by 34.3% on the year to 500,000 bpd while its jet fuel sales increased by 54.7% on the week but fell by 20.7% on the year to 95,000 bpd.

Russia's Energy Ministry said Russia may suspend construction and cease funding of the Burgas-Alexandroupolis oil pipeline amid frustration at the Bulgarian government's indecision on the project. The pipeline would transport Caspian oil to Western Europe.

Production News

Production of oil and gas has been halted at Total SA's North Sea Elgin field following a technical problem on Tuesday. Total said it is working to resolve the problem and hope to resume production as soon as possible.

The North Sea Brent crude oil production stream will load about 116,000 bpd or 3.6 million barrels in July, down from 123,000 bpd in June.

The North Sea Forties crude oil stream is scheduled to load about 561,000 bpd or 17.4 million barrels in July, up from 560,000 bpd in June. The North Sea Staffjord crude oil stream is scheduled to load 193,065 bpd or 5.985 million barrels in July, up 855,000 barrels on the month. The North Sea Oseberg crude oil stream is scheduled to load 155,000 bpd or 4.8 million barrels in July compared with about 163,000 bpd in June.

An Iranian Oil Ministry official said a fire at an Iranian oil rig, which had been pumping between 600 and 800 bpd, is causing losses of 8,000 bpd. The fire started at well #24 at the Naft Shahr oilfield on

May 29th. Oil officials have said it could burn for six months. To stem the losses, two reservoirs have been built to store leaking oil, one of 40,000 barrels of capacity and the other of 60,000 barrels.

Iraq's oil exports from its Basra terminal fell to 960,000 bpd on Wednesday from 1.48 million bpd on Tuesday due to a dust storm that reduced visibility. Meanwhile, Iraq's crude oil flow from Kirkuk oil fields to Turkey's Ceyhan terminal remained halted on Wednesday, the fourth consecutive day. Pumping of Kirkuk crude was halted on Sunday afternoon for unknown reasons. A shipping agent however stated that the halt was likely caused by an act of sabotage against the oil pipeline.

BP stated in its annual Statistical Review of World Energy that world oil demand fell by 1.2 million bpd in 2009, the second consecutive annual decline and largest decline since 1982. It also stated that the world's oil production fell by 2 million bpd or 2.6% in 2009. It said global oil refining capacity additions totaled 2 million bpd last year. The world's proven oil reserves stood at 1.33 trillion barrels last year, up 700 million barrels from 2008. BP also stated that the world's gas reserves increased by 2.21 trillion cubic meters last year while production fell by 2.1%.

The Canadian Association of Petroleum Producers said Canada's oil production may increase by as much as 43% over the next decade as oil sands projects that were deferred during the recession are put back on track. Overall oil production is expected to increase to 3.29 million bpd by 2015 and 3.88 million bpd by 2020. Production in 2009 averaged 2.72 million bpd.

Ecuador's central bank reported that the country's crude oil exports totaled 40.79 million barrels in the first four months of the year, up from 40.47 million barrels last year. It exported 339,942 bpd in the first quarter, up from 337,283 bpd last year.

Australia's Nido Petroleum Ltd and Kairiki Energy and Trafigura produced first oil at the Tindalo oil field on May 30th and have tested the well at a peak of more than 18,500 bpd. It produced 15,000 bpd on June 6th, in line with its target.

ExxonMobil plans to invest more than \$1 billion to enhance crude oil production at Malaysia's Tapis field in 2013. Output from the Tapis field has fallen to 200,000 bpd from 300,000 bpd in the past few years. Malaysia's overall crude oil output has fallen to 550,000 bpd from 600,000 bpd in 2008.

OPEC's news agency reported that OPEC's basket of crudes increased to \$70.11/barrel on Tuesday from \$69.64/barrel on Monday.

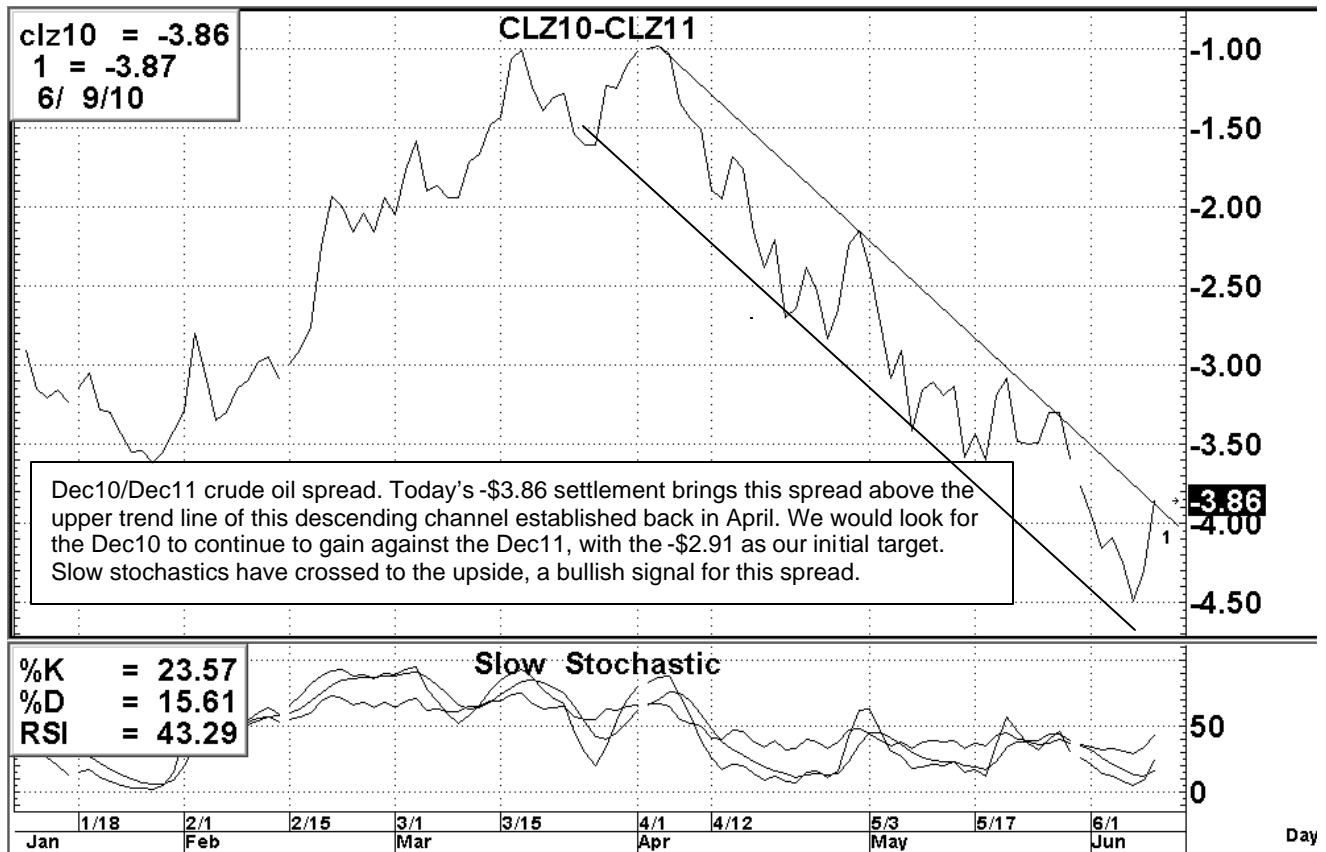
Market Commentary

Today's market activity was affected more by the dollar than by the release of the DOE report. The dollar experienced a significant pullback over the past two days, which has given strength to crude oil. Federal Chairman, Ben Bernanke, announced that the central bank would respond as needed in an effort to provide financial stability and economic growth. This sent a message through the marketplace that U.S. interest rates would remain unchanged. This propped up the dollar denominated price of crude oil. Inventory levels fell more than expected and despite being at record levels, provided slight support as stock levels at Cushing posted a surprising decrease. The forward curve from the fourth quarter on back achieved considerable gains with the Dec10/Dec11 spread gaining 44 cents. The July crude oil fell shy of psychological resistance at \$75.00 and retreated upon its failure to trade above this level. With the current bullish sentiment hitting this market, we would look for another run at the aforementioned resistance level and for July to test the Fibonacci retracement level of \$75.79.

Crude oil July 10 274,957 -39,304 Aug 10 160,620 11,899 Sept 10 110,771 +1,366 Totals 1,322,308
-19,363 Heating oil July 10 72,325 -2,711 Aug 10 55,684 +1,997 Sept 10 36,925 +1,097 Totals

313,863 +1,612 Gasoline July 10 78,656 -2,964 Aug 10 50,110 +1,821 Sept 10 40,826 +1,879 Totals 249,413 +2,068.

Crude Support	Crude Resistance
69.50, 68.63, 67.15, 65.55, 64.20, 63.38, 62.70, 61.61, 60.95	75.00, 75.79, 76.75, 78.81, 79.15, 79.75, 80.07, 81.65
Heat Support	Heat resistance
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



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