

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JUNE 10, 2009

Kuwait's Oil
Minister Sheikh
Ahmad al-
Abdullah al-Sabah
said OPEC may
increase its
production in
September if oil
prices rise to
\$100/barrel but
will not act if they
are at \$75/barrel.
He said overall
global demand
was still weak but
there are signs of
a recovery in
Asia. Separately,
Iran's OPEC
Governor,
Mohammad Ali
Khatibi said
OPEC can
consider
increasing its
crude production
if there is both an
increase in oil
prices to
\$100/barrel and a
reduction in
OECD oil stocks
from 63 days of
forward supply to
52-53 days.

Market Watch

The Commerce Department said the US trade gap widened to \$29.2 billion in April as exports weakened. It said total exports fell by 2.3% to \$121.1 billion, the lowest level since mid-2006. Imports fell by 1.4% to \$150.3 billion. Imported oil cost \$46.60/barrel in April, up from \$41.36/barrel in March.

According to the Federal Reserve's Beige Book, US economic conditions were weak or got worse through May. However it said some areas of the country saw signs the contraction was moderating. It said that despite aggressive Fed actions, labor markets remain weak with wages generally flat or falling and housing markets were still soft. It also said prices at all stages of production were flat or falling, with the notable exception of oil prices.

US Senator Bernie Sanders introduced legislation to force the Commodity Futures Trading Commission to use its emergency powers to stop market speculators from pushing energy costs higher. He said the rise in prices is not justified because petroleum demand is down sharply from last year due to the recession and fuel inventories are high. He blames the spike in energy prices on market speculation. The bill would limit the number of oil and gasoline futures contracts that a bank holding company engaged in energy trading can control. Hedge funds that trade in the energy market would also be subject to strict contract speculation limits and would have to register with the CFTC.

Gazprom's chief executive Alexei Miller said the oil sector will fail to meet demand when the world economy begins to recover due to a shortage of oil and gas investment. He said there are no guarantees that further increases in oil demand will be supported by a sufficient growth in investments. He said investments in geological exploration and production in the world oil and gas sector will fall by more than 20% in 2009. He stated that the oil market's recent gain is similar to last year's rally before the world financial crisis sent crude oil prices tumbling and added that oil prices may increase to \$85/barrel by the end of 2009.

The Kremlin's representative for international cooperation in the Arctic and Antarctica said Russia will defend its interests in the Arctic, while dismissing the possibility of open conflict over the far north. He said Russia will build up its scientific, economic and research interest in the Arctic but not its military. The Arctic likely holds 30% of the world's untapped gas and about 13% of its oil.

Venezuela's PDVSA continued its planned nationalizations targeting oil service providers by seizing control of the Exterran Holdings Inc. operations in the Paria Gulf's Corocoro field.

DOE Stocks

Crude – down 4.4 million barrels
Distillate – down 300,000 barrels
Gasoline – down 1.6 million barrels
Refinery runs – down 0.4%, at 85.9%

Russia’s Deputy Prime Minister Igor Sechin proposed a meeting with OPEC in July but said there is no need for Russia to cut its oil exports. He said Russia is not planning to cut its oil production over the next three years.

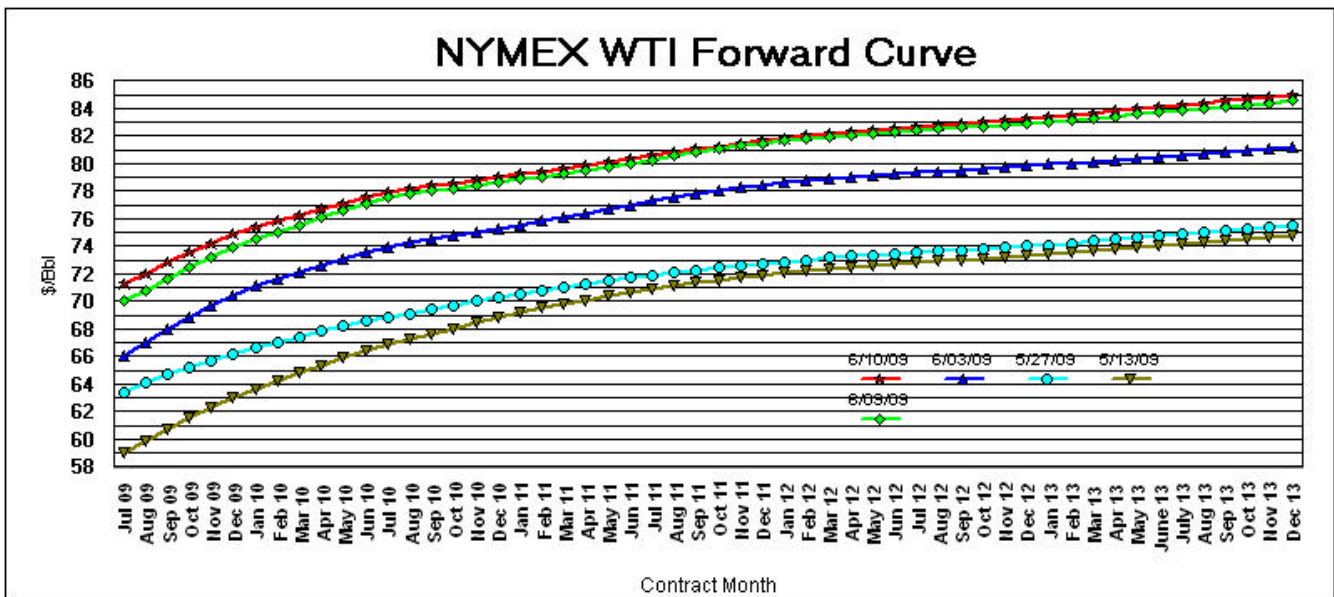
The Iraqi government said contracts that Kurdish authorities signed with private oil companies are illegal until the Oil Ministry ratifies them. It says all oil deals must be approved by the central government and opposes the production sharing agreements favored by the Kurds. Instead, the Iraq’s Oil Ministry will announce the results of its first tender for fixed fee service contracts in some of its oil fields. Iraq will hold its first bidding round for oil and gas fields as scheduled on June 29th. Meanwhile, BP said it was not certain Iraq will complete its oil licensing round on schedule and predicted its output would increase slowly.

The Nigerian army denied militants’ claims of sabotage at a Chevron Corp flow station and said a fire at the facility was due to system failure. The Movement for the Emancipation of the Niger Delta has claimed it attacked Chevron’s Otunana flow station late Tuesday. However an army spokesman said the fire resulted from a system failure from one of the platforms.

Euroilstock said total oil and oil product stocks in May increased by 0.6% on the month and by 3% on the year to 1.153 billion barrels. It showed that crude stocks increased by 1.3% on the month and by 0.6% on the year to 488.95 million barrels while gasoline stocks increased by 0.8% on the month but fell by 5.8% on the year to 121.55 million barrels. Middle distillate stocks fell by 0.3% on the month but increased by 10.9% on the year to 393.75 million barrels. The year on year surplus of distillate stocks fell from 12.4% in the previous month. Refinery capacity utilization increased to 86.19% in May from 86.13% in April.

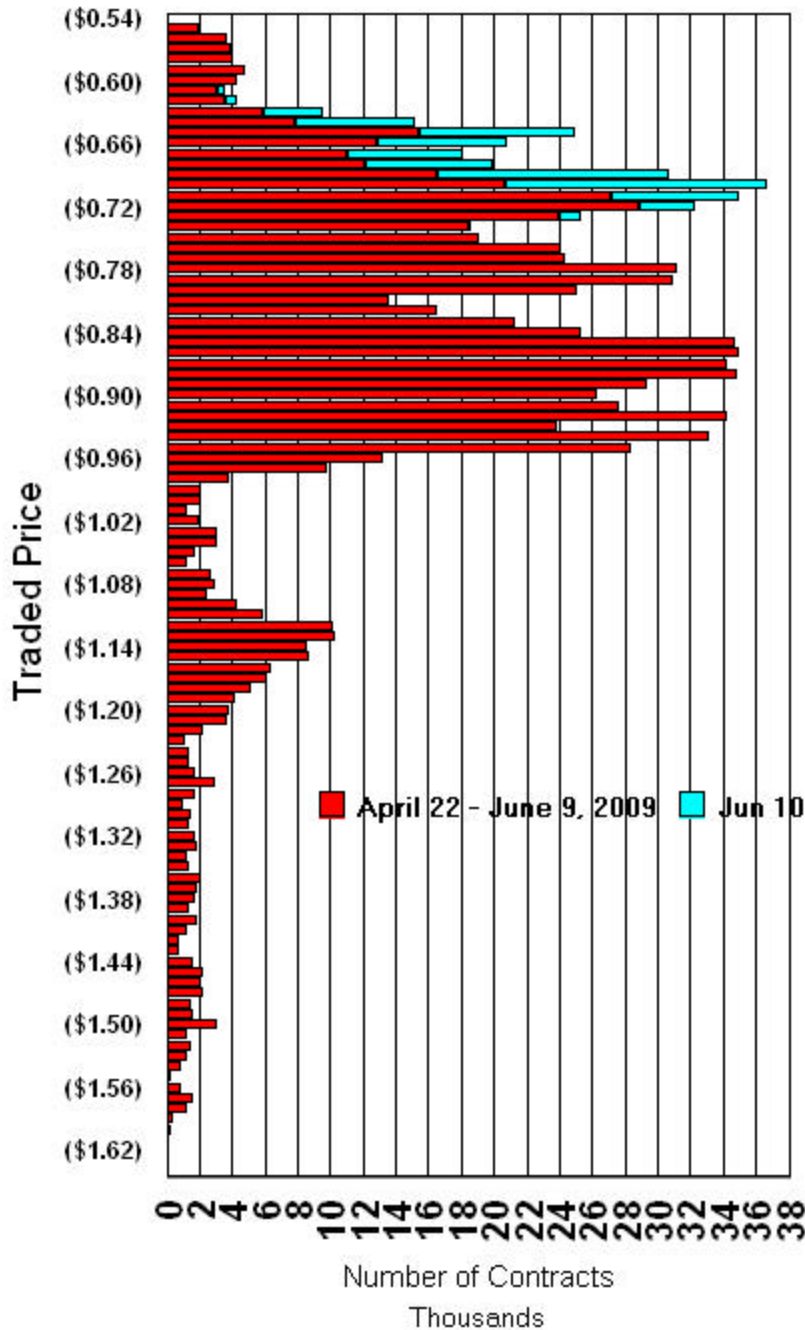
June Calendar Averages
CL – \$68.74
HO – \$1.7844
RB – \$1.9482

BP’s chief executive Tony Hayward said \$60-\$90 is arguably the right price range for oil because it will support investment in new supply without destroying demand. Separately, BP said in its latest annual Statistical Review of World Energy that world oil demand fell by 420,000 bpd in 2008, the largest decline since 1982. Fuel demand continued to increase in emerging economies, mainly China, which consumed an extra 260,000 bpd while the developed world consumed less. OECD demand fell by 1.5 million bpd, led by a 1.3 million bpd fall in the US. It said oil production increased by 380,000 bpd to



NYMEX WTI: July Aug Spread Price Vs Volume for April 22 - June 10, 2009

Trade Weighted: 6/8 -0.93, 6/9 -.80, 6/10 -0.68



81.8 million bpd. The review said the world's proven oil reserves fell by 3 billion barrels to 1.258 trillion barrels by the end of 2008 from a revised 1.261 trillion barrels at the end of 2007. It said none of the OPEC members increased their proven oil reserves' base in 2008 and some members, including Saudi Arabia, saw their reserve base fall slightly from 2007. BP also stated that the amount of oil traded globally fell in 2008 for the first time in six years due to falling demand in developed countries and an increase in consumption in oil producers. The volume of oil traded last year totaled 54.626 million bpd last year, compared with 55.554 million the previous year. Global oil refinery utilization rates fell in 2008 to 84.8%, the lowest level since 2003. It said oil production in non-OPEC countries such as Mexico, suffered its largest decline in 16 years in 2008 despite the investments made in the industry.

Refinery News

Valero Energy Corp's fluid catalytic cracking unit at its 185,000 bpd St. Charles refinery in Norco, Louisiana is still operating after a fire early Tuesday morning. It however said a coker, a vacuum unit and crude unit are still down due to the brief fire. It has no timeline to restart the units.

Delek US Holdings Inc shut a sulfur recovery system at its 58,000 bpd refinery in Tyler, Texas for maintenance on Tuesday. The unit will remain down until June 14th.

The Baku-Tbilisi-Ceyhan oil pipeline is expected to pump 27.2 million barrels or 877,419 bpd of crude in July, up from 800,000 bpd in June. Of the total, Azerbaijan's Socar will pump 15.2 million barrels of crude in July.

| NEW YORK MERCANTILE EXCHANGE(r) | | | | | | | | | |
|---|----|----|---|---------|----------|-----------|-------|-------|------|
| NYMEX OPTIONS CONTRACT LISTING FOR 06/10/2009 | | | | | | | | | |
| | | | | TODAY'S | PREVIOUS | ESTIMATED | DAILY | DAILY | |
| -----CONTRACT----- | | | | SETTLE | SETTLE | VOLUME | HIGH | LOW | |
| AO | 8 | 9 | C | 100 | 0.19 | 0.17 | 400 | 0 | 0 |
| AO | 9 | 9 | C | 100 | 0.44 | 0.36 | 400 | 0 | 0 |
| AO | 11 | 9 | C | 100 | 1.24 | 1.1 | 400 | 0 | 0 |
| AO | 12 | 9 | C | 100 | 1.61 | 1.46 | 400 | 0 | 0 |
| AO | 10 | 9 | C | 100 | 0.84 | 0.7 | 400 | 0 | 0 |
| AO | 7 | 9 | C | 100 | 0.02 | 0.02 | 400 | 0 | 0 |
| LC | 1 | 10 | P | 70 | 6.07 | | 2100 | 0 | 0 |
| LC | 6 | 10 | C | 110 | 2.21 | 2.06 | 2000 | 0 | 0 |
| LC | 3 | 10 | C | 110 | 1.45 | | 2000 | 0 | 0 |
| LC | 1 | 10 | P | 55 | 2.01 | 2.09 | 1500 | 0 | 0 |
| LC | 12 | 11 | C | 150 | 2.84 | 2.74 | 1000 | 0 | 0 |
| LC | 12 | 9 | P | 55 | 1.75 | 1.84 | 600 | 0 | 0 |
| LC | 10 | 9 | P | 50 | 0.59 | 0.65 | 500 | 0 | 0 |
| LO | 7 | 9 | C | 70 | 2.6 | 1.99 | 4612 | 2.91 | 2.2 |
| LO | 12 | 9 | C | 100 | 1.35 | 1.2 | 4353 | 1.3 | 1.25 |
| LO | 9 | 9 | C | 75 | 4.31 | 3.74 | 3411 | 4.3 | 4.05 |
| LO | 12 | 9 | P | 55 | 1.76 | 1.85 | 3402 | 1.7 | 1.7 |
| LO | 12 | 9 | C | 90 | 2.73 | 2.47 | 3304 | 2.7 | 2.68 |
| LO | 9 | 9 | P | 60 | 1.27 | 1.45 | 2836 | 1.43 | 1.22 |
| LO | 12 | 9 | P | 70 | 5.77 | 6.04 | 2650 | 0 | 0 |
| LO | 12 | 10 | C | 200 | 0.47 | 0.46 | 2500 | 0.49 | 0.49 |
| LO | 12 | 9 | P | 65 | 4.04 | 4.22 | 2400 | 0 | 0 |
| LO | 9 | 9 | C | 85 | 1.38 | 1.15 | 2385 | 1.38 | 1.35 |
| LO | 8 | 9 | C | 82 | 0.82 | 0.63 | 2318 | 0.78 | 0.74 |
| LO | 7 | 9 | P | 70 | 1.27 | 1.98 | 2249 | 1.6 | 1.15 |
| LO | 8 | 9 | C | 78 | 1.65 | 1.29 | 2190 | 1.6 | 1.5 |
| LO | 7 | 9 | C | 80 | 0.06 | 0.06 | 2116 | 0.13 | 0.09 |
| OB | 10 | 9 | P | 1.85 | 0.1639 | 0.1755 | 1022 | 0 | 0 |
| OB | 9 | 9 | P | 1.97 | 0.1512 | | 1022 | 0 | 0 |
| OB | 10 | 9 | P | 1.75 | 0.1181 | 0.1266 | 500 | 0 | 0 |
| OB | 10 | 9 | P | 1.4 | 0.0246 | 0.0266 | 500 | 0 | 0 |
| OH | 12 | 9 | C | 2.75 | 0.0447 | 0.0338 | 352 | 0 | 0 |
| OH | 12 | 9 | C | 2 | 0.2217 | 0.1969 | 350 | 0 | 0 |
| WA | 9 | 9 | P | -0.75 | 0.4 | 0.45 | 500 | 0 | 0 |
| WA | 8 | 10 | C | 0 | 0.57 | 0.56 | 250 | 0 | 0 |
| WA | 12 | 10 | C | 0 | 0.55 | 0.55 | 250 | 0 | 0 |
| WA | 10 | 10 | C | 0 | 0.57 | 0.57 | 250 | 0 | 0 |
| WA | 9 | 10 | C | 0 | 0.57 | 0.57 | 250 | 0 | 0 |
| WA | 7 | 10 | C | 0 | 0.56 | 0.54 | 250 | 0 | 0 |
| WA | 2 | 10 | C | 0 | 0.52 | 0.44 | 250 | 0 | 0 |
| WA | 11 | 10 | C | 0 | 0.58 | 0.58 | 250 | 0 | 0 |
| WA | 5 | 10 | C | 0 | 0.53 | 0.46 | 250 | 0 | 0 |
| WA | 4 | 10 | C | 0 | 0.53 | 0.46 | 250 | 0 | 0 |
| WA | 1 | 10 | C | 0 | 0.49 | 0.42 | 250 | 0 | 0 |
| WA | 3 | 10 | C | 0 | 0.52 | 0.47 | 250 | 0 | 0 |
| WA | 6 | 10 | C | 0 | 0.55 | 0.48 | 250 | 0 | 0 |

Refined fuel inventories held by China's Sinopec and CNPC increased slightly in May on higher production rates and sluggish demand. Stocks of gasoline, diesel and kerosene held by Sinopec and CNPC increased by 2.1% to above 12 million tons during May while fuel sales increased by 2.3%. Gasoline inventories held by the two companies increased by 12.3% to 5.4 million tons while diesel inventories fell by 4.9% to 6.3 million tons in May. Sales of fuel increased by 2.3% in May, with gasoline sales increasing by 3.6% and diesel sales increasing by 2%.

The Petroleum Association of Japan reported that the country's refining rates fell to its lowest level since at least 2003, due to heavy seasonal maintenance and lower demand for refined products. Japanese refiners ran their facilities at an average of 64.4% of total capacity of 4.83 million bpd in the week ending June 6th, down 4.3% on the week. It reported that Japan's crude stocks fell by 1.36 million barrels on the week but increased by 3.2

million barrels on the year to 102.78 million barrels. It reported that gasoline stocks built by 330,000 barrels on the week but fell by 1.12 million barrels on the year to 14.37 million barrels while kerosene stocks built by 640,000 barrels on the week and by 2.57 million barrels on the year to 13.44 million barrels. Total oil product sales increased by 14.1% on the week but fell by 7.9% on the year to 2.29 million bpd. Japan's gasoline sales increased by 7.5% on the week and by 8.9% on the year to 840,000 bpd.

German residential heating oil stocks increased to 63% of capacity on June 1st from 62% on May 1st. On average between 2003 and 2008, German residential heating oil tanks were 49% full in June and 47% full in May.

Indonesia's Pertamina is seeking an extra 600,000 barrels of diesel in June following an outage at its Cilacap refinery unit last week and to increase diesel stocks currently at 20 days.

Production News

Saudi Aramco left its July crude oil allocations to Europe unchanged compared with deliveries in June.

Saudi Aramco has started production from its 1.2 million bpd Khurais oilfield, the largest ever single addition to world oil supplies. The oil from the plant is now being pumped into tanks that are located at the project. Khurais is also expected to produce 315 million cubic feet/day of sour gas and 70,000 bpd of natural gas liquids that will be processed at Shedgum and Yanbu gas plants. Saudi Arabia's spare capacity will increase to about 4.5 million bpd in light of the start up of the Khurais oilfield. Separately, Saudi Aramco's chief executive Khalid al-Falih said the country will not cut investments in the country's oil and gas sector.

ConocoPhillips said it still cannot give a restart estimate for its Ekofisk field in Norway after daily oil production of 23,000 bpd was shut in when platform 24/W was hit by a vessel. A service vessel collided with the water injection facility, which is crucial for production of oil.

BP said UK North Sea Forties Blend crude production is expected to increase to 554,000 bpd in September from an expected 345,000 bpd in August.

The new head of Iraq's South Oil Co, Fayad al-Nema, plans to increase its oil output from its southern fields by up to 500,000 bpd within two years. The SOC plans to open an oil production plant, within two weeks to process crude from Iraq's Nassiriya oilfields, adding another 40,000 bpd to overall production. The SOC hopes to increase production in southern Iraq to 2.5 million bpd from 1.77 million bpd and export to 2 million bpd within five years.

Brazil's Petrobras notified the country's National Petroleum Agency late Tuesday that it had discovered signs of oil and natural gas at an offshore Potiguar Basin block. Petrobras said it found traces of oil and gas in a wildcat well drilled at the BM-POT-11 offshore block.

Russia is likely to increase its oil export duty by up to 39% to \$210-\$212/ton starting July 1st, following an increase in crude prices over the last month. Export duties on light refined products, such as gasoline and gas oil, will increase to \$154-\$155/ton in July, up from \$115.20/ton in June. Export duties on heavy refined products, such as fuel oil, will increase to \$83-\$84/ton in July, up from \$62.10/ton in June.

India's Petroleum Secretary R.S. Pandey said the Indian government is committed to reforms in fuel pricing but it wants to ensure affordable fuel supply. Last month, the Prime Minister Manmohan Singh's government said it may eliminate diesel and gasoline subsidies as soon as July.

OPEC's news agency reported that OPEC's basket of crudes increased to \$68.69/barrel on Tuesday from \$67.02/barrel on Monday.

Market Commentary

The oil complex settled in positive territory following the EIA's supportive inventory report, which showed larger than expected draws in oil and product stocks. The crude market posted a low of \$70.43 in overnight trading and rallied to an overnight high of \$71.65. The market retraced some of its gains early in the morning and traded back towards the \$70.50 level amid some profit taking ahead of the release of the EIA report. The market however rallied to a high of \$71.79, the highest level since October 22, 2008 when the oil market posted a high of \$71.80, in light of the EIA report showing a large draw in crude stocks of over 4 million barrels on the week. It later erased some of its gains and settled in a sideways trading pattern during the remainder of the session. The oil market settled up \$1.32 at \$71.33. While the market continues to trade within an upward trending channel, it is in overbought territory. Resistance is seen at its high of \$71.79 followed by 72.32, basis its trendline. More distant resistance is seen at \$76.32, its 38% retracement level off a high of \$147.27 and a low of \$32.48. Support is seen at \$70.43, \$69.18, \$68.43, \$68.37, \$67.56 and \$66.78. Meanwhile, the RBOB market bounced off a low of \$1.9637 and rallied over the \$2 level in light of the unexpected draw in gasoline stocks. The market remained well supported and posted a high of \$2.017 late in the session. It settled up 4.86 cents at \$2.0153, the highest level since October 9, 2008, when the market settled at \$2.0273. The RBOB market is seen finding resistance at \$2.017 followed by \$2.065 and \$2.1324, basis a trendline. Support is seen at \$1.9694, \$1.9637, \$1.9343, \$1.9211 and \$1.894 followed by \$1.8656, the top of its channel. Similarly, the heating oil market bounced off a low of \$1.8109 early in the session and rallied higher following the release of the EIA report. It breached its resistance its recent highs and posted a high of \$1.8482 before it settled in a sideways trading pattern. The market remains well supported despite the reports of the stocks building in floating storage. The market is seen finding resistance at its high of \$1.84.32 followed by \$1.909.

Crude Oil JUL.09 221,695 -40,835 AUG.09 193,087 +31,551 SEP.09 104,634 +8,947 OCT.09 44,821 +679 Totals: 1,203,679 -3,038 N.Y. Heating Oil (HO) JUL.09 55,449 -3,690 AUG.09 38,934 +1,475 SEP.09 31,490 +1,221 OCT.09 18,798 +850 Totals: 281,579 +1,550 NEW YORK HARBOR RBOB (RB) JUL.09 72,136 -5,865 AUG.09 52,983 +5,262 SEP.09 34,795 +2,710 OCT.09 16,963 +456 Totals: 214,629 +2,688.

| Crude Support | Crude Resistance |
|---|--------------------------------|
| Spot 200 day MA 62.90, 60.50 , 59.85, 58.90, 56.75,55.45,54.49, | 71.80, 72.32, 74.50, 76.10 |
| Heat Support | Heat resistance |
| 1.6780, 1.6512, 1.6235, 1.5615 | 1.8482, 1.85.00, 1.9090 |
| Gasoline support | Gasoline resistance |
| 1.9694, 1.9637, 1.9343, 1.9211, 1.894, 1.8656 | 2.0000, 2.0650, 2.1324, 2.1600 |

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.