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Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 12, 2009

OPEC said in its Monthly Oil Market Report that oil demand is still declining as the world economy contracts. However it said the worst appears to be over for the oil market and stocks should be moving back towards more normal levels by the end of the year. OPEC cut its forecast for world oil demand to 83.8 million bpd. Demand is expected to fall by 1.62 million bpd on the year, compared with its previous estimate of 1.57 million bpd. OPEC said its output, excluding Iraq, increased to 25.9 million bpd in May, up from 25.78 million bpd in April.

The increase in OPEC production meant the group moved further away from its goal of cutting production, complying with 75% of its pledged supply cuts in May compared with 77% in April. The 12 OPEC members, including Iraq, produced 28.271 million bpd last month compared with 28.136 million

Market Watch

Oil prices have been supported amid BP's Statistical Review of World Energy, which showed that the world's proven crude reserves fell by 3 billion barrels to 1.258 trillion barrels in 2008 from 1.261 trillion barrels in 2007. The decline is due to a fall in exploration drilling amid the fall in oil prices. Prices have also been supported amid predictions that oil prices will reach \$250/barrel. Gazprom's chairman, Alexei Miller recently reiterated last year's estimate of \$250/barrel. The latest surge in prices however has raised fears that higher energy costs could limit the economic recovery.

The Reuters/University of Michigan Surveys of Consumers' preliminary June consumer sentiment index increased to 69 from May's final reading of 68.7. It is slightly below economists' expectations of 69.5. Reflecting ongoing worries, consumers' assessment of the 12 month economic outlook fell, with the gauge falling to 61 in June from 75 in May. One year inflation expectations increased to 3.1% in June from May's 2.8%.

European industrial production fell by the most on record in April as the worldwide recession cut demand. Production in the euro region fell by 21.6% on the year.

China's statistic bureau said the country's industrial output in May increased by 8.9% on the year after increasing by 7.3% in April.

The Baltic Exchange's main sea freight index increased by 2.87% or 100 points on Friday to 3,583 points amid China's iron ore stockpiling. Cheaper imports of iron ore has spurred demand and led to congestion at Chinese ports. The Baltic's Capesize index, which tracks costs for vessels typically hauling 150,000 ton cargoes such as iron ore, increased by 3.87% to 6,715 points on Friday.

Japan's Chubu Electric Power Co will restart an oil-fired mothballed thermal power unit to help meet summer peak demand in the face of low nuclear plant utilization due to operating problems. The company will restart a 375 Mw Taketoyo No. 2 unit, which uses fuel oil and crude oil as feedstock by early July.

June Calendar Averages

CL – \$69.47
HO – \$1.7966
RB – \$1.9694

bpd in April. It estimates that OPEC will need to produce 28.6 million bpd in 2009 to balance global supply and demand, down 2.2 million bpd on the year and down 200,000 bpd from its previous estimate.

Canadian Finance Minister Jim Flaherty said oil prices now reflect the balance of supply and demand after having been unrealistically depressed. He made his comment ahead of a meeting of finance ministers from the Group of Eight industrialized countries.

European Union energy ministers agreed to overhaul rules on oil stocks on Friday. The EU will release monthly stocks information and align the reporting system with that of the IEA. Total oil stocks must equal at least 90 days of average imports or 61 days of average consumption and one third must be quickly available. The monthly reporting of stock levels is a small change from the current system under which EU states must confirm each month whether they hold 90 days of stocks but do not need to provide further details. The new laws must be applied by 2013 at the latest.

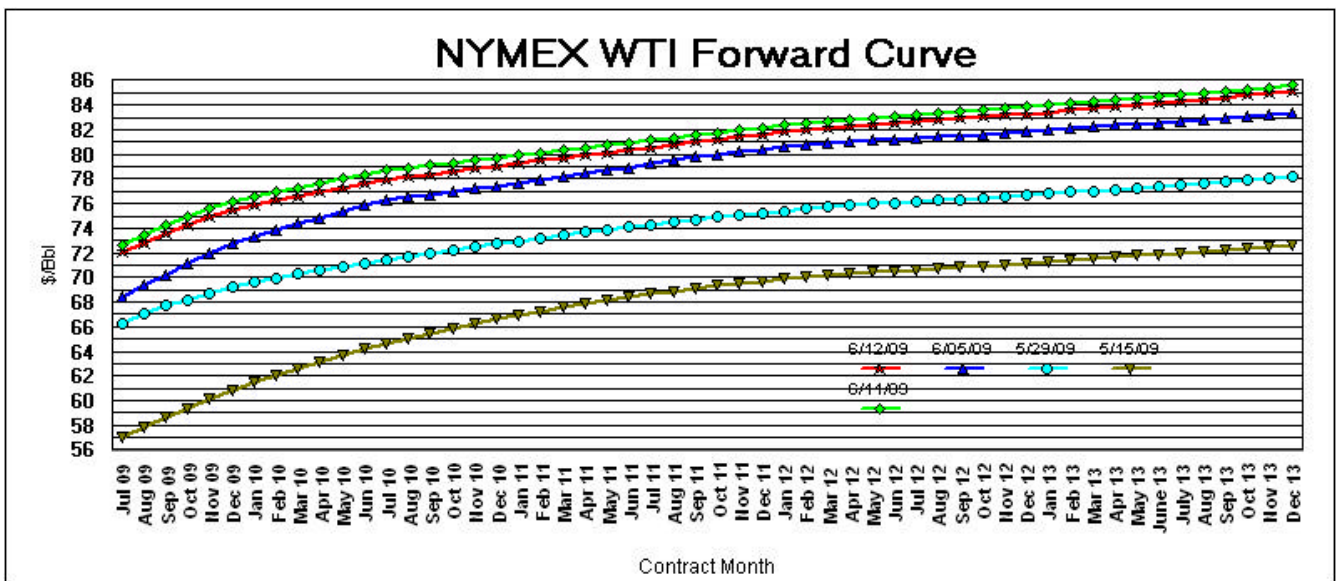
Iran extended its presidential election on Friday by an hour due to the high turnout. Tens of millions of Iranians have crowded to the polls to take part in the election in which the incumbent President Mahmoud Ahmadinejad seeks a second term in office while facing a strong challenge from former Prime Minister Mir-Hossein Mousavi. Later on Friday, a close aide to former Prime Minister said the Reformist challenger Mir-Hossein Mousavi won Iran’s presidential election on Friday with 65% of the vote.

Nigeria’s militant group, the Movement for the Emancipation of the Niger Delta, said it released a British hostage held for nine months in the Niger Delta.

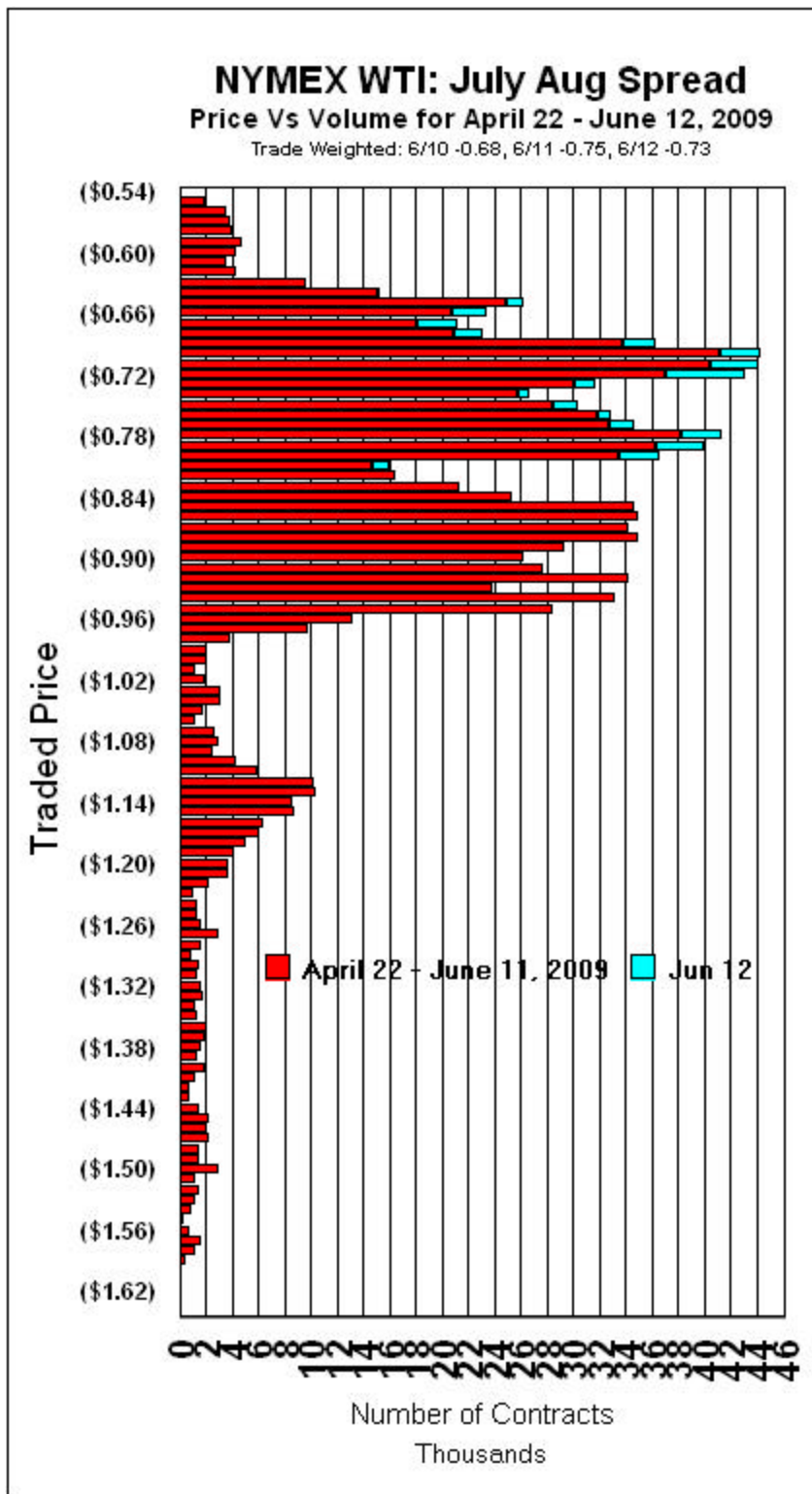
Refinery News

Valero Energy Corp said it will shut a 20,000 bpd coking unit for planned work at the east plant of its 146,000 bpd Corpus Christi, Texas refinery for economic reasons. The unit is expected to remain shut for the month of July. It said it is delaying planned work on the unit. Separately, said it will have a schedule to restart a crude unit, coker and vacuum unit early next week. The three units were shut earlier this week due to a fire.

ConocoPhillips still could not give any indication of when production will restart at its 24 Alpha platform after vessel damage indirectly shut in 23,000 bpd of oil. On June 8th, a vessel crashed into platform



24/W, which injects water and receives oil from nearby 24/A platform, halting output from Alpha. The rest of the Ekofisk field continues to operate.



Sunoco Inc will again attempt to restart a fluid catalytic cracking unit at the Girard Point section of its 335,000 bpd Philadelphia refinery over the weekend.

China's refinery output increased to a record high in May amid higher fuel prices and decent margins. China's refinery output in May increased by 10.7% on the year to 31.19 million tons or 7.34 million bpd, exceeding a previous record of 7.21 million bpd last June. Refinery output in the first five months increased by 0.9% on the year to 143.245 million tons. Output of crude oil fell by 1.1% to 16.03 million tons or 3.79 million bpd and was down 0.9% at 77.78 million tons in the first five months. China's diesel output totaled 11.87 million metric tons in May while its gasoline production increased by 30% to 6.29 million tons.

About 105,000 tons of Middle East jet fuel will sail to Europe from mid-June, increasing the total to 145,000 tons. The shipments are more than double the volumes shipped out in May mainly due to lower spot premiums in the Middle East.

Royal Dutch Shell Plc plans to store as much as 180,000 metric tons of Asian gasoil in two tankers off Europe later this month. Shell has been one of several companies to take advantage of low freight rates to put diesel into floating storage in anticipation of rebounding prices. Vitol Holding BV, JPMorgan Chase

& Co, Sempra Energy and Gunvor International BV have also chartered ships in recent weeks for the same purpose.

Saudi Aramco is offering 90,000 tons of cracked A961 fuel oil for June 21-23 loading from its Ras Tanura refinery, in an unusual move during the country's peak summer demand season.

Production News

US onshore marginal oil and natural gas producers are still suffering after prices fell below their break even level of about \$44.73/barrel. An analyst said that declines in onshore US production from shut ins and accelerated decline rates will continue for some time, despite the recovery in oil prices.

Norway's Petroleum Directorate said the country's oil production in May fell to 1.789 million bpd from April's 1.989 million barrels. It said Norway produced 339,000 bpd of natural gas liquids and condensate in May, down from 371,000 barrels in April.

Mexico's Pemex said it will increase its oil production slightly from current levels during the rest of the year to meet its target of 2.7 million bpd. Its oil production fell by 4.2% on the year to 2.642 million bpd in April. Pemex will incorporate new production from several fields, including the Chicontepec basin to meet the target. Chicontepec will reach 40,000 bpd in August and 60,000 bpd by the end of the year. Separately, Pemex reported that output from the Ixtal oilfield is set to increase about 60,000 bpd and peak at 180,000 bpd in 2010. It also said its Ku Maloob Zaap oilfield is currently producing at a peak of 830,000 bpd and will continue to produce at that level for the next seven years.

Nigeria is currently producing about 1.7 million bpd, according to the Minister of State for Finance Remi Babalola.

Indonesia's Energy Minister Purnomo Yusgiantoro said Indonesia wants Italy's Eni to press ahead with developing the Bukat block in the Ambalat area off Borneo, where there is a border dispute with Malaysia. Indonesia said Eni found an oil reserve that can produce 30,000-40,000 bpd of crude oil.

Petroecuador exported 34.01 million barrels of oil between January and May, up 2% from 33.44 million barrels reported last year. It said its oil export revenues totaled \$1.24 billion in the first five months, down 58.5% on the year.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$70.87/barrel on Thursday from \$70.19/barrel on Wednesday.

Market Commentary

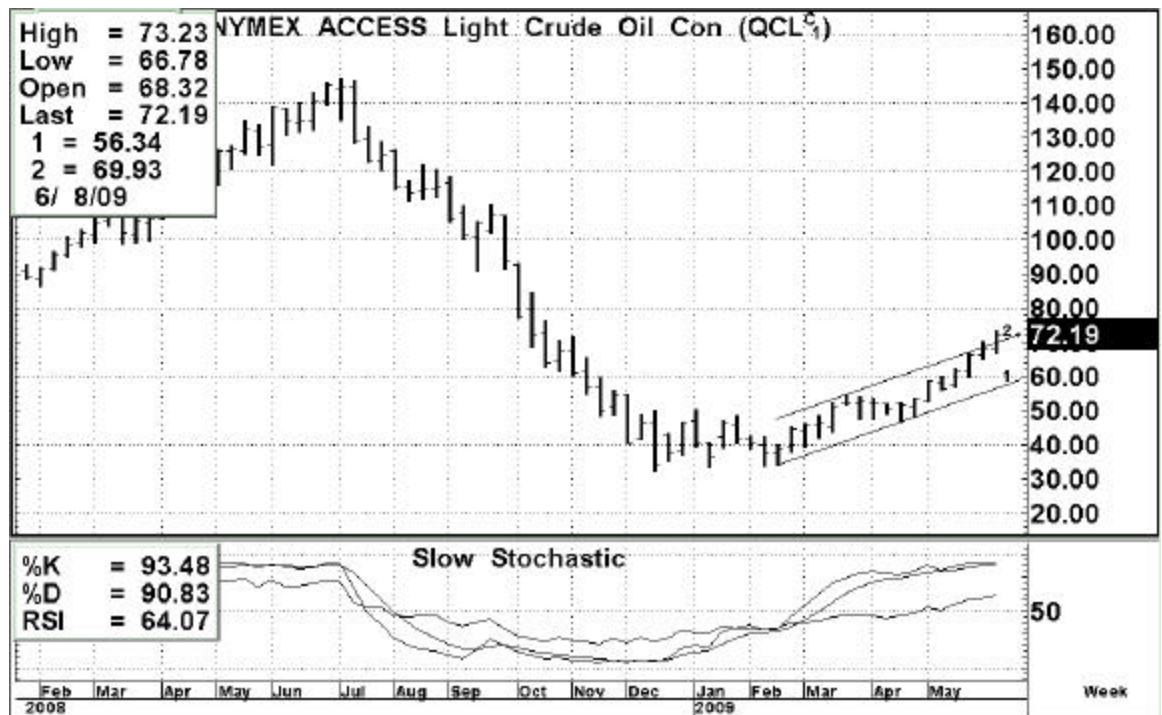
Oil prices fell today from a seven-month high in response to a record drop in European industrial production. The dollar's strength dimmed the appeal of commodities as an economic hedge, sending speculators out of the market. Signs of economic growth in China has aided in this market moving higher. The world's second-biggest energy consumer, processed a record volume of crude oil in May as higher factory output and a rise in car sales increased the demand for fuel. This market has been moving higher on hopes of an economic recovery and any inkling that the economy is once again slowing, will send prices downward. The spot month spread has strengthened but is still indicative of an over supplied market. As the contango, deferred months premium lessens, the appeal to store crude oil becomes less attractive. This would send barrels into the open market. From a technical standpoint, this market appears to have more room to the upside. Basis a weekly spot continuation chart, crude oil prices settled above the ascending channel for the first time since the middle of February. The projected upside objective based upon the aforementioned settlement is \$83.52.

Crude Oil JUL.09 152,156 -28,383 AUG.09 244,766 +22,329 SEP.09 124,606 +11,115 OCT.09 43,052 -1,294 Totals: 1,227,918 +19,147 N.Y. Heating Oil (HO) JUL.09 49,206 -2,895 AUG.09 42,805 +3,055 SEP.09 32,521 +939 OCT.09 21,322 +750 Totals: 284,212 +3,107 NEW YORK HARBOR RBOB (RB)

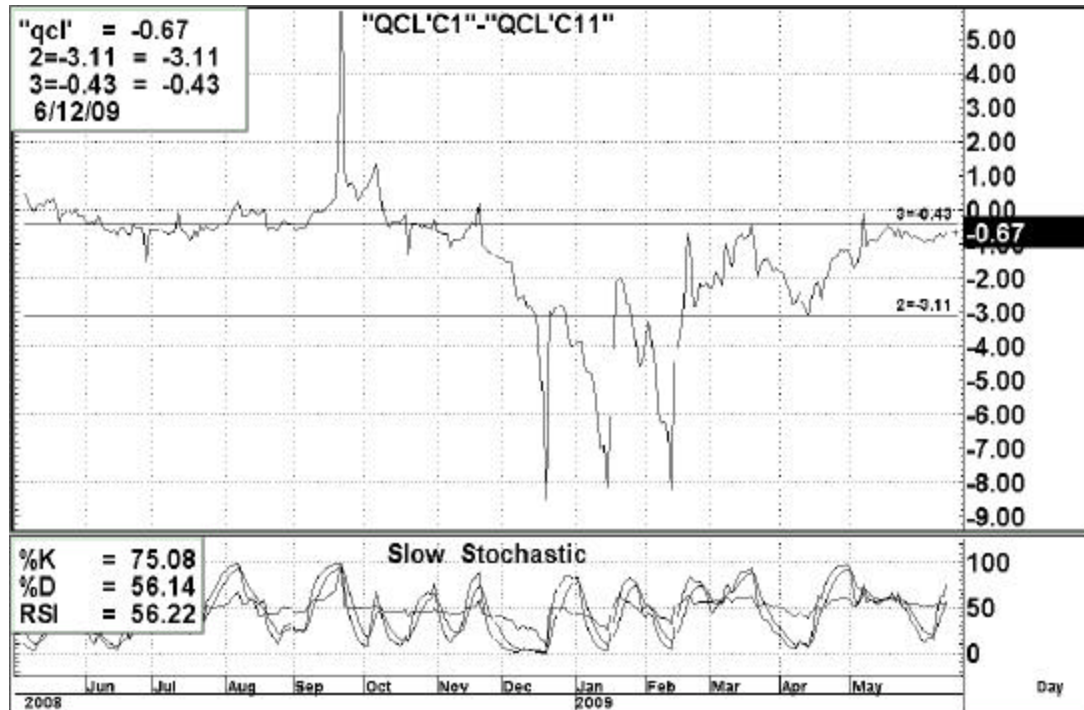
JUL.09 63,573 -4,718 AUG.09 59,539 +1,883 SEP.09 40,178 +3,094 OCT.09 20,765 +2,154 Totals: 223,759 +3,402

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 8,196 contracts to 47,883 contracts in the week ending June 9th. It is the highest level seen since late January. It reported that funds increased their total long position by 4,993 contracts to 204,490. The combined futures and options report showed that non-commercials in the crude market increased their net long position by 8,835 contracts to 117,994 contracts on the week. They increased their total long position by 7,250 contracts to 206,326 contracts on the week. The funds have continued to add to their net long position as the market continues to trade above the \$70 level. Meanwhile, non-commercials in the product markets increased their net long positions, with funds in the heating oil market increasing their net long position by 5,581 contracts to 26,519 contracts while funds in the RBOB market increased their net long position by 1,622 contracts to 63,000 contracts.

Weekly spot continuation chart. For the first time since February, the spot month settled above the ascending channel. Slow stochastics, although in over bought territory have not yet crossed to the upside.



Continuation chart for front month crude oil spread. The spread has been range bound since February. -.43 has proven to be a key resistance level, with -3.11 support. Failures to trade above -.43 would indicate a sell signal.



Crude Support	Crude Resistance
Spot 200 day MA 63.08, 60.50, 59.85, 58.90, 56.75, 55.45, 54.49,	74.50, 76.10
Heat Support	Heat resistance
1.6780, 1.6512, 1.6235, 1.5615	1.9090
Gasoline support	Gasoline resistance
1.5370, 1.5260, 1.3560, 1.3400, 1.2700, 1.2625, 1.1680, 1.0128, .9590	2.0650, 2.1600

NEW YORK MERCANTILE EXCHANGE(r)
 NYMEX OPTIONS CONTRACT LISTING FOR 06/12/2009

-----CONTRACT-----				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY
				SETTLE	SETTLE	VOLUME	HIGH	LOW
AO	11	9 C	100	1.35	1.48	700	0	0
AO	12	9 C	100	1.76	1.89	700	0	0
AO	10	9 C	100	0.93	1.03	700	0	0
AO	10	9 C	90	2.16	2.33	700	0	0
AO	8	9 C	100	0.22	0.26	700	0	0
AO	7	9 C	90	0.18	0.21	700	0	0
AO	7	9 C	100	0.03	0.03	700	0	0
AO	8	9 C	90	0.78	0.89	700	0	0
AO	9	9 C	100	0.51	0.57	700	0	0
AO	11	9 C	90	2.8	3	700	0	0
AO	9	9 C	90	1.43	1.57	700	0	0
AO	12	9 C	90	3.31	3.52	700	0	0
LC	9	9 C	30	43.51	44.26	1000	0	0
LC	9	9 C	130	0.01	0.01	1000	0	0
LC	9	9 P	30	0.01	0.01	1000	0	0
LC	12	12 C	83	16.01		1000	0	0
LC	9	9 P	130	56.38	55.63	1000	0	0
LC	6	10 C	120	1.57	1.64	1000	0	0
LC	12	12 P	83	15.77		1000	0	0
LC	3	10 C	120	0.94		1000	0	0
LC	12	10 P	79	12.38	12.09	1000	0	0
LC	12	10 C	79	12.45	12.79	1000	0	0
LO	12	9 P	30	0.08	0.05	4810	0.09	0.06
LO	7	9 C	75	0.43	0.78	4095	0.5	0.3
LO	12	9 C	100	1.47	1.6	3786	1.45	1.45
LO	12	10 C	80	12.07	12.39	3651	11.7	11.7
LO	12	9 C	90	2.96	3.16	3479	3	3
LO	12	10 C	70	17.49	17.93	3303	17.25	17
LO	12	10 C	95	6.77	6.96	3300	0	0
LO	12	10 C	105	4.78	4.9	3300	0	0
LO	8	9 P	65	1.29	1.23	2963	1.5	1.29
LO	12	9 P	50	1	0.97	2742	1.15	1.05
LO	12	10 C	100	5.6	5.75	2700	5.8	5.7
LO	7	9 P	70	0.68	0.72	1771	1.18	0.6
LO	7	9 C	79	0.04	0.12	1601	0.07	0.07
LO	12	10 C	150	1.44	1.47	1505	0	0
OB	8	9 P	1.9	0.0696	0.0653	350	0	0
OB	8	9 P	1.85	0.0533	0.05	350	0	0
OB	9	9 C	2.15	0.1059	0.1132	253	0	0
OB	11	9 C	2.15	0.1011		250	0	0
OB	12	9 P	1.9	0.2162		200	0	0
OB	12	9 P	1.6	0.0883	0.0855	200	0	0
OH	12	9 C	2.15	0.1659	0.1739	600	0	0
OH	12	9 P	1.7	0.0857	0.0861	600	0	0
OH	12	9 P	1.85	0.1394	0.1393	300	0	0
OH	9	9 P	1.7	0.0565	0.0558	275	0	0
OH	12	9 P	2	0.2095	0.2086	265	0	0
OH	12	9 C	2	0.2257	0.235	265	0	0

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