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ENERGY MARKET REPORT FOR JUNE 13, 2011

A top Iranian official said key OPEC ministers and officials are set to meet officials from the European Union's commission on June 27th on energy matters in Vienna.

Meanwhile, Iran's OPEC Governor, Muhammad Ali Khatibi questioned whether a planned increase in Saudi output responded to real market needs and warned OPEC would have to react if it leads to an oil oversupply.

Analysts said additional output from key OPEC members could cut the group's spare capacity to uncomfortably low levels, increasing the risk of price rallies. They said any respite for oil consumers could be short-lived as increased production would reduce the group's spare capacity.

The Obama Administration plans to restructure royalty fees for oil and natural gas extracted from federal lands before the end of the year. Such a move is likely to result in higher royalty payments for many oil and gas companies, which are currently assessed a 12.5% royalty fee for onshore production. Companies involved in offshore production are charged 18.75%. The administration is also revamping its system for calculating royalty payments for both onshore and offshore production,

Market Watch

Richmond Federal Reserve Bank President Jeffrey Lacker said the US economy is recovering slowly and growth could remain soft for some time as employers remain reluctant to add workers. He said the reluctance of many employers to add workers despite rising demand is a sign that economic growth could underperform for a sustained period. He however said it does not mean the Federal Reserve should rush into another round of monetary stimulus.

Standard & Poor's cut Greece's credit ratings by three notches, saying the country is increasingly likely to restructure its debt in a way the ratings agency would consider a default. S&P cut Greece's long term sovereign credit ratings to CCC or eight notches into junk territory from B. The short-term rating was affirmed at C. The outlook on the long term rating remains negative, however in a sign that another downgrade is expected in the next 12 to 18 months.

The People's Bank of China said Chinese banks lent 551.6 billion yuan in local currency loans in May, missing market forecasts for 610 billion yuan.

Japan's core machinery orders unexpectedly fell in April by 3.3% on the month. The economy is still expected to grow in the second half of the year, allowing the Bank of Japan to refrain from further policy easing when it meets this week.

That State Oil Fund of Azerbaijan is not planning to shift away from the euro despite fears about the deepening Greek debt crisis and a mix of slow growth and austerity in the region. Sofaz currently manages more than \$28 billion and is expected to grow to \$30 billion by the end of the year. It is reviewing its investment policy and will seek to start investing in equities.

India's power output increased an annual 10.45% in May, the first double digit growth in almost two years, due to better coal availability and as the country built more power plants to help offset a shortfall. India added about 9.2% to capacity a year to April 2011 to 174.36 gigawatts. Electricity generation in May was 75.1 billion kilowatt hours compared with 68 billion kwh in May 2010.

**June
Calendar Averages**
CL – \$99.81
HO – \$3.0718
RB – \$2.9903

hoping to make it easier for federal regulators to determine the value of energy produced on US territory.

The US EIA reported that the US average retail price of diesel increased by 1.4 cents to \$3.954/gallon in the week ending June 13th. It was the first increase since the week ending May 2nd. The EIA reported that the US average retail price of gasoline fell by 6.8 cents to \$3.713/gallon on the week.

Riot police in China moved into a southern Chinese town in Guangdong province crowded with migrant workers on Monday, a day after militia fired tear gas to quell rioting over the abuse of a pregnant street hawker. The incident was sparked on Friday night when security personnel in nearby Dadun village pushed a pregnant hawker to the ground while trying to clear her from the streets.

Refinery News

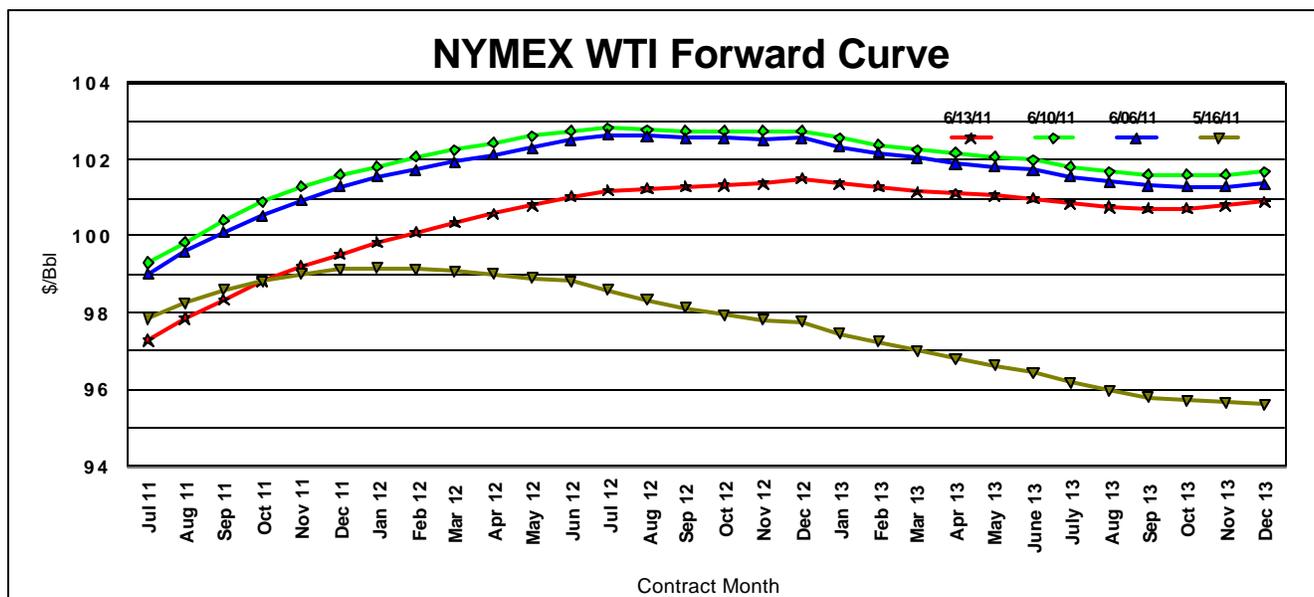
Enbridge Inc said an oil pipeline that ruptured in Michigan last year will be shut down for 72 hours to replace a key section of pipe that crosses the US/Canadian border. Enbridge agreed to replace the section in a largely symbolic gesture to placate US lawmakers incensed by a spill of about 20,000 barrels from Line 6B of the Lakehead system last July.

Credit Suisse reported that US refinery margins mostly fell in the week ending May 10th as price prices fell. Margins in the Northeast fell by \$1.13 to \$7.43/barrel while margins in the Midwest fell by \$11.57 to \$26.12/barrel while margins in the Gulf Coast increased by \$1.60 to \$25.84/barrel. Refinery margins in the Rockies region fell by \$1.79 to \$31.76/barrel while margins in the West Coast increased by 11 cents to \$17.55/barrel.

Valero Energy Corp reported a brief period of emissions at its 287,000 bpd Port Arthur, Texas refinery due to a malfunction at a fluid catalytic cracking unit blower. The refinery is operating at reduced rates and there is no estimate yet on when the plant will resume normal operations.

BP Plc's 475,000 bpd Texas City, Texas refinery's fluid catalytic cracking unit No. 3 resumed operations over the weekend. The unit was shut on June 7th for unplanned repairs.

ConocoPhillips reported a problem on its sulfur recovery unit 1 incinerator at its 100,000 bpd refinery in Ferndale, Washington due to a power outage caused by an offsite accident on June 3rd.



Marathon Oil's Garyville, Louisiana refinery is exporting about 60,000 bpd of refined products.

China's National Development and Reform Commission said the country's crude oil production and refinery runs in May increased modestly on the year, while oil product stocks increased as well. China produced 17.26 million metric tons or 4.06 million bpd of crude in May, up 1.1% on the year and processed 34.9 million tons or 8.22 million bpd of crude, up 4.4% on the year. Crude throughput in the first five months increased 7.4% on the year to 171.12 million tons or 8.27 million bpd. China's oil product output reached 21.05 million tons while apparent demand reached 20.19 million tons. Oil product stocks at the end of May increased by 1 million tons on the year.

Formosa Petrochemical Corp plans to restart its No. 1 84,000 bpd residue fluid catalytic cracking unit at the end of June following an unplanned outage. The unit was shut last Thursday and the outage is expected to last two weeks.

Japan's Idemitsu Kosan Co restarted a 140,000 bpd crude unit at its Hokkaido refinery on Saturday following unplanned maintenance. The unit was closed on May 31st to fix a technical problem.

The Maritime and Port Authority of Singapore said sales of bunker fuel in Singapore increased by 11.5% to 3.62 million metric tons in May from April. May bunker sales were 4.4% higher on the year.

Royal Dutch Shell Plc said it shipped the first cargo of gasoil manufactured from natural gas at its Pearl Gas-to-Liquids plant in Qatar. At full capacity, Pearl is expected to produce 1.6 billion cubic feet of gas/day from Qatar's North Field, which would be processed to deliver 120,000 bpd of condensate, liquefied petroleum and ethane and 140,000 bpd of gas-to-liquids fuels and lubricants.

Production News

Royal Dutch Shell declared force majeure on Monday on its Nigerian Bonny Light crude oil loadings for June and July due to production cutbacks caused by leaks and fires on its Trans-Niger Pipeline. Shell's Nigerian SPDC unit said the leaks had been repaired and production resumed on June 12 however the shutdown of the lines affected loading programs at its Bonny export terminal.

Penn West Petroleum Ltd's oil production in northern Alberta has not yet fully recovered from a series of wildfires last month, with about 12,500 bpd still shut in. It shut in about 25,000 bpd of production due to the wildfires and has restored only half the output since.

Kinder Morgan Energy Partners LP said it would acquire a newly constructed petroleum coke terminal from TGS Development Group. The terminal based in Port Arthur, Texas currently handles material for Total Petrochemicals USA.

Market Commentary

The oil market remained under pressure following Saudi Arabia's pledge to increase its supplies to its buyers in July despite OPEC's failure to agree on a production quota increase during its meeting last week. The market, which posted a high of \$99.32 in overnight trading, held resistance at the \$99 level and traded mostly sideways early in the session. However the market sold off and posted a low of \$96.13 amid the news that the S&P cut Greece's credit rating to 8 notches below junk territory. The crude market later bounced off its low and retraced some of its losses ahead of the close. The crude market settled down \$1.99 at \$97.30. The ICE Brent futures market rebounded as investors appeared to have been taking funds out of light, sweet crude and switching to ICE Brent crude. Brent crude futures were supported after Shell declared force majeure on its Nigeria Bonny Light crude loadings. The Brent's premium to WTI surged to a record \$21.89. The crude market is still seen remaining pressured, with amid the lack of supportive news. The market is seen finding resistance at

\$97.50, \$99.05, \$99.32 and \$102.15. More distant resistance is seen at \$102.44 and \$103.39. Support is seen at \$96.50, its low of \$96.13 followed by \$95.54 and \$95.18.

Crude oil: July 11 203,326 -31,153 Aug 11 202,913 +28,225 Sept 11 147,356 +11,107 Totals 1,547,443 +17,472 Heating oil: July 11 82,219 -3,463 Aug 11 58,211 +3,624 Sept 11 40,673 -50 Totals 320,546 +3,308 RBOB: July 11 65,455 -6,487 Aug 11 49,518 +2,162 Sept 11 41,904 +981 Totals 257,663 -1,350.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9650	9750	30870	31098	29764	30350
9613	9905	30615	31356	29554	30518
9554	9932	30430	31486	29284	30889
9518	10215	30015	31825	29200	32404
	10244	29852	32215	29160	32591
	10339	29762	32614	28833	
	10516	28952	33059	28435	
	10985			28214	
	11527				

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