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ENERGY MARKET REPORT FOR JUNE 14, 2010

Iraq's Oil Minister Hussain al-Shahristani said he viewed daily oil price fluctuations as normal and that the oil market in general was stable. He said current oil prices were acceptable and he did not see any impact on his crude revenue-dependent country's national budget of fluctuations in oil prices.

The deputy director of the National Iranian Oil Co, Hojjatollah Ghanimifard said Iran sees world demand for oil increasing slightly in the second half of 2010. However he said there was no need for an increase in supply. He said supply in the market is sufficient.

Market Watch

Crude oil freight rates on major routes were mixed on Monday with Chinese demand for cargoes from the Middle East Gulf helping support rates in that market. Shipping brokers said the start of the July fixture program is expected to be met with a tight supply of vessels in the AG, potentially adding further support to the market in the coming days. Crude oil tanker rates from the Caribbean to the US Gulf were firmer although there was little impact yet from the oil spill in the Gulf of Mexico.

Moody's Investors Service lowered Greece's sovereign debt to junk grade status of BA1 from an investment grade level of A3, citing concerns about risks associated with euro zone's IMF support package early Monday afternoon that interrupted a global stocks rally. The financial markets were supported earlier on the April reading of Europe's industrial production. Its year over year increase was the largest percentage gain in almost two decades. In response to Moody's ratings cuts, the Greek Ministry of Finance said the cut ignores the progress made in the last few months, the prospects for fiscal consolidation and an improvement in competitiveness.

Canada's Montreal Exchange Inc will launch a cash settled futures contract based on Canadian heavy crude, as Canada increases its oil production and traders seek new ways to manage risk. The contract, based on Canadian benchmark Western Canadian Select, will be listed on Montreal Exchange's SOLA electronic trading platform on June 18th. Canada is expected to double its output of heavy crude by 2020.

The EU reported early this morning that European industrial output advanced 0.8% in April from March and stood some 9.5% from a year earlier. This was the biggest year on year gain since data reporting started in 1991.

European Union Foreign Ministers proposed new sanctions against Iran for EU leaders to approve at a summit this week. The measures, which also cover the oil and gas industry, with transport and banking or insurance curbs, will go forward to an EU summit on Thursday for final approval. The Foreign Ministers said the EU would seek to prohibit new investment as well as the transfers of technologies, equipment and services. They said the extra EU sanctions would be imposed starting next month.

Iran's Revolutionary Guards are not concerned by the new UN sanctions imposed against Iran that especially target the force. The new UN sanctions target the force, accusing it of involvement in a nuclear program which the West suspects is aimed at building a bomb.

**June
Calendar Averages**
CL – \$73.38
HO – \$1.9999
RB – \$2.0305

BP on Sunday outlined new plans to the US Coast Guard that will allow it to capture between 40,000 and 50,000 bpd from a leaking well in the Gulf of Mexico by mid-July. The plans, which will provide additional vessels and connections that can capture leaking oil, will also enable BP to respond more efficiently to disruptions from possible hurricanes. BP is currently capturing about 15,200 bpd of oil from the leaking well. Overall, BP has collected 134,500 barrels of oil since the containment cap system was installed on June 3rd.

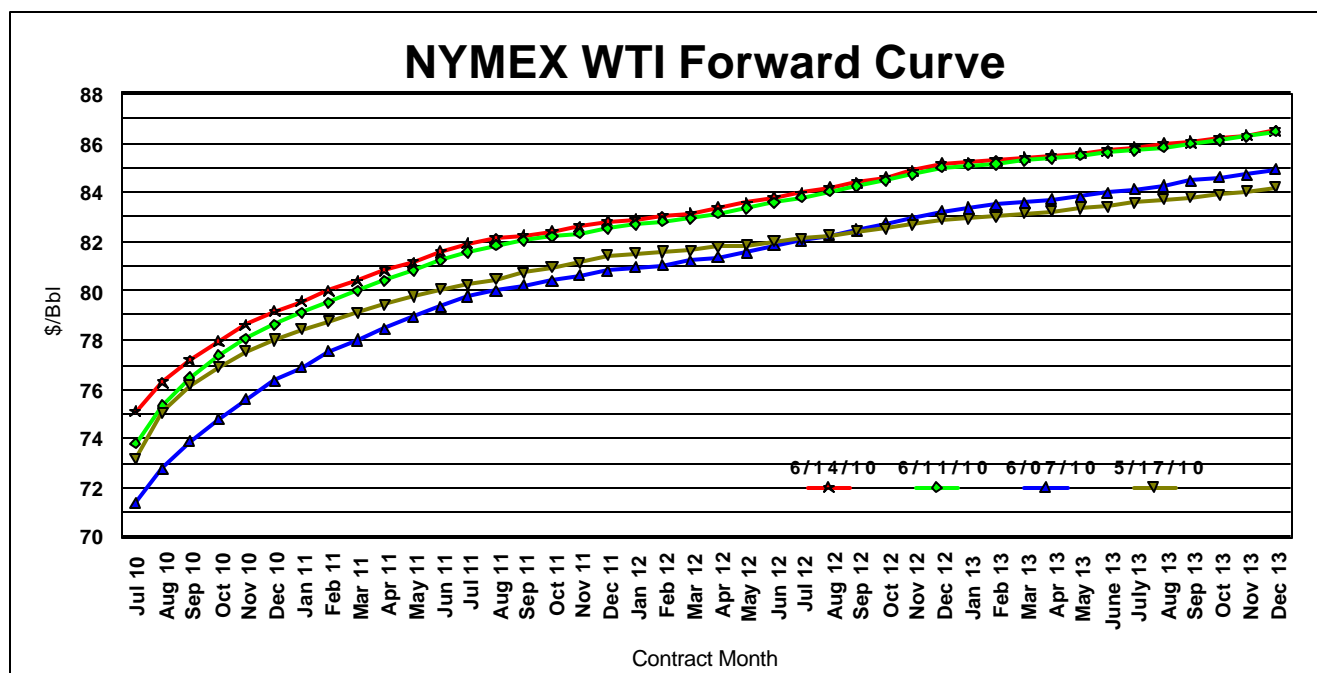
Al Qaeda militants were involved in a weekend bombing of a Yemeni oil pipeline, according to Yemen's Defense Ministry. Tribal sources said that tribesmen used a bulldozer to expose the oil pipeline in Marib province and then blew it up in response to an army raid on the home of a tribal chief accused of sheltering al Qaeda members.

The EIA reported that the US average price of diesel fell by 1.8 cents to \$2.928/gallon in the week ending June 14th. In the last five weeks, diesel prices have fallen 19.9 cents or 6.4%. The price of diesel fuel is up 35.6 cents or 13.8% on the year. The EIA also reported that the average retail price of gasoline fell by 2.4 cents to \$2.701/gallon on the week. The price of gasoline is at the lowest level since February 22nd and has declined 7% or 20.4 cents in the last five weeks.

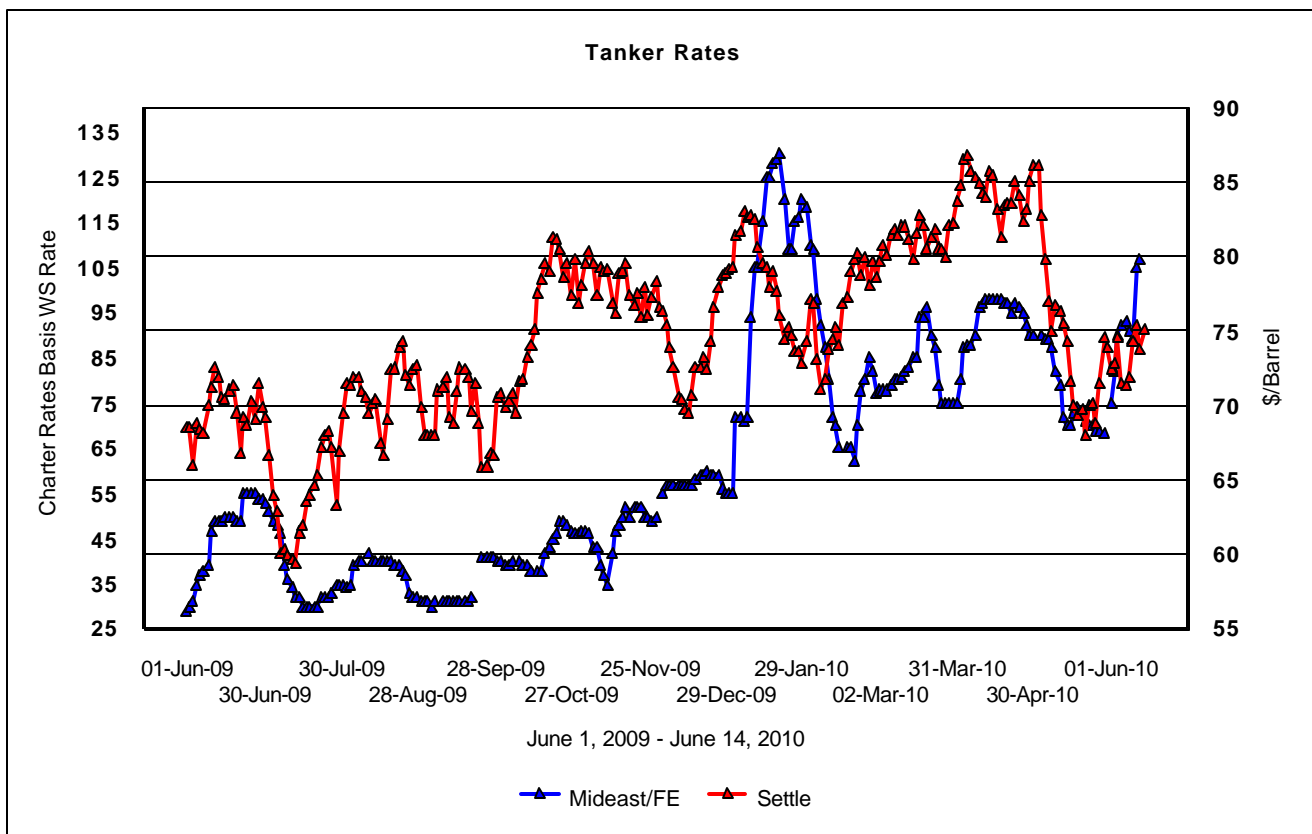
According to the Lundberg Survey, the average price of gasoline fell by 11.26 cents to \$2.72/gallon in the last three weeks ending June 11th.

Refinery News

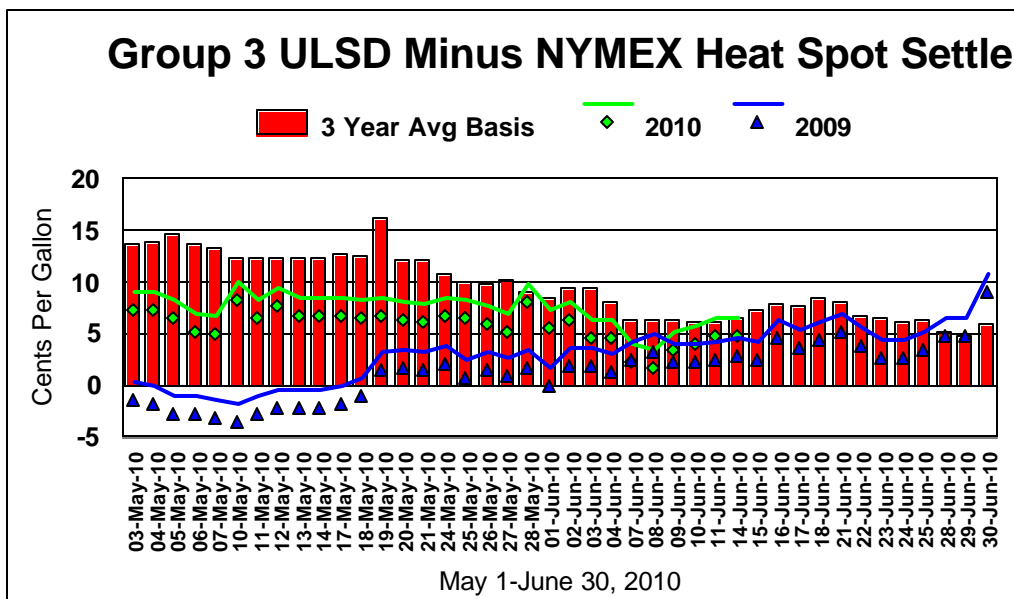
A pipeline carrying mid-grade crude oil to Chevron Corp's 45,000 bpd Salt Lake City refinery was shut on Saturday after leaking oil into a creek that feeds Utah's Great Salt Lake. An estimated 500 barrels were spilled.



Credit Suisse reported that US refinery margins were mostly lower last week. Margins in the West Coast fell by \$3.06 to \$17.46/barrel while margins in the Rockies region fell by \$1.58 to \$20.36/barrel. Margins in the Gulf Coast fell by \$1.11 to \$9.24/barrel while margins in the Midwest fell by 45 cents to \$11.07/barrel. In the Northeast, margins however increased by 49 cents to \$7.85/barrel.



ConocoPhillips reported flaring at its 120,000 bpd refinery in Rodeo, California on Saturday. A notice filed with California pollution regulators did not say which unit was involved in the flaring. Separately, ConocoPhillips was adjusting units at its 306,000 bpd Wood River, Illinois refinery following a power outage on Saturday.



Valero Energy Corp said production was not affected by flaring activity related to a sulfur recovery unit snag reported over the weekend at its 170,000 bpd McKee refinery in Sunray, Texas.

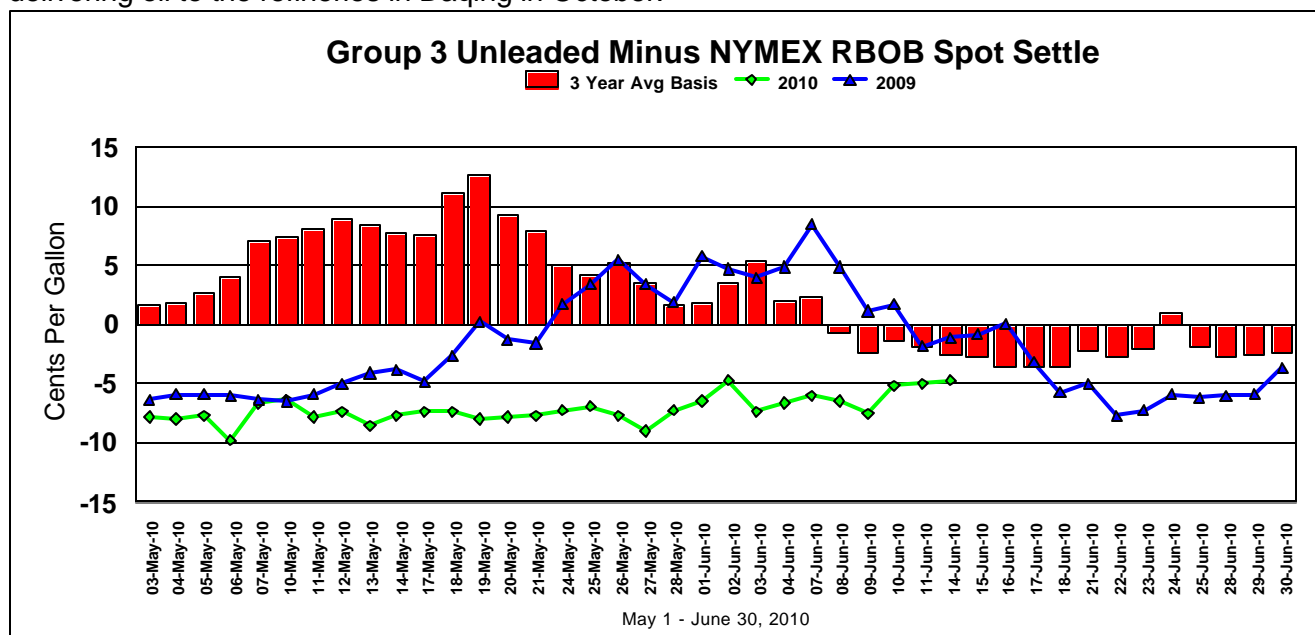
Alon USA Energy Inc reported flaring related to a compressor problem at its 67,000 bpd Big

Spring, Texas refinery. In a report filed with state environmental regulators, the P popper compressor motor had vibrations and was replaced on Sunday.

ExxonMobil Corp reported flaring at its 238,000 bpd Joliet, Illinois refinery on Friday. ExxonMobil Corp said operations at its 150,000 bpd refinery in Torrance, California were normal on Monday following mechanical problems on Saturday.

Petroplus has shut a fluid catalytic cracking unit at its Reichstett refinery in France for planned maintenance. It is expected to remain shut for 35-40 days.

China's official news agency Xinhua reported that China is ready to receive Russian crude oil after completing the construction of a 927 km crude oil pipeline to the border city of Mohe in the northeast. The project is part of Russia's Eastern Siberia-Pacific Ocean pipeline and is expected to start delivering oil to the refineries in Daqing in October.



Japan's Ministry of Economy, Trade and Industry said Saudi Aramco will begin storing 3.8 million barrels of Saudi crude in Japan's Okinawa Oil Base starting later this year. The Japanese government will have the preemptive right to buy oil in the event of an emergency.

Production News

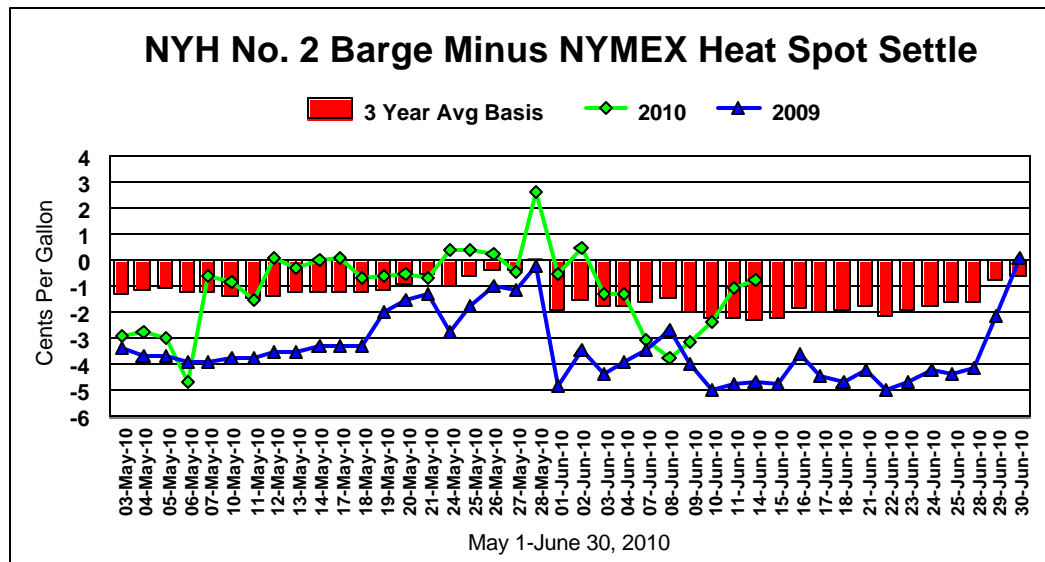
Crude oil output from the nine main North Sea oil streams is expected to increase by 19% in July to 2.066 million bpd. The Brent crude oil stream is expected to load 116,000 bpd in July, down 7,000 bpd on the month, the Forties crude oil system is expected to load 561,000 bpd, up 1,000 bpd on the month, the Oseberg crude oil system is expected to load 155,000 bpd, down 8,000 bpd on the month, the Ekofisk crude oil stream is expected to load 382,000 bpd, up 264,000 bpd on the month, the Flotta crude stream is expected to load 63,000 bpd, up 41,000 bpd on the month, the Gullfaks crude stream is expected to load 221,000 bpd up 7,000 bpd, the Staffjord crude stream is expected to load 193,000 bpd, up 22,000 bpd on the month, the Troll crude oil stream is scheduled to load about 240,000 bpd in July, up from 213,000 bpd in June. Denmark's DUC crude oil stream is due to load about 135,000 bpd in July, down from 140,000 bpd in June.

The North Sea Alvheim crude oil stream is scheduled to load 3.9 million barrels or 125,806 bpd. Meanwhile, the North Sea Grane crude oil stream is scheduled to load 4.8 million barrels or 154,839 bpd.

Iraq resumed crude oil exports to Turkey through its northern Kirkuk-Ceyhan pipeline on Friday after suspected sabotage halted flows on June 6.

Oman's average oil production increased by 9% to 854,000 bpd in the first four months of the year compared with the same period in 2009. Its natural gas production increased by 4.7% to 368.99 bcf in the first four months of the year.

Yemen's central bank reported that the country's income from oil exports increased to \$905 million in the first four months of the year compared with \$365 million last year. Yemen's oil exports totaled 11.42 million barrels compared with 8.1 million bpd last year.



Malaysia's Petronas plans to shut its Tapis oilfield in August for maintenance. The seven wells at the field will take turns shutting down, keeping output disruption to a minimum. Output from the Tapis field has fallen to about 200,000 bpd from its production of about 300,000 bpd

for the past few years.

Iraq increased the official selling price of its Kirkuk crude bound for Europe in July by \$2.20 to BWAVE minus \$1.10 while it kept the price of its Kirkuk crude bound for the US unchanged at the Argus ASCI benchmark plus 15 cents. The price of its Basra crude bound for Europe was increased by \$2.40 to BFOE minus \$2.40 while the price of its Basra crude bound for the US was increased by 10 cents to ASCI minus \$1.45 and the price of its Basra crude bound for Asia was cut by 5 cents to the Oman/Dubai average minus \$1.10.

Kuwait Petroleum Corp set its official selling price at \$2 below the Oman/Dubai average for July term supply to Asia.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$72.29/barrel on Friday from \$72.21/barrel on Thursday. It also reported that OPEC's basket of crudes fell by 72 cents to \$71.07/barrel in the week ending June 11th.

Market Commentary

Crude oil rose 1.8 percent, with the July contract testing the \$76.00 level. European industrial production increased 0.8 percent, greater than the expected 0.5 percent. This strengthened the euro, weakened the dollar and made commodities more appealing as a financial hedge. With the BP well still leaking oil, supply shortages are on the back of everyone's minds, especially with the U.S. summer driving season upon us. It has been expected that demand in the second half of 2010 would increase and this too has been supporting current market movement. This is reflected in the shape of

the forward curve, which is indicating continued front-end strength. This market appears to be technically constructive and as a result we would look for higher numbers, with an initial upside objective of \$76.81. We would however, continue to use the 38 percent retracement level of \$75.79 as a pivotal area. The December10/December11 crude oil spread strengthened today, gaining 30 cents. We would continue to remain long this spread, with a stop loss set at -\$4.12. Our objective remains -\$2.97.

Crude oil July 10 156,818 -41,285 Aug 10 264,158 +32,698 Sept 10 133,853 +7,854 Totals 1,339,216 +98
 Heating oil July 10 59,001 -3,403 Aug 10 65,575 +4,889 Sept 10 38,134 +2,063 Totals 322,715 +7,911.
 Gasoline July 10 65,518 -3,151 Aug 10 59,519 +1,719 Sept 10 46,051 +1,945 Totals 256,093 +1,801

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
6950	7630	19230	20580	18890	20855
6715	7775	18480	21150	18420	21925
6610	7846	18365	21780	18260	24880
6425	8113	18270	21905	18120	27085
6270	8360	16585	23820	17475	27900