

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 15, 2010

Iran's Foreign Ministry rejected the European Union's plans for further sanctions against Iran over its nuclear program as "illogical and wrong". The EU is expected to push ahead with plans for tighter sanctions against Iran on Thursday, including measures to stem investment in the energy sector. The EU sanctions would target Iran's key sectors of the gas and oil industry, trade including dual use items, banking and insurance and Iran's transport sector, including shipping and air cargo. Iran's Foreign Ministry

Market Watch

The US Labor Department said US import prices posted the largest decline in almost a year in May as energy prices fell. Import prices in May fell 0.6% on the month following a 1.1% gain in April, which was revised up from an originally reported 0.9% increase. It reported that petroleum import prices fell 5% in May. Excluding petroleum prices, import prices increased 0.5% on the month.

The Federal Reserve Bank of New York's Empire Manufacturing Survey indicated business conditions improved in June. The Empire State's business conditions index increased to 19.57 this month from 19.11 in May. The index for new orders increased to 17.53 this month from 14.3. The index for shipments increased to 19.67 from 11.29 in May. The index for employment remained positive but fell to 12.35 from 22.37 in May.

The National Association of Home Builders said the NAHB/Wells Fargo Housing Market index fell 5 points to 17, the largest decline since November 2008.

The National Hurricane Center downgraded to 20% the chance that a low pressure system in the central Atlantic Ocean would develop into a tropical cyclone. It said conditions are expected to become less favorable for tropical cyclone formation during the next day or so. Most weather models project it will reach the waters around the Dominican Republic over the next five days or so.

The IHS Inc said exploration and production spending in the oil and gas industry is expected to increase by 8% this year after companies cut upstream spending due to the global recession and tight credit markets. It expects spending to reach \$353 billion among more than 110 of the largest publically traded oil and gas companies.

The Tokyo Commodity Exchange plans to take over gasoline and kerosene trading that is currently handled by Central Japan Commodity Exchange starting on October 12th. With the move, all domestic oil trade operations would be consolidated with TOCOM.

The Singapore Mercantile Exchange is set to become the first exchange to trade oil priced in euros, allowing market participants to hedge energy and currency exposure simultaneously during Asian trading hours. SMX plans to launch the first euro denominated futures contract for Brent crude. The electronically-traded Brent crude contract in euros will complement SMX's WTI crude futures.

Noble Group closed its liquefied petroleum gas trading desk globally. The company's director of its oil trading division Noble Clean Fuels denied a market rumor that the firm had lost between \$50 million-\$100 million on its oil trading business this year.

API Stocks

Crude – up 579,000 barrels

Distillate – up 2.143 million barrels

Gasoline – up 1.344 million barrels

Refinery runs – down 1.7% at 85.1%

said sanctions would not stop Iran's nuclear work. Iran's President Mahmoud Ahmadinejad said the UN sanctions were like a "used handkerchief" and criticized the unstable behavior of foreign companies over investment in Iran's energy sector. Separately, an Iranian official said Iran will curb its mineral exports to countries that supported a new round of UN sanctions. Iran has minerals including chromite,

lead, zinc, copper, coal, gold, tin and iron. The official did not say who the buyers of Iranian mineral products are.

According to MasterCard's SpendingPulse report, US gasoline demand increased by 1.4% or 130,000 bpd to 9.276 million bpd in the week ending June 11th. Demand in the latest week was 2.2% or 209,000 bpd below a year ago. In the latest four weeks, demand was 0.6% or 53,000 bpd above a year ago at 9.373 million bpd. The average retail price of gasoline fell by 1 cent to \$2.70/gallon.

BP Plc temporarily suspended its oil collection efforts on Tuesday after a collection vessel on the surface caught fire. BP said the fire could have been caused by a lightning strike. It expects to resume its oil collection efforts Tuesday afternoon. It was reported earlier that BP Plc was expected to start a second oil collection system to capture more crude from its ruptured Gulf of Mexico well. The company's containment system at its seabed well captured 15,420 barrels of oil on Monday. BP will try to collect the leaking oil until a pair of relief wells now being drilled plugs the well in August. BP's overall new plan proposes adding 50,000 bpd of capacity by the end of June and another 30,000 bpd by mid-July. The system scheduled to start on Tuesday will add up to 10,000 bpd of capacity as part of the overall expansion.

Oil company executives put further distance between their companies and BP Plc, telling Congress that they would have made different well design decisions than those made by BP. Comments from Chevron Corp and ExxonMobil Corp came a day after House Energy and Commerce Committee investigators described how BP officials ignored safety warnings from their own personnel and contractors and used well design techniques that saved money and time.

US Geological Survey Director Marcia McNutt said the final oil spill rates from the Deepwater Horizon well in the Gulf of Mexico will not be known for a long time.

Nigeria's government threatened ExxonMobil Corp with sanctions if it fails to manage spills properly in talks with company officials. The head of Nigeria's oil spill response agency, Idris Musa did not specify what the sanctions could be.

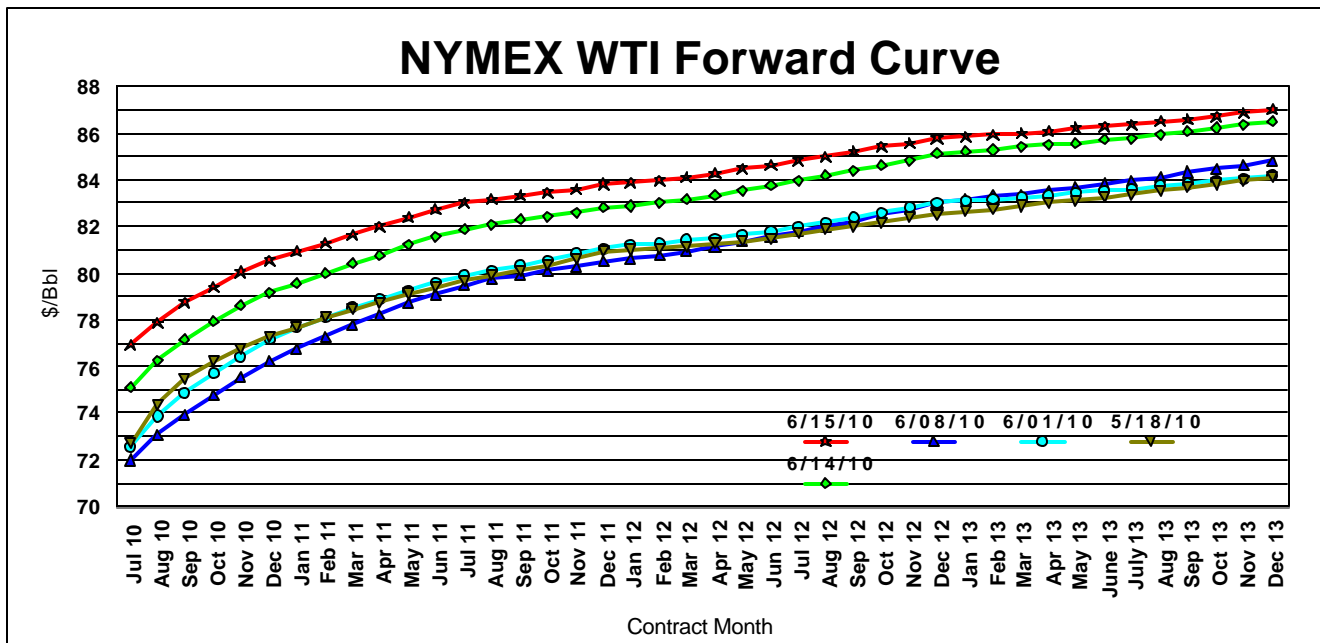
The EPA said the US climate and energy bill sponsored by Senators John Kerry and Joseph Lieberman last month would cost households an average of \$79 to \$146 per year. Senate Majority Leader Harry Reid wants a broad energy bill to move to the Senate floor in coming weeks, though the Kerry-Lieberman legislation faces strong opposition from lawmakers in coal and oil states.

Refinery News

Chevron Corp recovered 500 barrels of crude after a Salt Lake City pipeline leaked an estimated 800 barrels over the weekend. The pipeline transports an average of 15,000 bpd of crude to refineries in the Salt Lake City area. Operations at Chevron's 45,000 bpd refinery in the area were not affected.

Alyeska Pipeline Service Co said its Trans Alaska Pipeline is scheduled to shutdown for up to 36 hours starting Saturday morning. It is the first of two scheduled shutdowns for the summer.

June Calendar Averages
CL – \$73.70
HO – \$2.0062
RB – \$2.0388



Shell reported that maintenance on a coker unit at its 250,000 refinery in Norco, Louisiana on Monday produced emissions, including hydrogen sulfide.

India's Reliance Industries restarted a fluid catalytic cracking unit at its 580,000 bpd after a nearly week long unplanned shutdown due to a technical snag. The unit was restarted on Monday evening and was expected to reach full capacity Tuesday evening.

Production News

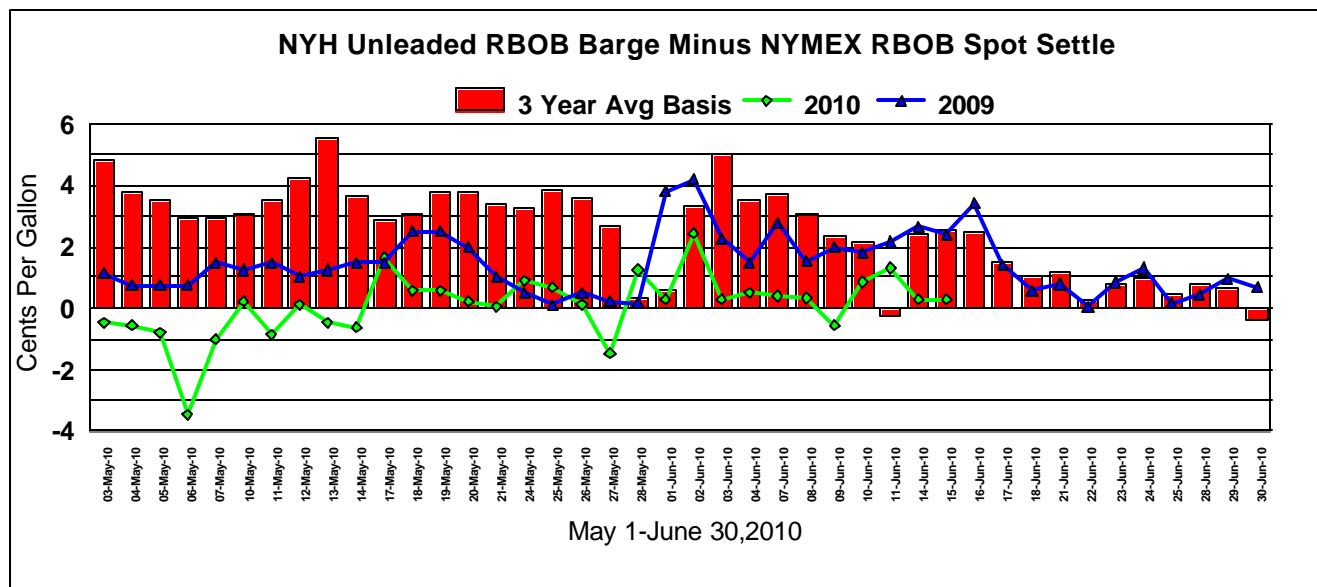
The Norwegian Oil Industry Association said some 400 workers at Norwegian North Sea oil and gas platforms will strike starting midnight Wednesday if labor negotiations between three unions and two operating companies fail. The dispute involves workers at Gullfaks B and Gullfaks C platforms operated by Statoil ASA and at Draugen field operated by Royal Dutch Shell. The Gullfaks C platform was shut and evacuated on May 20th due to a fault, however the strike could also affect the Gullfaks B platform. The Gullfaks crude oil stream has been scheduled to load about 228,000 bpd in June. The Draugen field's capacity in April stood at 42,600 bpd.

Saudi Aramco said its oil output fell by 1 million bpd in 2009 to 7.9 million bpd from 8.9 million bpd in 2008. Its crude oil exports fell to 5.65 million bpd in 2009 from 6.88 million bpd in 2008. Saudi Aramco added more than 2 million bpd of production capacity in 2009. It completed an expansion program that increased its capacity to 12 million bpd, increasing the country's total capacity to 12.5 million bpd. Aramco's recoverable oil and condensate reserves increased to 260.1 billion barrels from 259.9 billion barrels stated in last year's review. Gas reserves increased to 275.2 trillion cubic feet, up from 263 trillion cubic feet last year.

Separately, Saudi Aramco said it will start producing 500,000 bpd of Arabian Heavy crude from its Manifa project by June 2013, with output set to increase to 900,000 bpd in 2024.

Iran's Jomhuri-ye Eslami newspaper reported that Iran discovered 30 billion barrels of oil in place at a southwestern oilfield that borders Iraq. With average recovery factors between 20% and 50% of oil in place, the Arvand-Kenar field could increase Iran's proven reserves by as much as 15 billion barrels.

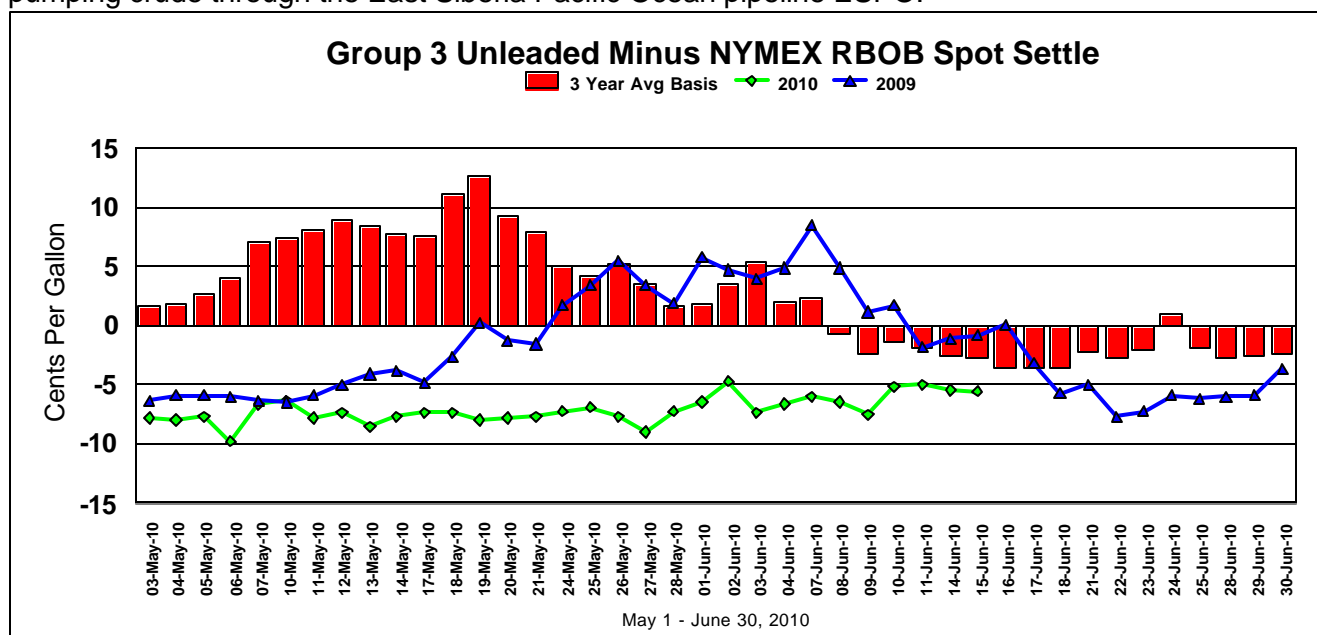
Angola intends to ship between six and seven cargoes of Kissanje crude in August. It will also export



five to six Girassol cargoes and seven to eight Nemba crude cargoes.

Petroecuador exported 8.31 million barrels or 268,064 bpd of crude in May, up 20% from 6.9 million barrels or 222,582 bpd reported last year.

Russia's ministries have agreed to reintroduce the export duty for East Siberia oil fields from July 1 at 45% of the price in excess of \$50/barrel to increase tax revenue. Traders said the reintroduction of the duty on exports of Russian ESPO crude from next month may have a limited impact on prices. The duty will be lower than the normal tariff on other oil fields, set at \$248.80/ton from July. Russia had abandoned the export duty for 13 East Siberian oil fields from December, when Russia started pumping crude through the East Siberia-Pacific Ocean pipeline ESPO.



According to Russia's Finance Ministry, Russia is set to cut its oil export duty in July by about 15% from \$292/ton. Export duties on light refined products, such as gasoline and gas oil are likely to total

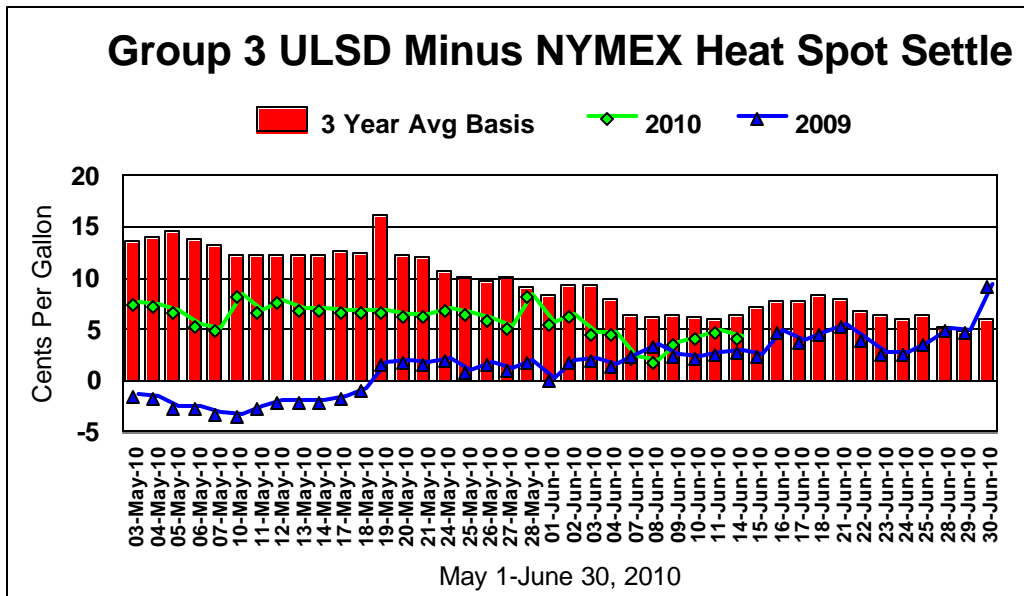
\$179.90/ton, down from the current level of \$209.10/ton while export duties on heavy refined products are likely to total \$96.90/ton, down from \$112.70/ton.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$73.35/barrel on Monday from \$72.29/barrel on Friday.

Market Commentary

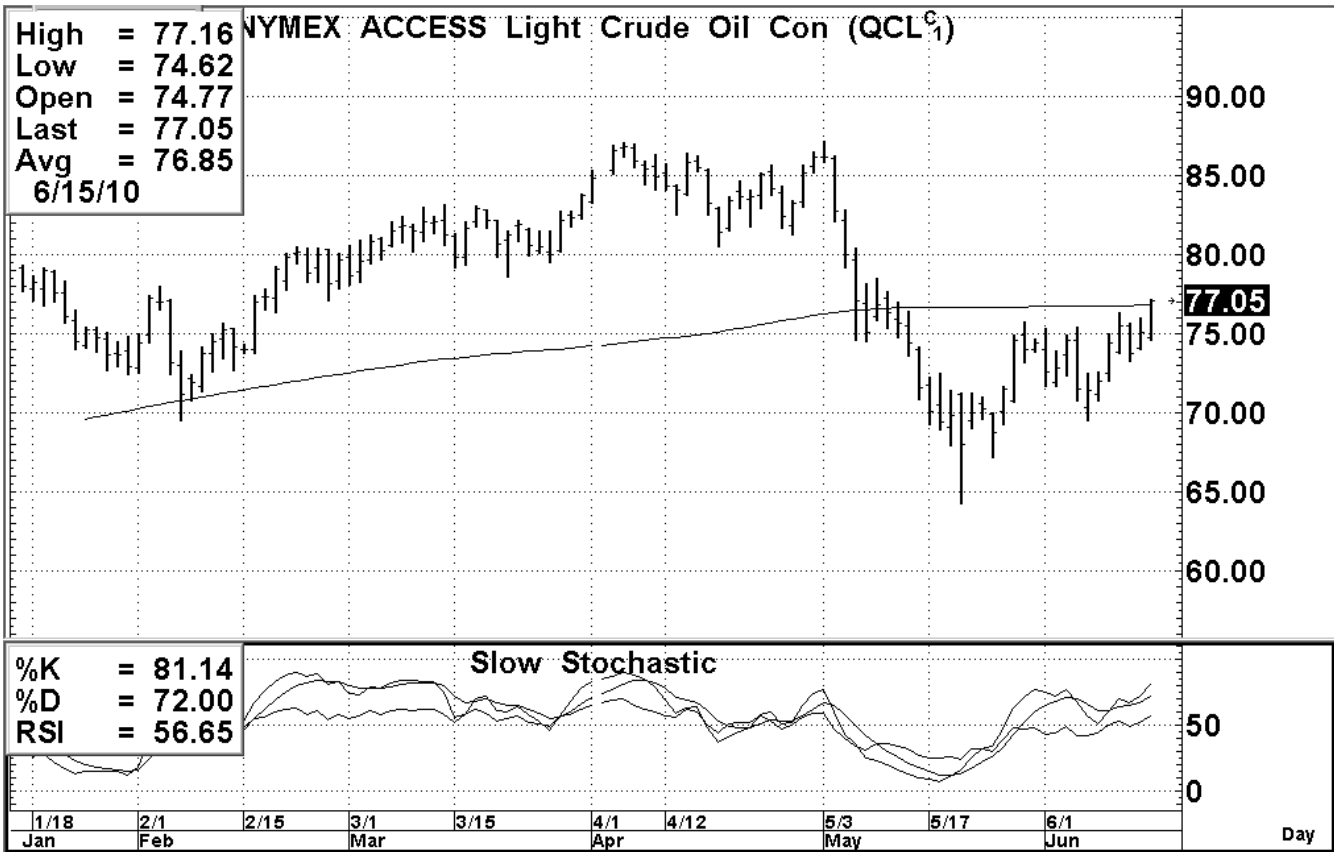
Crude oil rose 2.4 percent just ahead of the release of the inventory numbers. Stocks climbed across the globe, as

it appears that investors are becoming less concerned regarding Greece's debt issues and its impact on the European economy. This gave bulls the green light to move this market higher, allowing for a settlement above the 200-day moving average of \$76.85. There appears to be renewed optimism that the global economy is making a turn around, allowing for more room to the upside. Our immediate near term objective is \$78.46, although we would not discount moves to \$85.00. The December 10/December 11 crude oil spread continues to strengthen. At this time we would like to readjust our upside objective to -\$2.73, the 50 percent retracement between the range of -\$4.49 and -0.98.



The API reported an unexpected build in crude stocks of 579,000 barrels on the week. It showed that crude stocks in Padd 2 increased by 718,000 barrels while crude stocks in Padd 3 fell by 1.049 million barrels on the week. It reported the build in crude stocks as crude runs fell by 180,000 bpd to 14.578 million bpd on the week. It however showed that crude imports fell by a total of 722,000 bpd to 8.708 million bpd. The API reported a larger than expected build in distillate stocks of 2.143 million barrels on the week, with a build of 1.697 million barrels in Padd 1 alone. It reported the build as imports increased by 88,000 bpd or 62.4% to 229,000 bpd and production increased slightly by 6,000 bpd or 0.1% to 4.368 million bpd. It however showed that apparent demand increased by 5.3% on the week to 4.291 million bpd and apparent demand basis its three week moving average increased by 1.2% to 4.287 million bpd. Gasoline stocks also saw a larger than expected build of 1.344 million barrels. It reported the build in stocks as gasoline production increased by 325,000 bpd or 3.6% on the week to 9.315 million bpd and imports increased by 94,000 bpd or 241% to 133,000 bpd. Apparent gasoline demand however increased by 5% to 9.256 million bpd while apparent demand basis its three week moving average fell by 1.1% to 9.134 million bpd

Crude oil July 10 143,248 -13,570 Aug 10 278,162 +14,004 Sept 10 133,526 Totals 1,345,031 +5,815 Heating oil July 10 57,286 -1,715 Aug 10 65,575 unchanged Sept 10 38,673 +539 Totals 324,211 +1,496. Gasoline July 10 61,169 -4,349 Aug 10 58,915 -604 Sept 10 45,784 -267 Totals 251,433 -4,660



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.