



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 16, 2009

Iran's Guardian Council on Tuesday ruled out annulling a disputed presidential poll that has prompted the largest street protests since the 1979 Islamic revolution but said it was prepared for a partial recount. It said it is ready to recount the disputed ballot boxes claimed by some candidates in the presence of their representatives. Meanwhile Iran's Supreme leader Ayatollah Ali Khamenei said he is in favor of a partial recount of last week's presidential election if necessary. Iranians outraged by Mirhossein Mousavi's defeat planned another rally on Tuesday, even though seven

Market Watch

The US Commerce Department said housing starts increased by 17.2% to a seasonally adjusted annual rate of 532,000 units in May from April's revised level of 454,000 units. It said ground breaking for multifamily units increased by 61.7%.

US producer prices increased by less than expected in May despite an increase in gasoline costs. The Labor Department said the seasonally adjusted producer price index increased by 0.2% compared with a 0.3% rise in April. The PPI is down 5% from one year ago, the largest decline since August 1949. The core PPI, which excludes food and energy, fell 0.1% from April, the first decline since October 2006. Wholesale energy prices increased 2.9% last month while gasoline prices increased by 13.9% from April, the largest monthly increase since January.

A Federal Reserve report showed that US industrial production fell more than expected by 1.1% in May as output fell sharply at factories, utilities and mines. The capacity utilization rate for total industry, a measure of slack in the economy, fell to 68.3%, the lowest level on records dating back to 1967.

BNP Paribas' chief economist, Brian Fabbri said a broad range of commodities look overpriced relative to demand and to prospects for the global economy's recovery. He said oil prices should be at \$45-\$50/barrel.

European Union statistics office Eurostat said a large fall in oil prices bought euro zone inflation to its first ever standstill in May. Consumer prices in May grew by 0.1% on the month and were unchanged on the year. Energy prices increased by 0.4% on the month but fell by 11.6% on the year.

China has doubled its purchases of spot liquefied natural gas cargoes to at least four in July from two in June due to falling price and rising demand. In a sign of recovering energy demand, power generation in Guangdong, China's exporting hub, ended months of negative growth in the first ten days of June by increasing by 11% on the year.

Separately, China's President Hu Jintao offered \$10 billion of credit support to help Shanghai Cooperation Organization members to make their own efforts in countering the shock of the global economic crisis.

API Stocks

Crude – down 1.262 million barrels
Distillate – up 881,000 barrels
Gasoline – up 2.14 million barrels
Refinery runs – down 0.8%, at 83.3%

people were killed on Monday. However the opposition candidate Mirhossein Mousavi urged his supporters not to attend the rally to protect lives, saying it was cancelled. President Mahmoud Ahmadinejad's supporters called for a counter rally at the same Tehran square, possibly setting the scene for more confrontation.

Meanwhile, US President Barack Obama said he is deeply troubled by post-election violence in Iran and urged Iran to investigate voting irregularities in a way that would not result in bloodshed. He said he will continue pursuing tough, direct dialogue with Iran despite the differences with incumbent President Mahmoud Ahmadinejad. He said he believed people's voices should be heard and not suppressed in Iran. He stressed that the US respected Iran's sovereignty and could not judge how the election was run because neither US nor international observers were present.

BP Plc's energy economist, Mark Finley said the recent rally in crude prices reflects perceptions that an improving economy is leading to a recovery in oil demand while OPEC production cuts are effectively cutting excess supply. While he expects the oil market to remain volatile in the short term, the OPEC cuts and a recovering economy should begin to rebalance the market in the medium term.

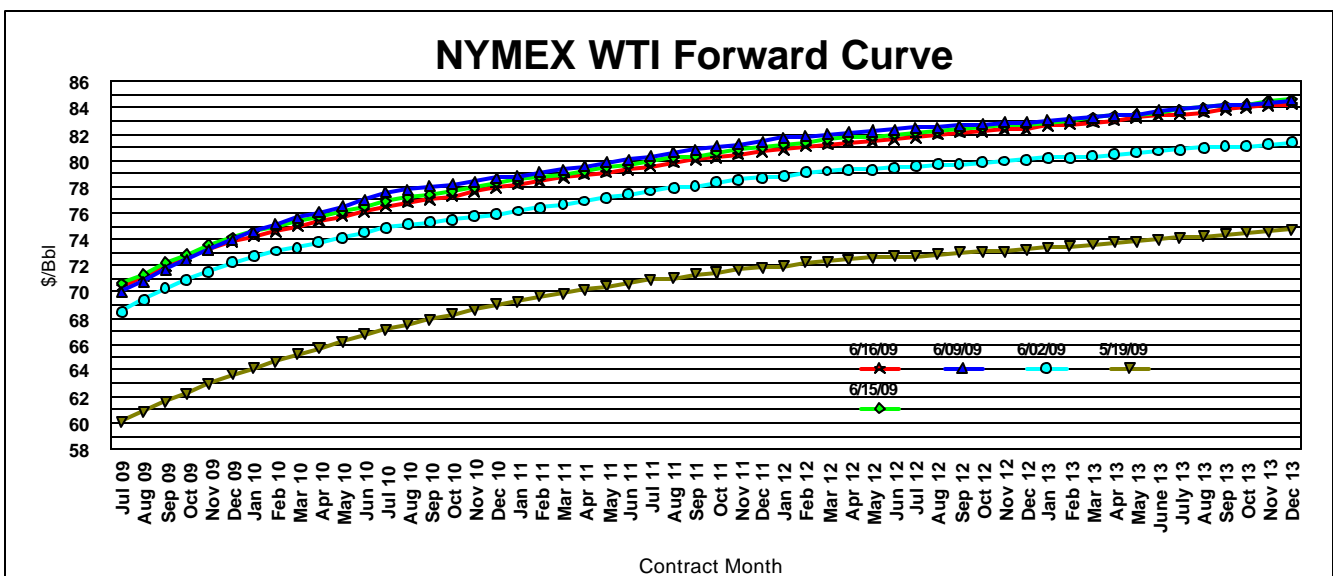
June Calendar Averages
CL – \$69.65
HO – \$1.8005
RB – \$1.9848

StatoilHydro ASA said it will pay for all family members of its foreign workers to leave Iran because of security concerns over the post election violence. StatoilHydro employs 120 people in Iran, half of whom are foreign workers. There are no plans to pull out its employees.

Iraq's parliament has called on the Oil Minister to answer questions about government plans to auction off service contracts in oil fields to foreign companies at the end of June. Iraq's Oil Minister Hussain al-Shahristani and senior executives from Iraq's South Oil Co and the Iraq Drilling Company will appear before the legislative chamber next Tuesday. Meanwhile, the Iraqi Oil Ministry said it will proceed with the awarding of eight oil and gas fields at the end of June as scheduled despite the calls for a postponement or cancellation.

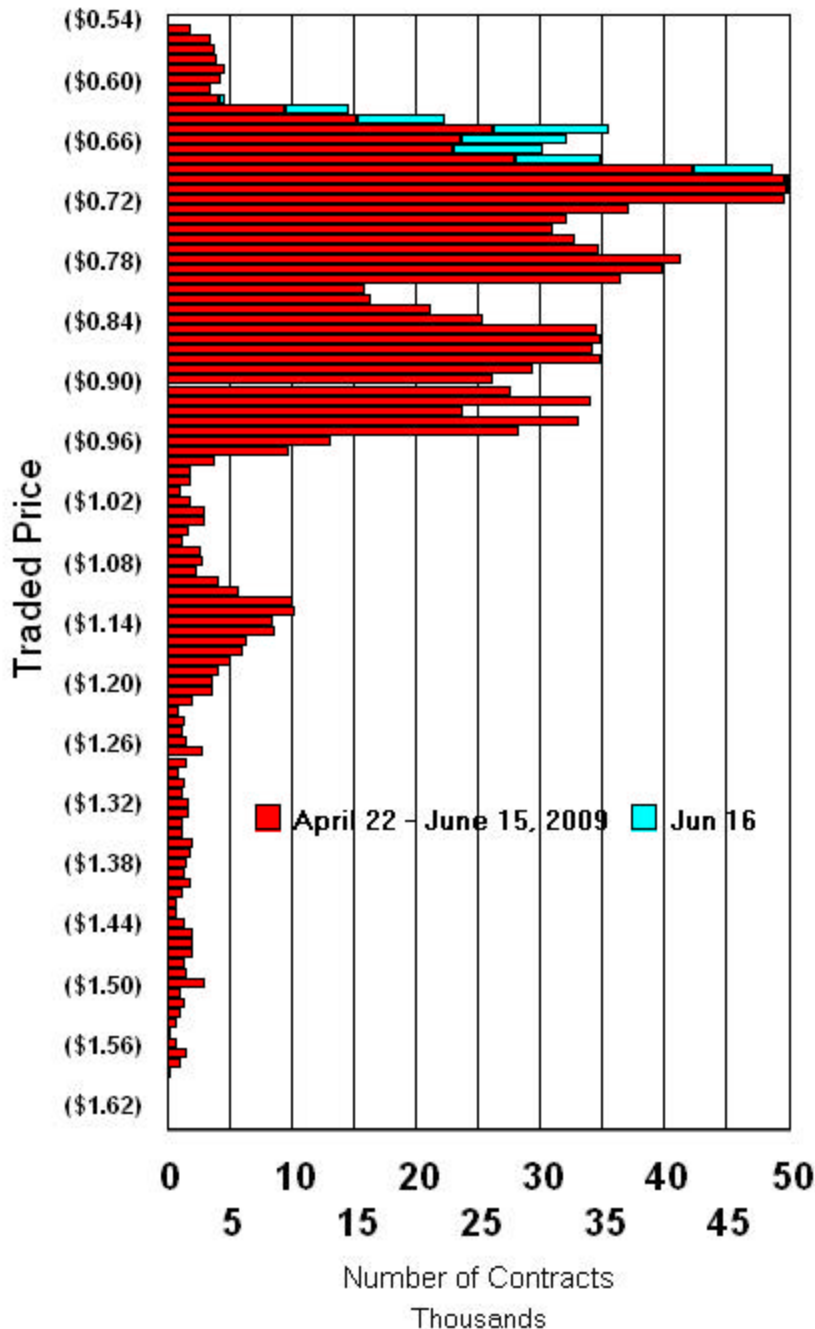
Refinery News

BP Plc is shutting a distillate desulfurization unit at the 410,000 bpd Whiting, Indiana refinery after a compressor was shut due to a leak.



NYMEX WTI: July Aug Spread Price Vs Volume for April 22 - June 16, 2009

Trade Weighted: 6/12 -0.73, 6/15 -0.71, 6/16 -0.66



The total volume of distillates held in floating storage globally reached 62 million barrels, up 51% since the end of May, with the bulk of it in Europe. Vitol shipped 130,000 tons or 975,000 barrels of Asian gas oil for floating storage in Europe on Monday. Royal Dutch Shell increased its floating storage capacity by 1.3 million barrels with the booking of two tankers. At the end of May, the volume of refined fuel stored on ships was much lower at 41 million barrels.

Indonesia's Pertamina announced plans to increase its refinery capacity by 70% in an effort to cut costly oil product imports. Pertamina's nine refineries have a combined capacity of about 1 million bpd. However they only supply 70% of domestic oil product consumption and the remaining 30% is supplied with imports.

The China Securities Journal reported that China will begin construction of oil and gas pipelines through Myanmar in September that will enable it to shorten the trip for crude imports from the Middle East and Africa. The oil and gas pipelines will help China cut out oil cargoes' long detour through the congested Malacca Strait as well as strengthen its access to energy reserves in Myanmar itself.

Nigeria is expected to issue a tender later this week to buy gasoline supplies for the third quarter of 2009. Imports of gasoline will total 40 cargoes or more as Nigeria looks to rebuild supplies following fuel shortages in May.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 06/16/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	8	9	C	85	1.17	1.15	500	0	0
AO	9	9	C	85	2	1.95	400	0	0
AO	11	9	C	80	5.24	5.28	400	0	0
AO	7	9	C	80	0.76	0.78	400	0	0
AO	12	9	C	85	4.26	4.24	400	0	0
AO	10	9	C	80	4.35	4.37	400	0	0
AO	7	9	C	85	0.28	0.29	400	0	0
AO	9	9	C	80	3.29	3.24	400	0	0
AO	12	9	C	80	5.96	5.98	400	0	0
AO	10	9	C	85	2.87	2.85	400	0	0
AO	11	9	C	85	3.62	3.64	400	0	0
AO	8	9	C	80	2.17	2.15	400	0	0
LC	7	9	P	150	79.53	79.38	2566	0	0
LC	7	9	C	75	0.04	0.15	1175	0	0
LC	10	9	P	130	57.29	57.07	1010	0	0
LC	10	9	P	30	0.02	0.01	1010	0	0
LC	10	9	C	30	42.59	42.81	1010	0	0
LC	10	9	C	130	0.02	0.02	1010	0	0
LC	8	9	P	65	1.56	1.54	700	0	0
LC	9	9	C	75	3.99	3.98	500	0	0
LC	12	10	C	95	6.47	6.49	500	0	0
LC	9	9	P	71	4.88		500	0	0
LC	12	10	P	35	0.88		400	0	0
LO	12	10	C	100	5.42	5.42	7203	0	0
LO	12	10	C	110	3.98	3.96	7100	0	0
LO	9	9	C	90	0.75	0.73	5355	0.88	0.7
LO	8	9	P	60	0.67	0.65	5074	0.75	0.52
LO	9	9	P	55	0.72	0.67	4887	0.76	0.64
LO	7	9	P	70	0.79	1.04	4880	1	0.26
LO	7	9	C	75	0.04	0.15	4427	0.37	0.05
LO	9	9	C	85	1.31	1.29	4166	1.5	1.5
LO	12	9	P	60	3.03	2.87	4154	3	2.95
LO	8	9	P	55	0.24	0.24	4129	0.31	0.21
LO	7	9	P	69	0.44	0.68	2363	0.61	0.18
LO	12	9	C	90	2.74	2.73	2226	3.05	2.59
LO	7	9	C	70	1.26	1.66	2144	3	0.85
LO	9	10	C	95	5.15	5.15	2000	0	0
LO	12	10	C	95	6.5	6.53	2000	0	0
LO	7	9	C	72	0.42	0.75	1973	1.47	0.25
LO	12	11	C	150	2.83	2.85	1800	0	0
LO	9	9	C	75	3.99	3.98	1773	4.85	4.11
LO	12	10	P	67	7.84	7.69	1750	0	0
OB	8	9	C	2.18	0.0685		320	0.0725	0.0725
OH	12	9	C	2.15	0.1571	0.1543	450	0	0
OH	12	9	C	2.75	0.0418	0.0403	302	0	0
OH	12	9	C	2.66	0.0513	0.0496	300	0	0

According to Germany's MWV, total sales of oil products in Germany increased by 8.7% on the year in May to 6.14 million metric tons. Germany's heating oil sales in May increased by 45% on the year to 1.46 million tons while its high sulfur fuel oil sales increased by 13.5% to 460,000 tons and its diesel sales increased by 0.7% to 2.47 million tons. Meanwhile, Germany's gasoline sales fell by 1.9% on the year to 1.75 million tons.

Production News

Production at the 35,800 bpd Vincent oil field off western Australia resumed operation after a fire shut it down in April. The field was shut in mid April following a fire on board a floating production and storage terminal.

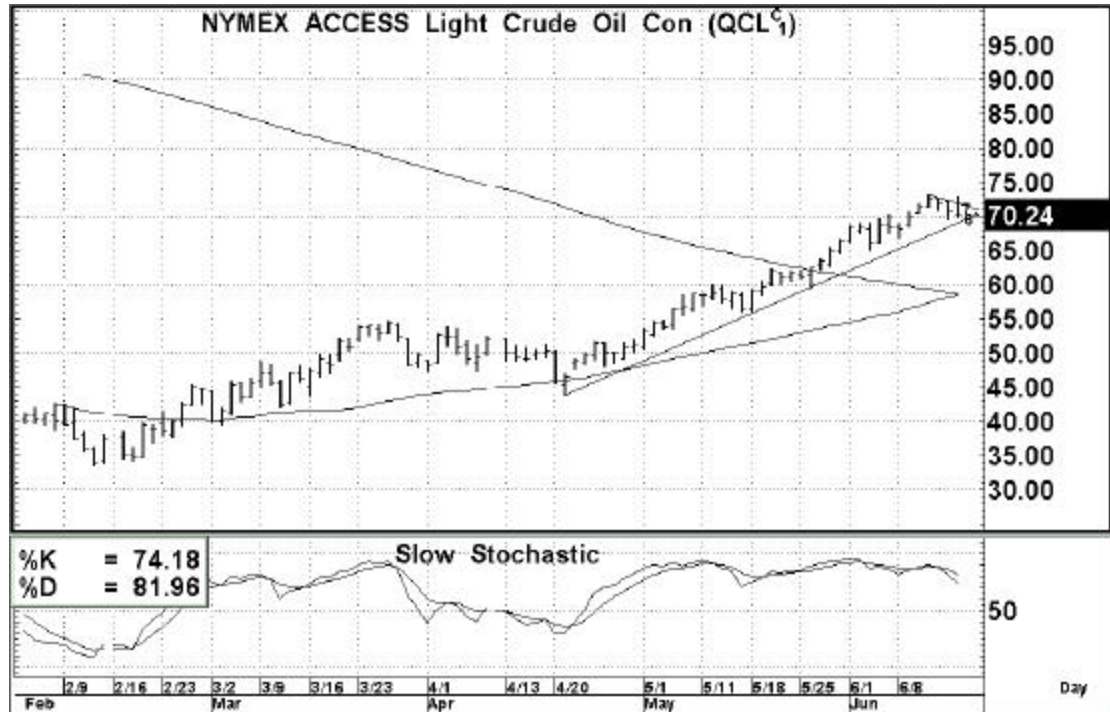
BP Plc said its North Sea Valhall oilfield resumed production yesterday after repeated oil and natural gas leaks prompted a shutdown of the facility on April 2nd. It is producing 13,000 bpd compared with its usual production of 50,000 bpd.

Russia's Lukoil Holdings signed a deal with Sinopec to deliver 3 million metric tons of oil between July 2009 and June 2010. Since January, Lukoil has sold 700,000 tons of oil to China.

Ukraine's State Statistics Committee said the country cut its crude oil production in January-May by 6.4% on the year to 1.217 million tons. Its gas condensate output fell by 7.2% to 436,000 tons. Meanwhile, its gasoline output in January-May 2009 fell by 6.3% on the year to 1.32 million tons. It said refineries increased gas oil production 18.1% to 1.561 million tons so far this year.

Azerbaijan's State Statistics Agency reported that the country produced 20.396 metric tons or 990,084

Spot continuation chart for crude oil. While prices made new highs, moving oscillators did not and have crossed to the downside. This is divergence in the market. Short term, stochastics are pointing to the downside, while 200 & 50 day moving averages appear to be getting ready to cross to the upside. Based upon this we would look for dips in this market for buying opportunities.



barrels of crude oil in January to May, up 2.3% on the year. The BP led consortium that operates Azerbaijan's Azeri-Chirag-Guneshli block in the Caspian Sea produced 16.9 million tons in the first five months of the year while Socar produced 3.5 million tons in January to May.

Chevron Corp said it will still proceed with the implementation of oil and gas projects in Nigeria despite the recent wave of militant attacks on the company's facilities in the Niger Delta region. Company officials and oil industry analysts feared that the recent attacks on Chevron pipelines and flowstations may cause the company to evacuate employees and shut in its operations. The facilities targeted by the militants have not been in production since May 25th after an attack on a major trunk line forced it to shut in 100,000 bpd of oil production.

The government of Newfoundland and Labrador signed a memorandum of understanding with a consortium that includes ExxonMobil Corp to develop the 220 million barrels Hibernia south oil field. The new field will increase existing production from the Hibernia oil field. The government said Hibernia has pumped almost 700 million barrels of oil since it started production in 1997 however output has been declining as the field ages.

OPEC's news agency reported that the OPEC basket price fell further to \$69.24/barrel on Monday from \$70.45/barrel on Friday.

Market Commentary

Once again the energy markets were driven higher by movement in the dollar. As the dollar weakened oil increased for the first time in three days. Adding to today's run-up in prices was an improvement in U.S. housing starts and producer prices in May, along with tensions in Iran. The July crude oil traded

above \$72.00 a barrel, up \$2.00 on the day, only to retreat to below unchanged in response to a lower equities market. Crude oil inventories are expected to decrease by 2 million barrels and are currently 11% above the five-year average. This is still an oversupplied – under demanded market and based upon fundamentals, is due for a correction to the downside. The July gasoline contract rose to \$2.1124 a gallon as refinery outages spread fear of supply shortages. This is the highest level gasoline has achieved in eight months. Inventory builds are expected tomorrow and this could weigh on prices. The economic outlook, despite showing faint signs of improving, is overall weak. This should continue to impact demand.

Crude Oil JUL.09 125,107 -9,281 AUG.09 249,528 +6,691 SEP.09 126,750 +204 OCT.09 44,296 +1,621 Totals: 1,207,462 +1,198 N.Y. Heating Oil (HO) JUL.09 43,676 -2,495 AUG.09 44,636 +1,491 SEP.09 33,876 +321 OCT.09 21,333 +49 Totals: 286,301 + 775 NEW YORK HARBOR RBOB (RB) JUL.09 58,852 -3,410 AUG.09 64,238 +4,827 SEP.09 40,934 +1,048 OCT.09 21,356 +325 Totals: 225,591 +3,469

The API reported a smaller than expected draw in crude stocks of 1.262 million barrels, with a draw of 1.04 million barrels reported in Padd 2. It reported the draw in crude stocks despite the increase in crude imports of 832,000 bpd to 9.35 million bpd and the fall in crude runs of 170,000 bpd to 14.581 million bpd on the week. The API reported that distillate stocks built by 881,000 barrels on the week as apparent demand fell by 6.3% to 3.985 million bpd while apparent demand basis its three week moving average fell by 2% to 4.067 million bpd on the week. It also reported an increase in distillate imports of 49,000 bpd or 30.2% on the week to 211,000 bpd. However production fell by 196,000 bpd or 4.8% on the week to 3.9 million bpd. Meanwhile, the API reported a larger than expected build in gasoline stocks of 2.14 million barrels as production increased by 136,000 bpd or 1.5% to 9.035 million bpd and imports increased by 240,000 bpd or 181.8% to 372,000 bpd on the week. Apparent demand increased slightly by 0.8% on the week to 9.101 million bpd while demand basis its three week moving average fell by 2.7% to 9.092 million bpd.

Crude Support	Crude Resistance
Spot 200 day MA 63.33 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, 131.80,1.2700, 1.2625 1.1680,1.0128, .9590	2.0650, 2.1600

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