



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 17, 2010

The head of Libya's National Oil Corp, Shokri Ghanem said Libya is concerned about oil price volatility, which is the result of speculative trading and uncertainties on global markets. He said the price volatility is making it difficult for OPEC to adopt a specific policy.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to fall by 80,000 bpd to 23.58 million bpd in the four weeks ending July 3^d from 23.66 million barrels shipped in the four weeks ending June 5th.

European Union leaders agreed to impose tighter sanctions against Iran

on Thursday, including measures to block investment in the oil and gas sector and curtail refining and natural gas capability. The energy sector sanctions will prohibit new investment, technical assistance and transfers for technologies, equipment and services related to these areas, specifically related to

Market Watch

The US Labor Department said the number of initial claims for unemployment benefits increased by 12,000 to 472,000 in the week ending June 12th. The market was expecting claims to fall by 6,000. The previous week's level was revised upward from 456,000 to 460,000. The number of continuing claims in the week ending June 5th increased by 88,000 to 4,571,000 from the preceding week's revised level of 4,483,000. The unemployment rate for workers with unemployment insurance in the week ending June 5th was 3.6%, up 0.1% from the prior week's unrevised rate of 3.5%.

Separately, the Labor Department said US consumer prices fell for the second consecutive month during May. The Consumer Price Index fell by 0.2% in May following a 0.1% decline in April. It reported that the core CPI, excluding food and energy prices, increased 0.1% in May. The Labor Department's report showed that energy prices fell by 2.9% on the month.

The US Commerce Department said the US current account deficit widened during the first quarter, the third consecutive quarter, as imports outpaced exports. The broad measure of US international transactions registered a shortfall of \$109 billion during the first quarter. The deficit for the fourth quarter of 2009 was revised down to \$100.9 billion from an initial estimate of \$115.6 billion.

The National Oceanic and Atmospheric Administration said above normal temperatures are expected from the East Coast to the South and across the Gulf Coast to the Southwest in July through September. It said below normal temperatures are however expected in a small central region around Iowa and Missouri.

Greek unemployment increased to a 10-year high in the first quarter and it expected to continue rising through 2010 as an austerity plan to repair the country's finances takes effect. The statistics service data showed the jobless rate increased to 11.7% from 10.3% in the last quarter of 2009. Under the EU/IMF fiscal plan, Greece is aiming to cut its budget gap by 5.5% to 8.1% of GDP this year and bring it under the EU's 3% limit by 2014. Wage and pension cuts, coupled with tax hikes, led to a 2.5% contraction in GDP year on year in the first quarter and the recession is expected to reach 4% this year.

**June
Calendar Averages**
CL – \$74.24
HO – \$2.0251
RB – \$2.0566

refining, liquefaction and Liquefied Natural Gas technology. The measures go beyond what some diplomats had foreseen and are likely to put strong financial pressure on Iran.

Iran’s Defense Minister Ahmad Vahidi said Iran was self sufficient in weapons production, dismissing UN sanctions that restrict arm sales to the country.

Genscape reported that oil inventories at the Cushing, Oklahoma oil hub fell by 709,048 barrels to 39.3 million barrels in the week ending June 15th. Inventories fell from a record 40 million barrels last week.

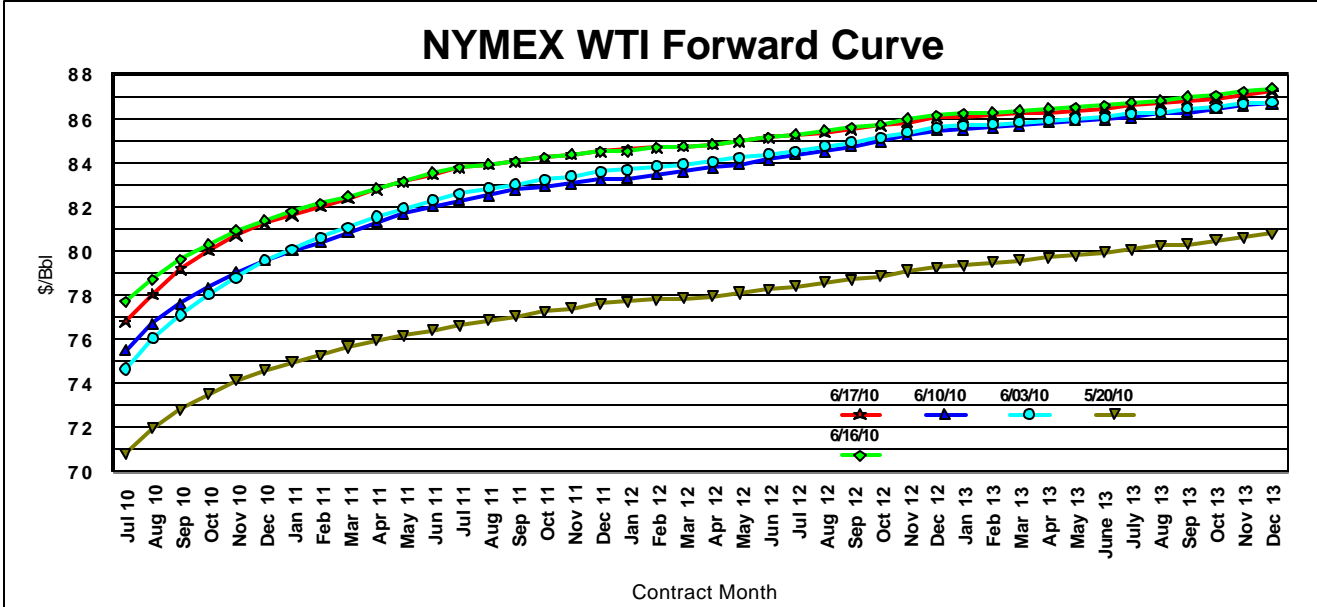
US Coast Guard Admiral Thad Allen said BP Plc is ahead of schedule on drilling a pair of relief wells to eventually stop it from leaking oil in the Gulf of Mexico. He said the company however still expects to finish drilling the wells in August. Meanwhile BP said its dual oil-handling system collected 14,750 barrels of oil and burned off another 3,850 barrels on Wednesday. Both systems should increase to a total oil-handling capacity of 28,000 bpd early next week. BP will continue to adding and changing systems to further increase its oil handling capacity to 53,000 bpd by the end of June and then 80,000 bpd by mid-July.

Refinery News

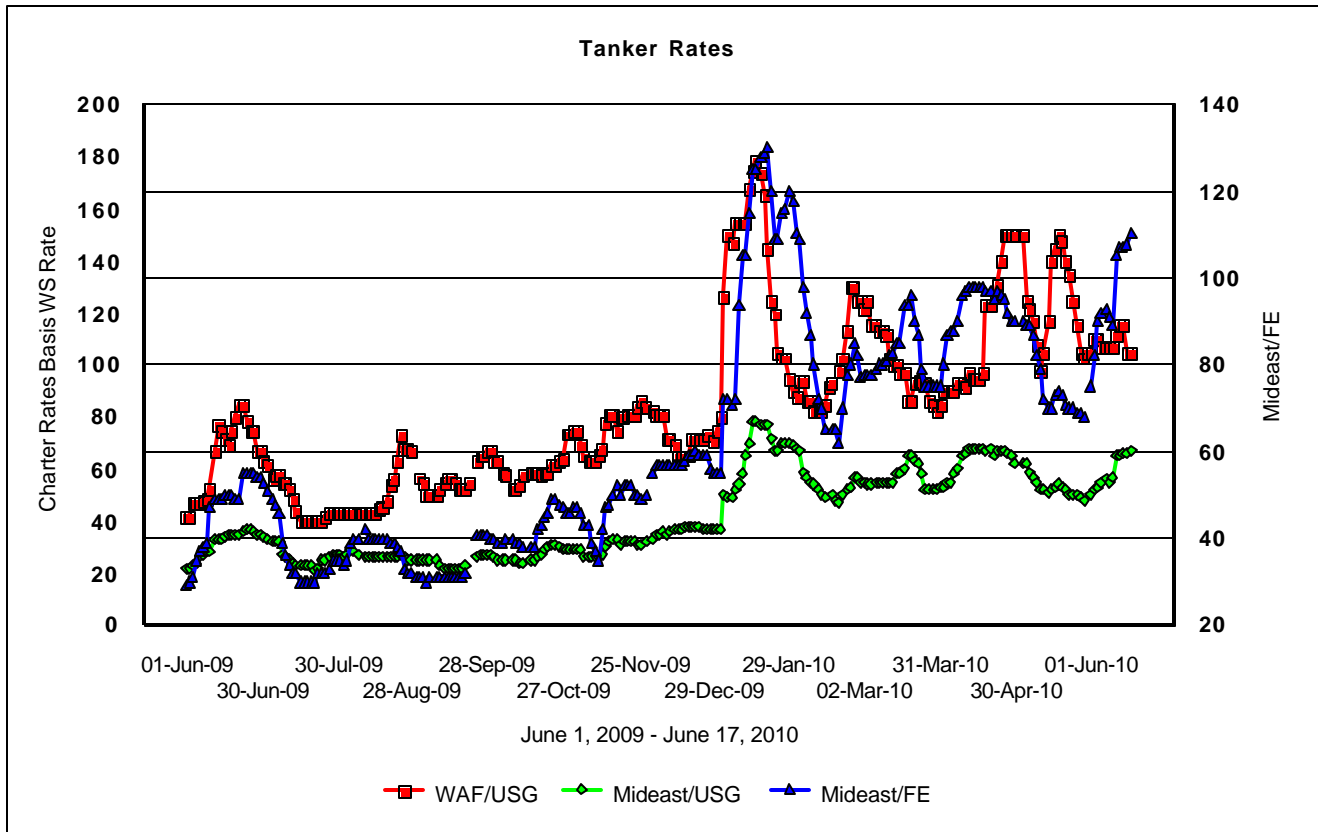
Valero Energy Corp experienced a problem at its 55,000 bpd fluid catalytic cracking unit at its 170,000 bpd McKee refinery in Sunray, Texas. It said the shutdown of its fluid catalytic cracking unit may last until mid-July. The upset was caused when the expander coupling on the power train failed. Valero said it continued to perform maintenance work on a reformer, hydrotreater and crude distillation unit at its Paulsboro, NJ refinery. Valero Energy Corp said a coker unit at its 170,000 bpd Benicia, California refinery continues to operate after a hydrocarbon release on Thursday. It said feed was pulled from the coker unit but is expected to be returned soon. Valero does not expect any production impact from the coker malfunction.

ExxonMobil Corp said operations at its 503,000 bpd Baton Rouge, Louisiana refinery are currently normal following an equipment failure on Wednesday.

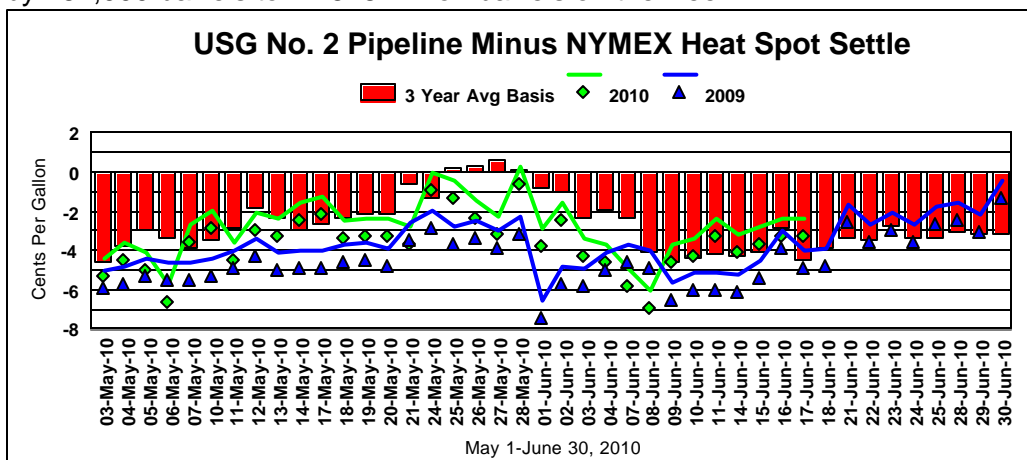
Separately, ExxonMobil Corp will discontinue the production of 0.1% gasoil at its Antwerp refinery at the beginning of next year, according to traders and brokers. Exxon is believed to have invested in a



desulfurization unit at the Antwerp refinery and is expected to concentrate on producing higher quality gasoil with a 50 parts per million and 10 parts per million sulfur content from January 2011, replacing the currently produced 0.1% or 1,000 parts per million.



Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending June 17th fell by 1.23 million barrels to 20.439 million barrels. It also reported that Singapore's light distillate stocks built by 231,000 barrels to 10.713 million barrels and middle distillate stocks fell by 167,000 barrels to 11.628 million barrels on the week.



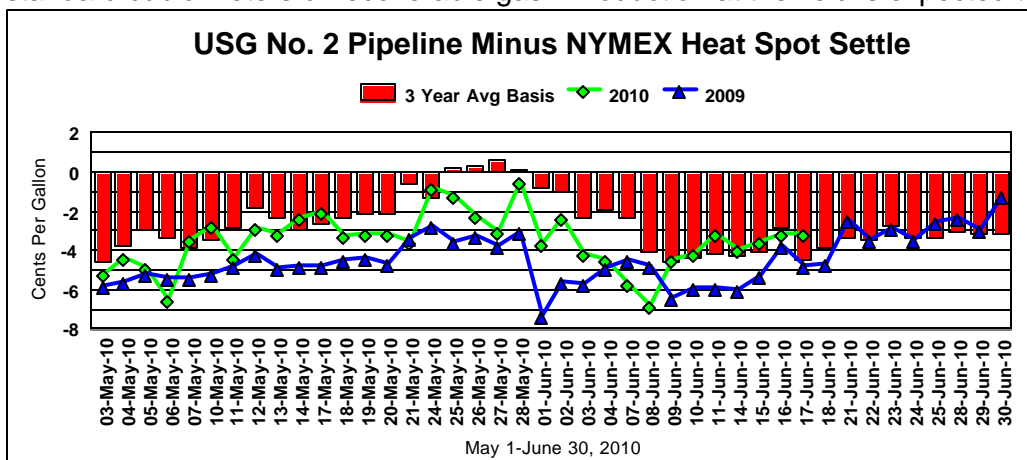
Production News

Norwegian oil workers reached a wage settlement on Thursday, averting a strike that had threatened production in three North Sea oil and gas fields. About 400 workers at Statoil's Gullfaks B and Gullfaks C

fields and Statoil's Draugen field had planned to strike starting Thursday if no agreement was reached.

Norway's parliament approved Statoil's plan to develop and operate the North Sea Gudrun field. Statoil said it would invest in field installations, pipelines and production wells in the Gudrun field,

which has an estimated 11.2 million standard cubic meters of recoverable oil reserves and 6.6 billion standard cubic meters of recoverable gas. Production at the field is expected to start in 2014.



A.P. Moeller-Maersk said DUC oil output in May increased by about 0.7% on the month to 214,300 bpd from 212,900 bpd in April.

Colombia's oil licensing agency, ANH, said the country's crude oil production in May increased by 19% to an average of 776,000 bpd from 653,000 bpd last year. The average oil production in the first five months of the year was 764,000 bpd.

Royal Dutch Shell has about \$40 billion worth of potential investment in deepwater oil projects in Nigeria on hold amid uncertainty over planned reforms to the energy sector. It said it was difficult to make commitments without clarity over the terms of the Petroleum Industry Bill legislation which will change the fiscal and regulatory framework.

Iraq's Oil Ministry said Iraq has initiated a deal with Turkey to extend for 12 years the use of the main pipeline linking its northern oil fields to the Mediterranean port of Ceyhan. The renewal of the existing deal, which expired in March, was the result of lengthy negotiations as Turkey was seeking an extension of between 15 and 20 years.

Russia's OAO Rosneft is in talks with OAO Lukoil about taking a stake in the consortium that owns the pipeline from Kazakhstan to the Black Sea port of Novorossiisk.

Russia's Economy Ministry has proposed that the country set the export duty for oil produced in East Siberia at \$69.90/ton when it reintroduces the levy.

OPEC's news agency reported that OPEC's basket of crudes increased to \$74.15/barrel on Wednesday from \$73.17/barrel on Tuesday.

Market Commentary

Crude oil fell for the first time in four days after the U.S. Labor Department reported that the number of Americans filing for unemployment rose to a one-month high and a manufacturing report out of Philadelphia indicated that manufacturing expanded at a slower pace than anticipated. The closing of Valero's fluid catalytic cracker at its McKee refinery added to the pressure on crude oil while products found support off of this news. Once again the crack spreads gained. The July crude oil contract traded in a choppy fashion as it experienced an inside trading session. Adding to the choppiness was the expiration of the July crude oil contract. The front end of the curve weakened, testing the -\$1.50 level in response to near record storage levels at Cushing, OK. With Valero's refinery down coupled with the aforementioned stock levels, we could easily see this spread weaken further. Should the front month spread settle below -\$1.64 would look for at least another 80 cents to the downside. Based

upon a weekly chart, we would like to see a settlement above the \$76.30 level, last week's high. Moving oscillators are trending higher in neutral territory. We could see a period of consolidation prior to this market resuming its upside movement. The \$85.00 area remains our near-term upside objective.

Crude oil July 10 115,107 -16,902 Aug 10 285,472 +4,820 Sept 10 138,891 +4,206 Totals 1,327,007 -9,526 Heating oil July 10 51,224 -2,915 Aug 10 67,193 +168 Sept 10 40,543 +1,001 Totals 328,576 +2,682. Gasoline July 10 50,636 -3,473 Aug 10 62,199 +2,250 Sept 10 46,955 +1,194 Totals 247,813 +1,333.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	7846	21200	21510		21925
7617	8113	20580	21780	18890	24880
7579	8360	19230	21905	18420	27085
6950	85.00	18480	23820	18260	27900
6715		18365		18120	

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