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ENERGY MARKET REPORT FOR JUNE 20, 2011

NATO denied Libyan government claims that the alliance carried out an airstrike in the Tripoli suburb of Sorman. A Libyan government spokesman claimed three children were among 15 people killed in the alleged strike.

Libyan rebels shut off a pipeline supplying oil from a southern field to its coastal refinery near Tripoli.

Market Watch

The Secretary General of the Organization for Economic Cooperation, Angel Gurría said the world economy is slowing down due to a combination of factors such as the euro zone's debt problems and a weak US housing sector but is not headed for a double dip recession. He cited political turmoil in the Middle East, debt problems in euro zone economies, higher commodities prices, that March earthquake in Japan and the fractious US budget negotiations as some of the factors behind the slow down.

IntercontinentalExchange became the first European exchange to publish weekly Commitment of Traders reports for its global benchmark crude and gasoil futures contracts. The exchange previously provided data to the US Commodity Futures Trading Commission for its weekly report on ICE's contract for US crude oil futures. The move is an attempt to bring regulation in Europe in line with the US. Its first report showed that money managers were net long 81,294 lots of Brent futures and options and 41,322 lots of gasoil in the week ending June 14th.

ICE Futures Europe Exchange imposed a 25,000 pound or \$40,340 penalty on Goldman Sachs for what it called disorderly trading in oil contracts. The exchange said it detected six price spikes in the April 2011 Brent/WTI spread.

Weather Services International said European temperatures in the summer are expected to be higher than normal, with only southern France and Iberia expected to see cooler than average temperatures.

ConocoPhillips and Occidental Petroleum Corp said they received inquiries from the US Securities and Exchange Commission related to their operations in Libya. The SEC declined to comment on the scope of the investigation. A person familiar with the inquiries said the SEC is asking oil companies for any type of communications they held with the government of Muammar Gaddafi since 2008.

The EIA reported that the US average retail price of diesel fell by 4 cents to \$3.95/gallon in the week ending June 20th. It was the sixth decline in seven weeks. The price of diesel is up \$1.334/gallon or 33% from a year ago.

Refinery News

Credit Suisse reported that US refinery margins increased by 4.8% in the week ending Friday. Refinery margins in the Northeast fell by 24 cents to \$7.19/barrel while margins in the Midwest increased by \$1.97 to \$28.10/barrel and margins in the Gulf Coast increased by \$3.02 to \$28.85/barrel. Margins in the Rockies increased by \$2.37 to \$34.13/barrel while margins in the West Coast increased by 9 cents to \$17.31/barrel.

**June
Calendar Averages**
CL – \$98.12
HO – \$3.0483
RB – \$297.91

Canada’s National Energy Board imposed a pressure cut on Enbridge Inc’s 440,000 bpd Line 2 in October after raising concerns that the company may not be able to detect some cracks in the oil pipeline. It ordered the line, which runs from Edmonton, Alberta to Superior, Wisconsin, to operate at 80% of normal pressure. It ordered Enbridge to operate at reduced pressure until it demonstrates it can effectively identify, assess and mitigate cracking on its Canadian pipelines.

BP Plc reported it planned to restart a fluid catalytic cracking unit 1 at its 475,000 bpd Texas City, Texas refinery. The unit was shut to perform maintenance work.

Alon’s 80,000 bpd refinery in Krotz Springs, Louisiana is ramping up to full charge after it was closed due to flooding on the Mississippi River six weeks ago. It was closed in advance of the high waters and took advantage of the closure to perform maintenance work. The company restarted the crude unit 10 days ago and is moving back to full capacity. Alon reported emissions at its fluid catalytic cracking unit at its 67,000 bpd Big Spring, Texas refinery.

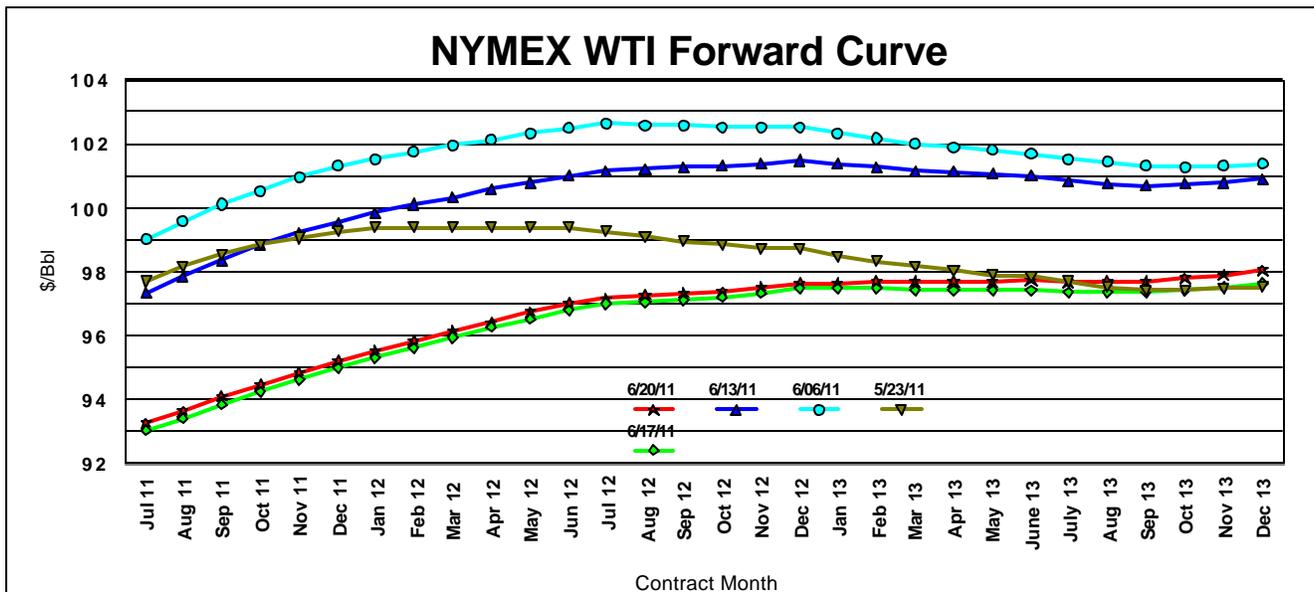
Frontier Oil Corp reported emissions Sunday at its 130,000 bpd El Dorado, Kansas refinery following a failure with its sulfur recovery unit.

Valero Energy Corp said there was no material impact to production due to emissions at its 185,000 bpd St. Charles refinery in Louisiana. On Sunday, Valero reported sulfur dioxide emissions at the refinery. Valero also stated that there was no material impact to production associated from maintenance on an oleflex unit at its 142,000 bpd Corpus Christi, Texas refinery.

PBF Energy reported an electric generator unit tripped at its 160,000 bpd Paulsboro, NJ refinery.

A major fire broke out at a 60,000 bpd INA refinery in the central Croatian town of Sisak. The fire started between a facility and reservoirs area due to inflammation of oil products.

Yemen’s Aden refinery, which has been shut for nearly two months due to a lack of crude flow from the country’s main oil pipeline, will resume production after receiving the first shipment of Saudi-donated crude oil. The refinery has started production on a trial basis. Full production from a unit



with a capacity of 75,000 bpd will resume later on Monday.

Japan's Ministry of Finance reported that the country's crude oil and condensate imports in May increased 6.9% on the year to 15.5 million kiloliters or 3.14 million bpd. Japan's imports of liquefied natural gas totaled 6.039 million tons in May, up 26% on the year.

Thailand's Ministry of Energy said the use of B4 biodiesel, a mixture of 4% biodiesel with high speed diesel, will be mandated in Thailand from July 1st to September 30th. Thailand's Energy Policy Committee will decide later whether the compulsory use of B4 will continue after the set period. B4 biodiesel would replace B3 biodiesel, a blend of 3% biodiesel with the high-speed diesel, as part of the Thai government's effort to raise alternative energy consumption.

Crude oil exports through the Caspian Pipeline Consortium are scheduled at 2.63 million metric tons in June, up 304,500 tons from May.

Russian oil exports via Novorossiisk are expected to increase by 20% next quarter while exports from the Baltic port of Primorsk are expected to fall 8.9% on the quarter. Urals crude exports from Novorossiisk are expected to increase to 12.78 million tons compared to second quarter volumes of 10.61 million tons while exports from the port of Primorsk are expected to fall by 8.9% to 16.9 million tons.

Production News

Kuwait's Oil Minister Mohammed al-Busairi said Kuwait is currently producing about 2.5 million to 2.7 million bpd of crude to meet demand. He did not say whether Kuwait would follow Saudi Arabia and increase its production. He said OPEC's spare oil capacity stands at 3-4 million bpd.

The UAE is producing about 2.5-2.55 million bpd, above its implied OPEC output target of 2.22 million bpd.

Iraq's South Oil Co has shortlisted four international companies for the contract to build a loading terminal at the southern port of Basra. The Single Point Mooring buoys, which would be able to handle about 900,000 bpd of oil exports, would be funded by the Japanese International Cooperation Authority, which is part of the \$5 billion that Japan pledged to Iraq in 2003. The contract would also include laying a 50 kilometer pipeline from the crude oil gathering depots in the Faw Peninsula in Basra to the new terminal in the Persian Gulf. The entire SOC project aims to ease bottlenecks at Iraqi export terminals and would increase export capacity from 1.8 million bpd to 4.5 million bpd by the end of 2012.

Statoil ASA aims to increase production to above 2.5 million bpd of oil equivalents in 2020. In 2020, production from the Norwegian Continental Shelf is expected to be more than 1.4 million bpd of oil equivalent while its global production is expected to produce more than 1.1 million bpd of oil equivalent. Statoil also stated that it made hydrocarbon discoveries in both side tracks on the Peregrino South well. Estimates of recoverable volumes in Peregrino South are between 150-300 million barrels of oil equivalent. It also confirmed an increase in expected volumes from the Skrugard oil discovery in the Barents Sea in Norway. Skrugard volumes are now estimated at about 250 million barrels of oil equivalent recoverable resources. Separately, Statoil said a delay in BP's Skarv project off Norway would reduce Statoil's total output in 2011 by 10,000 bpd of oil equivalent. It said there is more downside risk than upside risk to 2011 total output.

Nigeria's August crude export for its Qua Iboe and Bonny Light crude will be higher than in July. Nigeria is expected to load 12 Qua Iboe cargoes of 950,000 barrels each and nine cargoes of Bonny

Light crude. Nigeria is also scheduled to export one Antan, six Bonga, four Brass River, three EA, five Erha, eight Forcados, one Okono and two Okwori cargoes.

Nigeria set its official selling price for the Qua Iboe and Bonny Light crude streams at a premium of \$2.80/barrel to Dated Brent. It is down from Dated Brent plus \$3.20/barrel in June.

Brazil's OGX Petroleo e Gas Participacoes SA concluded drill tests at the Waikiki Horizontal well in Brazil's Campos Basin, where results confirm initial expectations of a potential oil flow of 40,000 bpd.

Japan's JGC Corp signed an agreement to buy 10% of the Eagle Ford shale oil assets in south Texas from TriTech I LLC. The deal is set to be completed by the end of July.

Market Commentary

Fear that Greece's financial woes would spread to other European countries put early pressure on the market, while late session short covering ahead of the July expiration brought crude oil back above unchanged. Just ahead of the July expiration, those short the WTI and long the Brent covered their positions, narrowing the spread between the two to just below \$18.00. This narrowing of the spread comes after last weeks record \$23.00 premium to Brent. The arbitrage on this spread has been narrowing on record stock levels at Cushing, OK and supply disruptions in the North Sea. We could see a further narrowing of this spread, as traders keep a close on Greece's financial worries and its impact on the European banking system. Based on this, we would look for the Aug WTI/Brent spread to come under additional pressure, with a test at \$13.00.

Crude oil: July 11 65,994 -23,813 Aug 11 295,536 +15,657 Sept 11 155,921 -1,678 Totals 1,538,331 -10,925 Heating oil: July 11 67,856 -4,853 Aug 11 72,387 +2,821 Sept 11 45,452 +907 Totals 329,435 -318 Rbob: July 11 42,934 -5,953 Aug 11 64,185 +997 Sept 11 43,181 +1,139 Totals 256,076 -4,440.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	10340		31325		
	10845	27695	32777		33369
9284	11120	26680	33370	26965	35915
9026	11483	27375	33510	26300	36310
8950	11563	23685		25683	
8700	11703	22960		25145	
8625	12126			24240	
8500	14933			23631	
8385				23414	



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