



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 23, 2010

The IEA said rising oil supplies will mostly offset higher demand over the next five years. It raised its oil demand growth outlook to an average 1.4% or 1.2 million bpd every year from 2009 to 2015 due to higher demand from emerging markets, taking the total to 91.9 million bpd in 2015. It said global oil supply will increase from 91 million bpd in 2009 to 96.5 million bpd in

2015, mainly led by production outside OPEC. Non-OPEC supply will increase to 52.5 million bpd by 2015 from 51.5 million bpd last year. The effective spare capacity of OPEC will fall to 3.6 million bpd or about 3.9% of world oil demand in 2015 from 5.83 million bpd this year.

The head of the IEA's oil division, David Fyfe said oil market volatility is more a risk to the economic recovery than any specific oil price level.

Iran's Supreme Leader Ayatollah Ali Khamenei said new sanctions imposed against Iran are "confused acts" which showed helplessness of world powers in dealing with the country.

DOE Stocks

Crude – up 2,017 million barrels
Distillate – up 297,000 barrels
Gasoline – down 762,000 barrels
Refinery runs – up 1.5%, at 89.4%

Market Watch

US Interior Secretary Ken Salazar will reissue a deepwater offshore drilling moratorium that was blocked by a federal judge but will make it more flexible in its implementation. He said the new moratorium would be adjusted where appropriate and include criteria detailing when the drilling ban will end.

Iraq will host a gathering of international oil executives on Saturday to discuss contracts for the four planned refineries that would add about 750,000 bpd of capacity. Iraq's Oil Ministry spokesman Assim Jihad said Iraq wants to build a refinery in Nassiriya with a capacity of 300,000 bpd, a second refinery in Kirkuk with a capacity of 150,000 bpd, a third refinery in Maysan with a capacity of 150,000 bpd and a refinery in Kerbala with a capacity of 140,000 bpd.

Nigeria may hold an oil licensing round in August subject to approval by President Goodluck Jonathan. Officials have stated that the next licensing round is likely to be for both onshore and offshore fields totaling at least 2 billion barrels.

The head of Iran's Atomic Energy Organization, Ali Akbar Salehi said Iran has enriched 17 kg of uranium to 20% purity. Iran started refining uranium to 20% purity in February, up from about 5%, saying it aimed to make fuel for a medical research reactor. He also stated that the test phase of third generation centrifuges was nearly completed and that work on fourth generation centrifuges was underway.

BP Plc shut down an oil containment system collecting oil from its Macondo well early Wednesday following a collision with an undersea robot. Earlier, BP Plc said its oil-capture systems collected or flared 27,100 barrels of oil on Tuesday. The containment cap system installed June 3rd captured 16,600 barrels while a second system installed June 16th burned off 10,500 barrels.

June Calendar Averages
CL – \$74.92
HO – \$2.0460
RB – \$2.0731

The AAA said the number of Americans that plan to travel during the Fourth of July holiday weekend will increase by 17.1% from 2009 levels. It said about 34.9 million travelers will take a trip at least 50 miles away from home, up from 29.8 million travelers last year. The AAA also stated that the national average price of gasoline will likely average \$2.70-\$2.80/gallon during the holiday weekend, up from an average of \$2.64/gallon last year.

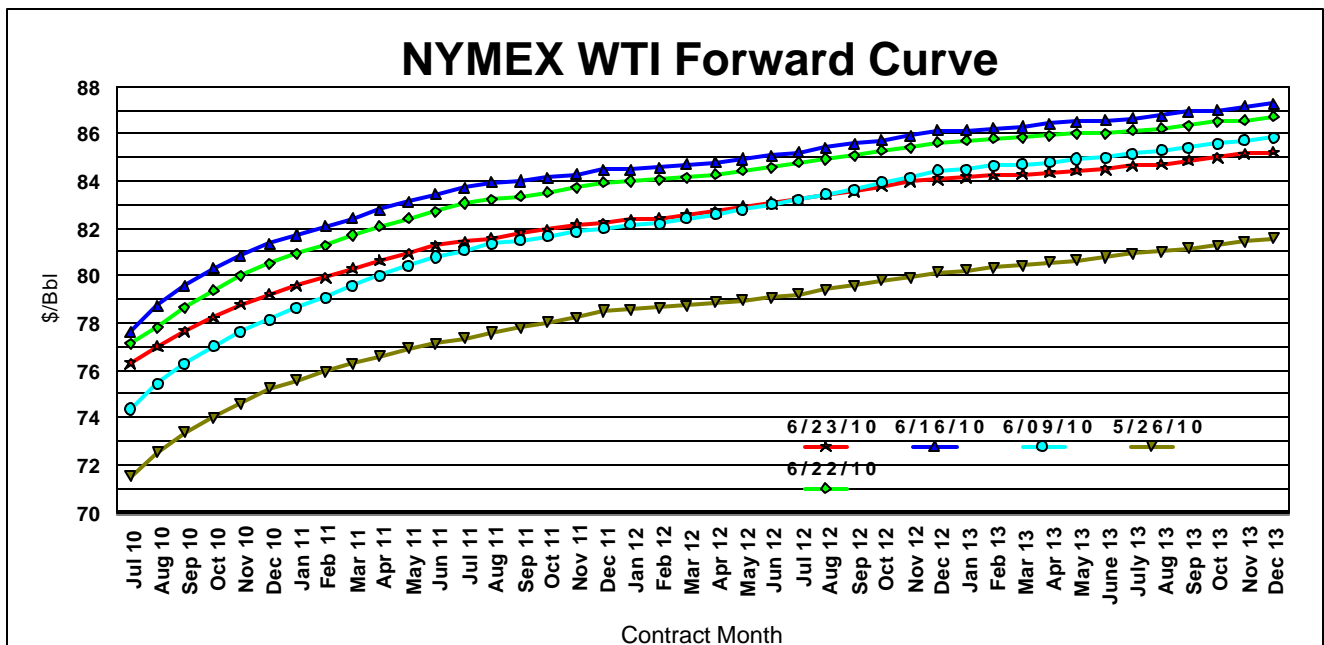
Refinery News

Valero Energy Corp said it will shut a coker unit at its 170,000 bpd Benicia refinery for a 40 day turnaround.

PetroChina will shut one of its two refineries in northeastern Daqing starting in late August for about 40 days of maintenance. It will shut two crude oil units, with a capacity of 2 million tons/year and 3.5 million tons/year, at Daqing Refining and Chemical Co. Two catalytic cracking units, with a capacity of 1 million tpy and 1.8 million tpy, and auxiliary facilities would also be shut down.

China plans to pump about 11 million barrels of state reserve crude into private storage tanks by year end. The volume of the first such stockfill into independent tanks would be equivalent to just over two days of China’s crude imports at current rates or about five very large crude carriers.

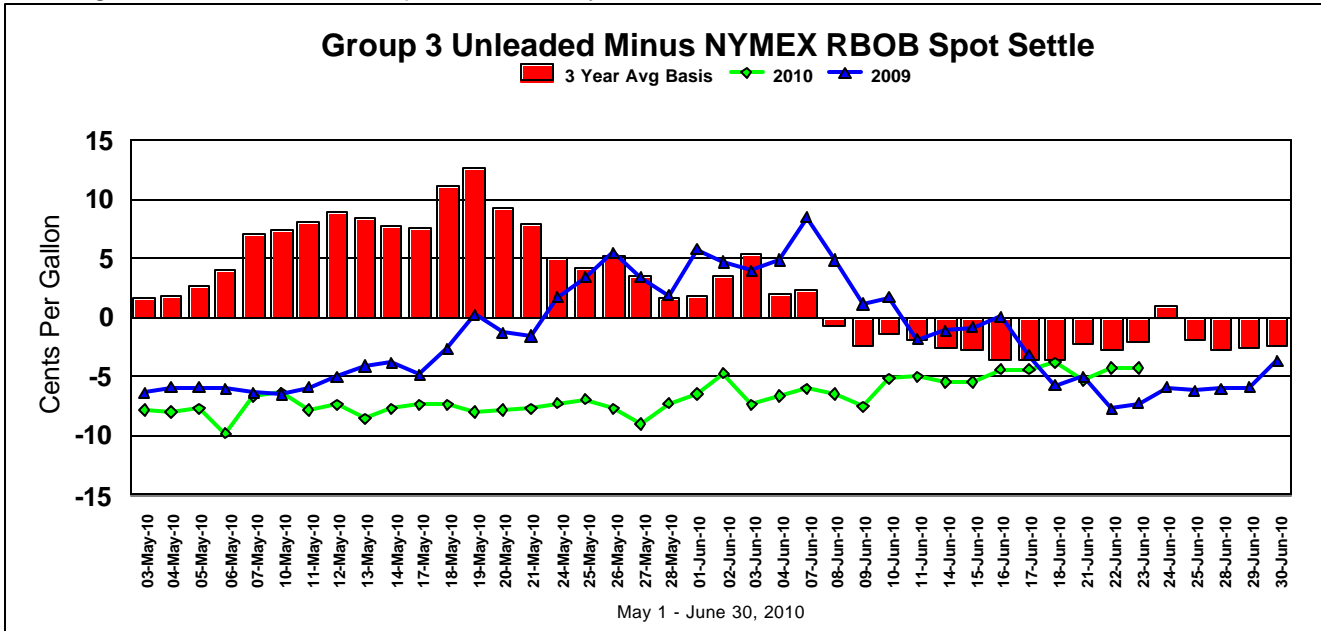
The Petroleum Association of Japan reported that the country’s crude inventories in the week ending June 19th fell by 5.57% on the week and by 0.8% on the year to 15.92 million kiloliters while its gasoline stocks fell by 2.86% on the week but increased by 3.78% on the year to 2.34 million kiloliters. Japan’s gas oil stocks increased by 0.39% on the week but fell by 0.27% on the year to 1.87 million kl while its kerosene stocks fell by 1.41% on the week and by 20.04% on the year to 1.77 million kl, its jet fuel stocks increased by 1.96% on the week and by 0.94% on the year to 880,000 kl and naphtha stocks fell by 5.25% on the week to 2 million kl. Japan’s refinery runs fell by 2.1% on the week to 61.5%.



Production News

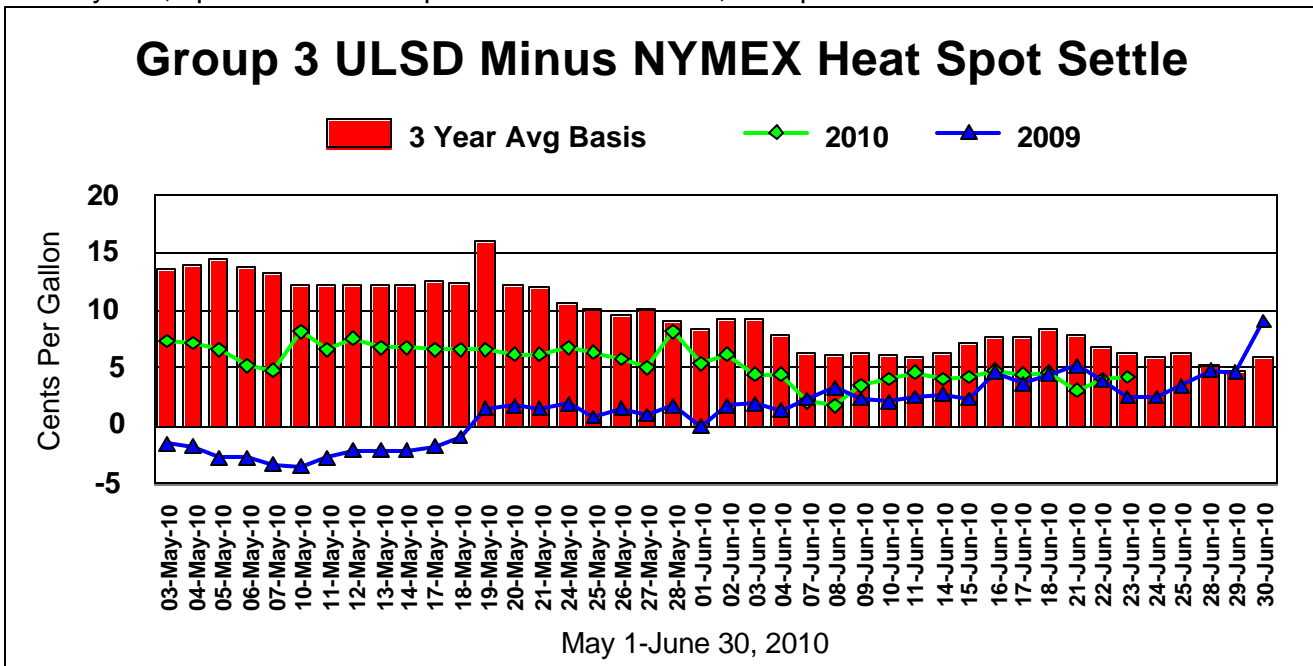
According to preliminary loading schedules, Nigeria is scheduled to export 2.13 million bpd of crude in August, down from a revised level of 2.25 million bpd in July.

Colombia's Ecopetrol expects its oil production to near 700,000 bpd by the end of this year. Colombia has been able to increase its hydrocarbons output, mainly through technical measures and an influx of foreign investment due to improved security.



Mexico's Pemex exported an average of 1.591 million bpd of crude in May, the highest level since May 2008. It is up from April's level of 1.302 million bpd and 1.173 million bpd reported last year.

Peru's petroleum agency Perupetro said the country expects oil production to increase to 500,000 bpd in four years, up from its current production level of 140,000 bpd.



Brazil's National Petroleum Agency said the country could hold its first ever oil concession auction under a new production sharing region in 2010 if Congress approves the new law. Brazil's Senate is currently debating the measure implementing production sharing agreements for government held offshore areas as part of an overhaul of the country's oil laws. The production sharing regime would make Petrobras the operator of government held blocks.

OPEC's news agency reported that OPEC's basket of crudes fell to \$75.11/barrel on Tuesday from \$75.96/barrel on Monday.

Market Commentary

An unexpected gain in inventories coupled with a U.S. government report that indicated a fall in new home sales, forced the largest sell off in crude oil in two weeks. This reflects bearishness in both the underlying fundamentals of this market and for demand for oil. Adding to the bearish sentiment in crude oil was an IEA report that estimates the rate of annual demand growth will lessen each year from now till 2015. The report is calling for consumption to climb 1 percent to 91.93 million barrels a day, down from 1.5 percent growth in 2010. Most commodities took a hit today as investors shied away. The August crude oil, based upon a spot continuation chart settled below \$77.07, the 200-day moving average and \$77.58, the lower trendline on a descending channel. At this point in time we believe that crude oil will trade sideways within the range of \$70.00 and \$80.00. We would like to see a weekly settlement above \$76.68.

Crude oil Aug 10 314,803 +4,255 Sept 10 145,958 +2,037 Oct 57,686 +877 Totals 1,260,132 -11,682
 Heating oil July 10 32,510 -6,595 Aug 10 71,686 +1,791 Sept 10 43,489 +1,488 Totals 316,100 -4,781
 Gasoline July 10 37,506 Aug 10 70,151 +3,281 Sept 10 53,109 +1,710 Totals 249,522 +3,348.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	77.07		21200		21925
7633	77.58	20500	21510	18890	24880
7579	78.46	19230	21780	18420	27085
7395	8113	18480	21905	18260	27900
6950	8360	18365	23820	18120	

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