



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 24, 2010

US Interior Secretary Ken Salazar said he wants to keep a moratorium on deepwater drilling in place until safety issues are addressed. On Tuesday, US District Court Judge Martin Feldman issued an injunction that bars the administration from enforcing the deepwater drilling ban.

BP Plc said it had reinstalled an oil-siphoning cap on its well in the Gulf of Mexico and resumed collecting crude. Oil spilled largely unchecked from the well after an undersea robot collided with a system intended to capture some of the leaking oil. Its oil collection

Market Watch

The National Hurricane Center reported that a tropical wave over the western Caribbean Sea could develop into a tropical depression over the next couple of days as it moves towards the Gulf of Mexico. The chance of the tropical disturbance developing into a tropical cyclone during the next 48 hours has increased to 40%. Most models see it tracking over Mexico's Yucatan over the next few days and then turn northwest to hit the coast near the Texas-Mexico border. However some models expect the wave to turn northeast towards Florida and the eastern Gulf of Mexico.

The US Labor Department said the number of initial claims for unemployment benefits fell by 19,000 to 457,000 in the week ending June 19th. Economists had expected claims to fall by only 7,000. The previous week's level was revised slightly upward from 472,000 to 476,000. The four week moving average fell by 1,500 to 462,750 in the week ending June 19th. The report showed that the number of continuing claims fell by 45,000 to 4,548,000 from the preceding week's revised level of 4,593,000. The unemployment rate for workers with unemployment insurance for the week ending June 12th was 3.5%, down 0.1% from the prior week's 3.6% rate.

The Commerce Department reported that demand for US durable goods fell by 1.1% to a seasonally adjusted \$192.01 billion. Orders for durable goods, excluding transportation equipment increased 0.9% last month, reversing April's 0.8% decline.

Barclays Capital said world oil demand will increase to a record this year following two consecutive years of decline. It said concerns over sustainability of the world economic recovery will suppress prices to an average of \$85/barrel this year, even as demand increases to 86.2 million bpd, surpassing the previous 2007 record. Barclays forecast US crude prices will increase to an average of \$97/barrel next year, rising to \$106 in 2012 and \$137 in the long term.

The International Organization of Securities Commissions said major participants in over-the-counter oil derivatives were working to help bring transparency to the market. The report to G20 leaders on progress in improving transparency and oversight of oil markets as called for in the G20 Pittsburgh Statement from September 2009. Participants include Bank of America-Merrill Lynch, Barclays Capital, BNP Paribas, Citigroup, Credit Suisse, Deutsche Bank, Goldman Sachs, HSBC Bank, JP Morgan Chase, Morgan Stanley, RBS Semptra, Societe Generale, USB and Wachovia Bank.

The OECD said index funds did not cause a price spike in agricultural commodities in 2007-08 and should not be restricted in their access to futures markets. It said there was evidence of a negative relationship between volatility and commodity positions held by index and swap funds.

June
Calendar Averages
CL- \$75.01
HO - \$2.0466
RB - \$2.0742

efforts dropped on Wednesday after spending much of the day reinstalling a containment cap on the leaking well. BP collected 16,830 barrels of oil, down nearly 40% from Tuesday.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 160,000 bpd to 23.73 million bpd in the four weeks ending July 10th. OPEC's compliance with the 4.2 million bpd of promised cutbacks has fallen to 51%.

Genscape said oil inventories in Cushing, Oklahoma increased by 243,365 barrels to 39.57 million barrels in the week ending June 22nd.

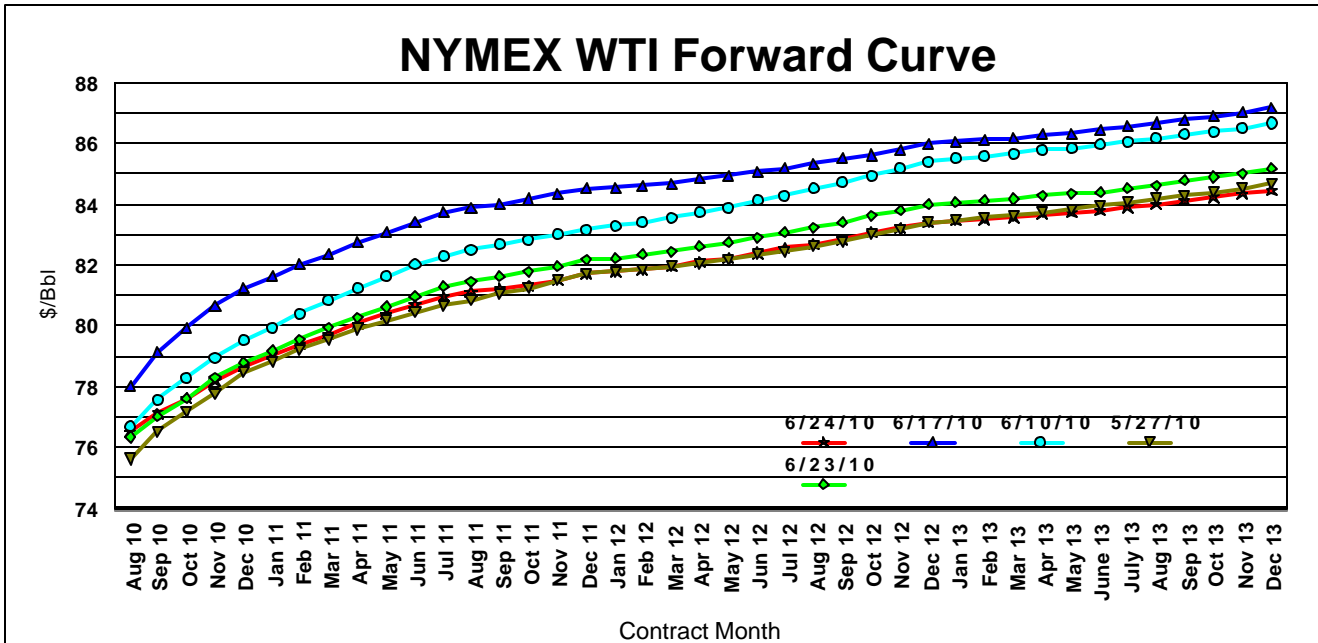
The US Senate on Thursday approved a new package of sanctions against Iran, aiming to force Iran to halt its nuclear program by cutting off its gasoline imports. The legislation aims to build on new UN Security Council and European Union sanctions. The bill would deny access to US markets to firms that provide Iran with refined petroleum products. The measure also targets firms that do business in Iran's energy sector, including non-US companies that provide financing, insurance or shipping services. Also, non-US banks conducting business with certain blacklisted Iranian entities would be shut out of the US financial system. The bill would also enable US states and local governments to divest from foreign firms engaged in Iran's energy sector and would tighten the existing US trade embargo on Iranian goods by curbing the number of exempted products. The legislation is expected to clear the House of Representatives later in the day and go to President Barack Obama for approval.

Refinery News

Tesoro Corp's 96,860 bpd Los Angeles area refinery experienced an unplanned flaring event due to a breakdown of unspecified equipment.

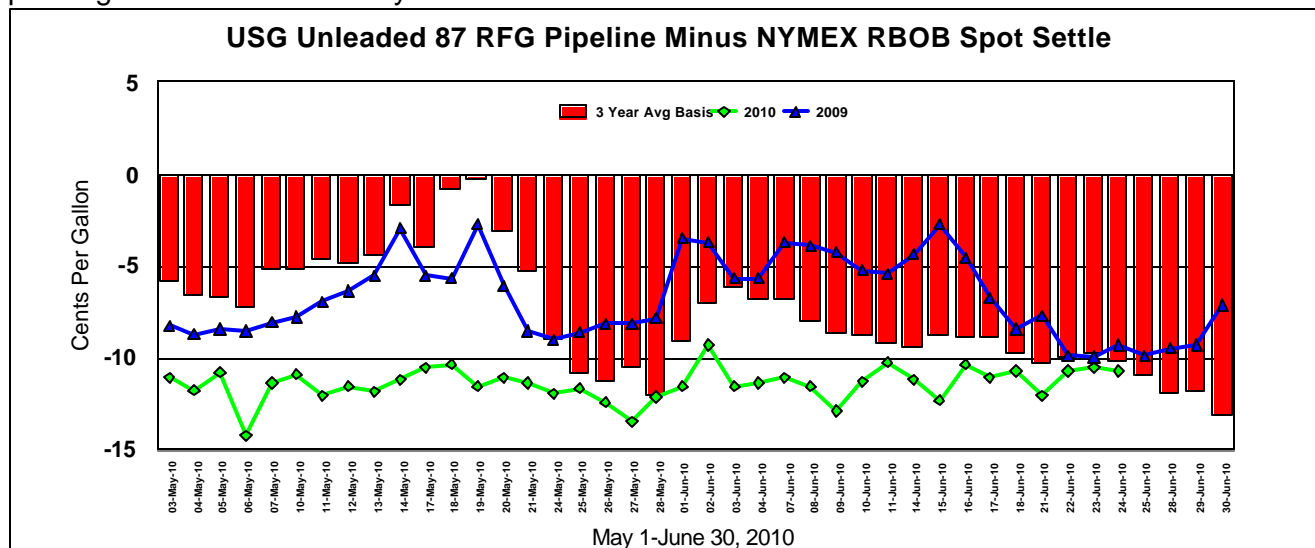
France's trade union CGT said workers at Total SA's 158,000 bpd La Mede refinery and 339,000 bpd Gonfreville refinery started a strike on Thursday. There was no disruption in fuel distribution at petrol stations.

Japan's Cosmo Oil Co is preparing to restart its 110,000 bpd crude distillation unit at its Sakaide



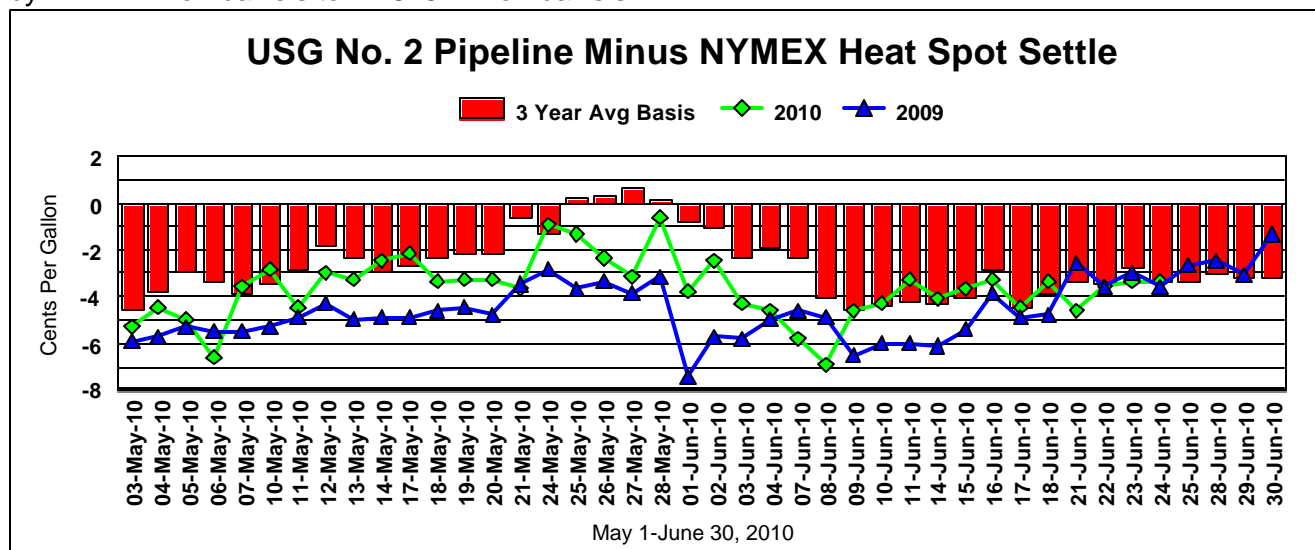
refinery that was shut late Wednesday due to a problem in the electricity supply system.

Japan's Ministry of Finance reported that the country's customs cleared crude oil imports in May fell by 3.7% on the year to 14.501 million kiloliters or 2.94 million bpd. Japan's imports of liquefied natural gas totaled 4.791 million tons last month, up 13.2% on the year while its imports of thermal coal for power generation increased by 58.8% to 9.143 million tons.



India's domestic oil product sales in May increased by 6.3% on the year to 12.38 million tons due to higher demand for auto fuels, according to government data. India's petrol sales in May increased by 13.1% on the year to 1.25 million tons while diesel sales increased by 11.1% to 5.3 million tons in May. Meanwhile, India's crude imports fell by 14.1% to 11.54 million tons or 2.34 million bpd in May. In May, India's fuel exports fell by 40.1% on the year while imports increased by 3.4%.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 1.528 million barrels to 12.967 million barrels in the week ending June 23rd. The country's light distillate stocks fell by 407,000 barrels to 10.306 million barrels while its middle distillate stocks built by 1.247 million barrels to 12.875 million barrels.



Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending June 24th fell by 4.81% on the week but increased by 30.9% on the year to 949,000 tons. Gas oil stocks in the ARA area increased by 0.6% on the week but fell by 14.03% on the year to 2.341

million tons while fuel oil stocks increased by 4.32% on the week and by 50.62% on the year to 845,000 tons. Naphtha stocks increased by 50.98% on the week but fell by 36.36% on the year to 77,000 tons while jet fuel stocks increased by 12.19% on the week and by 12.97% on the year to 819,000 tons.

Production News

Over 750 employees at several offshore oil service firms in Norway may go on strike on Friday in a move that is not expected to disrupt the country's oil and gas production. The companies that maybe affected by the strike include Halliburton, Baker Hughes, Geoservice, Oceaneering International, Seadrill, Transocean, Fred Olsen Energy and Odfjell.

Iraq's Oil Ministry expects average oil exports in June to exceed 1.9 million bpd. Iraq's oil exports in May increased to 1.9 million bpd from 1.767 million bpd in April. Meanwhile, an official at North Oil Co said oil flow through the northern pipeline from Kirkuk to Turkey's Mediterranean port of Ceyhan was halted briefly on Wednesday due to technical problems but pumping resumed the same day.

Venezuela's President Hugo Chavez said the country will nationalize a fleet of oil rigs belonging to US company Helmerich & Payne. The 11 drilling rigs have been shut for months following a dispute over pending payments by Venezuela's PDVSA. Venezuela's Oil Minister Rafael Ramirez said the rigs were being nationalized to restart them. He said companies that refused to put their rigs into production were part of a plan to weaken President Hugo Chavez's government.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.03/barrel to \$74.08/barrel on Wednesday from \$75.11/barrel on Tuesday.

Market Commentary

Crude oil futures showed signs of early carry over weakness due to poor U.S. economic news and oil inventory data, which indicated that demand is still suffering. Further pressuring prices was a Genscape report which reflected that stock levels at Cushing, OK increased by 240,000 barrels during the week ending June 22. A release by the U.S. Labor Department indicating that jobless claims fell by 19,000 last week, gave strength to crude oil, lifting prices off of their lows. Market participants were also paying attention to national weather reports regarding the possible development of a tropical depression over the Caribbean Sea, which has projections of heading into the Gulf of Mexico. This market will continue to be economically sensitive while being suppressed by the underlying fundamentals. It appears that the economic roller coaster ride will continue as the market rises and falls in reaction to the release of such news. With today's settlement below the \$77.04 200-day moving average, we would look for additional moves lower, with the August contract working towards the \$70.00 support area.

Crude oil Aug 10 317,835 +3,032 Sept 10 146,736 +778 Oct 10 57,600 -86 Totals 1,260,979 +847
 Heating oil July 10 27,874 -4,636 Aug 10 75,773 +4,087 Sept 10 44,238 +749 Totals 315,715 -385
 Gasoline July 10 32,505 -5,001 Aug 10 74,230 +4,079 Sept 10 53,397 +288 Totals 249,094 -428.

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

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