



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 28, 2010

OPEC Secretary General Abdullah al-Badri said he was comfortable with oil prices at their current level and did not expect production levels to change between now and October. He said demand for oil is slowly increasing and added that the oversupply in the market should be absorbed soon. OPEC's Secretary General urged the US to reconsider legal moves and drop a ban on deep water drilling.

Market Watch

The US National Hurricane Center said Tropical Storm Alex is slowly intensifying and will likely strengthen into the first hurricane of the Atlantic season on Tuesday. The NHC expects Alex to hit near the Texas-Mexico border early Thursday. It expects Alex to strengthen into a Category 2 hurricane with winds of 96-110 mph by late Wednesday before striking the coast and dissipating as it moves inland Thursday, Friday and Saturday.

The US Commerce Department said consumer spending increased by 0.2% in May following a flat reading in April. Incomes increased by 0.4% in May following a 0.5% increase in April. US GDP increased by an annualized 2.7% in the first quarter. The core price index for personal consumption expenditures, excluding food and energy prices, increased 0.2% in May from April. On a year over year basis, the increase was 1.3%. The overall PCE price index was unchanged last month and up 1.9% on a year over year basis.

Bank of America Merrill Lynch said oil could reach \$100/barrel in 2011 if the dollar does not rally against the euro as it did this year and the economies of China and India expand enough to consume at least a third of production. It forecast WTI crude and Brent crude at \$78/barrel in the second half of this year and \$85/barrel through 2011.

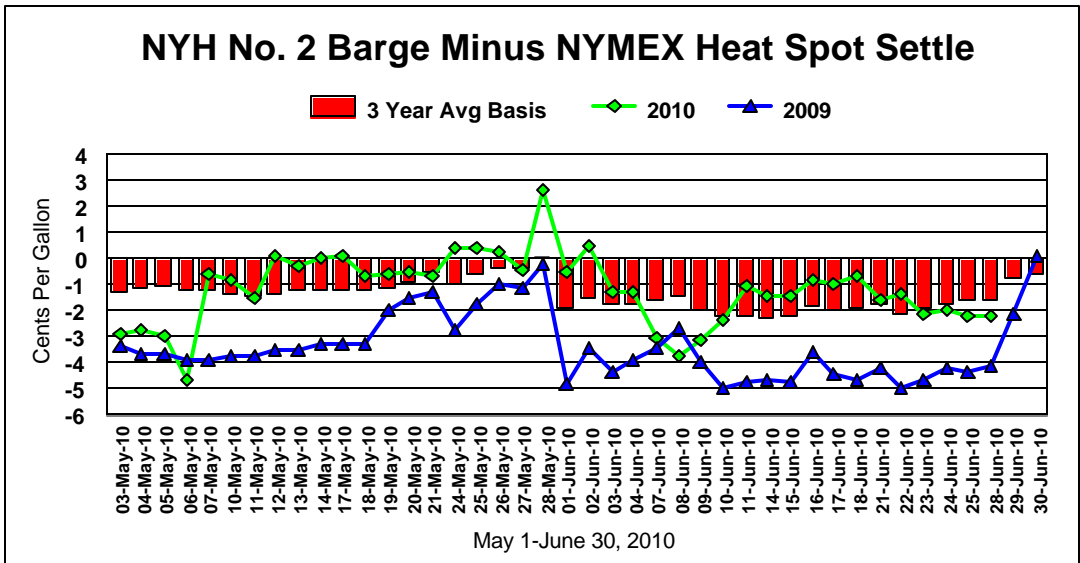
Iraq's Oil Minister Hussain al-Shahristani said he viewed current oil prices between \$70 and \$80/barrel as acceptable and balanced and likely to remain in that range during the rest of the year. He said OPEC had spare capacity and could add output at any time.

CIA's director Leon Panetta said targeted economic sanctions on Iran probably will not deter Iran from seeking a nuclear capability. He however said the new sanctions could create serious economic problems and help weaken the government.

**June
Calendar Averages
CL- \$75.37
HO - \$2.0522
RB - \$2.0821**

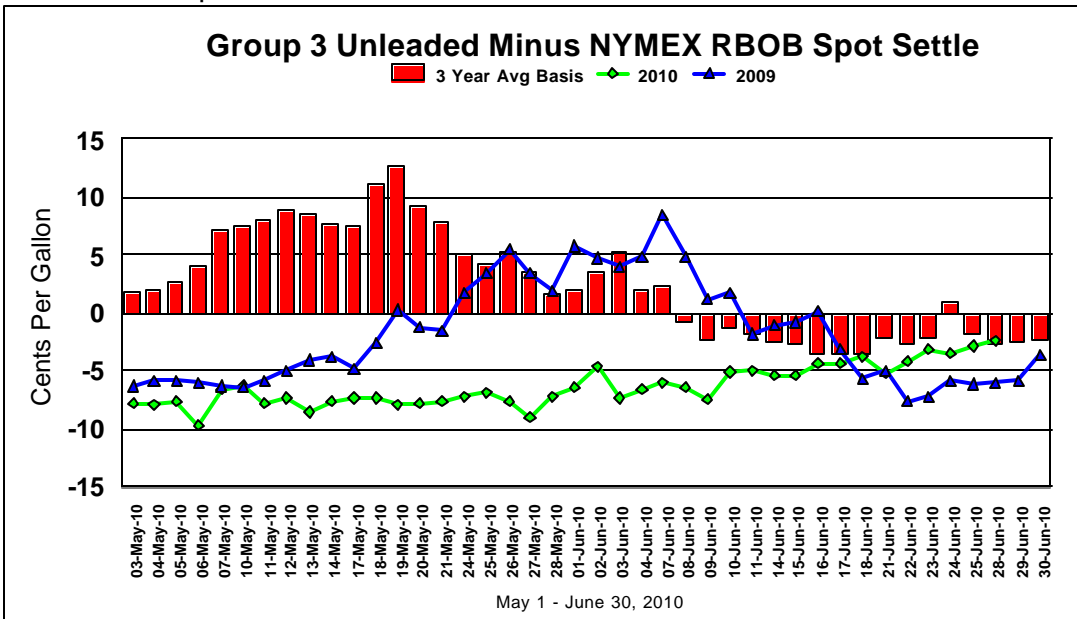
Iran's President Mahmoud Ahmadinejad said Iran is prepared to resume talks on its nuclear program but wants to delay negotiations for several weeks to punish the West for imposing new sanctions. He said Iran would seek the inclusion of Brazil and Turkey in the nuclear fuel swap negotiations with the US, France and Russia.

BP Plc said high seas caused by Tropical Storm Alex will delay its plan to add more oil-collecting capacity at the leaking well in the Gulf of Mexico by a week. It said waves up to between 10 and 12 feet would prevent BP from hooking a third rig up to an underwater containment system. A BP official however said that the current oil-capture systems are not expected to be affected by the storm. Separately, US Coast Guard Admiral Thad Allen said BP is unlikely to cut off the flow of oil into the Gulf of Mexico by drilling a relief well before August.



Oil and gas producers in the Gulf of Mexico evacuated workers from the area due to Tropical Storm Alex. The EIA said the Tropical Storm is not expected to have a major impact on production or refining in the US. Shell Oil shut subsea

production at two platforms and BP evacuated some personnel from three Gulf of Mexico platforms due to the threat of tropical depression Alex. Subsea production at Shell's Auger and Brutus platforms was shut. Shell's Auger platform has a capacity of 101,000 bpd of oil and 415 mmcf/d of natural gas while the Brutus platform has a capacity of 110,000 bpd of oil and 150 mmcf/d of natural gas. Shell evacuated 700 workers from its Gulf operations. Non-essential personnel were evacuated from BP's Atlantis, Mad Dog and Holstein platforms in the Gulf of Mexico. BP said no output was lost due to evacuations of workers. Apache also said it evacuated a few non-essential workers in the Gulf of Mexico due to tropical storm Alex.



ExxonMobil Corp also started evacuating non-essential workers from platforms in the forecast path of Tropical Storm Alex. Anadarko Petroleum Corp said non-essential workers were evacuated from operations in the western Gulf of Mexico but added that production was not affected. Chevron Corp and

ConocoPhillips said they have not evacuated non-essential workers but that they are closely monitoring the forecast for Alex.

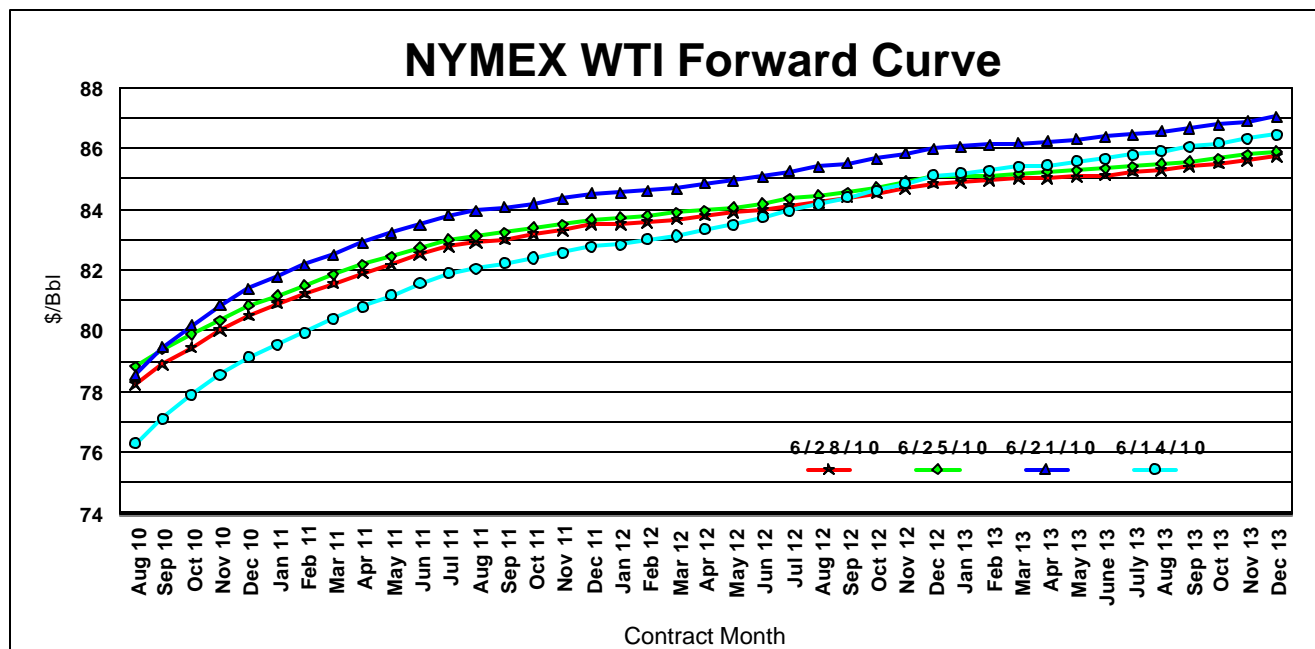
The EIA reported that the US average retail price of diesel fell by 0.5 cents to \$2.956/gallon in the week ending June 28th. It is the sixth decline in the past seven weeks. Diesel prices are up 34.8 cents/gallon or 13.3% above a year ago. The EIA reported that the US average retail price of gasoline increased by 1.4 cents to \$2.757/gallon on the week. The price of gasoline is up 4.4% or 11.5 cents/gallon on the year.

Refinery News

Credit Suisse reported that US refined product margins fell by 3.2% largely on weaker product prices. Margins in the West Coast fell by 79 cents to \$17.28/barrel while margins in the Midwest fell by 65 cents to \$11.75/barrel. Margins in the Northeast fell by 20 cents to \$8.44/barrel while margins in the Gulf Coast fell by 38 cents to \$10.21/barrel and margins in the Rocky Mountain region fell by 8 cents to \$18.38/barrel.

ExxonMobil Corp reported a leak in a cooling tower at its 503,000 bpd Baton Rouge, Louisiana refinery on Friday.

A coker unit at Valero Energy Corp's 315,000 bpd Corpus Christi, Texas refinery resumed planned rates after restarting over the weekend. The unit was shut on June 20th for planned maintenance.



Marathon Oil Corp said there was no impact to operations at its 76,000 bpd Texas City, Texas refinery due to a small hydrocarbon leak in a pipe to the alkylation unit. A small leak developed in the feed bypass line to the alkylation unit.

Venezuela's 190,000 bpd Petrocedeno heavy crude upgrader resumed normal operations on Monday following weeks of maintenance.

Indonesia's Pertamina will delay a planned maintenance shutdown of its 230,000 bpd Cilacap refinery to mid-July from an earlier June plan.

Japan's Idemitsu Kosan Co plans to refine a total of 6.9 million kiloliters or 472,000 bpd of crude in July-September, down 2% on the year. It estimated total crude refining volume for April-June at 6.9 million kl, up 4% on the year.

India's refiners processed 3.252 million bpd of crude in May, up 7.7% on the year. India's crude oil production increased 5.8% to 696,350 bpd in May.

Total SA halted its gasoline shipments to Iran after the US and European Union recently passed new sanctions against the country. A source said the sales had been discontinued a month ago. Royal Dutch Shell, BP, Reliance Industries and Glencore are among suppliers that have already either stopped fuel sales to Iran or have made a decision not to enter into new trading agreements with the country.

Production News

Mexico's Transport Ministry reported that the oil exporting terminals of Dos Bocas and Cayo Arcas remained closed as tropical depression Alex moved into the southwestern Gulf of Mexico.

Oil exports from Iraq's southern Basra oil terminal partly recovered on Monday to 1.08 million bpd following a disruption due to a sandstorm over the past two days. Exports had declined to 720,000 bpd on Sunday from 1.68 million bpd on Friday as the sandstorm reduced visibility.

The North Sea DUC crude oil fields will shutdown starting August 15th for seven days of planned maintenance. The planned shutdown is expected to lower DUC crude oil production for August.

Angola's Sonangol has added two cargoes to its crude oil export program for August. It is scheduled to export 60 cargoes of crude oil in August, up from 55 cargoes in July and 56 cargoes in June. The additional cargoes increase its oil exports to 1.86 million bpd in August, up from 1.7 million bpd in July and 1.79 million bpd in June.

Turkey's Energy Minister Taner Yildiz plans to meet major international oil firms on July 1st to discuss measures to bypass the Turkish straits and create a fund in the case of an oil spill. Turkey is planning to build the Samsun-Ceyhan Pipeline that would divert oil from the Black Sea to the Mediterranean.

Kazakhstan's Prime Minister Karim Masimov said the country plans to reintroduce an export duty on oil this year. Previously, Kazakhstan's Finance Minister Bolat Zhamishev said the country was considering a fixed \$20/ton export duty on oil.

OPEC's news agency reported that OPEC's basket of crudes increased to \$73.82/barrel on Friday from \$72.93/barrel on Thursday. It also reported that OPEC's basket of crudes increased to 17 cents to \$74.38/barrel last week from \$74.21/barrel the previous week.

Market Commentary

Crude oil traded in an inside fashion, trading mostly lower throughout the day after forecasters predicted that Tropical Storm Alex will not hit the Gulf of Mexico. Approximately 30 percent of U.S. oil and approximately 12 percent of natural gas production is located in the Gulf region. In addition to the weather related news was a strong dollar, which makes dollar denominated commodities weak. After reaching a seven-week high, the August crude oil contract retreated, settling 61 cents lower on the day. The August crude oil contract is currently trading above \$77.20, the 200-day moving average, based upon a spot continuation chart. We would be comfortable holding on to any length until prices can settle below this number.

Crude oil Aug 10 309,630 -3,175 Sept 10 151,097 +2,950 Oct 10 55,568 Totals 1,253,437 -1,285
 Heating oil July 10 18,465 -4,979 Aug 10 79,759 +1,092 Sept 10 43,172 -1,611 Totals 309,089 -
 5,806 Gasoline July 10 22,955 -5,790 Aug 10 76,175 +1,730 Sept 10 53,354 +33 Totals 241,137 -
 5,105

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7720	8113	19230	21200	18890	21925
7633	8369	18480	21510	18420	24880
7569		18365	21780	18260	27085
7395			21905	18120	27900
6950			23820		

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