

API Stocks

Crude – down 2.699 million barrels

Distillate – down 945,000 barrels

Gasoline – down 91,000 barrels

Refinery runs – unchanged, at 86.5%

W The
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ENERGY RISK

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ENERGY MARKET REPORT FOR JUNE 28, 2010

The IEA's Executive Director Nobuo Tanaka said the release of 60 million barrels of emergency oil stocks announced last week signals a new approach from the IEA. He said it was preemptive action intended to prevent a hard landing for the oil market similar to that seen in 2008. He said the IEA's charter also allows for it to preempt threatened disruption. The head of the IEA also stated that the agency was confident that Saudi Arabia would proceed with its plans to raise its oil production despite the release of 60 million barrels of oil.

A Gulf official said Saudi Arabia will increase its output to meet rising demand if it is needed, regardless of last week's decision by the IEA to release emergency oil stocks. The official said that in light of the unilateral moves by some producers, the OPEC split means there is no official ceiling or

Market Watch

The National Hurricane Center said a weather system developing in the southern Gulf of Mexico has a 90% chance of becoming a tropical cyclone in the next two days. It said the system was moving slowly in a west northwesterly direction that could carry it toward the coast of Veracruz state in coming days. If the system intensifies, it would be the first named storm in the Gulf for the 2011 Atlantic hurricane season. Offshore production in and around the Bay of Campeche account for 1.9 million bpd of Pemex's current daily output of 2.6 million bpd.

According to the Conference Board, its index of consumer attitudes fell to 58.5 in June from a revised 61.7 in May. The expectations index fell to 72.4 from a May reading of 76.7, up from 75.2. Consumers' expectations for inflation in the coming 12 months fell to 6 from 6.5, revised down from 6.6. The present situation index fell to 37.6 from 39.3.

The S&P/Case-Shiller composite index of single family homes in 20 metropolitan areas fell by 0.1% in April on a seasonally adjusted basis. On a non-seasonally adjusted basis, however, the index increased 0.7%. The 20 city composite index increased to 138.84 in April from 138.16 in March.

Dallas Federal Reserve President Richard Fisher said he expects US economic growth in the second half of the year to be stronger than in the first half of the year, possibly registering an inflation adjusted 4% pace. He said the time has not yet come for the US Federal Reserve to start withdrawing its monetary accommodation. He said the Federal Reserve had done enough on the monetary front and that Congress needed to do its part.

The Reuters-Jeffries CRB Index was on its way to its largest gain in six weeks on Tuesday as hopes of a resolution to eurozone debts increased the competitive advantage of commodities.

UBS said commodities are due to be weak over the next several months, having completed about half of an expected 20% correction as investors unwind positions built up during stimulus programs.

The US Commodity Futures Trading Commission said US long index investment in commodity markets fell \$21.7 billion to \$336.7 billion in May while US short index investment in commodities fell \$7.4 billion to \$95.3 billion in May. The US long index investment in the oil market stood at \$68.9 billion in May while the short index investment in the oil market stood at \$19.5 billion.

Venezuela's President Hugo Chavez's absence since a June 10th operation in Cuba has led to speculation. The government has stated that he had surgery for an abscess in his pelvis and is recovering fine. However it has given no further medical details or a clear timetable for his homecoming. A Venezuelan journalist reported in the opposition leaning El Universal newspaper that the president lost 22 pounds and was taking only liquids during treatment for prostate cancer. Despite that, the journalist said the president planned to return on Friday for more treatment in Venezuela. Other local media also quoted army sources saying Chavez would be back in time for a military ceremony on Friday. A new rumor is that Chavez's older brother Adan is preparing to try to take the reins should the seat of power be vacated.

Russia's anti-monopoly service has threatened oil companies with an investigation unless they cut petrol prices after recent falls in the price of crude.

quota system governing individual OPEC member's actions. He also stated that there is no need for OPEC to meet before December. OPEC's President and Iran's Minister Mohammad Aliabadi has been consulting with other OPEC members about a possible emergency meeting following the IEA's decision. Separately, a Gulf oil official said Kuwait is maintaining its current production at about 2.6 million bpd despite the decision by the IEA to release oil stocks.

The Energy Department hosted a pre-bid call for the planned sale of 30 million barrels of oil on Wednesday to answer questions about a US shipping law that normally prevents foreign vessels from moving crude between US ports. On the call were representatives from BP Plc, Norway's Statoil, Valero Energy Corp, Faroe Petroleum, Morgan Stanley, JP Morgan, Hetco and Koch Industries' oil trading arm. However none of the companies specified whether they would bid on any of the reserves' oil.

A Japanese government official said Japan has no plans to offer strategic oil stocks for sale by tender or other means and would leave it to oil companies to decide if any of the fuel being made available goes into the market. Japan has left the decision on how much of what type of oil will be put into the market to the private sector.

According to a SpendingPulse report by MasterCard Advisors LLC, US weekly gasoline demand fell 0.2% in the week ending June 24th to 9.33 million bpd. Demand in the last four weeks averaged 9.292 million bpd, down 0.2% on the year. It reported that the US average retail price of gasoline fell by 7 cents to \$3.62/gallon on the week.

The UAE's Finance Ministry said it is not concerned about recent oil price fluctuations and will not issue any federal sovereign bonds before 2012. The country's Finance Minister Obaid Humaid Al Tayer said that recent oil price increases were not directly affecting cost and would be reflected over time and inflation in the UAE therefore was not expected to exceed 2% in 2011.

A Bahrain government source said Saudi Arabia will withdraw most of its security forces from Bahrain, where they helped quell protests in March. The Saudi troops will start withdrawing on Monday.

Refinery News

Enbridge Inc received approval from the National Energy Board for a new 10 year toll agreement on its crude oil mainline system. The competitive toll settlement agreement will be effective July 1, 2011.

Citgo Petroleum Corp said operations at its 163,000 bpd refinery in Corpus Christi, Texas returned to normal rates after briefly reducing rates on Monday. Processing rates at the West Plant units were cut back when a third party entity that receives the refinery's off gases experienced a mechanical problem and was forced to the import of off gases.

Valero Energy Corp said there was no material impact on production as its 142,000 bpd Corpus Christi, Texas refinery due to the inability of the Markwest-Javelina plant to process off gasses.

June Calendar Averages
CL – \$96.41
HO – \$2.9822
RB – \$2.9438

BP Plc is restarting a fluid catalytic cracking unit at its 437,080 bpd refinery in Texas City, Texas. The unit was shut on June 13th due to a loss of a blower on the unit. Separately, planned maintenance at its 265,000 bpd Carson, California refinery will result in flaring.

Alon USA Energy hc is restarting a fluid catalytic cracking unit at its 67,000 bpd Big Spring, Texas refinery. It reported emissions related to the startup of the unit which was undergoing maintenance since June 17th.

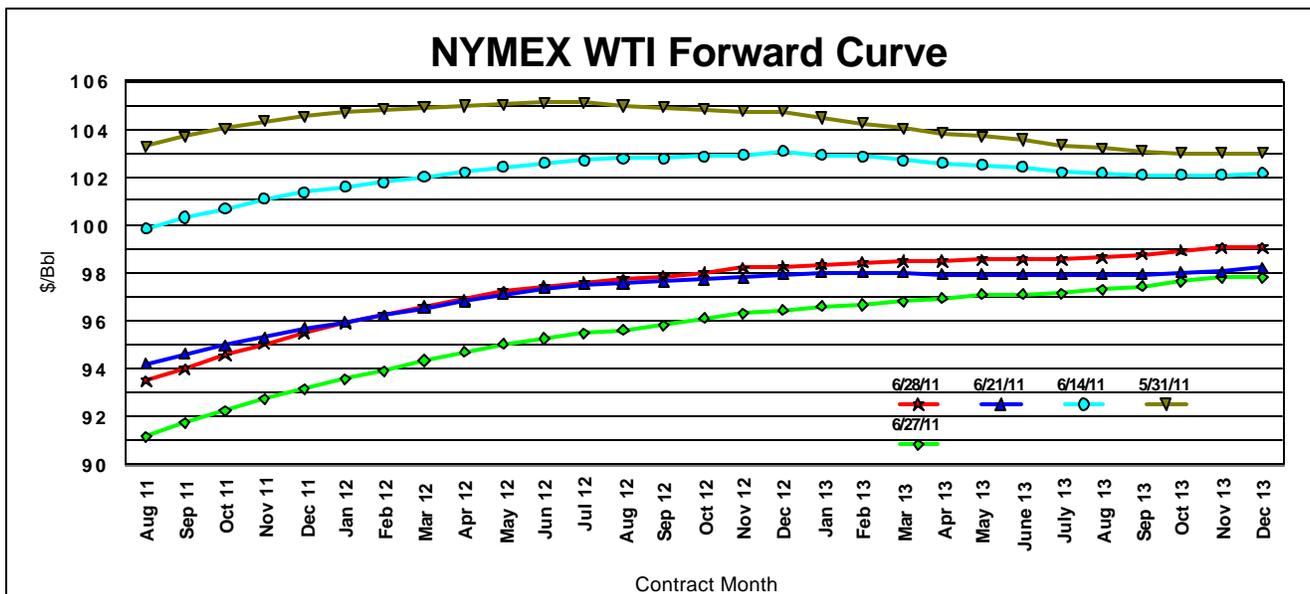
Traders and analysts said margins at already struggling European refiners are likely to come under further pressure as 15 million barrels of oil products are put into the market under the IEA's oil stock release plan. High crude feedstock prices and weak demand for products have weakened margins for European refiners. Further pressure could lead to run cuts and create problems for bigger refineries.

Venezuela's Energy Minister Ramirez said the country expects expansion projects at its El Palito and Puerto La Cruz refineries to begin by the end of the year and be completed by 2015. Capacity at the facilities will be increased to 280,000 bpd and 210,000 bpd, respectively. He added that the upgrade at El Palito would allow the export of diesel from the refinery to the international market.

Kuwait's Supreme Petroleum Council has approved two stalled oil projects worth more than \$29 billion. It approved the building of a new refinery and the upgrading of two of three existing refineries to increase output and produce cleaner products. The two projects are expected to raise Kuwait's refining capacity to 1.4 million bpd from the current 930,000 bpd.

Thailand's PTT confirmed it would import about 30 million liters of low sulfur fuel oil from Singapore to help offset losses caused by a leak in an offshore gas pipeline, which it expected to repair within a few weeks. PTT has fuel oil reserves of about 50 million liters.

Russia's Energy Ministry reported that refinery runs in May increased by 3.6% on the month and 6.9% on the year to 21.625 million tons/day. It also reported that Russian gasoline and gas oil exports in May fell due to peaking demand and higher export duties imposed on gasoline. Russia exported 6,494 tons/day of gasoline in May, down 65.1% from 18,607 tons/day in April. Domestic shipments of gasoline increased by 26.9% to 89,868 tons/day. Russian gas oil exports in May fell by 0.2% on the month to 91,135 tons/day while local supplies increased by 6.8% to 88,339 tons/day.



India's oil product sales in May increased an annual 5%, the largest increase since January. Local oil product sales increased to 12.93 million tons in May. Diesel sales increased to an annual 10.9% increase in May. Gasoline sales in May increased an annual 8% compared with a 7.4% increase in April. India's crude oil imports increased 1.8% to 13.63 million tons or 3.22 million bpd in May. Oil product imports fell by 38.6% while exports increased 30.5% on the year.

Production News

The UAE's Abu Dhabi National Oil Co said it would reduce supply in August by between 5% and 8% depending on grades.

Norway's DNO International SA increased its crude oil production from Iraq's Kurdistan Tawke oil field to 71,350 bpd in May from 65,333 bpd in April.

A senior Yemeni official said the country is considering using force to secure and repair its main oil pipeline that was sabotaged in an attack by tribesmen in mid-March. The official said the government was in talks with tribesmen obstructing repairs of the Maarib oil pipeline. This comes amid a political impasse over the fate of President Ali Abdullah Saleh, who is recovering in Saudi Arabia from wounds suffered in a June 3rd attack and continuing unrest in the south. The lack of crude has forced the Aden refinery to halt production, causing widespread fuel shortages and forcing the country to import more fuel when it can least afford it.

KazMunaiGas Exploration Production expects to fall 4% short of its planned output target this year as a strike at a major field enters a second month. It said the strike at its Uzen field in western Kazakhstan resulted in oil production losses of 150,000 tons to date. It had earlier forecast crude oil production of 13.5 million tons in 2011.

Spain's Repsol YPF SA said its Brazilian consortium discovered two levels of good quality oil in deep water off Brazil's coast. It said the Gavea find is the most significant mad in the pre-salt area of the Campos Basin.

Brazil's cane industry association Unica said sugar production in Brazil's center-south totaled 1.99 million tons in the second half of June, down 14% from the same period a year ago. Sugar output from the beginning of the 2011/12 season through June 16th totaled 6.74 million tons, down 25% on the year.

Market Commentary

Crude oil traded back above \$91.00 a barrel as the dollar weakened against the euro and hopes soared that Greece would pass the proposed austerity program. Providing an added lift to prices was a weather report warning that a low-pressure system passing over Mexico's Bay of Campeche coast had a 70 percent chance of materializing into a tropical depression over the next 48-hours. With the lack of any fresh market related news, we expect that crude oil will resume its relationship with the dollar.

Based upon technicals, it appears that prices are in a corrective phase. Moving oscillators have turned to the upside, indicating that prices will move higher. Currently, there is resistance set up around \$96.47, making this our near term objective.

Crude oil: Aug 11 318,472 -5,085 Sept 11 173,915 +3,506 Oct 11 71,401 -3,977 Totals 1,503,059 -11,847 Heating oil: July 11 21,650 -4,382 Aug 11 91,789 +1,765 Sept 11 45,852 +600 Totals 309,154 -3,066 Rbob: July 11 15,840 -6,652 Aug 11 70,033 +741 Sept 11 42,183 +1,001 Totals 235,298 -4,283.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	9280		31325		

		27150	32777		33369
	9821	26680	33370	26965	35915
	10244	27375	33510	26300	36310
8950	10339	23685		25683	
8700	10845	22960		25145	
8625	11120			24240	
8500	11483			23631	
8385	11563			23414	
	11703				

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