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ENERGY MARKET REPORT FOR JUNE 29, 2010

Russia's Foreign Minister Sergei Lavrov said Russia, France and the US have proposed a UN brokered meeting with experts from all three countries and Iran to discuss a nuclear fuel

swap deal. The talks would be held on the condition that Iran stops enriching uranium to 20% levels. He said the meeting would be aimed at solving issues of fuel supply for Tehran's research reactor. Separately, Turkey urged Iran and Western powers to implement a nuclear fuel swap deal and start talks as soon as possible before the standoff worsens. On Monday, Iran's President Mahmoud Ahmadinejad ruled out talks with the US, UK, France, Russia, China and Germany on Iran's uranium enrichment program until the end of the Iranian month of Mordad, around late August. He described the freeze as a penalty in retaliation for a fourth round of sanctions. Iran's Foreign Minister Manouchehr Mottaki said the freeze did not apply to discussions on a nuclear fuel swap deal brokered by Turkey and Brazil in May.

The head of the National Iranian Oil Products Distribution Co, Farid Ameri said Iran sees no risks to its gasoline imports a day after France's Total joined the list of oil companies halting their sales to Iran due to sanctions. He said consumption was declining, helping cut Iran's reliance on gasoline imports. He said Iran's average daily gasoline consumption in the first three months of the year was 62.8 million liters or 13.81 million gallons, down from 64.4 million liters last year. Average daily production totaled 44.6 million liters. He also said Iran's gasoline stocks were up 500 million liters in the period from March 21 to June 2nd.

The EIA reported that US oil demand averaged 18.91 million bpd in April, up 2.4% or 439,000 bpd on the year. Demand was down 0.8% or 160,000 bpd on the month. Gasoline demand in April averaged 9.103 million bpd, up 1.7% or 155,000 bpd on the year while distillate demand averaged 3.707 million bpd, up 7.1% or 247,000 bpd on the year. Distillate demand was revised up 1.7% or 63,000 bpd from the earlier estimate. The EIA also reported that distillate stocks at the end of April fell by 3.4 million barrels or 2.3% on the year to 144.841 million barrels. End-April distillate stocks

Market Watch

The Conference Board said its index of consumer confidence for June fell to 52.9 compared with the 62.7 in May, a level that was revised down from a previously reported 63.3. The present situation index fell to 25.5 from 29.8 the prior month. May's level was previously reported at 30.2. Meanwhile, consumer expectations for the state of economic activity over the next six months fell to 71.2 from 84.6 in May, which was previously reported at 85.3.

API Stocks

Crude – down 3.404 million barrels

Distillate – up 3.983 million barrels

Gasoline – down 908,000 barrels

Refinery runs – down 0.3% at 86.9%

are 25.1 million barrels or 21% above the five year average levels. The EIA also reported that US crude oil imports in April increased by 3.6% or 335,000 bpd on the year to 9.741 million bpd. Canada remained the largest supplier of crude to the US, with shipments of 1.883 million bpd while Saudi Arabia's oil export to the US averaged 1.245 million bpd. Mexico's exports to the US averaged 1.134 million bpd.

June Calendar Averages CL- \$75.39 HO - \$2.0508 RB - \$2.0816

BP Plc recovered about 23,395 bpd of oil on Monday from the Macondo well in the US Gulf of Mexico. It collected 15,310 barrels of oil and flared about 8.050 barrels of oil. However the Deepwater Horizon Incident Joint Information Center said oil skimming efforts in the US Gulf of Mexico was halted since Monday due to high seas preceding the arrival of a tropical storm in the region.

According to a SpendingPulse report by MasterCard Advisors, US gasoline demand increased by 2% or 187,000 bpd to 9.498 million bpd in the week ending June 25th. In the last four weeks, gasoline demand averaged 9.308 million bpd, down 205,000 bpd or 2.2% on the year. It reported that the US average retail price of gasoline increased by 4 cents or 1.5% to \$2.74/gallon.

Refinery News

Valero Energy Corp said it started placing emergency supplies at its Gulf Coast refineries and retail outlets ahead of Tropical Storm Alex but had not altered production at any of its refineries.

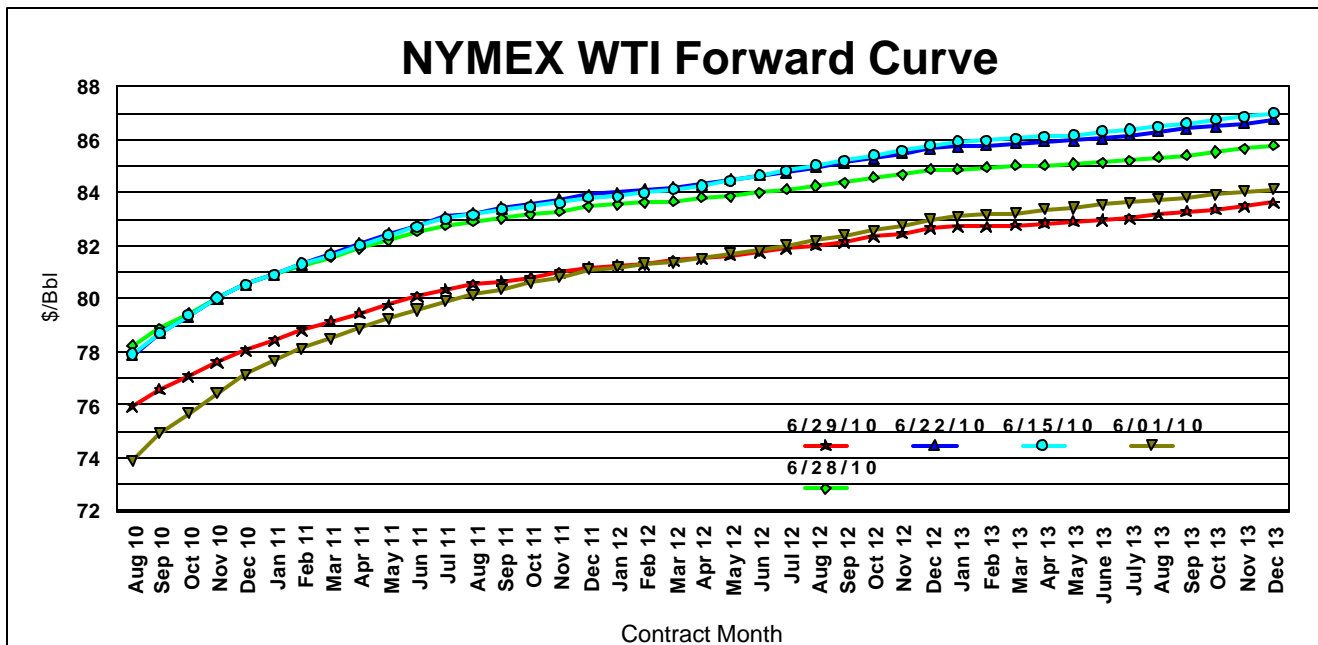
ExxonMobil Corp reported unplanned flaring at its 150,000 bpd refinery in Torrance, California on Tuesday.

Operations at BP's 455,790 bpd Texas City, Texas refinery returned to normal on Tuesday following a brief upset. Emissions associated with the event started when a compressor tripped.

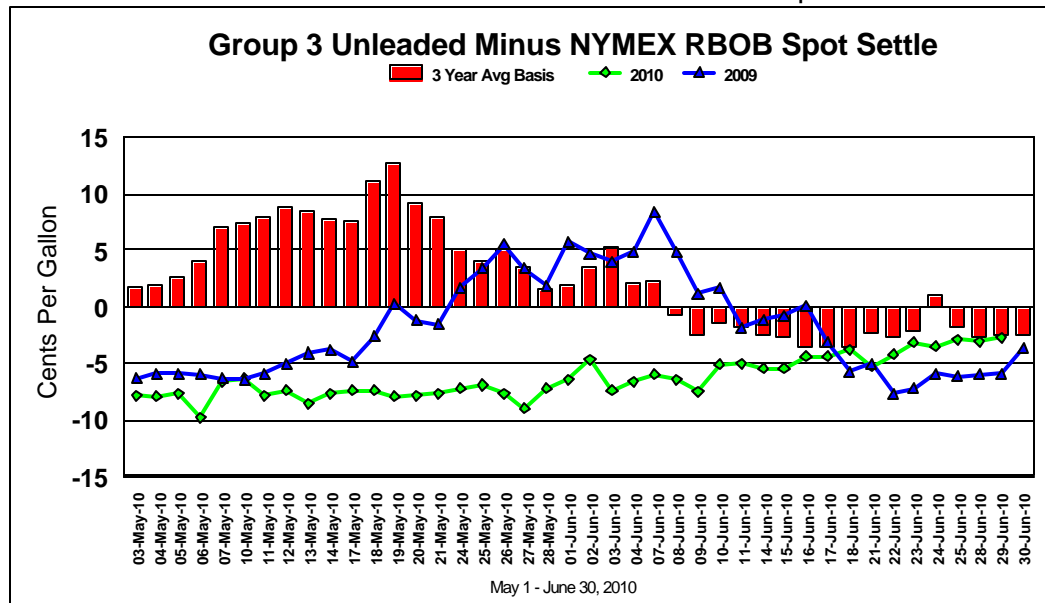
A small explosion occurred at Total SA's 200,000 bpd Lindsey refinery in England following a fire on Tuesday. Total SA partially shut its Lindsey refinery in late May until the end of July ahead of a planned sale of the plant later this year.

Production News

There is an estimated 439,700 barrels of oil production capacity offline in the Gulf of Mexico as Tropical Storm Alex is forecast to become the season's first hurricane on Tuesday.



ExxonMobil Corp shut in some oil and gas production in the Gulf of Mexico due to Tropical Storm Alex. Gross production of about 8,000 bpd and 123 million cubic feet of natural gas was offline as of early Tuesday. It is evacuating remaining personnel from other potentially affected offshore platforms. Separately, Royal Dutch Shell has shut in oil and gas production and drilling operations from its central and western assets in the Gulf of Mexico due to Tropical Storm Alex. It said it shut in about

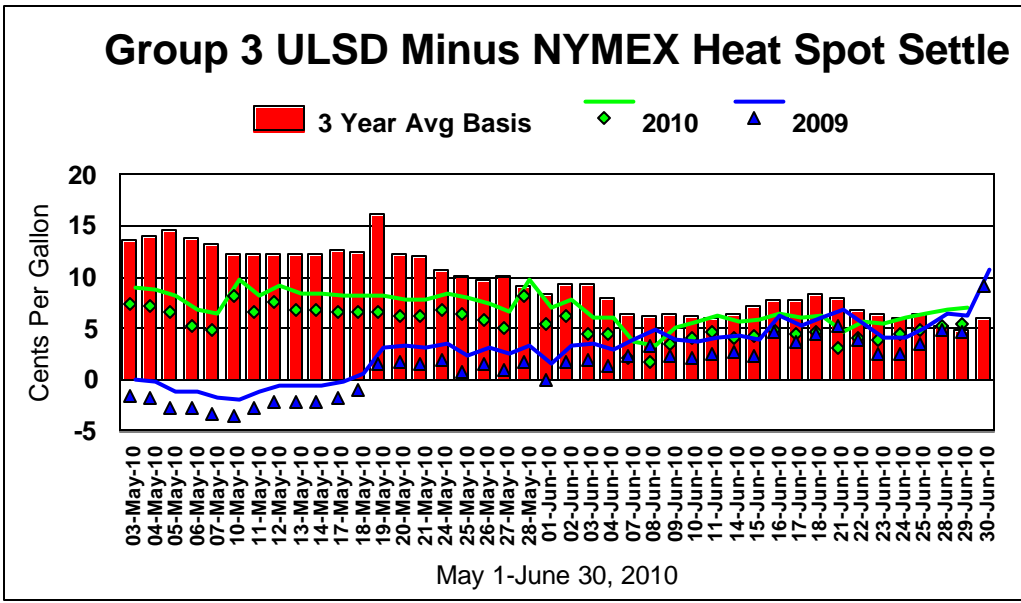


10,000 bpd of oil equivalent and has evacuated 900 offshore workers. It also shut its 101,000 bpd Auger oilfield and its 110,000 bpd Brutus oilfield. ConocoPhillips shut in production at its Magnolia platform in the Gulf of Mexico due to the threat of Tropical Storm Alex. Conoco evacuated the workers from

Magnolia, which produces about 10,000 bpd of oil equivalent. Chevron Corp said it was shutting in production at some of its offshore locations in the central and western Gulf of Mexico as it evacuated workers from offshore platforms. Hess said it is evacuating all personnel from its Bald Pete Gulf of Mexico asset ahead of the storm. BP Plc was returning workers to shut in production platforms in the western Gulf of Mexico following the passage of Tropical Storm Alex. The company had evacuated workers from Atlantis, Holstein, Mad Dog and Thunder Horse platforms with production shut at Atlantis, Holstein and Mad Dog. It had also evacuated production platforms and cut output from the Southern Green Canyon area of the US Gulf of Mexico.

Saboteurs blew up a key oil pipeline in Rashidiyeh district in Baghdad. The pipeline links an oil refinery and power station in Dora with Baiji.

Mexico's Transport Ministry reported that its oil export terminals of Dos Bocas and Cayo Arcas remained closed on Tuesday after they were shut on Sunday as a precaution ahead of Tropical Storm Alex.



A senior Kuwaiti oil official said Kuwait will increase its production from its northern oilfields by 100,000 bpd to 820,000 bpd by the end of July. Kuwait's total production capacity is expected to reach 3.3 million bpd in August, up from the current level of 3.17 million bpd.

According to a Reuters survey, OPEC crude oil production is expected to fall in June from a 17 month high reached in May, due to lower supplies from Iraq, Angola and Nigeria. The 11 OPEC members bound by quotas, except Iraq, produced 26.75 million bpd in June, down from 26.9 million bpd in May. It is up 1.91 million bpd from its target of 24.84 million bpd. Total OPEC production, including Iraq, fell by 190,000 bpd to 29.1 million bpd. Saudi Arabia's oil production remained unchanged at 8.28 million bpd, while Angola's oil production fell by 50,000 bpd to 1.83 million bpd and Nigeria's oil production fell by 120,000 bpd to 2.05 million bpd. Iraq's oil production fell by 40,000 bpd to 2.35 million bpd in June.

Petroecuador exported 39.1 million barrels of oil between January and May, up 15% from 34.01 million barrels reported last year. Its oil export revenues totaled \$2.73 billion between January and May, up 120% on the year.

Colombian pipeline operator ODL will invest \$230 million to increase its capacity to ship crude oil from the Meta and Casanare provinces to the Caribbean coast for exports. ODL, jointly owned by Ecopetrol SA and Pacific Rubiales Energy Corp, will increase its capacity to 340,000 bpd by June 2011 from the current level of 160,000 bpd. The company will invest in a pumping station, tanks and other facilities and will lay a 27 kilometer stretch of pipeline to link its pipeline to Ecopetrol's Ocesa network. The work will start in late July.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.07/barrel to \$74.89/barrel on Monday from \$73.82/barrel on Friday.

Market Commentary

Crude oil fell 2.6 percent as China's economy grew at its slowest pace in five months and U.S. consumer confidence declined more than forecast. According to a New York based Conference Board, China's economy for the month of April increased by 0.3 percent, not the 1.7 percent that was originally reported. The same board reported that U.S. consumer confidence fell to 52.9 in June from a revised 62.7 in May. Forecasts were calling for a decline to 62.5. With the U.S. and China being the world's two largest consumers of energy, this type of economic news is expected to have an impact on demand. The shape of the forward curve continues to show signs of gaining front-end strength. With hurricane season upon us, as well as the U.S. summer driving season and Cushing stocks showing signs of declines, we would look for the front end to continue to gain against the deferred. The August crude oil appears to be in a period of correction as it remains in an uptrend. We would look for more consolidation, with the August contract holding the range of \$80.00 to \$70.00. Given the current supply/demand scenario, any moves to the upside should be contained, with the spot month struggling to work towards \$85.00.

The API reported a larger than expected draw in crude stocks of 3.404 million barrels on the week. It reported the draw in stocks as crude runs increased by 27,000 bpd to 14.886 million bpd. The API also showed the draw as crude imports fell by 440,000 bpd to 9.543 million bpd on the week. Distillate stocks built more than expected, with a build of 3.983 million barrels in the latest week. Distillate stocks built as apparent demand fell by 8.7% on the week and by 8.9% on the year to 3.933 million bpd while apparent demand basis its three week moving average fell by 1.1% on the week but increased by 1.7% on the year to 4.178 million bpd. Distillate stocks also built as imports increased by 46,000 bpd or 50% to 138,000 bpd on the week. The API reported a larger than expected draw in gasoline stocks of 908,000 bpd on the week. Apparent gasoline demand increased by 4.2% on the week and by 2.5% on the year to 9.706 million bpd while apparent demand basis its three week

moving average increased by 3.2% on the week and by 2.4% on the year to 9.426 million bpd. It however reported that gasoline production and imports increased by 29,000 bpd or 0.3% on the week to 9.384 million bpd and by 116,000 bpd to 192,000 bpd, respectively.

Crude oil Aug 10 305,846 -3,784 Sept 10 155,765 +4,668 Oct 10 58,765 +4,668 Totals 1,260,841 +7,404 Heating oil July 10 13,740 -4,725 Aug 10 81,628 +1,869 Sept 10 44,640 +1,468 Totals 308,769 -320 Gasoline July 10 17,463 -5,492 Aug 10 76,283 +108 Sept 10 53,808 Totals 236,497 -4,640

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7535	7722	19230	21200	18890	21925
7475	7938	18480	21510	18420	24880
7360	8113	18365	21780	18260	27085
7181	8369		21905	18120	27900
7002			23820		

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