

W The
Windham Group



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JUNE 30, 2009

The IEA's executive director, Nobuo Tanaka said fundamentals are currently determining the direction of crude oil prices but added that speculators are amplifying those moves. He said the recent rise in oil prices could not be countered just through increases in production. He said he is concerned about investment in unconventional sources of oil but added many oil fields could be developed at current prices. The head of the IEA also stated that the buffer between demand for oil and current

Market Watch

The Conference Board said its index of consumer confidence fell to 49.3 this month from a downwardly revised 54.8 in May. Markets were expecting a reading of 55 for June. The Present Situation Index also fell to 24.8 from 29.7. The report caused the dollar to rise against the euro.

The Labor Department said the unemployment rate increased in the country's largest urban areas during May. It said jobless rates increased in all 372 metropolitan areas. Fifteen areas reported jobless rates of at least 15% in May. It said 112 metro areas reported jobless rates of at least 10%, up from six areas a year ago.

Business activity in the US Midwest contracted in June but at a slightly less severe rate than expected. The Institute for Supply Management-Chicago business barometer increased to 39.9 from 34.9 in May. A reading below 50 indicates a contraction.

According to Standard & Poor's/Case Shiller home price indexes, prices of US single family homes fell in April from March. However the pace of the decline moderated. An index of 20 metropolitan areas fell 0.6%.

Investor George Soros predicted a "stop-go" economy and said fears of inflation will increase interest rates and choke off growth. He also warned that it is a misconception that markets are self-correcting.

Societe Generale expects US crude to average \$72.50/barrel in the fourth quarter of the year, unchanged from its previous forecast. Its forecast for 2009 also remains unchanged at \$59.91/barrel. It raised its average 2010 US crude oil price forecast to \$82.50/barrel from its previous forecast of \$75/barrel due to expectations of improving fundamentals in the next year. WTI crude is forecast to average \$87.50/barrel in the second half of 2010 and \$90/barrel in December 2010. Separately, Societe Generale said the midterm prospect of inflation could continue to draw investors towards commodities, even if fundamentals are slow to recover. Inflation concerns have been one of the drivers of surging commodity prices this quarter. It said commodities should be buoyed by most countries coming out of recession in the second half, although the recovery could be muted in 2010 and 2011.

The International Air Transport Association said the world's airlines lost more than \$3 billion in the first quarter of 2009. It said weak travel demand and lower freight volumes caused lower revenues for major carriers. It said the deterioration was before the recent rise in fuel prices, warning that the 30% increase in oil and jet fuel prices since early May would squeeze airline cash flows further in the coming months.

API Stocks

Crude – down 6.817 million barrels
Distillate – up 723,000 barrels
Gasoline – up 209,000 barrels
Refinery runs – down 0.3%, at 84.9%

production capacity is comfortable enough not to need additional OPEC output. Any additional output would only add to high inventory levels. He said OPEC needs to watch the global economic recovery and may need to invest in additional capacity to avoid a supply crunch.

Venezuela’s Oil Minister Rafael Ramirez said there is no need for OPEC to cut production due to weak demand and added that \$75/barrel is a fair price for the second half of the year. He said he is concerned about high inventories of oil.

Qatar’s Oil Minister Abdullah bin Hamad al-Attiyah warned the global economic downturn will continue to impact the country’s energy exports.

A senior Iranian cleric demanded an end to protests over the re-election of President Mahmoud Ahmadinejad as president after Iran’s Guardian Council dismissed complaints of irregularities. Iran’s Guardian Council said the file on the disputed presidential election was closed after it confirmed the victory of Mahmoud Ahmadinejad. The next formal step is for Supreme Leader Ayatollah Ali Khamenei to confirm Ahmadinejad as president. Parliament will swear him in a few weeks later. Meanwhile, defeated candidate, Mirhossein Mousavi reiterated his demand for the cancellation of the June 12th vote.

Iran’s President Mahmoud Ahmadinejad pledged to break the stranglehold of the major powers in his first public comments since the Guardian Council upheld the re-election.

June Calendar Averages

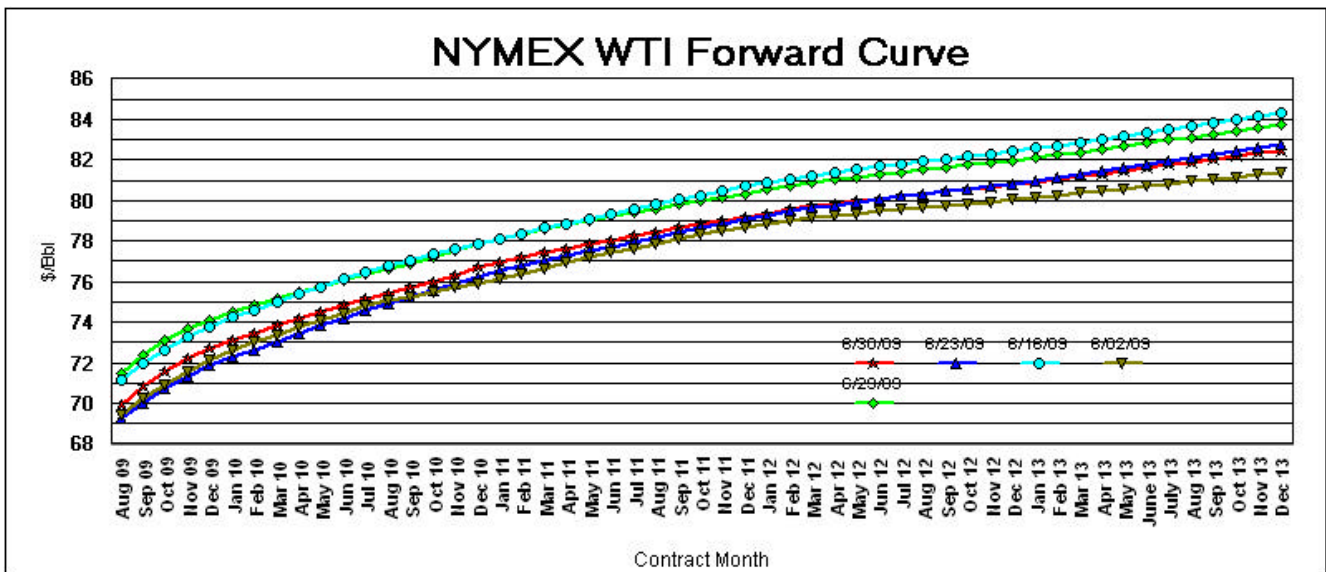
CL – \$69.70
HO – \$1.7880
RB – \$1.9548

The CFTC is closely looking for signs of excessive speculation in commodity markets, especially in the oil market. A recent rally in commodity prices could mean investors are betting on a recovery in the world economy. However other traders and analysts worry the fundamentals do not support such optimism and another bubble could be forming.

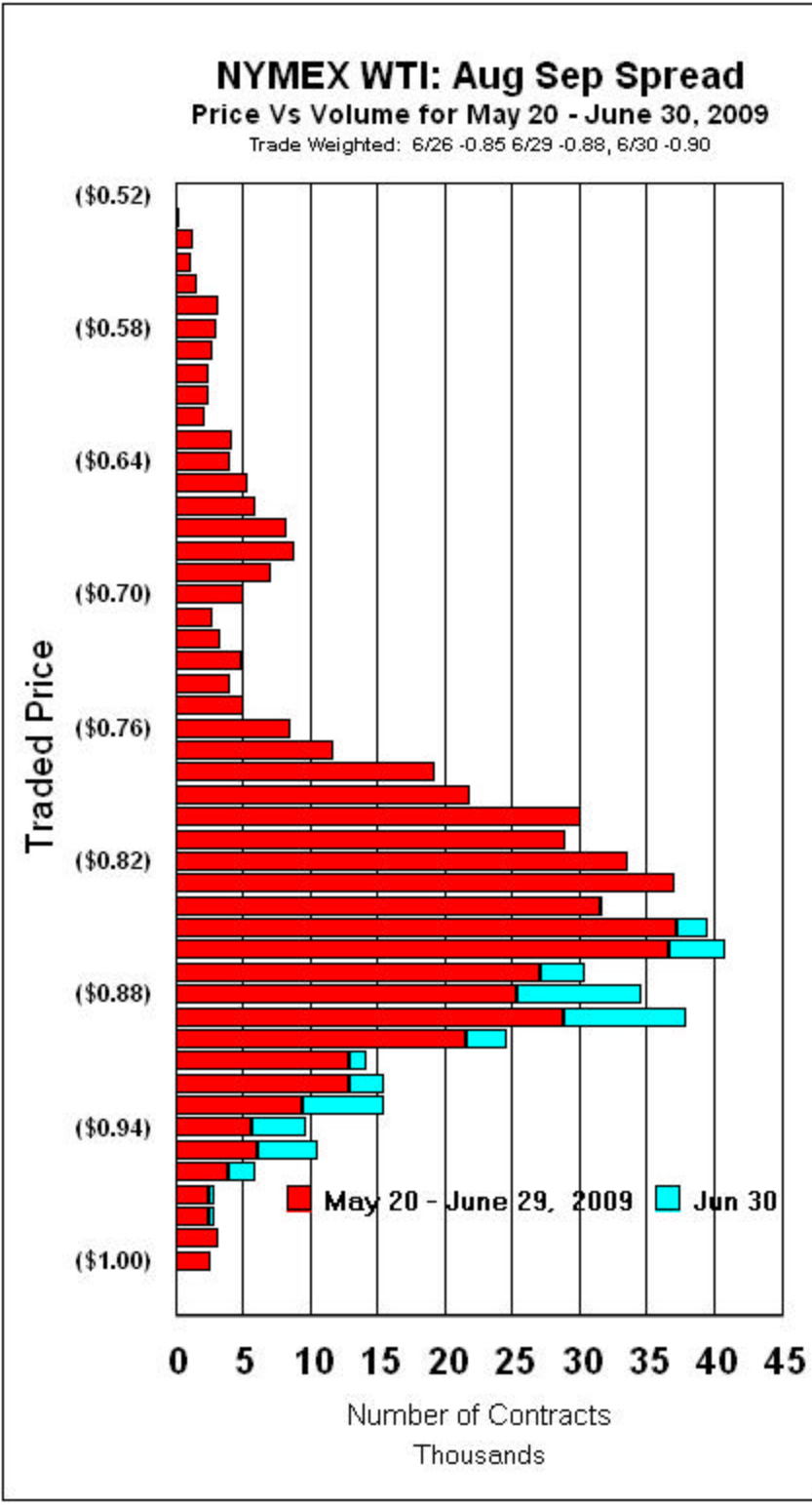
Refinery News

Valero Energy Corp will restart a crude unit at its Corpus Christi, Texas refinery on Tuesday. Separately, Valero cut rates to the delayed coking unit at its 289,000 bpd refinery in Port Arthur, Texas on Monday.

According to a filing with the Texas Commission on Environmental Quality, severe weather caused a



unit upset at Delek US Holdings Inc's 58,000 bpd Tyler, Texas refinery on Monday. The sat gas unit flared for 25 minutes before the problem was corrected.



The Delaware Department of Natural Resources said Valero Energy Corp was fined \$86,250 for past emissions from its 210,000 bpd Delaware City refinery.

The California State Board of Equalization said the state's gasoline demand in the first quarter of 2009 fell by 5.6% on the year. Diesel consumption in the first quarter fell by 11.6% in the first quarter.

Total SA's 153,000 bpd Dutch Vlissingen refinery is restarting this week after completing its maintenance and is expected to be fully operational by mid-July.

Kuwait Petroleum Corp's 80,000 bpd Rotterdam refinery is undergoing maintenance after the refinery was hit by three fires earlier this year. The fires in February and April affected two desulfurization units and a crude distillation unit at the refinery.

Adria-Wien pipeline, which carries crude oil to OMV's Schwechat refinery, is due to restart operations on Tuesday after it was shut since Friday. The pipeline was shut after heavy rainfall led to the risk of a landslide in the area.

Pemex will finish planned maintenance on a fluid catalytic cracking unit at the Salina Cruz refinery next week, returning the refinery's gasoline production back to full capacity. Pemex originally planned to finish the turnaround in June adding that Pemex often

delays planned refinery work to avoid reducing fuel production during periods of strong demand. Separately, Pemex said it will start increasing output at its Minatitlan refinery in November following the completion of a \$3 billion expansion. A 24,000 bpd hydrotreater will start production in the fourth quarter, increasing its diesel output by 7% to 369,000 bpd. It other new units, which include a fluid

catalytic cracking unit and a coker unit, will start production in 2010, increasing total production to 245,000 bpd from 189,000 bpd in May.

Japan's Cosmo Oil Corp plans to refine 2.12 million kiloliters or 430,000 bpd of crude in July, down 7% on the year due to a fall in domestic oil demand. It is below its earlier plan to refine 2.15 million kl.

Japan's Taiyo Oil Co Ltd plans to conduct maintenance at its refinery in Kikuma from August 22 to late September. Both of the refinery's two crude distillation units will be shut for an unspecified period while minor construction work is carried out. Company officials previously said its No.1 88,000 bpd crude distillation unit will be shut for about two weeks from mid-August and its No.2 32,000 bpd crude distillation unit will be closed for about two weeks in September.

According to the Ministry of Economy, Trade and Industry, Japan's refinery output fell by 10.3% on the year and by 5.5% on the month to 3.091 million bpd. Japan's crude oil product sales in May fell by 12.5% on the year and by 9.6% on the month to 2.909 million bpd. It reported that kerosene sales fell by 25.3% on the year and by 40.8% on the month to 168,000 bpd while naphtha sales fell by 9.4% on the year and by 12.3% on the month to 706,000 bpd. Japan's gasoline sales increased by 2.2% on the year but fell by 1.2% on the month to 957,000 bpd. Japan's crude oil imports fell by 17.5% on the year and by 3.7% on the month to 3.398 million bpd while oil product imports fell by 11.4% on the year but increased by 21.4% on the month to 472,690 bpd. It reported that gasoline imports increased by 17.1% on the year and by 228% on the month to 12,499 bpd. Japan's METI also reported that the country's crude oil inventory fell by 3.9% on the year and by 1.6% on the month to 101.696 million barrels while product stocks increased by 6.7% on the year and by 7% on the month to 77.483 million barrels.

Saudi Aramco and ConocoPhillips said they will proceed with plans to build a 400,000 bpd joint venture refinery at Yanbu on the Red Sea amid improved market conditions. The refinery is set to come on stream in the third quarter of 2014.

A ship to ship transfer of North Sea Forties crude is underway in Scapa Flow, offshore Scotland. The transfer of about 600,000 barrels of crude oil from the VLCC Abqaiq to the Katja started Monday night and is expected to be completed Wednesday morning.

Traders said supertankers will not be able to load the North Sea Forties crude at Hound Point, Scotland from late July to early September due to maintenance work. The No. 1 jetty, which can handle vessels up to 350,000 deadweight tons, will be shut from July 24 to September 5th due to maintenance work.

Production News

Attacks by Nigerian militants in recent days has cut oil production from facilities operated by Royal Dutch Shell's SPDC joint venture to about 140,000 bpd. The joint venture operations have the capacity to produce an average of 1 million barrels of oil equivalent per day.

Iraq auctioned eight oil and gas fields on Tuesday in its first major tender since the 2003 invasion, with only one successful bid. A BP led consortium including China's CNPC won a contract to develop the largest oilfield, the 17 billion barrel Rumaila field after an ExxonMobil led group rejected the government's proposed per barrel fee. The BP/CNPC alliance accepted a fee of \$2 for every barrel of additional oil produced. There was no bid for the Mansouriya gas field and the companies bidding for the remaining fields refused terms proposed by Iraq's Oil Ministry. Royal Dutch Shell PLC with China Petroleum & Chemical Corp, China National Petroleum Corp and Turkish national oil company, TPAO, bid for the Kirkuk field. The consortium was seeking \$7.89 for each extra barrel of oil produced while Iraq's Oil Ministry offered \$2/barrel produced. A ConocoPhillips led alliance bid for the

2.3 billion barrel Bai Hassan oilfield. Iraq failed to auction off contracts to develop its Bai Hassan oil field after ConocoPhillips asked for a much higher fee than proposed by Iraq in its contract terms. China's CNOOC with Sinochem was the sole bidder for the 2.5 billion barrel Maysan oilfield but demanded a higher fee for every extra barrel of oil produced than Iraq's Oil Ministry was willing to pay. Iraq's Oil Ministry received four bids for the 4-billion barrel Zubair oilfield, one from a BP led group, a second from India's ONGC, a third from Italy's ENI and a fourth consortium led by ExxonMobil. It received five bids for the 8.7 billion barrel West Qurna oilfield. The groups bidding for West Qurna were led by Total, Lukoil, Repsol, ExxonMobil and China National Petroleum Corp but did not accept Iraq's remuneration of \$1.90/barrel of extra oil produced. Iraq's Oil Ministry said it received one bid from a consortium led by Edison International for the 2.1 trillion cubic feet Akkas gas field. The Iraqi cabinet will meet Wednesday to discuss any new bids made for the oil and gas field contracts that were not awarded.

The head of Iraq's State Oil Marketing Organization, Falah al-Amri said the country's oil exports in June increased slightly to 1.925 million bpd from 1.905 million bpd the previous month.

Iran's Oil Minister Gholamhossein Nozari said the country will pump 3.5 million to 3.6 million bpd. He said he would like to see oil prices rise further to \$80/barrel.

OPEC said Venezuela's oil production in May increased by 23,000 bpd or 1% on the month to 2.238 million bpd. The latest data shows Venezuela is producing slightly above 2 million bpd after it attempted to convince OPEC and other sources that was producing close to 3 million bpd.

Russia's pipeline monopoly Transneft will cut its exports of crude oil from major ports in July except at the Black Sea port of Novorossiisk. Total seaborne exports are estimated to reach 2.61 million bpd, down 131,000 bpd on the month and by 296,500 bpd last year. The schedule shows the port of Novorossiisk will increase supplies by 91,000 bpd to 906,600 bpd. However the combined fall from other ports will be larger as the Baltic Sea port of Primorsk will cut shipments by 107,000 bpd and Yuzhny and Gdansk cut shipments by about 50%.

Russia's tariffs service said Transneft will increase its fees by an average of 4.4% from the second half of 2009, in line with the company's request.

OPEC's news agency reported that OPEC's basket of crudes increased by 14 cents to \$69.43/barrel on Monday from \$69.29/barrel on Friday.

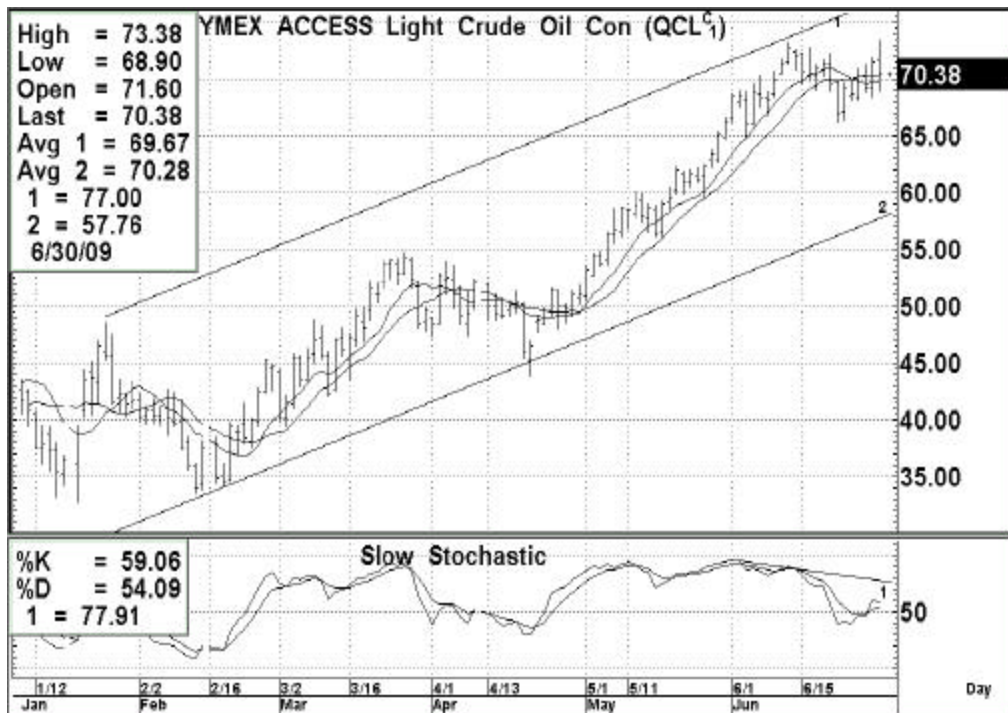
Market Commentary

Crude oil tumbled from an eight-month high and gasoline fell as U.S. consumer confidence declined in June, indicating lower fuel demand. According to a report by the Conference Board, the consumer sentiment index fell to 49.3. This was revised from 54.8 in May. This forced bulls out of the market, taking crude oil below the \$70.00 level. An overall view of the market shows that crude oil prices have risen for the fourth straight month. This is in response to expectations of an improvement in the global economy and its impact on oil consumption. In addition, a weaker dollar during this period has increased the appeal of commodities, which overshadowed the supply and demand fundamentals of this market. Continued weak demand, high inventories and increased surplus production capacity within OPEC provide cause for concern to the upside. These aforementioned fundamentals could limit the upside potential for crude oil, especially if the global economic situation doesn't improve. On the upside, a weaker dollar may indicate that economic activity abroad, especially in Asia, is stronger than estimated. This would mean that demand would grow overseas, offsetting shortfalls in the U.S. From a technical perspective, and for the shorter term, there appears to be more room to the upside. We would look for a test at \$76.33, the 50% retracement between \$147.27 and \$32.48.

Crude Oil AUG.09 263,941 +7,982 SEP.09 144,298 +6,153 OCT.09 53,669 +870 NOV.09 29,059 +382 Totals: 1,147,874 +20,673 N.Y. Heating Oil (HO) AUG.09 70,074 +2,622 SEP.09 37,456 +86 OCT.09 26,284 +532 NOV.09 15,584 +150 Totals: 286,455 -2,816 NEW YORK HARBOR RBOB (RB) AUG.09 79,374 +2,311 SEP.09 43,612 +28 OCT.09 25,665 +600 NOV.09 10,415 -43 Totals: 202,008 -4,541

The API reported a larger than expected draw in crude stocks of 6.817 million barrels on the week, with a large draw of 3.633 million barrels in Padd 3. It reported that total crude stocks increased by 14.9% on the year. It however reported the draw in stocks despite the increase in crude imports of 229,000 bpd to 8.842 million bpd and a fall in crude runs of 185,000 bpd to 14.775 million bpd on the week. It reported smaller than expected builds in product stocks, with a build of 723,000 barrels in distillate stocks. It reported the build as distillate production increased by 132,000 bpd to 4.174 million barrels. It also reported the smaller than expected builds as apparent demand increased by 7.5% to 4.317 million bpd and apparent demand basis its three week moving average increased by 0.5% to 4.106 million bpd. Gasoline stocks built by just 209,000 barrels on the week compared with expectations of a 2 million barrel build. The API reported that gasoline production increased by 31,000 bpd to 9.276 million bpd. However imports fell by 105,000 bpd to 221,000 bpd and apparent demand increased by 4.7% on the week to 9.467 million bpd on the week.

Daily spot continuation chart for crude oil. Both the 9 & 14 day moving averages are trending sideways, with the 9-day trending above the 14 day. Slow stochastics are trending in neutral territory. The short-term outlook is for prices to work higher, looking to test the 76.33, the 50% retracement between 147.27 and 32.48.



Crude Support	Crude Resistance
70.35, 69.75, 68.05, 67.35, 64.85, 60.50 , 59.85, 58.90, 56.75, 55.45, 54.49,	72.15, 74.50, 76.133, 81.80
Heat Support	Heat resistance
1.6780, 1.6512, 1.6235, 1.5615	1.9090
Gasoline support	Gasoline resistance
1.7150, 1.6960, 1.5370, 1.5260, 1.3560, 1.3400, 131.80, 1.2700, 1.2625 1.1680	2.0650, 2.1600

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.