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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 1, 2009

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said OPEC is unlikely to increase its oil production when OPEC ministers meet in September, as the oil market is still oversupplied. He said demand is still less than supply. He added that Kuwait would like to see stricter compliance from OPEC members with agreed output cuts.

The EIA reported that the US average retail price of gasoline may have reached its peak for the summer at \$2.69/gallon and added that refineries and imports can cover any possible rise in demand in the driving season. It reported that the US average retail price of gasoline fell by 4.9 cents/gallon to \$2.642/gallon in the week ending June 29th. It said as the summer progresses, expected increases in demand due to vacation travel can likely be met by higher refinery production or imports, since these supply sources have met significantly higher demand levels in recent

Market Watch

The Institute for Supply Management's monthly index of manufacturing activity increased from 42.8 in May to 44.8 in June, the highest rate since August 2008. Production and supplier deliveries both increased to a reading above 50, an indication of expansion. New orders were down from May, as were inventories, and exports and imports both increased. It said the US manufacturing sector will probably take another three months to return to growth territory.

The Commerce Department said US construction spending fell 0.9% in May to the lowest rate in more than five years, with the economic stimulus package passed in February providing little relief in public construction. Total spending in May was at a seasonally adjusted annual rate of \$964 billion. Separately, the National Association of Realtors said its Pending Home Sales Index increased 0.1% to 90.7 from an upwardly revised index level of 90.6 in April.

The Commodity Futures Trading Commission's Chairman Gary Gensler said the CFTC will use its regulatory power to ensure fair operations of futures markets for oil, agriculture, currencies and interest rates. He said that speculators contributed to an asset bubble in commodities in 2008 but would not say if he believed the same thing was happening this year. He reiterated the Obama administration's call for more regulation of derivatives markets.

CME Group today announced the launch of clearing services for six new physically delivered natural gas liquids futures contracts. Clearing services will be available through CME ClearPort®, a set of flexible clearing services open to over-the-counter (OTC) market participants to substantially mitigate counterparty risk and provide capital efficiencies across asset classes, beginning on July 19 for trade date July 20. These contracts are listed for trading by NYMEX through CME ClearPort and are subject to NYMEX rules and regulations. The new futures contracts and their commodity codes include: Mont Belvieu physical LDH propane (OPIS) (3N) with delivery at the LDH facility in Mont Belvieu, Texas; Mont Belvieu physical non-LDH propane (OPIS) (3P); Mont Belvieu physical normal butane (OPIS) (3M); Mont Belvieu physical natural gasoline (OPIS) (3R); Mont Belvieu physical iso-butane (OPIS) (3L); and Mont Belvieu physical ethane (OPIS) (3Q). The Non-LDH propane contract as well as the other four physical NGL contracts will be delivered at the Enterprise facility in Mont Belvieu, Texas. The first listed month for these contracts will be August 2009. The physical LDH propane and non-LDH propane futures contracts will be listed for 48 consecutive months. The other contracts will be listed for 36 consecutive months.

years.

According to shipbroker Simpson Spence & Young Ltd, at least 42 tankers were chartered to store oil products worldwide in June. The ships, which are thought to be storing middle distillate cargoes including gas oil and jet fuel, have a capacity to store 30.5 million barrels of clean products.

DOE Stocks
Crude – down 3.7 million barrels
Distillate – up 2.9 million barrels
Gasoline – up 2.3 million barrels
Refinery runs – down 0.1%, at 87%

Defeated Iranian presidential candidate Mehdi Karrubi refuses to recognize the re-election of President Mahmoud Ahmadinejad after Iran's Guardian Council confirmed the results despite allegations of fraud.

Iran's Major General Hassan Firouzabadi said the European Union is no longer qualified to take part in talks on Iran's nuclear program until it apologizes for the "huge mistake" of interfering in Iran's domestic affairs. Meanwhile, EU states are considering withdrawing their ambassadors from Iran. Britain proposed the step after Iran detained nine of its embassy staff last week. Eight have since been released. Senior officials from EU capitals will discuss the request on Thursday. Separately, Iran's Basij militia has called for the defeated opposition candidate Mir Hossein Mousavi to be prosecuted. The militia

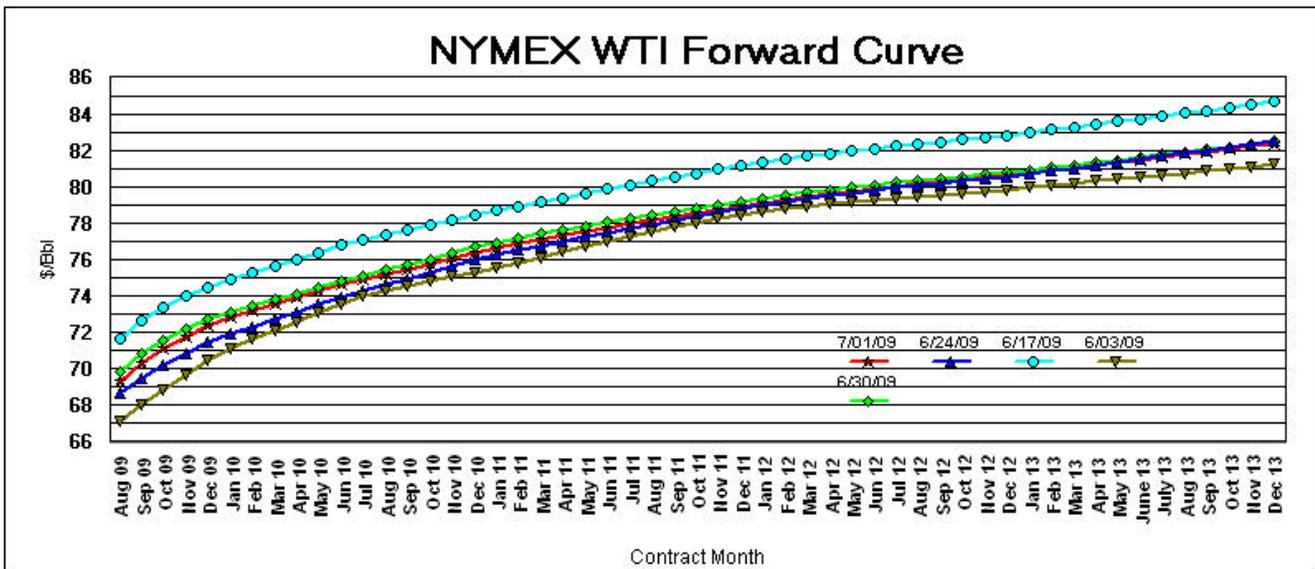
has accused him of nine offenses, including propaganda against the state and complicity in disrupting national security.

July Calendar Averages

CL – \$69.31
HO – \$1.7657
RB – \$1.8590

Refinery News

A fluid catalytic cracking unit at BP Plc's 410,000 bpd Whiting, Indiana refinery restarted and resumed planned rates after it was shut in April for a turnaround. The restart was delayed from mid-May to June.



Brazil's Manguinhos Refinery will begin importing crude oil in the next few weeks to start competing with Petrobras. It is the only refinery not operated by Petrobras. Manguinhos said the first shipment of 50,000 barrels will come from Bolivia. It also said it will make available its storage capacity from other companies. It can store up to 1.5 million barrels of oil.

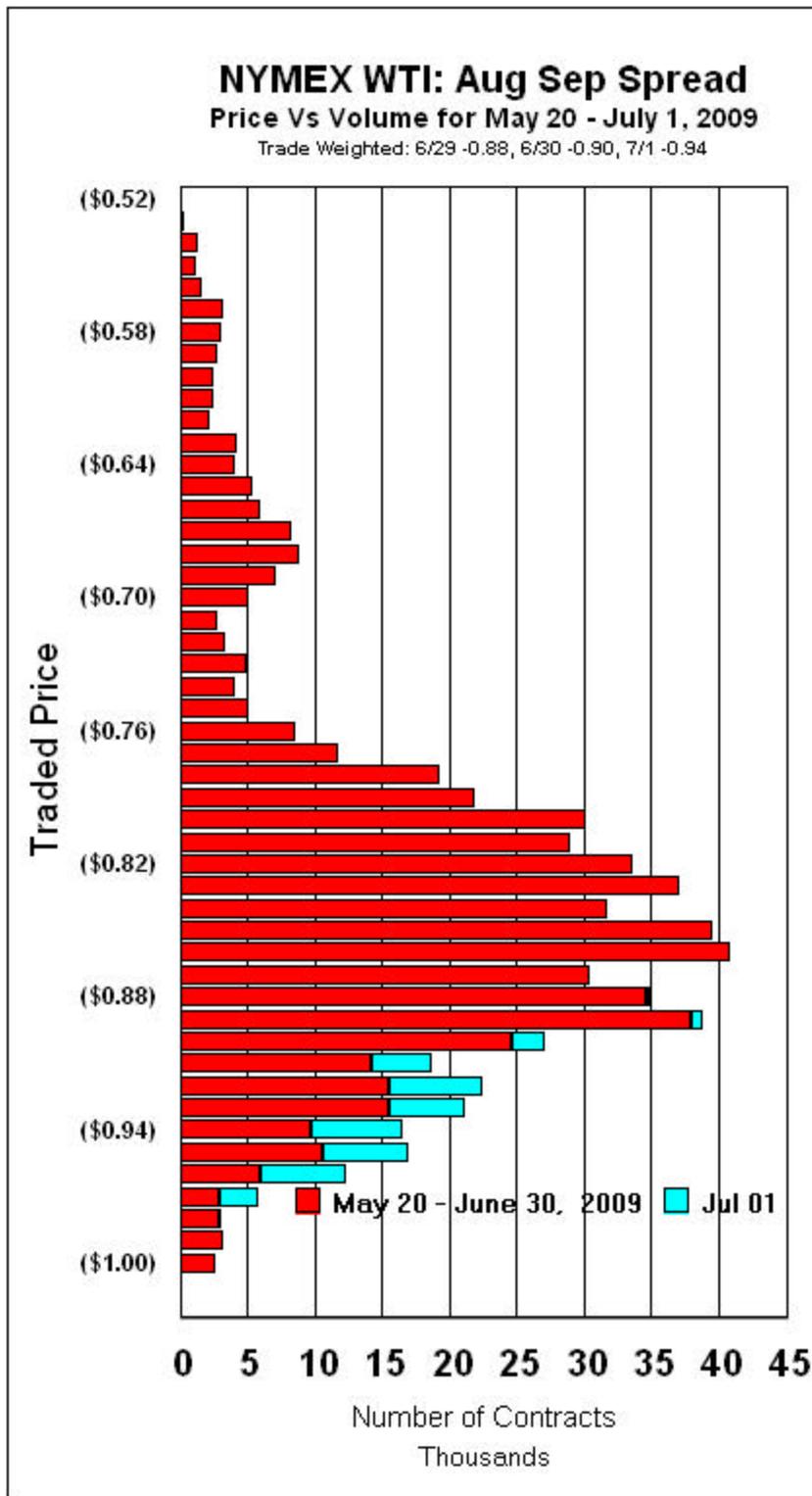
India's Reliance Industries Ltd started its second crude unit at its 580,000 bpd new refinery in western Gujarat state this week ahead of planned maintenance shutdown at its 660,000 bpd old refinery this month.

Saudi Aramco said it will start producing clean diesel from its joint venture refinery with Royal Dutch Shell at Jubail in October. Saudi Aramco Shell Refinery Co is expected to produce 90,000 bpd of ultra-low sulfur diesel, making it the country's first producer in compliance with new environmental standards.

China has secured access to oil deposits in western Kazakhstan on Wednesday after the Kazakhstan said it completed the expansion of a pipeline to China. KazStroyService said the first test shipment of oil was successfully completed through the newly built Kenkiyak-Kumkol pipeline. The new link, which starts near the Kenkiyak field operated by China's CNPC, gives China better access to Kazakhstan's oil provinces in the west. The pipeline will have an initial capacity of 10 million tons, before reaching the full capacity of 20 million tons.

Japan's Showa Shell Sekiyu KK plans to cut its crude oil processing volumes for July by 20% on the year to 2.47 million kiloliters or 501,000 bpd. It will refine 2.2 million kl, down 23% on the year to meet domestic demand and the remaining 270,000 kl, up 13% for exports.

Japan's Trade Ministry said the country will begin storing kerosene in its national reserves. Japan Oil, Gas and Metals National Corp issued a tender on Wednesday seeking 130,000 kiloliters or 820,000 barrels of kerosene.



NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 07/01/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AT	7	9	P	1.35	0.0001	0.0001	500	0	0
AT	12	9	P	1.35	0.0223	0.0196	500	0	0
AT	10	9	P	1.35	0.0128	0.0108	500	0	0
AT	11	9	P	1.35	0.0187	0.016	500	0	0
AT	8	9	P	1.35	0.0027	0.0021	500	0	0
AT	9	9	P	1.35	0.0074	0.006	500	0	0
AT	9	9	P	1.6	0.0424		250	0	0
AT	12	9	P	1.6	0.0689	0.0628	250	0	0
AT	10	9	P	1.6	0.0534	0.0476	250	0	0
AT	11	9	P	1.6	0.0634	0.0573	250	0	0
AT	8	9	P	1.6	0.0297		250	0	0
AT	7	9	P	1.6	0.0048	0.0037	250	0	0
LC	1	10	P	70	6.8	6.67	2350	0	0
LC	12	10	C	100	4.14	4.08	506	4.2	4.15
LO	12	9	P	60	3.06	2.93	6607	3.15	2.55
LO	9	9	P	50	0.25	0.24	4301	0.31	0.2
LO	12	9	P	70	6.43	6.27	3579	6.65	6.65
LO	9	9	P	60	1.2	1.13	3344	1.35	0.87
LO	10	9	P	60	1.94	1.87	3000	1.9	1.56
LO	12	9	C	100	1.02	0.99	2687	1.19	0.99
LO	9	9	P	65	2.32	2.19	2448	2.5	1.76
LO	8	9	P	70	2.79	2.61	2378	3.15	1.75
LO	12	9	P	55	1.97	1.89	2250	1.67	1.67
LO	12	9	P	48	0.97	0.92	1700	0	0
LO	8	9	P	60	0.31	0.32	1610	0.65	0.2
LO	12	10	C	100	4.16	4.1	1414	4.15	4
LO	12	9	P	62	3.58	3.45	1400	0	0
LO	9	9	C	85	0.56	0.62	1311	0.9	0.47
LO	9	9	C	80	1.16	1.3	1281	1.8	1.05
LO	10	9	P	65	3.25	3.12	1225	3.1	3.1
LO	12	9	P	72	7.34	7.17	1210	0	0
LO	10	9	C	90	0.84	0.91	1200	0	0
OB	9	9	C	1.86	0.1286	0.1524	650	0	0
OB	3	10	P	1.65	0.14	0.1283	530	0	0
OB	3	10	P	1.4	0.0602		530	0	0
OB	8	9	C	2	0.0424	0.0551	353	0.035	0.0325
OB	10	9	P	1.7	0.1215		335	0	0
OB	10	9	P	1.4	0.0294	0.027	325	0	0
OB	9	9	P	1.8	0.1039	0.0896	300	0	0
OB	9	9	P	1.6	0.0373	0.031	300	0	0
OH	12	9	P	1.92	0.1979		551	0	0
OH	12	9	C	1.92	0.2043	0.2114	550	0	0
OH	10	9	C	2	0.0997	0.107	310	0	0
WA	9	9	P	-0.75	0.37	0.34	1100	0.4	0.4
WA	8	9	P	-1.25	0.15	0.19	750	0.13	0.13
WA	10	9	C	-0.25	0.24		500	0	0
WA	10	9	P	-0.75	0.36	0.34	500	0	0
WA	11	9	P	-0.75	0.36	0.33	500	0	0
WA	11	9	C	-0.25	0.31		500	0	0

The Petroleum Association of Japan reported that its crude stocks in the week ending June 27th increased by 7.8 million barrels on the week and by 8.23 million barrels on the year to 108.75 million barrels. Japan's crude stocks increased to a five month high as imports increased and production of refined products fell. Japanese refiners ran their facilities at an average 66% of total capacity of 4.83 million bpd, up 1.9% on the week but down 8.4% on the year. Japan's gasoline stocks fell by 230,000 barrels on the week but increased by 50,000 barrels to 13.96 million barrels while kerosene stocks built by 130,000 barrels on the week and by 3.2 million barrels to 14.02 million barrels. Japan's naphtha stocks fell by 1.02 million barrels on the week and fell by 720,000 barrels to 9.62 million barrels. The Petroleum Association of Japan reported that the country's total oil product sales increased by 13.4% on the week but fell by 15.1% on the

year to 3.05 million bpd. Gasoline sales increased by 2.9% on the week but fell by 11.1% on the year to 950,000 bpd.

The Baltic Pipeline System, or BTS-2, designed to pump oil from western Russia's Bryansk region to the Leningrad region, will start operating in late 2011. The pipeline, which will bypass oil transit countries, was originally expected to start operations in the third quarter of 2012.

Iran and Iraq have issued a tender for the construction of a pipeline running from the southern Iranian city of Abadan to Basra in Iraq. The project covers a pipeline that will pump 350,000 bpd of crude from the Basra oil field to Abadan refinery and a pipeline to transport 150,000 bpd of oil products in the opposite direction.

One of the main unions representing the UK offshore oil and gas industry responded angrily to BP's plans to reduce wages in order to cut costs. The Unite union said workers will meet in the next few weeks to determine their response to the plan.

Production News

A senior Iraqi Oil Ministry official said Iraq wants to sign a contract to develop the Rumaila oil field as soon as possible. A consortium led by BP Plc and with China's CNPC won the contract in the country's first bidding round. The BP/CNPC alliance accepted a remuneration of \$2/barrel of additional oil produced. The Rumaila field has a current capacity of 1.1 million bpd. Meanwhile, Iraq's cabinet is reviewing new bids from energy companies to develop the country's oil and gas reserves after companies rejected the terms proposed by Iraq's Oil Ministry on Tuesday.

According to a Reuters survey, OPEC 11, excluding Iraq, produced 26.02 million bpd in June, up 110,000 bpd on the month. Its production was 1.18 million bpd over the implied target of 24.84 million bpd. It has cut its output by 3.02 million bpd of the pledged cuts, translating to a 72% compliance rate, down from 75% in May. It reported that Saudi Arabia's crude production increased by 40,000 bpd to 8.02 million bpd. It reported that OPEC's total production increased by 180,000 bpd to 28.49 million bpd in June. Iraq increased its crude production by 70,000 bpd to 2.47 million bpd in June.

Loading schedules for the eight principal Norwegian and UK crude oil systems show an increase of 350,000 bpd or 19% on the month to 2.203 million bpd in July following the completion of several maintenance programs.

UK North Sea Forties crude production is expected to increase to 655,000 bpd in October, up 20% from September. BP did not explain the reason for the rise in output, however traders said it is mainly due to the completion of maintenance at the Buzzard field and the Forties Pipeline System.

Russia's crude oil exports are expected to fall by 147,000 bpd in July, the second consecutive month that flows will fall due to continued work on Russia's pipeline network. Transneft has scheduled 2.544 million bpd of seaborne exports in July, down from 2.69 million bpd in June.

Venezuela's Oil Minister, Rafael Ramirez will visit Belarus in the next few days to sign new contracts on oil production and the development of new oil fields.

India is likely to raise petrol and diesel prices. Petrol prices are expected to increase by 4 rupees/liter or about 10% while diesel prices are expected to increase by 2 rupees/liter or 6.5%.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$69.83/barrel on Tuesday, up from Monday's \$69.43/barrel level.

Market Commentary

The energy markets fell after the release of the Department of Energy report, which showed that fuel supplies rose more than forecast. Early morning gains were erased when the report indicated that gasoline stocks increased by 2.33 million barrels and distillate stocks increased 2.9 million barrels. The gains in both products are a clear indication that demand for fuel is not improving as was anticipated. The true fundamentals of this market do not support prices at their current level. Demand for gasoline, although up slightly on the year, is still at seasonal lows. Distillate demand and demand for jet fuel continue to suffer destruction due to the economy. The shape of the forward curve remains in contango, back months trading at a premium, and is a clear indication that this market is still over supplied as demand continues to suffer. The crude oil market continues to trade between the 9- and 14-day moving averages, hovering close to the \$70.00 dollar number. Technically, prices can continue to trade in a sideways to higher pattern, working towards initial resistance set above yesterday's high of \$73.38. We would look for prices to continue to work towards the fibonacci retracement number of \$76.33. A lack of follow through at this level, may be a sign that the market has reached a near term top and a retracement to the downside should be expected.

Crude Oil AUG.09 255,527 -8,414 SEP.09 157,535 +13,237 OCT.09 56,794 +3,125 NOV.09 29,849 +790 Totals: 1,159,868 +11,994 N.Y. Heating Oil (HO) AUG.09 67,651 -2,423 SEP.09 38,141 +685 OCT.09 26,377 +93 NOV.09 15,660 +76 Totals: 282,101 -4,354 NEW YORK HARBOR RBOB (RB) AUG.09 75,427 -3,947 SEP.09 43,009 -603 OCT.09 26,296 +631 NOV.09 10,497 +82 Totals: 194,199 -7,809

Spot continuation chart for crude oil. Prices continue to trade around the 9 and 14-day moving averages. Moving oscillators are trending in neutral territory. Prices should continue to trade within the channel, working towards the fibonacci retracement level of \$76.33.



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, 1.3180, 1.2700, 1.2625 1.1680	2.0650, 2.1600

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