



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 2, 2009

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said an oil price above \$100/barrel will hurt the global economy. He reiterated that OPEC will not increase its production at its meeting in September if there is still surplus supplies of oil on the market. He also stated that he would like to see the US dollar stabilize in order to steady oil prices, which were currently sufficient to fund the country's oil projects.

Angola's Economy Minister Manuel Nunes Junior said the country will respect the production quotas set by OPEC. He said the government will intervene to make sure the price of goods in Angola does not increase excessively.

The EIA said a routine maintenance shutdown of the Trans Alaska Pipeline System helped cut oil inventories last week. This explains the larger than expected draw in crude stocks of 3.7 million barrels

Market Watch

The Labor Department reported that non-farm payrolls fell by 467,000 in June and the unemployment rate reached 9.5%, the highest level in nearly 26 years. In a further sign of weakness, the report showed that the length of the average workweek fell and wages were flat last month. The Labor Department also reported that initial claims for unemployment benefits fell by 16,000 to a seasonally adjusted 614,000 in the week ending June 27th. Economists expected claims would fall by 8,000. The total number of continuing claims fell by 53,000 to 6,702,000. The four week average of new claims fell to 2,750 to 615,250. The unemployment rate for workers with unemployment insurance fell 0.1% to 5%.

The Commerce Department said US factory orders increased a second consecutive month in May by 1.2%, in line with expectations. It is the largest increase in nearly a year. April orders increased by 0.5% in April, revised down from a previously reported 0.7% increase. Demand for durable goods increased an unrevised 1.8%.

Data in Europe showed that unemployment in the 16 nation euro zone increased to a 10 year high of 9.5% in May, adding to concerns about demand for US exports.

Barclays Plc increased its third quarter WTI forecast by 14.5% from its June estimate, amid expectations that fundamentals in commodity markets will return to normal. It increased its forecast to \$71/barrel from \$62/barrel. Barclays maintained its 2010 estimate for WTI at \$85/barrel. It increased its third quarter Brent forecast by 9.5% to \$69/barrel.

Oil broker PVM Oil Futures Ltd said it is investigating unauthorized trades in ICE Brent crude oil that may have triggered a price spike in Asian hours on Tuesday. It said it lost a little under \$10 million due to unauthorized trading. It said that as a result of a series of unauthorized trades, substantial volumes of futures contracts were held by the company. It said the positions were closed in an orderly fashion. The company's margin calls have been met and is conducting business as normal. Trading activity in August Brent crude surged suddenly early Tuesday, causing Brent and WTI crude to spike more than 2%. Brent volume totaled more than 16,000 lots in the span of just over an hour with trading clips of 500 lots or more, unprecedented for a market that typically trades less than 1,000 lots before Europe opens.

July Calendar Averages
CL – \$68.02
HO – \$1.7337
RB – \$1.8249

despite the lower refinery runs and an increase in crude imports of 79,000 bpd to 9.363 million bpd. Alyeska Pipeline Service Co said last month it had scheduled maintenance starting on June 20th that was expected to last up to 36 hours.

According to Oil Movements, OPEC's seaborne crude exports, excluding Angola and Ecuador, will fall by 220,000 bpd to 22.75 million bpd in the four weeks ending July 18th. It estimated OPEC is delivering between 70-75% of the promised cutbacks.

Russia is opposed to imposing sanctions against Iran over the recent crackdown on protest rallies following the disputed presidential elections.

Refinery News

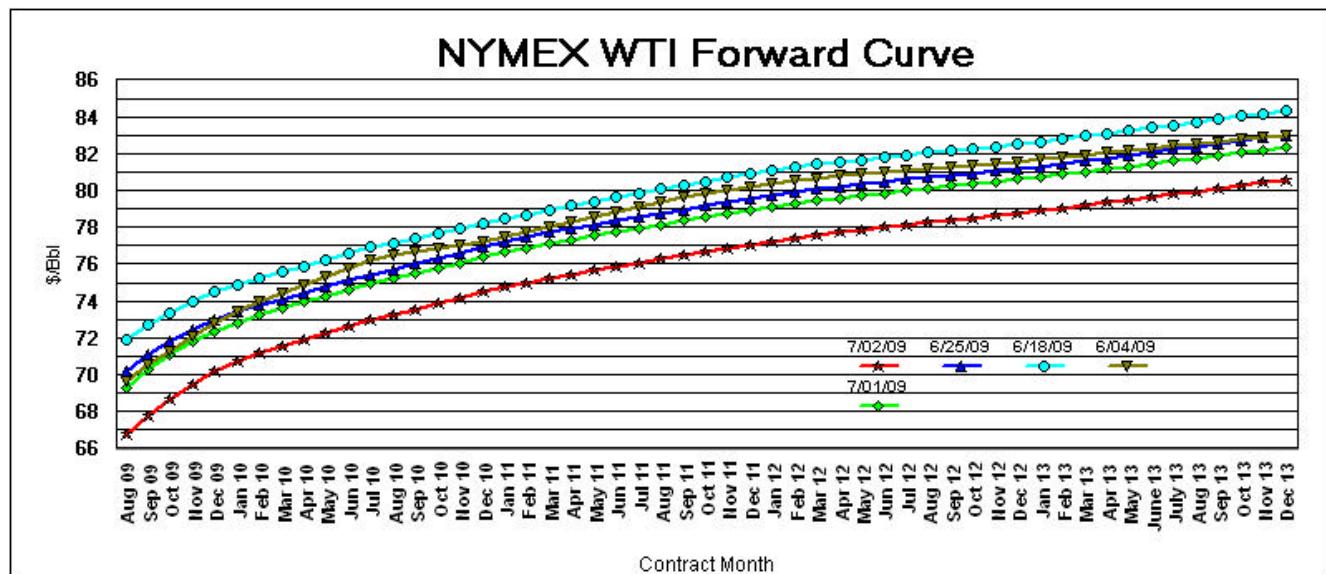
Valero Energy Corp plans maintenance in Complex 7 at the 115,000 bpd east plant of its Corpus Christi, Texas refinery. The maintenance will deal with its sulfur recovery unit 2.

The EPA said it is extending the comment period on proposed revisions to the federal Renewable Fuel Standard until September 25th. The period was originally scheduled to end on July 27th.

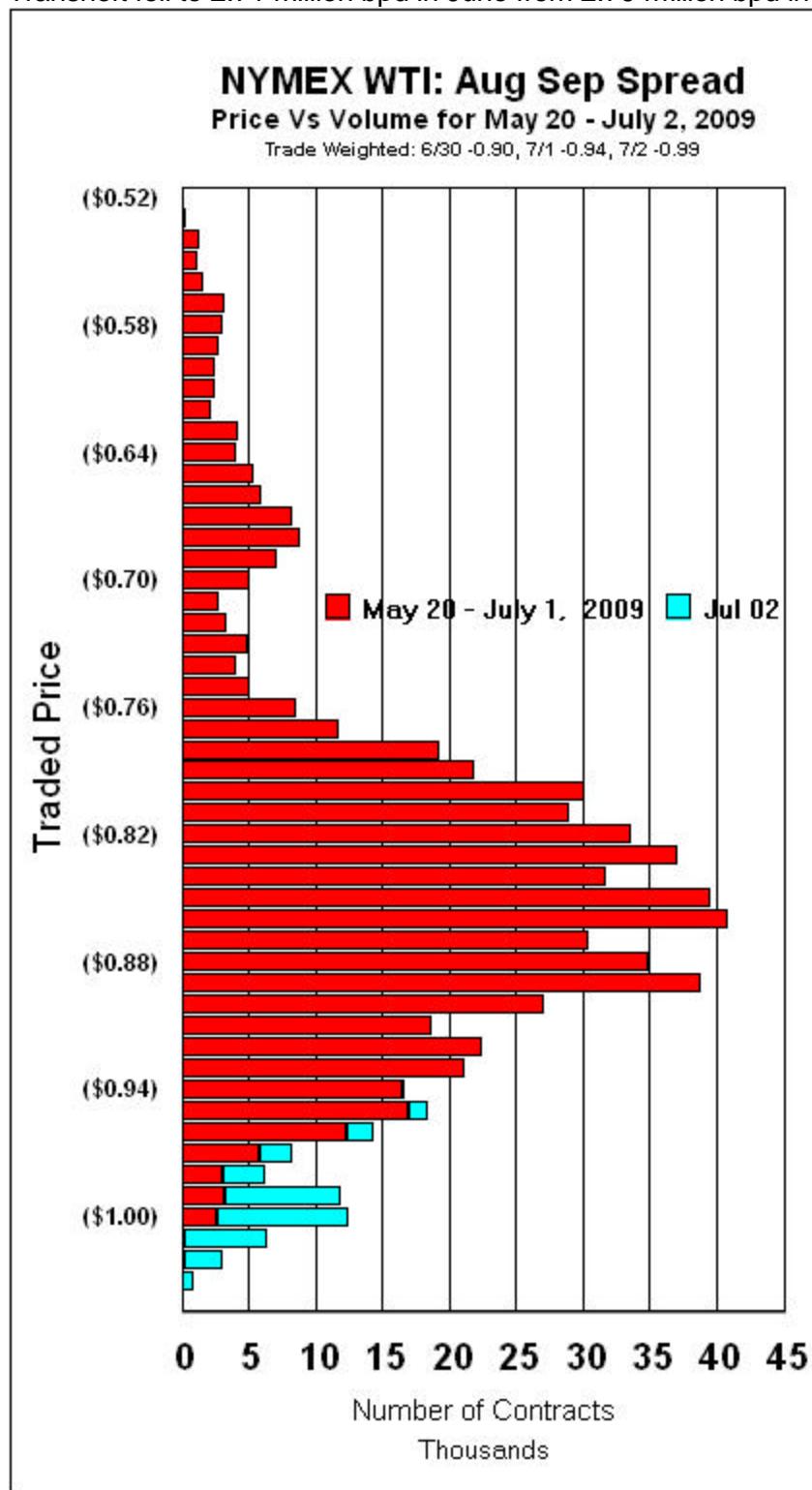
The Trans Alaska Pipeline System is shipping crude oil at about 551,000 bpd or 23% below its 2009 average rate following a short maintenance period in June. The year to date average rate on the line has been about 714,000 bpd.

India's Reliance Industries Ltd said it will shut one of its crude units at its 660,000 bpd Jamnagar refinery on Friday for 2-3 weeks of routine maintenance. Reliance has commissioned a second crude unit at its new 580,000 bpd refinery ahead of planned shutdown at its old plant.

China's crude oil inventories in May increased by 0.4% on the month to 38.75 million tons or 283 million barrels, a record level. Crude oil inventories increased about 3% in both March and April to 37.6 million tons and 38.6 million tons, respectively. China imported 4.02 million bpd in May, the second highest volume on record but refineries processed a record 31.19 million tons or 7.34 million bpd in May. Meanwhile, China's gasoline inventories held by CNPC and Sinopec Group totaled 22 million barrels at the end of May, unchanged on the month, according to the China, Oil Gas & Petrochemicals newsletter. China's diesel stocks however fell by 11.4% on the month to 35 million barrels at the end of May.



Russia's Energy Ministry reported that the country's seaborne crude oil exports supplied to ports by Transneft fell to 2.71 million bpd in June from 2.79 million bpd in May.



Indonesia's Pertamina expects oil product imports in August to remain stable while diesel stocks have increased to 22 days from 20 days from a month ago and should increase further. Pertamina expects to import about 5 million barrels of gasoline and about 3 million barrels of diesel in August.

Gas oil inventories in independent tanks in the Amsterdam-Rotterdam-Antwerp area in the week ending July 2nd fell by 6.54% on the week but increased by 71.73% on the year to 2.545 million tons. Imports of gas oil came from France, Russia and the US. Gasoline stocks fell by 2.07% on the week and by 7.91% on the year to 710,000 tons while fuel oil stocks fell by 25.49% on the week and by 38.98% on the year to 418,000 tons. Naphtha stocks fell by 33.06% on the week but increased by 28.57% on the year to 81,000 tons while jet fuel stocks fell by 11.59% on the week but increased by 159.51% on the year to 641,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.611 million barrels to 19.67 million barrels in the week ending July 1st. It also reported that Singapore's light distillate stocks built by 992,000 barrels to 11.064 million barrels while its middle distillate stocks built by 200,000 barrels to 13.339 million barrels.

The amount of North Sea Forties crude held in floating storage reached a record 18 million barrels. Currently nine VLCCs are being used to store Forties in the North Sea, with five of them chartered by Royal Dutch Shell. Meanwhile, the Forties market is expected to tighten in August and September due to planned, month long maintenance at the 200,000

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bpd Buzzard field. As a result, Forties output is expected to fall to 321,000 bpd in August and 544,000 bpd in September, down from usual levels of 650,000 bpd.

Noble Group is seeking to lease a VLCC for at least two years to store fuel oil, joining several companies venturing into the residue fuels market. It aims to secure a VLCC by the fourth quarter, which will likely be anchored in southern Malaysian waters near Pasir Gudang or Tanjung Pelepas.

Mercuria Energy Group leased a supertanker from Titan Petrochemicals Group Ltd to blend and store fuel oil in Malaysia.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 11 to 928 in the week ending July 2nd. The number of rigs searching for oil increased by 10 to 229 while the number of rigs searching for natural gas increased by 1 to 688.

According to Dow Jones, OPEC 11, excluding Iraq, increased its crude oil production by 125,000 bpd or 0.49% in June to 25.865 million bpd from 25.74 million bpd in May. It estimates that OPEC 11 produced 1.02 million bpd of crude above its production target of 24.845 million bpd. The group has cut its production by a total of 3.22 million bpd since September.

Qatar will resume full crude allocations to Asia for August following cuts in July that some traders said had more to do with production problems than OPEC policy. Qatar Petroleum has notified at least two Asian term buyers that it will supply its main Marine crude at full contracted volumes for August, compared with 14% supply cuts for July. Qatar will also supply full volumes of its Land crude for August, steady from July.

Iraq's Prime Minister Nouri al-Maliki denied that the country's oil auction for foreign companies was a failure. BP and CNPC accepted a \$2/barrel rate to work in the Rumaila oil field. Iraq plans to bring forward a second bidding round for major energy contracts and it may also give foreign firms another chance to bid for oilfields that were not awarded during an energy auction this week. The country's second major bidding round for energy deals was scheduled for the end of the year.

Iraqi oil officials said Iraq is still negotiating with Japan's Nippon Oil Corp and ENI over the Nassiriya oilfield, contradicting a Japanese report that a decision has been made. Iraq's Deputy Oil Minister Ahmed al-Shamma said bids from both companies had been submitted to the Iraqi cabinet for consideration but no decision was likely until the firms responded to some questions on financing. Officials have previously stated that the Nassiriya oilfield may produce 100,000 bpd within 18 months.

Chevron Corp said it started oil production from the Mafumeira Norte offshore oil and gas project in Angola. The project will contribute to the US major's target of 4% production growth in 2009. The Mafumeira Norte oil and gas project is expected to reach a peak of 30,000 bpd of crude oil and 30 million cubic feet/day of natural gas in 2011.

Russia's Energy Ministry reported that the country's oil production increased to 9.89 million bpd in June from 9.84 million bpd in May.

A group of companies managing Kazakhstan's Kashagan oilfield said that the global economic crisis may help reduce some of the costs associated with developing the deposit. The oilfield is due to come onstream in 2012. In a joint statement, KazMunaiGas oil company and the Western consortium said existing contracts will be adjusted to reflect a new economic environment but gave no specific figures. The project is expected to eventually double Kazakhstan's oil production to about 150 million tons/year or 3 million bpd.

Petrobras made another onshore oil find in the Espírito Santo basin. It made the find at well 4BRSA742ES in block ES-T-382, which also contains the commercially viable Jacutinga field.

Abu Dhabi National Oil Co increased the June retroactive selling price of its Murban crude by \$11.50/barrel to \$71.65. It also increased the June retroactive selling price of its Lower Zakum crude by \$11.40/barrel to \$71.50, its Umm Shaif crude by \$11.55/barrel to \$71.15/barrel and its Upper Zakum crude by \$11.80/barrel to \$69.90.

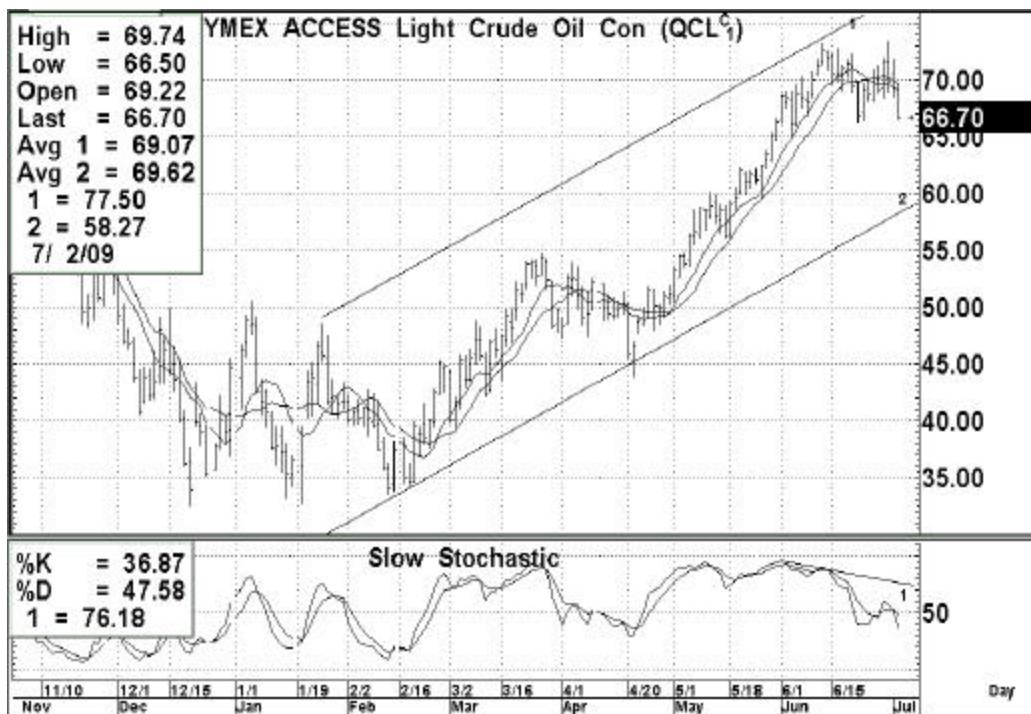
OPEC's news agency reported that OPEC's basket of crudes fell to \$69.56/barrel on Wednesday, down from Tuesday's \$69.83/barrel level.

Market Commentary

Crude oil fell over \$2.00 a barrel today after the release of the U.S. jobless rate for the month of June. According to a report released by the U.S. Labor Department, employers cut 467,000 jobs in June, jumping to 9.5 percent, the highest level since 1983. Market participants took this as a sign that the economy is still struggling and as a result demand will remain pressured. Today's lower move came right before the U.S. July 4th Holiday weekend, when fuel demand typically picks up. Yesterday's inventory builds in gasoline and distillates continued to loom over the market like a dark cloud, pressuring products as well. As mentioned yesterday, the true fundamentals of this market are not supportive for prices and have been keeping a lid on them. The inability of crude oil to reach the fibonacci retracement level of \$76.33 can be viewed as a signal that this market has found a temporary top. Slow stochastics have turned to the downside but remain in neutral territory. Should prices break below \$66.25, this market could see a new wave of selling. The initial down side objective, should prices penetrate \$66.25 is \$63.36, the current 50-day moving average.

Crude Oil AUG.09 246,916 -8,611 SEP.09 161,367 +3,832 OCT.09 61,628 +4,834 NOV.09 29,225 -624 Totals: 1,160,408 + 540 N.Y. Heating Oil (HO) AUG.09 65,043 -2,608 SEP.09 39,070 +929 OCT.09 27,305 +928 NOV.09 15,951 +291 Totals: 283,534 +1,433 NEW YORK HARBOR RBOB (RB) AUG.09 72,087 -3,340 SEP.09 45,168 +2,159 OCT.09 27,095 +799 NOV.09 11,295 +798 Totals: 195,204 +1,005

Spot continuation chart for crude oil. It appears that prices have found a near term top and that there is a pause in market direction. Prices are now below both the 9 & 14 day moving averages and are headed lower. A penetration of support set at 66.25 could bring with it a new wave of selling.



Crude Support	Crude Resistance
66.25, 65.50, 64.85, 63.50, 60.50 , 59.85, 58.90, 56.75, 55.45, 54.49,	68.50, 70.10, 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

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