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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 6, 2009

Iran's supreme leader Ayatollah Ali Khamenei warned western leaders on Monday of a "firm fist" in response to their meddling in Iran's domestic affairs.

Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, said it sabotaged a Chevron oil facility, seized a chemical tanker and is holding hostage six crew members from the tanker it attacked over the weekend. It said the six crew members from a chemical tanker were captured about 20 miles from Escravos in the western Delta on Sunday and will be held until further notice. A spokesman for the militant group said the hostage taking is meant to serve as a warning to others that there are root issues that have to be resolved with the Nigerian government before

July Calendar Averages

CL – \$66.70

HO – \$1.6980

RB – \$1.7967

Market Watch

The US job market weakened in June after rebounding for the first time in 21 months, reaffirming expectations that employment has yet to reach a bottom. The Conference Board said its Employment Trends Index fell to 88.4 from a downwardly revised 89.1 in May. The June reading is down 0.8% from May and 21.6% on the year. Separately, the US service sector contracted in June. The Institute for Supply Management's services index increased to 47 in June from 44 in May. It was above economists' average forecast for an increase to 46.

France and Britain called on Monday for discussions between oil producers and consumers to curtail oil price volatility. French President Nicolas Sarkozy said France and Britain will publish a joint document on the issue and called for a reasonable range for the price of crude.

The Baltic Exchange's main sea freight index fell to a five week low on Monday due to weaker interest for cargoes. The index fell 4.12% or 145 point to 3,375 points on Monday and was at its lowest since May 28th when it reached 3,298 points. The Baltic's Capesize index, which tracks costs for vessels hauling 150,000 ton cargoes such as iron ore, fell by 5.19% on Monday, also falling to a five week low. China's demand for iron ore, has dominated activity with heavy congestion at the country's ports tightening the supply of Capesize vessels. There have been signs that the heavy buying of iron ore by China has slowed, which was adding to the weakness.

The Organization for Economic Cooperation and Development's Secretary General Angel Gurría said trade loans are easier for exporters to access but added that many transactions are still frozen because of financing trouble. He said global trade flows would likely fall 10% this year but recover somewhat in 2010 when they would increase 2%.

Hedge fund manager Dwight Anderson, who was forced to liquidate his Ospraie Fund in 2008 due to a loss of 39%, has started two new hedge funds. He said the new funds, Ospraie Equity Fund and Ospraie Commodity Fund, started trading on July 1. They will invest in commodities and liquid securities. He will allow investors to withdraw their money back on a quarterly basis. He will limit the number of investors and the amount of capital the funds accept.

normalcy can resume. The MEND said it attacked Chevron's Okan

manifold late on Sunday, hours after it sabotaged an oil well head operated by Royal Dutch Shell. Chevron, Shell and Italy's Agip have cut output by about 273,000 bpd in the last six weeks following the latest campaign of militant violence.

The EIA reported that the US average retail price of diesel fell by 1.4 cents to \$2.594/gallon in the week ending July 6th. The US retail average price of gasoline fell by 3 cents to \$2.612/gallon on the week.

Refinery News

Valero Energy Corp said its crude distillation unit at its St. Charles, Louisiana refinery has not resumed operations yet following a fire in early June. It said its vacuum unit and coker unit will be restarted once the crude unit resumes operations.

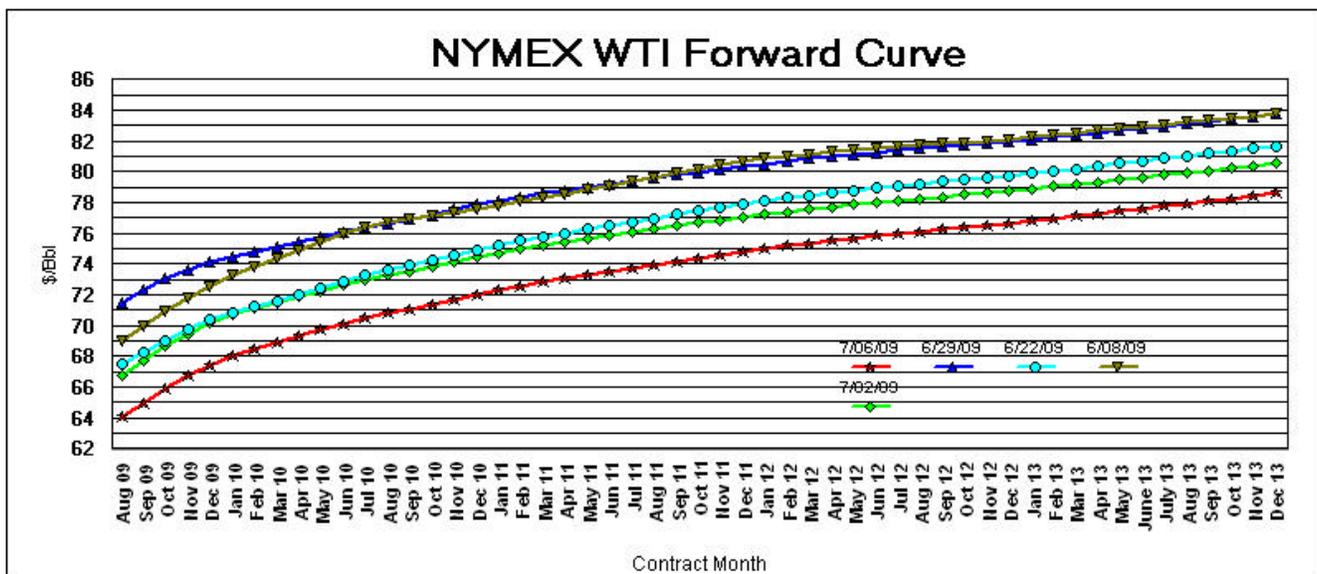
Marathon Oil Corp's 70,000 bpd St. Paul, Minnesota refinery suffered a brief power outage on Friday, which had minimal impact on its operations. The refinery resumed normal operations shortly following the upset.

ExxonMobil Corp plans to perform maintenance work on the large hydrogen plant and half of the sulfur recovery unit at its 150,000 bpd refinery in Los Angeles. Shutdown of the units will start this week. The work is expected to last a few weeks. It expects some impact to production from the work.

Sunoco Inc said it will permanently shut the ethylene complex at its 178,000 bpd Marcus Hook, Pennsylvania refinery due to insufficient demand, resulting in the layoff of 40-50 employees. The complex was the site of a May 17th fire caused by a pipe failure.

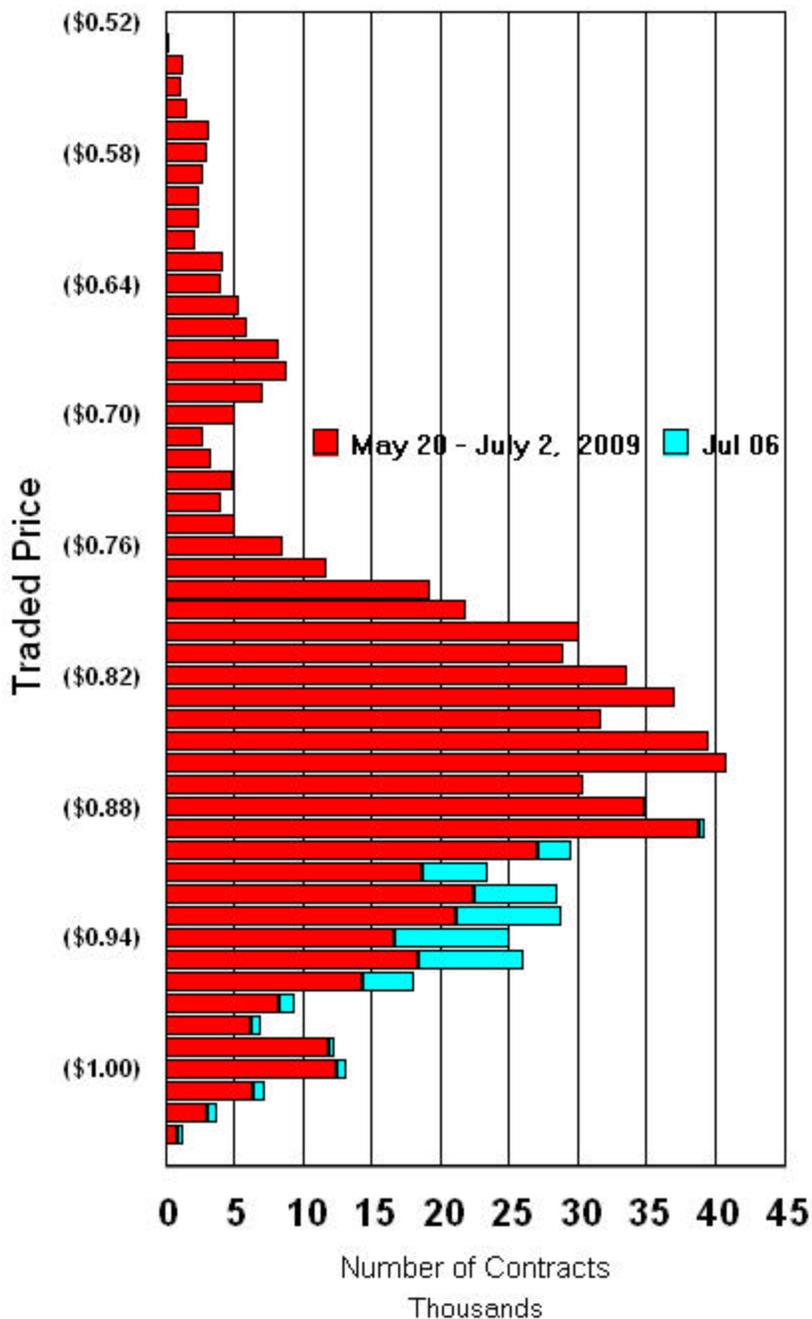
According to Credit Suisse, refining margins in the US were mixed last week. Margins in the Northeast increased by 35 cents to \$5.22/barrel while margins in the Gulf Coast increased by 15 cents to \$6.77/barrel. Margins in the Midwest also increased by 8 cent to \$9.42/barrel. Margins in the Rockies fell by 32 cents/barrel to \$18.27/barrel while margins in the West Coast fell by 35 cents to \$9.93/barrel.

ConocoPhillips Co said it is not building a new refinery despite a statement earlier from Russia's Lukoil on a joint investment. The Kremlin said in documents prepared for the visit of President Barack Obama that Lukoil will invest in a new refinery on the US East Coast with ConocoPhillips.



NYMEX WTI: Aug Sep Spread Price Vs Volume for May 20 - July 6, 2009

Trade Weighted: 7/1 -0.94, 7/2 -0.99, 7/6 -0.94



Total SA's president of refining and marketing expects weak demand for petroleum products to continue through the end of the year and does not see signs of a global recovery in demand. He said OPEC is pumping less heavy crude and more light oil as it seeks to maximize revenue despite having lowered its output. However Total said it has not impacted the company.

China's northern Tianjin municipality will start building a strategic petroleum reserve with a capacity of 3.2 million cubic meters or about 20 million barrels in the second half of the year. In addition to the SPR tanks, China Petrochemical Corp will also build commercial crude reserve tanks able to hold 3.2 million cubic meters and oil product storage tanks with a total capacity of 2 million cubic meters. The chairman of China's National Energy Administration said the construction of the second phase SPR, with a total designed capacity of 26.8 million cubic meters of oil equivalent or 169 million barrels, will take three to four years to complete. China's first stage SPR, with a capacity of 102 million barrels, is full.

China is expected to keep its July gasoline exports largely steady from June's estimates at 330,000 tons due to high refinery runs. July exports from WEPEC are largely steady from June at 120,000 tons, with PetroChina and Sinopec contributing to the remaining volume of 210,000 tons. China

has been exporting at least 300,000 tons of gasoline since April, more than double its March volumes because of high stockpiles.

Saudi Arabia is expected to cut gasoline imports by 40% in July to 34,100 bpd due to the start up of a gasoline production unit at its Rabigh Refining and Petrochemical Co. Saudi Arabia typically imports

between 60,000 and 70,000 bpd of gasoline monthly. PetroRabigh will have the capacity to produce up to 60,000 bpd of high octane gasoline that will be converted from fuel oil.

Russia's Energy Ministry data showed that the country's gas oil and fuel oil exports increased in June while gasoline exports fell. Russia's gas oil exports in June reached 107,900 tons/day, up 8.3% on the month and 3.1% on the year. It showed that domestic supplies of gas oil increased 4.3% on the month but was down 15.2% on the year. Russia's fuel oil exports in June increased to 145,200 tons/day, up 2.1% on the month and 17.9% on the year. Domestic supplies of fuel oil fell by 13.7% on the month and 48.6% on the year to 524,000 tons. Meanwhile, Russia's gasoline exports fell by 34.2% on the month to 11,400 tons while its domestic supplies increased by 13.6% on the month.

Production News

Saudi Arabia plans to keep its oil shipments to the US unchanged in August. Its shipments are expected to remain steady due to lower demand and increasing inventories of distillates and gasoline in the US market.

Brazil's Petrobras has suspended test production at a well in the offshore Tupi field due to an equipment problem.

Iraq's Oil Ministry has asked one company, out of three that have submitted bids to develop the Nassiriyah oilfield, to revise its offer before the ministry awards the deal. Iraq's Deputy Oil Minister, Ahmad al-Shammaa also said that one of the three companies was excluded because its offer did not match the time allocated by the ministry to develop the field. The remaining two bids are still under consideration by the cabinet.

Russia's oil production is likely to fall 0.9% or 80,000 bpd this year from last year's average of 9.78 million bpd amid declining drilling. Russia's average first half rig count was about 3% below last year's levels, after rising between 2004 and 2008.

National Iranian Oil Co is poised to increase the official selling price of its main Iranian Light crude bound for Asia in August to the highest level in 13 months after Saudi Arabia increased its prices. It will likely set its Iranian Light crude at a premium of \$1.84/barrel to the average of the Oman/Dubai average, up 10 cents or 5.7% on the month. Saudi Aramco increased the price of its Arabian Light crude bound for Asia by 10 cents/barrel on refinery demand for high sulfur cargoes. Meanwhile, National Iranian Oil's Iranian Heavy and Forozan Blend grades will be reduced by 30 cents/barrel to discounts of 38 cents and 43 cents to the Oman/Dubai average, respectively.

OPEC's news agency reported that OPEC's basket of crudes fell by 83 cents to \$66.21/barrel on Friday from \$67.04/barrel on Thursday. It also reported that the OPEC basket price increased 55 cents to \$68.25/barrel in the week ending July 3rd, from a revised level of \$67.70 in the previous week.

Market Commentary

The oil complex continued to trend lower today following the sell off seen ahead of the July 4th holiday last week. The crude market settled in negative territory for the fourth consecutive session as the market remained pressured by concerns that the economy continues to struggle and will continue to limit demand. The crude market sold off to a low of \$63.40 early in the morning before it retraced some of its losses and remained rangebound during the remainder of the session. It found its support at \$63.36, its 50 day moving average. It settled down \$2.68 at \$64.05, the lowest level seen since May 27th, when it settled at \$63.45. The crude market, which has found its near term top at its highs of \$73.23 and \$73.38, is seen trending lower as stochastics are still pointing lower. It is seen finding support at its low of \$63.40, \$62.36, its 50% retracement level off a low of 50.82 and a high of \$73.90 and \$59.64, its 62% retracement level. More distant support is seen at \$58.81, basis a support line.

The heating oil market remained pressured and settled down 7.5 cents at \$1.6266 after the market retraced more than 50% of its move from a low of \$1.3537 to a high of \$1.9138 as it sold off to a low of \$1.6234. The RBOB market also retraced more than 50% of its move from a low of \$1.381 to a high of \$2.0844 as it sold off to a low of \$1.7195. It retraced some of its losses and settled down 5.4 cents at \$1.7404. The product markets are seen trading lower, with support in the heating oil market seen at \$1.6234, \$1.5993, \$1.5677 followed by \$1.539. Support in the RBOB market is seen at \$1.7195, \$1.695 and \$1.6497.

Crude Oil AUG.09 238,617 -8,299 SEP.09 168,895 +7,528 OCT.09 63,936 +2,308 NOV.09 28,379 -846 Totals: 1,169,653 +9,245 N.Y. Heating Oil (HO) AUG.09 61,758 -3,285 SEP.09 38,552 -518 OCT.09 27,850 +545 NOV.09 16,124 +173 Totals: 281,660 -1,874 NEW YORK HARBOR RBOB (RB) AUG.09 68,775 -3,312 SEP.09 44,200 -968 OCT.09 26,976 -119 NOV.09 11,413 +118 Totals: 191,528 -3,676.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 1,407 contracts in the week ending June 30th. The combined futures and options report showed that non-commercials in the crude market increased their net long position by 2,125 contracts to 101,021 contracts on the week. The funds increased their total long position by 10,212 contracts to 202,172 contracts. However given the market's move in the past few trading sessions, non-commercials have likely cut their long position. The non-commercials in the product markets were mixed, with funds in the heating oil increasing their net long position by 2,053 contracts to 31,944 contracts while non-commercials in the gasoline market cut their net long position by 4,536 contracts to 51,149 contracts.

Crude Support	Crude Resistance
63.40, 62.36, 60.50, 59.85, 59.64, 58.81, 56.75, 55.45, 54.49,	68.50, 70.10, 72.15, 74.50, 76.133, 81.80
Heat Support	Heat resistance
1.6235, 1.5993, 1.5677, 1.5615, 1.539	1.6750, 1.7099, 1.77, 1.8291, 1.9090
Gasoline support	Gasoline resistance
1.7195, 1.7150, 1.6960, 1.6497, 1.5370, 1.5260, 1.4689, 1.3560, 1.3400, 1.3180, 1.2700, 1.2625 1.1680	1.7609, 1.80, 1.8696, 1.9506, 1.9807, 2.0650, 2.1600

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