

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 JULY 7, 2009

The EIA, in its Short-Term Energy Outlook, said the world economic downturn curtailed world oil demand during the second half of 2008 and the first half of 2009. Compared with the prior year, world oil demand was down an average of 3 million bpd from the fourth quarter of 2008 through the second quarter of 2009. It said that a smaller decline in world oil demand is expected in 2009, with oil consumption expected to fall by 1.6 million bpd compared with a 1.7 million bpd decline estimated in its previous outlook. Total world demand in 2009 is estimated at 83.85 million bpd while demand is expected to increase by 940,000 bpd to 84.79 million bpd, up from its previous forecast of 84.41 million bpd. In terms of

Market Watch

The US Commodity Futures Trading Commission is seeking public comment on whether it should set position limits on energy futures that apply across all markets and traders. It is seeking comment on who should qualify for exemptions from position limits. CFTC chairman Gary Gensler said the CFTC will also revise its weekly Commitment of Traders report to show the activities of swaps dealers and hedge funds. In the noncommercial sector there will be a new category for professionally managed market participants, such as hedge funds. He said the changes will be made in the near term but did not set a date. He said hearings during July and August will help determine how the CFTC should use its powers to ensure fair trade. Some market players may welcome the move if it removes speculation from the market. However some worry that if the CFTC is too tough, all speculators will be impacted, which could hurt market flow, making it less liquid.

Bank of America-Merrill Lynch increased its 2009 oil price forecasts to \$59/barrel for Brent and to \$58.50/barrel for NYMEX crude, up from its earlier forecast of \$52/barrel for both benchmarks. It also increased its 2010 forecast to \$75 from \$62 and increased prices for 2011 and onwards to \$75 from \$72.

The implied volatility in oil options increased above 50% this week for the first time in almost two months. The 30-day at-the-money implied volatility for US crude increased to about 52% this week. It is up 10% from a week ago and is at its highest level since May 13th, when it reached about 54%. A trader said there are stops at \$60, \$55 and \$50, while some are at \$70 and very little above that, indicating there is more downside risk.

Diplomats said the Group of Eight meeting this week will not agree on detailed plans to make world oil prices less volatile. France and Britain said they will publish a joint position on the issue of oil price fluctuations. However a senior German official said the leaders will not set a corridor for the oil price in documents agreed at the summit.

United States Oil Fund said it did not cause the record high and subsequent fall in oil prices last year. It said analysts reports in which the USO's buying and selling activities were alleged to be causing unusually wide swings in prices, mischaracterize the USO's impact on the market. It said its holdings in crude futures fell during the period between January 2007 and July 2008, when prices increased from about \$53/barrel to more than \$145/barrel.

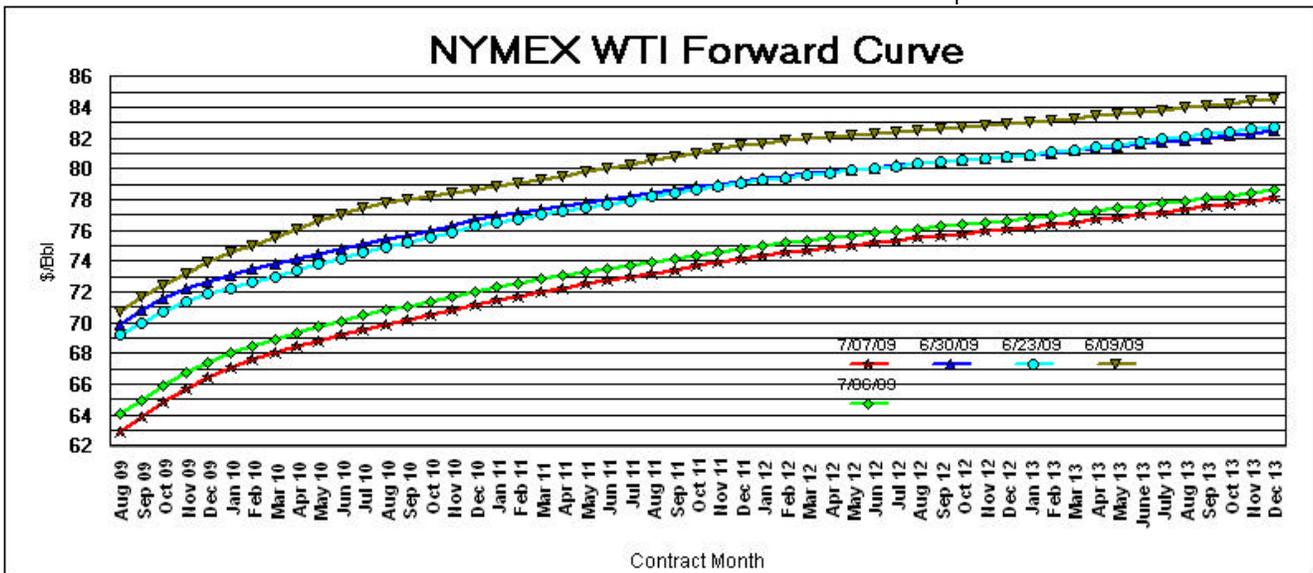
API Stocks

Crude – down 1.398 million barrels
Distillate – up 3.416 million barrels
Gasoline – up 767,000 barrels
Refinery runs – up 0.3%, at 85.2%

supply, non-OPEC supply is expected to increase by 360,000 bpd in 2009 and remain flat in 2010. OPEC crude production is estimated to total 28.63 million bpd in 2009, down 2.64 million bpd on the year. It is up 0.49% from its previous forecast. OPEC production is expected to increase by 1.15% on the year to 28.96 million bpd, up 0.63% from its previous estimate. In regards to US oil demand, the EIA estimates

total oil and oil product demand in 2009 at 18.85 million bpd, down 10,000 bpd or 0.05% from its previous estimate. Demand in 2010 is estimated to increase by 310,000 bpd or 1.64% on the year to 19.16 million bpd. Demand in the third quarter is expected to increase by 100,000 bpd or 0.53% on the quarter to 18.8 million bpd, which is down 0.16% from its previous estimate. Gasoline demand is expected to increase by 0.11% on the year to 9 million bpd in 2009 and by 0.67% to 9.06 million bpd in 2010, up 0.11% and 0.22%, respectively from its previous estimate. Distillate demand is estimated to fall by 7.09% on the year to 3.67 million bpd in 2009 and increase by 2.72% to 3.77 million bpd in 2010, which is down 1.34% and 0.79% from its previous estimates. Production in the US is expected to increase to an average of 5.23 million bpd in 2009 and to 5.36 million bpd in 2010. The EIA estimated that floating crude oil storage is currently at 80 million barrels, down from about 120 million barrels at the beginning of the year. The EIA also reported that WTI crude prices are expected to average \$60.35/barrel in 2009 and \$72.42/barrel in 2010, up from its previous estimate of \$58.70/barrel and \$67.42/barrel, respectively. The price of gasoline is expected to average \$2.36/gallon this year, up from its previous estimate of \$2.33/gallon while the price of diesel is estimated to average \$2.46/gallon this year, up 6 cents from its previous estimate of \$2.40/gallon.

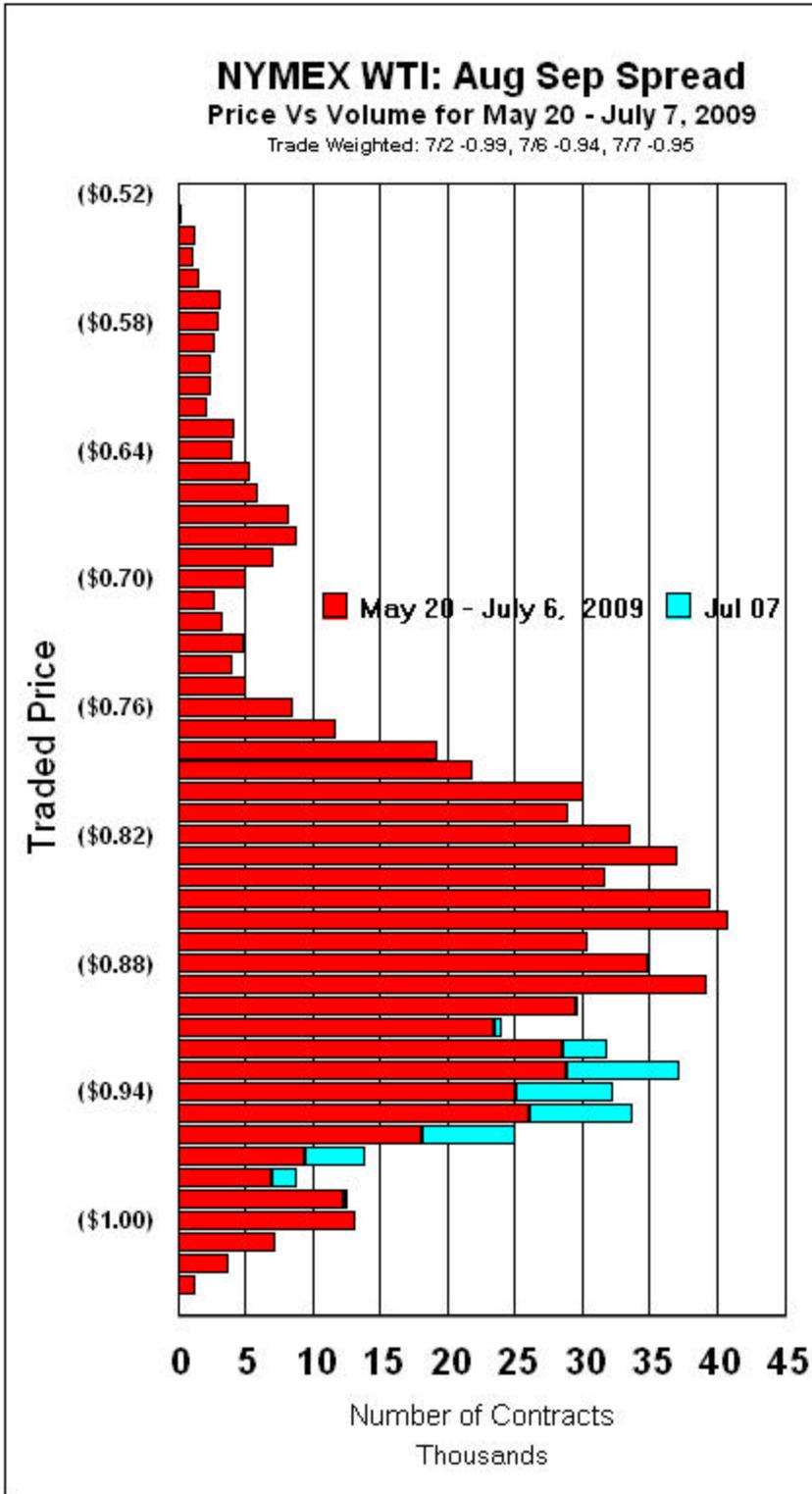
July Calendar Averages
CL – \$65.76
HO – \$1.6737
RB – \$1.7808



US President Barack Obama strongly denied that the US had given Israel approval to strike Iran's nuclear facilities. He said it is the policy of the US to try to resolve the issue of Iran's nuclear capabilities through diplomatic channels.

Separately, the chairman of the US Joint Chiefs of Staff, Admiral Mike Mullen said it is critical for diplomatic efforts to reach a solution before Iran develops a nuclear weapon or faces an Israeli or US strike to turn back its nuclear program. He noted that some forecasters believe Iran could be as little as a year away from developing a nuclear bomb. The Obama administration hopes to convince Iran to start negotiations on its nuclear program.

Iran's President Mahmoud Ahmadinejad pledged to make changes to his team when his new government takes office after the disputed election. He said his new government will put housing, employment and economic reform on its agenda. He also said his government will respect young people.



PFC Energy said Iran's oil will probably extend declines in the first four months of the year as the political turmoil slows economic growth. Oil demand fell by 30,000 bpd in January to April compared with a growth of 100,000 bpd in the same period in previous years. Iran's product demand growth may slow further due to the disruption brought to both economic activity by the political turmoil and the longer term effects on the overall business climate.

Refinery News

Valero Energy Corp said a naphtha hydrotreater remains shut at its 87,400 bpd Ardmore, Oklahoma refinery following a power outage and fire in the unit on Saturday. There is no estimate on the duration of the repair work on the naphtha hydrotreater unit. Meanwhile its crude unit and fluid catalytic cracking unit are still not producing any product. Separately, Valero Energy's refinery units at its 275,000 bpd Aruba refinery are still in operation but are due for a planned shutdown in the first part of July. Even though the units will shut down due to poor margins, the refinery will conduct some maintenance work during the planned outage.

ExxonMobil Corp started work on a hydrogen unit and part of a sulfur recovery unit at its 149,500 bpd Torrance, California refinery. The work has caused flaring and is expected to last a few weeks.

European refiners are planning very few maintenance shutdowns in the July-September period after heavy work during the second quarter while weak demand may force them to cut runs soon. A full

shutdown is expected to take place at Hellenic Petroleum's Aspropyrgos plant in Greece in September. Cepsa's Tenerife refinery and Repsol's La Coruna in Spain plan to close some units. Royal Dutch Shell is likely to conduct minor maintenance at Fredericia in Denmark. Along with the closure of Petroplus' Teesside refinery in the UK since late March, the planned maintenance will take less than 1% of Europe's total capacity offline throughout the third quarter. Europe has the capacity to process about 16 million bpd of crude. The shutdown is much smaller than in the second quarter, when planned maintenance shut in about 1.2 million bpd in April, 615,000 bpd in May and 540,000 bpd in June.

Greece's Hellenic Petroleum plans to shut its 150,000 bpd Aspropyrgos refinery for about 20 days in September for planned maintenance.

Japan's Nippon Oil Corp plans to close one of the two crude distillation units at its Mizushima refinery. Weak demand for refined products led Nippon Oil to announce plans to stop production at the 110,000 bpd No. 2 crude distillation unit at the refinery in mid-July to curb refining.

Taiwan's CPC Corp will shut one of its two 30,000 bpd gasoline units for three months, starting in August, at its Talin refinery for planned maintenance and expansion work. Its No. 6 reformer capacity will be raised by 30% to 39,000 bpd.

Barclays Capital has chartered a very large crude carrier to store Asian low-sulfur gas oil off European shores, bringing the number of tankers storing gasoil around the world to five. The VLCC was loaded with low-sulfur gas oil from Taiwan's Formosa Petrochemical Co.

European Union finance ministers voted on Tuesday to adopt five-year anti-dumping duties against imports of subsidized US made biodiesel. Anti-dumping duties on US biodiesel will range between Eur213 and Eur409/metric ton or between \$296 and \$586/mt and are expected to come into effect by July 12th. The European Commission imposed provisional, anti-subsidy and anti-dumping duties on imports on March 12. The move halted the flow of US imports to Europe, with the duty increasing the value by up to Eur445/mt, making the arbitrage to Europe uneconomical.

Production News

ConocoPhillips' oil production in the second quarter fell by 15% to 1.86 million barrels of oil equivalent/day. Separately, ConocoPhillips' chief executive James Mulva said it is still looking for opportunities in Iraq with its strategic partner Lukoil.

The head of Iraq's State Oil Marketing Organization, Falah Alamri said Iraq's oil exports increased to 1.925 million bpd in June, up 1.3% on the month. Iraq exported an average of 1.397 million bpd from its southern oil fields through the Basra terminal while 518,000 bpd was exported from Iraq's northern oilfields via Turkey's port of Ceyhan. The remaining 10,000 bpd was shipped to Jordan via trucks from Kirkuk. Iraq exported an average of 1.85 million bpd in the first half of the year.

Tullow Oil is in negotiations with Ghana over the license to operate the Jubilee oil field but still expects production to start in the second half of next year. Tullow has stated that the Jubilee field in Ghana has a resource potential of up to 1.8 billion barrels. The field is scheduled to start pumping at a rate of about 120,000 bpd, rising to about 250,000 bpd within two years.

ExxonMobil is looking to sign new deals in Russia but sees the country's subsoil law, which limits foreigners' access to strategic fields, as the main obstacle. It said it is looking for new agreements to build a relationship between IOCs and national oil companies ahead of meeting between US and Russian companies with US and Russian Presidents Barack Obama and Dmitry Medvedev.

Oman's Economy Ministry said the country will increase its oil production to 804,000 bpd by the end of 2009 from 784,000 bpd. Oman has spent heavily on several long term programs to enhance oil recovery from ageing fields. However analysts believe the quality and price of Oman's benchmark crude will deteriorate as it increases its efforts to raise output.

Libya's National Oil Corp expects international oil companies to invest more than \$7 billion on exploration activities by 2015. He said the company expects to find 100 billion barrels of oil through their own exploration projects.

Colombia's Ecopetrol cut its output by 3,800 bpd after protesters blocked access to two production areas. People are protesting in the area because the company did not renew contracts of 44 of the 1,200 guards it hires to protect the operations. Ecopetrol currently produces about 482,000 bpd of oil equivalent.

Mexico is increasing oil exploration in a group of states south of the Gulf of Mexico to book reserves and offset declining output at existing wells. Pemex is planning 18 exploration wells in the southern district this year and in 2010 compared to three in 2008.

OPEC's news agency reported that the OPEC basket price fell further to \$63.66/barrel on Monday from a revised level of \$66.12/barrel on Friday.

Market Commentary

The oil market retraced some of its losses in overnight trading after the market settled in negative territory for four consecutive sessions. The market posted a high of \$64.91 early in the morning before it once again found some selling pressure and erased its overnight gains as the open outcry session got underway. It breached the \$63 level and posted a low of \$62.38. It held support just above its 50% retracement level off a low of \$50.82 and high of \$73.90 at \$62.36. The crude market settled in negative territory for the fifth consecutive session at \$62.93, down \$1.12. The market will be driven by the weekly petroleum stock reports, which are expected to show draws in crude stocks of close to 2 million barrels while product stocks are expected to show further builds. Technically, the crude market is seen testing its support levels as the market still has room to the downside. Support is seen at \$62.36, its 50% retracement level followed by \$60.50, \$60.30 and \$59.64, its 62% retracement level. More distant support is seen at \$58.96, basis its support line. The heating oil market continued to drive the product markets lower. It settled down 2.59 cents at \$1.6007 after it retraced nearly 62% of its move from a low of \$1.3537 to a high of \$1.9138. The market, which posted a high of \$1.6421, erased its overnight gains and sold off to a low of \$1.5876 ahead of the release of the inventory reports expected to show builds in distillate stocks. The market is seen testing its support at its 62% retracement level of \$1.5677 followed by \$1.5615 and \$1.539. More distant support is seen at \$1.4758. The RBOB market settled down 76 points at \$1.7328 after the market posted a low of \$1.7127 ahead of the expected builds in gasoline stocks. The market will remain pressured amid the lack of demand and increasing inventories. Technically, the market is seen finding support at \$1.7127, \$1.696, \$1.6650 and \$1.6497.

Crude Oil AUG.09 225,634 -12,983 SEP.09 170,251 +1,356 OCT.09 63,932 -4 NOV.09 25,817 -2,562 Totals: 1,151,491 -18,162 N.Y. Heating Oil (HO) AUG.09 59,802 -1,956 SEP.09 38,745 +193 OCT.09 28,490 +640 NOV.09 16,254 +130 Totals: 280,674 -986 NEW YORK HARBOR RBOB (RB) AUG.09 68,018 -757 SEP.09 45,039 +839 OCT.09 27,344 +368 NOV.09 11,417 +4 Totals: 191,996 +468.

The oil complex continued to trade lower following the release of the API report, which showed that crude stocks fell by 1.4 million barrels on the week. It reported a large draw of 2.229 million barrels in Padd 5 alone. It showed the draw in crude stocks as imports fell by 658,000 bpd to 8.184 million bpd.

It also reported that crude runs increased by 120,000 bpd to 14.895 million bpd on the week. The API reported that distillate stocks built by 3.4 million barrels on the week, with a build of 2.677 million barrels in Padd 1. Distillate stocks built as apparent demand fell by 11.6% on the week to 3.816 million bpd and apparent demand basis its three week moving average fell by 1.4% on the week to 4.05 million bpd. Meanwhile the API also reported that gasoline stocks built by 767,000 barrels on the week, with a build of 1.101 million barrels in Padd 2. It reported the build in stocks as apparent demand fell by 4.2% on the week to 9.066 million bpd and apparent demand basis its three week moving average fell by 0.1% to 9.192 million bpd.

Crude Support	Crude Resistance
62.36, 60.50, 59.85, 59.64, 58.96, 56.75, 55.45, 54.49,	63.30, 64.91, 65.65, 67.17, 68.50, 69.74, 70.10, 72.15, 73.90
Heat Support	Heat resistance
1.5876, 1.5677, 1.5615, 1.5390, 1.52, 147.58	1.61, 1.6370, 1.6421, 167.05, 1.6750, 1.7099, 1.77, 1.8291, 1.9090
Gasoline support	Gasoline resistance
1.7127, 1.6960, 1.6650, 1.6497, 1.6215, 1.5370, 1.5260, 1.4689, 1.3810	1.74, 1.75, 1.7677, 1.80, 1.8696, 1.9506, 1.9807, 2.0650, 2.1600