

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 17, 2009

OPEC's President and Angola's Oil Minister, Jose Botelho de Vasconcelos said the market is oversupplied and added that the group is not satisfied with current prices levels. He said compliance with OPEC cuts has varied between 78-80% within OPEC.

Iran's President Mahmoud Ahmadinejad said Iran's former envoy to the IAEA, Ali Akbar Salehi, will be the country's new atomic chief after Gholam Reza Aghazadeh resigned three weeks ago.

A Nigerian military official said some 10,000 militants can benefit from an amnesty in Nigeria's Niger Delta region. Air-Vice Marshal Lucky Ararile said

militants who disarm would be paid a monthly allowance while being integrated into civilian life. The

Market Watch

According to Dow Jones, the price of WTI is forecast to average \$58.00 in 2009, up from a previous estimate of \$57.70 while the price is expected to average \$71.50 in 2010. The price of Brent crude is expected to average \$57.70, up \$57.40/barrel in 2009 and increase to \$70/barrel in 2010.

Barclays Capital said the flows of fund money into commodity market instruments this year have not been the main driver of prices as those who would like stronger regulation believe. It said fundamental factors have been far more important at dictating the course of commodity price movements than investment flows alone. Commodities saw inflows of \$39.9 billion in the first half of 2009, with \$15.1 billion in precious metals, \$14 billion in energy, \$7.8 billion in agriculture and \$3 billion in base.

The Commerce Department said housing starts increased 3.6% to a seasonally adjusted 582,000 annual rate in June compared to the prior month. May housing starts increased by 17.3% to 562,000, revised from an originally reported 17.2% increase to 532,000. Single-family starts in June compared to the prior month increased by 14.4% to 470,000 after rising 5.9% in May. June permits to start construction increased by 8.7% to 563,000 units, the highest level since December.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 118.1 in the week ending July 10th from a revised 119 the prior week, which it originally reported at 118.5. The index's annualized growth rate increased to a five year high of 7% from 6.2% a week ago, which was revised up from 5.4%. It is the highest yearly growth rate reading since the week ending May 14, 2004, when it stood at 7.1%.

Exxon Mobil Corp may be fined more than \$1 billion for sabotaging wells to prevent other producers from tapping fields it no longer wanted. The Texas General Land Office asked the Texas Railroad Commission to conduct hearings into an alleged 1990s program at Exxon Mobil of plugging abandoned wells with trash, sludge, explosives and cement plugs. Under Railroad Commission rules, Exxon Mobil may face fines of \$10,000/day per well. Exxon Mobil said the area in which the wells are located has a water table very close to the surface and added that it is critical that ExxonMobil protect the groundwater by plugging the wells solidly and thoroughly.

July Calendar Averages

CL – \$62.48
HO – \$1.5949
RB – \$1.7123

militants would be paid 20,000 naira or \$135/month and 1,500 naira/day for food. He said at least 350 militants have expressed interest in participating in President Umaru Yar'Adua's amnesty program. Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta called a 60 day halt to attacks in the Delta. Authorities are

setting up 27 collection and reintegration centers for the disarming fighters, mostly in Rivers, Delta and Bayelsa states where the violence has been worst.

Refinery News

Total Petrochemicals USA is in the process of restarting two units at its 232,000 bpd Port Arthur, Texas refinery. The process of restarting unit 810 started Thursday evening while unit 817, previously identified as a Shell Claus off-gas treating or SCOT, unit restarted Friday morning. Both restarts are expected to last 24 hours.

ConocoPhillips will restart on Friday an unspecified unit at its 247,000 bpd refinery in Sweeny, Texas.

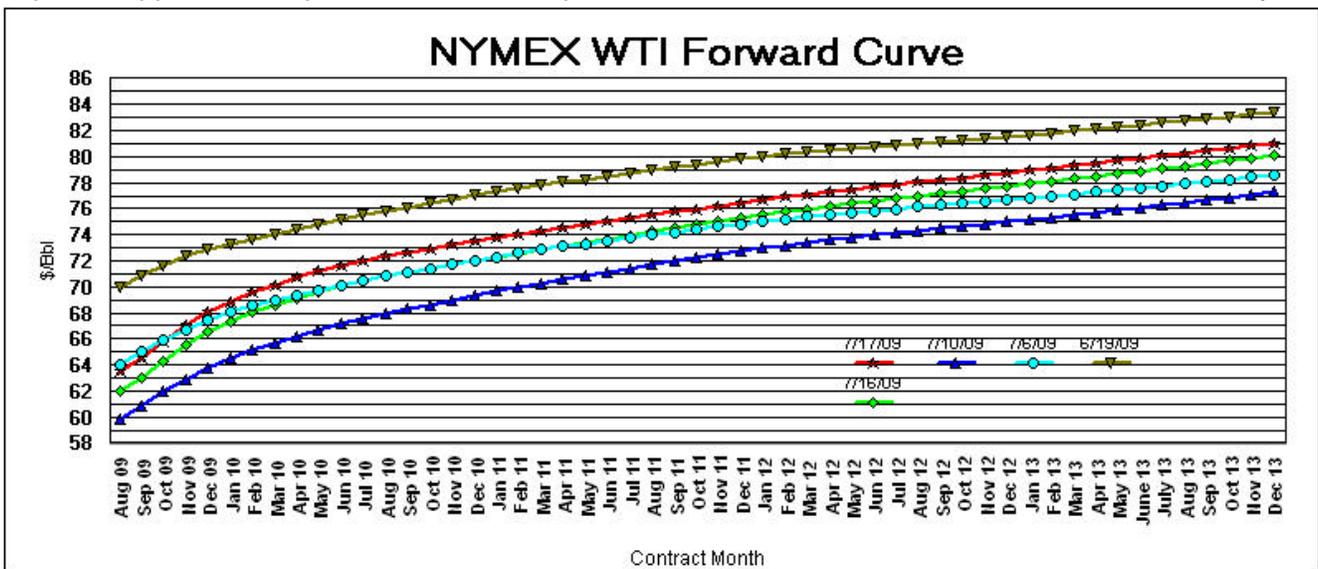
BP warned of planned flaring between July 20 and July 24 at its 265,000 bpd refinery in Carson, California. Meanwhile, the restart of a 102,500 bpd fluid catalytic cracking unit and ancillary units at BP Plc's Carson refinery is expected to finish by July 31. The refinery's catcracker was shut during the weekend of July 11-12.

Valero Energy Corp said its crude unit and fluid catalytic cracking unit at its Ardmore, Oklahoma refinery still have not returned to service. It is completing repairs on a naphtha hydrotreater. Valero also said its 185,000 bpd St. Charles, Louisiana refinery remains down after an early June fire. Separately, Valero Energy Corp said a 20,000 bpd coking unit undergoing planned work at the east plant of its Corpus Christi, Texas refinery likely will not be restarted until margins improve.

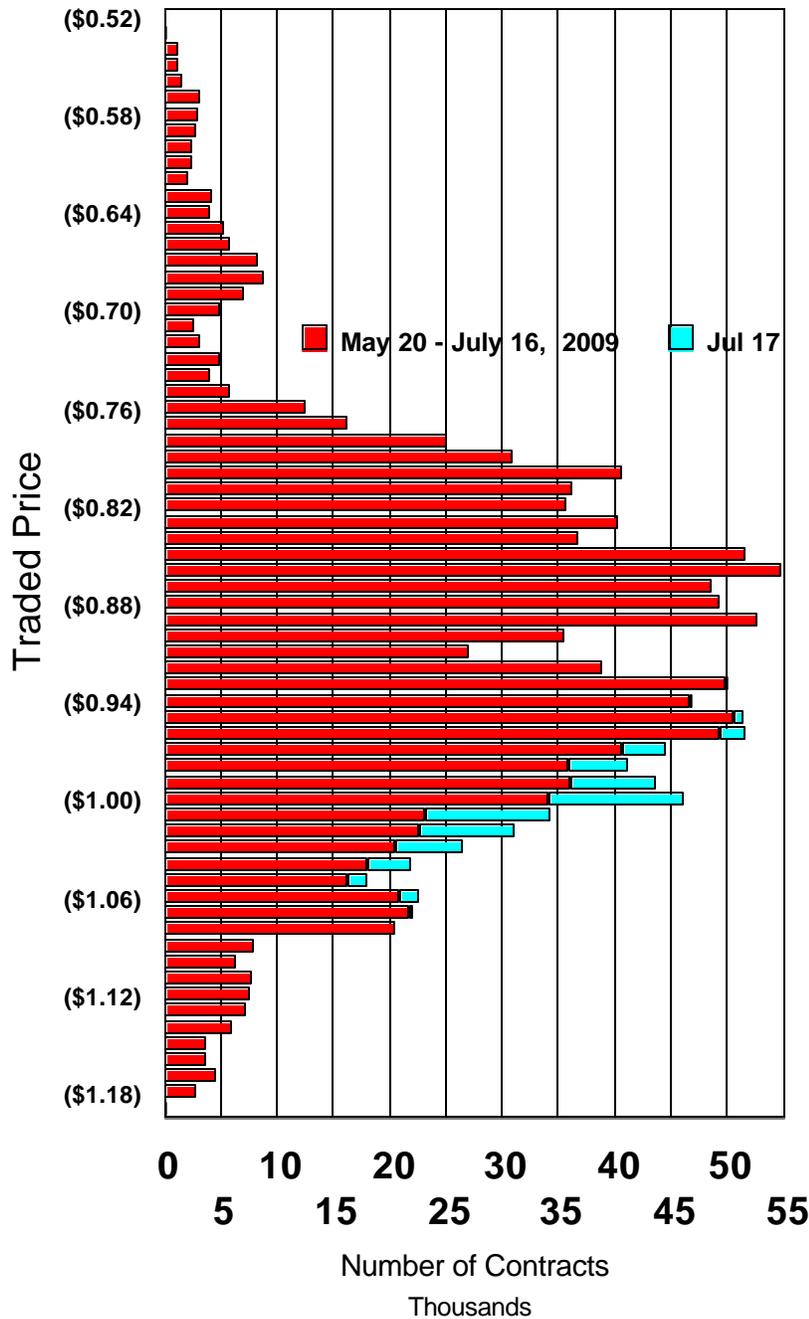
Shell Oil Co said it is considering staff cuts at its refineries and chemical plants on the US Gulf Coast to reduce costs in the current recession. Among the plants where reductions are being considered are the refineries Shell operates jointly with Saudi Aramco through Motive Enterprises and a Deer Park, Texas refinery operated jointly with Pemex. Shell has no plans to sell any of its refineries and chemical plants.

Italy's Eni SpA plans to partially shut the Milazzo refinery for maintenance in September. The turnaround will start September 18 and last about 45 days.

Japan's Nippon Oil Corp shut its 140,000 bpd No. 3 crude distillation unit at its Mizushima refinery on



NYMEX WTI: Aug Sep Spread
Price Vs Volume for May 20 - July 17, 2009
 Trade Weighted 7/15 -0.97, 7/16 -1.11, 7/17 -1.01



Wednesday due to a problem. The unit will remain shut until July 20th. As a result, Nippon Oil has delayed the scheduled shutdown of the 110,000 bpd No. 2 crude distillation unit at the same refinery from Wednesday to July 24th.

China's National Bureau of Statistics said the country's refiners increased their production by 6% in June to a record high of 31.92 million tons or 7.77 million bpd. Refinery output in the first half of the year increased 1.5% to 175.13 million tons of crude, reversing declines seen in late 2008 and the first quarter of 2009. Stocks of gasoline, diesel and kerosene held by Sinopec and CNPC increased by 4.7% in June to above 12 million tons, its second consecutive monthly increase, while oil product sales increased by 5.9%. China's gasoline production increased by 14.4% in June to 5.94 million tons while its diesel production increased by 3% in June to 11.93 million tons.

Separately, China's gasoline exports in July are expected to fall below 200,000 tons compared with previous estimates of 330,000 tons.

Saudi Aramco and ConocoPhillips plan to award contracts to build a joint venture refinery in Saudi Arabia in May 2010. Aramco and ConocoPhillips invited contractors to bid of the construction of the 400,000 bpd Yanbu refinery last month and set January 31st as a deadline to submit proposals.

Brazil's Cane Industry Association reported that a rise in Brazilian ethanol exports to India, Japan and South Korea has offset some of the fall in shipments to the US. Brazil's total ethanol exports since the beginning of the 2009/10 harvest, in April, through June totaled 985 million liters compared with 1.1 billion liters last year. Brazil's ethanol exports to India stood at 182.5 million liters so far this year. Shipments to Japan totaled 128.1 million liters from January through June, up 70 million liters from the

same period last year. Shipments to the US however fell to 72.6 million liters from 498 million liters in the first half of the year.

Production News

According to Baker Hughes, the number of rigs searching for oil and natural gas in the US increased by 4 to 920 this week. The number of rigs searching for oil increased by 10 to 244 while the number of rigs searching for natural gas fell by 7 to 665.

Addax Petroleum Corp declared force majeure on its Nigerian Antan crude oil exports from Thursday due to production problems. Antan was due to export 70,000 bpd of crude oil in August. There are now seven force majeure currently in place on Nigerian crude oil streams.

Oil production from Iraq's Kurdistan's Taq Taq oil field is fluctuating between 20,000 and 40,000 bpd, of which exports range between 12,000 and 30,000 bpd. Taq Taq's developers hope to increase production to 60,000 bpd by the end of November.

Angola will export about 1.85 million bpd of crude in September. The provisional Angolan loading program for September showed a total of 58 cargoes to be shipped, up from 57 in August but down from 60 loading in July.

China National Petroleum Corp produced 51.04 million tons or 2.06 million bpd of crude in the first half of the year and processed 58.76 million tons during the same period. Crude output at overseas wells it operated totaled 31.39 million tons and gas production totaled 3.9 billion cubic meters. CNPC aims to double its oil and gas output to 400 million tons of oil equivalent in 8-10 years and increase oil and gas production in overseas fields it operates to half that level.

Colombia's crude production in June increased to an average 660,000 bpd from 585,000 bpd in the same month last year. Average crude oil production in the first half of the year was 645,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$62.54/barrel on Thursday from Wednesday's \$61.73/barrel level.

Market Commentary

Today's move higher in the energy markets was once again fueled by economic optimism. The U.S. Commerce Department issued a report that stated the construction of single-family homes jumped by 14 percent in June, the biggest increase since 2004. Indeed, economic green shoots may be sprouting overseas as well, as China, the world's second largest consumer of energy, processed a record volume of crude oil during the month of June. Demand in developing countries may help to make up for the lack of U.S. demand that has suffered due to the recession. The August crude oil based on a spot continuation chart managed to trade down to and hold the 9 day moving average and settled above the 14 day moving average. It also traded above an ascending channel on the same chart. This channel was set between \$60.98 and \$63.46. Coming into next week, we would look for continued strength and for a test at the projected upside target of \$65.94, based upon the channel breakout.

Crude Crude Oil (CL) AUG.09 66,721 -28,450 SEP.09 311,108 +11,678 OCT.09 85,677 -1,662 NOV.09 40,714 +404 Totals: 1,166,935 -17,610 N.Y. Heating Oil (HO) AUG.09 41,906 -1,738 SEP.09 54,568 +2,067 OCT.09 31,478 -422 NOV.09 19,006 +525 Totals: 297,726 +3,262 N. Y. HARBOR RBOB (AUG.09 42,748 -3,505 SEP.09 68,834 +1,163 OCT.09 28,178 +779 NOV.09 14,352 -165 Totals: 203,248 - 411

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by just 800 contracts to 16,157 contracts in the week ending July 14th. The combined futures and options report was also a nonevent as it showed that non-commercials in the crude market increased their net long position by just 412 contracts to 82,264 contracts on the week. Meanwhile the combined futures and options report showed the non-commercials in the heating oil market cut their net long position by 10,589 contracts to 17,991 contracts while non-commercials in the RBOB contract cut their net long position by 5,617 contracts to 37,397 contracts on the week.

Crude Support	Crude Resistance
60.95, 56.75, 55.45, 54.49, 48.00	66.25, 68.50, 70.10, 72.15, 74.50, 76.13
Heat Support	Heat resistance
1.4220, 1.4130, 1.3720	1.7070, 1.9090
Gasoline support	Gasoline resistance
1.5887, 1.5370, 1.5260, 1.3560, 1.3400, 1.2700, 1.2625, 1.1680	1.7755, 1.8460, 1.8265, 2.0650, 2.1600