



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 20, 2009

Algeria's Oil Minister Chakik Khelil said he expects oil prices to trade in a range of \$65-\$70/barrel during the rest of the year and possibly rise to \$90/barrel next year once excess supplies have been depleted. He also said he expects oil inventories in industrialized countries to fall to the equivalent of 52 days of forward supply. He said OPEC will need to cut its oil production at its meeting in September if there is not enough demand.

A senior Iranian oil official said a significant rise in crude oil demand is not likely until 2010 and added that the price of crude will likely not exceed \$72/barrel in 2009.

Market Watch

US lender CIT Group Inc, which lends to nearly 1 million small and mid-sized businesses, has agreed to a \$3 billion rescue with bondholders, helping it avoid bankruptcy.

The Conference Board's index of US leading economic indicators increased 0.7% in June, exceeding economists' consensus forecast for a 0.5% increase. The US recession is easing but not yet over.

The National Hurricane Center forecast that a tropical wave about 200 miles east of the Windward Islands has less than a 30% chance of developing into a tropical cyclone over the next 48 hours. Its forecast track shows the system moving across the Lesser Antilles, the Dominican Republic and Haiti before reaching the Bahamas and Florida. If the system develops into a tropical storm with winds of 39-73 mph, it would be named Ana, the first named storm of the Atlantic hurricane season.

ExxonMobil Corp has less than two weeks to respond to claims by the Texas General Land Office that the company sabotaged wells to prevent other producers from tapping fields it no longer wanted. The Texas Railroad Commission said it will not take action on allegations of an early 1990s program of plugging abandoned wells with trash, sludge, cement and explosives until August at the earliest. ExxonMobil can face fines in excess of \$1 billion. ExxonMobil has previously stated that the method to plug the wells was designed to protect groundwater from contamination.

Enbridge Inc said it will fund two thirds of Enbridge Energy Partners' \$1.2 billion segment of the Alberta Clipper crude oil pipeline project. The pipeline, which will run from Hardisty, Alberta to Superior, Wisconsin, is scheduled to be in service by mid-2010 to increase the capacity to deliver to the US crude from the Albert tar sands. The line will have an initial capacity of 450,000 bpd and allow for expansion to increase capacity up to 800,000 bpd.

The head of PDVSA, Rafael Ramirez, has ordered all 80,000 workers to be socialists and support President Hugo Chavez. He has warned power oil unions, which include pro-and anti-Chavez leaders, that the government will not allow the upcoming contract negotiations to become a defacto referendum on President Chavez. His comments come as at least three labor factions battle for majority control at the contract negotiations, which will determine pay and benefits from 2009 to 2011. An earlier contract expired in January. Separately, the head of PDVSA said the company has paid almost all of its outstanding debts to suppliers after making recent payments of \$2.7 billion.

July Calendar Averages
CL - \$62.60
HO - \$1.6022
RB - \$1.7183

A dispute between Arabs and Kurds in Iraq's northern province of Nineveh threatens to split the province in two and increase tensions that could threaten the country's stability. Kurdish local councilors currently boycotting all contact with its Arab governor Atheel al-Nujaifi vowed on Sunday to form their own council if their disagreement with him is not resolved. The governor said he would come down hard on any local councilors who try to secede. He said the door is still open to dialogue.

The EIA reported that the US average retail price of gasoline fell by 6.5 cents to \$2.463/gallon in the week ending July 20th. It also reported that the US average retail price of diesel fell by 4.6 cents to \$2.496/gallon on the week.

Refinery News

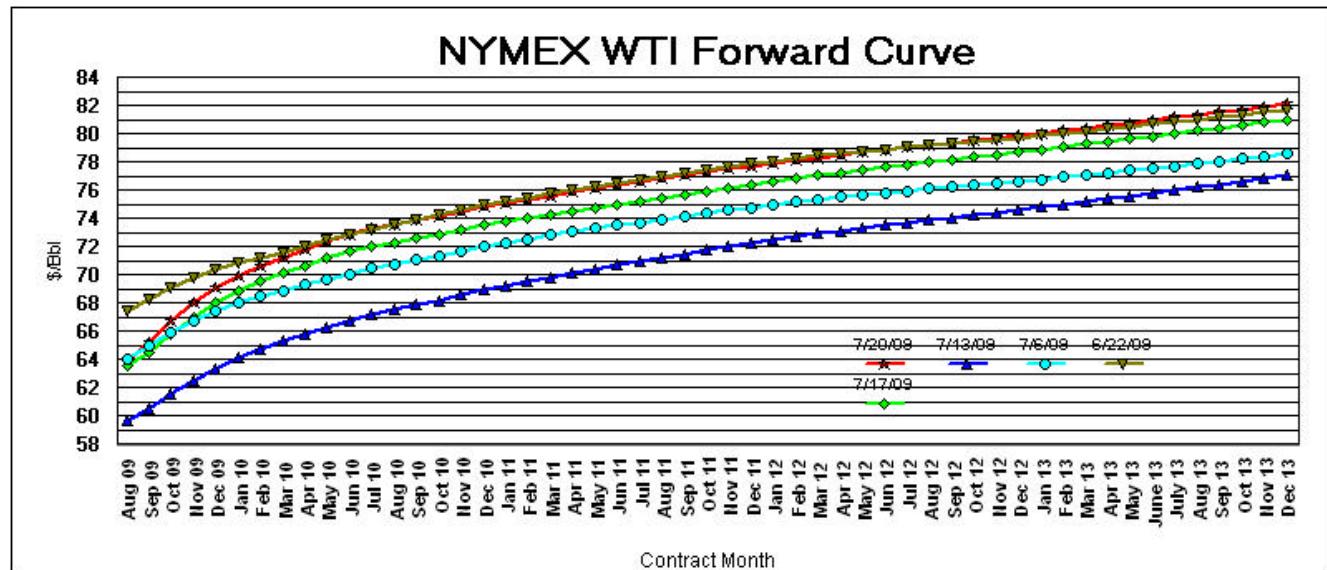
ConocoPhillips is scheduled to move a Very Large Crude Carrier of North Sea Forties crude to the US in the coming days. The VLCC is in Hound Point, Scotland to load Forties crude bound for the US refining hub of Galveston, Texas. This is the eighth VLCC chartered to ship Forties crude to the US in the past five months.

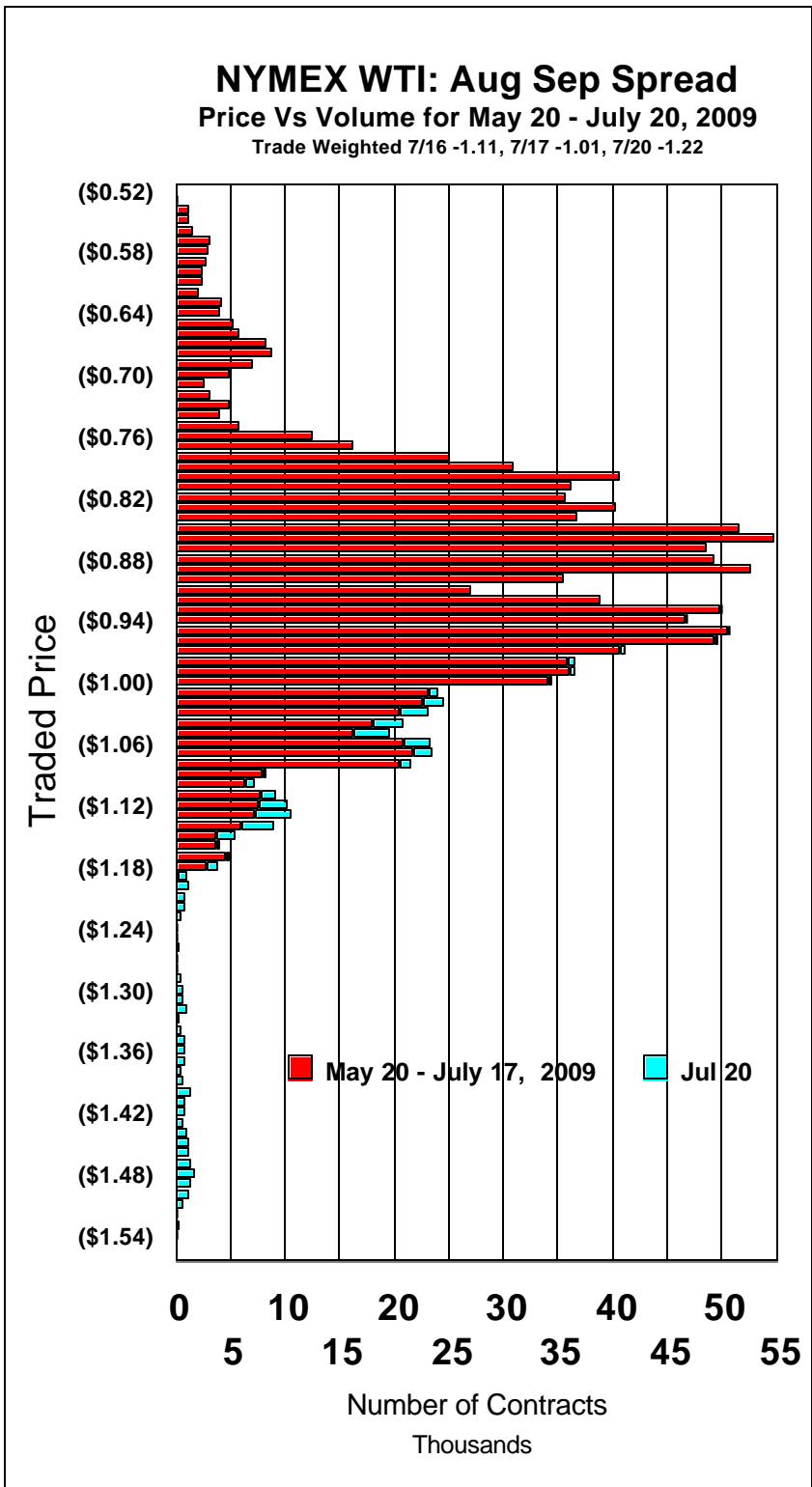
An alkylation unit remained shut on Sunday night following a fire at Citgo Petroleum Corp's 163,000 bpd Corpus Christi, Texas refinery. The other units at the refinery continued operating on Sunday night. Workers were repairing a valve on the unit when the fire started.

Alon USA Energy Inc reported a boiler upset at its 70,000 bpd Big Spring, Texas refinery on Saturday. A boiler tube leak caused flaring at the refinery.

Valero Energy Corp said a mechanical problem at a coker unit at its 170,000 bpd Benicia, California refinery caused excess vapor emissions to be released. Separately, Valero Energy Corp said units at its refineries in Ardmore, Oklahoma and St. Charles, Louisiana remained shut. A naphtha hydrotreater at the 87,400 bpd Ardmore, OK refinery suffered a fire on July 4th, prompting the refinery to keep the crude unit and fluid catalytic cracking unit on circulation but not producing. A crude distillation unit at its St. Charles refinery has been shut following an early June fire. It said a vacuum unit and coker unit will restart once the crude unit resumes operations.

Chevron Corp has filed an appeal to overturn a court order that halted a construction project at its





Richmond, California refinery. Environmental and residential groups do not want Chevron to upgrade its refinery units at be able to process Canadian crude, which is dirtier than other crude blends.

Sinclair Oil Corp has put the \$1 billion expansion of its refinery in Tulsa, Oklahoma on hold due to current economic conditions. The project would have increased its capacity from 65,000 bpd to 115,000 bpd. The company however is still proceeding with \$35 million in environmental upgrades.

The Alyeska Pipeline Service Co said the Trans-Alaska Pipeline will shutdown for maintenance and upgrades on Saturday. The maintenance shutdown, expected to last 36 hours, is the second of the summer. Oil throughput has averaged slightly less than 700,000 bpd in 2009 compared with a 2.1 million bpd peak reached in 1988. The reduction is due to declining output at Prudhoe Bay, Kuparuk and other mature North Slope oil fields.

Kuwait Oil Company said it contained a leak at its Mina al-Ahmadi port. The leak at the port occurred in a pipeline on Sunday morning. The amount of oil leaked was about 250 barrels, most of which was retrieved.

Iraq's Kurdistan region opened a new oil refinery on Saturday, with an initial production capacity of 20,000 bpd. Its capacity is projected to increase to 40,000

bpd. The refinery near the Kurdish capital Arbil is run by private Kurdish group Kar, which will process crude oil from the Khurmala Dome oilfield.

PetroChina will raise crude oil processing capacity at its Jilin refinery by about 30% to 200,000 bpd by October 2010. It will add crude distillation, catalytic cracking, gas fractionation, diesel hydrotreating,

gasoline hydrotreating and sulfur recovering units. Meanwhile, PetroChina permanently shut a 2.5 million ton/year Qiangou Petrochemical Co refinery.

Russia's Energy Minister reported that the country's refinery runs in June increased by 4.5% on the month but fell by 1.3% on the year to 19.659 million tons. Its gasoline production increased by 5.9% on the month but fell by 0.8% on the year to 2.952 million tons while its gas oil production increased by 5.8% on the month and but fell by 3.2% on the year and its fuel oil production increased by 2.4% and on the month and by 2.1% on the year.

India's Reliance Industries increased its crude oil imports in June by over 50% on the year but did not buy any oil from Venezuela for a third month. Reliance imported just over 900,000 bpd of crude in June, up from 722,000 bpd in May and about 600,000 bpd a year ago. The data shows that Reliance continued to lift Iraqi crude after an absence of nearly three years and almost doubled its intake of Saudi crude from a year ago as it increases operations at its expanded 1.24 million bpd Jamnagar refinery.

Production News

Addax Petroleum declared force majeure on Nigerian Addax crude liftings last Tuesday as a result of technical problems due to poor weather conditions. The delay of a tie-in of three wells due to adverse weather conditions, led to a shortage of crude available for planned liftings from the floating production, storage and offloading vessel at Antan.

Iran's Oil Minister Gholam Hossein Nozari said the country will maintain its position as the number two crude producer in OPEC. He said Iran's crude oil production capacity has reached 4.3 million bpd and will increase its capacity to 5.1 million bpd.

Iraq's parliament speaker, Ayad al-Samarai said the parliament has the authority to block an oil deal with BP and China's CNPC, despite the oil ministry's insistence at the lawmakers can do nothing to derail the government.

China National Offshore Oil Corp, along with Sinopec and PetroChina, will increase its crude oil production in Bohai Sea to 52 million tons by 2020 from less than 20 million tons in 2007.

Brazil's Petrobras said its domestic crude oil production fell by 3.2% in June to 1.93 million bpd from 1.99 million bpd in May. Production outside Brazil increased by 10,000 bpd to 146,300 bpd, increasing its total production to 2.07 million bpd. Separately, Petrobras notified the country's National Petroleum Agency late Friday that it discovered signs of oil at an onshore Espirito Santo Basin block.

Perenco Corp said it will peg responsibility for any damages to its two oil fields in the Ecuadorian Amazon on the country's government. Last Thursday, Petroecuador, took over Perenco's operations and its facilities amid a tax dispute. Perenco's Latin America manager, Rodrigo Marquez, dismissed the Ecuadorian government's allegations that the company abandoned its installations.

Cairn India Ltd will start producing crude from Block RJ-ON-90/1 in the western state of Rajasthan in the second half of 2009.

Russia's government is waiving export duties for crude oil extracted from 13 large East Siberian fields for a limited period in an attempt to increase investment in the region. Russia's Prime Minister Vladimir Putin said the zero export duty on Rosneft's Vankor field, TNK-BP Ltd's Verkhnechonsk field and Surgutneftegaz' Talakan field will be implemented in two months and last for nine months.

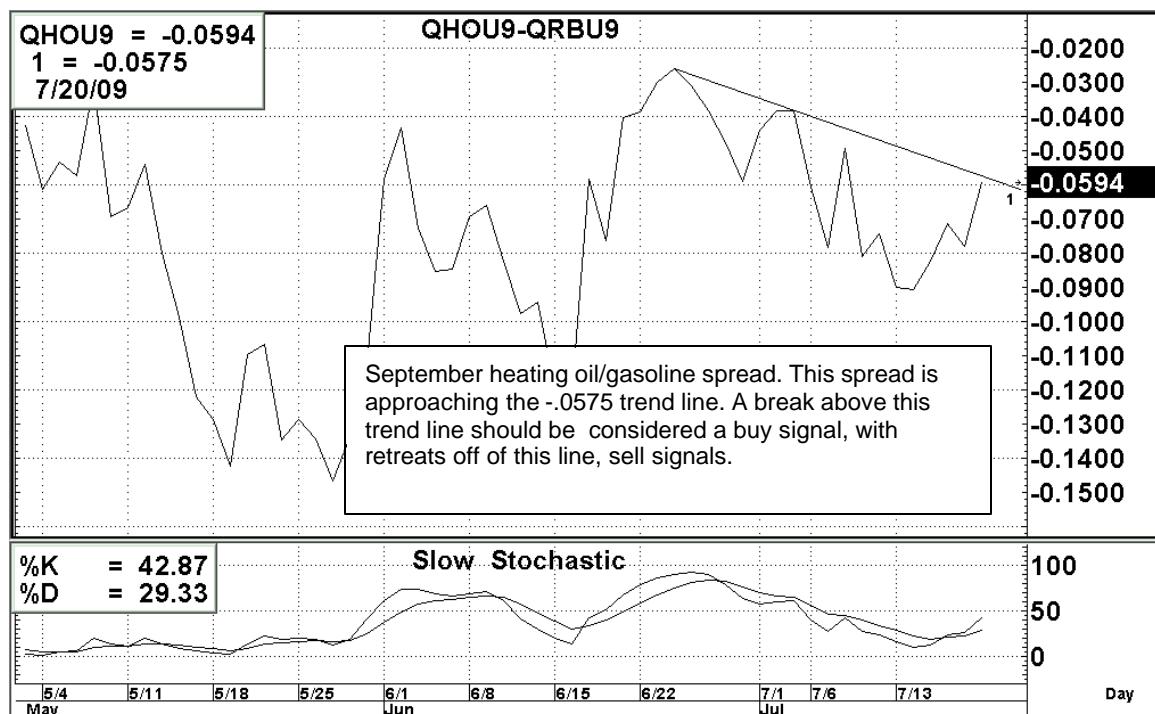
India's Junior Oil Minister Jitin Prasada said India's government is not considering a proposal to free controls on retail prices of petrol and diesel. The government sets prices at which retail fuels can be sold and partially compensates state run firms for the lost revenue.

OPEC's news agency reported that OPEC's basket of crudes increased to \$63.23/barrel on Friday from \$62.54/barrel on Thursday. OPEC's basket of crudes fell by 3 cents to \$61.61/barrel in the week ending July 17th.

Market Commentary

The rally last week in crude oil continued today, as the market reacted to positive news about the economy. A stronger equities market and a weak dollar were behind today's run-up in prices. Heating oil rose at a faster pace than crude oil and gasoline, as buyers continue to take advantage of the deep contango market conditions. Heating oil cracks began to rise last week and don't appear to be getting ready to slow down. The September09 heating oil crack gained just under \$1.00 today and is approaching the \$8.59 high from June. We would look for buyers to continue to take advantage of contango market conditions in heating oil, stocking up on winter supply. August crude oil expires tomorrow and September will be the spot month. Based upon a weighted average chart for the front spread in crude oil, we would look for the September/October crude oil spread to come under pressure, encountering resistance at -\$0.95 and -\$0.85.

Crude Oil (CL) AUG.09 48,873 -17,848 SEP.09 322,096 +10,988 OCT.09 89,139 +3,462 NOV.09 40,962 +248 DEC.09 159,205 -3,466 JAN.10 30,362 -391 FEB.10 20,298 -121 Totals: 1,163,257 -3,678N.Y. Heating Oil (HO) AUG.09 39,427 -2,479 SEP.09 56,974 +2,406 OCT.09 32,842 +1,364 NOV.09 19,124 +118 DEC.09 37,228 -70 JAN.10 18,806 +173 FEB.10 12,094 +390 Totals: 299,468 +1,742N. Y. HARBOR RBOB AUG.09 40,759 -1,989 SEP.09 73,924 +5,090 OCT.09 27,763 -415 NOV.09 14,359 +7 Totals: 206,170 +2,922



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, 131.80, 1.2700, 1.2625, 1.1680	1.7755, 1.8460, 1.8265, 2.0650, 2.1600

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