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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 14, 2009

OPEC said in its monthly report that world oil demand growth is expected to continue falling this year as unemployment increases in OECD countries and consumer sentiment remains constrained. It said demand for its crude will average 28.49 million bpd in 2009 and fall by 380,000 bpd to 28.11 million bpd in 2010. OPEC cut its estimate for world oil demand this year, with demand expected to fall by 1.65 million bpd, down 30,000 bpd from its previous forecast. Despite the expected fall in demand for its own oil, OPEC said total world oil demand will increase in 2010 to 84.34 million bpd, up 500,000 bpd from 83.84 million bpd in 2009, driven mainly by growth in emerging economies. OPEC said the pace of economic recovery continues to be the main risk for the outlook for next year. OPEC also reported that OPEC's crude oil production, excluding Iraq, increased to 26.03 million bpd in June from 25.97 million bpd in May. OPEC's total oil production averaged 28.4 million bpd, up 39,000 bpd on the month.

Market Watch

Morgan Stanley revised up its 2010 WTI crude price forecast to \$85/barrel from \$65/barrel and to \$95/barrel from \$85/barrel in 2011 on expectations of an improving economic outlook.

The US Labor Department said the producer price index for finished goods increased by 1.8% in June from May, nearly double the 1% increase economists expected. It is the sharpest increase since November 2007. The core PPI, excluding food and energy, increased by 0.5% from May, the largest rise since October 2008. Wholesale energy prices increased 6.6% last month, with gasoline prices increasing by 18.5% from May, the largest increase since November 2007. It showed that food prices increased by 1.1%.

The US Commerce Department said sales at US retailers increased by 0.6% in June. Sales increased more than expected, with a 0.4% gain estimate. Retail sales increased by a revised level of 0.5% in May. Excluding autos and parts, which recorded a 2.3% gain, retail sales increased a more modest 0.3% gain. The Commerce Department also reported that US businesses cut inventories again in May. A 1% drop from the prior month to a seasonally adjusted \$1.368 trillion followed a revised 1.3% decline in April. Business sales fell 0.1% in May. The inventory to sale ratio fell in May to 1.42 from 1.43 during April.

Investor's Business Daily and TechnoMetrica Market Intelligence said their IBD/TIPP Economic Optimism Index fell to 46.3 in July from 50.8 in June. The index fell due to job losses and concerns over the success of the Obama administration's stimulus measures.

Iran's President Mahmoud Ahmadinejad will take the oath of office before parliament in early August following his disputed re-election. He will be sworn in as the 10 president of the country between August 2 and 6 after being confirmed by the Supreme Leader Ayatollah Ali Khamenei and will then unveil his new cabinet.

Venezuela's Oil Minister threatened once more to oust oil industry employees who refuse to support President Hugo Chavez or who do not support his socialist plans.

API Stocks

Crude – down 1.158 million barrels
Distillate – up 656,000 barrels
Gasoline – down 69,000 barrels
Refinery runs – up 0.8%, at 86%

Nigeria’s main militant group, the Movement for the Emancipation of the Niger Delta, said it wants jobs, not money, as a way to halt its attacks and demands the release of its jailed leaders as part of an amnesty. The group reassured companies they could start work on a planned plant addition to an existing natural gas processing facility to provide for exports to the US. It called for the establishment of a local surveillance team after the Disarmament Demobilization and Rehabilitation process that will increase security within the waterways using the militants after they have surrendered their weapons.

According to a report by MasterCard Advisors LLC, US gasoline demand fell by 1.1% on the year in the past two weeks to 9.3 million bpd. In the week ending July 3, gasoline demand averaged 9.627 million bpd, down 0.7% on the week and up 2.1% on the year. In the week ending July 10th, demand averaged 9.021 million bpd, down 6.3% on the week and 4.3% on the year. On a nationwide average, retail prices for regular gasoline were \$2.57/gallon in the week ending July 10th, down 5 cents on the week.

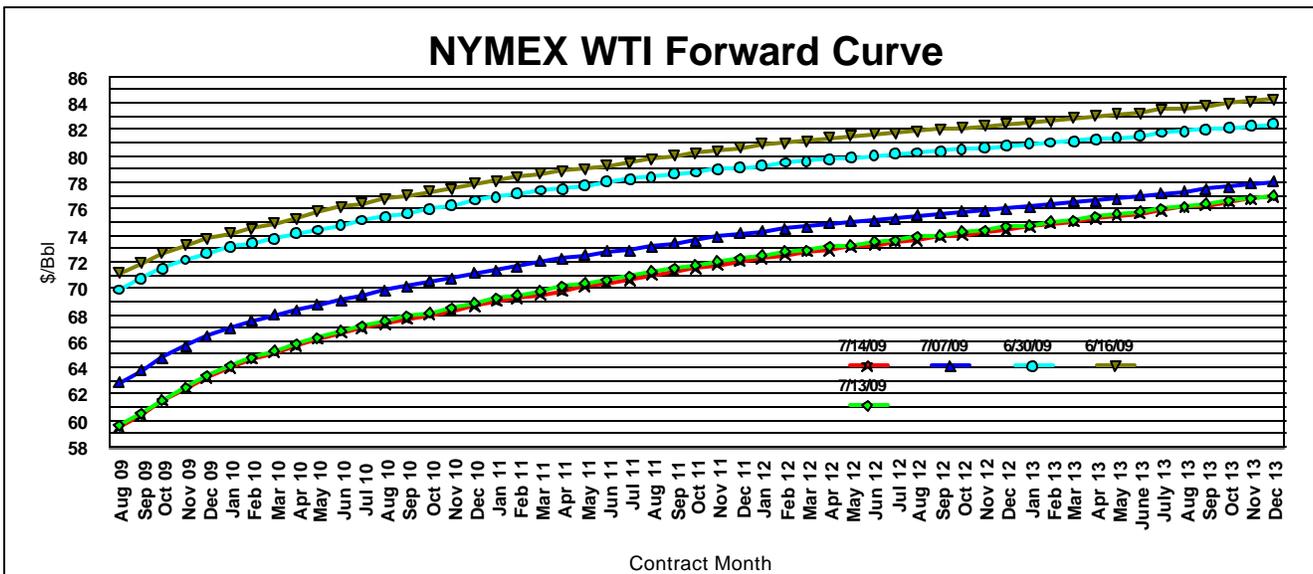
Refinery News

Valero Energy Corp said a crude unit, a fluid catalytic cracking unit and hydrotreater at its Ardmore, Oklahoma refinery still have not returned to production following a recent fire at its naphtha hydrotreater. Meanwhile, a crude distillation unit at Valero’s 185,000 bpd St. Charles, Louisiana refinery also remains down following a fire in early June. Valero also reported that it is currently shutting down the entire 275,000 bpd Aruba refinery. The shutdown is expected to be completed by the end of the week. It said the two to three month shutdown is mainly the result of weak profit margins.

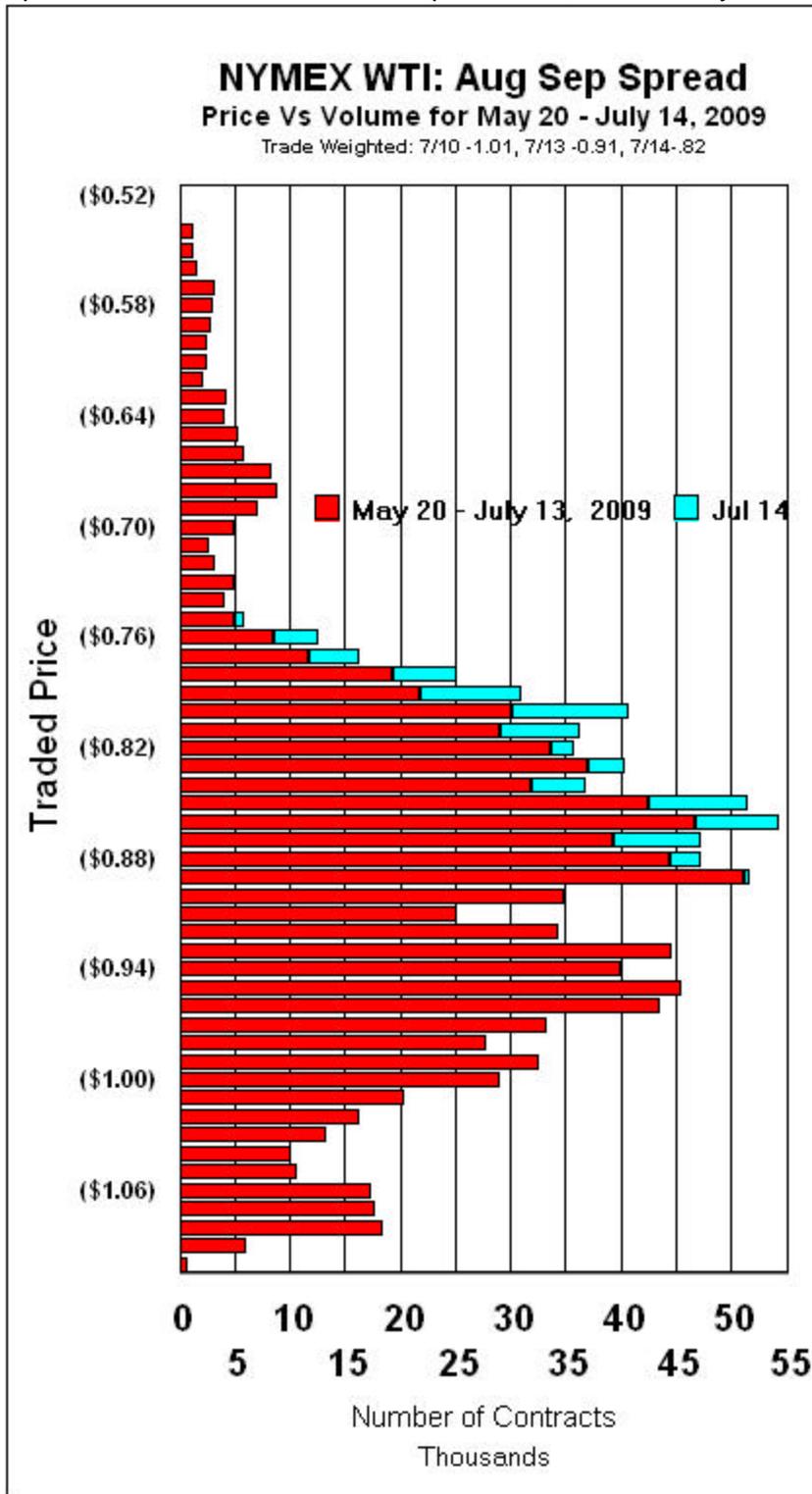
July Calendar Averages
CL – \$62.52
HO – \$1.5907
RB – \$1.7063

BP shut a 102,500 bpd fluid catalytic cracking unit at its 265,000 bpd Carson, California refinery during the weekend. A source said the unit is expected to remain shut for a week to 10 days.

Exxon Mobil Corp is expected to announce a \$600 million investment to develop commercially viable biofuels from algae with biotechnology company Synthetic Genomics Inc. It said if the venture is successful in finding a strain, the large scale deployment of algae biofuel will require future investments of billions of dollars. The companies are aiming to produce a biologically generated



equivalent of crude oil that can be processed, like other hydrocarbons by a refinery.



Mexico's Salina Cruz refinery is planning its next major maintenance turnaround in October after completing work this week on two major units. Salina Cruz is currently restarting one of its two catalytic cracking units after more than a month of maintenance work and will restart a crude unit later this week.

China's Ministry of Transport said the country's main ports received 84.35 million tons of imported crude oil in the first half of the year, down 2.5% compared to the same period in 2008. Despite the overall decline, imports have increased for four consecutive months as a result of strategic stock building and a recovery in oil product demand. Main ports also unloaded 310 million tons of imported iron ore over the six months, up 21.7% on the year.

China has officially transferred management of two of its four strategic oil reserve bases to Sinopec Corp after China filled its first batch of reserve tanks. Sinopec Corp's pipeline and storage unit took over management of the oil tanks at Zhenhai and Huangdao in late June following an order from the National Energy Administration and the Ministry of Finance. The two sites have a combined storage capacity of about 52 million barrels or half of China's first phase reserves that were filled around the end of 2008 and early 2009. China has filled the first phase of the strategic oil

reserve tanks, totaling about 102 million barrels and is building storage facilities for the second phase that will hold up to 170 million barrels.

India's August naphtha exports are set to increase to at least 800,000 tons, the highest level this year as domestic consumption falls further on increased gas supply.

India's Reliance Industries said it aims to directly sell fuel in the US market.

Production News

Officials said the import and supply of gasoline and other petroleum products will continue uninterrupted in spite of the substantial damage to Nigeria's Atlas Cove oil jetty. The jetty was attacked by the Movement for the Emancipation of the Niger Delta on Sunday evening and berthing at the terminal remains suspended.

StatoilHydro said modifications made to the Vega South wells project in the North Sea will enable the extraction of light crude oil, in addition to the planned production of gas and condensate light oil. It said that extra meters installed in the wellheads will allow 7 million barrels of light crude oil to be recovered. The project will be completed by next spring or summer.

Production from the Chevron operated Granite Point and Trading Bay fields is expected to restart by mid-August, though possibly not at the 7,500 bpd level that was typical before Redoubt Volcano started erupting on March 22nd. Operators of the Drift River Terminal have decided to modify the facility so that oil will be shipped directly from the production platforms through the system's pipeline into waiting tanker vessels, bypassing the terminal's storage tanks.

Brazil's Petrobras notified the country's National Petroleum Agency that it discovered signs of oil at an onshore Espirito Santo Basin block.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$59.66/barrel on Monday, down from Friday's \$59.86/barrel level.

Market Commentary

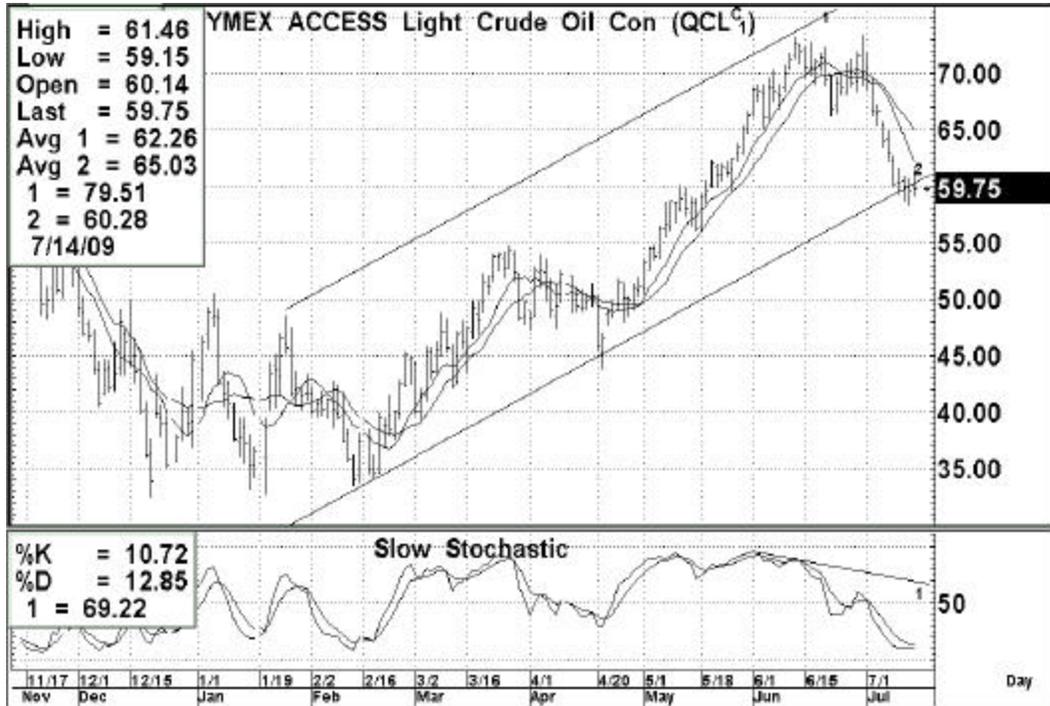
Crude oil continued to the downside again today on expected inventory builds in both gasoline and distillates. Early gains were lost as the true fundamentals of this market overshadowed support from the equities markets. According to a MasterCard Inc. report, gasoline consumption fell to a six-month low during last week's Fourth of July holiday. The report indicated that consumers purchased 9.021 million barrels of gasoline a day during the week ending July 10. This is 4.3 percent lower than last year and 6.3 percent less than the week before. Demand destruction will continue to weigh on this market, as consumers remain cautious about the economy. Technically, crude oil is still in a downtrend, with prices settling below the ascending channel that can be depicted on a spot continuation chart. The bottom of this channel, which comes into tomorrow's trading session set at \$60.53, has proven to be a key pivotal area. We would look to buy reentries back above this trendline and to sell any retreats.

Crude AUG.09 143,508 -24,709 SEP.09 258,120 +19,012 OCT.09 77,208 -244 NOV.09 36,139 -1,066 Totals: 1,176,971 -20,123 N.Y. Heating Oil (HO) AUG.09 47,945 -2,411 SEP.09 48,213 +1,932 OCT.09 31,759 -426 NOV.09 17,488 +364 Totals: 289,179 +2,049 NEW YORK HARBOR RBOB (RB) AUG.09 47,235 -5,392 SEP.09 62,685 +1,330 OCT.09 28,304 +694 NOV.09 12,347 +16 Totals: 193,164 -2,947

The API reported that crude stocks fell by 1.158 million barrels on the week. However it would have reported a slightly larger draw of 1.562 million barrels had it not revised down the previous week's stock level. It reported a large draw of 1.874 million barrels in Padd 1 alone while crude stocks in Padd 2 fell by 1.097 million barrels on the week. It showed that stocks in Cushing, Oklahoma built by 1.3 million barrels on the week. The API reported the draw in total crude stocks despite the increase in imports of 1.303 million bpd to 9.487 million bpd. Meanwhile, the API reported that distillate stocks built by 656,000 barrels on the week. It reported the build in stocks despite the increase apparent

demand of 10% to 4.199 million bpd and apparent demand basis its three week moving average increased by 1.5% to 4.111 million bpd. The API reported a draw in gasoline stocks of 69,000 barrels as imports fell by 102,000 bpd to 170,000 bpd and apparent demand increased by 2.9% on the week to 9.332 million bpd.

Spot continuation chart for crude oil. This is the second day that prices have traded back within the ascending channel, but failed to settle inside of it. Slow stochastics are in over sold territory, but are trending lower. We would look to use the lower line of this channel as a pivotal area. Should stochastics cross to the upside, prices may reverse.



Crude Support	Crude Resistance
56.75,55.45,54.49, 48.00	68.50, 70.10, 72.15. 74.50, 76.133, 81.80
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	1.6790, 1.8265, 2.0650, 2.1600

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