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Windham Group



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 15, 2009

US Energy Secretary Steven Chu expressed concern on Wednesday about rising and falling oil prices, which he said were mainly driven by speculation. He however declined to say what he thought was an appropriate price for oil.

Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta threatened to call off a 60-day ceasefire following reports that the military is planning to raid one of its camps in the Niger Delta. It said the ceasefire will be suspended with immediate effect should reports of an attack prove true. Earlier, the militant group declared a 60 day ceasefire in its

Market Watch

Goldman Sachs said its energy trading is hedging that should be exempt from proposed US government limits on the volume of contracts that speculators can trade. Its chief financial officer David Viniar said the bank's trades are important to enable hedging. He said proposed regulations may have little impact on Goldman's commodities results if the US CFTC retains hedging exemptions currently granted to banks doing energy trading.

The US Labor Department said US consumer prices increased 0.7% in June, slightly above economist expectations for a 0.6% increase. It reported that the core CPI, which excludes food and energy prices, increased by 0.2%. According to CPI report, energy prices increased by 7.4% in June but were down 25.5% over the last 12 months.

The US Chamber of Commerce said it will attempt to convince lawmakers and the public to raise the federal gasoline tax to pay for needed repairs of the country's highways, bridges and mass transit systems. It said increasing the 18.4 cent federal tax on a gallon of gasoline by about 10 cents would cover the funding gap while creating jobs and improving mobility. It called on Congress not to delay action on a new highway bill, as proposed by the Obama administration.

T. Boone Pickens said the US' foreign oil dependence remains its largest threat to national and economic security. It said based on figures from the US DOE, the US imported 64% of its oil or 354 million barrels in June 2009, sending \$24.7 billion overseas to foreign governments. It is up 13% on the month from \$21.6 billion spent in May.

Russia's Finance Ministry said the country will increase its oil export duty by 4.4% to \$222/ton from August 1. Export duties on light refined products, such as gasoline and gas oil, will increase to \$161.90/ton in August, up from \$155.50/ton in September. Export duties on heavy refined products will increase to \$87.20/ton, up from \$83.80/ton.

Surcharges for freight shipping on the Danube River have been imposed due to low water levels. Surcharges of about 10% over normal freight transport prices were imposed. Low Danube water levels restrict exports of east European grain and also hit shipments of refined oil products.

DOE Stocks

Crude – down 2.8 million barrels
Distillate – up 600,000 barrels
Gasoline – up 1.5 million barrels
Refinery runs – up 1.1%, at 87.9%

offensive against Nigeria's oil industry to provide a chance for peace talks with the government. It said its decision was also a goodwill gesture for the release of militant leader Henry Okah on Monday. Meanwhile, Colonel Rabe Abubakar, spokesman for the military task force, welcomed the announcement and repeated that the army would maintain its own ceasefire during the government's amnesty period.

Refinery News

Sources said oil storage tank operators have had to empty, inspect and in some cases repair crude oil tanks, putting a squeeze on already tight capacity at the Cushing, Oklahoma hub. Under the American Petroleum Institute Standard 653 a full out of service inspection of tanks is required. Inspectors said that repairs are required, a tank can be out of service for months. Exactly how much tankage has been affected is difficult to determine because tanks are held by multiple private entities. Not all companies have been affected in the same way. Tank inspection work has been on the rise nationwide for months.

Shell Oil Co shut a crude distillation unit at its 156,4000 bpd refinery in Martinez, California on Tuesday for a month of planned work.

ConocoPhillips is in the process of restarting a hydrotreating unit and desulfurization unit at its 238,000 bpd Bayway refinery in Linden, NJ following a small fire on Tuesday at a desulfurization unit. Separately, ConocoPhillips will undertake two weeks of unplanned work on a fluid catalytic cracking unit at its 247,000 bpd Alliance refinery in Belle Chasse, Louisiana.

July Calendar Averages

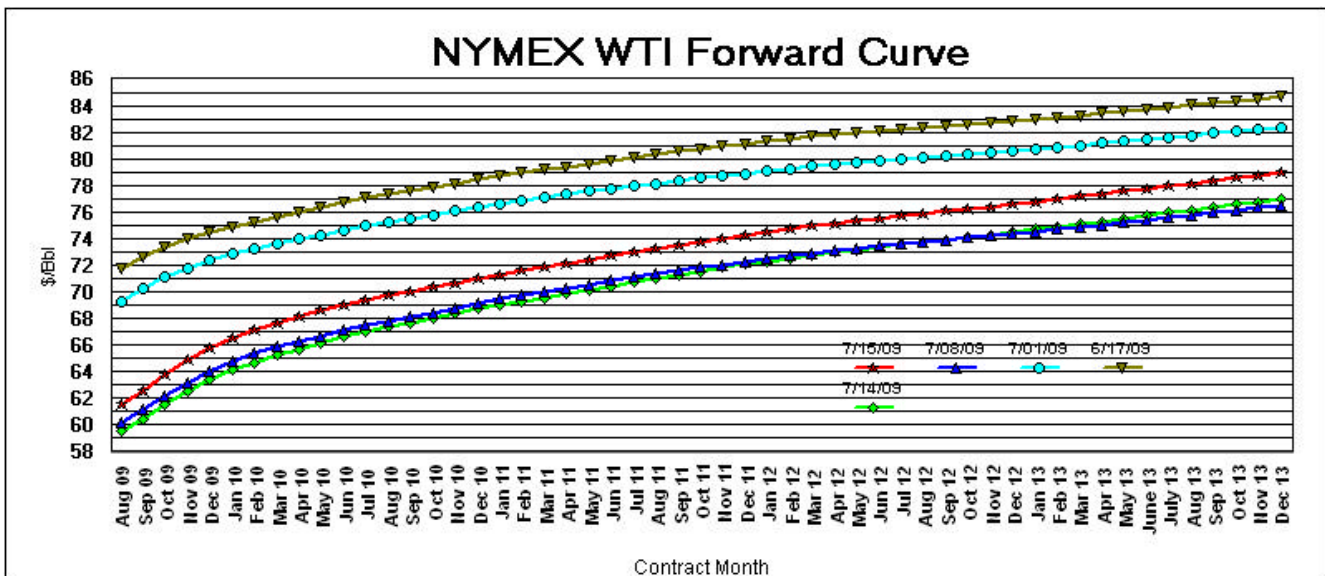
CL – \$62.42
HO – \$1.5898
RB – \$1.7065

Delek Refining Ltd's 58,000 bpd Tyler, Texas refinery briefly shut a sulfur recovery unit on Tuesday. A controller, which failed, was repaired and the unit was restarted.

Flint Hills Resources said it will shut down a tank for maintenance at its Port Arthur, Texas facility starting Wednesday, July 15th until September 13th.

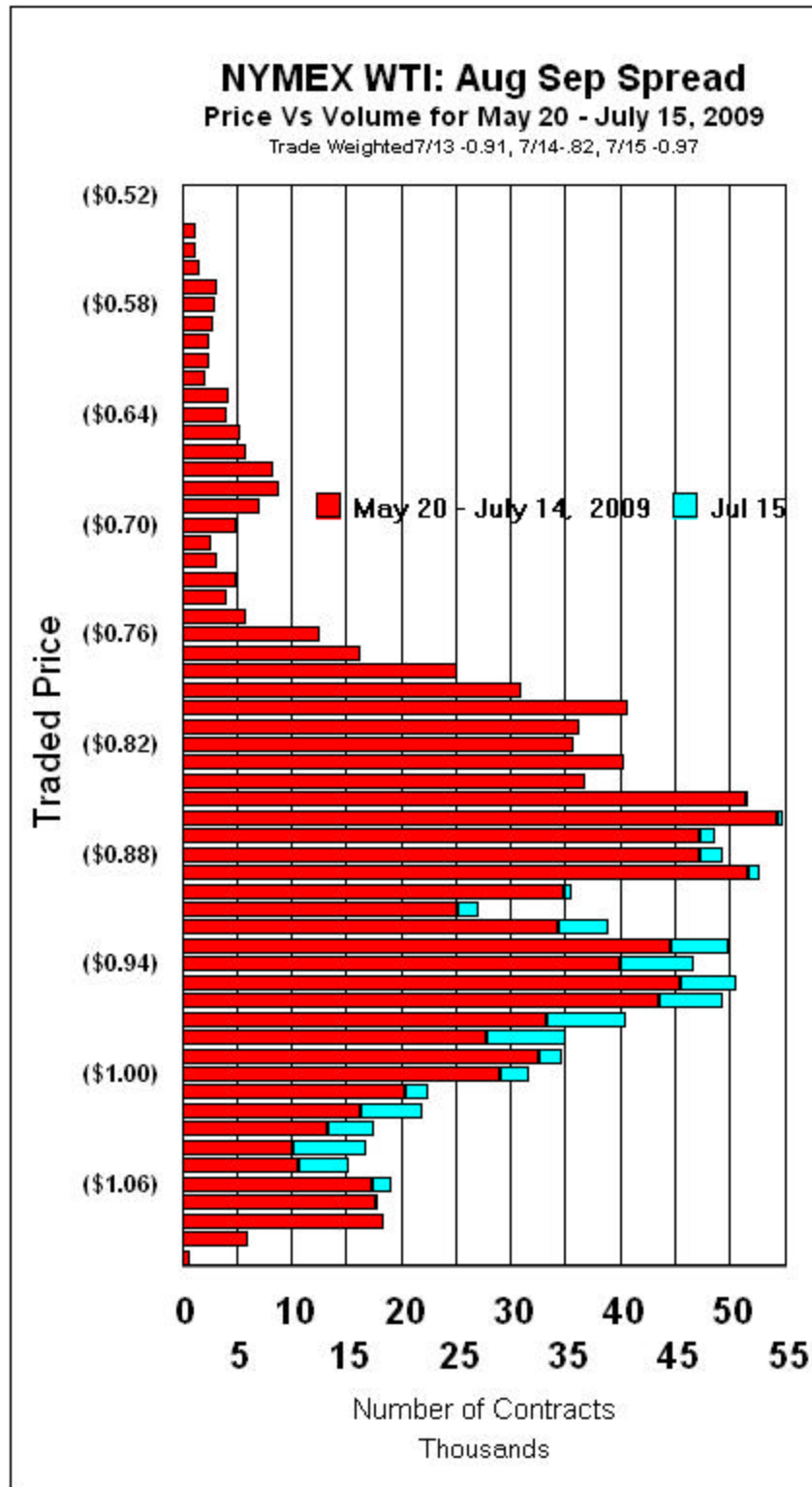
Indonesia's Pertamina said its 120,000 bpd Dumai refinery has returned to normal operations after its crude distillation unit was affected by a small fire in the unit's heating exchanger.

A 35,000 bpd condensate splitter under construction at Japan Energy's 205,200 bpd Mizushima



refinery will begin trial operations in late August.

Japan Oil, Gas and Metals National Corp has purchased 130,000 kiloliters or about 820,000 barrels of kerosene, the equivalent of a day's worth of kerosene consumption in the country, via a tender for Japan's national reserves. It is Japan's first purchase of kerosene for its national reserves.



The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending July 11th fell by 780,000 barrels on the week and by 2.97 million barrels on the year to 107.2 million barrels. It reported that average refinery run rates increased by 0.4% to 70%, a fourth consecutive weekly gain after reaching a record low of 63.2% a month ago. Gasoline stocks increased by 430,000 barrels on the week and by 730,000 barrels to 14.31 million barrels while kerosene stocks built by 99,000 barrels on the week and by 2.65 million barrels on the year to 14.99 million barrels. Naphtha stocks increased by 1.02 million barrels to 10.39 million barrels. It reported that Japan's total oil product sales fell by 20.2% on the week and by 17.9% on the year to 2.3 million bpd.

The European Biodiesel Board reported that production of biodiesel in the European Union increased by more than 35% in 2008 to 7.76 million tons. It said the increase in production was moderate compared to a production increase of 65% in 2005 and 54% in 2006 while production increased by only 17% in 2007. It said even if the EU will have a total biodiesel production capacity close to 21 million tons this year, 2008 and 2009 statistics show that at least 50% of existing plans remain idle.

Refined oil products handled by the port of Rotterdam increased by 17% to about 35 million tons in the first half of the year.

Transneftproduct said the Russian port of Primorsk is expected to ship 500,000 tons/month of gas oil exports in July-December. Primorsk exported 1.376 million tons of fuel in the first half of the year.

Production News

China's crude oil production in the first half of the year fell 1% on the year to 93.5 million metric tons or 683 million barrels. China's crude oil production in June fell by 1.8% on the year to 15.7 million tons or 115 million barrels. China's natural gas output in the first six months increased by 7.6% to 42 billion cubic meters, while gas output in June increased by 8.2% to 6.8 billion cubic meters.

Iraq's Finance Minister Bayan Jabor said the country's oil exports have reached an average 2.1 million bpd in July so far, putting it on track for the largest export level since the 2003 US led invasion.

Kazakhstan's State Statistics Agency said the country's oil production in June increased by 9.3% on the year to 5.391 million tons, with production in January-June increasing by 4.8% on the year to 30.729 million tons. Kazakhstan's gasoline production in June fell by 3.8% on the year to 187,000 tons while its diesel production increased by 4% to 348,000 tons and fuel oil production fell by 8.9% to 267,000 tons. It also reported that the country's crude oil exports increased by 9.8% to 27.7 million tons in January-May 2009. Its oil product exports fell by 14.3% on the year to 1.332 million tons.

French oil company, Perenco Corp will temporarily suspend its oil production in Ecuador following violations of an arbitration order regarding a tax bill.

According to a provisional loading program, Angola will export seven cargoes of Hungo crude and Kissanje crude in September. The program also shows that Angola will export three cargoes of Mondo crude and three cargoes of Saxi Batuque blend oil.

A member of Kuwait's Supreme Petroleum Council said Kuwait is unlikely to see any progress in the medium term on three multi-billion dollar oil projects, including the Project Kuwait oil field development. Separately, the official said OPEC will likely cut production if crude oil prices fall below \$55/barrel by September.

Mexico's Pemex is struggling to meet its \$20 billion investment plan for this year. It said it spent 88 billion pesos or \$6.4 billion during the first half of the year or 38% of its \$16.9 billion exploration and production investment budget. The company invested \$15 billion in exploration and production in 2008. Pemex's average output for the year is at 2.65 million bpd, well below the 2.7 million bpd target. With production at its Cantarell field falling 35% a year, Pemex needs to increase its investment in smaller oil fields to try to compensate. One of its targets is the Chicontepec field.

Turkish petrol and diesel prices will increase by 7% after the government increased the special consumption tax on fuel products.

OPEC's news agency reported that the OPEC basket price increased to \$60.87/barrel on Tuesday, up from \$59.66/barrel on Monday.

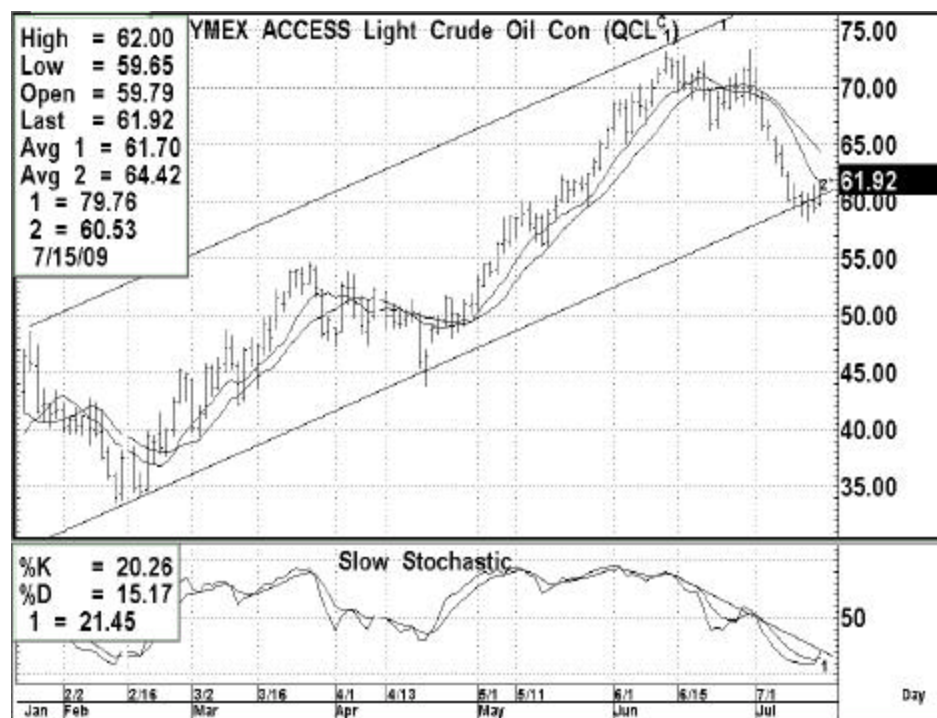
Market Commentary

With crude oil stocks decreasing by 2.8 million barrels, larger than the expected 2.1 million barrels, prices climbed more than \$2.00 today. Helping to bolster prices was a strong equities market. Adding to economic optimism was industrial production in the U.S., which fell at its slowest pace in eight months. This gave hope that demand will increase along with the economy. The August crude oil

contract traded back above the bottom trendline of the ascending channel that can be depicted on a spot continuation chart. As mentioned in our wire of yesterday, we liked using this line as a pivotal area, buying this market on a penetration back within this channel. Today's higher move forced a cross to the upside of the slow stochastics. These moving oscillators are still in overbought territory, but percent K is now trending over percent D, which is bullish for prices. We would continue to use the bottom of this channel as a pivotal number, buying failed attempts to dip below the bottom line and selling successful breaks below it. Fundamentally, this market should remain under pressure, as there is plenty of supply, weak demand and an unstable economy.

Crude AUG.09 118,789 -24,719 SEP.09 289,124 +31,004 OCT.09 84,180 +6,972 NOV.09 41,749 +5,610 Totals: 1,203,729 +26,758 N.Y. Heating Oil (HO) AUG.09 46,165 -1,780 SEP.09 51,352 +3,139 OCT.09 31,744 -15 NOV.09 17,787 +299 Totals: 293,686 +4,507 NEW YORK HARBOR RBOB (RB) AUG.09 45,073 -2,162 SEP.09 65,416 +2,731 OCT.09 29,063 +759 NOV.09 13,102 +755 Totals: 196,807 +3,643

Spot continuation chart for crude oil. Prices traded back within the ascending channel, with slow stochastics crossing to the upside in over sold territory. Both of these are supportive for prices. The August crude oil contract traded above the 9 - day moving average, settling just below it. We would continue to use the bottom of this channel as a pivotal area, buying failures to penetrate it and selling successful ones. Likewise, any settlements above the moving average can be viewed as supportive for prices.



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	1.8265, 2.0650, 2.1600

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