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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 21, 2009

Nigeria's President Umaru Yar'Adua called on militants in the Niger Delta to work with the government to resolve the region's problems. The Nigerian Army said it will not arrest or kill militants who surrender their weapons to the amnesty committee in the Niger Delta. Separately, Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta said it would free its remaining hostages but warned it may attack pipelines again if they are repaired during the ceasefire.

The US Senate approved a measure directing the Obama administration to impose sanctions on Iran's central bank if the country does not respond to a renewed attempt at US diplomacy by the end of September. The Senate agreed to attach language affecting US policy toward Iran to a bill authorizing funding for the Defense Department in fiscal 2010. Senator Jon Kyl said there is evidence that Iran's central bank is helping private sector banks avoid the impact of sanctions already agreed to by the international community.

Market Watch

The US National Hurricane Center forecast a tropical wave in the eastern Caribbean Sea still has less than 30% chance of developing into a tropical cyclone over the next 48 hours. Over the next five days, most weather models forecast the system will cross the Dominican Republic, Haiti, Cuba before reaching the Bahamas and Florida. By this time last year, there were already four named storms in the Atlantic basin.

US Federal Reserve Chairman Ben Bernanke said the outlook for the US economy appears to be improving and the US Central Bank is carefully reviewing ways to withdraw its monetary policy stimulus when conditions permit. However he cautioned that unemployment is likely to remain high in 2011 and warned that this could sap fragile consumer confidence and potentially undermine that is expected to be a gradual recovery. He said the Federal Reserve has several steps at its disposal to withdraw its unprecedented monetary stimulus when the time is right, even if its balance sheet remains large for a time. He however did not provide lawmakers with much of a clue on when rates will start increasing, adding that it is difficult to determine when a tightening cycle should begin.

The House Agriculture Committee chairman, Collin Peterson, said an omnibus financial reform bill in the US House would require over the counter derivatives to go through clearinghouses and probably will ban naked credit default swaps. He said the reform would spell out jurisdiction of the Securities and Exchange Commission and the Commodities Futures Trading Commission over OTC derivatives and create a council to resolve any disputes over which agency would regulate a derivative.

Venezuela's President Hugo Chavez said PDVSA is once again making deposits into the Fonden development fund for public spending. PDVSA is putting \$25 million a week into the fund. Earlier this year, PDVSA ceased making deposits into the fund because the price of Venezuelan oil was below the \$60/barrel level. Last year, PDVSA set aside \$14.7 billion in the form of social spending and money for the fund.

API Stocks

Crude – up 3.098 million barrels
Distillate – up 147,000 barrels
Gasoline – up 1.333 million barrels
Refinery runs – down 2%, at 84%

Iran's riot police clashed with hundreds of pro-reform protesters in Tehran on Tuesday. The protesters were gathered to support opposition leader Mirhossein Mousavi.

Separately, Iran's Supreme Leader Ayatollah Ali Khamenei advised President Mahmoud Ahmadinejad to reverse his decision in appointing Esfandair Rahim Mashaie as vice

president.

Refinery News

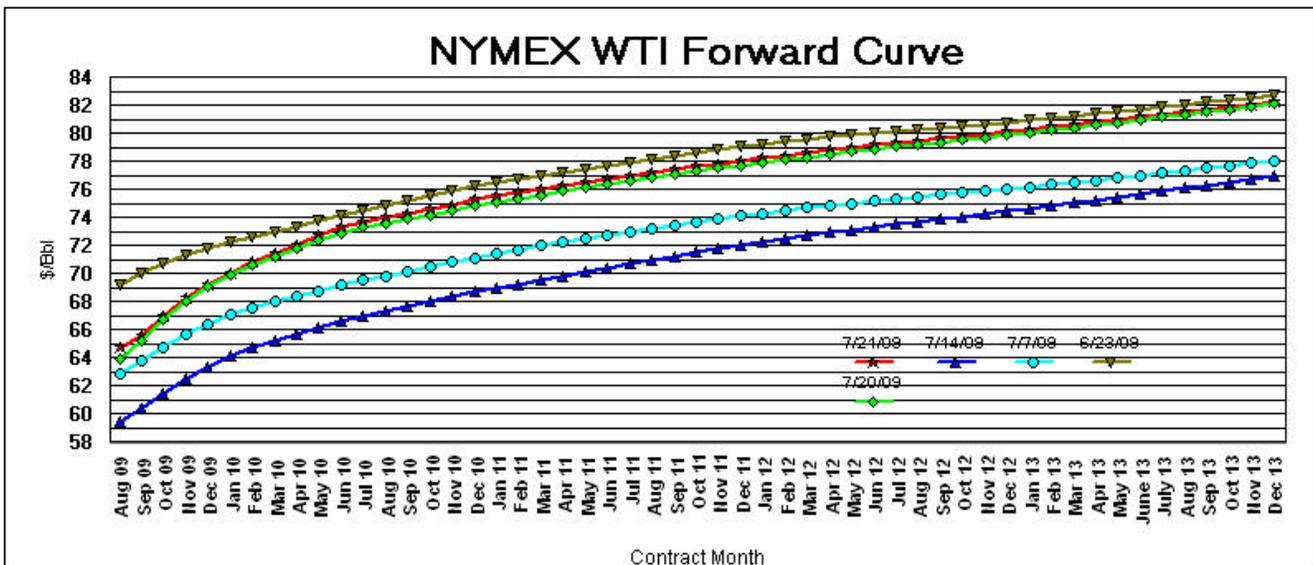
The US oil refining industry may be forced to eliminate more jobs and further curtail capacity in the face of lower demand, tighter US environmental regulations and stricter fuel efficiency requirements for automobiles. In the coming months, more refiners may be forced to shut additional units and cut employees due to low demand for petroleum fuels.

According to Euroilstock, oil refinery production fell slightly to 12.086 million bpd in June from 12.09 million bpd in May. It is down 6.2% on the year. It reported that gasoline production fell by 0.75 on the month and by 1.4% on the year to 3.151 million bpd while its middle distillate production fell by 0.2% on the month and by 4.2% on the year to 5.985 million bpd and fuel oil production fell by 5.2% on the month and by 11.3% on the year to 1.471 million bpd. The average refinery utilization rate stood at 85% in June, up from 84.69% in May but down from 90.11% last year.

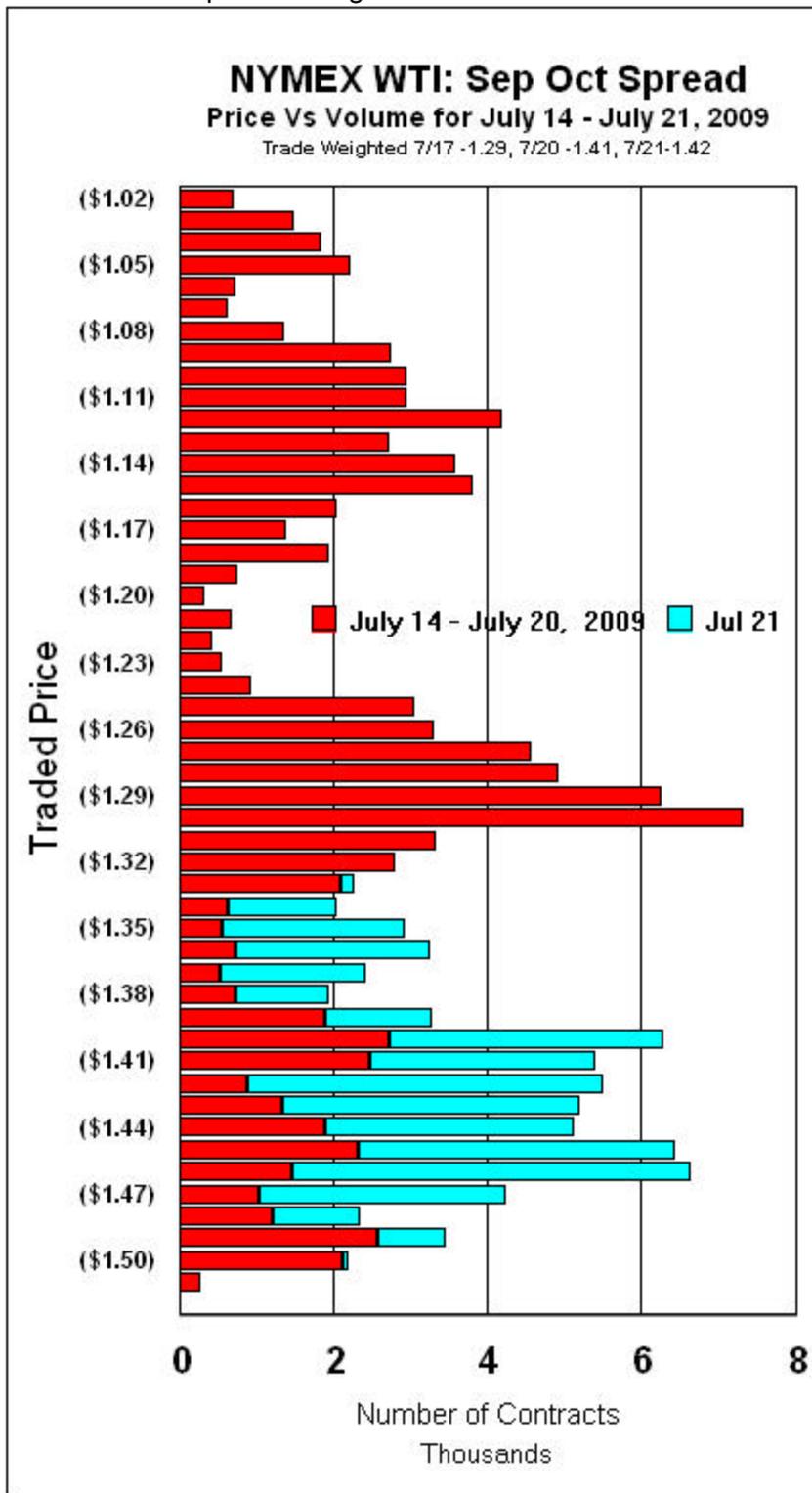
July Calendar Averages
CL – \$62.75
HO – \$1.6090
RB – \$1.7250

Citgo Petroleum Corp shut a fluid catalytic cracking unit at its 156,000 bpd Corpus Christi, Texas refinery. A report filed with the Texas Commission for Environmental Quality said unit was not in service when a procedure caused a brief period of excess opacity at the associated boiler stack. Separately, the refinery's alkylation unit suffered a fire on Sunday. The fire continued to burn on Tuesday. The fire, which is burning residual liquid feedstock in lines supplying the unit is expected to run out of fuel and go out later on Tuesday.

Alon said a diesel hydrotreater at its 67,000 bpd Big Spring, Texas refinery is operating at 80% of capacity. The unit is recovering from lower rates earlier this month following a power outage. The rest of the refinery is operating at normal rates.



Imperial Oil Ltd's 187,000 bpd Strathcona refinery in Alberta is in restart mode after a severe weekend storm caused a power outage.



PetroCanada said its 135,000 bpd Edmonton refinery is in restart mode after it was shut due to a power outage over the weekend.

Royal Dutch Shell will restart Australia's 86,000 bpd Clyde refinery by the end of July after it was shut for nine months of repairs.

Japan's TonenGeneral Sekiyu said it restarted some unspecified units at its 335,000 bpd Kawasaki refinery following a cable problem last week.

China's gasoline exports in June increased by 80% on the month to 560,000 tons, the highest rate since May 2007 as refiners moved to cut domestic inventories after raising throughput to record levels. China's diesel exports in June were steady from May at 380,000 tons, off a record 510,000 tons in April but also above the 35,000 ton level in June 2008. Meanwhile, China's heavy oil imports totaled 2.42 million tons in June, up from 2.36 million tons in May and up from 1.66 million tons reported last year. Imports of liquefied natural gas totaled 470,000 tons in June, down from a record high of 511,017 tons in May.

China's Sinopec Corp said its domestic sales of refined oil products fell by 8.4% to 57.71 million tons in the first half of the year. Sales fell by 4.8% in the second quarter compared with last year's level and a 12.4% decline in the first quarter. Its crude

throughput in the first half of the year increased by 1.82% on the year to 86.9 million tons or 3.5 million bpd. Its crude throughput increased by 6.7% in the second quarter. Sinopec pumped 149.12 million barrels of crude oil, up 1.18% in the first six months while gas production fell by 1.12% to 142.53 billion cubic feet.

Belarus' Emergencies Ministry shutdown a major Russian diesel pipeline to Latvia's Ventspils citing failures by the pipeline owner to fix numerous problems that could lead to leaks. Russia ships about 10 million tons of diesel per year to Ventspils via the territory of Belarus but plans to suspend those flows once it expands its own diesel export facilities on the Baltic Sea.

ExxonMobil Corp plans to lift an additional fuel oil term cargo from South Korea's Hyundai Oilbank Corp in August. Hyundai Oilbank has a contract this year to supply a 55,000 metric ton cargo of fuel oil every quarter from its Daesan refinery to ExxonMobil.

Production News

The Trans-Alaska Pipeline System plans to increase its throughput to 600,000 bpd on Wednesday following planned maintenance that idled the pipeline over the weekend. It is currently pumping 460,000 bpd of crude and is expected to increase to 600,000 bpd on Wednesday.

Royal Dutch Shell resumed oil production at its EA oilfield in Nigeria after it was shut down because of security concerns three years ago. The field is currently producing 50,000 bpd and can soon increase to its production capacity of 115,000 bpd.

BP said its North Sea output will fall by about 9% this year. Production from BP's fields in Norway and the UK will be the equivalent of about 320,000 bpd in 2009, down from 350,000 bpd last year. BP said its plans to maintain its output at 300,000 bpd for the next decade. It has reserves equivalent to 3 billion barrels of oil in the region. BP plans to invest a record 21.66 billion kroner or \$3.4 billion in Norwegian projects this year, up 64% on the year. It intends to increase its Norwegian oil output to 80,000 bpd of oil equivalent by 2012, through the development of Valhall, Skarv and Ula projects.

The head of Iraq's State Oil Marketing Organization, Falah Alamri said the country's oil exports are averaging 2.08 million bpd in July so far, on track to top 2 million bpd for the month. He said exports from southern Iraq are averaging 1.521 million bpd so far this month and exports from northern Iraq are averaging 559,000 bpd. He said Iraq's daily exports to date in 2009 average 1.87 million bpd and that this year's overall average export is expected to be at least 1.86 million bpd.

The Kurdistan Regional Government said it has started pumping crude from Khurmala, a disputed oil field in northern Iraq to a refinery in Erbil. The refinery's initial capacity is 20,000 bpd, which is expected to increase gradually to 75,000 bpd, the capacity of Khurmala when it is developed. The field is currently producing 35,000 bpd. The start of production from Khurmala can further inflame already escalated tension between the Baghdad government and the Kurds over a number of contracts signed with KRG with foreign companies.

Employees of Perenco Corp are operating its two Amazon fields with technical support from Petroecuador. Last week, Perenco said it would temporarily shutdown production at the fields. Ecuador's Oil and Mines Minister Germanico Pinto said the government is analyzing legal action and operating the fields with Perenco employees to ensure that production continues.

Petrobras notified the country's National Petroleum Agency that it discovered signs of oil at an onshore Espirito Santo Basin block. The disclosure is routine and do not indicate commercial viability.

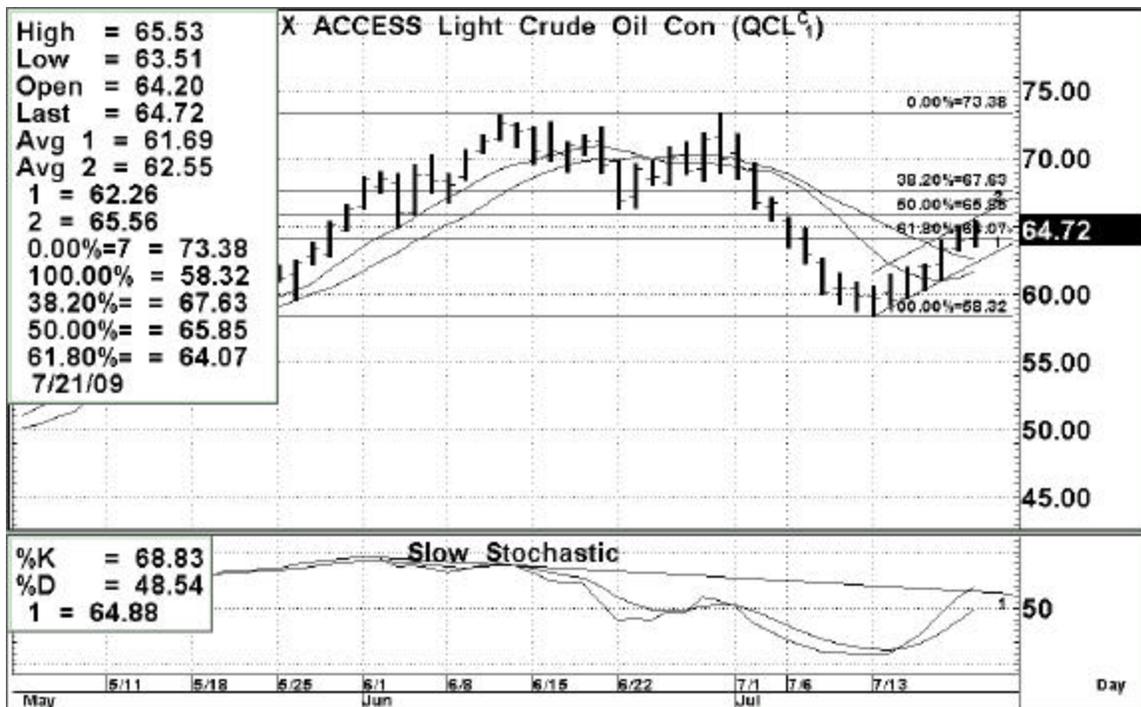
OPEC's news agency reported that OPEC's basket of crudes increased to \$64.64/barrel on Monday, up from Friday's \$63.23/barrel level.

Market Commentary

Crude oil traded in a seesaw fashion as it reacted to the equities market. There were slight signs that the economy is turning around as Caterpillar, the largest maker of construction equipment, reported better than expected profits. Although there is hope of an economic recovery, there is still doubt and confusion as to when the so-called "green sprouts" will begin to bloom. There is plenty of excess capacity of crude oil at a time when demand is still sluggish. Stock levels for gasoline and distillates are expected to increase, with crude oil stocks expected to decrease. This market will continue to be economically sensitive and will react accordingly. Based upon a spot continuation chart, the September contract, traded and settled above the 50% retracement level of \$65.85, using the range of \$58.32 - \$73.38. Technically, there appears to be more room to the upside, with \$67.63 the next upside objective.

Crude Oil (CL) AUG.09 19,292 -29,581 SEP.09 339,898 +17,802 OCT.09 95,248 +6,109 NOV.09 45,470 +4,508 DEC.09 164,315 +5,110 JAN.10 30,923 +561 FEB.10 20,871 +573 Totals: 1,172,149 +8,892. Heating Oil (HO) AUG.09 39,245 -182 SEP.09 57,780 +806 OCT.09 32,595 -247 NOV.09 20,288 +1,164 DEC.09 37,247 +19 JAN.10 19,036 +230 FEB.10 13,191 +1,097 Totals: 303,316 +3,848. HARBOR RBOB AUG.09 39,316 -1,443 SEP.09 74,640 +716 OCT.09 27,868 +105 -NOV.09 14,878 +519 DEC.09 18,408 -208 JAN.10 9,476 +161 FEB.10 3,072 +37 Totals: 207,047 + 877

The API reported an unexpected build in crude stocks of 3.098 million barrels on the week, with a large build of 2.967 million barrels in Padd 3. It reported the build in crude stocks as crude runs fell by 367,000 bpd to 14.621 million bpd on the week. It however reported that crude imports fell by 563,000 bpd to 8.924 million bpd. Meanwhile, the API reported a smaller than expected build in distillate stocks of 147,000 barrels on the week. Distillate stocks are now up 25.5% on the year. It reported a small build as apparent distillate demand increased by 4.1% on the week to 4.373 million bpd while apparent demand basis its three week moving average increased by 0.5% to 4.129 million bpd. Distillate production fell by 98,000 bpd or 2.4% on the week to 4.036 million bpd while imports increased by 199,000 bpd or 125.2% to 358,000 bpd. Gasoline stocks saw a slightly higher build of 1.333 million barrels on the week. It reported the build in gasoline stocks as apparent demand fell by 1.3% on the week to 9.213 million bpd and apparent demand basis its three week moving average fell by 0.9% to 9.204 million bpd. It showed that gasoline production fell by 17,000 bpd to 9.135 million bpd while imports increased by 98,000 bpd to 268,000 bpd on the week.



Crude Support	Crude Resistance
60.95, 56.75, 55.45, 54.49, 48.00	67.63, 68.50, 70.10, 72.15, 74.50, 76.13
Heat Support	Heat resistance
1.4220, 1.4130, 1.3720	1.8400, 1.8730, 1.9090, 1.9135
Gasoline support	Gasoline resistance
1.5887, 1.5370, 1.5260, 1.3560, 1.3400, 1.3180, 1.2700, 1.2625, 1.1680	1.8460, 1.8695, 1.9555, 1.9800, 2.0650, 2.1600

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