



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 22, 2009

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said an oil price near \$65/barrel is reasonable and good for the country. He said a seasonal increase in oil demand in the fall should increase oil prices. He added that any unjustified rise in oil prices would hurt the world economy.

Market Watch

The chairman of the Commodity Futures Trading Commission, Gary Gensler said all derivatives dealers should meet capital, margin, conduct and record keeping rules. He also urged bankruptcy law changes to protect against derivatives dealer insolvencies and called for position limits for CFTC regulated over the counter derivatives that affect price discovery. He also said imposing capital requirements for derivatives dealers will help prevent the types of systemic risks that AIG created.

The US National Hurricane Center said a tropical wave will not develop into a tropical cyclone over the next day or so and will not reach the Gulf of Mexico. It said the upper level winds and interaction with land, the Dominican Republic and Haiti, did not favor development of the system. Elsewhere, the NHC noted a disorganized cloudiness and thunderstorms over the Bahamas. The system shows no sign of development.

China's government may consider cutting its retail fuel prices at the end of the month in line with a recent fall in oil prices.

Nigerian militants released six crew members they seized from an oil tanker, the Sichern Peace, about three weeks ago. The militant group, the Movement for the Emancipation of the Niger Delta said the release is part of a 60 day ceasefire announced last week.

Refinery News

Mexico's Pemex started planned maintenance on several processing units at its 150,000 bpd Minatitlan refinery. Its two crude units, a gasoline hydrotreater and several secondary plants are undergoing maintenance, which started on July 15th. It is undergoing an upgrade that when completed in 2010 will increase processing capacity to 249,000 bpd.

DOE Stocks

Crude – down 1.8 million barrels
Distillate – up 1.2 million barrels
Gasoline – up 800,000 barrels
Refinery runs – down 2.1%, at 85.8%

China's implied oil demand increased for the third consecutive month in June as underlying economic activity improved. China's oil demand in June increased by 1.8% on the year and 3.2% on the month to 8.01 million bpd. The demand data suggests that diesel demand fell by 5.5% on the year to 2.939 million bpd while gasoline demand increased by 1.7% on the year to 1.524 million bpd. China's crude imports in June increased by 16.9% on the year and by 1.4% on the month to

3.968 million bpd while its net oil product imports fell by 54.3% on the year and by 41.6% on the month to 247,031 bpd. China's crude oil production fell by 1.8% on the year but increased by 1.3% on the month to 3.823 million bpd while its China refinery runs increased by 6% on the year and 5.7% on the month to 7.767 million bpd.

July Calendar Averages
CL – \$62.93
HO – \$1.6158
RB – \$1.7325

India's refiners processed 3.21 million bpd of crude in June, down 3.7% on the year due to repair work at some refineries and negative margins. India's total crude oil output in June increased an annual 4.1% to 672,400 bpd while its natural gas production increased by 36.3% to 3.59 billion cubic meters.

Taiwan's total oil product demand fell by 6.4% on the year but increased by 7.3% on the month to 4.466 million kl.

Japan's Showa Shell Sekiyu KK said it will delay the restart of two secondary units at its refinery in western Japan for extended maintenance and repair work. It will delay the restart of its 61,000 bpd residue fluid catalytic cracking unit and its 45,000 bpd residue hydro desulphurization unit at the Yokkaichi refinery.

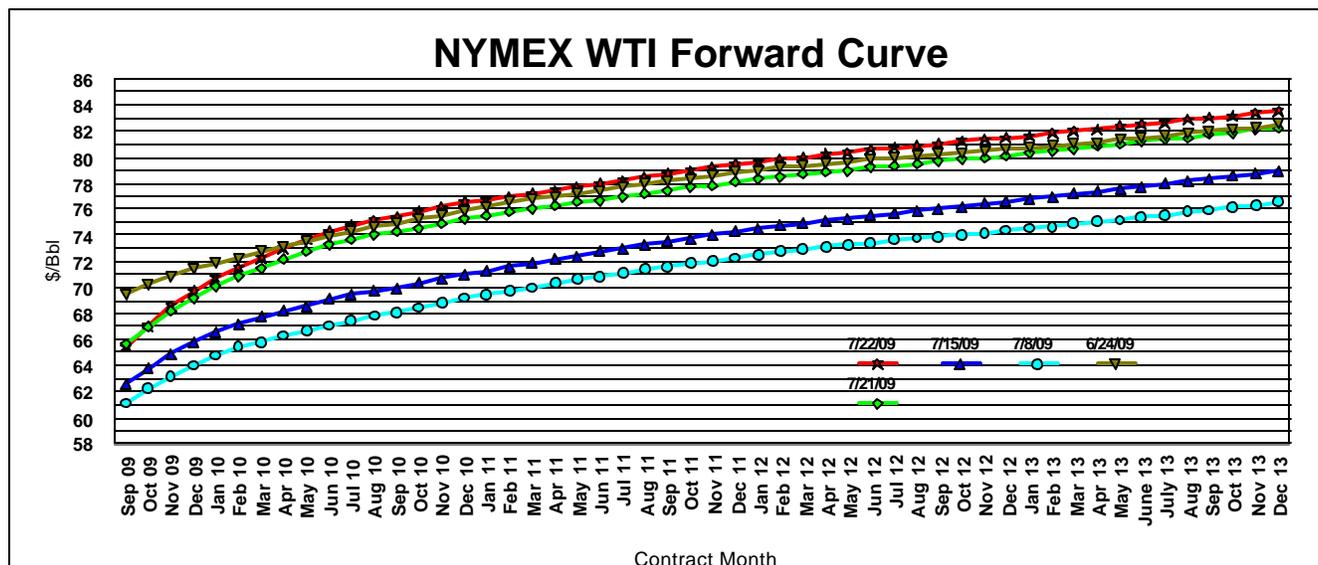
PetroChina has started constructing a 2.5 million ton/year catalytic cracking unit as well as other units in Sichuan. PetroChina halted the 200,000 bpd refining and 800,000 ton/year ethylene project in Pengzhou city last year after an earthquake in the west part of Sichuan killed more than 80,000 people and destroyed numerous industrial and civil facilities.

Saudi Arabia's Rabigh Refining and Petrochemical Co said it shipped the first gasoline cargo from its new complex at Rabigh. A 320,000 barrel shipment was sent to Jizan province to meet domestic demand for the product.

Production News

Nigeria's Oil Minister Rilwanu Lukman said about 1.6 million bpd of Nigeria's oil production has been shut due to violence in the Niger Delta. Nigeria is currently pumping less than 2 million bpd. Attacks by the Movement for the Emancipation of the Niger Delta has forced oil companies to shut in about 300,000 bpd of production since May.

Italy's Eni lifted its force majeure on Brass oil exports in Nigeria. The force majeure was declared after rebels sabotaged oil pipelines on July 8th.



Oman's average oil production increased by 6.9% on the year to 789,800 bpd in the first five months of 2009, according to official data. It is targeting an average production of 800,000 bpd in 2009, up from 757,000 bpd in 2008. Oman's gas production increased by 0.8% on the year to 443.5 billion cubic feet in the first five months of 2009.

BP expects to sign an agreement with Iraq to develop the Rumaila oilfield. A BP consortium, including China's CNPC won the right to develop the oilfield at an oil and gas field auction. Under bidding terms, the contract is due for signing in August. An industry source however said BP still has work to do before it signs the deal.

Total is looking to increase its production capacity in Angola and is likely to bid for new oil licenses if the government opens a new tender. The last licensing round was suspended in the first half of 2008, before the country's first post-war parliamentary election. Angola's Sonangol said a new round is unlikely to happen this year.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$65.04/barrel on Tuesday from \$64.64/barrel on Monday.

Market Commentary

After trading as low as \$1.85 on the day, crude oil firmed slightly upon the release of the DOE numbers. Crude oil stock levels fell 1.8 million barrels for the week ending July17, 300,000 lower than the expected 2.1 million barrel forecast. The DOE numbers were less bearish than the API numbers that were released last night. Gasoline stock levels increased 813,000 barrels and distillate stocks increased by 1.2 million barrels. There is still plenty of near term crude oil supply around, which put pressure on the front end of the curve. It appears market participants are of the belief that an economic recovery will not take place until the first quarter of next year, as that part of the curve and on back has firmed. The September contract fell eight cents shy of \$65.85, the 50% retracement using the range of \$73.38 and \$58.32. This is the level we were looking for in yesterday's wire. Until we can get significant signs that the economy is truly in recovery, this market will continue to seesaw up and down. We would look to buy and sell at the listed support and resistance numbers.

Crude Oil (CL) SEP.09 332,739 -7,159 OCT.09 97,907 +2,659 NOV.09 45,375 -95 DEC.09 159,284 -5,031 JAN.10 31,529 +606 FEB.10 21,009 +138 Totals: 1,149,799 -22,350. Heating Oil (HO) AUG.09 31,164 -8,081 SEP.09 61,454 +3,674 OCT.09 33,293 +698 NOV.09 20,881 +593 DEC.09 36,622 -625 JAN.10 19,286 +250 FEB.10 13,055 -136 Totals: 300,127 -3,189. New York Harbor RBOB AUG.09 34,534 -4,782 SEP.09 74,982 +342 OCT.09 28,842 +974 NOV.09 14,851 DEC.09 18,208 -200 JAN.10 9,524 +48 FEB.10 3,093 +21 Totals: 203,831 -3,216

Until we can get significant signs that the economy is truly in recovery, this market will continue to seesaw up and down. Crude Support	Crude Resistance
63.50, 62.25, 60.95, 56.75, 55.45, 54.49, 48.00	65.85, 67.63, 68.50, 70.10, 72.15. 73.38, 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, 131.80, 1.2700, 1.2625 1.1680	1.8460, 1.8695, 1.9555, 1.9800 2.0650, 2.1600

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