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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 28, 2009

The Wall Street Journal reported that the US Commodity Futures Trading Commission is planning to issue a report next month that suggests that wild swings in oil prices were significantly driven by speculators. The CFTC is scheduled to hold the first of three hearings on Tuesday to consider whether to limit holdings of energy and agricultural contracts and

whether some traders should be allowed to exceed so-called position limits.

Market Watch

The Conference Board said its index of consumer confidence fell to 46.6 in July from 49.3 in June. Economists had expected a reading of 49. The Present Situation Index fell to 23.4 from a revised 25, its lowest level since March this year. The Expectations Index also fell to 62, its weakest level since April, from 65.5 in June.

According to a Reuters survey, US crude is expected to average \$67.08/barrel in the fourth quarter of 2009, down from a previous estimate of \$67.54/barrel. It showed that oil is expected to average \$58.23/barrel in 2009, up from a previous estimate of \$56.66/barrel and increase to \$72.67/barrel in 2010, up \$1.80 from a previous estimate.

BP's chief executive Tony Hayward said oil prices are likely to trade towards the lower end of a \$60-\$90/barrel range for now and added that there is little sign of any demand growth.

British forces remaining in Iraq will withdraw to Kuwait by the end of the month after Iraq's parliament adjourned this week without passing a deal allowing them to remain in the country to help protect oil facilities. Under the deal, the British troops would focus on helping Iraqi naval forces protect valuable oil platforms.

The Riyadh Chamber of Commerce and Industry said Saudi Arabia may avert its first budget deficit in eight years due to an increase in prices that could peg the country's average price for oil at \$50/barrel in 2009. It projects a budget deficit of 65 billion riyals or \$17.3 billion for 2009, its first since 2001.

Separately, the chief executive of the Intercontinental Exchange, Jeffrey Sprecher said the CFTC risks increasing volatility and distorting crucial pricing functions unless proposed measures to cut excessive market speculation are thoroughly vetted. He said the CFTC should set limits and levels for traders across all trading venues and should not set positions as a percentage of an exchange's open interest. It also should regularly update position limits to reflect changing market conditions.

API Stocks

Crude – up 4.067 million barrels

Distillate – up 116,000 barrels

Gasoline – down 47,000 barrels

Refinery runs – down 0.6%, at 83.4%

Shipbrokers and traders said diesel and jet fuel stored at sea worldwide has increased by 10 million barrels since June and

the total is enough to meet 85% of global demand. Traders said about 72 million barrels of middle distillates are stored in tankers, up from about 62 million barrels reported in mid-June. An estimated 47 million barrels of refined fuel are stored in floating vessels off Europe and the Mediterranean, while about 15 million barrels are being stored in Asia. The remaining 10 million barrels are stored off West Africa.

July Calendar Averages
CL – \$63.93
HO – \$1.6497
RB – \$1.7717

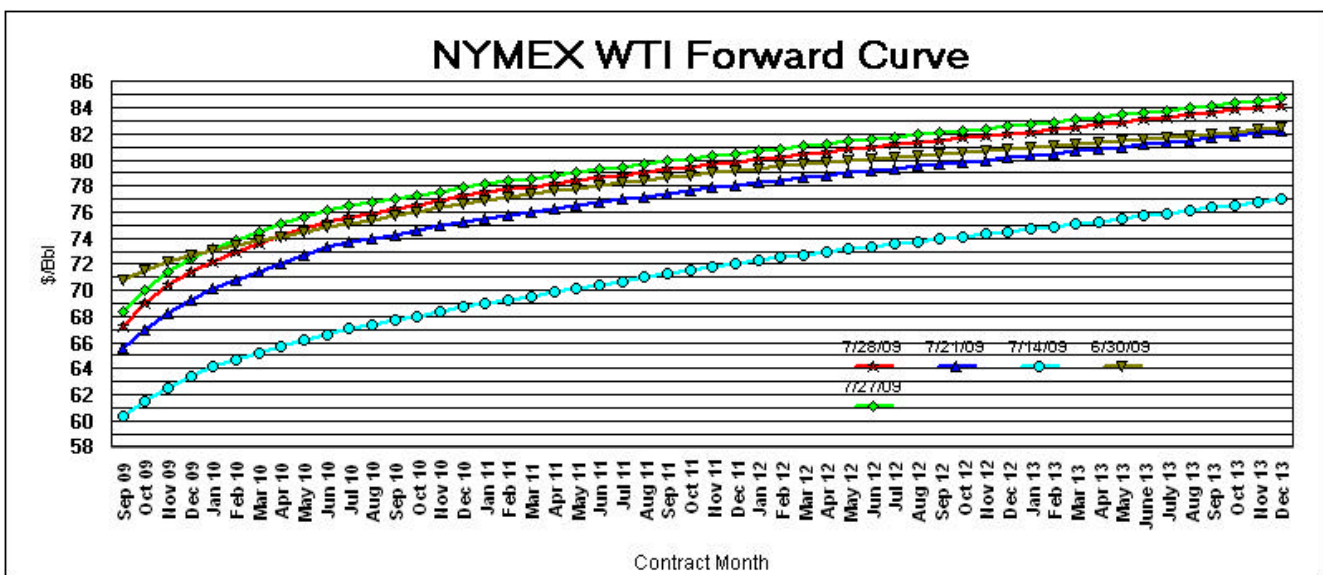
Refinery News

The 173,000 bpd Eugene Island crude oil pipeline in the Gulf of Mexico was shut down pending repairs after a weekend leak of 1,400 barrels. Royal Dutch Shell is working to contain an oil spill in the Gulf of Mexico and repair its leaking crude oil pipeline offshore Louisiana. The pipeline was recently flowing at 100,000 bpd.

Valero Energy Corp said all units at its 182,200 bpd Delaware City, Delaware refinery resumed operations except for a coal gasifier after the refinery was shut for an extended boiler turnaround that started in March and was extended into early June. It said it is delaying work on its Delaware City, Delaware refinery from the third quarter to 2010. It also said its 20,000 bpd coking unit at its 315,000 bpd Corpus Christi, Texas refinery was shut due to poor refining margins. Meanwhile, its 50,000 bpd delayed coking unit at the 210,000 bpd Texas City, Texas refinery is operating at reduced rates while a 27,000 bpd coker unit at its 160,000 bpd Paulsboro, New Jersey refinery is operating at 50% capacity. Its coker unit at its St. Charles refinery in Norco, Louisiana is operating at 50% of its capacity due to poor economics. Valero Energy Corp plans to perform a plant wide turnaround at its 95,000 bpd Three Rivers, Texas refinery in September. The work will last 24 days. It expects its US Gulf Coast refineries will run between 1.2 million and 1.25 million bpd in the third quarter of 2009. Separately, Valero’s chief executive Bill Klesse said that a few of its refineries are not generating income. He did not specify which plants were not generating income. The company has also changed the way it buys crude in order to support minimum run rates. It is buying 40% through contracts and 60% on the spot market. It is cutting back the amount of crude for which it contracts because it needs to cut refining processing rates in order to preserve margins.

Husky Energy Inc is planning a 40 day turnaround at its 160,000 bpd Lima, Ohio refinery during the fourth quarter of 2009.

Pemex said a fluid catalytic cracking unit at Mexico’s Minatitlan refinery is resuming operations on Monday following the completion of repairs.



BP has cut refinery runs at its Castellon plant in Spain to 90,000-95,000 bpd from an average of 98,000 bpd due to low margins and slow demand.

Japan's Showa Shell Sekiyu KK restarted a 61,000 bpd residue fluid catalytic cracking unit last week and will restart its 45,000 bpd residue hydro desulphurization unit by the end of the month at its Yokkaichi refinery.

South Korea's GS Caltex has increased its refining capacity by 30,000 bpd to 730,000 bpd due to recent revamping work. It will keep its August run rates steady from July at 650,000 bpd due to weak refining margins.

China's National Development and Reform Commission approved the expansion of the Aoshan strategic crude oil reserve base in eastern China by adding 18.9 million barrels in storage capacity. It has completed plans for a second phase of its strategic petroleum reserves with a capacity of 26.8 million cubic meters or 170 million barrels after filling the first four storage tanks with a total of 102 million barrels by early 2009.

Production News

Saudi Aramco's oil output capacity reached 12 million bpd in June when three new oilfield projects started. One of the projects was the 250,000 bpd Shaybah oilfield expansion. Saudi Arabia has about 4.5 million bpd in spare capacity, more than double the 1.5 million-2 million bpd cushion it has the policy of keeping to meet any unexpected disruption in world supply. Saudi Aramco's chief executive Khalid al-Falih said world oil demand will eventually return to growth and added that Saudi Arabia's spare capacity will help stabilize the market.

Abu Dhabi will maintain its crude oil supplies to Asian refiners unchanged in September. Abu Dhabi National Oil co will supply Murban, Lower Zakum, Umm Shaif and Upper Zakum crudes at 19% below contracted volumes for September, unchanged on the month.

Royal Dutch Shell's SPDC onshore oil joint venture in Nigeria is producing at less than 30% of capacity due to unrest in the Niger Delta and funding problems.

Italy's Eni SpA said it will not meet its goal of increasing production by 70,000 bpd in Nigeria by 2012 if a proposed new oil industry bill becomes law.

BP expects to finalize a deal to develop Iraq's Rumaila oilfield by the end of the year. Last week, the deputy director general of Iraq's contracts and licensing directorate, Abdul-Mahdy al-Ameedi said he hoped a deal with a BP-led consortium to develop the Rumaila field could be finalized during a meeting in August.

The Kuwait state Audit Bureau said that Kuwait Oil Co will not be able to achieve its strategic production target of 4 million bpd by 2020 due to many obstacles. The major problems facing the company include delays in the implementation of many projects to develop oilfields in the northern part of the country. Kuwait's actual total production is about 2.39 million bpd.

Venezuela and Russia reaffirmed plans for a joint venture to drill for oil in the eastern Orinoco region. The deal will include a consortium of Russian oil firms and PDVSA to drill for oil in an extra-heavy crude oil block called Junin 6, which officials say could yield 400,000 bpd of oil.

Algeria's Sonatrach has set its official selling price for Saharan Blend crude for August loading at dated Brent plus 10 cents/barrel. The August price was down from plus 60 cents in July.

Nigeria cut the official selling price of crude for August loading. Bonny Light and Qua Iboe crudes were cut by 70 cents to \$1/barrel above the cost of Dated Brent. The price of Brass Blend crude was cut by 70 cents to a premium of \$1.05/barrel over Dated Brent, the price of Pennington crude was cut by 90 cents to a premium of \$2/barrel over Dated Brent, the price of Forcados crude was cut by 60 cents to a premium of 75 cents/barrel over Dated Brent and the price of Escravos crude was cut by 70 cents to a premium of 40 cents over Dated Brent.

China will cut retail prices by 3% after two large increases last month increased rates to their highest ever. China will cut gasoline and diesel prices by 220 yuan/ton starting Wednesday to track falling oil prices. Gasoline prices will be set at a maximum of 5.7 yuan or \$0.83/liter or about \$3.14/gallon.

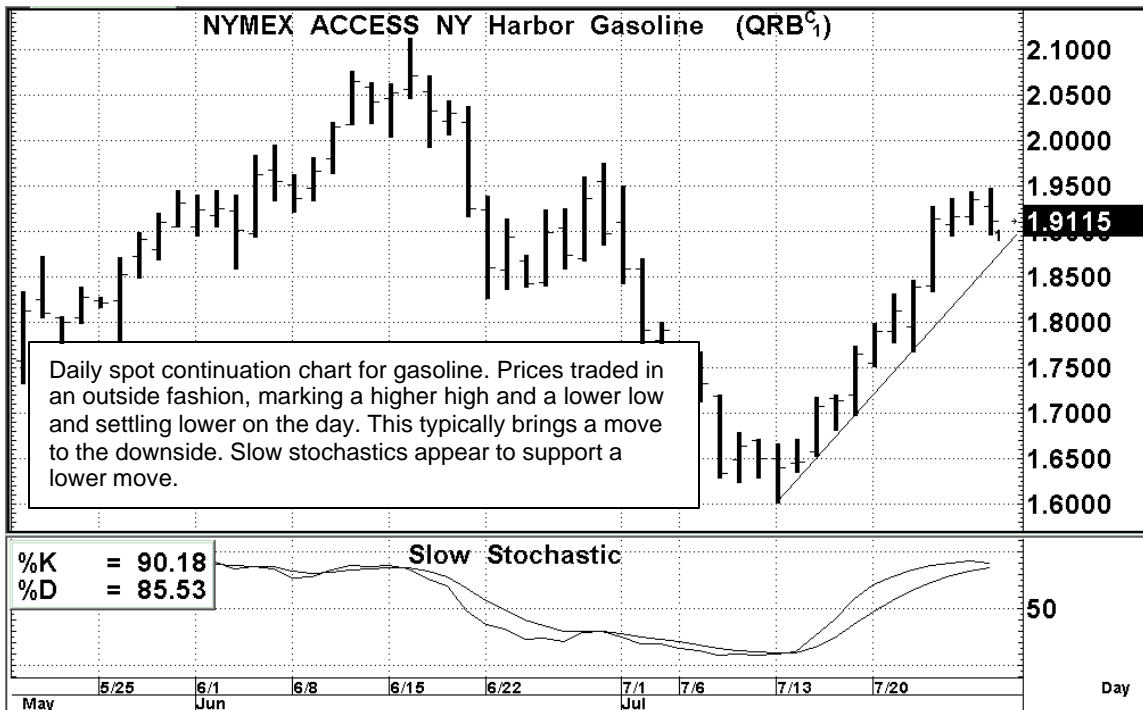
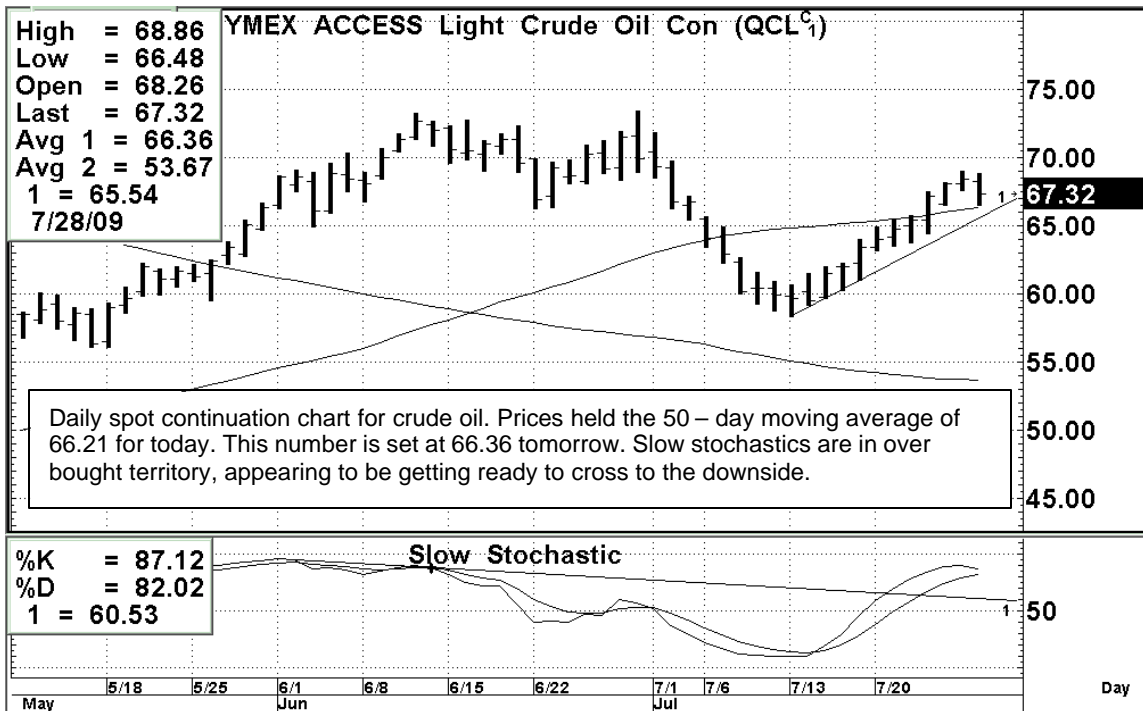
OPEC's news agency reported that OPEC's basket of crudes increased further to \$69.01/barrel on Monday from \$67.80/barrel on Friday.

Market Commentary

As consumer confidence slipped, so did the price of crude oil. According to the industry group the Conference Board, U.S. consumer confidence fell to 46.6 in July from 49.3 in June. Expectations were calling for a reading of 49.0. This caused U.S. equities to fall, taking crude oil with it. Fundamentals for this market are still bearish, with demand for gasoline weak. Technically, this market is due for a correction to the downside. Despite this move lower, prices failed to reach the 50-day moving average, which was set at 66.21 and finished today's session set at 66.36. Slow stochastics appear to be setting up for a cross to the downside, with percent K moving lower and percent D edging higher. With a cross of these two moving oscillators and a penetration of the aforementioned moving average, we would look for prices to work lower. Gasoline, which led the complex higher yesterday on perceived better demand experienced an outside trading session, achieving a higher high, lower low and settling lower on the day. Slow stochastics, which are in over bought territory, have turned to the downside. As with the crude oil, a cross of these two moving oscillators is a bearish signal.

Crude Oil (CL SEP.09 334,158 +1,919 OCT.09 98,162 +1,637 NOV.09 54,509 +2,180 DEC.09 161,301 +2,623 JAN.10 34,112 +601 FEB.10 22,116 +838 Totals: 1,170,441 +11,857. Heating Oil (HO) AUG.09 21,679 -2,190 SEP.09 64,623 +1,814 OCT.09 33,743 -355 NOV.09 23,369 +989 DEC.09 38,414 +575 JAN.10 20,471 -29 FEB.10 13,638 +104 Totals: 302,275 +1,266. Harbor RBOB AUG.09 18,821 -4,522 SEP.09 88,331 +4,113 OCT.09 29,209 -129 NOV.09 15,118 +7 DEC.09 19,015 -410 JAN.10 9,726 +227 FEB.10 3,309 +118 Totals: 203,832 - 573

The API reported an unexpected build in crude stocks of over 4 million barrels on the week. Crude stocks however would have seen a smaller build of 2.562 million barrels if the previous week's stock level was not revised downward. It however reported a large build of 2.5632 million barrels in Padd 5 while Padd 3 crude stocks also built by 1.631 million barrels on the week. It reported the build in stocks as crude runs fell by 75,000 bpd to 14.546 million bpd and crude imports fell by 199,000 bpd to 9.123 million bpd on the week. The API reported a smaller than expected build in distillate stocks of 116,000 barrels on the week. It reported the build in stocks as apparent distillate demand fell by 0.2% on the week to 4.366 million bpd while apparent demand basis its three week moving average increased by 4.4% to 4.313 million bpd. The API reported a small draw of 47,000 barrels in gasoline stocks on the week. It reported the draw as apparent demand increased by 4.4% to 9.622 million bpd and apparent demand basis its three week increased by 2% to 9.389 million bpd. It also reported that production increased by 106,000 bpd to 9.241 million bpd while imports also increased by 106,000 bpd to 374,000 bpd on the week.



Crude Support	Crude Resistance
66.20, 65.22, 63.50, 62.25, 60.95, 56.40, 56.75,55.45,54.49, 48.00	68.10, 70.10, 72.15. 73.38, 74.50, 76.13
Heat Support	Heat resistance
1.8020, 1.7840, 1.7295,1.4220, 1.4130, 1.3720	1.8400, 1.8730, 1.9090, 1.9135
Gasoline support	Gasoline resistance
1.8868, 1.8650, 1.7989, 1.5887, 1.5370, 1.5260, 1.3560, 1.3400,	1.9555, 1.9800 2.0650, 2.1600

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