



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR AUGUST 6, 2009

The head of Libya's National Oil Co, Shokri Ghanem said OPEC needs better compliance before agreeing on whether to take action at its next meeting in September. He added that it is too early to make a decision on whether OPEC should take action to support prices at current levels because of market speculation

According to Oil Movements, OPEC's oil shipments, excluding Angola and Ecuador, are expected to increase by 80,000 bpd in the four weeks ending August 22nd to 22.64 million bpd, up from 22.56 million bpd in the

Market Watch

Goldman Sachs said it expects commodity prices to rally sharply higher next year, mimicking the moves in 2008. It said potential supply shortages created by years of underinvestment have been exacerbated by the world financial crisis and tight credit conditions.

Independent oil tanker shipping group, Frontline, said about 50 VLCC are storing crude oil, particularly in the US Gulf and off Europe. An oil price structure known as contango has encouraged oil companies to store oil in tankers anchored at sea this year. The structure has narrowed over the last few weeks for North Sea crudes, while it remains attractive for many US grades.

Separately, Morgan Stanley leased a tanker to store about 1 million barrels of gas oil off Europe. About 72 million barrels of gas oil and jet fuel are being stored in tankers mostly off Europe's coast, up from about 62 million barrels reported in June.

The Labor Department reported that initial claims for unemployment benefits fell by 38,000 to 550,000 on a seasonally adjusted basis in the week ending August 1st. The four week average of new claims fell by 4,750 to 555,250, the lowest level since January 24th. The total continuing claims increased by 69,000 during the week ending July 25th to 6,310,000, the highest level since July 4th. The unemployment rate for workers with unemployment insurance remained steady at 4.7%.

The US National Oceanic and Atmospheric Administration cut its 2009 Atlantic hurricane season forecast on Thursday, predicting between seven and 11 tropical storms, with three to six becoming hurricanes. It had previously predicted in May that there would be nine to 14 tropical storms, with four to seven becoming hurricanes. The change is mainly due to the arrival of El Nino, the periodic warming of sea waters in the eastern Pacific.

The US Climate Prediction Center said it expected El Nino to strengthen over the next two months. Current weather conditions and model forecasts suggest continued development of a weak to moderate strength El Nino into fall 2009 in the Northern Hemisphere, with the likelihood of a least a moderate strength El Nino during this year's winter.

Venezuela's President Hugo Chavez said Venezuela will impose economic sanctions on some Colombian companies, in light of a dispute between the two countries over US plans to station more troops in Colombia. Colombia's Ecopetrol is not welcome in Venezuela's Orinoco heavy crude region and President Hugo Chavez will halt the import of about 10,000 mainly industrial vehicles from the neighboring country. On Wednesday, Venezuela's President said the planned increase in troops could lead to war in South America.

August Calendar Averages

CL – \$71.73
HO – \$1.9166
RB – \$2.0595

four weeks ending July 25th. It estimates OPEC is complying with 70-75% of its promised cutbacks. Separately, Lloyd’s Marine Intelligence Unit estimated average OPEC seaborne exports, excluding Ecuador and Angola, fell to 20.5 million bpd in the four weeks ending July 26th from 21 million bpd in the four weeks ending June 28th.

The Commodity Futures Trading Commission Chairman Gary Gensler said the commission is directed by statute to impose limits as necessary to eliminate, diminish or prevent undue burdens that flow from excessive speculation. He said position limits should be consistently imposed across markets. He said that for markets to perform their price discovery function, they must represent a diversity of views. The CFTC should use limits to ensure that positions do not become too concentrated. The aim of limits is not just to prevent obvious market manipulation but to ensure markets reflect a range of views beyond those of participants with deeper pockets.

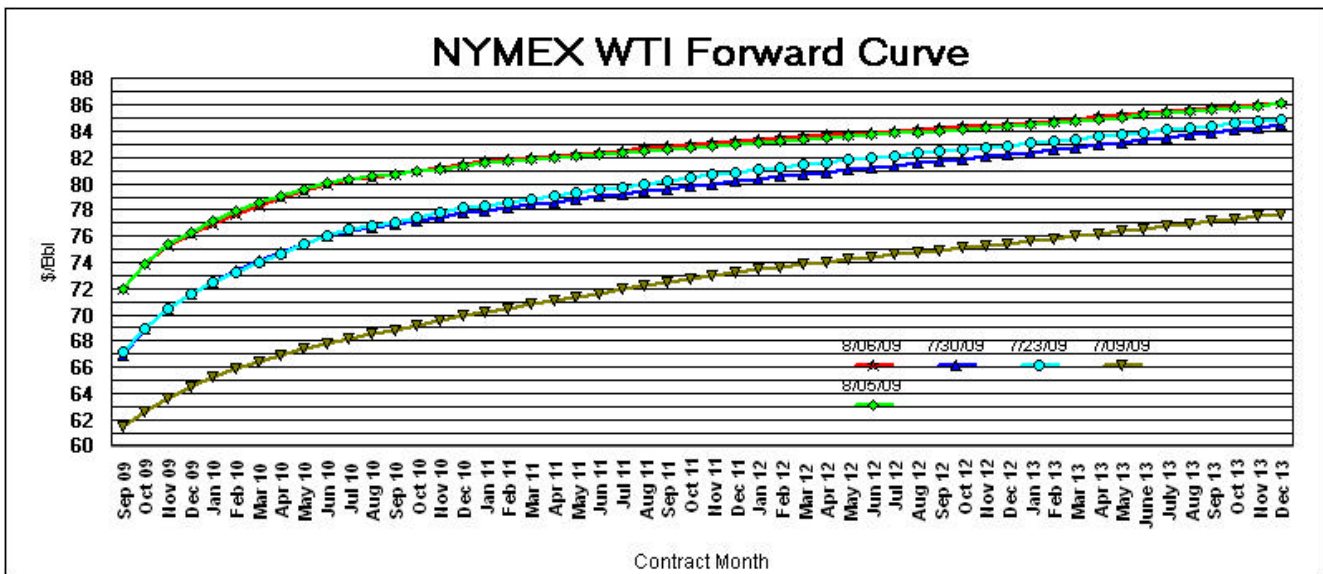
The US Federal Trade Commission on Thursday issued a final rule to prohibit oil market manipulation. It said it will impose \$1 million per day fines on energy traders engaged in price manipulation. It said some of the violations it will seek to punish include false public announcements of planned pricing or petroleum output decisions, false statistical or data reporting and wash trades intended to disguise the liquidity in a market or pricing of a product. The rule takes effect on November 4th.

Refinery News

Valero Energy Corp said a coking unit at its 289,000 bpd refinery in Port Arthur, Texas resumed planned rates after it was shut for unplanned repairs this week. Valero Energy also said it shut a 70,000 bpd fluid catalytic cracking unit at its 180,000 bpd refinery in Memphis, Tennessee to repair a leak in the flue gas cooler.

BP Plc will resume operation of an aromatic recovery unit on the B side at its Texas City, Texas refinery starting August 8th.

Murphy Oil Corp said its Meraux, Louisiana refinery was running near 100,000 bpd, below its rated capacity of 120,000 bpd. Its 34,300 bpd Superior, Wisconsin refinery is operating at 36,000 bpd making asphalt.



NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 08/06/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	3	10P	50	1.47	1.47	600	0	0	
AO	1	10P	50	1.23	1.22	600	0	0	
AO	2	10P	50	1.38	1.36	600	0	0	
LC	6	10C	85	8.69	8.78	2150	0	0	
LC	12	11C	100	8.12	7.93	1026	0	0	
LC	12	11C	120	4.72	4.57	1026	0	0	
LC	6	10C	80	10.93	11.03	1000	0	0	
LC	3	10C	80	8.9	8.99	1000	0	0	
LC	3	10C	90	5.1	5.16	1000	0	0	
LC	6	10C	90	6.82	6.9	1000	0	0	
LC	3	10C	85	6.83	6.9	1000	0	0	
LC	12	10P	56	3.71		1000	0	0	
LO	12	9P	60	2.14	2.13	16103	2.4	2.15	
LO	12	9P	50	0.81	0.82	15223	0.9	0.87	
LO	12	9P	45	0.45	0.46	10786	0.55	0.51	
LO	9	9P	65	0.34	0.45	4829	0.7	0.34	
LO	12	9P	70	4.82	4.77	4060	0	0	
LO	9	9C	75	0.93	1.09	2603	0.99	0.59	
LO	12	12P	60	5.49	5.47	2550	0	0	
LO	12	10C	100	5.88	5.74	2550	5.95	5.95	
LO	9	9P	60	0.08	0.12	2447	0.16	0.09	
LO	10	9P	60	0.82	0.85	2301	0.95	0.82	
LO	12	9C	90	2.55	2.59	2042	2.6	2.46	
LO	12	10C	90	8.8	8.64	1950	0	0	
LO	12	9C	100	1.17	1.19	1906	1.1	1.1	
LO	12	11C	100	8.24	8.03	1701	0	0	
LO	10	9P	65	1.6	1.66	1672	1.87	1.6	
LO	10	9C	85	0.95	1.03	1566	1.07	0.78	
LO	9	9P	70	1.35	1.54	1557	2.1	1.25	
LO	10	9C	80	2.09	2.21	1540	2.1	1.75	
LO	6	10P	70	6.92	6.89	1500	0	0	
OB	12	9P	1.72	0.1016	0.1039	300	0	0	
OB	10	9C	2.05	0.0977	0.0956	174	0	0	
OB	10	9C	1.99	0.1212	0.1186	174	0	0	
OH	9	9C	2	0.0551	0.0693	510	0.055	0.055	
OH	12	9P	1.7	0.08	0.0779	350	0	0	
OH	12	9P	1.5	0.038	0.0371	350	0	0	
OH	2	10P	2.08	0.252	0.2478	335	0	0	
OH	3	10C	2.5	0.1386	0.1432	325	0	0	
OH	12	9C	2.5	0.0698	0.0736	325	0	0	
OH	9	9P	1.7	0.0125	0.0129	303	0	0	
OH	9	9P	1.61	0.0048	0.0051	300	0	0	
OH	12	9P	1.83	0.1202	0.1171	300	0	0	
OH	12	9P	1.62	0.0605	0.059	300	0	0	
OH	9	9C	2.15	0.0187	0.0266	200	0	0	

Sunoco plans to start maintenance at its 160,000 bpd Toledo, Ohio refinery this month. The work is expected to last until mid-September. It also plans to start a one month maintenance outage at a fluid catalytic cracking unit at its 335,000 bpd Philadelphia refinery for repairs.

Western Refining said it is not planning any overhauls at its refineries in the third and fourth quarters of 2009. It expects its four US refineries to have combined throughput in the third quarter of 197,000 bpd, below their capacity of 224,100 bpd due to low demand and poor refining margins. It however said it is planning a partial overhaul at its 122,000 bpd El Paso, Texas refinery and a turnaround at its 64,500 bpd Yorktown, Virginia refinery in the first quarter of 2010.

Alon USA Energy Inc said it plans a major overhaul of its 80,000 bpd Krotz Springs, Louisiana refinery starting January 1, 2010. The company plans to finish the tie-in of a low sulfur gasoline unit at its 67,000 bpd Big Spring, Texas refinery in September. It expects its four refineries will have a combined throughput of about 160,000 bpd in the third quarter, relatively

unchanged from the second quarter.

Europe's Petroplus said it will run its plants at lower utilization rates than previously expected. Meanwhile, Petroplus said it has not yet made a decision regarding the sale of its 117,000 bpd Teesside refinery in the UK. The refinery was shut in March ahead of its potential sale or conversion into a storage facility.

Neste Oil said line-4 at its Porvoo refinery, which produces about 25% of the refinery's diesel, will be offline for at least two weeks following a fire. Line-4 producing about 1 million tons of diesel a year.

PetroChina will cut crude processing in August at its Jinxi refinery by about 54% to 49,500 bpd due to regular maintenance, which started July 20th. The maintenance is scheduled to be completed on September 4th.

Japan's Idemitsu Kosan Co is likely to restart its 140,000 bpd crude distillation unit at its Hokkaido refinery in northern Japan on Friday after delaying the restart due to weak domestic demand. It completed scheduled maintenance on the unit at the end of July but delayed the restart as part of its plans to refine 13% less crude oil this month than a year earlier. It plans to refine 2.5 million kiloliters or about 507,000 bpd of crude in August, down 400,000 kl on the year. It has kept unchanged its plans to refine 7 million kl or 479,000 bpd of crude in July-September, down 1.4 million kl or 17% on the year.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending August 5th built by 5.261 million barrels to 19.32 million barrels on the week. It also reported that the country's light distillate stocks fell by 1.435 million barrels to 10.116 million barrels while its middle distillate stocks fell by 534,000 barrels to 13.834 million barrels.

Lithuania's Klaipedos Nafta said it reloaded 4.4 million tons of refined oil products during the first seven months of the year, including 600,000 tons in July. It is down from 5.1 million tons reported last year.

Gas oil inventories stored in independent tanks in the Amsterdam-Rotterdam-Antwerp area increased to another record high over the past week as contango continued to attract imports of the fuel. Gas oil inventories in the week ending August 6th increased by 4.46% on the week and by 55.65% on the year to 2.836 million tons. Cargo imports of gas oil into the ARA independent tanks came from Norway, Russia, South Korea and the US. Gasoline stocks fell by 6.13% on the week but fell by 14.58% on the year to 674,000 tons while fuel oil stocks fell by 18.49% on the week and by 44.22% on the year to 410,000 tons. Naphtha stocks increased by 56.67% on the week but fell by 6.93% on the year while jet fuel stocks increased by 15.72% on the week and by 119.01% on the year to 795,000 tons.

Production News

The North Sea Forties Blend crude production in August was revised up to 348,000 bpd from 321,000 bpd, while September output was revised down to 527,000 bpd from 544,000 bpd. Traders said the lower output in August and September is mainly due to four weeks of planned maintenance at the 200,000 bpd Buzzard field starting August 15th to September 12th. The North Sea Forties Blend is expected to reach 651,000 bpd in November, down from 655,000 bpd in October.

Venezuela has returned to full production in its Orinoco heavy crude region after cutting output to meet OPEC requirements in January but is planning to idle one upgrader in the region next month. Production in the Orinoco belt was at 600,000 bpd. It is planning a 40 day outage at the 180,000 bpd Petropiar upgrader starting September 15th.

Nigeria is expected to increase its crude production to about 2.1 million bpd in September. If it manages to hit that output level, it will produce well over its OPEC quota of about 1.67 million bpd. The current plans indicate at least 66 full or part cargoes will be shipped in September, in addition to smaller parcels.

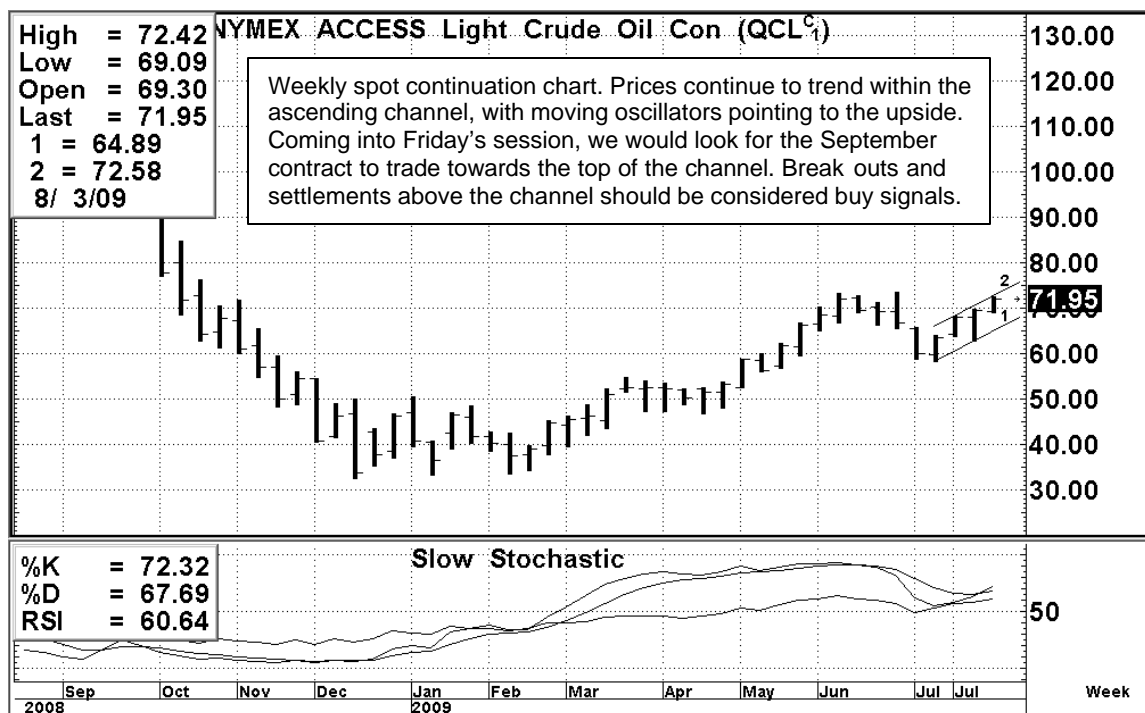
Kazakhstan's antitrust agency proposed a raise in export duties for crude oil and refined oil products in a bid to increase supply to the domestic market. It said the measure would curb rising domestic prices for fuel. However a government source said such a move appeared unlikely for crude at least. Kazakhstan set the oil export duty at zero in January as world oil prices fell.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$72.45/barrel on Wednesday from \$71.53/barrel on Tuesday.

Market Commentary

As the Dow dipped and the dollar strengthened, crude oil fell slightly from a six-week high. Weakness was seen in the deferred contracts as spreads narrowed slightly. The forward curve is still indicating front-end weakness but this weakness has narrowed slightly. There is still an over abundance of crude oil which makes it difficult to think that prices can maintain their strength. Crude oil continues to react to the global economic situation, following the equities market and trading adversely to the dollar. Although the fundamentals of this market are not supportive for prices, technicals are painting a different picture. Short-term technicals are indicating that prices will retreat, while longer-term technicals are calling for higher prices. Based upon these technicals we would continue to buy dips in this market. We would continue to buy dips as long as prices can hold above \$69.75.

Crude Oil (SEP.09 309,605 -2,146 OCT.09 131,594 +5,409 NOV.09 65,805 -394 DEC.09 157,524 +45 JAN.10 36,473 +420 FEB.10 25,766 +1,170 Totals: 1,207,752 +5,154 Heating Oil (HO) SEP.09 65,834 +59 OCT.09 39,324 +347 NOV.09 26,266 +38 DEC.09 39,774 +471 JAN.10 21,133 -140 FEB.10 14,502 +67 Totals: 299,291 + 920 Harbor RBOB SEP.09 92,696 -1,839 OCT.09 38,789 +1,921 NOV.09 19,967 +441 DEC.09 23,758 +377 JAN.10 11,274 -14 FEB.10 3,601 +76 Totals: 212,300 +1,220



Crude Support	Crude Resistance
71.50, 70.65, 69.70, 69.00, 68.10, 66.20, 63.74, 62.70, 61.61, 60.95,	72.20, 73.38, 74.50, 76.13
Heat Support	Heat resistance
1.8880, 1.8775, 1.8655, 1.8000, 1.7340, 1.4220, 1.4130, 1.3720	2.0000, 2.0420, 204.65
Gasoline support	Gasoline resistance
2.0020, 1.9070, 1.7989, 1.7895, 1.5887, 1.5370, 1.5260, 1.3560, 1.3400,	2.1100, 2.1600, 2.3350

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