



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JULY 20, 2010

NATURAL GAS MARKET NEWS

According to news reports coming out of India, Reliance Industries is in talks with Quicksilver Resources regarding several options, including a buyout of the U.S. based exploration and production company. Other possibilities could be Reliance taking a partial stake in Quicksilver or partner on its project in the Horn River Basin in British Columbia.

Generator Problems

ERCOT- Operators reported that they were planning to conduct maintenance on the coal fired Unit #3 at the Martin Lake Steam Electric plant this morning, to repair ESP sets, rappers and Vibrators.

The NRC reported this morning that some 94,738 Mw of nuclear generation was operating today, up 0.9% from yesterday and basically unchanged from the same day a year ago.

The Chairman of the U.S. House Committee on Energy & Commerce has asked 10 oil and gas companies to provide detailed information on their use of hydraulic fracturing. The letter sent to the companies on Monday asked the companies to identify wells that employ hydraulic fracturing and to disclose whether the fracturing occurred in or near an underground source of drinking water. The letter also asked the companies to outline steps they take to collect and store fluids used in hydraulic fracturing and to reveal any allegations of health or environmental problems caused by the practice. A partial list of the companies contacted is Occidental, BP, ConocoPhillips, Devon Energy and ExxonMobil. The committee had sent a similar set of inquiries to well service companies, but this group has declined to answer claiming they do not maintain that data.

Apache Corp began drilling operations on a gas well in some 50 feet of water in the Gulf of Mexico on Sunday. This was the first well to receive approval from the Obama administration since new safety regulations were put in place following the BP blow out three months ago.

Natural Gas Cash Market						
ICE Next Day Cash Market						
	Volume	Avg	Change	Basis	Change	Basis 5-Day
Location	Traded	Price		(As of 12:30 PM)		Moving Avg
Henry Hub	784,300	\$4.590	\$0.033	\$0.099	\$0.083	(\$0.063)
Chicago City Gate	478,700	\$4.578	\$0.059	\$0.087	\$0.088	(\$0.001)
NGPL- TX/OK	747,200	\$4.390	\$0.048	(\$0.101)	\$0.077	(\$0.165)
SoCal	355,700	\$4.277	\$0.039	(\$0.214)	\$0.068	(\$0.283)
PG&E Citygate	603,700	\$4.309	\$0.066	(\$0.182)	\$0.095	(\$0.258)
Dominion-South	754,500	\$4.832	\$0.094	\$0.341	\$0.123	\$0.255
USTrade Weighted	20,660,500	\$4.508	\$0.054	\$0.017	\$0.08	(\$0.063)

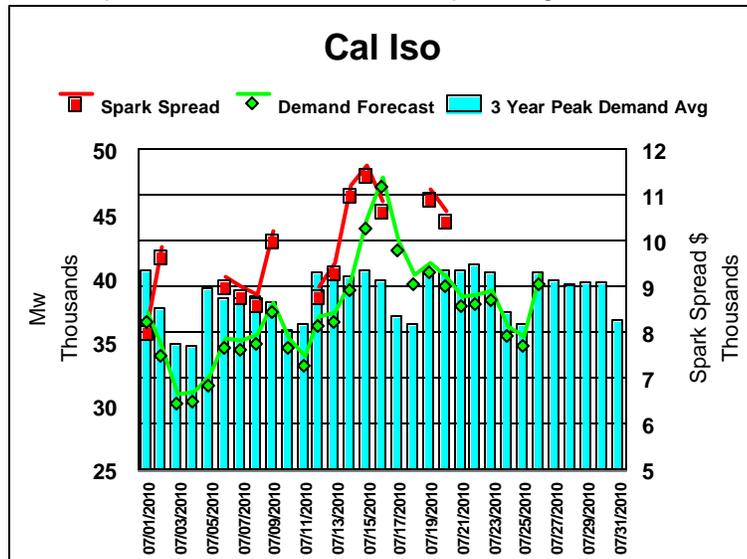
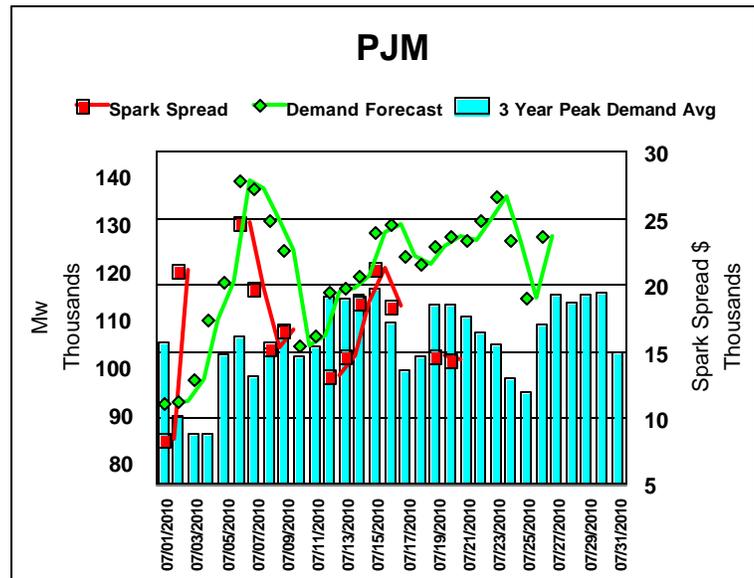
now labeled as a "vigorous tropical wave" which was located across the Northern Leeward Islands and the Virgin Islands to Puerto Rico and showed signs of thunderstorm activity picking up today and expected through tomorrow. As a result government forecasts had raised their probability forecast to 40% that this system becomes a tropical cyclone during the next 48 hours and by midday that probability became 60%. While many forecasting models yesterday did not have this system becoming a tropical storm that appears to have changed this morning, with several models possibly becoming a

regulations were put in place following the BP blow out three months ago.

The National Hurricane Center this morning continued to watch Invest 97-L which forecasters

hurricane. The majority of the track guidance has the storm crossing Florida and then re-emerging into the eastern Gulf of Mexico and making landfall again somewhere on the Gulf Coast..

The CEO of Italy's Eni SpA said today that his company could resume exploration and production of natural gas in Azerbaijan and take a central role in the project to ship natural gas from Turkmenistan to the Azeri pipeline network. This would mean the transport of between 2-3 bcm of gas per year that would mainly go to Turkey. The project, which would use existing pipelines in Azerbaijan and increase operating



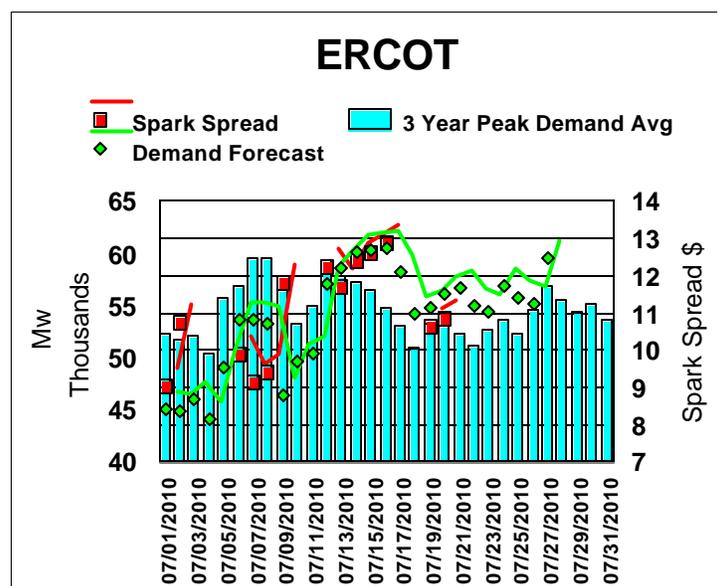
pressures would not be operational before 2012.

PIPELINE RESTRICTIONS

NGPL said today that effective for July 20th and until further notice it is at capacity for gas going southbound through Segment 26, at Compressor Station 302, for deliveries eastbound into Segment 25 or southbound into Segment 22. Interruptible transportation service/authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled. Withdrawals from South Texas Storage Point will be included for purposes of scheduling.

Tennessee Gas Pipeline said will accept nomination increases at several locations today. The company said it was increasing available capacity an estimated 26,000 Dth at the Carthage Line Lateral; 100,000 Dth at the Mainline Valve 223 and Station 307; 30,000 Dth at Station 245; 45,000 Dth at Station 321 and 22,000 Dth at the Rivervale delivery meter.

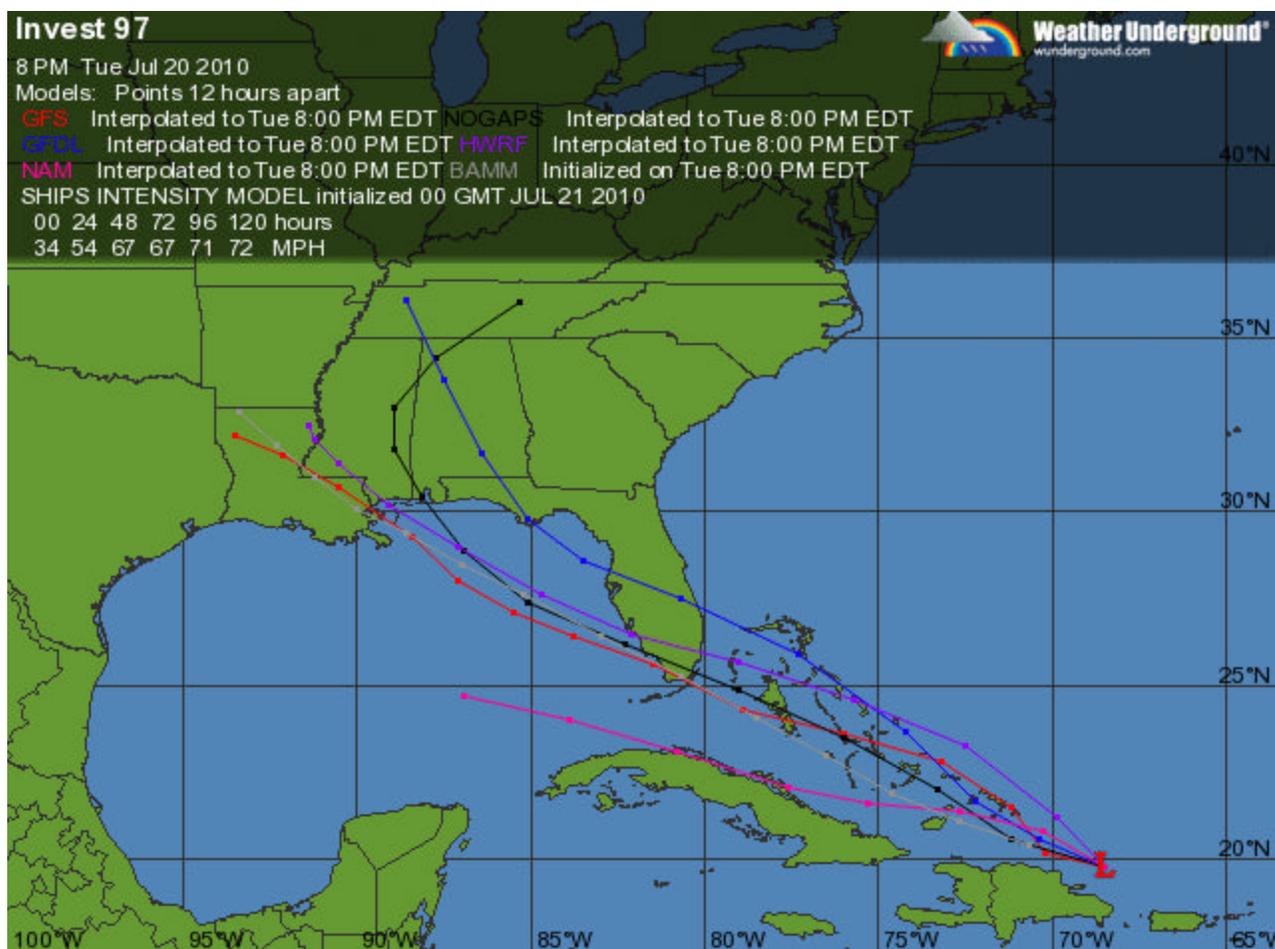
Trailblazer Pipeline reported that its Compressor Station 602 in Lincoln County, Nebraska in Segment 20 has had a force majeure event, due to a mechanical failure on one of the compressor units. As a result until further notice the secondary out of path and interruptible transportation service/authorized overrun volumes will not be available for scheduling. In addition the company estimates that the amount of firm capacity that will be available during this outage will be 747,000 Dth.



MARKET COMMENTARY

The natural gas market today received a boost from the revisions in the tropical weather forecast, which traders discovered this morning and again following this afternoon's update that Invest 97-L could actually become a tropical threat to the Gulf of Mexico by the end of the week. As a result the market was able to finish the day higher for only the third time in the last eleven trading sessions. Volume was also stronger today in what may have been some short covering by traders in front of a storm threat.

The tropical forecast will be the principal factor for tomorrow's trading direction. If traders come into tomorrow morning and are faced with a forecast that is similar to one displayed tonight that the majority of the computer track models have this system moving into the Gulf of Mexico and through the heart of the oil and gas production areas with the potential for hurricane force winds. This will help to kick this market higher especially as hotter than normal temperatures move across most of the country east of the Rockies this week once again. We would look for initial key resistance tomorrow at \$4.676. If this is breached then we would look for minor resistance at \$4.768 with more significant resistance at



\$4.88-\$4.90 and \$5.249. Support we see at \$4.525 followed by \$4.454-\$4.43, \$4.288 and \$4.228. But if there is a break in this market to the upside we would look for any approach of the \$5.00 area as a potential opportunity of being a seller of the \$5.25 calls.

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