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ENERGY MARKET REPORT FOR JULY 6, 2010

According to OPEC's Annual Statistical Bulletin, OPEC's proven crude oil reserves increased by 4% in 2009 to 1.06 trillion barrels led by an increase in Venezuela from 172 billion to 211 billion barrels. It also reported that the value of its petroleum sales abroad fell to \$575 billion in 2009 from the record \$1 trillion in 2008.

BP Plc said its oil capture systems at the Deepwater Horizon well in the Gulf of Mexico collected or burned off 24,980 barrels of oil on Monday. It said

preparations continue to connect a third vessel to increase oil capture capacity to 53,000 bpd from the current 28,000 bpd.

The EIA reported that the US average retail price of diesel fell by 3.2 cents to \$2.924/gallon in the week ending Monday. It is the eighth decline in nine weeks. The price of diesel is up 33 cents/gallon or 12.7% on the year. The EIA also reported that the US average retail price of gasoline fell by 3.1 cents to \$2.726/gallon on the week. The price of gasoline is up 4.4% or 11.4 cents/gallon on the year.

Refinery News

Credit Suisse reported that US refined product margins were mixed. Gulf Coast margins fell by \$1.61 to \$8.60/barrel while margins in the Northeast fell by 96 cents to \$7.48/barrel and margins in the West

Market Watch

The Institute for Supply Management said its index of national factory activity fell to 53.8 from 55.4 in May. It grew for the sixth consecutive month but the rate slowed more than expected and hit its lowest level since February. The report's employment component fell to 49.7 from 50.4.

An index of the US job market increased in June for the eleventh consecutive month but at a moderate pace amid weak private sector job creation. The Conference Board said its Employment Trends Index increased to 96.7 in June, up from a revised 96.1 in May. The index is up about 9.8% from a year ago.

The US National Hurricane Center said a tropical depression could still form over the next couple of days as a low pressure system moves northwest towards the Yucatan peninsula. It gave the system a 30% capacity of strengthening into a depression. Most tracking models project the system to cross the Yucatan over the next day or so and make landfall at the central or south coast of Texas over the next several days.

Ship brokers said freight rates for medium range clean oil product tankers sailing west from Europe have increased sharply this week. The increase in rates coincides with an increase in US demand for transport fuels and South American demand for heating oil. Freight rates for medium range tankers, with a capacity to carry 40,000-55,000 metric tons of lean oil products, sailing between Europe and the US Atlantic Coast have increased by 32.9% in a week to \$13,844/day.

**July
Calendar Averages
CL- \$72.36
HO – \$1.9237
RB – \$1.9822**

Coast fell by \$1.55 to \$15.74/barrel. Margins in the Midwest increased by \$1.31 to \$12.31/barrel while margins in the Rockies increased by \$1.96 to \$20.34/barrel.

Marathon Oil said its 9,000 bpd pipeline from various Gulf of Mexico producing platforms into its Venice, Louisiana receiving station was closed on Tuesday. The pipeline carries crude from platforms including South Pass, Mississippi Canyon and West Delta platforms. A company spokeswoman said there was no specific timing for the restart of the pipeline.

ExxonMobil Corp said a hydrogen unit at its 150,000 bpd refinery in Torrance, California was being repaired on Tuesday after it suffered a problem on Monday night. There was a minor impact to production.

Valero Energy Corp said its 55,000 bpd fluid catalytic cracking unit at its McKee refinery in Texas was still down for repairs. The unit was shutdown in mid-June for repairs.

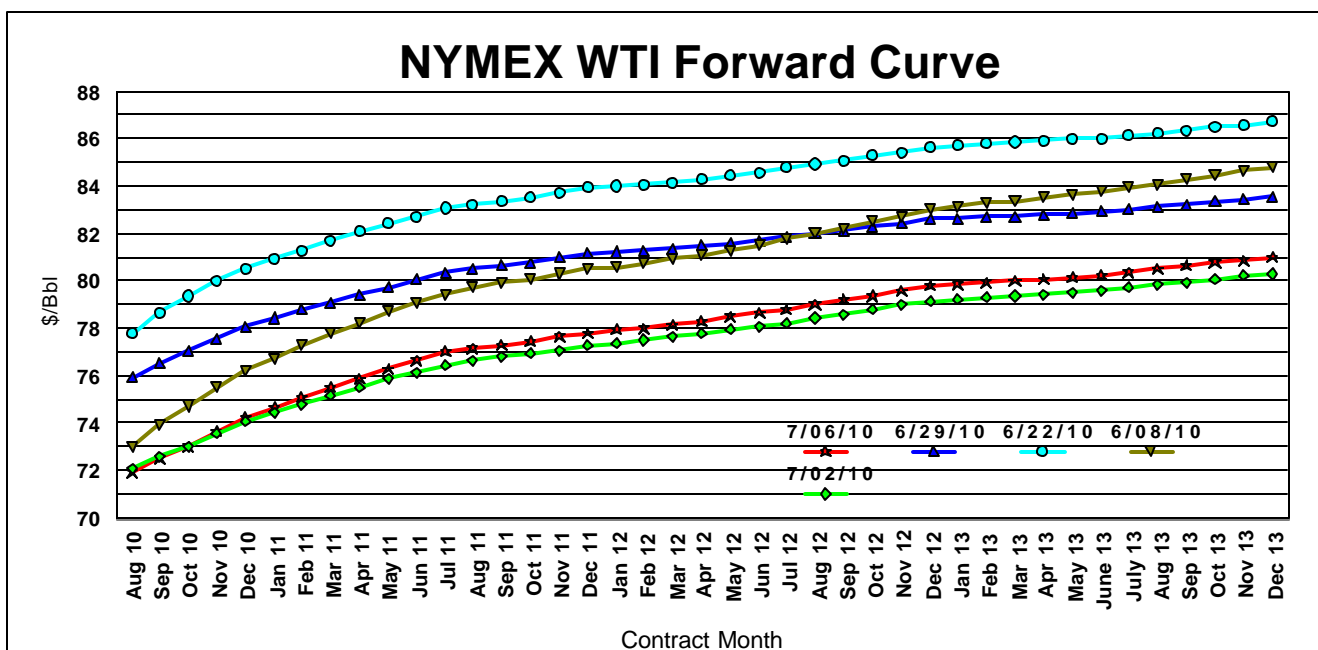
ConocoPhillips cut its crude runs at its 238,000 bpd Bayway refinery in NJ due to extreme heat. The refinery's run rate is at about 207,000 bpd. Meanwhile, it reported problems with its 145,000 bpd fluid catalytic cracking unit at its Bayway refinery on Sunday. It is operating the unit at 107,000 bpd.

Total SA's 232,000 bpd Port Arthur, Texas refinery experienced an upset at its fluid catalytic cracking unit on Sunday. The upset resulted in flaring activity.

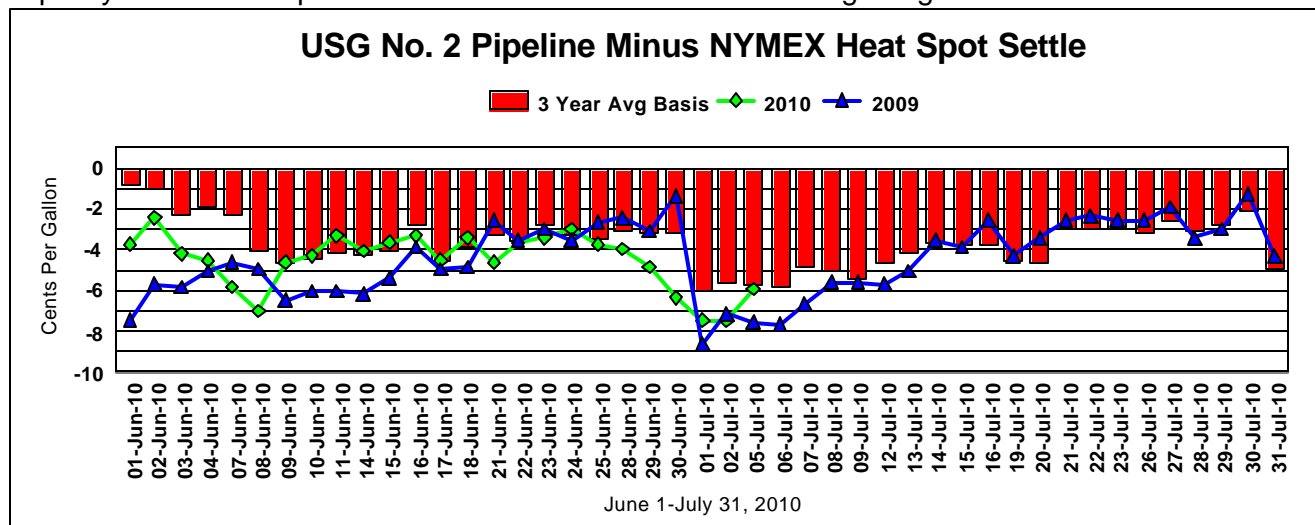
Chevron Corp is expected to complete a \$500 million expansion project at its Pascagoula, Mississippi refinery by late summer. The project comprises replacement of two reformer units and construction of a 55,000 bpd continuous catalytic reformer platformer unit.

Sunoco Inc said that the upstate New York ethanol plant it acquired last year has started operations and has started shipments of the corn based biofuel. The first ethanol shipment left the facility on June 30th. The plant will have the capacity to produce 100 million gallons of ethanol a year.

Analysts stated that some of Europe's refiners may be forced to cut production in the coming weeks

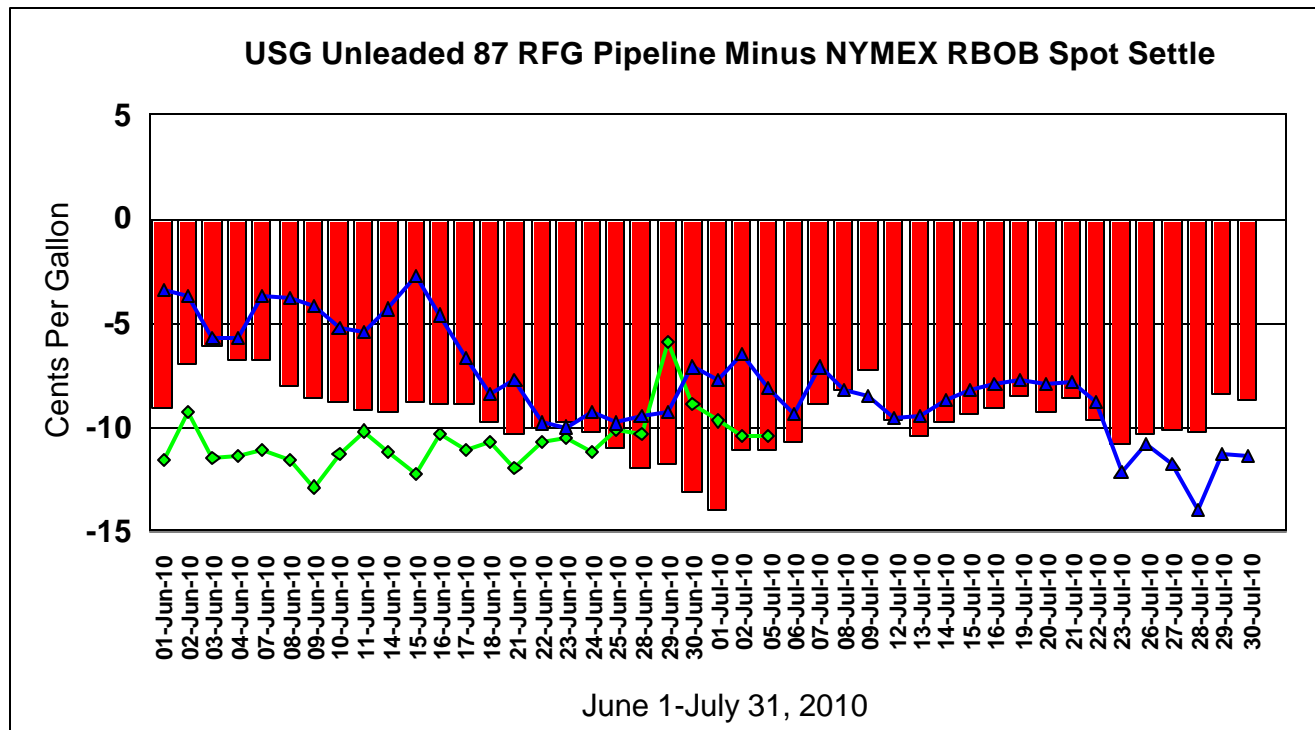


due to lower demand and sufficient supplies during the peak summer driving season. European refiners have already reduced their output and are running at between 75% and 76% of nameplate capacity. Runs are expected to continue to fall amid deteriorating margins.



China's twelve major refineries plan to process 2.89 million bpd of crude in July, down 3% from 2.98 million bpd in June. The July volume represents 91% of their total refining capacity.

Taiwan's crude oil imports in May fell 2.6% on the year to 30.72 million barrels. Refinery utilization increased to 79.48% in May from 73.46% in April.



Production News

ConocoPhillips said operations and staffing at its Magnolia platform in the Gulf of Mexico were normal on Tuesday following precautionary measures taken ahead of Hurricane Alex. It net production from the platform in 2009 averaged 10,000 bpd of oil equivalent.

World oil production is expected to increase faster than previously expected in 2010. According to a Reuters survey, oil demand is expected to increase by 1.5 million bpd this year to 86.1 million bpd, the highest level since 2007. Meanwhile the rise in production from outside OPEC and output of natural gas liquids from OPEC members is seen growing by 1.2 million bpd in total. Early estimates for total world demand growth in 2011 average about 1.4 million bpd.

Norway's Statoil said production at its Troll field in the North Sea was normal.

Oil and Gas UK said oil and gas production in the UK fell to 2.3 million bpd of oil equivalent in 2010 from 2.4 million bpd of oil equivalent in 2009.

Operations at the ExxonMobil Corp-led Sakhalin-1 project will be closed for 28 days in August due to routine maintenance. The maintenance work is planned and will not affect the project's ability to meet its production target for 2010.

Royal Dutch Shell Plc and its Iraqi state partner are in the process of awarding a deal to drill new oil wells at Iraq's Majnoon oil field in southern Iraq.

Saudi Aramco set its official selling price of its Arab Extra Light crude bound for the US at the Argus Sour Crude Index plus \$1.45, up 15 cents, its Arab Light crude at the ASCI minus 40 cents, unchanged on the month, its Arab Medium crude at the ASCI minus \$2.10, unchanged on the month and its Arab Heavy crude at the ASCI minus \$3.50, down 10 cents on the month. It set its official selling price of its Arab Super Light crude bound for Asia at the Oman/Dubai average plus \$1.10, down 15 cents, its Arab Extra Light at the Oman/Dubai average plus 80 cents, up 15 cents, its Arab Light crude at the Oman/Dubai average minus 15 cents, up 5 cents, its Arab Medium crude minus \$1.75, unchanged on the month and its Arab Heavy crude at the Oman/Dubai average minus \$3, down 5 cents. It also set its Arab Extra Light crude bound for Europe at BWAVE minus 35 cents, up 75 cents on the month, its Arab Light crude at BWAVE minus \$1.40, up 75 cents, its Arab Medium at BWAVE minus \$3.05, up 85 cents and its Arab Heavy at BWAVE minus \$3.90, up 95 cents.

China could cut fuel prices as soon as this weekend after a fall in world oil prices over the past six days. China cut retail diesel and gasoline prices late in May by about 3% from their record highs.

OPEC's news agency reported that OPEC's basket of crudes fell by 55 cents to \$69.08/barrel on Monday from \$69.63/barrel on Friday.

Market Commentary

The oil market settled in negative territory for the sixth consecutive session after failing to sustain its earlier gains. The crude market, which posted an outside trading session, traded higher earlier in the day as it rallied to a high of \$73.86 despite the lack of supportive news. It rallied along with the equities markets despite the Institute for Supply Management's index of national factory activity falling to 53.8 in June from 55.4 in May. However the market erased its gains and sold off to a low of \$71.48 ahead of the close. It settled down 16 cents at \$71.98. The crude market is seen continuing its downward trend amid the lack of supportive news. It is seen testing its support at the \$70 level. The heating oil market also posted an outside trading session after it posted a low of 1.8968 in overnight trading and rallied higher amid the strength in the crude market. The heating oil market posted a high of \$1.9690 before it erased all of its gains late in the session. It settled up 17 points at \$1.9172. Meanwhile, the RBOB market settled in negative territory after it too posted an outside trading session. The market traded to a high of \$2.0340 early in the session before it gave up its gains and sold off to a low of \$1.9673 ahead of the close. It settled down 64 cents at \$1.9713. The product markets are also seen continuing their downward trend, with the heating oil market seen finding

support at \$1.9129, \$1.8968 and \$1.8677 while the RBOB market is seen finding support at \$1.9673, \$1.9480, \$1.9315 and \$1.8860.

Crude oil Aug 10 300,301 -4,234 Sept 10 174,506 +7,425 Oct 10 64,656 +1,963 Totals 1,266,488 -427
 Heating oil Aug 10 82,569 -243 Sept 10 46,824 +337 Oct 10 28,821 +551 Totals 308,634 +3,430
 Gasoline Aug 10 80,675 -233 Sept 10 55,409 -479 Oct 10 25,207 +3 Totals 227,972 -456

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
71.48	72.54	1.9129	1.9340	1.9673	1.9946
71.09	73.86	1.8968	1.9610	1.9480	2.0340
70.60	75.40	1.8677	1.9690	1.9315	2.0612
69.50	76.83		2.0142	1.8860	2.0794

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