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ENERGY MARKET REPORT FOR JULY 8, 2010

Chevron Corp is hoping for a commitment by UK regulatory and government agencies to ensure a level playing field under the terms of the IEA stock release plan that allows a sustainable return on investments. Britain was one of 12 European countries told to release emergency oil stocks. A total of 19.2 million barrels is expected to be released in Europe.

Bidders for about 150,000 barrels of diesel tendered by the Dutch stockpiling agency COVA were told to resubmit offers after a revision to conditions late on Thursday. The product is stored at Total's 160,000 bpd Vlissingen refinery.

The delivery period was extended by 10 days to August 10th. The option to lift the barrels from sea-

Market Watch

The US National Hurricane Center said an area of low pressure mainly over Florida and the adjacent waters has a low 10% chance of developing into a tropical or subtropical depression in the Gulf of Mexico over the next couple of days. The system is moving northward or north northeastward. A few computer models project the system moving northwestward over the offshore oil platforms in the Gulf of Mexico.

The US Labor Department reported that nonfarm payrolls increased by 18,000 in June, less than the expected increase of 125,000 payrolls. A total of 44,000 to show increases of 25,000 jobs in May and 217,000 in April revised payroll data for the previous two months down. The unemployment rate increased for the third consecutive month to 9.2% in June from 9.1% in May. It was the highest level since December. The Labor Department also reported that the average hourly earnings fell by 1 cent to \$22.99 in June.

The US Commerce Department said US wholesale inventories increased more than expected in May. It said inventories increased 1.8% in May to a seasonally adjusted \$456.26 billion, above forecasts for a 0.7% gain, following an upwardly revised 1.1% increase for April. Wholesale sales however fell 0.2%.

According to a Federal Reserve report, US consumer credit increased by another \$5.08 billion in May, despite the tight job market. The increase in May came after a revised \$5.67 billion increase in April, surpassing expectations of an increase of \$4 billion. The total of all consumer credit outstanding in May was \$2.432 trillion, up from a total of \$2.427 trillion in April.

Clive Capital, a commodities fund with more than \$4 billion under management and energy-focused BlueGold, with about \$2 billion, suffered losses for the second month in June due in part to a series of sharp declines in oil prices. Clive Capital lost about 8% in June, increasing its year to date decline to nearly 10% while BlueGold lost 5% in June and increased its year to date loss to about 12%. Meanwhile, Ospraie, with about \$2 billion under management, lost 3.1% in June but was up 1.7% in the year through June.

China's Central Bank Governor Zhou Xiaochuan said China would tolerate some inflation as the country moves ahead with its transition from a centrally planned economy. China's annual inflation is expected to increase to 6.3% in June from 5.5% in May.

Eric Hunsader, a founder of Nanex, said the sharp price and volume moves demonstrated in the WTI contract yesterday afternoon could have demonstrated a micro "flash crash" which was almost imperceptible. He noted that at 1:35 PM EDT on Thursday crude oil futures plunged 30 cents a barrel in less than a second as volume spiked, before rebounding. The quick sell off was repeated again seconds later before prices stabilized once again. The analyst thought that this trading pattern was a massive arbitrage algorithm that simultaneously operates between the crude futures and the crude oil ETFs.

going vessels was scrapped in favor of barges and the pricing period was also reset in line with the revised delivery period.

July Calendar Averages
CL – \$96.67
HO – \$3.0086
RB – \$3.0334

Refinery News

Husky Energy Inc said crude intake at its 155,000 bpd Lima, Ohio refinery would increase from 80% later on Friday.

BP PLC told regulators that it is resuming normal operations of its ultraformer 4 at its 475,000 bpd Texas City, Texas refinery. BP has struggled to bring the facility back to normal operations after a citywide power outage in April forced a three-day shutdown.

ExxonMobil Corp expects some impact to production from an electrical malfunction in a processing unit late Tuesday at its 344,500 bpd refinery in Beaumont, Texas.

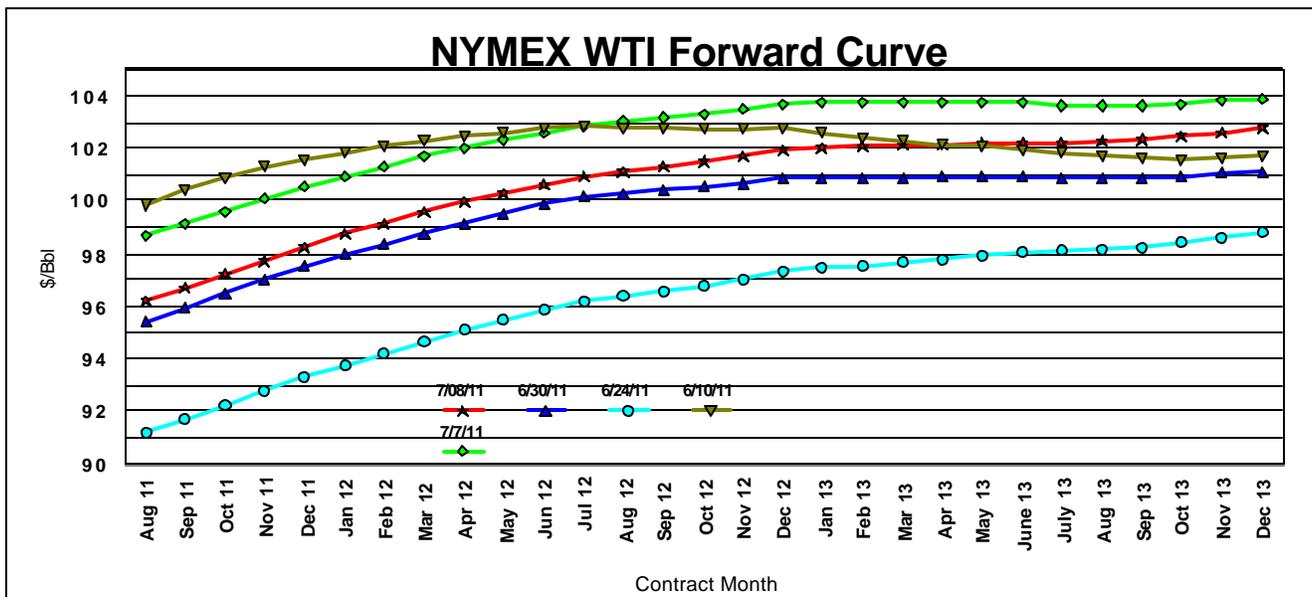
Valero Energy Corp reported flaring at its 310,000 bpd Port Arthur, Texas refinery on Thursday. Flaring at the refinery occurred due to a problem with a pressure controller on its diesel hydrotreater unit. It said there was no impact to production due to the flaring.

Sunoco reported that a wet gas compressor at its fluid catalytic cracking unit was shutdown at its Point Breeze section of its 335,000 bpd Philadelphia refinery on Wednesday.

Total Petrochemicals USA reported a cogeneration unit malfunctions at its 232,000 bpd refinery in Port Arthur, Texas due to a steam valve not functioning properly.

ConocoPhillips reported emissions due to an equipment start up at its 120,200 bpd Rodeo, California refinery.

India’s Oil Ministry reported that the country’s refined oil products sales are expected to increase by 4.6% in the current financial year through March to 148.28 million tons from 141.75 million tons. The



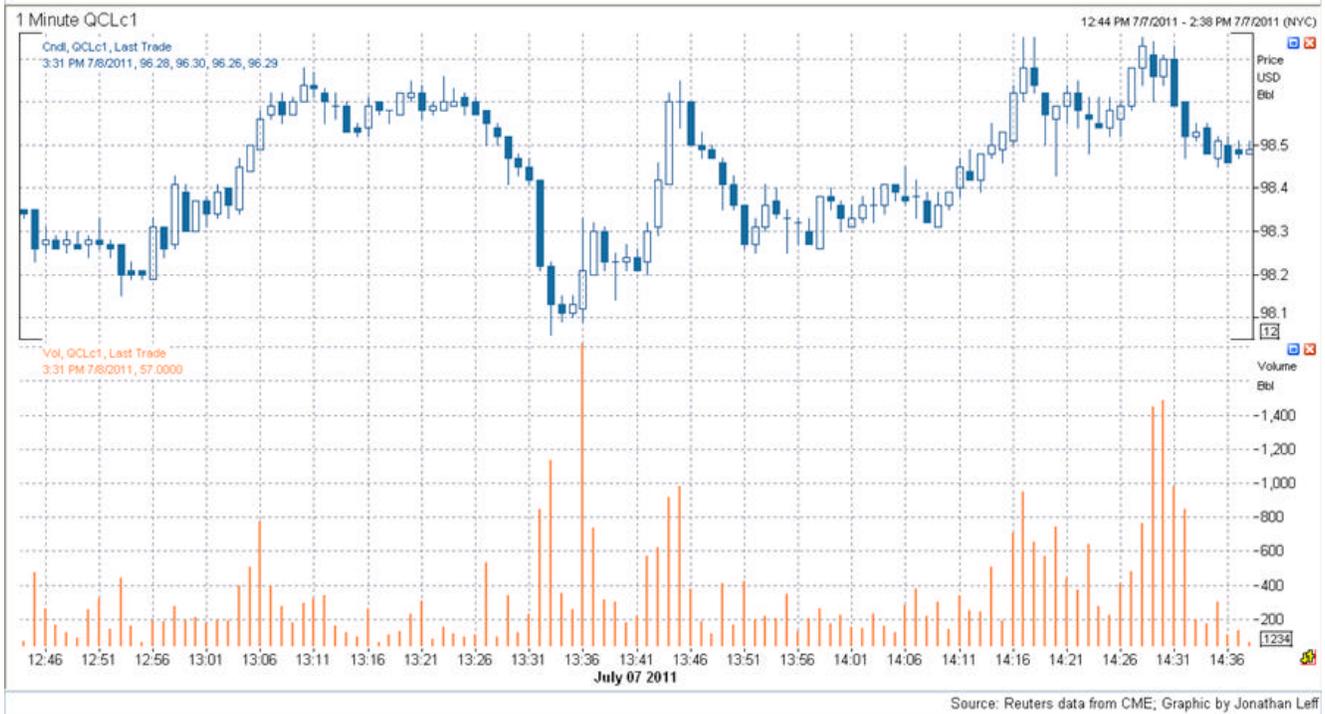
sale of diesel fuel is expected to increase by 5% to 63 million tons while gasoline sales are expected to increase by 7% to 15.19 million tons.

Production News

Output from the four benchmark North Sea crude oil streams, Brent, Forties, Oseberg and Ekofisk crude is expected to fall in August to about 898,000 bpd from 970,000 bpd originally planned in July. The August loading program for North Sea Brent crude is scheduled at 135,484 bpd or 4.2 million barrels, unchanged on the month. Meanwhile, the available barrels of North Sea Forties blend oil are expected to fall further in August. Supply is set to fall to 309,677 bpd, down from 367,742 bpd. August's program consists of 16 standard 600,000-barrel cargoes with a total volume of 9.6 million barrels compared with 11.4 million barrels in July. The August loading program for North Sea Oseberg crude is scheduled at 154,839 bpd or 4.8 million barrels, unchanged on the month. The August loading program for North Sea Ekofisk crude is scheduled at 298,311 bpd or 9.28 million barrels, down from 330,645 bpd in July.

At 1:35pm, spike in oil volume as prices yo-yo

One-minute chart of US NYMEX crude oil futures shows unusual trade



The Norwegian Petroleum Directorate said Norway's preliminary oil production in June was 1.611 million bpd of oil equivalent, up from 1.543 million bpd of oil equivalent in May.

A Gulf oil official said Kuwait could increase its crude production to about 2.65 million bpd to 2.7 million bpd in July from 2.6 million bpd in June, suggesting the IEA stockpile release has not hindered the producer's plans to increase output so far.

Russia's Prime Minister Vladimir Putin said Russia's oil production is expected to reach between 508 million and 509 million metric tons this year. Last year, Russia's oil production increased by 2.2% to 505.2 million tons. Separately, Russia's Prime Minister said he supports a proposal to narrow the gap between export duty on crude oil and heavy oil products and proposed equaling the export duty on crude oil and fuel oil by 2015. The government and industry is discussing a proposed change to the tax regime which would cut the export duty on crude oil to a rate of 60% from 65% and adjust duties on refined products to 66% of the level of crude oil. Meanwhile, Russia's Deputy Economy Minister Stanislav Voskresensky said Russia must retain a protective export duty on gasoline to prevent an increase in exports. Russia's Energy Minister Sergei Shmatko said Russia's new oil duty regime

should equalize the export duty on heavy and light oil products and encourage an increase in refining to 255 million tons by 2015.

The Baku-Tbilisi-Ceyhan oil pipeline is expected to pump 21.7 million barrels or 700,000 bpd of Azeri Light crude in August, down 1.1 million barrels on the month.

Brazil's Petrobras said well 9-RJS-660, located in the Lula field registered its highest production level for May, reaching an average production of 28,436 bpd of oil equivalent. The well is the first to produce on a commercial basis in the Santos Basin pre-salt.

Market Commentary

Reports of another round of refinery glitches gave late strength to heating oil, giving this product the ability to recovery from its intra-day low. Exxon Mobil Corp, Sunoco and Valero all reported snags, which resulted in shutdowns or delays in operation. The heating oil crack spread as now reached record levels, with the August crack spread settling at \$33.85, higher than the July settlement of \$33.14. Heating oil should continue to hold on to gains, given the aforementioned glitches, the fact that European stocks have yet to be replenished as Russian gasoil exports are down. Should the September heating oil crack retrace back to the \$30.40 and hold, we believe that a buying opportunity will present itself.

Crude oil gave back its secondly weekly gain, selling off on disappointing U.S. unemployment numbers. The August crude oil contract settled 3 percent lower on the day. The spread between Brent and WTI, widen out again. Brent continues to gain on North Sea maintenance and Libyan output cuts. Further widening this spread is the fact that U.S. supplies remain plentiful. The spread between the two widen out to \$21.59 on the day, slowly creeping back towards its record high of \$22.29. Prices continue to work within the second wave on congestion between the range of \$97.00 and \$100.00. The near term upside objective remains \$102.15.

Crude oil: Aug 11 263,471 -14,198 Sept 11 215,305 +10,717 Oct 79,396 +5,686 Totals 1,536,313 +13,778 Heating oil: Aug 11 84,491 -276 Sept 11 47,558 +2,289 Oct 11 27,844 +1,588 Totals 300,316 +5,144 Rbob: Aug 11 75,713 +1,532 Sept 11 48,836 +42 Oct 11 25,367 +943 Totals 238,516 +4,170

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
			31342		
		27150	32777		33369
9560	9855	26680	33370	26965	35915
9428	10215	27375	33510	26300	36310
8950	10339	23685		25683	
8700	10845	22960		25145	
8625	11120			24240	
8500	11483			23631	
8385	11563			23414	
	11703				

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 3,836 contracts to 138,390 contracts in the week ending July 5th. The combined futures and options report showed that the funds increased their net long position by 1,620 contracts to 178,060 contracts. Meanwhile, the disaggregated futures and options report showed that managed money funds increased their net long position by 12,334 contracts to 165,491 contracts on the week.

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