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ENERGY MARKET REPORT FOR JULY 9, 2010

Retired Coast Guard Admiral Thad Allen said BP Plc could begin removing the containment cap over its leaking well on Saturday starting a process to replace it with a stronger device that could take several days and temporarily result in an increase of oil spilling into the Gulf of Mexico. On Thursday, BP recovered a total of 24,395 barrels of oil.

The US Agriculture Department said

ethanol producers will use slightly less corn to make the renewable fuel in the current 2009/10 marketing year than previous forecasts. It lowered its forecast for 2009/10 usage to 4.5 billion bushels from last month's estimate of 4.55 billion bushels. A bushel of corn produces 2.8 gallons of ethanol. The USDA also cut its forecast for soybean oil used during 2009/10 to make biodiesel to 2 billion pounds, down from its previous forecast of 2.2 billion lbs.

Refinery News

Citgo Petroleum reported a potential release of an unknown substance at its 429,500 bpd refinery in Lake Charles, Louisiana on Thursday following a fire due to faulty electrical wiring. It said there was no impact to production.

ConocoPhillips' 260,000 bpd Wilhelmshaven refinery in Germany will remain shut until at least August. The refinery was originally shut following a fire on May 1st.

According to Euroilstock, European refinery runs rates increased by more than 4% in June to almost 84% of capacity. It reported that total crude and refined product stocks in June fell by 0.4% on the

Market Watch

The US Commerce Department said inventories of US wholesalers increased in May as warehouses restocked with machinery and other durable goods while sales registered their first decline in 14 months. Wholesale inventories increased 0.5% to a seasonally adjusted \$398.81 billion after increasing by a downwardly revised 0.2% during April. Sales of US wholesalers fell by 0.3% in May to a seasonally adjusted \$350.65 billion following a revised increase of 0.9% in April.

Lloyd's of London said it would not insure or reinsure petroleum shipments going into Iran. US President Barack Obama signed into law last week new sanctions that aim to cut Iran's fuel imports and increase its international isolation. Lloyd's said it will always comply with applicable sanctions.

China's Ministry of Finance and State Administration of Taxation said the country may extend a resources tax reform nationwide from September 1 after launching it on June 1st. The central government started levying a 5% resources tax on crude and natural gas output based on selling prices in northwestern Xinjiang region, replacing earlier levies based on output.

**July
Calendar Averages
CL- \$73.78
HO - \$1.9635
RB - \$2.0155**

month but increased by 0.7% on the year to 1.152 billion barrels. Crude inventories fell by 0.4% on the month but increased by 0.7% on the year to 487.64 million barrels. Gasoline inventories fell by 0.5% on the month and by 3.2% on the year to 111.95 million barrels while middle distillate stocks fell by 0.5% on the month but increased by 1.2% to 409.5 million barrels. Fuel oil inventories increased by 0.5% on the month but fell by 3.4% on the year to 108.68 million barrels while naphtha stocks fell by 2.5% on the month but increased by 24.6% on the year to 34.32 million barrels.

The loading of oil products onto tankers in Rotterdam has been hit by loading delays. The longest loading delays were at Royal Dutch Shell's 400,000 bpd Pernis refinery, ExxonMobil's 191,000 bpd Rotterdam refinery and at Odfjell SE's tank terminal. Over the past week, average loading delays was about 2.5 days for Eurobob gasoline, 15 hours for gasoil and 12 hours for ethanol.

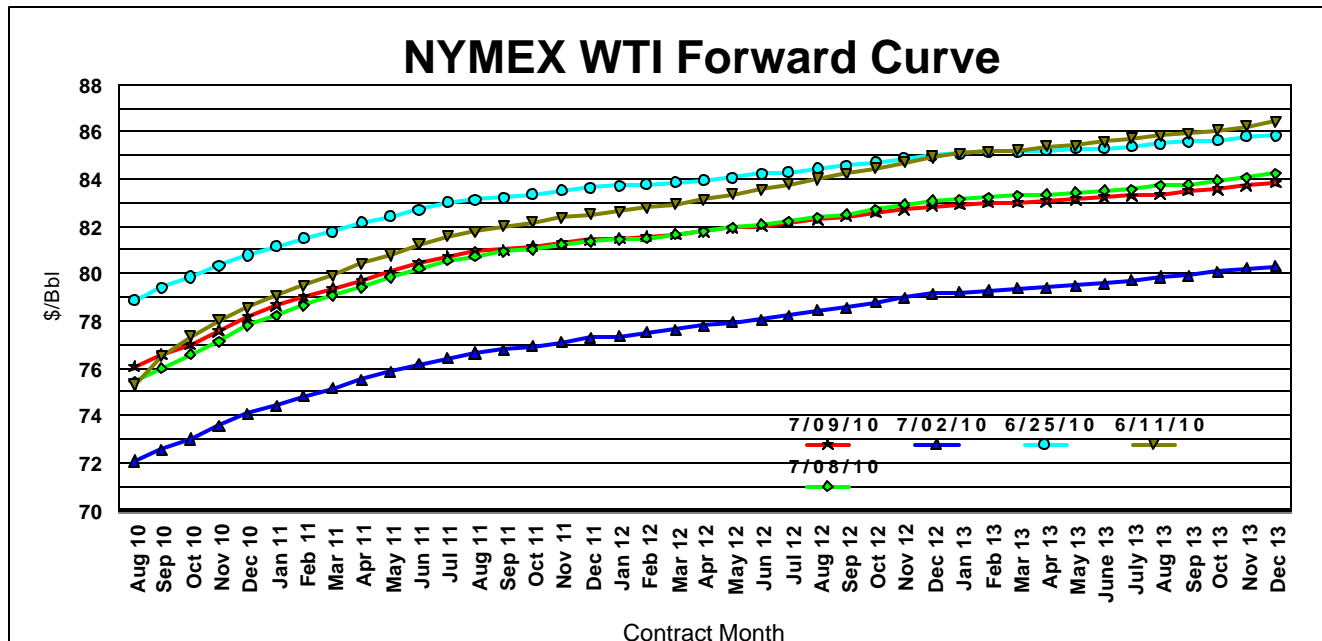
Combined inventories of gasoline, diesel and kerosene held by China's Sinopec and PetroChina fell by 3.2% on the month in June due to stronger domestic sales. Diesel stocks held by the two companies fell by 6.3% in June while gasoline stocks increased by 1.9%. Domestic sales of gasoline, diesel and kerosene increased by 1.9% to 20.4 million tons.

Production News

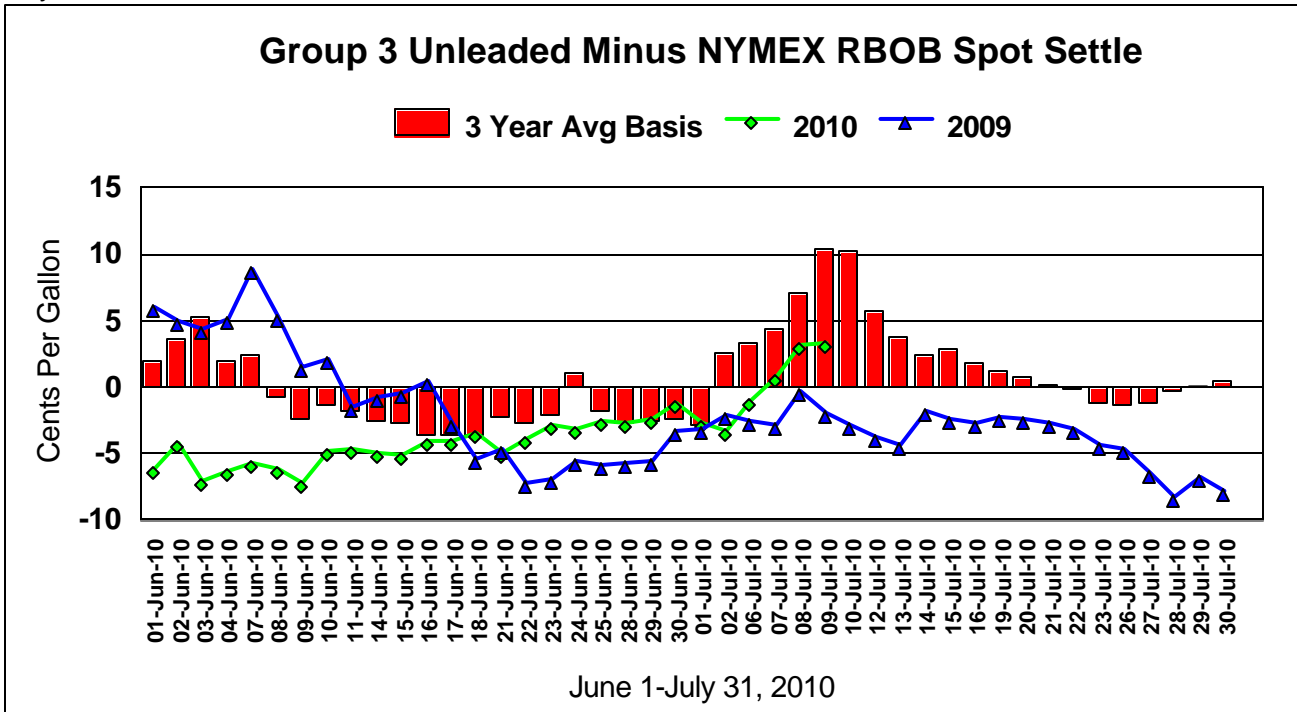
Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 10 to 1,567. The number of rigs searching for oil increased by 5 to 592 while the number of rigs searching for natural gas increased by 4 to 964.

The output of the four major North Sea crude oil streams for August is expected to fall by about 11% on the month to 33.647 million barrels or 1.085 million bpd. The North Sea Brent crude oil stream is scheduled to load 4.897 million barrels, up 1.297 million barrels from July. The volume is equivalent to 157,968 bpd compared with 116,129 bpd in July. The North Sea Forties crude stream is scheduled to load 12 million barrels, down 5.4 million barrels from July. The volume is equivalent to 387,097 bpd compared with 561,290 bpd in July. The North Sea Oseberg crude stream is scheduled to load 4.85 million barrels, up 50,000 barrels on the month. It is scheduled to load 156,452 bpd compared with 154,839 bpd in July. The North Sea Ekofisk crude stream is scheduled to load 11.9 million barrels or 383,871 bpd in August, up from 11.85 million barrels or 382,258 bpd in July.

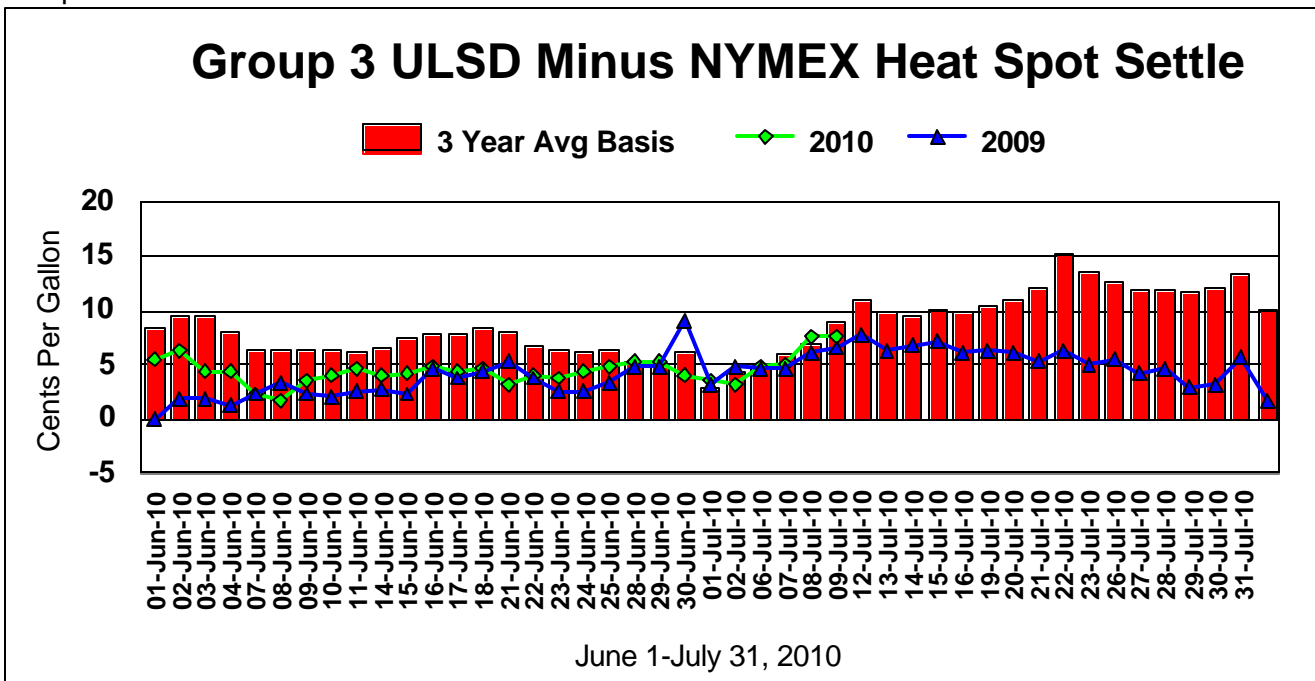
The North Sea Troll crude oil stream is scheduled to load 5.8 million barrels, down 1.65 million barrels



from July. It is equivalent to 187,097 bpd compared with 240,323 bpd in July. The North Sea Flotta crude oil stream is scheduled to load 63,000 bpd in August, steady from July. The August loading program for Danish North Sea DUC crude oil is scheduled at 3 million barrels, down 1.2 million barrels from July due to planned maintenance. It is equivalent to 96,774 bpd compared with 135,484 bpd in July.



The Norwegian Petroleum Directorate said Norway produced 1.52 million bpd in June, down 676,000 bpd from 2.2 million bpd in May. Production from fields in the Ekofisk area was shut in periodically in June due to planned maintenance. The Gullfaks C platform was closed for the entire month due to well problems.



OPEC's news agency reported that OPEC's basket of crudes increased by \$2.12 to \$71.86/barrel on Thursday from \$69.74/barrel on Wednesday.

Market Commentary

The oil market ended the week with the largest gains seen since the end of May. The market settled up \$3.95 or 5.48% higher on the week. The crude market, which posted a low of \$75 on Globex, bounced off that level continued to trend higher. It retraced almost 62% of its move from a high of \$79.94 to a low of \$71.09 as it posted a high of \$76.48 early in the session. The market however retraced some of its gains by early afternoon trading only to see it bounce back and trade towards its highs late in the session. The oil market settled up 65 cents at \$76.09. The crude market is seen finding support at \$75.95, \$75.00, \$74.38 and \$71.09 while resistance is still seen at \$76.56, its 62% retracement level, \$76.83, \$78.32 and \$79.38. The heating oil market also posted a low of \$2.0011 on Globex and rallied to a high of \$2.0439. It retraced little more than 50% of its move from a high of \$2.1874 to a low of \$1.8968. The market however retraced some of its gains before it traded back towards its highs late in the session. It settled up 2.04 cents at \$2.0257. The RBOB market also settled up 1.89 cents at \$2.07 after it traded to a high of \$2.08 early in the session. The product markets are technically seen trending higher. The heating oil market is seen finding support at \$2.008, \$2.0011, \$1.9845 and \$1.9115 while resistance is seen at \$2.0635, \$2.1186, \$2.1396 and \$2.1874. The RBOB market is seen finding support at \$2.0435, \$2.0278, \$1.98 and \$1.959 while resistance is seen at \$2.0743, \$2.0947, \$2.1280 and \$2.1625.

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 10,895 contracts to 26,215 contracts in the week ending July 6th. The combined futures and options report showed that non-commercials cut their net long position by 10,822 contracts to 89,977 contracts. The funds have likely reversed their move and added to their net long position during the last few trading sessions given the market's higher trend. The disaggregated futures and options report showed that producer/merchants cut their net short position by 8,639 contracts to 192,947 contracts while swap dealers cut their net long position by 4,115 contracts to 91,109 contracts on the week. The managed money funds cut their net long position by 22,797 contracts to 50,503 contracts while other reportable increased their net long positions by 11,975 contracts to 39,474 contracts. The non-commercials in the heating oil market cut their net long position by 12,299 contracts to 12,014 contracts while non-commercials in the RBOB market cut their net long position by 7,177 contracts to 37,354 contracts on the week.

Crude oil Aug 10 257,123 -22,917 Sept 10 204,645 +13,797 Oct 10 69,023 +2,191 Totals 1,275,423 -1,601 Heating oil Aug 10 78,248 -1,339 Sept 10 50,984 +2,113 Oct 10 29,781 +1,129 Totals 311,597 +4,146 Gasoline Aug 10 78,365 -2,013 Sept 10 60,701 +2,896 Oct 10 27,055 +268 Totals 233,490 +1,310

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
75.95	76.56	2.0080	2.0635	2.0435	2.0743
75.00	76.83	2.0011	2.1186	2.0278	2.0947
74.38	78.32	1.9845	2.1396	1.98	2.1280
71.09	79.38	1.9115	2.1874	1.9590	2.1625

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