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ENERGY MARKET REPORT FOR JULY 11, 2010

The Energy Department said fifteen companies were awarded contracts to buy all 30.64 million barrels of sweet crude offered in the government's emergency sale. Valero Energy Corp, with 6.9 million barrels or 22.5% of the volume on offer, was the largest buyer. The Energy Department said it is working with other agencies to streamline deliveries and that some companies had requested early delivery of the oil in July, rather than in August. The Energy Department did not immediately provide details on how much oil would move in July.

Market Watch

The US National Hurricane Center said a low pressure system about 600 miles east of the southern Windward Islands has a 10% chance of developing into a tropical depression over the next couple of days.

China's General Administration of Customs released preliminary trade data for June. It reported that crude oil imports fell by 11.5% on the year to 4.79 million bpd in June. Its fuel imports increased by 0.3% to 3.4 million tons. Crude oil exports in June increased to 270,000 bpd in June. China's crude oil imports are expected to recover in July as refiners increase production to meet rising demand.

The head of China's National Energy Administration, Liu Tienan said energy consumption controls must occupy a prominent place in domestic policymaking in the coming years, with primary consumption already exceeding 3.2 billion tons of coal equivalent in 2010. He said China's limited environmental capacity and issues such as energy security, made it necessary to impose restraints on energy use.

China's Premier Wen Jiabao said stabilizing prices remains the top priority for the government. He added that China will maintain its current economic policies.

China's annual inflation accelerated to a three year high in June, increasing the chances that the central bank will continue raising interest rates. The consumer price index for June increased 6.4% on the year. Meanwhile China's import growth fell sharply to its slowest pace in 20 months in June due to the broad impact of monetary tightening on the economy. Import growth fell to a 19.3% annual pace from May's 28.4%.

Greece's Finance Ministry said the government deficit widened by an annual 28% in the first six months of 2011, overshooting an interim target. The January-June budget gap widened to 12.78 billion euros or \$18.28 billion from 10 billion euros in the same period last year. The budget gap is also wider than the 10.37 billion euros target for the first six months of the year.

China Ocean Shipping Co said that oil speculators are distorting the global shipping industry. It said the speculators are the biggest problem for the global shipping industry, rather than an oversupply of vessels that has limited a recovery in freight rates.

The IEA said the amount of oil to be made available under its plan to release 60 million barrels of strategic reserves would be slightly less than previously stated. Oil available under the plan will total 59.83 million barrels, down 784,000 barrels from an earlier estimate. It cut the amount coming from Europe to 17.81 million barrels, down from a previous estimate of 19.24 million barrels. The IEA said Germany has made 2.77 million barrels of crude oil and products available to the market under the

**July
Calendar Averages**
CL – \$96.42
HO – \$3.0217
RB – \$3.0396

IEA's plan to release oil from strategic reserves, 34% less than initially announced. Germany has released 1.62 million barrels of crude oil, 650,000 barrels of diesel and 500,000 barrels of gasoline.

Euroilstock said total crude oil and oil product stocks in Europe increased by 0.1% on the month but fell by 2.7% on the year to 1.116 billion barrels in June. Crude oil stocks in June increased by 1.3% on the month but fell by 2.8% on the year to 466.76 million barrels. Gasoline stocks in Europe fell by 2.2% on the month but fell by 2.1% on the year to 110.16 million barrels while middle distillate stocks fell by 400,000 barrels on the month and by 700,000 barrels on the year to 403.13 million barrels. Crude intake increased by 2.3% on the month but fell by 6.9% on the year to 10.67 million bpd. Refinery utilization increased to 81.45% in June from 79.58% in May but fell from 87.44% last year.

The EIA reported that the US average retail price of diesel increased by 4.9 cents to \$3.899/gallon in the week ending July 11th. The price of diesel is up 99.6 cents or 34.3% on the year. The EIA also reported that the US average retail price of gasoline increased by 6.2 cents to \$3.641/gallon on the week.

Refinery News

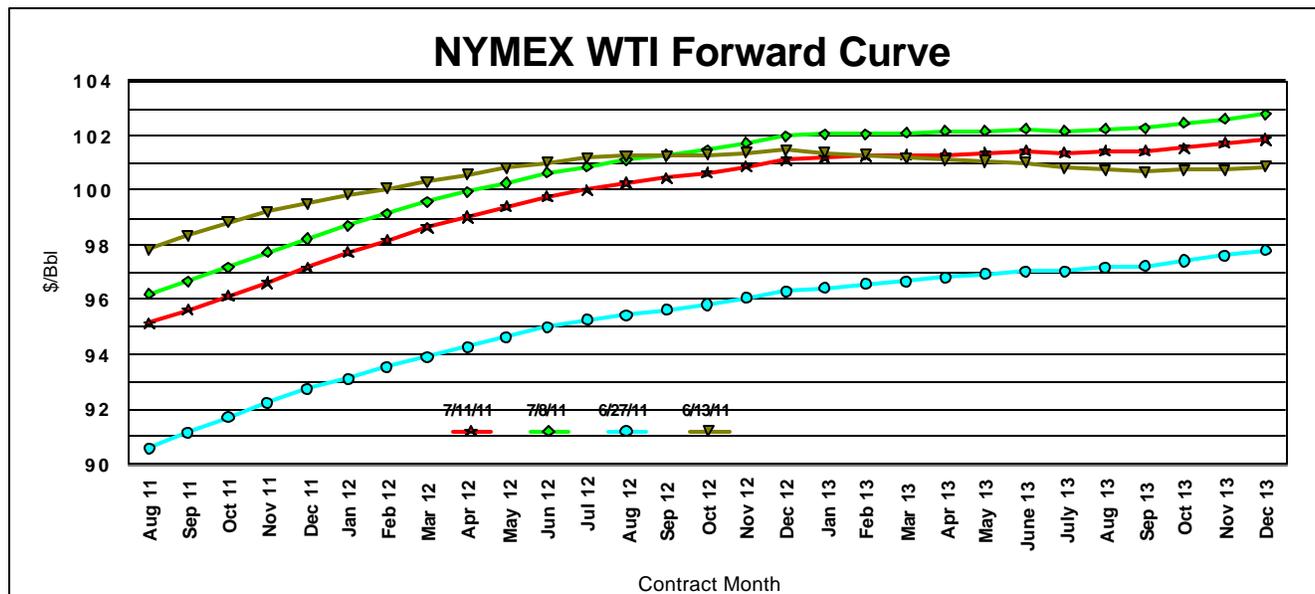
Colonial Pipeline allocated Cycle 37 shipments on its Line 27 running from Mitchell to Norfolk.

Credit Suisse said US refinery margins increased 9.4% in the week ending July 8th. Refinery margins in the Northeast increased by 0.38 cents to \$9.10/barrel while margins in the Midwest increased by \$2.47/barrel to \$30.64/barrel and margins in the Gulf Coast increased by \$4.02 to \$29.75/barrel. Margins in the Rockies increased by 12 cents to \$33.12/barrel while margins in the West Coast increased by \$2.50 to \$16.49/barrel.

Sunoco suffered a small fire at its 40,000 bpd fluid catalytic cracking unit at its Point Breeze section of its 330,000 bpd Philadelphia refinery on Sunday night. The unit was already operating at reduced rates due to a problem with a wet gas compressor.

BP Plc reported a release of light slop oil from a pipe rack due to unknown causes at its 405,000 bpd Whiting, Indiana refinery.

Husky Energy said its 155,000 bpd refinery in Lima, Ohio resumed operations at full rates over the



weekend. The unit was shut on June 27th to conduct repairs on the furnace.

ExxonMobil Corp's hydrocracking unit No. 1 resumed operations at its 560,640 bpd Baytown, Texas refinery after it was shut on July 1st due to an exchanger leak. It reported a compressor trip in the fluid catalytic cracker at the refinery. There was no impact on production and all customer needs were met.

Valero Energy Corp said a check valve failed on a coker unit at its 144,000 bpd refinery in Benicia, California. The mechanical failure had no material impact to production.

A planned flaring event will start on Monday at Tesoro's 110,000 bpd refinery in Wilmington, California. The flaring is not expected to have an impact on its throughput.

Alon USA Energy said there was no impact on production from upsets over the weekend on a sulfur unit at its Bakersfield, California refinery.

Japan's Showa Shell Sekiyu KK restarted its 135,000 bpd No. 3 crude distillation unit at its Yokkaichi refinery during the weekend. The unit was shut in late June due to maintenance on a secondary component.

Production News

BP Plc shutdown production from its Chirag platform in the Caspian Sea until July 27th due to planned maintenance. The shutdown will also stop shipments through the Baku-Supsa pipeline while loading at the Sangachal terminal will be partially halted. The Chirag platform produced between 80,000-85,000 bpd before the maintenance work started Sunday night.

Tanker operations at the UAE's Jebel Ali port were suspended due to a sand storm on Sunday. It was not clear when the situation may improve enough to reopen the port.

A small amount of oil was still found leaking at ConocoPhillips and CNOOC Ltd's Penglai 19-3 field on Sunday. Production at the oilfield has fallen by 10-15% due to the cleanup efforts.

Industry sources said Saudi Arabia's crude production reached a high for the year so far of about 9.5-9.6 million barrels in June, up nearly 800,000 bpd from May.

Saudi Arabia's crude oil supplies bound for European term customers is expected to remain unchanged in August from July. Separately, Saudi Arabia's offer of additional crude in August drew little interest from refiners across Northeast Asia who declined supplies beyond contracted volumes. Ten refiners in China, Japan, South Korea and Taiwan turned down the Saudi offer. Limited demand for extra barrels from Asia would leave Saudi Arabia with few options to find homes for additional cargoes.

Crude oil production from nine key North Sea grades is set to fall by 7.7% on the month in August to 1.52 million bpd or 47.24 million barrels as summer maintenance work reduces supplies.

Oman's Oil Ministry reported that the country's oil production in June increased by 1.2% on the month and 4.9% on the year to 875,968 bpd. In January, Oman said it was budgeting for oil production to average 896,000 bpd in 2011.

China's Sinopec said the Shengli oil field produced more than 13.5 million metric tons of crude oil or about 549,284/bpd in the first half of the year. Sinopec is aiming to produce 27.34 million tons or 549,047 bpd from Shengli this year, unchanged on the year.

Mexico's Pemex said crude oil production in the July 1-10 period fell below 2.5 million bpd on average to 2.486 million bpd compared with 2.547 million bpd for the full month of June. .

Germany's crude oil import bill for January-May 2011 totaled 21.4 billion euros or \$30.6 billion, up 34.6% on the year. It imported a total of 36.5 million tons of crude oil in January-May, down 2% on the year.

The National Iranian Oil Co has lowered its official price for August light crude deliveries to Asia by 10 cents/barrel. NIOC said it would cut the premium to Oman and Dubai crude to \$1.61/barrel for Asia compared with \$1.71/barrel in July.

Kuwait Petroleum Corp cut the discount for August oil shipments to Asia to the Oman/Dubai average minus 60 cents.

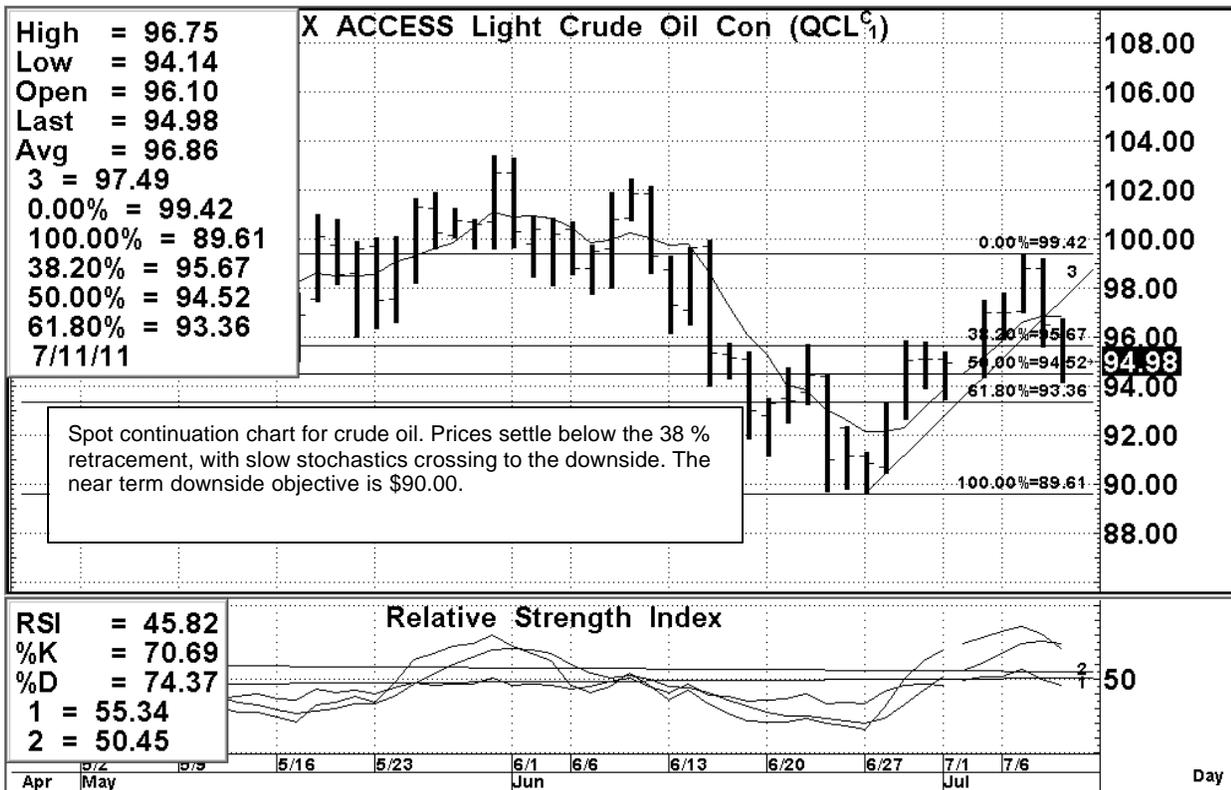
Iraq's SOMO raised the official selling prices of its Basra Light crude for August to the US and Europe while leaving the price unchanged for customers in Asia. Basra Light crude bound for the US in August was priced at \$1.75/barrel below the Argus Sour Crude Index, up \$2/barrel on the month. The price of Basra Light crude bound for Europe was set at Dated Brent minus \$4.55/barrel, up from minus \$5.25/barrel. The price of Kirkuk crude bound for the US was unchanged while the price of its Kirkuk crude bound for Europe was set at \$2.75/barrel below Dated Brent, up from Dated Brent minus \$3.55/barrel.

Market Commentary

Crude oil prices slumped amid concern that China's economic growth is slowing and on signs that the European debt crisis could spread to Italy. Reports out of China indicated that net oil imports slowed by 10 percent in June to the lowest level in 8 months. These economic factors, combined with last week's grim U.S. unemployment report, have left traders apprehensive in regards to whether price strength can be sustained. It appears that a technically sparked sell-off occurred upon the penetration of the \$95.10 area. Volume picked up and the sell-off accelerated. Using the range of \$99.42 - \$89.61, today's activity took prices below the 38% retracement level of \$95.67. Slow stochastics have crossed to the upside, indicating further downside potential. Based on this we would look for a retracement back to the \$90.00 level.

Crude oil: Aug 11 241,645 -21,826 Sept 11 229,238 +13,933 Oct 79,847 +451 Totals 1,529,024 -7,289 Heating oil: Aug 11 77,971 -6,520 Sept 11 51,046 +3,488 Oct 11 30,477 +2,633 Totals 299,479 -837 Rbob: Aug 11 68,710 -7,033 Sept 11 52,582 +3,746 Oct 11 25,670 +303 Totals 236,927 -1,589

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



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