



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
& Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 15, 2010

In its monthly oil market report, OPEC said it expects moderate global oil demand growth next year, an indication it will likely keep its existing supply cuts in place well into a third year. OPEC forecast 2011 world oil demand to grow by 1 million bpd, up 100,000 bpd from 2010. It kept its forecast for global oil demand growth this year unchanged at 900,000 bpd and forecast non-OPEC supply to increase by just 300,000 bpd in 2011

Market Watch

The US Labor Department reported that the number of US workers filing initial claims for unemployment benefits fell by 29,000 to 429,000 in the week ending July 10th. It is the lowest level for claims since August 23, 2008. Economists had expected claims to fall by 9,000 on the week. The previous week's level was revised slightly upward from 454,000 to 458,000. The four week moving average fell by 11,750 to 455,250 in the week ending July 10th. It reported that the number of continuing claims in the week ending July 3rd increased by 247,000 to 4,681,000 from the preceding week's revised level of 4,434,000. The unemployment rate for workers with unemployment insurance for the week ending July 3rd was 3.7%, up 0.2% from the prior week's revised rate of 3.5%.

The Labor Department said that declining food and energy costs pushed down US producer prices for the third consecutive month in June. The Producer Price Index for finished goods fell 0.5% on a seasonally adjusted basis last month. It followed an unrevised decline of 0.3% in May and 0.1% in April. Core prices increased by 0.1% last month.

The Federal Reserve reported that industrial production increased by 0.1% in June after increasing by 1.3% in May. It reported that year on year, industrial production increased by 8.2% in June. The Fed report showed the rate of capacity US industries operate held steady in June at 74.1%.

China's National Bureau of Statistics reported that China's economic growth slowed in the second quarter of 2010. China's GDP increased by 10.3% in the second quarter compared with the first quarter's 11.9% growth rate. The extent of the slowdown slightly exceeded market expectations, which had centered on a 10.5% increase in second quarter GDP. China's consumer price index increased by 2.9% in June, down from May's 3.1% increase while the producer price index increased by 6.4% in June, down from May's 7.1% increase.

China's National Bureau of Statistics also reported that China has revised its energy intensity reduction levels for the years between 2006 and 2009. China lowered energy intensity by 3.61%, 5.2%, 5.04% and 2.74% in 2009, 2008, 2007 and 2006, respectively, compared with levels reported previously of 2.2%, 4.6%, 3.66% and 1.79%. After the revision, energy intensity in 2009 was put at 1.077 metric tons of coal equivalent per CNY10,000 of GDP.

The National Oceanic and Atmospheric Administration said above normal temperatures are expected in most of the eastern and western US in August through October. It said there are equal chances of normal, above-normal or below normal temperatures along the West Coast and most of Alaska as well as the central Plains from Montana and North Dakota south through central Texas. Above normal temperatures are forecast to be centered around New England and other parts of the Northeast and West through the Great Lakes region, along with Florida and Arizona.

compared with a growth of 700,000 bpd projected for this year. OPEC also said oil product markets are likely to remain well supplied throughout the summer driving season. It expects global refinery utilization to increase in August following the completion of refinery maintenance and expected increase in demand.

**July
Calendar Averages**
CL- \$74.84
HO – \$1.9874
RB – \$2.0330

According to Oil Movements, OPEC’s oil exports, excluding Angola and Ecuador, are expected to increase by 20,000 bpd in the four weeks ending July 31st to 23.6 million bpd.

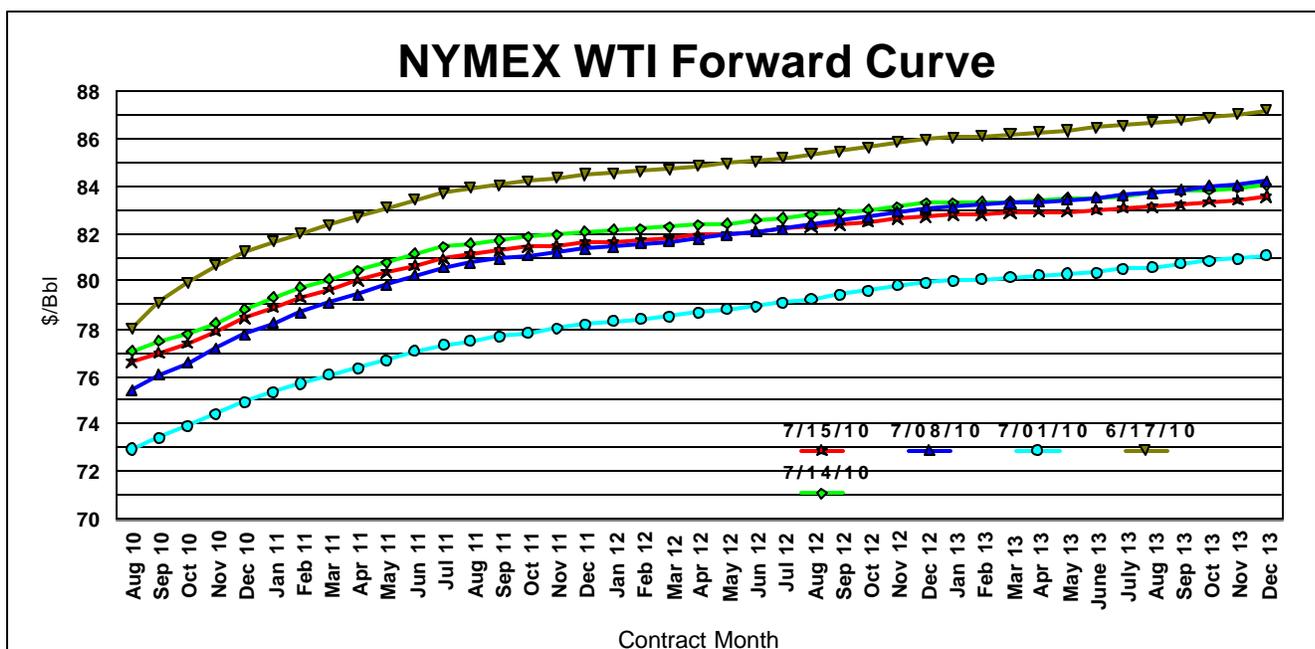
According to a report from the UN Environment Program, said investment in sustainable energy in 2009 fell 7% on the year to \$162 billion reflecting the impact of the recession on investment in Europe and North America. However investment in clean energy in China in 2009 increased by 53% on the year to \$33.7 billion, surpassing the US for the first time.

Russia’s President Dmitry Medvedev said Russia wants Iran to provide explanations over its nuclear program and fully cooperate with the international community. He warned Iran’s leadership that it does not live in space and said Iranian leaders were using the nuclear crisis for political ends.

BP Plc started a test on the integrity of the sealing cap placed on its leaking oil well in the Gulf of Mexico on Thursday afternoon. It said the test will last at least six hours and could last up to two days. This followed a delay in the start of the test after it detected a leak in a choke line earlier on Thursday. BP said oil flow in the Gulf of Mexico was halted as part of the integrity test. It said it is very encouraged that no oil is flowing out of the well into the Gulf.

BP Plc may reach an agreement soon to sell assets to Apache Corp for \$10 billion to \$11 billion, including half its stake in Alaska’s Prudhoe Bay field. The deal would accelerate BP’s plan to sell \$10 billion assets over 12 months to fund compensation payments for damages related to the Gulf of Mexico oil spill.

The Obama administration said that BP must pay royalties on oil and gas collected from the leaking Macondo well in the Gulf of Mexico and will be liable for royalties on lost or wasted oil if it is determined that negligence or regulatory violations contributed to the spill disaster.



Two US House panels approved bills that would overhaul the regulation of the US oil drilling. The House Natural Resources Committee voted to approve a bill that would replace the existing industry regulator, the Minerals Management Service, with three distinct regulatory agencies. The committee added language on the bill that would prohibit oil companies with subpar safety records from being awarded new licenses for exploratory drilling. Also, the House Energy and Committee approved a bill that would set in place detailed safety requirements for firms operating drilling operations in the future.

Refinery News

Citgo stated that repairs to a fluid catalytic cracking unit at its 167,000 bpd Lemont, Illinois refinery are expected to take about seven days. The catcracker along with several other processing units were shut during an electrical storm on July 6th.

India's Hindustan Petroleum Corp floated a spot tender seeking sweet crude for September loading.

Production News

Nexen Inc shut its Scott field in the North Sea due to a technical problem on the Forties Pipeline System. Production for the second quarter from Scott/Telford field averaged 18,000 bpd of oil equivalent.

Some North Sea Forties crude oil cargoes for August loading have been deferred by 1-3 days partly due to unstable production caused by maintenance. At least five cargoes have been deferred.

China's National Bureau of Statistics said the country's crude oil production in June increased by 7.4% on the year to 16.88 million tons or 4.12 million bpd. In the first half of the year, China's crude oil production increased by 5.3% on the year to 98.48 million tons. China produced 7.08 billion cubic meters of natural gas in June, up 5.8% on the year. It also reported that China raised refinery runs in June by 11% on the year to 35.3 million metric tons or 8.62 million bpd. China produced 13.34 million tons of diesel in June, up 10.9% on the year while it produced 6.48 million tons of gasoline, up 3.7% on the year. It reported that China's fuel oil production increased by 15% to 1.82 million tons. .

Brazil's Petrobras will start production at the Urugua field in Santos Basin this week. The Urugua-8 and Urugua-10 wells are expected to reach a production level of 25,000 bpd. The field is expected to reach its full production capacity of 35,000 bpd later this year.

Nigeria plans to export seven cargoes of Agbami crude oil for September loading, down one cargo on the month.

Kazakhstan's KazMunaiGas hopes newly implemented export duties on oil will continue indefinitely. Kazakhstan imposed export duties on crude exports of \$20/ton.

India's state run fuel retailers have decided to cut jet fuel prices by about 3.4% from Friday. In Mumbai, the jet fuel price will be cut by INR1,448/kl to INR41,361/kl.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.35 to \$73.93/barrel on Wednesday from \$72.58/barrel on Tuesday.

Market Commentary

Today's economic reports did not provide any supportive news, sending crude oil tumbling, with prices dipping as much as 2.2 percent. The Federal Reserve Bank of Philadelphia's general economic index declined as did the Federal Reserve Bank of New York's and separately manufacturing in New York

expanded at its slowest pace so far this year. Without the presence of continued economic growth and supplies situated the way they are, prices should remain range bound between \$70.00-\$80.00.

Crude oil Aug 10 126,485 -34,782 Sept 10 323,448 +36,390 Oct 10 73,213 -1,189 Totals 11,278,920 +2,592 Heating oil Aug 10 63,430 -2,329 Sept 10 60,934 +3,770 Oct 10 33,179 +477 Totals 316,157 +3,066 Gasoline Aug 10 58,161 -1,310 Sept 10 76,592 +3,809 Oct 10 30,100 +2,455 Totals 236,529 +7,138

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
		18965	20685	18890	21280
7560	7938	18480	21390	18750	21925
7427	8325	18365	21625	18420	24880
7293	8710	18055	21875	18260	27085