



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 16, 2010

The IEA's executive director Nobuo Tanaka said global oil demand could peak within the next 25 years if countries around the world actively pursue low carbon growth policies. He said global efforts to cut energy use and carbon dioxide are making headway and added that countries must make timely investments to ensure energy efficiency increases.

Market Watch

The US Labor Department said consumer prices posted its largest gains in eight months. It reported that core consumer prices increased by 0.2% in June on a seasonally adjusted basis. The overall consumer price index, which includes energy and food prices, fell by 0.1% in June due to lower energy prices. In May, consumer prices were down an unrevised 0.2%. On an annual basis, core prices remained at a 0.9% increase for the third consecutive month. It reported that energy prices in June fell by 2.9% on the month, with gasoline prices falling by 4.5%.

In a separate report, the Labor Department said real average weekly earnings fell by 0.2% in June. Over the past six months, average weekly earnings have increased by just 1.7%.

Kazakhstan will start taxing oil exports to \$20/metric tons or \$2.73/barrel in 30 days as it seeks to increase its share of the country's oil wealth. According to a resolution, Kazakhstan will not tax companies that operate under production sharing agreements and have an exemption clause.

BP Plc said the flow of oil out of the Macondo well remains temporarily halted as the well continues to undergo the test. It said pressure continues to rise showing the newly placed cap may have the ability to completely shut in the well. If the results of the test are ideal, the cap could be used to stop the flow while work resumes on efforts to plug it permanently. A successful test will enable BP to siphon all the oil from the well to ships on the surface in a controlled manner, eliminating leaks until the permanent fix is made. Meanwhile, President Barack Obama said it is "good news" that the new cap has stopped the flow of oil into the Gulf. He however warned that work to stop the leak was not over.

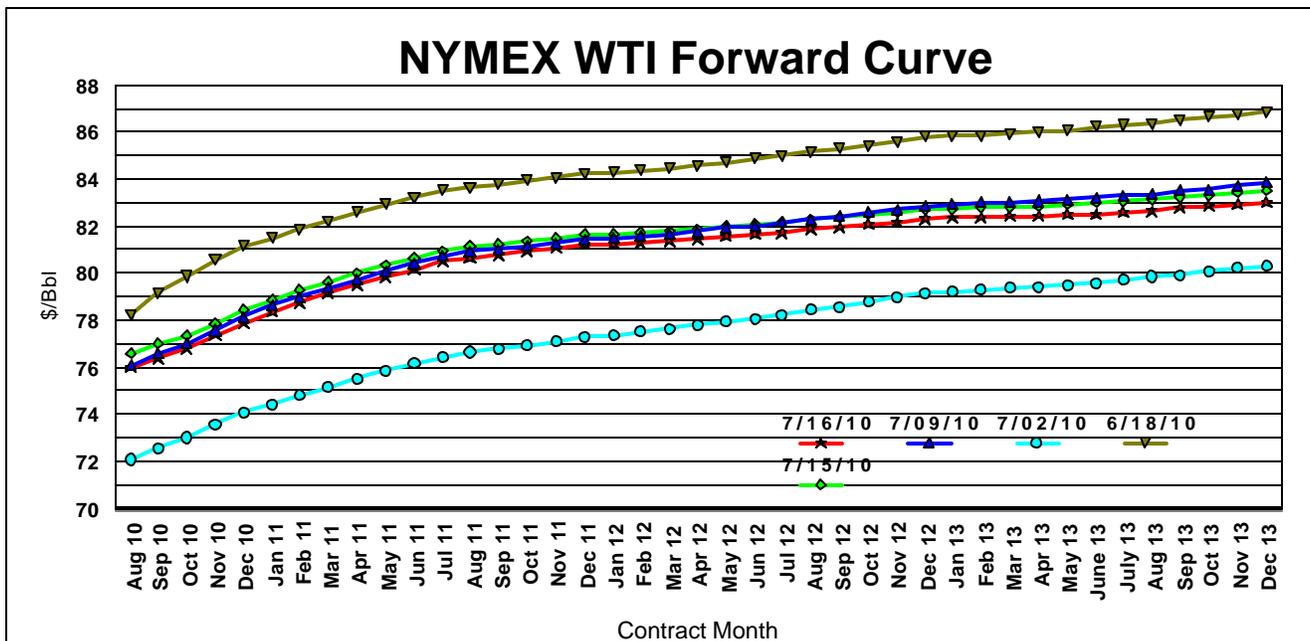
Refinery News

A fluid catalytic cracking unit at Citgo's 167,000 bpd Lemont, Illinois refinery restarted on Thursday following about nine days of unplanned maintenance due to electrical problems caused by a severe storm.

**July
Calendar Averages
CL- \$74.95
HO - \$1.9896
RB - \$2.0344**

Plant-wide turnaround maintenance will begin in early September at Astra Oil's 40,000 bpd refinery in Tacoma, Washington.

PetroPlus Holdings AG's 110,000 bpd BRC refinery in Antwerp, Belgium has



restarted this week after it was shut for maintenance in the second quarter.

Total SA plans to start work Monday on degasifying its idled Flanders refinery, an essential step in converting the site as planned or starting it up again. Total plans to shut down refining operations at the refinery permanently and convert the site to use it for other activities.

Indonesia is aiming to build a 300,000 bpd refinery on Java Island in a bid to increase its production and reduce its imports.

Brazil's sugarcane milling group Bioagencia said ethanol exports should fall to about 1.7 billion liters this year from the center-south region. This year, shipments from the center-south region will account for only 200,000 cubic meters to the US from about 1.2 million cubic meters of fuel last year.

Production News

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 4 to 1,571 this week. It reported that the number of rigs searching for oil fell by 12 rigs to 580 while the number of rigs searching for natural gas increased by 15 rigs to 979.

Maersk Oil said that Dansk Underground Consortium, DUC, oil and condensate production in June totaled 216,600 bpd. It is up from 214,300 bpd in May.

Angola plans to export 48 cargoes of oil for September loading. The total volume of September cargoes will be 1.52 million bpd, down from August's 1.83 million bpd. The September plan comprises seven Cabinda, six Dalia, five Girrasol, five Hungo, five Kissanje, two Kuito, three Mondo, eight Nemba, one Palanca, three Plutonio, two Saxi and one Xikomba cargoes.

Colombia's ANH said the country's oil output in June increased by 18.4% to an average of 783,000 bpd from 661,000 bpd a year earlier. Its average output for the first six months of the year stands at 767,000 bpd. Colombia's Ecopetrol SA reached an average production June of 701,000 bpd, up 13.6% on the year.

Brazil's OGX Petroleo e Gas Participacoes S/A finished drilling for its 1-OGX-12-SPS well in Santos Basin. However the oil is noncommercial.

OPEC's news agency reported that OPEC's basket of crudes fell by 67 cents to \$73.26/barrel on Thursday from \$73.93/barrel on Wednesday.

Market Commentary

Concerns of a slowing economic recovery pushed crude oil prices lower for the third straight day as the market responded to a preliminary consumer sentiment report indicating that the index declined from 76 to 66.5 in July. Expectations were calling for a decline to 74. Today's sell-off came despite a weaker dollar. Crude oil settled the week little changed, giving a sense of balance to this market. Prices should continue to take direction from the equities market with both remaining economically sensitive. The established range of \$70.00-\$80.00, which began back in May, should continue as prices wait for definitive direction. Coming into the start of next week, we would look for prices to work lower, testing the bottom of the \$70.00 level.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 8,430 contracts to 34,645 contracts in the week ending July 13th. The combined futures and options report showed that non-commercials increased their net long position by 22,421 contracts to 112,398 contracts on the week. The disaggregated futures and options report showed that producers/merchants increased their net short position by 10,993 contracts to 203,940 contracts on the week while swap dealers increased their net long position by 6,510 contracts to 97,619 contracts. The managed money funds saw a large increase in their net long position of 33,952 contracts to 84,455 contracts while other reportables cut their net long position by 11,532 contracts to 27,942 contracts on the week. The combined futures and options report showed that non-commercials in the heating oil market increased their net long position by 2,629 contracts to 14,643 contracts on the week while non-commercials in the RBOB market increased their net long position by 4,412 contracts to 41,766 contracts on the week.

Crude oil Aug 10 85,803 -40,682 Sept 10 338,845 +15,397 Oct 10 77,358 +4,145 Totals 1,257,571 -21,349 Heating oil Aug 10 59,074 -4,356 Sept 10 62,552 +1,618 Oct 10 32,045 -1,134 Totals 312,802 -3,355 Gasoline Aug 10 54,812 -3,349 Sept 10 80,114 +3,522 Oct 10 30,965 +865 Totals 239,852 +3,323.

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

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