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ENERGY MARKET REPORT FOR JULY 20, 2010

Saudi Prince Turki al-Faisal said Saudi Arabia fully plans to meet the increasing demand for oil driven by China and India. He said Saudi Arabia is pushing to diversify its own energy production and consumption away from oil in part to ensure it has enough to supply the world oil demand.

Market Watch

The US Commerce Department reported that housing starts fell by 5% to a seasonally adjusted annual rate of 549,000. Single family housing starts fell by 0.7% to an annual rate of 454,000. Permits for new construction however increased, signaling an increase in the future. It reported that June building permits increased by 2.1% to an annual rate of 586,000.

The National Hurricane Center reported that a low pressure system in the Atlantic Ocean has a 60% chance of becoming a tropical depression over the next 48 hours. Conditions for depression formation will become more favorable as the system, stretching from the northern Leeward Islands west to the eastern tip of Hispaniola, heads towards the west-northwest over the next day.

China's National Energy Administration said the IEA data showing that China surpassed the US as the world's largest energy consumer last year is not accurate. It said that according to its calculation, the US was still the world's largest energy user in 2009 although China was the largest primary energy producer. It said China consumed 3,066 million tons of coal equivalent or 2,146 million tons of oil equivalent last year compared with the IEA's estimate of 2,252 million tons of oil equivalent. The IEA however rejected the Chinese government's claims. The IEA's chief economist Fatih Birol said all relevant sources of statistics indicate that China has surpassed the US to become the world's largest energy consumer.

US Interior Secretary Ken Salazar said the newest moratorium on deepwater drilling may be modified. He said the moratorium could be adjusted based on zones of risk. Drilling is suspended at any wells using subsea blowout preventers or surface blowout preventers on a floating facility. The ban expires on November 30th.

BP Plc reported a slight increase in the pressure readings on a recently installed containment device. It said the pressure currently at 6,825 pounds per square inch has increased from 6,811 on Monday. It is still far less than engineers' original expectations of 8,000 to 9,000 psi. US authorities have expressed concern that moderately rising pressure may indicate lateral seepage from the well. US official have stated that if any damage is detected, they would order the company to restart the flow of the well. The well has been shut in since Thursday, when BP began testing a new containment cap.

According to a SpendingPulse Report by MasterCard Advisors LLC, US gasoline demand increased by 1.3% to 9.346 million bpd in the week ending July 16th. Weekly demand was up 1.6% or 145,000 bpd from a year earlier. In the latest four weeks, demand averaged 9.43 million bpd, up 0.5% or 44,000 bpd on the year. It also reported that the US average retail price of gasoline increased by 1 cent to \$2.68/gallon.

July Calendar Averages CL- \$75.26 HO - \$1.9944 RB - \$2.0397

Refinery News

ConocoPhillips reported that its 120,000 bpd Rodeo, California refinery experienced a flaring upset Tuesday morning.

A process unit at Shell’s 340,000 bpd Deer Park, Texas refinery was taken out of service Tuesday following a fire earlier in the day.

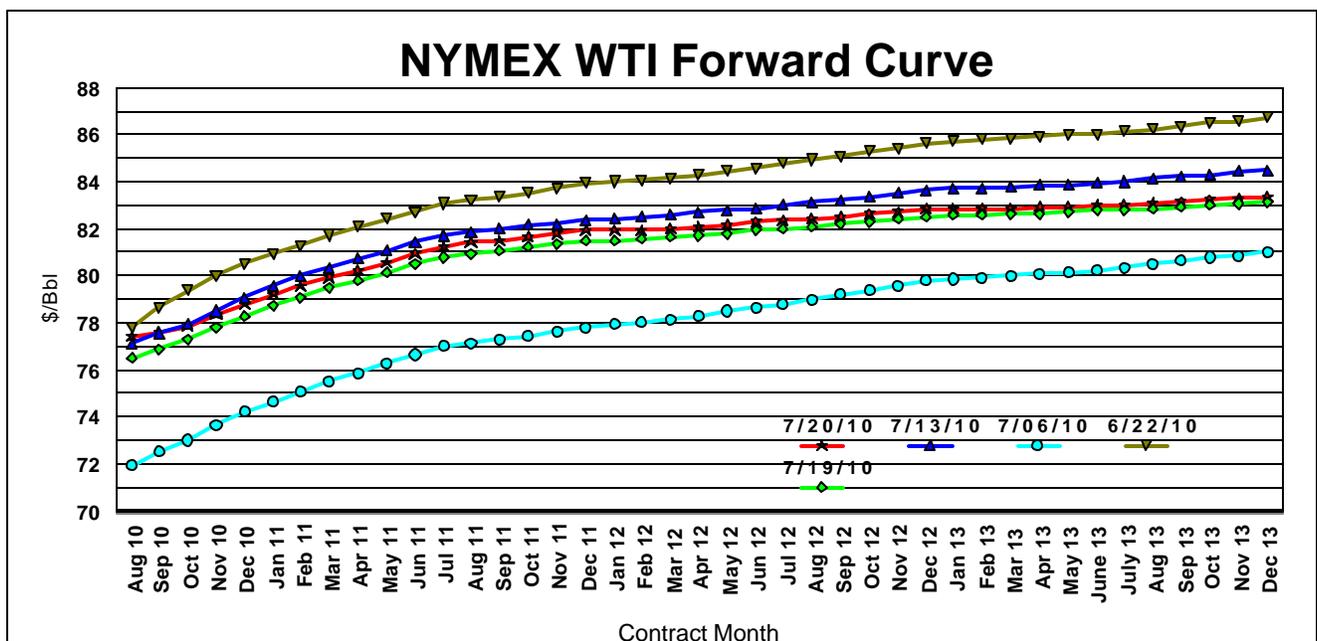
Japan’s Idemitsu Kosan Co said it failed to restart a 33,000 bpd residue fluid catalytic cracking unit at its Hokkaido refinery due to a technical problem. It also said it could not restart an 18,000 bpd reformer unit due to a fire.

China’s West Pacific Petrochemical Co may need to suspend production at its 200,800 bpd refinery if an oil berth at Dalian port is shut for more than seven days in order to clean up an oil spill following recent pipeline explosions. Wepec has already lowered daily crude runs after the oil berth was closed and exports of oil products have also been halted.

A 200,000 bpd refinery is expected to be built in Nigeria’s northern Zangara state. The state’s governor said the state government has earmarked 1.5 billion euros or \$1.94 billion for the refinery project and its ground breaking ceremony has been fixed for next month.

Production News

The Nigerian National Petroleum Corp reported that it is currently producing 2.2 million barrels of crude oil. It said crude oil production has rebounded with the amnesty and post amnesty policy of the federal government.



Brazil's OGX Petroleo e Gas Participacoes SA said an appraisal well in the Campos Basin's BM-C-41 block showed signs of oil. Pressure and seismic data suggest connectivity between the well, called Santa Helena, and the nearby Etna and Pipeline prospects.

Malaysia's Petronas Nasional Bhd and Japan Petroleum Exploration Co Ltd, known as Japex, are planning to award a deal to drill several wells at Iraq's untapped Garraf oilfield in southern Iraq. The consortium is planning to drill two appraisal wells this year starting in November. The field has an estimated proven oil reserve of 1 billion barrels.

OPEC's news agency reported that OPEC's basket of crudes increased by 5 cents to \$72.94/barrel on Monday from \$72.89/barrel on Friday.

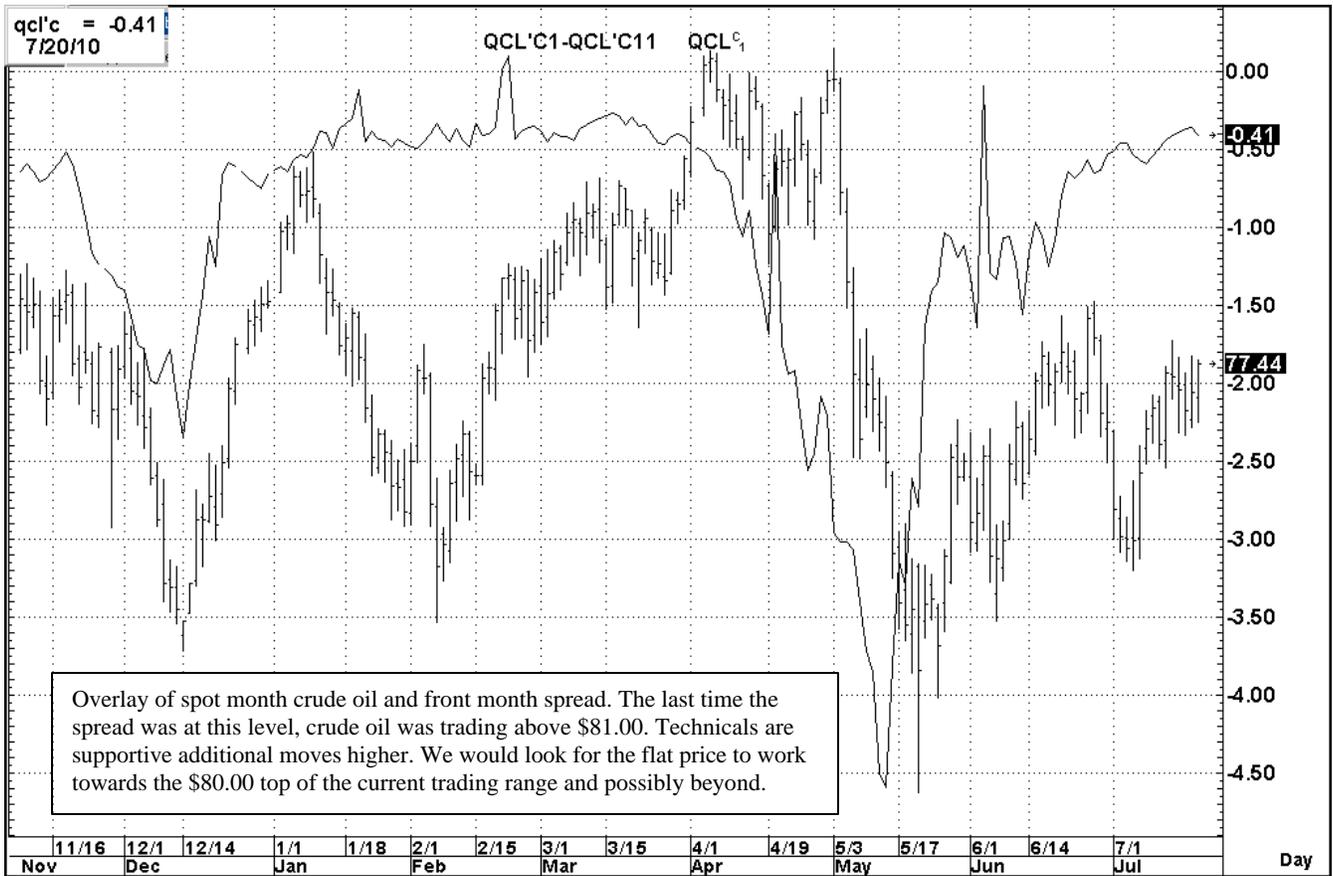
Market Commentary

Crude oil settled higher for the second straight day on what was the expiration of the August contract and after gaining support from reports that a weather system in the Caribbean has a 60 percent chance of becoming a tropical cyclone. Spreads narrowed as the front end of the curve gained against the deferred. The August/September narrowed to as much as -.30, the narrowest level since the middle of March. Back in March, when the front month spread was trading at -.27, the price of the spot contract was \$81.40, 4.7 percent higher than the current price of a barrel of crude oil. The 200-day moving average was set at \$77.63 for today's trading session, making this the first time that the spot month settled above this average since June 28th. Based upon the current strength in the front spread, coupled with supportive technicals, we would look for crude oil to work higher, attempting to breach the top of the trading range, which is set at \$80.00.

The API reported a smaller than expected draw in crude stocks of 241,000 barrels on the week. Crude stocks in Padd 1 alone fell by 1.052 million barrels on the week. It reported the draw in stocks as crude runs increased by 212,000 bpd to 15.138 million bpd. Crude imports however increased by 124,000 bpd to 9.049 million bpd. Distillate stocks built by 979,000 barrels on the week, with a build of 862,000 barrels in Padd 1. It reported a build in stock as distillate production increased by 334,000 bpd or 8.2% to 4.429 million bpd. The API however reported that apparent distillate demand increased by 15.3% on the week to 4.399 million bpd and apparent demand basis its three week moving average increased by 3.7% on the week to 4.33 million bpd. Gasoline stocks however fell by 412,000 barrels on the week, with a draw of 874,000 barrels in Padd 1. It reported the draw in stocks as production fell by 305,000 bpd or 3.2% on the week to 9.199 million bpd. Apparent demand increased slightly by 0.1% on the week to 9.332 million bpd while apparent demand basis its three week moving average fell by 1.3% to 9.393 million bpd.

Crude oil Sept 10 356,950 +6,365 Oct 10 82,159 +2,047 Nov 10 53,642 +1,470 Totals 1,222,642 – 24,336 Heating oil Aug 10 49,846 –7,024 Sept 10 63,869 +347 Oct 10 31,620 -479 Totals 305,971 – 6,886 Gasoline Aug 10 45,629 –3,345 Sept 10 87,143 +3,078 Oct 10 33,612 +907 Totals 244,981 +2,837

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	7840	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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