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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JULY 26, 2010

Enbridge Energy Partners reported today it was forced on Monday to shut part of its pipeline system carrying Canadian crude oil to the U.S. Midwest and southern Canada following a pipeline rupture near Marshall, Michigan on its Lakehead System's Line 6B, a 30 inch, 190,000 b/d line which carries light synthetic, heavy and medium crude from Griffith, Indiana to Sarnia, Ontario. The line is expected to be repaired and restarted by Wednesday.

Market Watch

The US Commerce Department said sales of new US single family homes rebounded sharply in June from the prior month's record low. It said sales increased 23.6% to a 330,000 unit annual rate from a downwardly revised 267,000 units in May. The number of new homes on the market fell 1.4% to 210,000 units, the lowest level since September 1968. The median price for a new home fell by 1.4% last month to \$213,400.

According to a Reuters survey, US crude oil is expected to average \$79.44/barrel on 2010 and \$84.70/barrel in 2011.

The Financial Crisis Inquiry Commission, a US panel investigating the causes of the financial crisis, may bring in outside accountants to audit Goldman Sach's systems for data on its derivatives business. The commission said it will not back down from demands for information Goldman Sach executives have maintained they do not track.

Qatar's Oil Minister Abdallah al Attiyah said it was difficult to predict what action OPEC would take at their next meeting in October as crude oil prices were continuing to fluctuate. OPEC members are due to meet in Vienna on October 14th.

Iran has delivered its response to the queries raised by the Vienna group over a nuclear fuel swap deal proposed by Brazil, Turkey and Iran. The Vienna group comprising the IAEA, Russia, France and the US raised several questions regarding the deal. Separately, the official IRNA news agency reported that the country is ready to return to negotiations on a nuclear fuel swap without conditions.

European Union foreign ministers on Monday adopted new sanctions targeting Iran's energy sector over the country's disputed nuclear program. The new EU sanctions include a ban on the sale of equipment, technology and services to Iran's energy sector, impacting activities in refining, liquefied natural gas, exploration and production. There is also a ban on new investments in the energy sector. The EU is also banning dual use goods that can be used for conventional weapons. It will also increase vigilance of the activities of Iranian connected banks operating in the EU and bar them from setting up branches.

The Iranian air force will conduct a week long drill using fighter planes and drones in exercises that will include bombing targets at night. The maneuvers are set to start Saturday in the western province of Hamadan.

The EIA reported that the US average retail price of diesel increased by 2 cents to \$2.919/gallon in the week ending July 26th. The price of diesel is up 39.1 cents or 15.5% on the year. The EIA also reported that the US average retail price of gasoline increased by 2.7 cents to \$2.749/gallon in the week ending July 26th.

July Calendar Averages CL- \$76.01 HO – \$2.0042 RB – \$2.0564

Refinery News

Credit Suisse reported that margins in the Northeast increased by 23 cents to \$7.70/barrel while margins in the Gulf Coast fell by 52 cents to \$8.27/barrel and margins in the Midwest fell by 28 cents to \$10.42/barrel. Margins in the Rockies region fell by \$1.23 to \$18.11/barrel while margins in the West Coast fell by 96 cents to \$15.95/barrel.

Sunoco Inc on Sunday shut the smaller of the two fluid catalytic cracking units at its Philadelphia refinery. The 40,000 bpd fluid catalytic cracking unit in the Point Breeze section of the 335,000 bpd Philadelphia refining complex is expected to be out of service for one week to repair a leak.

BP reported emissions of sulfur dioxide on Sunday at its 265,000 bpd Carson refinery in California.

According to a report filed with Texas state environmental regulators, a sulfur recovery unit at Pasadena Refining’s 100,000 bpd Pasadena, Texas refinery will continue to operate while repairs are made at an associated tower.

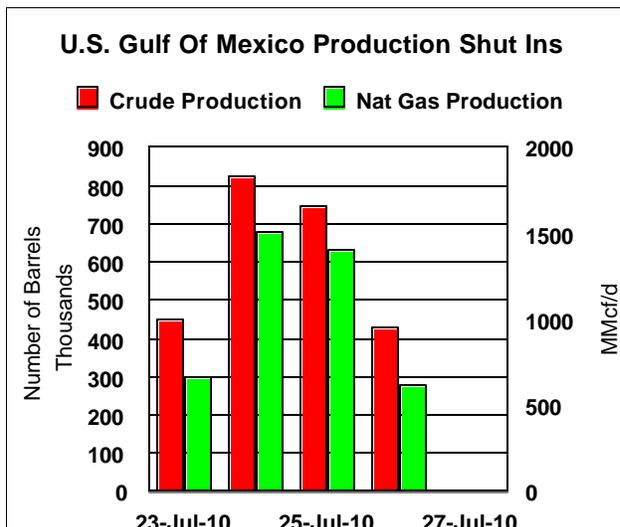
Delek US Holdings Inc agreed to meet with Royal Dutch Shell executives to restart negotiations over the sale of Shell’s Montreal East refinery.

Formosa Petrochemicals Corp shut its 540,000 bpd Taiwan refinery on Monday following a fire that started in its residue desulphurizing unit.

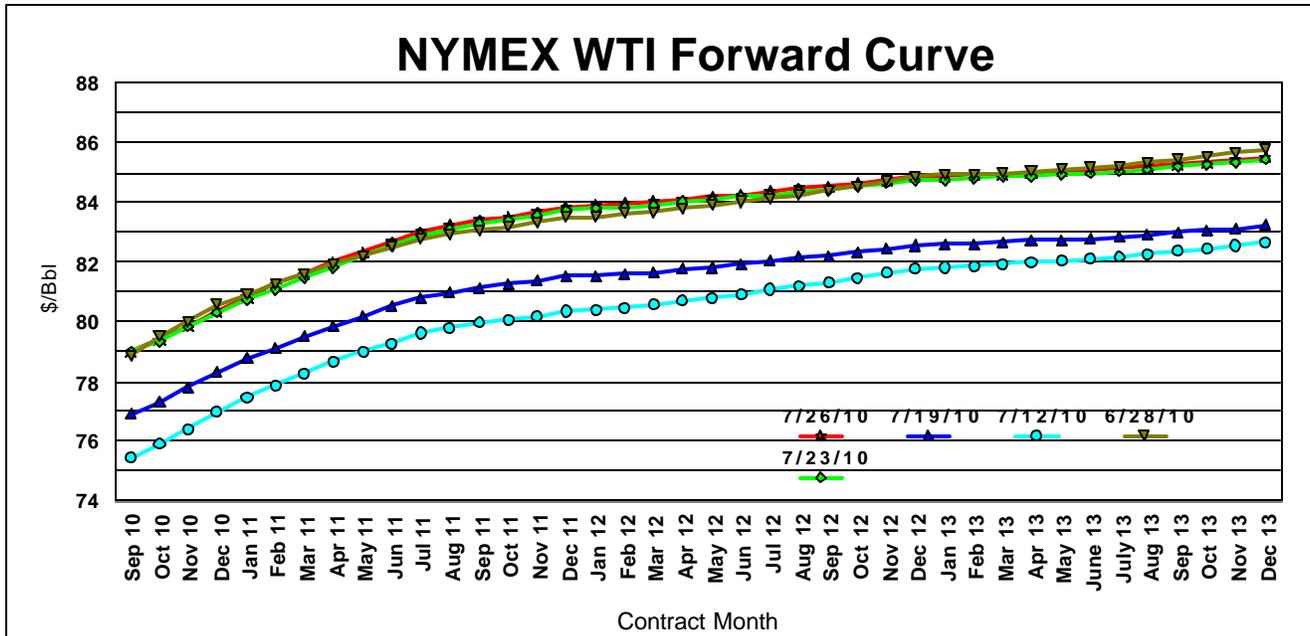
Japan’s Cosmo Oil plans to refine 10.2% less crude oil in August and September than in the same period last year amid a projection for a continued decline in domestic oil demand. It plans to process 3.995 million kiloliters or 412,000 bpd over the two months. It estimates its refinery utilization rate for August and September will average 74.2%, down 2.3% on the year.

Japan’s Ministry of Finance said the country’s imports of crude oil and condensate in June increased by 0.5% on the year to 15 million kiloliters or 3.2 million bpd. In the January through June period, Japan shipped 104,833 million kl of crude, unchanged on the year. Japan imported 5.63 million tons of liquefied natural gas last month, up 9% on the year.

According to a shipping document, only three cargoes of gasoline have reached Iran in July, less than the seasonal norm of 11-13 cargoes as new sanctions cause ships carrying fuel to be diverted. The three cargoes were supplied by Turkey’s Tupras and China’s Unipet. Another cargo is expected to arrive from Venezuela at the Iranian port of Bandar Abbas.



Separately, China's Zhuhai Zhenrong Corp has sold its first gasoline cargo to Iran in at least two years. It is shipping a 250,000 barrel cargo of gasoline. A vessel, which loaded the cargo from the UAE's port of Jebel Ali, is expected to discharge the gasoline cargo at Iran's Bandar Abbas port over the next few days.



Iran's Deputy Oil Minister Alireza Zeighami said Iran is investing \$46 billion in building new oil refineries and upgrading its existing facilities. He said more than half of the investment or \$26 billion is for building new refineries by the end of the existing development plan to 2014. Iran is investing \$2 billion in facilities specifically built to produce gasoline to counter sanctions imposed against the country. It proposes to invest nearly \$18 billion in maintaining and optimizing the production capacities of existing refineries.

Traders and ship brokers said about 2.4 million tons of fuel oil have been booked in July and early August to sail from Northwest Europe to Singapore.

Production News

According to the US Bureau of Ocean Energy Management, 26.77% of crude oil production in US regulated areas of the Gulf of Mexico was shut as of Monday due to Tropical Depression Bonnie. Energy companies have been able to restore nearly 20% of the oil production that remained shut on Sunday as oil companies began restoring production. As of Monday, 428,246 bpd of crude oil production and 617.8 million cubic feet/day of natural gas output was shut in. It said nearly 10% of natural gas production remains shut in, with over 12% of the production restored since Sunday.

Chevron Corp said production shut by the threat of Tropical Storm Bonnie in the Gulf of Mexico over the weekend had been restored by Sunday night. It continues to return workers to production platforms in the Gulf.

Shell Oil Co said it was restored production in the Gulf of Mexico after returning workers to offshore platforms and rigs on Saturday.

ExxonMobil Corp said its Gulf of Mexico facilities were operating normally on Sunday following the passage of Tropical Storm Bonnie. Evacuated workers were returning to offshore operations on Sunday.

Marathon Oil Corp was returning nonessential workers to offshore operations in the Gulf of Mexico on Sunday.

Anadarko Petroleum Corp was ramping up production on its Neptune platform in the Gulf of Mexico as pipelines resumed operations on Sunday. The Neptune platform was shut due to the threat of Tropical Storm Bonnie.

Venezuela's Oil Minister Rafael Ramirez said PDVSA is ready to quickly cut off the oil it supplies to the US should President Hugo Chavez give the order. Venezuela's President Hugo Chavez threatened to suspend the country's oil exports to the US if diplomatic clash with Colombia escalates into a military attack from the neighboring country. On Thursday, Venezuela severed all diplomatic ties with Colombia after the government of President Alvaro Uribe charged that Venezuela's President tolerated the presence of Colombian leftist guerrilla groups in Venezuelan territory. Venezuela's President said he canceled a trip to Cuba because intelligence reports showed that the possibility of a military attack from Colombia sponsored by Washington was higher than ever before.

Iraq's Oil Ministry reported that the country exported 1.823 million bpd of crude in June, down 4% from 1.9 million bpd exported in May. It exported 1.44 million bpd from its southern terminals in June, down from 1.46 million bpd in May while its exported 373,300 bpd from its northern Kirkuk fields in June, down from 430,000 bpd in May.

Iraqi officials said the country is hoping to increase its oil production by at least 150,000 bpd at the end of the year or beginning of next year. Production capacity currently at 2.4 million bpd should increase to 2.6 million bpd by the year's end if projects at three fields already producing deliver as promised. The southern fields of Rumaila, West Qurna Phase 1 and Zubair, which are currently pumping about 1.5 million bpd, are expected to add at least an extra 10% of crude oil by year's end.

The head of Libya's National Oil Corp, Shokri Ghanem said the country's oil reserves increased by 653 million barrels in 2009 and a further 612 million barrels in the first half of 2010. It recorded a success rate of 51% among the 65 newly drilled discovery wells in the country last year that yielded both oil and gas. Separately, Libya's National Oil Co kept its August official selling price for its Es Sider crude grade steady from July at a discount of 80 cents to Dated Brent.

The UAE's Abu Dhabi National Oil Co said it will reduce its Murban crude oil term supply to Asian customers by 20% in September. It also stated that it will reduce its Lower Zakum crude supply by 20% and its Umm Shaif and Upper Zakum crude by 10%.

Russia's seaborne oil exports in August are expected to fall by 3.7% on the month to 12.043 million tons. Crude supplies from the Black Sea port of Novorossiisk is expected to fall by 645,000 tons to 3.565 million tons while crude supplies from Primorsk are expected to fall by 500,000 tons to 5.5 million tons. Its crude shipments via Yuzhny are expected to total 480,000 tons, its crude shipments from Tuapse are expected to fall by 4,000 tons to 448,000 tons while shipments from Gdansk are expected to increase by 200,000 tons to 700,000 tons. Crude shipments via Kozmino are expected to total 1.35 million tons, unchanged on the month.

Kazakhstan aims to handle half of the Caspian Sea's commodity cargoes by 2013 after expanding its fleet of oil tankers with the help of private investors. The larger fleet will allow Kazakhstan to ship 57% more crude via the Caspian port of Aktau by 2014.

Ecuador's nonrenewable natural resources minister Wilson Pastor said that the process of renegotiating contracts with private sector companies in the petroleum sector will start Tuesday. The administration of President Rafael Correa wants to replace current production sharing deals with service contracts for private operators that would see oil companies receive a production fee, while the government would own 100% of the oil and gas produced.

OPEC's news agency reported that OPEC's basket of crude increased by 97 cents to \$74.44/barrel on Friday from \$73.47/barrel on Thursday. It also reported that its OPEC basket price increased by 50 cents to \$73.43/barrel in the week ending July 23rd.

Market Commentary

The price of crude oil seesawed between the range of \$78.00 and \$79.00 throughout most of the session as it responded to a better than forecasted new home sales and the dissipation of Tropical Storm Bonnie. A weak dollar boosted the appeal of commodities as an investment hedge, leaving hedge funds net long this market. The front month crude oil spread continues to trade around -.43, a long-standing gravitational area on a continuation chart for this spread. This spread peaked last week at -.13, its highest level since February of this year. The September crude oil contract settled unchanged, above the 200-day moving average, which was set at \$77.75, basis a spot continuation chart. We would look for continued strength in this market based upon technical strength and the comfort of investors in placing their bets in commodities.

Crude oil Sept 10 364,806 -6,490 Oct 10 90,038 +1,572 Nov 10 63,288 +1,167 Totals 1,238,659 +176 Heating oil Aug 10 32,229 -3,415 Sept 10 71,595 +236 Oct 10 32,580 -712 Totals 298,985 -3,697 Gasoline Aug 10 34,370 -4,574 Sept 10 95,233 +3,654 Oct 10 35,429 +976 Totals 251,374 +501

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7775		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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