



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JULY 27, 2010

Iran vowed to proceed with its nuclear program even as it expressed readiness to resume talks despite the new EU sanctions. Iran's President Mahmoud Ahmadinejad said Iran will resume talks with the West in September. However he said Iran would only resume talks on certain conditions. He said talks could resume if further countries are involved. Meanwhile, Iran's Foreign Ministry said it regrets and condemns a new set of European Union sanctions aimed pressuring Iran to resume talks on its nuclear program. An official said the sanctions will not help in resuming talks and will not affect Iran's

Market Watch

The Conference Board reported that US consumer confidence fell again in July. It said its index of consumer confidence fell to 50.4 this month from a revised 54.3 in June. The July reading is the lowest since 46.4 reached in February and was slightly less than the 50.8 expected by economists. The present situation index fell to 26.1 in July from a revised 26.8 in June, previously reported as 25.5. Consumer expectations for economic activity over the next six months fell to 66.6 from a revised 72.7 that was originally reported at 71.2. On the job front, only 4.3% of respondents thought jobs were plentiful, unchanged from June but 45.8% viewed jobs as hard to get this month, up from 43.5% last month. The percentage of consumers expecting more jobs in the months ahead fell to 14.3% from 16.2%.

State Street said confidence among institutional investors increased in July due to improved sentiment on European debt. Its global investor confidence index increased to 96 from an upwardly revised reading of 91.2 in June. The North American index gained 5.4 points to 99.9 from June's revised reading of 94.5. European investors' confidence increased to 100 from 97.6 while confidence in Asia increased to 104.5 from 102.4.

Standard & Poor's/Case Shiller home prices indexes showed US single family home prices increased more than expected in May. The 20-city composite price index increased 0.5% on a seasonally adjusted basis in May after an upwardly revised 0.6% gain in April. On an unadjusted basis, prices increased by 1.3% in May following April's 0.9% gain, which was revised up from a 0.8% rise. Meanwhile, economist Robert Shiller said the state of the US economy is worrisome and there is a high possibility of a double dip recession. He however said he is unclear where home prices are headed.

The German government hopes to save 1 billion euros next year and 1.5 billion euros in 2012 by reducing tax breaks for large corporate energy consumers.

China's central bank said that economic growth would slow but that there would be no double dip. It also stated that Europe's debt crisis would not have a large impact on China's economy.

According to the US Environmental Protection Agency, biodiesel made from canola would emit 50% less greenhouse gas than petroleum diesel fuel, making it eligible for the US mandate to increase renewable fuel production. US plants have annual capacity to produce 200 million gallons or 909 million liters of biodiesel from canola oil.

API Stocks

Crude – up 3.084 million barrels
Distillate – up 407,000 barrels
Gasoline – up 877,000 barrels
Refinery runs – down 1.3% at 87.4%

determination to defend its legitimate right to pursue a peaceful nuclear program. Separately, Russia’s Foreign Ministry said unilateral European Union sanctions imposed against Iran’s energy sector are unacceptable. It said the EU sanctions showed “disregard for the carefully regulated and coordinated provisions of the UN Security Council.”

A Russian official said the construction of Iran’s first nuclear power plant in the southern city of Bushehr is on schedule and added that preparatory work should be completed by the end of August.

Goldman Sachs said futures prices are significantly below the level warranted by fundamentals, offering buying opportunities for this year and next. It said that the balance between supply and demand will continue to tighten in the second half of the year as global economic growth increases demand, retuning inventories to more normal levels.

Incoming BP Plc chief executive Bob Dudley said the company may be able to permanently shut in its well in the Gulf of Mexico on Sunday. He said he is optimistic that there will be no more oil leaking from the well. BP’s former chief executive Tony Hayward said he is confident that the leaking Macondo well in the Gulf of Mexico has been permanently sealed by the cap installed on the well on July 16th. He also stated that BP’s plan to sell \$30 billion in assets to help fund its oil spill liabilities could cut the company’s oil and gas output to about 3.5 million bpd of oil equivalent from just under 4 million bpd of oil equivalent.

The US Coast Guard dispatched emergency teams Tuesday after a boat crashed into an oil well off the coast of New Orleans. The wellhead was ruptured when it was struck by a dredge barge being pulled by a tug.

According to a SpendingPulse report by MasterCard Advisors LLC, US gasoline demand increased by 161,000 bpd or 1.7% to 9.507 million bpd. Demand in the latest week was 4.6% or 420,000 bpd above the previous year’s level. In the latest four weeks, demand averaged 9.432 million bpd, up 197,400 bpd or 2.1% on the year. It reported that the US average retail price of gasoline increased by 1 cent on the week to \$2.69/gallon. It is up 9.8% on the year.

White House spokesman Robert Gibbs said he would not rule out a broader US energy bill emerging in eventual negotiations between the Senate and House of Representatives.

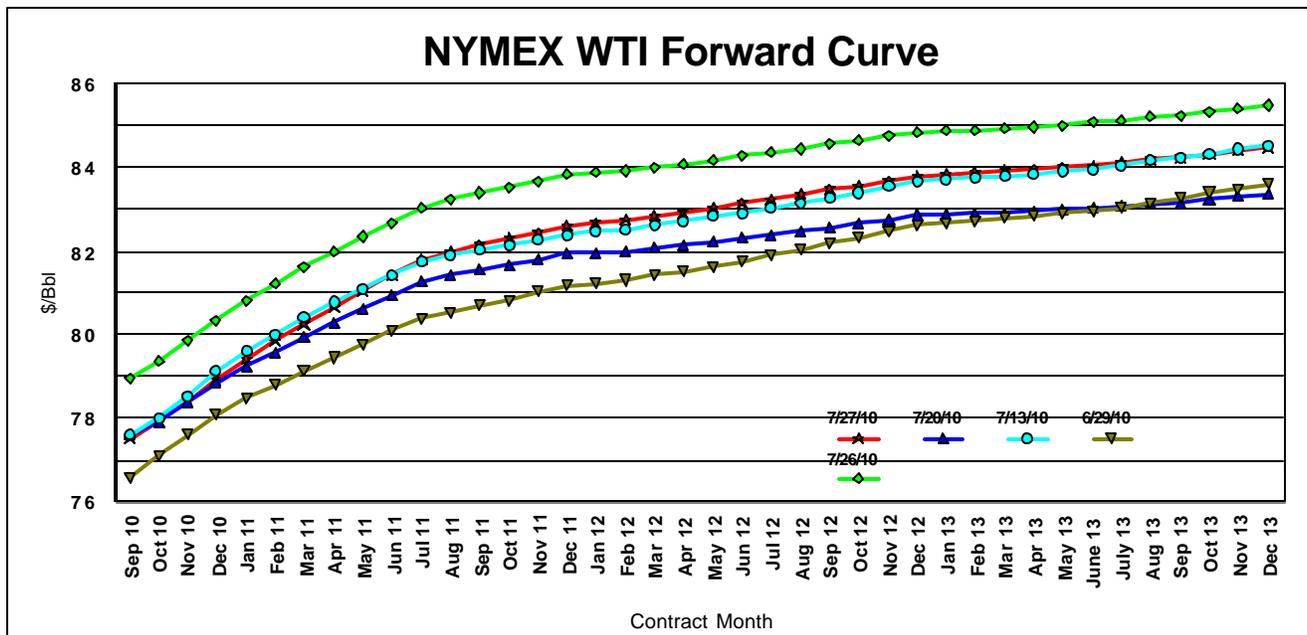
Refinery News

The US Coast Guard closed the Mississippi River, just north of Memphis, Tennessee due to a hazardous material spill late Monday. The closure is not expected to impact crude movement up the river, unless the closure is prolonged. Valero Energy, which operates a 195,000 bpd refinery in Memphis said there was no impact to the refinery’s operations.

Valero Energy Corp estimates its third quarter refinery runs at between 2.355 million bpd and 2.435 million bpd, about 12.5% and 13.1% below their combined capacity of 2.78 million bpd. Its Northeast refinery runs are estimated at 370,000-380,000 bpd while West Coast refinery runs are estimated at 250,000 to 260,000 bpd. It plans no new major refinery overhauls in the third and fourth quarters of 2010. Valero has been repairing coking units at its 170,000 bpd Benicia, California since late June and is expected to resume full production in late August. The refinery is expected to undergo a major overhaul in the first quarter of 2011. The company is also plans to overhaul its 90,000 bpd Ardmore, Oklahoma refinery in the first quarter. Valero also stated that it is performing a refinery overhaul at its 235,000 bpd

**July
Calendar Averages
CL- \$76.10
HO – \$2.0040
RB – \$2.0568**

Aruba refinery ahead of a possible restart in September. Valero said its Aruba refinery may resume



operations in September if it is profitable to do so. It also stated that it is still looking for a partner for its Aruba refinery. Separately, Valero stated that it expects to complete a hydrocracking unit at its 310,000 bpd Port Arthur, Texas refinery in late 2012. It also expects to complete a hydrocracker at its 250,000 bpd St. Charles refinery in Norco, Louisiana in late 2013.

Lion Oil restarted a recovery unit at its 75,000 bpd El Dorado, Arkansas refinery following a power outage.

Tesoro Corp warned of planned flaring at its 100,000 bpd Los Angeles refinery between July 29th and August 2nd.

Enbridge Inc said it has no estimate yet for repairs on a ruptured oil pipeline in Michigan. It said it is redirecting oil volumes onto other pipelines.

Husky Energy Inc said its 160,000 bpd Lima, Ohio refinery was unaffected by the Enbridge Michigan pipeline break.

Shell said its 75,000 bpd Sarnia, Ontario refinery was not impacted by the Enbridge Michigan line break. It said it is monitoring its supply situation following the shutdown of the pipeline.

Suncor Energy Inc said its Sarnia refinery was unaffected by Enbridge's pipeline break.

The flexicoker unit at Venezuela's 645,000 bpd Amuay refinery began restarting on Tuesday after more than three months of maintenance.

India's Essar Oil Ltd expects to more than double the sale of petroleum products at its fuel retail outlets if the Indian government frees diesel prices from state control. Average sales of petroleum products at Essar's retail outlets will increase to 100 kiloliters a month from 40 kiloliters currently if the government deregulates diesel prices.

Production News

According to the US Bureau of Ocean Energy Management, an estimated 15.17% of oil production in the Gulf of Mexico or 242,758 bpd was shut in as of Tuesday. It is anticipated that the shut in oil production will be online by Wednesday. It said 6.52% or 417 mmcf/d of natural gas production in the Gulf remains shut in.

Greece's Prime Minister George Papandreou said the country is committed to plans to build a trans-Balkan oil pipeline to transport Russian crude but agreed the future of the project will depend on its pending environmental assessment. Bulgaria has indicated it wants to abandon the project due to environmental risks and lack of enough economic benefits for the European Union's poorest member. The pipeline is expected to carry up to 50 million tons of crude a year from the Bulgarian Black Sea port of Burgas to the Greek port of Alexandroupolis and bypass the Bosphorus Strait.

DNO International ASA reported a working interest production of 23,478 bpd in June. It said the strong increase in June was related to short term sales of crude to its local market in Kurdistan.

ENI SpA signed a deal with Egypt to allow Egypt's national companies EGPC and EGAS to participate in ENI's upstream activities outside Egypt including development of oilfields and Iraq and Gabon.

OPEC's news agency reported that OPEC's basket of crudes fell by 22 cents to \$74.22/barrel on Monday from \$74.44/barrel on Friday.

Occidental Petroleum Corp posted a smaller than expected profit gain as output fell short of its forecast. Occidental's average crude price increased by 36% as a recovering global economy lifted demand for oil and natural gas. Production, which increased by 3.6% to the equivalent of 743,000 bpd of oil was short of a forecast for more than 750,000 bpd.

Market Commentary

Crude oil experienced its largest sell-off in three weeks as it responded to a report by the Conference Board, which indicated that consumer confidence fell to its lowest level in five months. This sign of economic insecurity is thought to have a negative impact on demand at a time when supplies are overflowing. Despite today's sharp sell-off, volume was light as can be seen from the fall from \$77.68 to \$76.88, indicating a lack of market depth. Within this span of one minute, the September contract traded a total of 6,280 contracts. This light volume may be attributed to market participants away on vacation and a lack of interest to establish new positions. Last week, prices broke above the 200-day moving average only to trade below it today. This average, which currently stands at \$77.75, now represents resistance. Prices need to work above and maintain strength above this level, striving to settle above the 38.2 percent retracement level of \$78.40. Should this market fail to establish itself above these two numbers, a dip back to \$70.00 should occur.

The API reported that crude stocks built by 3.084 million barrels on the week, with a build of 4.938 million barrels in Padd 3. It reported the build in crude stocks as crude runs fell by 110,000 bpd to 15.028 million bpd while imports increased by 1.67 million bpd to 10.719 million bpd on the week. The API reported a smaller than expected build in distillate stocks of 407,000 barrels on the week. It reported a build of 521,000 barrels in Padd 1 alone. It showed the small build as apparent distillate demand increased by 0.5% on the week to 4.422 million bpd. Apparent demand basis its three week moving average however fell by 2.7% on the week to 4.212 million bpd. It also showed that distillate imports increased by 132,000 bpd or 120% to 242,000 bpd while production fell by 191,000 bpd or 4.3% to 4.23 million bpd. Gasoline stocks built by 877,000 bpd on the week as production increased by 230,000 bpd or 2.5% on the week to 9.429 million bpd while imports increased by 71,000 bpd or 96% to 145,000 bpd. Apparent gasoline demand increased by 1.3% to 9.449 million bpd while apparent demand basis its three week moving average fell by 0.3% to 9.368 million bpd.

Crude oil Sept 10 360,939 -3,867 Oct 10 91,502 +1,464 Nov 10 64,586 +1,298 Totals 1,239,209 +550 Heating oil Aug 10 28,764 -3,465 Sept 10 73,684 +2,089 Oct 10 32,846 +266 Totals 299,135 +150 Gasoline Aug 10 29,403 -4,967 Sept 10 98,297 +3,064 Oct 10 36,594 +1,165 Totals 253,355 +1,981.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	7775	18965	20685	18890	21280
7569	7970	18480	21390	18750	21925
7427	8325	18365	21625	18420	24880
7293	8710	18055	21875	18260	27085

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.