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ENERGY MARKET REPORT FOR JULY 28, 2011

The National Hurricane Center extended the watch area for tropical storm Don southward to the mouth of the Rio Grande in Texas. It lowered its forecast for the intensity of the storm but warned that it is difficult to predict. The storm, which has prompted the evacuation of non-essential personnel

from several oil and gas platforms in the Gulf of Mexico, is currently located 430 miles east-southeast of Brownsville, Texas and is moving northwest at 14 mph with maximum sustained winds of up to 45 mph. It is expected to reach the coastline late Friday or early Saturday. The storm does not expect the storm to reach hurricane strength.

The Bureau of Ocean Energy Management, Regulation and Enforcement said about 6.8% of oil production and 2.8% of natural gas production in the US Gulf of Mexico was shut in on Thursday due to Tropical Storm Don. Production of about 94,962 bpd of oil and 148 million cubic feet of gas were curtailed. Personnel from a total of 11 operating platforms, equivalent of 1.6% of all manned platforms were evacuated. Chevron Corp, Apache Corp and BHP Billiton Ltd each said they started to evacuate workers though none of the producers have curtailed production. Apache Corp said it was evacuating 306 non-essential personnel from oil and gas platforms in the Gulf of Mexico. ExxonMobil Corp said it shut in some Gulf of Mexico oil and gas production and was evacuating support personnel from operations in the basin due to the tropical storm. Gross production of 8,000 bpd of oil and 50 mmcf/d of natural gas was shut in. Royal Dutch Shell Plc said its 100,000 bpd oil equivalent Perdido oil and gas platform in the Gulf of Mexico has been shut in ahead of Tropical Storm Don. It is expected to evacuate 196 people by the end of the day. Anadarko Petroleum Corp said it is shutting down production in six of its operated production platforms in the Gulf of Mexico. It is evacuating about 185 employees and contractors from the Nansen, Boomvang, Gunnison, Red

Market Watch

The US Labor Department said initial claims for unemployment benefits fell more than expected by 24,000 to a seasonally adjusted 398,000 in the week ending July 23rd. The prior week's level was revised up to 422,000 from the previously reported 418,000. It reported that the four week moving average of new claims fell by 8,500 to 413,750. The number of continuing unemployment claims fell by 17,000 to 3.7 million in the week ending July 16th.

The National Association of Realtors' seasonally adjusted index for pending sales of existing homes increased by 2.4% to 90.9 in June following a reading of 88.8 in May. The pending sales index was 19.8% above its level in June 2010.

The president of the Federal Reserve Bank of Richmond Jeffrey Lacker said the Federal Reserve's last round of monetary easing increased inflation but failed to support the economy, suggesting that more stimulus would do more harm than good. He said factors keeping the economy soft in recent months were likely to abate giving way to more rapid growth as the year progresses.

The Federal Reserve Bank of Kansas City's manufacturing index in July stood at 2, down from 22.

**July
Calendar Averages**
CL – \$97.43
HO – \$3.0764
RB – \$3.0984

Hawk, Constitution and Marco Polo platforms. It did not specify how much production was being shut in but the facilities have a combined production capacity of 310,000 bpd and 1.2 billion cubic feet/day of natural gas. BP Plc said it is evacuating all personnel from its Atlantis, Holstein and Mad Dog offshore oil platforms in the southern Green Canyon area of the US Gulf of Mexico as a precaution. It is shutting in production at Atlantis, which produces 90,000 bpd of oil and 60 mmcf/d of natural gas.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to increase by 120,000 bpd to 22.93 million bpd in the four weeks ending August 13th. The oil exports are however down 590,000 bpd from the same period last year.

The EIA reported that May's oil demand was revised down 2.34% or 440,000 bpd to 18.363 million bpd from its previous estimate. US gasoline demand averaged 8.784 million bpd, down 3.6% or 328,000 bpd from its previous estimate.

The US EPA issued a draft rules to cut emissions of harmful gases emitted from the production of oil and natural gas. The rules aim to cut emissions of volatile organic compounds by about 25% across the oil and gas industry and by 95% from natural gas wells drilled using hydraulic fracturing or fracking.

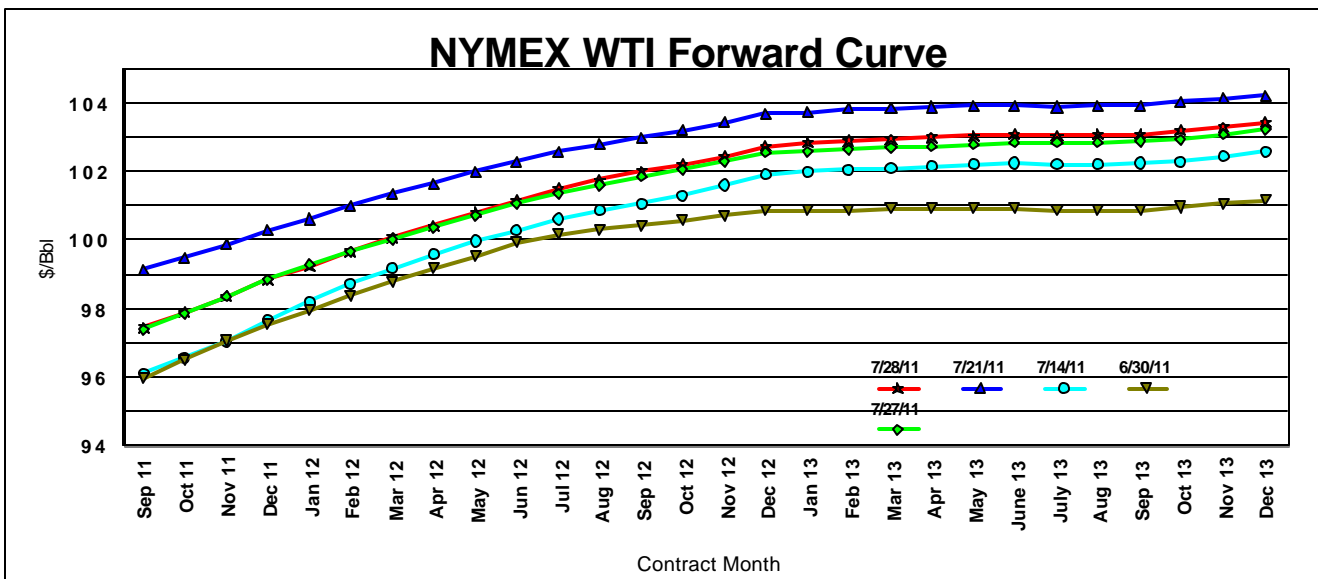
A tanker carrying Libyan crude oil has docked at the port of Sarroch in Sardinia. The oil is likely destined for Saras SpA's Sarroch refinery.

A defiant Muammar Gaddafi said he is ready to sacrifice to defeat rebels after they warned that the deadline has expired for the leader to step down and remain in the country. He also called on his partisans to march on the rebel held Nafusa mountainous region, which is being used by rebels as a springboard for their advance on the Libyan capital to overthrow Gaddafi's regime.

The MV Jubba XX was released by pirates on Wednesday. The oil tanker and its 17 crew members were seized on July 16 while carrying 3,500 metric tons of oil products from Umm Al Quwain port in the Gulf Arab state.

Refinery News

ExxonMobil Corp was preparing for storm conditions at its 560,640 bpd refinery in Baytown, Texas as



Tropical Storm Don moves towards the Texas coastline.

Houston Refining reported an upset at its fluid catalytic cracking unit at its 280,700 bpd Houston, Texas refinery on Thursday.

Lukoil's Bulgarian refinery will shut down completely on Friday. Bulgaria revoked the tax fuel depot licenses of the 42,000 bpd Neftochim refinery over its failure to install proper product metering and link it to the customs authorities in line with regulations, effectively blocking its operations and sales. The refinery has yet to decide whether to appeal the revocation of its licenses or to apply for new ones. It said restarting production would take at least one and a half months following the shutdown.

Colombia's Cartagena refinery expansion to double capacity to 165,000 bpd should be operational by the third quarter of 2013 along with 3,000 tons daily of petroleum coke.

JX Nippon Oil & Energy Corp plans to restart commercial operations at its 145,000 bpd Sendai refinery by the end of March 2012, earlier than an original plan for summer 2012.

India's Mangalore Refinery and Petrochemicals Ltd could get two cargoes of Iranian crude delayed from July in August. MRPL usually purchases about 150,000 bpd of oil from Iran in six to seven cargoes each month for its 236,400 bpd refinery in southern India. While other Indian refiners have purchased additional supplies for Saudi Aramco to hedge against supply disruptions from Iran in August, MRPL still hopes to get Iranian supplies next month.

China's National Development and Reform Commission approved Sinopec Corp's plan to build a 400,000 bpd refining complex in Saudi Arabia. The Yanbu refiner is expected to begin operations in 2014.

Separately, China Sinochem Corp's 240,000 bpd Quanzhou refinery won approval from China's Ministry of Environmental Protection, paving the way for the company to proceed with the venture. The plant, which Sinochem aims to start operating by the end of 2013, would be one of the major Greenfield refineries China wants to add in the 2011-2015 period. China will likely add about 3 million bpd or 30% of new refining capacity in the next five years.

Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending July 28th fell by 1.47% on the week and by 25.75% on the year to 672,000 tons. Gas oil stocks fell by 5.22% on the week but fell by 1.64% on the year to 2.399 million tons while fuel oil stocks increased by 25.38% on the week and by 41.4% on the year to 830,000 tons. Naphtha stocks fell by 42.86% on the week but increased by 22.22% on the year to 44,000 tons.

Japan's Ministry of Finance said the country's crude oil imports in the first half of the year fell 1% on the year despite rising fuel demand to compensate for idle nuclear power capacity.

Indonesia's PT Pertamina will increase imports of low-octane gasoline and gasoil for July and August in anticipation of higher demand during Ramadan in late August. Pertamina will increase imports of 88 RON gasoline to 8.4 million barrels both in July and August from its usual level of 5.5 million and 6.5 million barrels. It will also increase gasoil imports to 4.4 million barrels from its usual level of 2.5 million barrels.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 195,000 barrels to 19.884 million barrels in the week ending July 27th. It also reported that the country's light distillate stocks increased by 1.116 million barrels to 10.544 million barrels while its middle distillate stocks fell by 1.086 million barrels to 14.528 million barrels on the week.

Glencore and Singapore's oil company Hin Leong have purchased almost 7 million barrels of gas oil in the spot market since the beginning of July. Glencore bought at least 3.5 million barrels of 0.5% sulfur gas oil while Hin Leong bought about 3 million barrels.

Production News

Production at the BP Plc operated Valhall oil platform, with a capacity of 42,000 bpd, in the Norwegian sector of the North Sea is unlikely to resume before mid-August as the company needs to complete a review into a fire at the facility. It said the platform suffered little damage from the fire on July 13th.

According to a Reuters survey, OPEC's oil production is expected to increase to an average of 30.07 million bpd this month, up from 29.81 million bpd in June. It reported that Saudi Arabia increased its supplies, including both exports and use in domestic power plants by a further 170,000 bpd this month.

The UAE's Abu Dhabi National Oil Co said it will reduce its Murban crude oil term supply to Asian customers by 5% in September. It will ship 5% less than the contracted volume of all its other crude grades namely Lower Zakum, Umm Shaif and Upper Zakum.

ExxonMobil said it is shipping crude from the Bakken shale formation in North Dakota by rail and pursuing oil from US shale prospects and Canadian oil sands to feed its Midwest refineries. Meanwhile, ExxonMobil Corp said higher oil prices contributed to a 41% increase in its second quarter profit. It reported a profit of \$10.68 billion, up from \$7.56 billion a year ago. Separately, ExxonMobil said it is working with China's national oil company on unconventional oil and gas technology. It also stated that Iraqi production reached 340,000 bpd.

Suncor Energy Inc reported slightly stronger second quarter earnings due to higher crude oil prices and strong refining margins, offset partly by lower upstream production volumes. It reported lower production levels due to the sale of non-core assets and planned maintenance. It said its upstream production averaged 460,000 bpd of oil equivalent, down from 633,900 bpd a year earlier. Its production estimate for the year remains unchanged at 520,000-570,000 bpd of oil equivalent. Its oil sands production fell in the latest quarter to an average of 243,400 bpd from 295,500 bpd a year earlier due to planned maintenance.

Royal Dutch Shell Plc posted a 56% increase in adjusted profit for the second quarter due to higher oil prices and the contributions from its recently delivered projects in Canada and Qatar. It reported that total oil and gas production was 3.04 million bpd of oil equivalent, down 2.1% on the year due to seasonally weak natural gas demand. Meanwhile, Shell's chief executive Peter Voser said the US debt crisis and the euro crisis are having a macro impact on the company's business rather than an immediate short term one. He however said that the continued market uncertainty would hurt economic growth and could affect demand for fuel products. He said Shell would continue with its production investment plans even if the crisis leads to a contraction in the world economy and global demand suffers as a result. He also stated that oil prices are remaining strong because the market believes OPEC spare capacity is eroding fast and has likely fallen below 2 million bpd. In regards to Nigeria, Shell's chief executive said the security situation in Nigeria has improved, helping it to increase its output in the country. Shell produced about 290,000 bpd onshore in Nigeria in the second quarter, similar to the first quarter and up 60,000 bpd from a year ago.

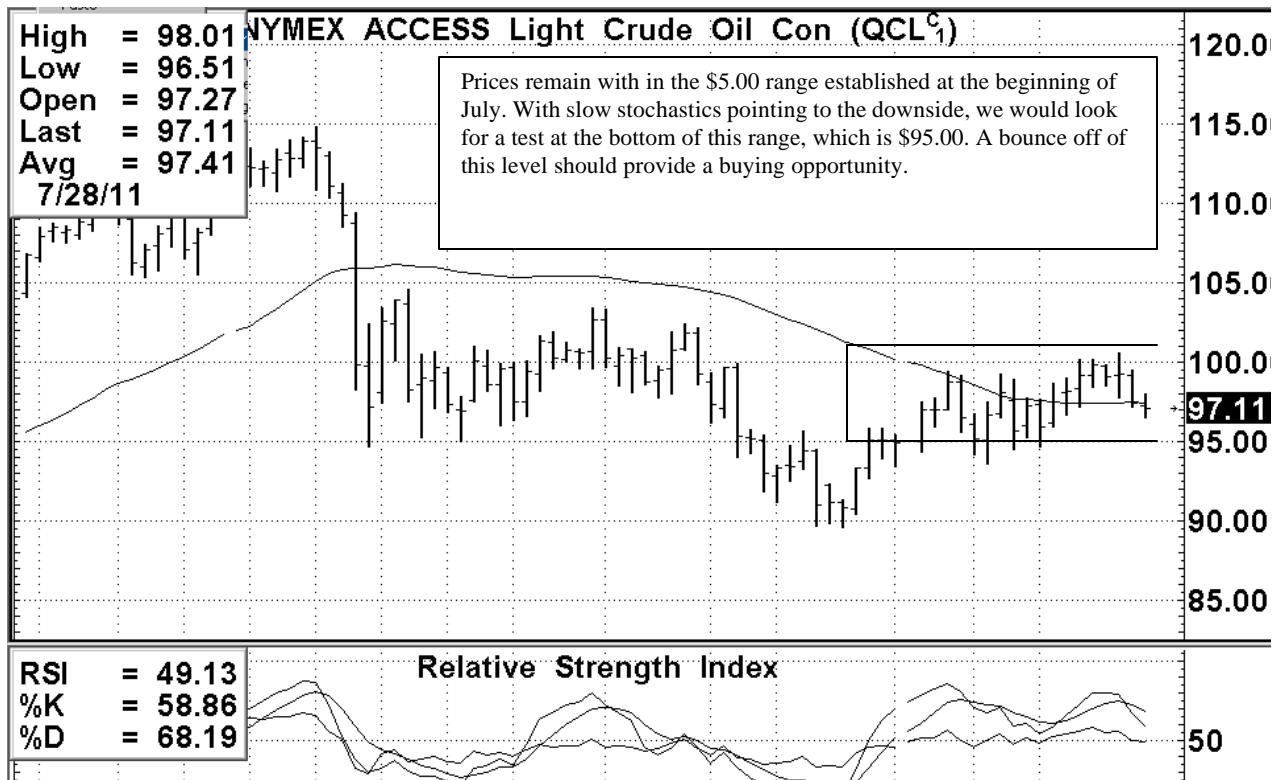
Market Commentary

The lack of fresh news led to another choppy trading session with crude oil finishing close to unchanged. Traders had their eyes on Tropical Storm Don as well as their ears on Washington for word that a debt ceiling agreement had been made. Since the beginning of July, prices have

established a range between \$95.00 and \$100 as value insecurity grips this market. We expect that volume will remain light due to uncertainty over the pending debt ceiling agreement, with the bulk of traders remaining on the sidelines. For now we will stick with the technicals, which are currently calling for lower numbers. With the September contract settling below \$97.47 50-day moving average and moving oscillators pointing to the downside, we would look for a test at \$95.00.

Crude oil: Sept 11 367,659 -2,870 Oct 11 99,095 +1,943 Nov 11 86,201 +6,433 Totals 1,510,095 +3,433 Heating oil: Aug 11 17,792 -6,945 Sept 11 102,960 +5,801 Oct 11 39,092 Totals 314,762 +1,332 Rbob: Aug 11 11,463 -6,131 Sept 11 102,507 +1,757 Oct 11 36,193 +715 Totals 256,628 -1,752

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
			31379		
9741	10071	27150	32777		33369
9428	10222	26680	33370	26965	35915
9355	10339	27375	33510	26300	36310
9122	10845	23685		25683	
8950	11120	22960		25145	
8700	11483			24240	
8625	11563			23631	
50-day MA	97.41			23414	
200-day MA	94.90				



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