



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR AUGUST 4, 2010

The US National Hurricane Center said the remnants of Tropical Storm Colin remained in the Atlantic Ocean but it and a second tropical wave in the Caribbean Sea were not likely to strengthen over the next 48 hours and posed no threat to energy production in the Gulf of Mexico. It said Colin's remnants had about a 20% chance to redevelop while the tropical wave over the central Caribbean had about a 20% chance to become a tropical cyclone. Tropical cyclone formation was not expected elsewhere in the Atlantic basin.

Market Watch

According to ADP, private sector jobs in the US increased by 42,000 in July. The estimated change in employment for June was revised to a gain of 19,000 from an increase of only 13,000 initially reported. The July unemployment rate is projected to increase to 9.6% from 9.5% in June. The ADP report showed that large businesses with 500 employees or more added no new employees and medium size businesses hired 21,000 workers in July. Small businesses that employ fewer than 50 workers increased payrolls by 21,000.

According to a report by global outplacement consultancy Challenger, Gray & Christmas Inc, the number of planned layoffs at US firms increased 6% in July, the third consecutive month of increased layoffs. Employers announced 41,676 planned job cuts last month, up from 39,358 in June. Overall, employers have announced 339,353 job cuts since the start of 2010 or 64% below the 944,048 layoffs announced in the first seven months of 2009.

BP Plc said it successfully plugged its Macondo well in the Gulf of Mexico with heavy drilling fluid. It said the well appears to have reached a static condition. The static kill operation started on Tuesday. While US officials welcomed the initial success of BP's latest attempt to plug the well, the company still has backup options in the event something goes wrong again. Separately, President Barack Obama's energy adviser, Carol Browner, said the majority of the oil from the BP spill in the Gulf of Mexico is gone and added that the remaining oil reportedly does not pose a serious threat.

The US urged Japan to follow the European Union in adopting sanctions against Iran over its nuclear program, saying such measures should not impact Japan's oil imports from Iran. Japan on Tuesday approved new sanctions against Iran in line with a UN Security Council resolution, including adding 40 companies and an individual to a blacklist targeted for a freezing of assets. Japan will also take steps aimed at preventing fund transfers related to the supply to Iran of large conventional weapons and ban investment from Iran related to nuclear technology. It also promised to consider by the end of the month what kind of further steps it could take. The EU last month adopted further sanctions against Iran, targeting investment in its oil and gas industries, limits on

DOE Stocks

Crude – down 2.784 million barrels

Distillate – up 2.173 million barrels

Gasoline – up 729,000 barrels

Refinery runs – up 0.6%, at 91.2%

financial transfers and a ban on dealing with the state shipping line and air cargo.

Iran's President Mahmoud Ahmadinejad urged the US to join talks on a nuclear fuel swap deal, reiterating that Iran has ready to start talks near the end of the month. He also repeated an offer to hold talks with US President Barack Obama on global problems at the UN General Assembly in September.

**August
Calendar Averages**
CL – \$82.12
HO – \$2.1853
RB – \$2.1790

Separately, Iran's President Mahmoud Ahmadinejad was unharmed by an attack with an explosive device on his motorcade during a visit to the western city of Hamadan on Wednesday. An official in the president's media office however said his motorcade was not attacked by a grenade, explaining that an explosion was from a "firecracker."

Refinery News

Tesoro Corp reported a leak in a pipeline at its 166,000 bpd Martinez, California refinery on Wednesday. It said about 100 barrels of water/petroleum hydrocarbon mix had been contained in a secondary containment area at the refinery.

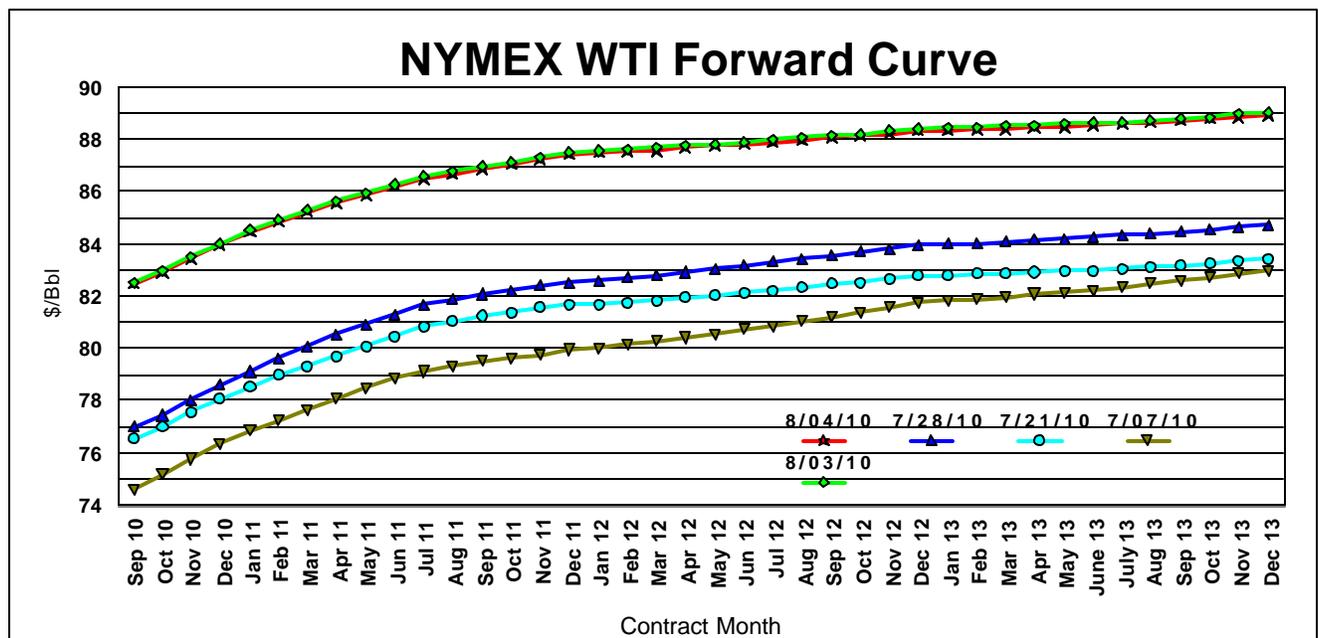
United Refining said it cut rates at its 70,000 bpd refinery in Warren, Pennsylvania due to Enbridge's crude oil pipeline rupture early last week.

ExxonMobil Corp reported emissions at its 238,600 bpd refinery in Joliet, Illinois on Tuesday. A filing with state regulators did not identify any specific unit or impact to production.

Marathon Petroleum Co reported emissions at its 206,000 bpd refinery in Robinson, Illinois on Tuesday due to an open valve. There was no indication if there was any impact on production.

ConocoPhillips reported an emissions event at its 306,000 bpd refinery in Wood River, Illinois on Tuesday. A report filed with state regulators did not identify the units involved or if there was any impact on production.

Royal Dutch Shell Plc completed its routine maintenance at its 100,000 bpd Alberta refinery on



Tuesday.

Spain's Cepsa said three people were injured in a fire at its Huelva refinery. A company official was unable to say whether production had been affected at the refinery, which normally processes 100,000 bpd of crude. The fire started in a production line into a tank.

Saudi Arabia's Rabigh Refining and Petrochemical Co experienced technical difficulty that halted production on Monday. The refinery has the capacity to produce 60,000 bpd of high octane gasoline converted from fuel oil. The unit is under maintenance which can take up to two weeks. A trader said the company was seeking to import about five cargoes of gasoline this month as a result.

Royal Dutch Shell's new 800,000 ton/year ethylene cracker unit in Singapore has resumed operations after a brief disruptions caused by a compressor trip.

Petroecuador has declared its refinery at Esmeraldas in a state of emergency in order to speed maintenance and infrastructure repair.

PetroChina Co still has not started trial operations at its new 200,000 bpd Qinzhou refinery more than a month after its original planned end of June start. It is not known when the refinery will start operations. A PetroChina official said the delay is due to a plan to transfer the refinery assets to the parent company, China National Petroleum Corp, in order to avoid difficulties resulting from US economic sanctions against Sudan. China imported 6.6 million tons of Sudanese crude in the January-June period, up 11% from a year earlier.

China's oil product stocks in July were lower than a month earlier due to lower refinery output. Diesel stocks were lower while gasoline inventories increased slightly as heavy rain in parts of China curbed travel activity. China's crude runs are likely to fall this month from July's level as more refineries are scheduled to undergo seasonal repairs.

The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending July 31st fell by 1.26 million barrels on the week but increased by 6.29 million barrels on the year to 105.27 million barrels. It also reported that the country's gasoline stocks fell by 150,000 barrels on the week and by 470,000 barrels on the year to 13.23 million barrels while its kerosene stocks increased by 940,000 barrels on the week but fell by 4.39 million barrels on the year to 12.21 million barrels and its naphtha stocks increased by 230,000 barrels on the week and by 2.36 million barrels on the year to 13.03 million barrels. Japan's crude runs increased by 10,000 bpd on the week and year to 3.53 million bpd, with its refinery utilization up 0.3% on the week and by 3.3% on the year at 76.1%.

Kazakhstan will reroute 300,000 tons of Urals crude from Poland's refineries to the Baltic port of Gdansk, increasing the total export plan for the port up to 1 million tons.

Indonesia's Pertamina is importing 9.7 million barrels of oil products in August, down 23.7% from 12.72 million barrels in July. Gasoline imports in August fell to 5.9 million barrels from 6.9 million barrels in July, down 14.5% on the month. Diesel imports fell by 31.5% to 3.7 million barrels compared with 5.4 million barrels in July while jet fuel imports fell by 76.2% to 100,000 barrels.

Qatar International Petroleum Marketing Co, Tasweeq, is offering 2 million barrels of condensate for October loading from Ras Laffan, Qatar.

Production News

The September loading program for Denmark's North Sea DUC crude oil is scheduled at 4.8 million barrels, up 1.8 million barrels on the month. It is equivalent to 160,000 bpd compared with 96,774 bpd in August.

Gulf Keystone Petroleum Ltd has started drilling operations on its Sheikh adi-1 exploration well. The company's estimated oil-in-place resource potential for the Sheikh Adi structure is in excess of 1 billion barrels.

Saudi Aramco cut its official selling prices for September term supplies of crude to Northwest Europe and the Mediterranean by between 50 cents and \$1.35/barrel. The price of its Extra Light crude bound for Northwest Europe was cut by \$1.35 to BWAVE minus \$1.70; the price of its Light crude was cut by \$1 to BWAVE minus \$2.40; the price of its Medium crude was cut by 85 cents to BWAVE minus \$3.90 and the price of its Heavy crude was cut by 70 cents to BWAVE minus \$4.60. The price of its Extra Light crude bound for the Mediterranean was cut by \$1.10 to BWAVE minus \$1.70; the price of its Light crude was cut by 70 cents to BWAVE minus \$2.95; the price of its Medium crude was cut by 65 cents to BWAVE minus \$4.65 and the price of its Heavy crude was cut by 50 cents to BWAVE minus \$5.40. The price of its Extra Light crude bound for the US was cut by 30 cents to the Argus Sour Crude Index plus \$1.15; the price of its Light crude was cut by 5 cents to Argus minus 45 cents; the price of its Medium crude was increased by 10 cents to Argus minus \$2 and the price of its Heavy crude was increased by 15 cents to Argus minus \$3.35. The price of its Super Light crude bound for Asia was cut by 85 cents to the Oman/Dubai average plus 25 cents; the price of its Extra Light crude was cut by 60 cents to the Oman/Dubai average plus 20 cents; the price of its Light crude was cut by 50 cents to the Oman/Dubai average minus 65 cents; the price of its Medium crude was cut by 40 cents to the Oman/Dubai average minus \$2.15 and the price of its Heavy crude was cut by 40 cents to the Oman/Dubai average minus \$3.40.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.32 to \$78.41/barrel on Tuesday from \$77.09/barrel on Monday.

Market Commentary

For the first time in five trading sessions, crude oil settled lower on the day as the dollar strengthened and supplies for gasoline and heating oil increased. Total stocks and inventories at Cushing, Ok, the NYMEX delivery point, also increased. Crude oil was initially trading higher on the day, in response to a report indicating that the U.S. service sector grew slightly more than expected during the month of July. Supplies remain well stocked at a time when demand is stagnant. This weighed on gasoline forcing the crack spread to narrow. We would feel more confident that this market would continue to head higher if the September crude oil can finish the week above the \$79.00 level. For now, we would stick to buying and selling at the listed support and resistance numbers.

Crude oil Sept 10 328,187 -7,479 Oct 10 100,375 -4,542 Nov 10 79,313 +5,277 Totals 1,234,649
 Heating oil Sept 10 86,435 +2,144 Oct 10 40,943 +1,487 Nov 10 34,389 +880 Totals 306,044 +5,689
 Rbob Sept 10 103,317 +1,312 Oct 10 45,267 +3,509 Nov 10 35,445 +978 Totals 247,595 +6,532

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8150	8325	21445	22530	21280	22345
79.00	8625	20870	22700	18890	24880
7775	8710	20000	22945	18750	27085
7500		18965	23775	18420	

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