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ENERGY MARKET REPORT FOR AUGUST 6, 2010

The US National Hurricane Center said a low pressure system in the central Atlantic Ocean about 650 miles west of the Cape Verde Islands had a 40% chance of strengthening into a tropical depression over the next 48 hours. It said conditions were

favorable for additional development over the next couple of days as the system moves northwest at about 10 mph. It is too soon for the weather models to project whether the system would reach the Gulf of Mexico or where it would make landfall, if at all. The NHC also reported that a weak tropical wave in the western Caribbean Sea had only a 10% chance of strengthening into a depression before it moves west over Central America in a day or so. It also continued to watch Tropical Storm Colin, which is expected to pass near Bermuda over the weekend as it moves north towards Newfoundland over the next several days.

OPEC's Secretary General Abdalla Salem El-Badri said world oil market is well supplied. He also added that he wants to see crude prices remain around their current value. He reiterated his call for OPEC's 11 quota bound members to increase their compliance with production cuts that have been in place since late 2008.

Turkey's Energy Minister Taner Yildiz said the country will continue to trade oil with Iran and added that the UN's sanctions imposed no restrictions on energy trade with Iran. Turkey purchases crude and sells gasoline to Iran. Turkey exported 1.2 million barrels of gasoline to Iran in June. The volume is about 10% of Iran's monthly gasoline consumption.

BP Plc's attempt to plug the well in the US Gulf of Mexico with cement appears have gone well after it finished pumping cement into the ruptured well on Thursday. The company will perform a pressure test on Friday to determine if the well is sealed. The so called static kill at the top of the well is due to be finished off with a bottom kill later in August with more mud and cement injected through a relief

Market Watch

The US Labor Department said the US economy cut more jobs than expected in July while the unemployment rate remained steady at 9.5%. Nonfarm payrolls fell by 131,000 bpd in July. Only 71,000 private sector jobs were added last month while 143,000 temporary workers on the 2010 census were let go. Economists were expecting total nonfarm payrolls to fall by a 60,000 in July. Payrolls in June fell by 221,000 compared with the previously reported 125,000 decline.

Power blackouts hit five states in Venezuela on Thursday, the latest in a series of problems with its electricity system after a year of shortages caused by weather and poor planning. Electricity Minister Ali Rodriguez said the blackouts were caused by two separate incidents.

**August
Calendar Averages**
CL – \$81.81
HO – \$2.1780
RB – \$2.1628

well that will be drilled into the ruptured well shaft. Separately, a government official said BP Plc engineers expect to drill into the bottom of the Macondo well by August 15th.

According to ship broker E. A Gibson, a total of 29 Very Large Crude Carriers were booked for temporary floating storage at the end of July. By the end of July, the volume of crude stored in tankers floating at sea fell to 59.2 million barrels, down by 25.6 million barrels from the previous month.

An Iranian oil tanker on its way back from an Egyptian Red Sea port was attacked by pirates in the Bab el-Mandab strait on Thursday. It was attacked after offloading 320,000 tons of crude at the Red Sea port of Ain Sukhna.

Refinery News

Alon USA said refinery runs at its 70,000 bpd Big Spring, Texas refinery stood at 61,000 bpd in June. The refinery runs at its 83,000 bpd Krotz Spring, Louisiana refinery stood at 61,000 bpd in June and is expected to increase to 72,000 bpd in the next couple of months.

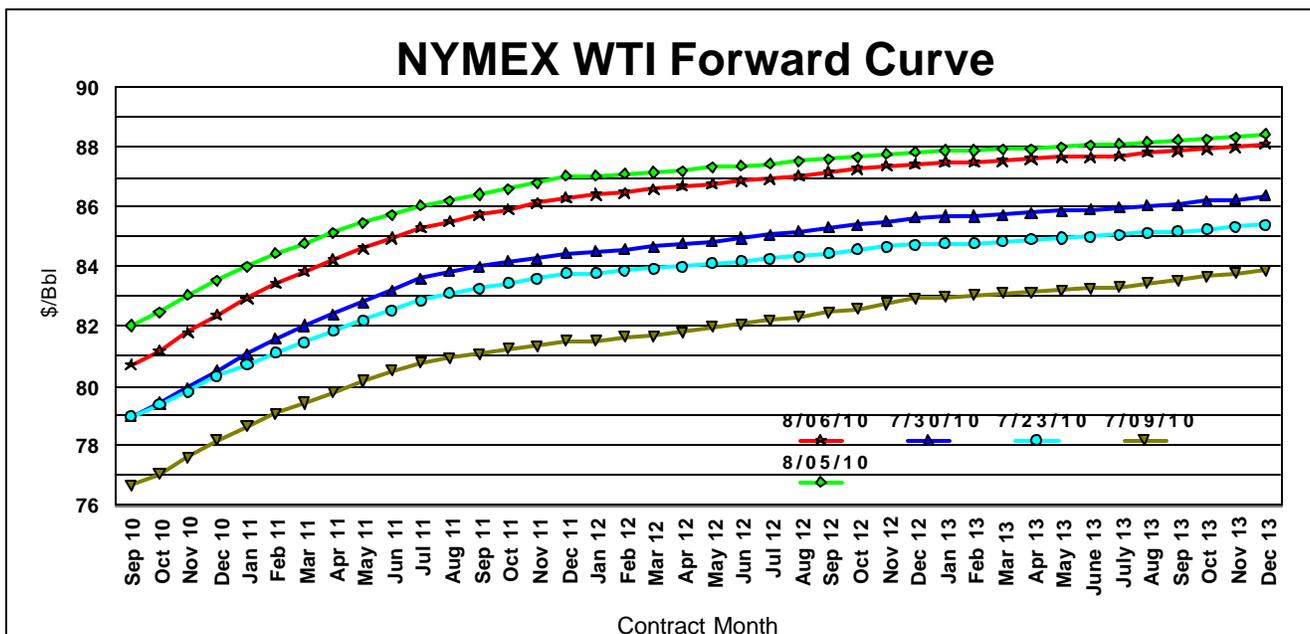
ExxonMobil reported a power failure at its 344,500 bpd Beaumont, Texas refinery on Thursday.

Sunoco Inc is operating its 160,000 bpd refinery in Toledo, Ohio at reduced rates due to the shutdown of Enbridge's pipeline in Michigan.

Citgo reported a release of butane, hydrogen sulfide and VOCs on Thursday at its 429,500 bpd refinery in Lake Charles, Louisiana due to unknown causes.

Valero Energy Corp entered into negotiations to sell its 195,000 bpd refinery in Paulsboro, New Jersey. It did not name the interested party.

PetroChina plans to increase its crude throughput at its Jinzhou refinery by more than 40% in August following the completion of regular maintenance. It will process about 106,000 bpd in August, up from 73,000 bpd in July. The maintenance of its 60,000 bpd crude unit and 600,000 ton/year continuous reformer unit will be completed this week.



Japan's Cosmo Oil Co Ltd is scheduled to shut a 100,000 bpd crude distillation unit at its Sakai refinery in western Japan from late August until the end of September. The unit is expected to shut for about 40 days starting August 22nd. Its 25,000 bpd coker unit is also expected to shutdown.

Production News

Asia will import about 1.32 million bpd of West African crude in 43 cargoes in August after importing 1.93 million bpd in July and 1.65 million bpd in June.

Qatar Petroleum cut its official crude selling prices retroactively for July term supply, setting Qatar Land at \$72.35/barrel.

OPEC's news agency reported that OPEC's basket of crudes fell by 19 cents to \$78.69/barrel on Thursday from \$78.88/barrel on Wednesday.

Market Commentary

Crude oil tumbled for the third day in a row, forced lower by shrinking U.S. payrolls. The September crude oil slipped 1.6 percent on the day, as it became clear that the economy is lacking in improvement. It has also been difficult to find support from the inventory side of this market, as stockpiles remain on the high end. Coming into next week we would expect for this market to continue its downward movement, working towards \$77.80, the 200-day moving average. With supplies of gasoline and distillates increasing last week, the margin for turning three barrels of crude oil into two barrels of gasoline and one of heating oil narrowed by 4.1 percent to \$8.557 a barrel. This is the narrowest this margin has been since February and the largest drop since June 23rd.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 11,365 contracts to 55,678 contracts in the week ending August 3rd. The combined futures and options report showed that the funds increased their net long position by 19,607 contracts to 145,472 contracts on the week. The disaggregated futures and options report showed that producers/merchants increased their net short position by 749 contracts to 204,437 contracts while swap dealers cut their net long position by 12,455 contracts to 66,214 contracts. Managed money funds continued to increase their net long position by 25,965 in the latest week to 135,833 contracts while other reportable cut their net long position by 6,358 contracts to 9,638 contracts. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market increased their net long position by 15,952 contracts to 29,548 contracts while funds in the RBOB market increased their net long position by 4,555 contracts to 54,613 contracts on the week.

Crude oil Sept 10 306,541 -11,842 Oct 10 117,569 +8,689 Nov 10 94,000 +8,394 Totals 1,255,370 +9,304 Heating oil Sept 10 83,681 -2,739 Oct 10 42,608 +186 Nov 33,727 -1,447 Totals 306,257 -2,651 Rbob Sept 10 96,101 -4,669 Oct 10 48,976 +4,972 Nov 10 37,781 +2,073 Totals 249,176 +3,257

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	8325		22530		22345
79.00	8625	20870	22700	18890	24880
7885	8710	20000	22945	18750	27085
7775		18965	23775	18420	

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