

W The
Windham Group



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR AUGUST 15, 2011

Russia will look to revive nuclear talks between Iran and the permanent members of the UN Security Council this week. Presidential Security Council Secretary Nikolai Patrushev is due to meet his Iranian counterpart and President Mahmoud Ahmadinejad in Iran on Monday and is expected to raise a Russian plan to restart the talks that failed in January.

Iran's Central Bank Governor Mahmoud Bahmani said Iran has received two thirds of the oil debts from Indian buyers that had accumulated this year due to a sanctions related payments problem. He said Iran could consider payments in gold if necessary in the future.

Libyan rebels fought forces loyal to Muammar Gaddafi around oil installations in the eastern town of Brega. Meanwhile, Brega's eastern residential zone three was under total rebel control. Libya's rebels also took control from Muammar Gaddafi's forces of most of the key port of Zawiyah, the last barrier on their move towards the capital of Tripoli.

The EIA reported that the US average retail price of diesel fell by 6.2 cents to \$3.835/gallon in the week ending August 15th. The EIA also reported that the US average retail price of gasoline fell by 7 cents to \$3.604/gallon on the week.

Refinery News

Colonial Pipeline said it would allocate the Linden Delivery Line segment L2-IMTT, servicing deliveries to IMTT Bayonne, for Cycle 44. It also stated that it allocated Cycle 47 shipments on its Line 20 carrying distillates from Atlanta, Georgia to Nashville, Tennessee.

Market Watch

The US National Hurricane Center said a tropical wave located about 325 miles east of the Lesser Antilles has a 20% chance of becoming a cyclone. Meanwhile Tropical Storm Gert, located about 100 miles southeast of Bermuda, was moving northward and the storm center was expected to pass just east of Bermuda later on Monday.

The New York Federal Reserve's gauge of manufacturing in New York State showed the sector contracted for the third month in a row in August as new orders fell to their lowest level since November 2010. The New York Fed's Empire State general business conditions index fell to minus 7.72 in August from minus 3.76 in July. New orders worsened to minus 7.82 from minus 5.45, while inventories fell to minus 7.61 from minus 5.56.

The China Banking Regulatory Commission said the weighted average capital adequacy ratio of Chinese banks stood at 12.2% at the end of June. The core capital adequacy ratio of Chinese banks was 9.92% at the end of June.

According to Lipper data, investors increased their investments in US commodity mutual funds and exchange traded products in July, with net inflows reaching a 14 month high of \$4.4 billion. The inflow to commodity mutual funds recovered from minus \$75 million in June. Total net assets increased to \$171.1 billion from \$157 billion.

**August
Calendar Averages**
CL – \$86.96
HO – \$2.9293
RB – \$2.8392

Enterprise Products Partners shut a 33,600 bpd natural gasoline pipeline that supplies propane to Midwest markets due to a leak that spilled products into the Missouri River. It said it was attempting to isolate a leak while it recovers 3,300 barrels of natural gasoline that spilled.

TransCanada Corp said it is holding a binding open season for its Cushing Marketlink project, which would put oil from the Cushing, Oklahoma storage hub onto the planned Keystone XL pipeline for shipment to Texas refineries. The open season would let shippers sign long term contracts for space on the line to move oil to Houston and Port Arthur. However the Keystone XL line has yet to receive US government approvals.

Citgo Petroleum Corp’s 167,000 bpd Lemont, Illinois refinery was repairing flare gas recovery equipment on Friday.

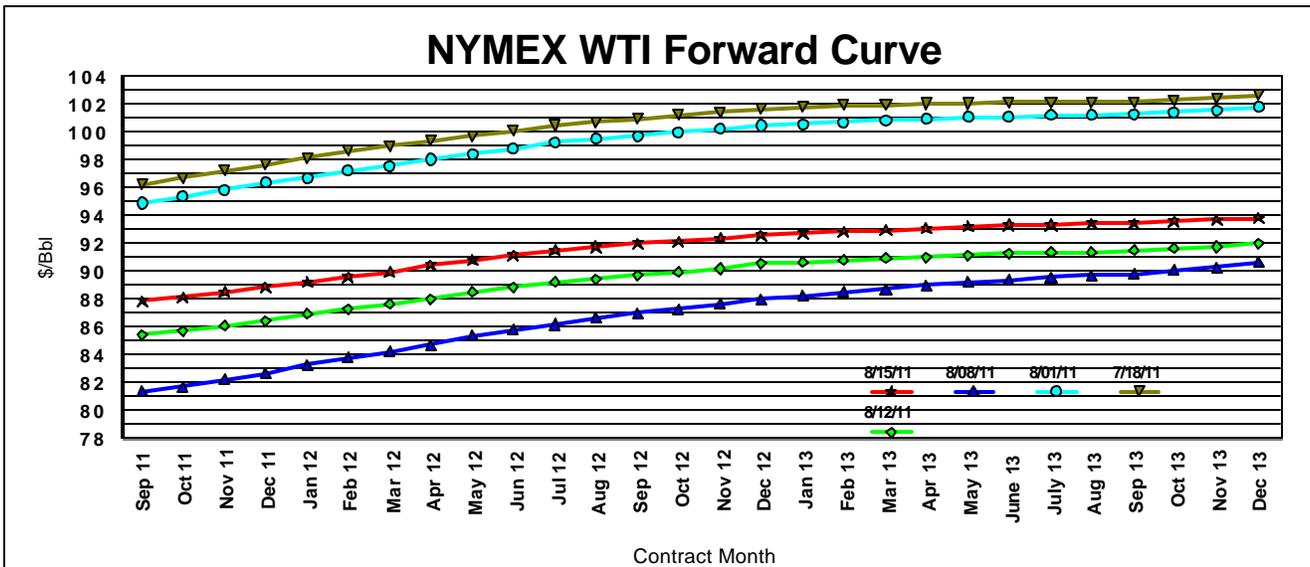
Valero Energy Corp said a butamer unit at its 142,000 bpd Corpus Christi, Texas refinery was shutdown on Friday as expected. Separately, all production units remained shut at its 180,000 bpd Memphis, Tennessee refinery and there was no estimate when production would resume. A fire forced it to shut the crude distillation units on August 5th.

ConocoPhillips said startup operations at its 198,400 bpd Ponca City, Oklahoma refinery were complete. All units at the refinery were shut on August 8^h following a power loss due to severe thunderstorms.

Imperial Oil Ltd said its Dartmouth, Nova Scotia refinery was restarting after more than two weeks of planned maintenance that contributed to some fuel shortages on Canada’s East Coast. It said the 82,000 bpd refinery is producing some gasoline but it will take several days before output returns to capacity rates.

Transneftproduct said a 2 million ton/year diesel pipeline linked to the Ryazan refinery operated by Russia’s TNK-BP was halted on Monday after it was damaged by digging work. It said there was no interruption to its loading schedule.

China’s Dalian Fujia Petrochemical Co Ltd is operating its 700,000 ton/year paraxylene plant normally despite a local government order on Sunday to close the plant due to a toxic spill scare. The plant is carrying on normal shipments of naphtha from regular suppliers such as Iran and Papua Guinea.



China's National Development and Reform Commission said the country's apparent diesel consumption in the January-July period increased by 5.9% to 87.81 million metric tons while apparent gasoline demand increased by 8.1% to 41.54 million tons. It also reported that apparent consumption of refined oil products in July increased to 20.99 million tons, up 5% on the year.

China Petrochemical Corp said the country's oil consumption growth over the next five years will likely slow compared with the previous five years. Growth in apparent oil demand will likely slow to 5% between 2011 and 2015 from 7.7% in 2005-2010.

Sales of bunker fuel in Singapore fell by 5.6% on the month but increased by 2.2% on the year to 3.64 million metric tons in July.

Production News

Oil traders said the shutdown of a North Sea oil well at a Royal Dutch Shell Plc field following an oil leak looks unlikely to affect supplies significantly. Shell shut a well at the Gannet A oil platform as a result of a leak, without specifying whether output was reduced. The platform, which produced 18,500 bpd in May, continues to operate. Meanwhile, Royal Dutch Shell said an oil leak from a ruptured pipeline was slowing. It said about 216 tons or 1,300 barrels of oil had leaked into the North Sea.

BP has completed maintenance at its North Sea oil and gas Unity Riser platform following the completion of planned repairs. The Unity Riser platform links the Bruce, Nelson, Britannia and Graben area oil and gas fields to the Forties pipeline. It said volumes through its Forties Pipeline System returned to normal seasonal levels.

Mexico's Pemex said its crude oil production in the first two weeks of August totaled 2.553 million bpd on average. In July, Pemex's overall oil production was 2.536 million bpd. Pemex reported that it exported an average of 1.356 million bpd in the first two weeks of August, up from 1.267 million bpd in the month of July.

Kazakhstan's State Statistics Agency reported that the country increased its output of oil and gas condensate by 1.6% on the year to 46.6 million tons in the first seven months of the year. Its crude oil output increased by 1% to 39.202 million tons.

Georgia's Black Sea port of Batumi shipped 529,203 tons of crude and oil products in July, 5.5% less compared with last year's level but 31.3% more than a month ago.

The Vietnamese government has given approval for Petrovietnam to produce between 23 million and 34 million tons of oil and gas a year by 2015. The company will increase exploration and production to increase its recoverable reserves to 35 million to 45 million tons a year under its 2011-2015 development plan.

Russia's crude oil export duty is expected to increase from September ¹st to \$444.10/ton from \$438.20/ton in August due to higher crude oil prices. The export duty on gasoline and naphtha is expected to increase to \$399.70/ton in September from \$394.40/ton in August while the export duty on light refined products such as diesel is expected to increase to \$297.50/ton from \$293.60/ton in August.

Market Commentary

Crude oil prices continued to bounce back, shearing more of its recent losses. The unpredictability in the equity market will continue to have a significant impact on energy prices, providing for wide swings on what could be light volume. The week of August ¹st, the October contract penetrated a long-

standing weekly trendline set at \$91.31. Given the harsh sell-off, we would look for prices to continue to rebound and for the October contract to come up and test this trendline, which is set at \$91.84 for this week. Markets should remain quite volatile, reacting to any economic news.

Crude oil: Sept 11 203,031 -12,381 Oct 11 242,672 +3,462 Nov 11 143,025 +2,956 Totals 1,574,778 -5,263 Heating oil: Sept 11 67,610 -3,247 Oct 11 56,040 -113 Nov 11 37,687 -465 Totals 310,628 -2,545 Rbob: Sept 11 60,919 +120 Oct 11 59,586 +2,537 Nov 11 32,017 +108 Totals 251,580 +3,374

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7552	8649	27020	32777	25145	33369
7487	8832	26680	33370	24240	35915
7365	8988	27375	33510	23631	36310
6423	9122	23685		23414	
6394	9726	22960			
6119	9872				
	10071				
	10222				
50-day MA	94.39				
200-day MA	95.25				

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.