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ENERGY MARKET REPORT FOR AUGUST 16, 2010

The US National Hurricane Center said the remnants of Tropical Depression 5 strengthened overnight in the Gulf of Mexico just south of the Florida

Panhandle. It said it now had a 60% chance of redeveloping into a tropical depression over the next 48 hours as it moved towards Louisiana.

Meanwhile, oil and natural gas producers have not cut back production in the northern Gulf of Mexico because of a brewing tropical storm threat. The Louisiana Offshore Oil Port also reported normal operations. Tropical Depression 5 is expected to move ashore well east of the LOOP's offshore loading platform in the Gulf.

The chairman of Libya's National Oil Corp, Shokri Ghanem said OPEC is concerned about oil price volatility but it is unlikely production quotas will be changed when it meets on October 14th. He said the \$70-\$100/barrel range does not call for taking action and added that the market is well balanced.

Iran's OPEC Governor, Mohammad Ali Khatibi said Iran is not having any problems procuring gasoline despite sanctions by the US and European Union targeting refined petroleum imports. He also stated that an increase in Iran's stocks of crude oil is a result of maintenance work at refineries in Iran and abroad and not due to international sanctions.

Separately, the head of Iran's Atomic Organization, Ali Akbar Salehi said Iran will proceed with a major expansion of its uranium enrichment capacity despite the sanctions imposed against the country. He said Iran has identified locations for 10 more uranium enrichment plants in Iran and added that it would start work on one of them by March.

US Treasury Undersecretary Stuart Levey said all governments should step up their vigilance against dealings with Iran's shipping sector. He said Iranian tactics to evade sanctions included repainting or renaming ships, falsifying shipping documents and assigning vessel ownership to front companies outside Iran.

Market Watch

Russia's Finance Ministry reported that Russia is set to increase its crude oil export duty in September by 3.6% to \$273.50/ton. Export duties on light refined products are expected to increase to \$196.50/ton, up from the current level of \$190/ton while export duties on heavy refined products are expected to increase to \$105.90/ton, up from the current level of \$102.50/ton.

**August
Calendar Averages**
CL – \$79.56
HO – \$2.1118
RB – \$2.0759

The EIA reported that the US average retail price of diesel fell by 1.2 cents to \$2.979/gallon in the week ending August 16th. The decline followed three weeks of gains. The price of diesel is up 32.7 cents/gallon or 12.3% on the year. The EIA also reported that the US average retail price of gasoline fell by 3.8 cents/gallon to \$2.745/gallon in the week ending August 16th.

According to the Lundberg survey, the US average gasoline price increased by 3.86 cents to \$2.772/gallon in the last three weeks ending August 13th.

Refinery News

Enbridge Inc has voluntarily cut capacity of line 5 by 8%. It does not foresee having to ration line space as a result of line 6b outage. It also stated that storage levels are high upstream of Michigan pipeline.

Credit Suisse reported that US refined product margins were mostly down last week. Gulf Coast margins fell by \$1.62 to \$6.12/barrel while Midwest margins fell by \$1.14 to \$8.64/barrel, Northeast margins fell by 12 cents to \$5.32/barrel and West Coast margins fell by \$1.01 to \$14.97/barrel. Margins in the Rockies region increased by \$3.95/barrel to \$21.50/barrel.

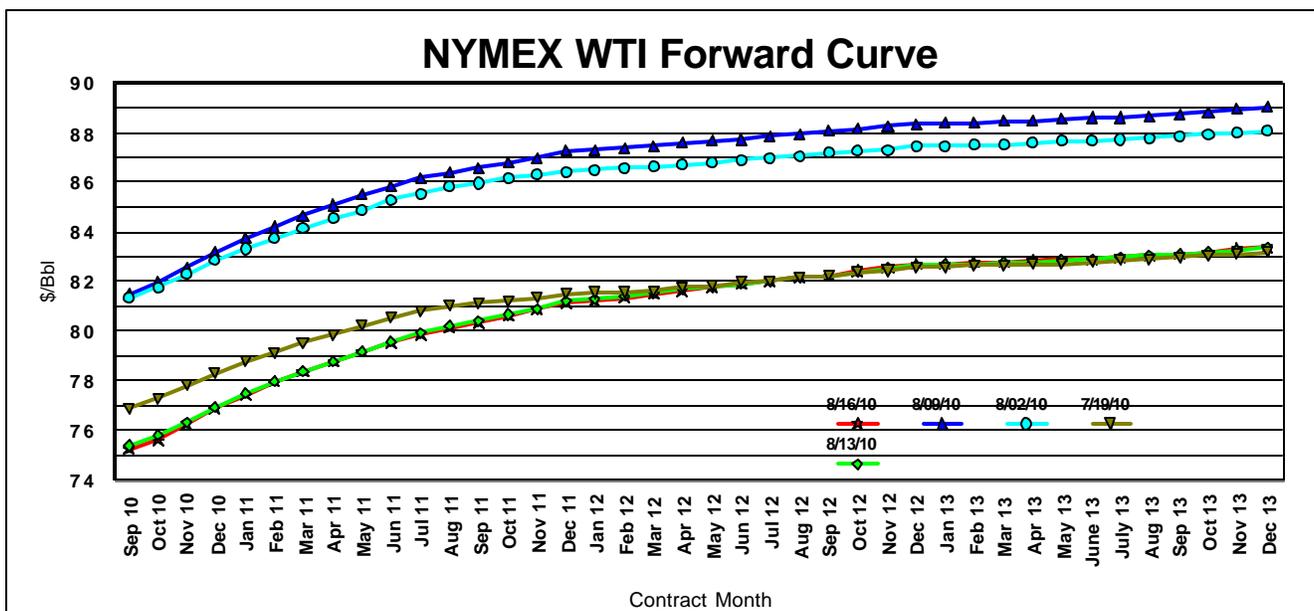
Flint Hills Resources LP's 228,468 bpd refinery in Corpus Christi, Texas refinery will restart a fluid catalytic cracking unit late Monday night after it was shut for maintenance on August 12th. The unit will return to full operating rates on Wednesday.

ConocoPhillips reported a pinhole leak in a process line at its 247,000 bpd refinery in Belle Chase, Louisiana on Friday. ConocoPhillips also reported a release at its 306,000 bpd Wood River refinery in Roxana, Illinois on Saturday. The release was due to a wet gas compressor failure.

Delek US Holdings Inc is conducting unplanned maintenance on a fluid catalytic cracking unit at its 58,000 bpd Tyler, Texas refinery.

LyondellBasell said its 268,000 bpd refinery in Houston, Texas ran at an average of 189,000 bpd in the second quarter as one of the crude distillation units at the refinery was shut following a fire in mid-May. The unit was shut from May 17th until July 1st.

Frontier Refining reported emissions at its 130,000 bpd refinery in El Dorado, Kansas on Saturday but



it was unclear if the amounts released exceeded permitted levels.

BP Plc reported a release of sulfur dioxide at its 234,000 bpd refinery in Cherry Point, Washington on Friday. BP also reported flaring due to the startup of an ultracracking unit at its 475,000 bpd refinery in Texas City, Texas.

Total SA said the three units at its Donges refinery, which had been shut following a fire on August 3rd, will restart operations this week.

Irving Oil Ltd said some of its premium grade of gasoline has been mixed inadvertently with lower octane gasoline. It said it discovered a malfunctioning valve at a truck loading bay on Friday that mixed premium gasoline with lower grades. The company shutdown the malfunctioning equipment and is again shipping premium gasoline that meets specifications. The incident did not affect operations at its 300,000 bpd refinery at Saint John, New Brunswick.

China's C1 Energy reported that the average operating rate at China's major refineries increased more than 2% both on year and on month to 85.6% as of August 12th. Planned maintenance work at the Daqing, Jinxi and Lanzhou refineries is expected to cut the average utilization rate in the second half of the this month.

Germany's MWV said total sales of oil products in Germany increased by 7.3% on the year in July to 6.59 million metric tons. Germany's heating oil sales increased by 24.2% on the year to 1.48 million tons while its diesel sales increased by 3.9% to 2.88 million tons and fuel oil sales increased by 2.3% on the year to 440,000 tons. Germany's gasoline sales increased by 2.2% on the year to 1.79 million tons.

Latvia's port of Riga shipped 525,800 tons of oil products in July, down 6.1% from July 2009 as some terminals were under reconstruction. Loadings were up 27.8% from the month of June.

Production News

Britain's North Sea Flotta crude oil system will load about 43,000 bpd in September, down from about 63,000 bpd in August.

Oil exports from Iraq's southern Basra terminal fell by more than 50% on Monday to 720,000 bpd from 1.728 million bpd on Sunday due to maintenance on the offshore pipeline.

Angola plans to export at least 59 cargoes or 1.85 million bpd of crude oil for loading in October.

Mexico's Pemex stated that oil production in the first half of August fell to an average of 2.529 million bpd from 2.573 million bpd in the full month of July.

The chairman of Libya's National Oil Corp, Shokri Ghanem said BP Plc is expected to start its deepwater drilling operations in Libya by October at the latest. BP plans to drill at least five wells in Libya's Gulf of Sirte. Earlier in the month, BP said it had delayed the start date for its exploration in deep water offshore Libya for an unspecified period of time.

Brazil's Sindipetro union wants operations halted at four more offshore oil platforms run by Petrobras for lack of safety. The country's National Petroleum Agency last week halted operations of the P-33 platform operating off Brazil's coast in the Campos Basin.

Kazakhstan's Oil and Gas Minister Sauat Mynbayev said cost control should take priority when developing the second phase of the Kashagan oilfield in Kazakhstan. Commercial production of the

oilfield is expected to start by the end of 2012. Production during Kashagan's first phase is expected to reach about 300,000 bpd before rising to 450,000 bpd. The second phase will increase production to 1 million bpd and after a third phase, peak production is expected to increase to 1.5 million bpd.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.09/barrel to \$72.64/barrel on Friday from \$73.73/barrel on Thursday. It also reported that OPEC's basket of crudes fell by \$2.86/barrel to \$75.38/barrel in the week ending August 13th.

Market Commentary

Once again an economically fueled sell-off occurred in the energy markets as weak economic data out of Japan and the U.S. sparked more worries about demand. A non-productive hurricane season thus far has added to the downside movement in prices. What was thought to be an active hurricane season has yet to materialize. Crude oil experienced its fifth straight sell-off, with the September contract losing \$6.24 during those five sessions. Support came as the equities markets made a slight come back after a weak opening. The September contract should continue to come under pressure stretching towards the \$70.00 level, where we would re-evaluate our stance.

Crude oil: Sept 10 138,678 -14,317 Oct 10 263,800 +19,440 Nov 10 135,277 +2,086 Totals 1,301,692 +8,288 Heating oil: Sept 10 51,635 -3,368 Oct 10 54,526 +232 Nov 10 41,754 +259 Totals 298,708 -7 Rbob: Sept 10 58,541 -1,988 Oct 10 73,944 +5,984 Nov 10 49,093 -146 Totals 252,253 +5,677

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7506	7781	18965	22530	19260	22345
7477	7885	19236	22700	18890	24880
7299	8325	18920	22945	18750	27085
7000	8625		23775	18420	

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