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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR JUNE 30, 2010**

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Oil Movements said OPEC's Middle Eastern crude shipments are expected to fall by 160,000 bpd to 22.7 million bpd in the four week period ending July 16<sup>th</sup>.

Iran's minister of economic affairs and finance, Shamseddin Hosseini said the country introduced a higher oil price option for its 2011/12 budget of \$95/barrel. He said even with a possible fall in price, Iran would be able to meet all of its development needs at \$81.50/barrel.

#### **Market Watch**

The US National Weather Service said the first named Atlantic tropical storm of the year hit Mexico's eastern coast on Thursday. The storm is expected to dissipate rather than strengthen into a hurricane. It said the eye of Tropical Storm Arlene was near Cabo Rojo in Mexico's Veracruz state with winds of 65 mph.

The US Labor Department reported that initial unemployment benefit claims fell by 1,000 to a seasonally adjusted 428,000 in the week ending June 25<sup>th</sup>. The prior week's figure was unrevised at 429,000. The four week moving average of new claims increased by 500 to 426,750. The Labor Department said the number of continuing unemployment claims fell by 12,000 to 3,702,000 in the week ending June 18<sup>th</sup>. The unemployment rate for workers with unemployment insurance fell to 2.9% in the week ending June 18<sup>th</sup> compared to the previous week's revised rate of 3%.

The Institute for Supply Management-Chicago's business barometer increased to 61.1 in June, up from May's 56.6. Economists were expecting a decline to 54.

The Federal Reserve Bank of Kansas City's monthly manufacturing index in June stood at 22, down from 25.

Barclays Capital said investors withdrew \$7 billion from commodities markets in May, a level of outflow not seen since the financial crisis. Total commodities assets under management fell \$26 billion to \$425 billion.

The number of unemployed in Germany fell less than expected in June. Seasonally adjusted figures from the Federal Labor Office showed unemployment fell by 8,000 compared to an expected fall of 17,000. The adjusted unemployment rate remained at 7%.

Low water levels are again impacting cargo shipping on the Rhine and Danube Rivers in Germany. The Rhine in Cologne and Koblenz and the German stretch of the Danube River have fallen below levels at which vessels could sail fully loaded.

#### **Refinery News**

Colonial Pipeline said it was allocating its main distillate line north of Collins, Mississippi for Cycle 38, as nominations on its line exceed its ability to meet the 5 day lifting cycle.

Chevron Corp reported a compressor trip at its refinery in Pascagoula, Mississippi. The unit upset caused the 330,000 bpd refinery to flare about 1,000 pounds of hydrogen gas. Meanwhile, it reported that it restarted the crude distillation unit at the refinery after it was shut on May 9<sup>th</sup> due to a fire.

**June  
Calendar Averages**  
**CL – \$96.29**  
**HO – \$2.9771**  
**RB – \$2.9507**

Valero Energy Corp is performing unplanned maintenance on the vacuum jet compressor in the eastern part of the Corpus Christi, Texas refinery. It said it would complete the maintenance as soon as possible and added that there was no material impact on its production. The eastern section of the refinery has a capacity of 115,000 bpd.

BP Plc's 437,080 bpd Texas City, Texas refinery was restarting a reformer unit. Meanwhile, the excess opacity reported on the refinery's fluid catalytic cracking unit No. 3 on Wednesday was not due to a malfunction that affected production at the refinery. BP also reported that a release at its Whiting refinery had no impact on production.

Citgo reported an exchanger leak at the East Plant of its 163,000 bpd Corpus Christi, Texas refinery.

Coffeyville Resources reported a release of sulfur dioxide and hydrogen sulfide to the flare due to maintenance late Tuesday at its 115,700 bpd refinery in Coffeyville, Kansas. It was attempting to repair the equipment to stop the release.

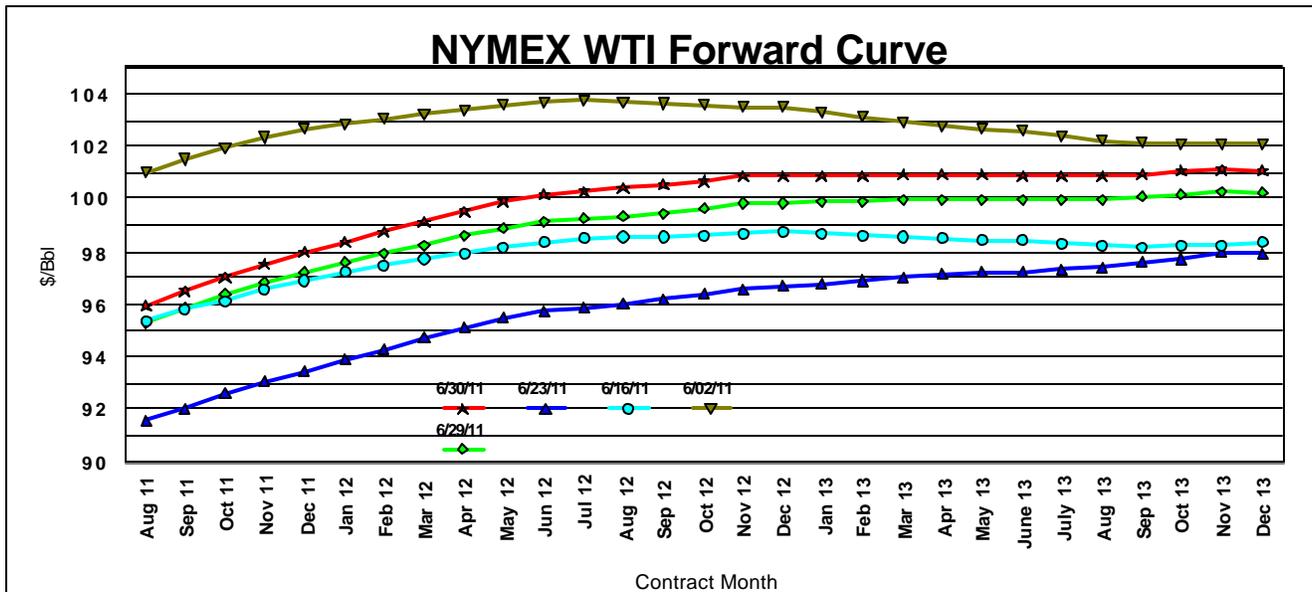
Petrobras was restarting units at its Pasadena Refining System 100,000 bpd refinery in Pasadena, Texas that was shut due to a power outage on Wednesday.

A joint venture refinery between China and Chad started operations on Wednesday. The refinery has annual crude oil processing capacity of 1 million metric tons or 20,000 bpd.

Vietnam National Petroleum Corp or Petrolimex is delaying the issuance of a tender to purchase oil products for the third quarter due to high stocks. It may issue the tender sometime in July or skip it altogether and buy on a spot basis instead.

India's Petroleum Planning and Analysis Cell reported that the country's total oil product sales in May increased by 5% on the year to 12.93 million metric tons. Diesel sales increased 10.9% to 5.87 million tons from 5.3 million tons a year earlier while gasoline sales increased by 7.9% to 1.35 million tons from 1.25 million tons.

Traders said India's fuel oil exports for July fell by 20% to 400,000-500,000 tons on the month following the sale of two end-July lifting parcels.



Gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending June 29<sup>th</sup> fell by 1.95% on the week and 22.41% on the year to 703,000 tons. Gasoil stocks increased by 0.29% on the week and by 17.03% on the year to 2.811 million tons while fuel oil stocks increased by 5.95% on the week but fell by 7.31% on the year to 748,000 tons. Naphtha stocks increased by 60.61% on the week and by 96.3% on the year to 106,000 tons while jet fuel stocks increased by 10.49% on the week but fell by 47.95% on the year to 432,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 152,000 barrels to 20.634 million barrels in the week ending June 29<sup>th</sup>. Singapore's light distillate stocks increased by 244,000 barrels to 9.844 million barrels while its middle distillate stocks fell by 288,000 barrels to 13.771 million barrels on the week.

Japan's METI reported that the country's crude oil imports in May fell by 13.7% on the month and by 11% on the year to 3.078 million bpd while its crude throughput fell by 11% on the month and by 13% on the year to 2.908 million bpd. Japan's oil product sales fell by 6% on the month and by 2.8% on the year to 2.785 million bpd. Its oil product imports fell by 28.3% on the month and 18.6% on the year to 495,520 bpd while its exports increased by 75.8% on the month but fell by 5.6% on the year to 434,208 bpd. Crude oil inventory at the end of May increased by 1.6% on the month and by 5.6% on the year to 106.79 million barrels.

### **Production News**

According to Reuters, OPEC's oil output is expected to increase in June to 29.45 million bpd, up from a revised 29.1 million bpd in May, mainly due to increased production from Saudi Arabia, Kuwait and the UAE.

Kuwait National Petroleum Co reported a leak of natural gas at one of its branches of the Kuwait Oil Co. It however said that exports operations and the supply of petroleum products were not affected.

TNK-BP Ltd plans in the next three years to lower the decline in production at its West Siberian fields to 3% annually from 6% now.

South Korea's GS Caltex is expected to increase prices of gasoline and diesel gradually after its three month price cut expires in early July. The country's largest refiner SK Energy and S-Oil may follow GAS Caltex's move. The refiners are expected to increase fuel prices to levels before they were cut by 100 Korean won or \$0.093/liter in April.

### **Market Commentary**

While the oil market posted an inside trading day, it remained supported and settled in positive territory for the third consecutive session. The market traded higher early in the session as the euro rallied to its highest level in almost three weeks against the dollar after Greek lawmakers supported a plan to resolve the debt crisis. The crude market rallied to a high of \$95.82. The market erased some of its gains after failing to breach its previous high of \$95.84 and sold off to a low of \$93.88 in afternoon trading. However the market bounced off its low and rallied higher once again ahead of the close. It settled up 65 cents at \$95.42. The market on Friday will remain supported ahead of the July 4<sup>th</sup> weekend. The market is seen breaching its descending trendline, basis the spot continuation chart and testing its resistance at \$97.10, its 50% retracement level off a high of \$104.60 to a low of \$89.61. More distant resistance is seen at \$98.87, its 62% retracement level, \$99.95 and \$102.15. Support is seen at \$94.40, its low of \$93.88, \$92.66, \$90.44 and \$89.61.

Crude oil: Aug 11 311,066 -5,646 Sept 11 189,646 +5,876 Oct 11 73,826 -471 Totals 1,519,202 -5,111 Heating oil: Aug 11 97,541 2,743 Sept 11 46,793 +270 Oct 11 22,322 +219 Totals 303,580 -5,676 Rbob: Aug 11 73,608 +2,072 Sept 11 45,095 +2,072 Oct 11 23,020 -189 Totals 231,260 -3,407

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9388	9584		31325		
9266	9710	27150	32777		33369
9044	9995	26680	33370	26965	35915
8961	10244	27375	33510	26300	36310
8950	10339	23685		25683	
8700	10845	22960		25145	
8625	11120			24240	
8500	11483			23631	
8385	11563			23414	
	11703				

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