



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR JULY 8, 2010**

---

An Interior Department official said the Obama administration will immediately issue a revised drilling ban if a federal appeals court agrees with a lower court's decision to block the government's initial six month moratorium on drilling in deep waters.

According to Genscape, oil inventories at the Cushing, Oklahoma oil terminal in the week ending July 6<sup>th</sup> fell to 38.9 million barrels, down 353,762 barrels on the week. It estimated Cushing crude tanks were filled to 74% of capacity as of Tuesday, down 1% on the week.

#### Market Watch

The US Labor Department reported that the number of initial claims for unemployment benefits in the week ending July 3<sup>rd</sup> fell by 21,000 to 454,000. The previous week's level was revised upwards from 472,000 to 475,000. The four week moving average fell by 1,250 to 466,000 in the week ending July 3<sup>rd</sup>. The prior week's average was revised to 467,250. The number of continuing claims fell by 224,000 to 4,413,000 from the preceding week's revised level of 4,637,000. The unemployment rate for workers with unemployment insurance for the week ending June 26<sup>th</sup> was 3.4%, down 0.2% from the prior week's unrevised rate of 3.6%.

The Association of American Railroads reported that total railcar loadings in the week ending July 3<sup>rd</sup> increased by 0.7% on the week and by 18.8% on the year to 286,777.

The Baltic Exchange's main sea freight index fell to its lowest level in 14 months on Thursday. The index fell 3.87% or 78 points to 1,940 points. A combination of slower iron ore activity, weaker coal imports into China and South America's grains export season ending have put pressure on freight rates in recent weeks.

China's energy chief Zhang Guobao said the country's power generation has averaged over 12.5 billion kWh in July and reached a record of 12.9 billion kWh on July 5<sup>th</sup>.

Oil Movements reported that OPEC's seaborne oil exports, excluding Angola and Ecuador, will increase by 60,000 bpd in the four weeks ending July 24<sup>th</sup> to 23.61 million bpd.

Iran's President Mahmoud Ahmadinejad said the new sanctions imposed against Iran by the UN Security Council will not alter the country's nuclear program.

#### DOE Stocks

**Crude** – down 4.961 million barrels  
**Distillate** – up 321,000 barrels  
**Gasoline** – up 1.32 million barrels  
**Refinery runs** – up 1.4%, at 89.8%

#### Refinery News

Valero Energy Corp said a tropical depression heading for south Texas has yet to have any impact on its 142,000 bpd Corpus Christi, Texas refinery. Meanwhile a dispatcher for the Corpus Christi pilots association said ships were still moving

along the channel but waves had reached heights of seven to nine.

Citgo's fluid catalytic cracking unit at its Lemont, Illinois refinery could be shut for seven days for repairs after it was damaged in a thunderstorm on Tuesday.

|   |
|---|
| <b>July<br/>Calendar Averages</b><br><b>CL- \$73.32</b><br><b>HO - \$1.9510</b><br><b>RB - \$2.0046</b> |
|---|

South Korea's S-Oil Corp restarted its 73,000 bpd residual fluid catalytic cracking unit on Wednesday following a planned maintenance shutdown that began on June 1<sup>st</sup>.

Fuel stocks at China's China Petroleum & Chemical Corp and PetroChina Co fell substantially by about 6%-7% at the end of June amid high domestic sales.

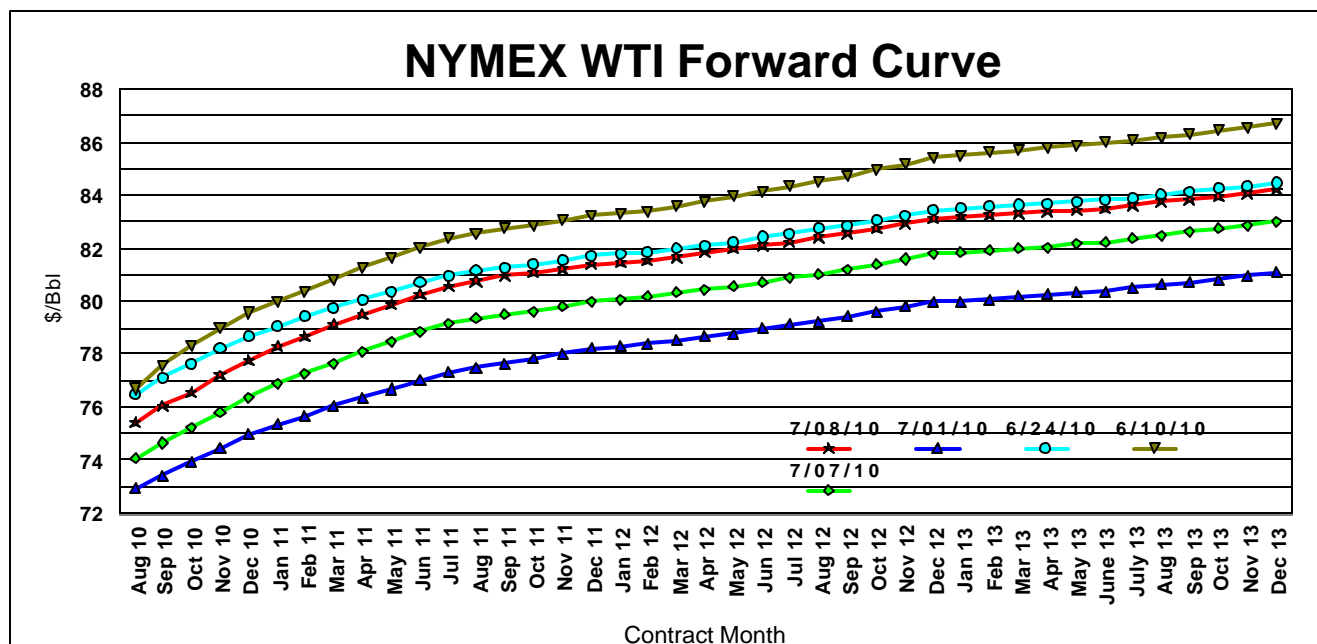
Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp terminal in the week ending July 8<sup>th</sup> increased by 2.21% on the week and by 15.75% on the year to 926,000 tons. It also reported that gas oil stocks increased by 0.33% on the week but fell by 10.67% on the year to 2.41 million tons while fuel oil stocks increased by 3.47% on the week and by 56.66% on the year to 835,000 tons. Naphtha stocks fell by 61.11% on the week and by 80.73% on the year to 21,000 tons while jet fuel stocks increased by 1.08% on the week and by 19.52% on the year to 839,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 94,000 barrels to 21.973 million barrels in the week ending July 7<sup>th</sup>. It also reported that the country's light distillate stocks built by 59,000 barrels to 11.483 million barrels while its middle distillate stocks built by 694,000 barrels to 15.624 million barrels on the week.

**Production News**

BP Plc evacuated some non-essential workers from its operations in the Gulf of Mexico due to bad weather caused by a tropical depression in the area. BP said the company's production at the Atlantis, Holstein, Mad Dog and Thunder Horse platforms have not been impacted and that workers will be redeployed later in the day.

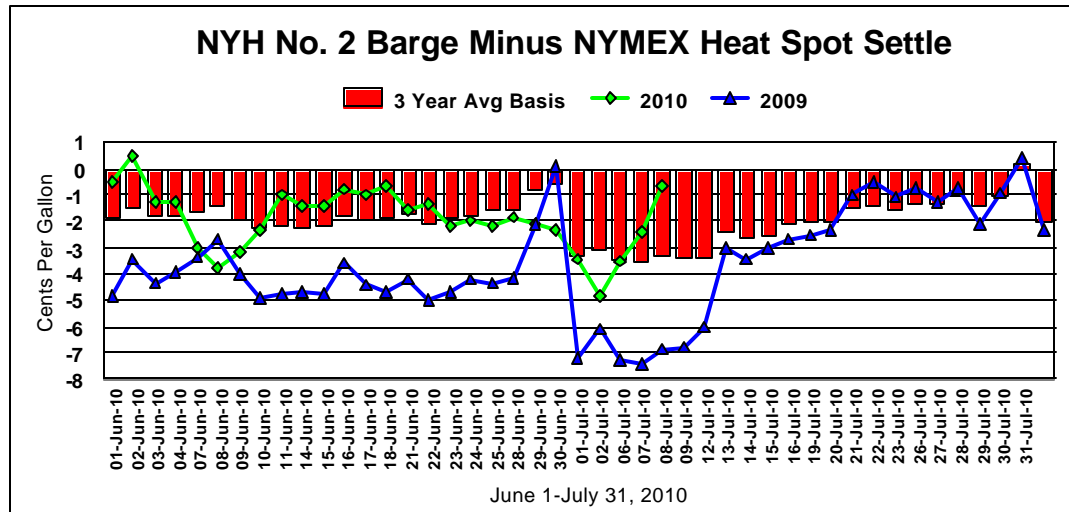
Baker Hughes reported that the number of offshore US oil and natural gas drilling rigs in operation fell 59% in June in the aftermath of the ongoing spill in the Gulf of Mexico and the subsequent ban on new drilling. Offshore rig counts fell to 20 from 49 in May. However onshore rigs in the US continued to increase amid natural gas activity to 1,511 from 1,464.



The North Sea Gullfaks crude oil stream is scheduled to load 5.13 million barrels or 165,484 bpd in August. It is down from July's level of 220,645 bpd or 6.84 million barrels. Meanwhile, the North Sea Statfjord crude oil stream is scheduled to load 3.42 million barrels in August, down 2.565 million barrels from July due to planned field maintenance.

The volume is equivalent to 110,323 bpd, down from 193,065 bpd in July.

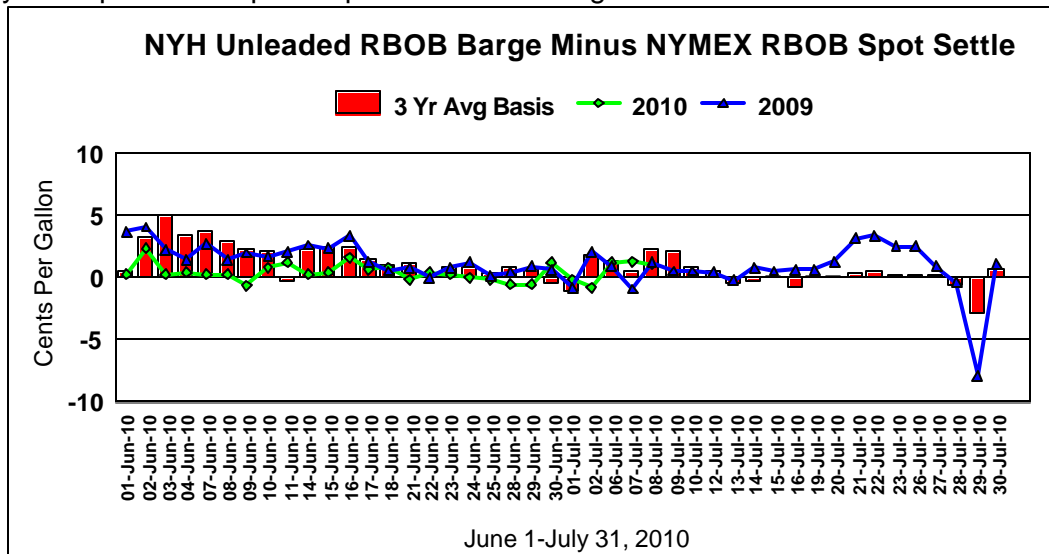
Nigeria's President Goodluck Jonathan has asked



parliament to lower the oil production assumption in the country's 2010 spending plans to 2.2 million bpd from 2.25 million bpd. He said recent information from the Nigerian National Petroleum Corp indicates that oil production for the 2010 fiscal year is likely to average about 2.2 million bpd.

Ecuador's central bank reported that the country's average oil production fell by 2% in May to 14.86 million barrels from 15.24 million barrels a year earlier. Petroecuador produced an average of 8.74 million barrels in May while private companies produced an average of 6.12 million barrels.

Colombia's Ecopetrol said the country's oil production will likely increase to 1 million bpd in late 2011. Over the past four years, the country's oil production increased more than 50% to an average of 776,000 bpd in May. Officials have stated that production is likely to reach 800,000 bpd this year.



Indian state run refiners hope to work out rules for setting market driven prices of fuel across the country by mid-July. Indian Oil Corp however said it is against frequent fuel price revisions. The private sector oil firms are expected to meet on Friday.

OPEC's news agency reported that OPEC's basket of crudes increased by 1 cent to \$69.74/barrel on Wednesday.

**Market Commentary**

The oil market continued to trend higher ahead of the release of the DOE weekly petroleum stocks report. The market was also supported by the strength in the equities market in light of the Labor Department reporting that initial claims for unemployment benefits fell by 21,000 to 454,000 in the latest week. The crude market retraced more than 50% of its move from a high of \$79.94 to a low of \$71.09 as it rallied to a high of \$75.90 early in the session. The DOE, which reported a draw in crude stocks close to 5 million barrels, helped support the market before it erased its gains and sold off to a low of \$74.38 by midday. The market however bounced off its low and never looked back. It traded back to its highs ahead of the close. It settled up \$1.37 at \$75.44. The market later continued to rally and posted a high of \$76.00. The market is seen holding its support and testing its resistance at \$76.56, its 62% retracement level, followed by \$76.83 and \$78.32. The product market also settled in positive territory, with the heating oil market settling up 2.66 cents at \$2.0053 and the RBOB market settling up 2.58 cents at \$2.0511. The heating oil market rallied to a high of \$2.0335 early in the session before it erased its gains and sold off to a low of \$1.9845. The market however bounced off its low and traded back above the \$2 level. The RBOB market retraced more than 50% of its move from a high of \$2.1853 to a low of \$1.948 as it posted a high of \$2.0743. Technically, the product markets are seen trending higher. The heating oil is seen finding support at \$2.01, \$1.9845 and \$1.9115 while resistance is seen at \$2.0336, \$2.0421, \$2.0764 and \$2.1186. The RBOB is seen finding support at \$2.0135, \$2.00, \$1.98 while resistance is seen at \$2.0743, \$2.0947, \$2.128 and \$2.1625.

Crude oil Aug 10 280,040 -12,084 Sept 10 190,848 +8,480 Oct 10 66,832 +1,404 Totals 1,277,024 +5,171 Heating oil Aug 10 79,587 -875 Sept 10 48,871 +2,064 Oct 10 28,652 +246 Totals 307,451 +1,554 Gasoline Aug 10 80,378 -1,426 Sept 10 57,805 +2,009 Oct 10 26,787 +1,123 Totals 232,180 +1,961

| Crude Oil |            | Heating Oil |            | Rbob    |            |
|-----------|------------|-------------|------------|---------|------------|
| Support   | Resistance | Support     | Resistance | Support | Resistance |
| 75.50     | 76.00      | 2.01        | 2.0336     | 2.0435  | 2.0743     |
| 74.38     | 76.56      | 1.9845      | 2.0421     | 2.0278  | 2.0947     |
| 71.44     | 76.83      | 1.9115      | 2.0764     | 1.98    | 2.1280     |
| 71.09     | 78.32      | 1.8968      | 2.1186     | 1.9590  | 2.1625     |

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.