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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR JULY 28, 2010**

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Turkey's Foreign  
Minister Ahmet  
Davutoglu said Iran  
has given an  
assurance that it  
would stop enriching  
uranium to 20%  
purity if world  
powers agreed to a  
proposed nuclear  
fuel swap.

BP Plc said one of  
its drilling rigs  
successfully  
removed a storm

plug placed on a relief well at the Deepwater Horizon spill site and it is preparing to run drill pipe into the well. BP will attempt to flood the Macondo well from the top with heavy drilling fluid and cement as early as Sunday but it also aims to intersect the bottom of the broken well with a relief well in about two weeks.

#### **Market Watch**

The US Commerce Department said demand for US manufactured durable goods fell in June for the second consecutive month. Durable goods orders fell by 1% to a seasonally adjusted \$190.5 billion. The market was expecting a 1.1% gain.

The head of the research bureau with the central People's Bank of China said China faces growing downward pressure on economic growth. However he added that there is no need to worry about a sharp slowdown as China is investing in affordable housing, encouraging private sector investment and speeding up development in certain areas. The official expects GDP to grow about 10% for the full year despite the expected slowdown in the third and fourth quarters.

Hess Corp chief executive John Hess said the company expects to see relatively minimal impact from the drilling moratorium in the Gulf of Mexico in the wake of the massive oil spill.

#### **Refinery News**

The Mississippi River reopened to alternating one-way traffic early Wednesday morning as clean up operations continued following a barge accident north of Memphis, Tennessee on Monday. There was no estimate on when the river would reopen fully. Oil traders said the incident is not expected to have any effect on crude movement up the river unless the closure is prolonged.

Murphy Oil restarted a unit at its 34,300 bpd refinery in Superior, Wisconsin following a power outage from a thunderstorm.

#### **DOE Stocks**

**Crude** – up 7.308 million barrels

**Distillate** – up 938,000 barrels

**Gasoline** – up 91,000 barrels

**Refinery runs** – down 0.9%, at 90.6%

Frontier Oil Corp's 52,000 bpd Cheyenne, Wyoming refinery is operating at reduced rates after a fire started in a crude unit early Wednesday morning.

Husky Energy Inc said it plans to carry out maintenance at its 160,000 bpd refinery in Lima, Ohio cutting output at the facility

by about 38% to 100,000 bpd while work is completed. It will be finishing remaining portions of a maintenance turnaround in November. It is expected to work on the refinery's fluid catalytic cracking unit and coker units.

**July  
Calendar Averages**  
**CL- \$76.14**  
**HO - \$2.0036**  
**RB - \$2.0571**

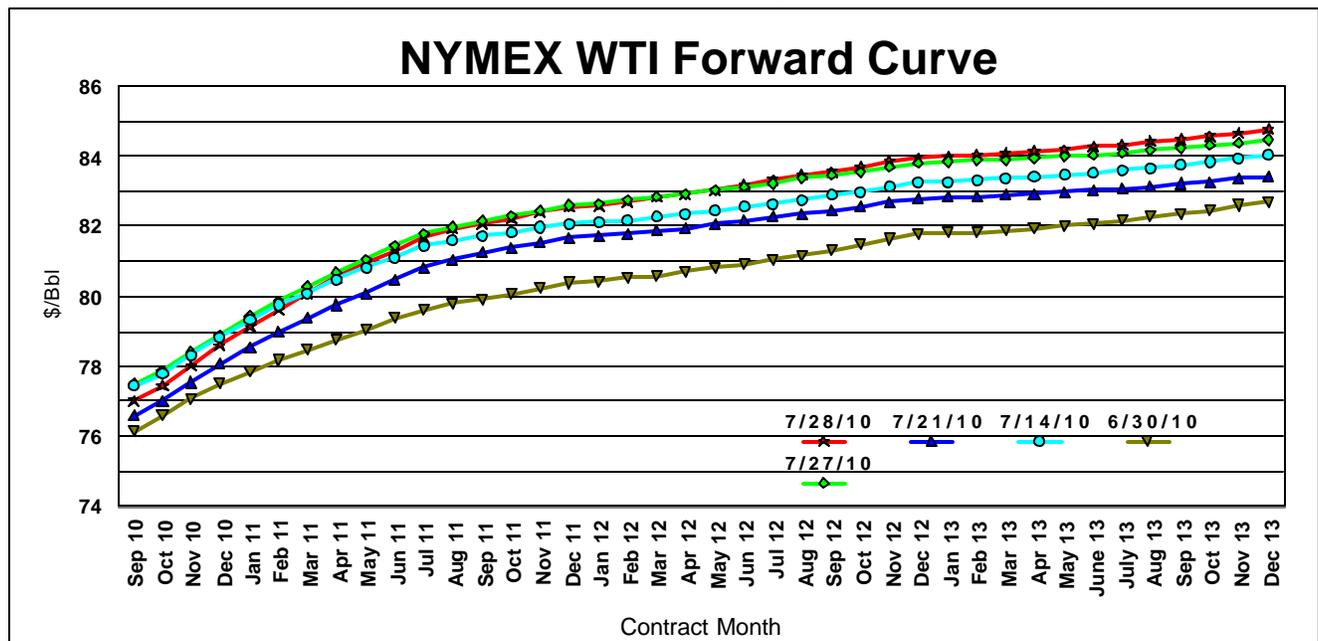
Hess Corp said second quarter 2010 utilization rates at its two refineries were lower on the year due to turnarounds. Refinery utilization rates at Hess' joint venture 500,000 bpd St. Croix refinery stood at 78.5%, down from 88.4% a year earlier. Hess' 70,000 bpd Port Reading, NJ refinery ran at 49.7% of capacity compared with 93% a year earlier due to a 41 day planned maintenance shutdown.

India's Oil Ministry reported that the country's crude runs in June increased by 2.9% on the year, its slowest pace so far this fiscal year that started on April 1<sup>st</sup> due to maintenance shutdowns at some refineries. India processed 3.3 million bpd of crude in June, up from 3.21 million bpd a year earlier and 4% above the government's 3.17 million barrel target. India's crude oil production in June increased by 6.8% on the year to 718,900 bpd.

Saudi Aramco signed contracts with several local and international contractors to help it build its estimated \$10 billion export refinery at Yanbu on the Red Sea. The Yanbu refinery would have the capacity to process 400,000 bpd of Arabian heavy crude and product 90,000 barrels of gasoline, 263,000 barrels of ultra-low sulfur diesel, 6,300 metric tons of coke and 1,200 tons of sulfur.

Japan's Nippon Oil plans to refine 6.51 million kiloliters of crude in August, up 3% on the year. Its refinery volume in July is estimated at 5.94 million kl, down 3% on the year.

The Petroleum Association of Japan reported that crude inventories in the week ending July 24<sup>th</sup> fell by 120,000 barrels on the week but increased by 4.13 million barrels on the year to 106.52 million barrels. It also reported that Japan's gasoline stocks fell by 290,000 barrels on the week but increased by 160,000 barrels on the year to 13.38 million barrels while its kerosene stocks built by 540,000 barrels on the week but fell by 4.34 million barrels to 12.12 million barrels. Japan's naphtha stocks fell by 70,000 barrels on the week to 12.8 million barrels. The PAJ also reported that its refinery runs increased by 0.6% to 75.8% on the week. Total oil product sales fell by 1.4% on the week but increased by 9% on the year to 2.52 million bpd. Gasoline sales increased by 6.6% on the week and by 8.2% on the year to 1.01 million bpd while its gas oil sales increased by 2% on the week



and by 12.2% on the year to 540,000 bpd while kerosene sales fell by 25% on the week but increased by 0.7% on the year to 80,000 bpd, jet fuel sales increased by 42.2% on the week and by 27.9% on the year to 167,000 bpd and naphtha sales increased by 9% on the week but fell by 12% on the year to 240,000 bpd.

A UAE port official said a wave hit a Japanese supertanker passing through the strategic Gulf shipping lane, causing damage. The tanker was damaged in an explosion near the Strait of Hormuz in Oman waters was scheduled to deliver oil to Japan's Cosmo Oil. Sources said the tanker was carrying 2.3 million barrels of crude.

### **Production News**

One standard 600,000 barrel cargo of North Sea Forties crude has been dropped from the August loading program due to low production, further tightening the market. This came after at least eight cargoes for August loading were deferred by one to three days amid planned maintenance and production problems.

The director of Nigeria's Department of Petroleum Resources, Wada Andrew Obaje said crude oil reserves in Nigeria have fallen by 4.79% or 1.6 billion to 31.81 billion barrels over the past year because companies refuse to undertake exploration.

Total SA said it delayed loadings of Nigerian Amenam crude and output has been reduced following a small technical issue on Wednesday. It said the disruption was minor and would not result in a force majeure.

Russia's Transneft said the Caspian Pipeline Consortium, which transports oil from Kazakhstan to the Black Sea will hold tenders for expansion of the pipeline by the end of the year. CPC plans to increase capacity of the pipeline to 67 million tons a year by 2014.

OPEC's news agency reported that OPEC's basket of crudes fell by 27 cents to \$73.95/barrel on Tuesday from \$74.22/barrel on Monday.

### **Market Commentary**

An unexpected build in crude oil inventories and a jump in imports sent prices spiraling downward to just below \$76.00, basis the September contract. This comes on the heels of yesterday's consumer confidence report, which fell to its lowest level in five months. Despite builds in both gasoline and distillate stocks, both products found support just ahead of the August expiration. The \$77.76 200-day moving average for crude oil remains a key area that prices need to settle above in order to boost confidence that this market can continue higher. From a fundamental perspective, coupled with weak economic news and a lack of this market to hold above key technical resistance numbers, one has to think that \$70.00 crude oil is on its way. We would look for a test at this level, buying failed attempts to break through it.

Crude oil Sept 10 356,964 -3,975 Oct 10 94,034 +2,532 Nov 10 67,647 +3,061 Totals 1,240,029  
+820 Heating oil Aug 10 19,590 -9,174 Sept 10 76,983 +3,299 Oct 10 33,723 Totals 294,935 -4,200  
Gasoline Aug 10 21,519 -7,884 Sept 10 98,040 -257 Oct 10 37,827 +933 Totals 249,133 -4,222.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	7775	18965	20685	18890	21280
7569	7970	18480	21390	18750	21925
7427	8325	18365	21625	18420	24880
7293	8710	18055	21875	18260	27085

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