



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR AUGUST 12, 2010**

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According to Oil Movements, OPEC's oil exports are expected to fall by 430,000 bpd to 23.25 million bpd in the week ending August 28<sup>th</sup>.

BP Plc said work has resumed on a relief well next to its Macondo well in the Gulf of Mexico after a tropical depression dissipated on Wednesday.

Anadarko Petroleum Corp said it will redeploy non-essential workers to its Independence Hub and Neptune facilities in the Gulf of Mexico after the threat of a tropical depression in the area dissipated. It said production remained online despite the

evacuation of some workers. Transocean Ltd said its six drillships and rigs in the Gulf of Mexico, which moved to evade the storm, are heading back to their previous locations. It also said all 127 workers evacuated on Wednesday will return in the next few days. Royal Dutch Shell is redeploying non-essential workers to its Nautilus rig and Fairway field in the Gulf of Mexico.

#### **Market Watch**

The US Labor Department said the number of US workers filing initial claims of unemployment unexpectedly increased last week to the highest level in six months. Initial unemployment claims increased by 2,000 to 484,000 in the week ending August 7<sup>th</sup>. Initial claims for the previous week ending July 31<sup>st</sup> were revised up to 482,000 from the originally reported 479,000. It reported that the four week moving average increased by 14,250 to 473,500. The number of continuing claims fell by 118,000 to 4,452,000 from the preceding week's upwardly revised level of 4,570,000. The unemployment rate for workers with unemployment insurance for the week ending July 31<sup>st</sup> was 3.5%, down from the prior week's 3.6%.

The US Labor Department reported that higher oil prices pushed prices for imported goods higher in July for the first time in three months. Import prices increased 0.2% in July after falling 1.3% in June and a revised 0.8% in May. Oil import prices increased 2% last month after falling for two months while prices excluding oil fell 0.2%.

A gasoline tanker, which shipping sources said was forbidden by its owner to carry gasoline from Turkey to Iran, was expected to arrive in New York on August 16<sup>th</sup>. The Lia, a 73,723 deadweight ton tanker, was reported off Portugal last week. Shipping and oil trading sources said the ship had been chartered by Iranian shipping company NITC to load gasoline on July 12-15 from the Turkish Port of Izmit as part of a term supply contract. However the owner decided not to allow the tanker to sail to Iran.

The EU is investigating whether US biodiesel exporters have been shipping to Europe via third countries to avoid high tariffs imposed last year. The European Commission said it was also studying whether US exporters were switching to diesel blends containing less than 20% biofuel to avoid tariffs that apply to blends containing 20% or more. The EU imposed tariffs totaling more than 400 euros/ton on US made biodiesel last year after ruling that it was illegally subsidized and that exporters were dumping it on the EU market. Since then US exports to the EU have declined while Canadian sales to the EU have increased to more than 140,000 tons in 2009 from about 1,700 tons in 2008. Exports from Singapore also increased to more than 20,000 tons in 2009 from 177 tons in 2008.

**August  
Calendar Averages**  
**CL – \$80.51**  
**HO – \$2.1384**  
**RB – \$2.1078**

Genscape reported that oil inventories at the Cushing, Oklahoma oil terminal increased by 126,077 barrels to 39.89 million barrels in the week ending August 10<sup>th</sup>.

**Refinery News**

Colonial Pipeline will eliminate the 58<sup>th</sup> cycle for all lines on its pipeline system.

Enbridge Inc said it has not introduced apportionment on its pipelines because of the Michigan pipeline leak. It said some of its pipelines are running near capacity and storage levels are high due to restricted flow.

Flint Hills Resources is shutting down a fluid catalytic cracking unit in the west plant of its 288,468 bpd Corpus Christi, Texas refinery for urgent repairs. Repairs are needed on heat exchangers on the fluid catalytic cracking unit. It was reducing feed to the unit on Thursday.

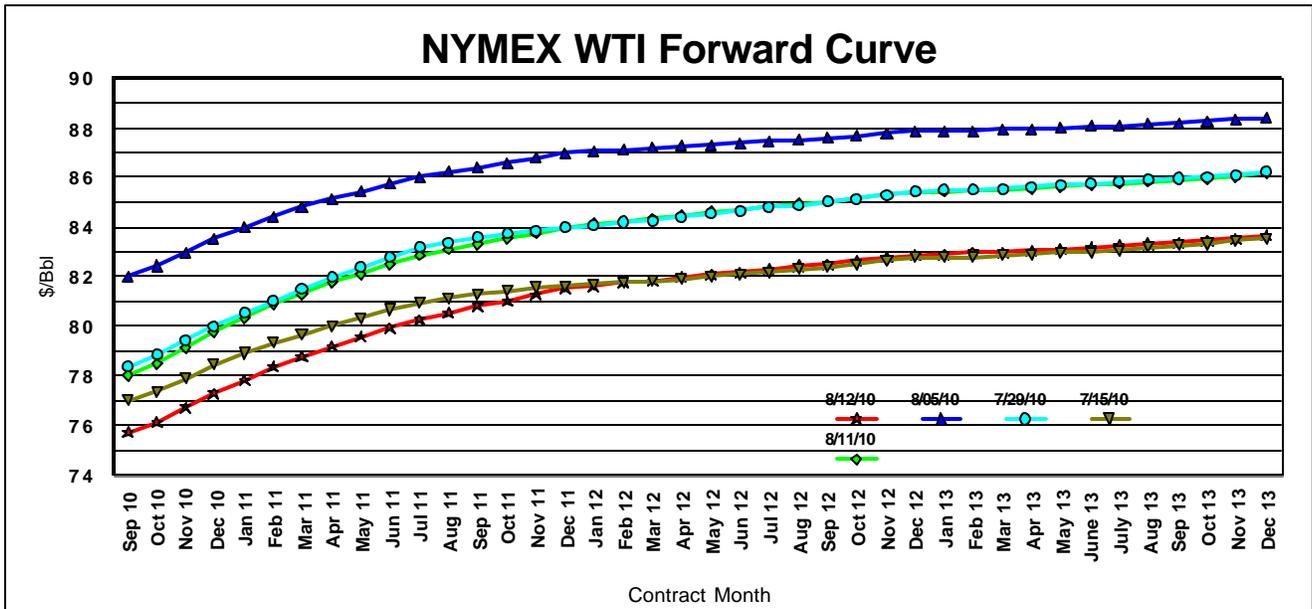
Motiva Enterprises LLC reported an unknown amount of naphtha was released on Tuesday at its 234,700 bpd refinery in Norco, Louisiana during maintenance work on the unit.

Tesoro Corp reported planned flaring activity starting Thursday morning at its 97,000 bpd Los Angeles area refinery. The emissions event is expected to last four days and is not related to a unit breakdown.

Total SA reported a unit problem at its 232,000 bpd Port Arthur, Texas refinery that was tied to an emissions control unit.

A problem in the electricity grid caused two fires at Neste Oil's refinery in Finland. Production at the refinery has been halted as a result. The Naantali refinery, which has a capacity of 58,000 bpd, produces traffic fuels and specialty products.

Iraq's North Refineries Company said production at its Baiji refinery was shut due to an electrical fault. The fault was caused by an overloading of the refinery's grid. An official said the company lost 11 million liters of gasoline, 7 million liters of benzene and 4.5 million liters of kerosene as a result of the



shutdown.

Abu Dhabi National Oil Co will shut both its 140,000 bpd condensate splitters starting October, one of which will be idled for about a month and the other will be taken offline for about 10 days. This will lead to naphtha production loss and could see fewer spot cargo exports from the Middle East.

The Rotterdam port authority said the throughput of crude oil and refined products at the Rotterdam port increased during the first half of the year. Crude oil imports into Rotterdam increased by 3% to 50 million tons while oil product throughput increased by 8% to more than 38 million tons.

Gasoline stocks held in the Amsterdam-Rotterdam-Antwerp storage hub in the week ending August 12<sup>th</sup> increased by 4.5% on the week and by 32.1% on the year to 860,000 tons. Fuel oil stocks increased by 18.03% on the week and by 43.71% on the year to 720,000 tons while gas oil stocks increased by 5.37% on the week but fell by 7.25% on the year to 2.687 million tons. Naphtha stocks increased by 12.9% on the week but fell by 11.39% on the year to 70,000 tons while jet fuel stocks fell by 0.24% on the week but increased by 8.12% on the year to 839,000 tons.

Total inventories of gasoline, diesel and kerosene held by China's Sinopec Corp and PetroChina in July fell by 7.2% on the month. Gasoline stocks held by the two companies fell by 6.3% while diesel stocks fell by 8.2% on the month. Domestic sales of the three main fuels increased 0.5% to 20.5 million tons in July.

China has completed a crude storage terminal with a capacity of about 26 million barrels in Qinzhou in the southern Guangxi region. It is part of the 126 million barrel crude reserve base that China has planned for the southern port.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending August 11<sup>th</sup> increased by 22,000 barrels to 20.603 million barrels. It reported that the country's light distillate stocks increased by 268,000 barrels to 11.05 million barrels while its middle distillate stocks increased by 1.027 million barrels to 16.662 million barrels on the week.

India's Mumbai port, which was shut following a collision of two cargo ships over the weekend, partially resumed operations on Thursday. Port officials are expected to meet later in the day to decide when the port operations can resume fully.

### **Production News**

Iraq resumed its oil exports to Turkey through the Kirkuk-Ceyhan pipeline on Thursday, two days after a bomb attack halted oil flow on the pipeline. Oil flow was restored to 350,000-400,000 bpd. Turkey blamed the Kurdistan Workers Party for the bombing. Turkish Energy Ministry officials said Turkey planned to increase security along the route to prevent further sabotage.

Iraqi will supply crude to two Asian term buyers at near full contracted volumes for September.

BP Plc reported that the 200,000 bpd North Sea Buzzard field contributed 53% of total Forties crude production in the week ending August 8<sup>th</sup>. It was up from 29% during the previous week.

Brazil's Petrobras reported late Wednesday that a fire broke out at an offshore oil platform. The fire started after water and hydrocarbon vapors condensed on equipment in the P-35 platform's gas treatment unit. The platform is installed at the Marlim field in the Campos Basin, where more than 85% of the country's crude is produced.

Indonesia's BPMIGAS said the country may approve the development plan for the Chevron-operated North Duri area 13 oil project this year, increasing output of sweet heavy crude. Total Duri crude production is about 199,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.47 to \$75.40/barrel on Wednesday from \$76.87/barrel on Tuesday.

**Market Commentary**

Crude oil suffered losses for the third straight day after U.S. jobless claims increased by 2,000 to 484,000 last week. This sent signals through the marketplace that a sluggish economic recovery would have a negative impact on demand. Inventories for crude oil, gasoline and heating oil continued to drag prices lower as the U.S. summer driving season is coming to an end and refiners begin to think of turnarounds. This wane in demand is typical for this time of year. Last week's failed attempt to push prices up to the \$87.15 high of May, sent weak longs covering, pushing prices through the 200-day moving average of \$77.80. The September crude oil contract is approaching the 50% Fibonacci retracement number of \$75.06 basis a weekly spot continuation chart. With tomorrow being Friday, we would look for prices to attempt to penetrate this level.

Crude oil: Sept 10 184,716 -43,413 Oct 10 208,009 +38,339 Nov 10 128,905 +9,668 Totals 1,283,746 Heating oil: Sept 10 60,975 -3,390 Oct 10 53,096 +2,642 Nov 10 40,280 +1,393 Totals 302,389 +639 Rbob: Sept 10 60,522 -9,560 Oct 10 66,006 +4,880 Nov 10 46,859 +1,243 Totals 241,907 -2,620.

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7506	7781	18965	22530	19279	22345
7477	7885	19236	22700	18890	24880
7299	8325	18920	22945	18750	27085
7000	8625		23775	18420	

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