

**W** The  
Windham Group



## ***ENERGY RISK MANAGEMENT***

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR SEPTEMBER 23, 2010**

---

The National Hurricane Center tropical depression formed in the south-central Caribbean Sea on Thursday. The depression is moving toward the west at about 15 mph and it is forecast to reach the Nicaragua-Honduras border late Friday or early Saturday. It is expected to strengthen over the next two days and could become a tropical storm later Thursday or early Friday. The NHC also continued to watch Tropical Depression Lisa and the remnants of Tropical Depression Julia.

US President Barack Obama said the door to diplomacy with Iran remains open. He however said that Iran must show a credible commitment to talks on its nuclear program.

Iran's Foreign Minister Manouchehr Mottaki said Iran is ready to resume talks over its nuclear program provided they are fair. His remarks came as world powers said they wanted an early-negotiated solution to the standoff with Iran over its nuclear program.

Russia's Foreign Minister Sergey Lavrov said taking military action against Iran would prove counterproductive and push the country toward acquiring nuclear weapons. He urged the US to pursue diplomatic engagement in its foreign policy.

US Energy Secretary Steven Chu said the Energy Department is on schedule to deliver testing data on a higher blend of ethanol for gasoline. He said the information would be ready for the EPA by the end of the month.

#### **Market Watch**

The US Labor Department said initial claims for unemployment benefits increased unexpectedly by 12,000 to a seasonally adjusted 465,000 in the week ending September 18<sup>th</sup>. New claims for the previous week were revised upwards to 453,000 from 450,000. The four-week moving average fell by 3,250 to 463,250. It reported that the number of continuing claims for unemployment benefits fell by 48,000 to 4,489,000 from the preceding week's revised level of 4,537,000. The unemployment rate for workers with unemployment benefits in the week ending September 11<sup>th</sup> was 3.5%, down 0.1% from the prior week's revised rate of 3.6%.

The Conference Board index of leading indicators in August increased by 0.3% to 110.2. Its index of coincident indicators was unchanged at 101.3 while its index of lagging indicators increased by 0.2% to 108.1 in August.

The National Association of Realtors said US existing home sales in August increased by 7.6% to 4.13 million units from 3.84 million units in July. US Single-family home sales increased by 7.4% to 3.62 million units in August. It stated that the median price for existing homes in August increased by 0.8% on the year to \$178,600.

Russia's Prime Minister Vladimir Putin called for peace and cooperation in the Arctic as Canada, Denmark, Norway, Russia and the US move to stake their claims over the region's energy rich seabed. A quarter of the world's untapped energy resources are believed to be in the Arctic sea floor.

**September  
Calendar Averages**  
**CL – \$74.97**  
**HO – \$2.0970**  
**RB – \$1.9347**

According to the EIA, SPR oil stocks fell by 400,000 barrels last week, with crude drawn from the Bayou Choctaw storage site in Louisiana, which holds 72 million barrels of crude. An EIA analyst said he did not know who the crude was delivered to or why but said it was an exchange, not a sale. He said he did not know of any disruption to the system that would have required the exchange and therefore it would likely be replenished shortly.

Separately, the EIA unexpectedly revised its US oil demand figure for June up to 19.314 million bpd from the previously reported 19.291 million bpd. It revised down its estimate of US crude oil imports in June by 2.7% from the previously reported level due to an error in data submitted by Marathon Oil Corp. Crude imports in June totaled 9.872 million bpd, down 274,000 bpd from the level previously reported. Imports are up 8% on the year.

Genscape reported that US oil inventories at Cushing, Oklahoma increased by 198,440 barrels to 37.855 million barrels in the week ending September 21<sup>st</sup>. It estimated that Cushing crude tanks were filled to 73% of capacity as of Tuesday, up 1% from the previous week.

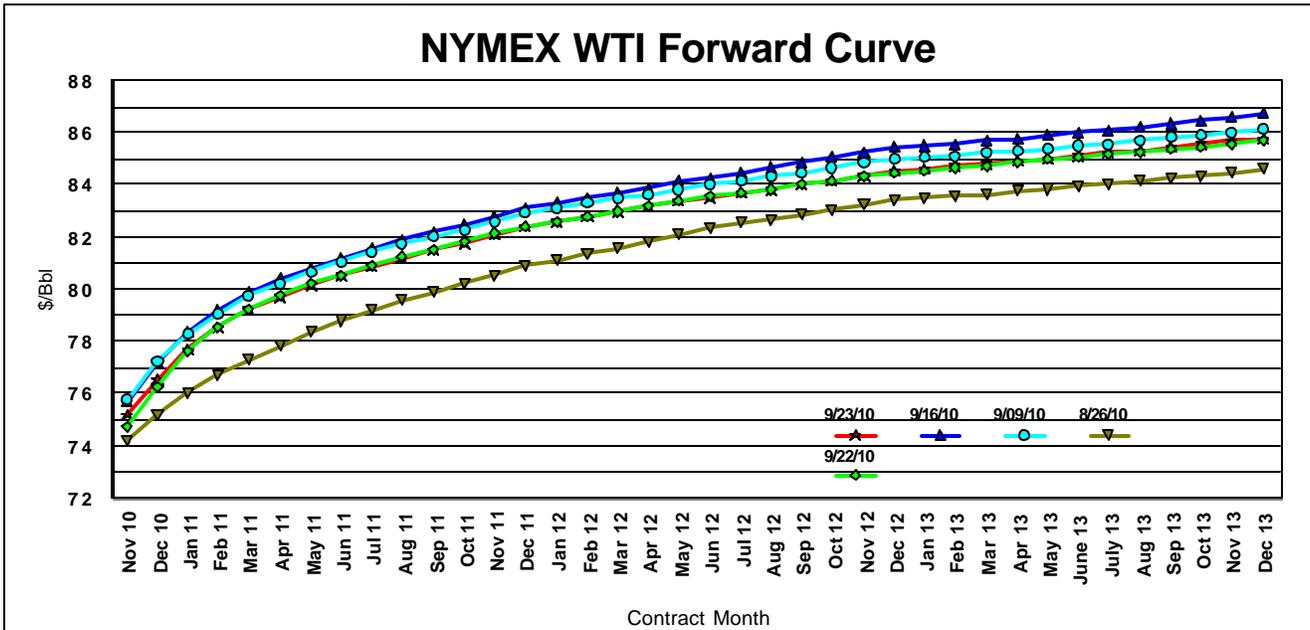
According to Oil Movements, OPEC's oil exports are expected to increase by 210,000 bpd to 23.42 million bpd in the four weeks ending October 9<sup>th</sup>.

**Refinery News**

The US Pipeline and Hazardous Materials Safety Administration approved a gradual restart of Enbridge Inc's 6B oil pipeline that ruptured more than eight weeks ago. It however did not say exactly when operations of the pipeline that runs from Sarnia, Ontario to Griffith, Indiana could resume on the 290,000 bpd line.

ConocoPhillips recently halted crude oil processing operations at its 238,000 bpd Bayway refinery in Linden, NJ to facilitate the installation of a new vacuum furnace. The installation is expected to take about 45 days. It is also working on the start up of a new crude pipestill. Separately, ConocoPhillips said production at its 306,000 bpd Wood River, Illinois refinery was not disrupted after a small crane was overturned while laying pipelines for a refinery expansion project.

CGT union officials said striking oil workers at Total's six refineries in France halted fuel supplies and



cut output to minimum levels. The workers joined a national strike against the government's pension reform plans.

India's Ministry of Petroleum and Natural Gas reported Indian refineries processed 13.51 million metric tons or 3.194 million bpd of crude oil in August, down 2.3% on the year. Refinery runs were 2.2% above the government's target of 13.21 million tons. India's crude oil output in August increased by 15% to 754,600 bpd from 656,106 bpd while natural gas production increased by 11.9% to 4.33 billion cubic meters from 3.87 billion cubic meters a year earlier.

Shipping sources said Iran has up to 20 million barrels of oil floating on tankers anchored offshore in the Middle East.

Singapore's International Enterprise reported that the country's residual fuel stocks fell by 1.986 million barrels to 19.781 million barrels in the week ending September 22<sup>nd</sup>. It also reported that the country's light distillate stocks fell by 1.138 million barrels to 9.422 million barrels and middle distillate stocks fell by 875,000 barrels to 13.393 million barrels on the week.

### **Production News**

A.P. Moller-Maersk AS said oil production consortium DUC produced 157,900 bpd of oil and condensate in August, down from 207,700 bpd in July. Meanwhile the consortium produced 380 million cubic meters of export gas in August, down from 600 million cubic meters in July.

Mexico's Energy Ministry said it completed the certification and registration of Mexico's hydrocarbon reserves, confirming that proven reserves as of January 1<sup>st</sup> this year were 13.99 million barrels of crude equivalent.

Iraq's Oil Ministry reported that the country's oil exports fell slightly in August to 55.4 million barrels or 1.79 million bpd. It reported that about 44.9 million barrels were exported via the main southern port city of Basra, while the remaining 10.5 million barrels were exported via the Turkish port of Ceyhan.

The Ecuadorean-Venezuelan owned Rio Napo would increase production at its Sacha oil field by 16% next year to 60,000 bpd from its current production of 51,600 bpd. By the end of the year, Sacha should produce an average of 53,000 bpd and by 2014 or 2015 the company plans to reach an output of about 70,000 bpd.

Nigeria plans to export 11 cargoes of Qua Iboe crude, containing 950,000 barrels each, in November.

Nigeria has cut the official selling price for its Bonny Light, Qua Iboe and Brass Blend crudes by 25 cents to dated Brent plus \$1.60/barrel. The price for its Forcados crude was cut by 35 cents to dated Brent plus \$1.65/barrel while the price of its Escravos crude was cut by 30 cents to dated Brent plus \$1.45/barrel.

OPEC's news agency reported that OPEC's basket of crudes fell to \$74.41/barrel on Wednesday from \$75.34/barrel on Tuesday.

### **Market Commentary**

Crude oil prices rose today, gaining strength from the index of U.S. leading indicators, which beat economists' estimates in August. A rise in existing home sales in the U.S. also helped to boost the market. Today's higher move was also gasoline driven, as this product responded to the closure of a pipe still at Conoco Phillips Linden, New Jersey refinery. Crude oil has been trading within the "fair" price target, deemed by King Abdullah, the ruler of Saudi Arabia, of \$75.00 a barrel. Prices based upon a weekly spot continuation chart, remain within the symmetrical triangle, with moving oscillators

trending lower just above oversold conditions. So far, crude oil is trading within the range of last week and experienced a lack of follow through to the downside, based upon a break below last week's settlement of \$73.66. We expect that prices will continue in a sideways fashion, with stretches towards the fibonacci retracement level of \$75.69.

Crude oil: Nov 10 369,139 +4,563 Dec 10 221,460 +1,389 Jan 11 91,167 +6,042 Totals 1,331,952 +7,838 Heating oil: Oct 38,709 -3,428 Nov 10 79,375 +485 Dec 10 70,824 -590 Totals 329,793 -3,010 Rbob: Oct 10 38,335 -2,711 Nov 10 88,171 +2,130 Dec 10 39,020 -323 Totals +1,000

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
	7781	18965	22530	18240	
7367	7866	19236	22700	<b>16010</b>	22345
7307	8100	18920	22945		24880
7260			23775		27085
7190					

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.