



## ***ENERGY RISK MANAGEMENT***

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

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Frontline, the world's largest independent oil tanker operator, said demand for offshore crude storage is expected to increase in the next few months and could increase to last year's levels due to low freight rates and high oil prices.

#### **Refinery News**

Enbridge Inc shut its 670,000 bpd Line 6A pipeline after discovering a problem with the line during maintenance in Wisconsin early Friday. The pipeline is undergoing repairs. Enbridge did not give an estimated time or date for restarting the line.

#### **Market Watch**

Deutsche Bank increased its forecast for US crude oil for the fourth quarter of 2010 to \$80/barrel from a previous estimate of \$70/barrel.

Bids for cash ethanol rallied 12 cents early Friday after USDA data showed sharply lower corn yields that would cut US output by 4%.

The US Labor Department said the US payrolls fell in September for the fourth consecutive month as government payrolls fell and private hiring slowed. Nonfarm payrolls fell by 95,000 compared with expectations that overall payrolls would be unchanged. Private employment increased by 64,000 after increasing by 93,000 in August. The US unemployment rate in September stood at 9.6%, unchanged on the month.

The US Commerce Department said inventories at US wholesalers in August increased more than expected. Inventories increased by 0.8% to a seasonally adjusted \$409.43 billion. July inventories were revised up to a 1.5% increase from an originally estimated 1.3% increase. Sales of wholesalers increased by 0.5% to \$352.44 billion.

Germany's Federal Statistics Office reported that German exports in August fell for the second consecutive month. Exports fell by 0.4% on the month while imports increased by 0.9%.

The API's petroleum stocks report will be delayed by one day until Wednesday, October 13<sup>th</sup> at 4:30 pm EDT due to the Columbus Day holiday. The DOE's weekly petroleum stock report will also be delayed by one day to Thursday, October 14<sup>th</sup> at 11 am EDT due to the holiday.

Sunoco Logistics Partners LP restarted a 190,000 bpd crude oil pipeline on Friday after closing it late on Wednesday to check for a possible leak. Sunoco was still working to determine the source of the 1 barrel crude leak, which was contained. The line runs from Marysville, Michigan to Toledo, Ohio.

Valero Energy Corp said the preliminary report about an operating problem at its 250,000 bpd refinery was incorrect. It said there was no rupture. There was a problem with a coupling at a reformer hydrogen compressor.

**October  
Calendar Averages**  
**CL – \$82.24**  
**HO – \$2.2871**  
**RB – \$2.1217**

Shell reported a power outage at its Deer Park, Texas facility on Thursday which caused flaring. The units affected were olefins units.

The French refiners body Union Francaise des Industries Petrolieras or Ufip said four refineries in southern France may face closure during the weekend after workers voted to continue the strike for the 12<sup>th</sup> consecutive day on Friday while two other refineries could continue their operations for a limited number of weeks. It said fuel supplies to motorists could continue uninterrupted for one or two weeks, if next week's refinery strikes are limited. The strike, which may continue on Saturday, is preventing the unloading of 51 ships, including 11 natural gas tankers, 19 crude oil tankers, 15 refined product tankers, three chemical products tankers and three barges. Meanwhile, Total SA said units at its 158,000 bpd La Mede refinery will shut down on Sunday due to a crude oil shortage caused by the strike at the Fos-Lavera oil port. LyondellBasell Industries' 105,000 bpd Berre l'Etang refining and petrochemicals units are operating according to plan.

Royal Dutch Shell Plc will carry out an additional eight weeks of maintenance on a fluid catalytic cracking unit at its 400,000 bpd Pernis refinery in the Netherlands. Maintenance on the unit started three weeks ago.

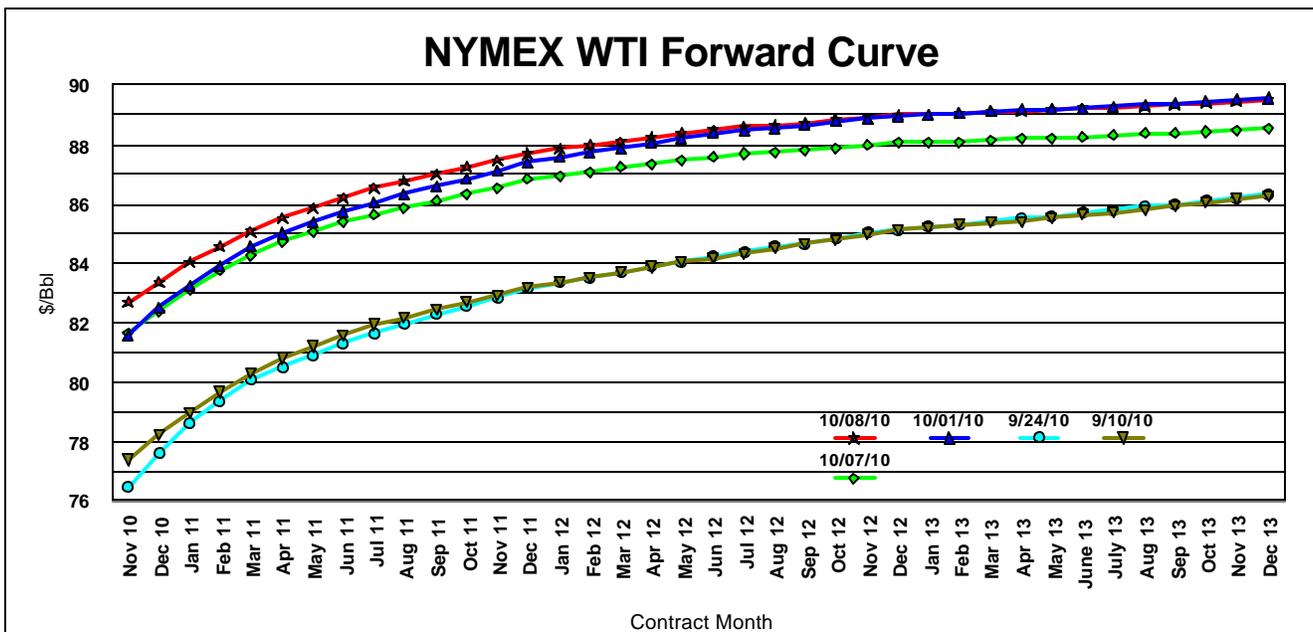
Shell Canada has scrapped its plans for a 400,000 bpd oil sands upgrader at its Scotford facility in Alberta.

Indonesia's Pertamina imported fuel oil for the first time in six months, buying about 510,000 barrels for October delivery due to an increase in demand for power generation.

Japan's Showa Shell Sekiyu KK started maintenance on a 75,000 bpd No. 2 crude distillation unit at its Yokkaichi refinery earlier in the day as scheduled. It is expected to restart in early November.

Japan's Tokyo Electric Power Co more than tripled its oil consumption from a year earlier for power generation. Crude oil consumption in September increased to 237,000 kiloliters from 72,000 kiloliters last year.

**Production News**

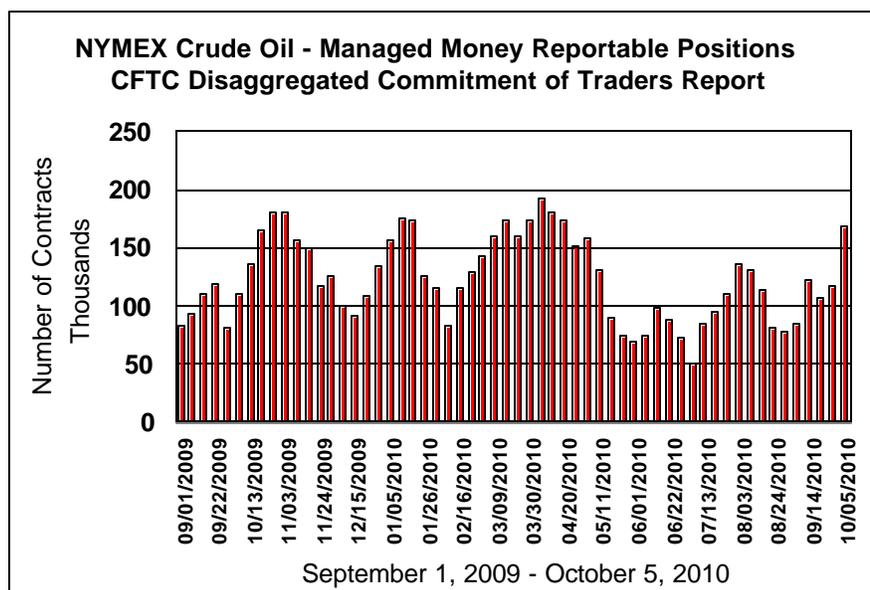


The North Sea Brent crude oil stream is scheduled to load about 4.8 million barrels or 160,000 bpd in November, up from 139,000 bpd in October.

The November loading program for North Sea Forties Blend crude is scheduled at 15.6 million barrels, down 600,000 barrels on the month. It is equivalent to 520,000 bpd, down from 522,581 bpd in October. The November loading program for North Sea Oseberg crude is scheduled at 4.8 million barrels, unchanged on the month. It is equivalent to 160,000 bpd, up from 154,839 bpd in October. The November loading program for North Sea Troll crude is scheduled at 7.1 million barrels, down 100,000 barrels from October. It is equivalent to 236,667 bpd, compared with 232,258 bpd in October. The November loading program for North Sea Statfjord crude is scheduled at 5.13 million barrels, up 855,000 barrels on the month. The volume is equivalent to 171,000 bpd compared with 137,903 bpd in October. The November loading program for North Sea Gullfaks crude is scheduled at 7.695 million barrels, up 1.71 million barrels in October. The volume is equivalent to 256,500 bpd compared with 193,065 bpd in October.

The Norwegian Petroleum Directorate said Norway's oil production fell to 1.572 million bpd on average in September from actual production of about 1.603 million bpd in August.

Natural gas production fell to 5.7 billion cubic meters in September from about 6 billion cubic meters in August.



OPEC's news agency reported that OPEC's basket of crudes fell by 44 cents to \$81.07/barrel on Thursday from \$81.51/barrel on Wednesday.

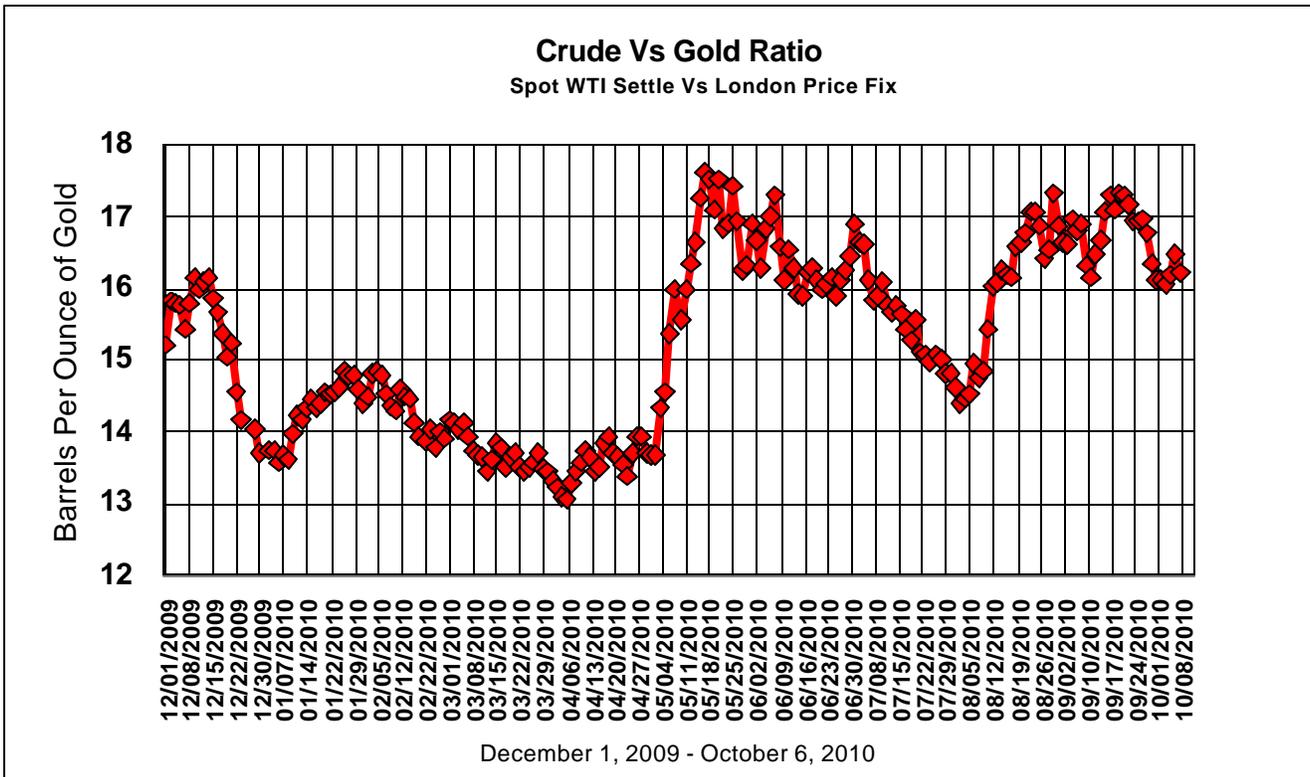
#### **Market Commentary**

The crude market remained pressured early in the session following the release of a disappointing US jobless report. The US Labor Department reported that non-farm payrolls fell by 95,000 in September

compared with expectations that payrolls would remain unchanged on the month. The market retraced about 38% of its move from a low of \$73.58 to a high of \$84.43 as it posted a low of \$80.30 in overnight trading. The market held good support at its low and the 38% retracement level as it failed to breach it following the release of the less than supportive report. The market bounced higher and never looked back. The market rallied to a high of \$83.13 by mid-day and settled in a sideways trading pattern ahead of the close. It settled up 99 cents at \$82.66. The product market also retraced their earlier losses and settled sharply higher, with the heating oil market settling up 3.01 cents at \$2.2819 and RBOB market settling up 3.32 cents at \$2.1512. The oil market is seen finding support at its low of \$80.29 followed by \$79.01 and \$77.72. Resistance is seen at its high of \$83.13 followed by \$84.61, \$86.10 and \$87.15.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 43,292 contracts to 198,276 contracts in the week ending October 5<sup>th</sup>, on a combined futures and options basis. The disaggregated futures and options report continued to show that managed money funds continued to increase their net long position for the third consecutive week, by 51,634 contracts to 168,540 contracts in the latest week. Meanwhile, the report showed that

producer/merchants increased their net short position by 3,247 contracts to 159,071 contracts while



swap dealers increased their net short position by 40,277 contracts to 43,402 contracts.

Crude oil: Nov 10 276,817 -37,368 Dec 10 260,275 +7,575 Jan 11 127,384 +2,526 Totals 1,413,202 - 21,854 Heating oil: Nov 10 91,699 -7,312 Dec 10 77,997 +2,199 Jan 11 51,671 +1,976 Totals 330,966 -3,553 Rbob: Nov 10 85,807 -12,592 Dec 10 58,493 +3,538 Jan 11 31,276 +500 Totals 257,004 -5,263

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
8100	8461	22142	23338	21050	21550
8029	8610	21859	23341	20756	22011
7901	8715	21382	23775	20368	22225
7772		20943		19980	22345

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