EnMark Energy News

As of: July 28, 2010

EnMark Energy News Dallas, Texas (214) 965-9580

EIA WEEKLY STATUS REPORT - PETROLEUM STOCKS EIA

(million barrels)	**07/23/10**	**07/16/10**	**CHANGE**	**07/24/09**
CRUDE OIL (exc spr)	360.8	353.5	7.3	347.8
GASOLINE............	222.3	222.2	0.1	213.1
JET FUEL............	48.3	48.0	0.3	45.2
DISTILLATE FUEL.....	167.5	166.6	0.9	162.6
HEATING OIL.........	49.1	49.2	0.0	46.4
RESIDUAL FUEL.......	40.3	40.6	-0.2	34.7
PROPANE/PROPYLENE...	53.0	52.5	0.5	68.4
UNFINISHED OILS.....	79.1	79.6	-0.5	88.8
OTHER OILS..........	207.1	206.7	0.4	-
TOTAL STOCK (exc spr)	1118.8	1109.8	9.0	1123.1
STRATEGIC PET.RESERV	726.6	726.6	0.0	724.1
ALL STOCKS (inc spr)	1845.4	1836.4	9.0	1847.2

10:52 28Jul10 RTRS-US natgas stocks seen up 35 bcf in weekly EIAs

NEW YORK, July 28 (Reuters) - U.S. natural gas storage levels on average are expected to rise by 35 billion cubic feet when weekly data from the U.S. Energy Information Administration are released early Thursday. In the weekly Reuters survey of 27 industry traders and analysts, injection estimates for the week ended July 23 ranged widely from 25 bcf to 51 bcf. Stocks rose an adjusted 70 bcf for the same week last year, while the five-year average gain for that week is 50 bcf. The median build in the survey was also 35 bcf. The EIA storage report will be issued Thursday at 10:30 a.m. EDT (1430 GMT). Those on the low side of estimates noted hot weather last week again slowed injections, while strong cash premiums to NYMEX futures and a flatter forward curve offered less incentive for economic storage players to build up stocks. In the last report for the week ended July 16, overall storage rose 51 bcf, just shy of the Reuters survey estimate of 53 bcf and below the year-ago gain of 70 bcf and the five-year average increase for that week of 64 bcf. The report showed total domestic gas inventories climbed to 2.891 trillion cubic feet, 52 bcf, or 2 percent, below last year's record high but a level not normally reached until the third week of August. The weekly build cut the inventory surplus to the five-year average by 13 bcf to 261 bcf, but storage still stands at a comfortable 10 percent cushion to that benchmark. A total build Thursday at the Reuters survey estimate would widen the deficit to last year to 87 bcf and trim the surplus to the five-year average to about 246 bcf. In the last four reports, total stocks rose 267 bcf, or about 67 bcf per week, versus a 305-bcf adjusted increase for the same one-month period last year and a 315-bcf five-year average gain for that period. Early injection estimates for next week's EIA report range from 25 bcf to 48 bcf, versus a 67 bcf build for the same week last year and a five-year average gain of 47 bcf. Storage hit an all-time high of 3.837 tcf in late November, and ended March with about 1.65 tcf in the ground, or about 11 percent above the five-year average at the start of the April-through-October stock building season. If weekly stock builds through October match the five-year average pace, U.S. inventories will begin next heating season with 3.744 tcf in the ground, below last November's record high of 3.837 tcf, but still about 7 percent above average. To get inventories above last year's record high of 3.837 tcf by Nov. 1, weekly injections must average 63 bcf for the remaining 15 weeks of the stock building season, well above the five-year average of 57 bcf for that period.

10:11 28Jul10 RTRS-Oil slips to around $77 on recovery doubts

LONDON, July 28 (Reuters) - Oil fell more than $1 towards $76 per barrel on Wednesday after economic and industry data fuelled doubts over the pace of recovery in energy demand and government figures showed a big rise in U.S. crude oil stocks. The U.S. Energy Information Administration (EIA) reported crude oil stocks rose 7.31 million barrels last week as imports jumped. The EIA also said gasoline and distillate stocks rose, though not as much as had been projected. Analysts polled by Reuters had forecast a draw of around 1.6 million barrels in U.S. crude inventories. The EIA figures, widely seen as bearish, followed U.S. data showing economic growth cooled in the second quarter. New orders for long-lasting U.S. manufactured goods fell unexpectedly for a second straight month in June, posting their largest decline since August. On Tuesday data showed U.S. consumers in July were the least confident about the economy since February because of job worries. U.S. crude for September fell as much as $1.60 at one point to a low of $75.90 before recovering to trade around $76.50, down $1.00 by 1458 GMT. ICE Brent lost 73 cents to $75.40. "The crude data looks decidedly bearish and we also view the gasoline supply hike, albeit slight, as negative," said Jim Ritterbusch, president, Ritterbusch & Associates. Prices touched $79.69 per barrel on Tuesday, their highest in almost 12 weeks, but then tumbled on the consumer confidence data and after the American Petroleum Institute said U.S. crude stocks posted a surprise increase of 3.1 million barrels last week, against a forecast decline of 1.6 million barrels.

RESISTANCE

Those figures pushed U.S. crude down to $77.50 by Tuesday's close, significantly well below the front-month contract's 200-day moving average. The S&P 500 Index also closed below its 200-day simple moving average. "With trading volume at the lows of the year, continued stock builds, weakening product cracks, we will remain very cautious on any attempt to move above $80 per barrel on the wake of the S&P," Olivier Jakob, consultant at Petromatrix, said. "WTI moved back below the 200-day moving average and both WTI and the S&P still need to prove that they can sustain that line as a support rather than a resistance." The Organization of the Petroleum Exporting Countries (OPEC) has for the past year and a half expressed a preference for prices to remain stable around

$75, saying that encourages investment to sustain and increase production capacity and does not threaten the economic recovery. By Christopher Johnson.

09:45 28Jul10 RTRS-U.S. crude futures fall further on EIA stock rise
NEW YORK, July 28 (Reuters) - U.S. crude oil futures extended losses and were down more than $1 on Wednesday after a government oil inventory report showed a large crude oil stocks build last week, against expectations that stocks would drop. The U.S. Energy Information Administration reported crude oil supplies rose 7.31 million barrels last week as imports jumped. The EIA also said gasoline and distillate stocks rose, though not as much as had been projected. Crude futures had already been pressured by weak U.S. durable goods orders data released earlier and at the time were down about 80 cents. On the New York Mercantile Exchange, September crude was down $1.16, or 1.5 percent, at $76.34 a barrel by 10:39 a.m. EDT (1439 GMT), trading from $75.90 to $77.74. Reporting by Robert Gibbons.

11:43 28Jul10 RTRS-COLUMN-Commodities should be short-term investments: John Kemp -- John Kemp is a Reuters market analyst. The views expressed are his own LONDON, July 28 (Reuters) - Commodity indices and exchange-traded products (ETPs) should be regarded as short- to medium-term investments rather than long-term strategies, as a quick glance at performance over the last 10 years shows. Their value lies in providing simplicity and liquidity for retail investors and institutions such as pension funds, which do not want the complexity of managing futures positions with their daily margin adjustments and rollovers. They also permit institutions and retail investors forbidden from investing in derivatives to gain exposure indirectly by repackaging derivatives as swap transactions or embedding them in structured notes, which resemble debt or equity securities. But they are really only suitable for implementing tactical and value-based views about the short-term direction of commodity prices over horizons ranging from intraday trading of a few hours to as much as six to 36 months to exploit the economic and commodity price cycle. Their usefulness deteriorates over longer horizons as the cost of carrying the position outweighs eventual cyclical or secular price gains. "Buy and hold" strategies tend to lose money over the long term.

EXPOSURE TO THE COST OF CARRY
Investors in equities and bonds usually receive dividends and coupons to compensate for the use of their capital (as well as upside participation in capital gains in the case of stock). Investors in physical commodities and commodity derivatives receive no such compensation. Instead they pay for the costs of storage and insurance -- either of the physical commodity or for the privilege of deferring delivery in the futures market. They also incur an opportunity cost as they forego returns available on other investments. For much of the post-World War Two period, costs associated with finance and storage were more than offset by a "risk premium" or "convenience yield" -- at least for investors in commodity derivatives rather than the actual physical commodities themselves. Historic returns series show that commodity producers paid a premium to transfer price risk to investors. Investors also seemed to have captured a convenience yield or scarcity

premium from consumers for having title to stocks of ready inventories that were often in short supply. The existence of this risk premium/convenience yield was most famously observed by Geert Rouwenhorst and Gary Gorton in their landmark study on "Facts and Fantasies about Commodity Futures", published in 2005. Rouwenhorst and Gorton studied returns on a fully collateralised, equal-weighted basket of up to 25 commodity futures between 1959 and 2004. But since the start of 2005, the premium or convenience yield has evaporated, possibly as a result of the influx of investor money into commodity derivatives, making it a crowded trade. Like owners of physical raw materials, investors in commodity derivatives are now exposed to the full cost of finance and storage. In some instances, investors in derivatives appear to be paying more than the actual cost of finance and storage (a "super-contango"). In effect they are now paying, rather than receiving, a risk premium/convenience yield to secure the right to retain upside exposure to commodity prices.