

EnMark Energy News

As of: March 11, 2010

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Dallas, Texas

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EIA WEEKLY STATUS REPORT - PETROLEUM STOCKS S

EIA

(million barrels)	03/05/10	02/26/10	CHANGE	03/05/09
CRUDE OIL (exc spr)	343.0	341.6	1.4	356.3
GASOLINE.....	229.0	231.9	-2.9	215.8
JET FUEL.....	43.1	43.3	-0.2	42.7
DISTILLATE FUEL.....	149.6	151.8	-2.2	145.8
HEATING OIL.....	41.8	42.3	-0.5	36.5
RESIDUAL FUEL.....	38.8	40.0	-1.2	39.2
PROPANE/PROPYLENE...	25.3	26.8	-1.5	39.9
UNFINISHED OILS.....	82.4	81.1	1.3	88.8
OTHER OILS.....	130.0	130.1	-0.1	138.8
TOTAL STOCK (exc spr)	1,041.3	1,046.6	-5.3	1,067.2
STRATEGIC PET.RESERV	726.6	726.6	UNCH	706.5
ALL STOCKS (inc spr)	1,767.9	1,773.2	-5.3	1,773.6

08:36 11Mar10 RTRS-Oil falls below \$82; China inflation spikes

LONDON, March 11 (Reuters) - Oil fell below \$82 a barrel on Thursday, retreating from an eight-week high hit a day earlier as a spike in Chinese inflation had investors mulling prospects of monetary tightening in the heart of energy demand growth. A smaller than expected drop in the number of U.S. workers filing new applications for unemployment benefits also weighed on sentiment, but falling gasoline inventories in the United States and the first signs of a recovery in demand in 18 months supported prices. U.S. crude for April fell 45 cents to \$81.64 a barrel by 1412 GMT, after touching \$83.03 on Wednesday, the highest level since oil's 15-month high of \$83.95 on Jan. 11. London ICE pril Brent fell 48 cents to \$80.00 a barrel. "While we think crude prices will test their 2010 high, they are unlikely to substantially exceed it," MF Global analyst Edward Meir said. "Instead, a potential double-top at \$83.95 should provide a technical sell signal that could bring prices back below the \$80 mark." Consumer inflation has soared to a 16-month high in China, the world's second largest oil consumer, and a raft of economic data showed broad-based strength, providing fresh arguments for policy tightening in a bid to stop the economy overheating. China's booming economy has seen oil imports soar, hitting their second highest ever monthly level in February. On Wednesday, OPEC said Chinese daily oil demand has jumped by almost 2 million barrels in just five years to stand around 8.6 million barrels per day. The Organization of the Petroleum Exporting Countries (OPEC), which pumps at least one in every three barrels of oil, meets in

Vienna on March 17 to discuss production policy. Officials have said they do not expect a change in targets while prices are within their desired range. "You are going to see \$75 to \$85 until OPEC changes their views," said Peter McGuire, managing director of Commodity Warrants Australia in Sydney. "Given that the U.S. dollar is appreciating, they are relatively content with what they are receiving for their oil." The dollar edged higher against a basket of major currencies on Thursday, and is up almost 8 percent since the end of November. A stronger dollar boosts the purchasing power of oil exporters, including OPEC members. A weaker greenback usually supports oil prices as it makes dollar-denominated commodities less expensive for holders of other currencies. OPEC has restricted output since the onset of the financial crisis in a bid to support prices. But the group's compliance with its officially targeted cut of 4.2 million barrels per day (bpd) has slipped to just 53 percent as prices have risen. Output from the organisation is bloating U.S. crude inventories. They have climbed for the past six weeks, showing a 1.4-million-barrel gain to 343 million barrels in the week to March 5, the Energy Information Administration (EIA) said on Wednesday. The nation's gasoline stockpiles showed a surprise decrease of 2.9 million barrels, the EIA said, while distillate stocks including heating oil and diesel fell by 2.2 million barrels. U.S. total oil product demand over the past four weeks was 19.41 million bpd, up 3.8 percent from a year ago, showing the first consistent recovery in demand for 18 months. By David Sheppard.

07:45 11Mar10 -RPT-POLL-US natgas stocks seen down 109 bcf in weekly EIAs

NEW YORK, March 10 (Reuters) - U.S. natural gas storage levels are expected to fall by 109 billion cubic feet when weekly data from the U.S. Energy Information Administration are released early Thursday, according to a Reuters poll. In the weekly survey of 25 industry traders and analysts, withdrawal estimates for the week ended March 5 ranged from 93 bcf to 120 bcf. Stocks fell an adjusted 111 bcf during the same week last year. The five-year average decline for that week is 109 bcf. The median draw in the survey was also 109 bcf. In the last report, overall storage fell 116 bcf, below the Reuters estimate of 131 bcf and the five-year average drop for that week of 124 bcf but above the year-ago decline of 101 bcf. Last week's EIA report showed total domestic gas inventories of 1.737 trillion cubic feet stood at 71 bcf, or 4 percent, below last year but still 21 bcf, or 1 percent, above the five-year average. A total draw Thursday at the Reuters survey estimate would slightly narrow the storage deficit to last year to 69 bcf. In the previous four reports, total stocks fell 669 bcf, or 167 bcf per week, versus a 399 bcf adjusted decline for the same one-month period last year and a 540 bcf five-year average drop for that period. Early withdrawal estimates for next week's EIA report range from 25 bcf to 66 bcf, versus an adjusted decline of 42 bcf for the same week last year and a five-year average drop of 65 bcf for that week. Storage hit an all-time high of 3.837 tcf in late November, but has dropped sharply since December as frigid weather over much of the nation lifted space heating needs. Total storage draws of nearly 2.1 tcf from December through February ran about 26 percent above average. If drawdowns for the rest of the heating season match the five-year average pace, inventories will end winter at 1.507 tcf, or about 1 percent above normal. Reporting by Joe Silha.

07:24 11Mar10 -ANALYSIS-Crude oil storage play at sea over for now

LONDON, March 11 (Reuters) - A speculative trading play involving the storage at sea of millions of barrels of crude oil is coming to an end -- at least for a while -- as prompt oil demand rises and stocks fall, shippers and oil traders say. The trading play, which at one point involved well over 100 million barrels of crude floating off the coast of Britain, the United States and elsewhere, relied on the price of oil for immediate use being at a deep discount to oil futures. The discount was deep enough throughout last year to allow trading companies to buy crude oil, put it in tankers for several months and sell it for delivery later at a big profit. But the price structure has changed this year as prompt prices have risen relative to forward futures and most of the oil floating at sea has now been sold, pushing tankers on to a shipping market already struggling with capacity issues. Most oil analysts and traders expect the prompt discount, or contango, to remain for this year but say it will probably stay too narrow to allow more sea storage any time soon. "Short-term, crude storage going forward is not going to build," said Tim Smith, a shipping analyst with consultants Maritime Strategies International (MSI).

\$1 PER MONTH

Cold weather in the northern hemisphere has been one factor helping draw down the stocks of floating crude oil, analysts say. Increasing oil demand, particularly in China and other Asian countries, is gradually soaking up stocks on land as well. No official data exists for storage of oil at sea but traders, shipbrokers and analysts say that at its peak in April last year, between 100 million and 130 million barrels of crude was being held in ships, much of it in European waters. Shipbrokers Simpson Spence and Young (SSY) say only around 22 million barrels of crude oil now remain in floating storage globally in a dozen Very Large Crude Carriers (VLCCs). Other estimates are higher, at 25-30 million barrels. The economics of sea storage are fairly simple. Traders need a big enough spread between oil futures months to pay storage, financing, insurance and other costs and allow a tidy profit. A major oil company with a first-class credit rating may be able to take on sea storage with a spread of 70-80 cents per barrel between months, especially if they have their own ships. "Though there are many variables that would need to be factored in, the current cost is about \$1 per barrel per month," said Mike Reardon of freight derivatives exchange Imarex. But the spread between futures months is now much narrower. On Thursday, the front-month benchmark U.S. crude contract was trading at a discount to its second month of around 30 cents and spreads further down the curve were similar -- only about a third of the discount needed for the sea storage play.

BACKWARDATION?

Francisco Blanch, head of global commodities research at Bank of America Merrill Lynch, argues the forward crude curve will continue to flatten and even sees a small supply deficit towards the end of the year with the possibility that the market may flip into backwardation, with prompt prices at a premium. Marco Dunand, head of trading company Mercuria, sees crude staying in contango for the rest of this year but "to narrow to where it won't be wide enough to justify ships storing oil". David Hufton, managing director of brokers PVM, agrees: "My gut feeling is that crude might flirt with backwardation but I don't see it sustained," he said. Meanwhile the impact on the tanker market has been profound. "Short-term, floating storage release is more bearish for tanker

rates as...this tonnage (is) released," said MSI's Smith. SSY has estimated net fleet growth this year for tankers above 10,000 deadweight tonnes (dwt) of 17.3 million dwt. "Ships coming off storage employment merely exacerbates the problem of increased vessel supply," said Mark Jenkins at SSY. Broker E.A. Gibson has estimated average earnings for VLCCs on the benchmark Middle East-Japan route could drop to the "low \$20,000" a day level this year even without storage or tanker cancellations. Earnings averaged around \$29,000 a day last year. Earnings on the route were over \$45,000 a day this week, Baltic Exchange data showed on Wednesday. The break-even operating cost for a modern tanker is around \$30,000 a day. By Jonathan Saul and Christopher Johnson.

09:23 11Mar10 RTRS-NYMEX-Crude choppy, dips on China inflation worry

NEW YORK, March 11 (Reuters) - U.S. crude oil futures seesawed on Thursday after being weighed down early by fears monetary tightening in China will slow growth there and a stronger dollar. "I think the China news is weighing on the market because the high CPI is stoking fears of tightening," said Stephen Schork, president at the Schork Group in Villanova, Pennsylvania. Chinese consumer inflation hit a 16-month high in February, among an array of economic data displaying broad-based strength and providing fresh arguments for policy tightening sooner rather than later. The dollar rose against the euro after seeing a smaller-than-expected U.S. trade deficit, with trading volatile as investors first drove up the euro on increased risk appetite then sold it after it failed to break recent ranges. The U.S. trade deficit narrowed unexpectedly in January as oil imports fell to their lowest since February 1999, a government report showed. U.S. exports fell, but not as much as the oil-led drop in imports. The U.S. Energy Information Administration report on natural gas storage is set to arrive on Thursday at 10:30 a.m. EST (1530 GMT). A Reuters survey forecast for U.S. natural gas storage to have fallen 109 billion cubic feet last week. The EIA oil inventory report showed crude stocks rose, but less than expected. Distillate stocks fell more than expected and gasoline inventories had an unexpected drawdown.