



Oil Falls From Seven-Week High as Tropical Storm Concern Eases

By Margot Habiby

June 28 2010 (Bloomberg) -- Crude oil fell from a seven-week high on skepticism that production in the Gulf of Mexico will be disrupted by a tropical storm in the region.

Oil dropped for the first time in three days as U.S. forecasters projected Tropical Storm Alex will move across the southern Gulf and make landfall as a hurricane July 1 in Mexico. It was about 85 miles (135 kilometers) west-northwest of Campeche, Mexico, at 2 p.m. Miami time.

"It looks like it's going to skirt where most of the rigs and refineries are," said Michael Fitzpatrick, vice president of energy at MF Global in New York.

Oil for August delivery fell 61 cents, or 0.8 percent, to settle at \$78.25 a barrel on the New York Mercantile Exchange. Futures have dropped 6.6 percent in the quarter and 1.4 percent this year. Crude surged 3.1 percent on June 25 to the highest settlement since May 5.

The U.S. and Mexican governments have issued hurricane watches from just south of Baffin Bay, about 30 miles south of Corpus Christi, Texas, to La Cruz, Mexico, according to the U.S. National Hurricane Center in Miami. The storm is forecast to make landfall just south of the Rio Grande, the river that forms the border between Texas and Mexico.

"Alex's direction seems headed towards Mexico and not the north, where all the rigs and refineries are located," said Hakan Kocayusufpasaoglu, chief investment officer at **Archbridge Capital** in Zug, Switzerland. "Though Mexico also has some production in the region, the real danger is off the coasts of the U.S., where production and refining are more concentrated."

Gulf Production

Petroleos Mexicanos, Mexico's state-owned oil company, is operating all its offshore rigs in the Gulf and will keep them open before the storm, said a company spokesman who asked not to be identified in accordance with Pemex policy.

BP Plc and Royal Dutch Shell Plc, the biggest oil producers in the Gulf, are evacuating hundreds of workers from offshore platforms in the western and central Gulf as a safety precaution.

Exxon Mobil Corp. and Anadarko Petroleum Corp. said they are evacuating non-essential workers in the path of the storm.

The Gulf is home to about 30 percent of U.S. oil and 12 percent of its natural gas production. It also has seven of the 10 busiest U.S. ports, according to the Army Corps of Engineers. The region accounts for about half of U.S. refining capacity, according to the Energy Department.

Oil also declined as the dollar strengthened against the euro for the first time in four days, curbing the appeal of commodities as an alternative investment. The euro was down 0.7 percent to \$1.2284 at 3:46 p.m. in New York, compared with \$1.2369 on June 25.

Brent crude for August delivery fell 53 cents, or 0.7 percent, to \$77.59 a barrel.