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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 14, 2009**

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The EIA stated in its latest Short-Term Energy and Summer Fuels Outlook that world oil demand is expected to fall by 1.36 million bpd to 84.09 million bpd in 2009 compared with year earlier levels due to the economic crisis. The EIA revised its demand estimate down by 0.21% on the month. Consumption is expected to fall by 1.6 million bpd in the OECD countries and increase by 270,000 bpd in non-OECD countries. World oil demand in 2010 is expected to increase by 1.13 million bpd or 1.33% to 85.22 million bpd. It is down 0.08% from its previous estimate. Non-OPEC supplies in 2009 is expected to increase to 49.77 million bpd, up 20,000 bpd on the year and increase by 260,000

#### **Market Watch**

According to the Commerce Department, US retail sales fell by 1.1% in March. Sales in February were revised up, increasing 0.3% instead of falling by 0.1%, as originally reported.

The Labor Department reported that US producer prices posted its largest decline so far this year in March after two consecutive months of gains. It reported that the producer price index for finished goods fell 1.2% on a seasonally adjusted basis in March after increasing by 0.1% in February. Core PPI, which excludes food and energy costs, was unchanged in March following an increase of 0.2% in February.

An economist with the San Francisco Federal Reserve Bank said the US economy seems to be stabilizing and could come out of recession in the latter part of 2009. He said the economy likely shrank in the first quarter at a rate similar to or slightly greater than the 6.3% reported for the fourth quarter of 2008. He expects real GDP to fall at a significantly more modest 1.25% annual rate in the current quarter.

An Iranian oil official said Iran is storing 7.7 million barrels of gasoline in onshore and offshore storage in anticipation of higher demand during the upcoming summer driving season.

An analyst at Bank of America Inc's Merrill Lynch unit said crude oil prices will increase above \$70/barrel this year. Meanwhile technical analysts at BNP Paribas SA and Credit Suisse Group AG have forecast a rally above \$68/barrel. In contrast, Societe Generale SA said charts suggest a crash to \$28/barrel in the second quarter.

Citibank and its unit, Phibro, have been allowed to trade on Platts' daily window, after being suspended about two months earlier. Platts has stated that it sometimes needs to limit activities in its price discovery process if counterparty concerns about a company's acceptability threaten to distort benchmark prices.

China's General Administration of Customs said it will not release interim data on China's imports and exports of commodities and energy products for March as expected on Wednesday.

Lehman Brothers Holdings Inc has enough uranium cake to make a nuclear weapon as it waits for the price of the commodity to rebound. It acquired uranium cake under a matured commodities contract and plans to sell it when the market improves to realize the best prices. The uranium, which may be as much as 500,000 pounds, may sell for \$20 million at current prices of \$40/pound. It is planning to gradually sell the material over the next two years.

**API Stocks**

**Crude** – up 6,509 million barrels  
**Distillate** – up 87,000 barrels  
**Gasoline** – down 613,000 barrels  
**Refinery runs** – down 2.1%, at 79.9%

bpd to 50.03 million bpd. Meanwhile, OPEC's production is expected to average 28.8 million bpd and then increase to 29.8 million bpd in 2010 in response to an expected increase in world oil demand. The EIA also reported that OECD commercial inventories at year-end 2008 stood at 2.68 billion barrels or 56 days of forward supply. Total US oil demand in 2008 fell by 430,000 bpd or 2.21% on the year to 18.99 million

bpd and increased by 270,000 bpd or 1.4% to 19.26 million bpd. Its estimates for 2009 and 2010 were revised down by 0.05% and revised up by 0.26% from its previous monthly report. Its gasoline demand estimate for 2009 was increased by 50,000 bpd or 0.56% to 9.01 million bpd while its estimate for 2010 was increased by 80,000 bpd or 0.88% to 9.09 million bpd. Its estimate for 2009 and 2010 is up 0.90% and 1.11%, respectively from its previous forecast. Meanwhile diesel demand in 2009 is expected to fall by 170,000 bpd or 4.31% to 3.77 million bpd and demand in 2010 is expected to increase by 40,000 bpd or 1.05% to 3.81 million bpd. Crude oil production is expected to increase by 440,000 bpd to 5.4 million bpd in 2009 while production in 2010 is expected to increase by 140,000 bpd to 5.54 million bpd. In regards to prices, the EIA expects crude oil to average \$53/barrel in 2009 and increase to \$63/barrel in 2010, up \$11 and \$10 respectively from its previous estimate. Gasoline prices are expected to average \$2.17/gallon in 2009 and \$2.42/gallon in 2010 while diesel prices are expected to average \$2.30/gallon in 2009 and \$2.69/gallon in 2010. Gasoline prices are forecast to average \$2.23/gallon during the summer, down from \$3.81/gallon last year, and peak at about \$2.30/gallon late this summer. Diesel prices are expected to average \$2.27/gallon this summer, down from last year's \$4.37/gallon level. The EIA's Summer outlook also showed that this summer's domestic refinery gasoline supply is expected to increase by about 240,000 bpd from last summer's average. Fuel ethanol blending into gasoline increased from an average of 437,000 bpd during the summer of 2007 to 635,000 bpd in 2008 and is projected to average 670,000 bpd this summer. It also reported that at the start of the summer driving season, April 1, total gasoline stocks at 217 million barrels are ample. It is down 4 million barrels on the year but up 8 million barrels on the previous 5 year average. Distillate demand is estimated to be about 170,000 bpd or 4.5% lower than last summer's average. Meanwhile refinery production this summer is expected to average about 300,000 bpd lower than last summer's average of 4.33 million bpd. Distillate inventories are projected to start the summer season at a record 142 million barrels, up 30 million from its previous 5 year average.

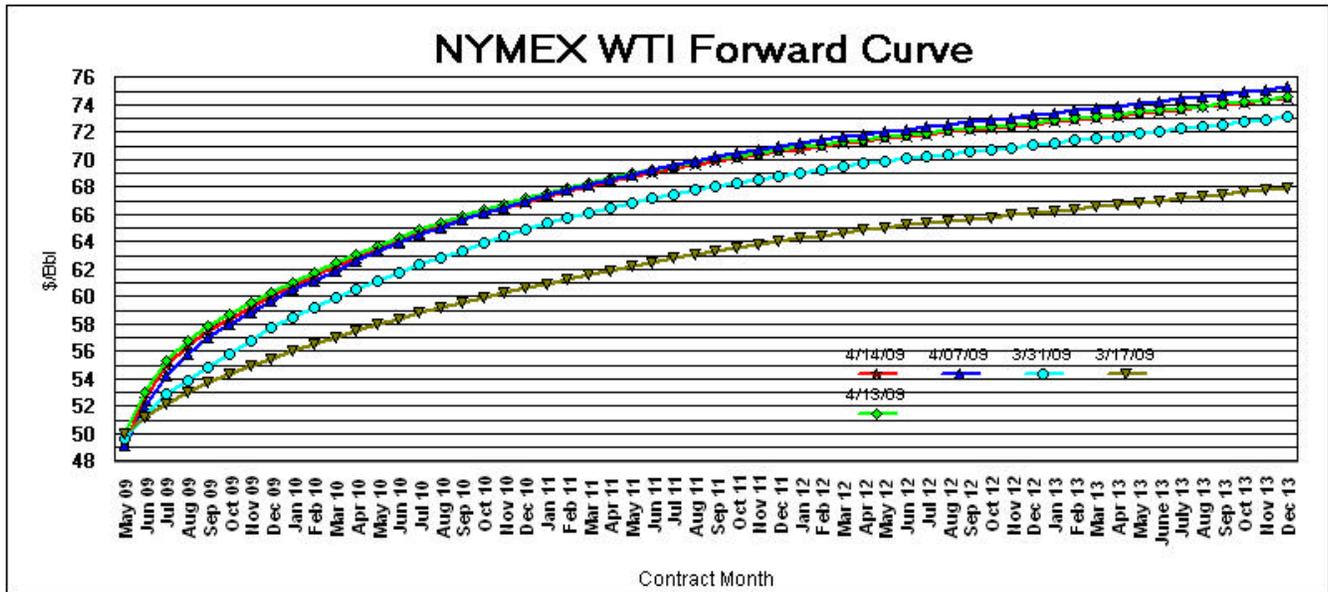
Iran's OPEC Governor Mohammad Ali Khatibi said OPEC's crude oil production levels support the market due to members' high compliance. However he said changes in the world economic outlook may warrant further action.

The Financial Times reported that Iranian presidential candidate Mirhossein Mousavi ruled out suspending uranium enrichment but would work to verify Iran was not diverting its nuclear program for weapons. He is considered by many moderates and even some conservatives as their main presidential candidate and a strong rival to President Mahmoud Ahmadinejad in June's election. He said a solution to the nuclear dispute did not only depend on Iran. Meanwhile Iran's chief nuclear negotiator Saeed Jalili said Iran would welcome constructive dialogue with six world powers, including the US.

While US imports from OPEC members fell 818,000 bpd or 14% to 5.02 million bpd in January, imports from Brazil more than doubled to 397,000 and imports from Russia increased to 157,000 bpd, threatening to push crude prices below \$50/barrel as demand slows. A Bloomberg News survey shows crude is expected to average \$61/barrel in the fourth quarter, up from the second quarter's estimate of \$50/barrel. However the fastest growing options contract is for prices to fall below \$40/barrel by May 14<sup>th</sup>.

**April Calendar Averages**

**CL – \$50.54**  
**HO – \$1.4075**  
**RB – \$1.4568**



A CGT union spokesman said French energy workers in the electricity and gas sectors are scheduled to hold a 24 hour strike starting 7 pm GMT on April 15 to protest over pay and jobs in the public sector.

### Refinery News

Citgo said operations at its 156,000 bpd refinery in Corpus Christi, Texas are back to normal after an electrical supplier suffered a power outage over the weekend.

Valero Energy Corp said its 200,000 bpd refinery in Texas City, Texas was returning to full rates after a brief power failure on Monday.

Venezuela's 300,000 bpd Cardon refinery suffered a fire on Tuesday. The refinery's personnel was evacuated to control the fire.

India's Essar Oil shut its 210,000 bpd Vadinar refinery in India for 18 days of planned maintenance starting Thursday, three days later than originally planned.

India's Reliance Industries Ltd is operating its 200,000-240,000 bpd fluid catalytic cracking unit at 60-70% of capacity after a minor crack was discovered in the unit.

South Korea's Hyundai Oilbank Corp said it started construction of a \$1.58 billion upgrading plant, becoming one of a few refiners to proceed with secondary unit projects amid an economic crisis. The refinery is aiming to build the secondary unit in Daesan by the end of June 2011. The unit will process about 52,000 bpd of heavy fuel oil into gasoline or diesel.

Qatar Petroleum is seeking about 225,000 barrels of low sulfur diesel for May 27-28 loading at Port Mesaeed.

Kuwait Petroleum Corp offered a third naphtha cargo for May, bringing its total spot exports next month to an unusually high level of 150,000 tons due to a delay in the start up of an aromatics plant.

Germany's MWV reported that the country's oil product sales in March totaled 7.4 million tons, up 22.3% on the year. It reported that Germany's heating oil sales increased by 81.9% to 2.75 million tons while its diesel fuel sales increased by 6.1% to 2.48 million tons and fuel oil sales increased by

1.6% to 490,000 tons. Germany's MWV also reported that the country's gasoline sales fell by 2.3% to 1.68 million tons.

**Production News**

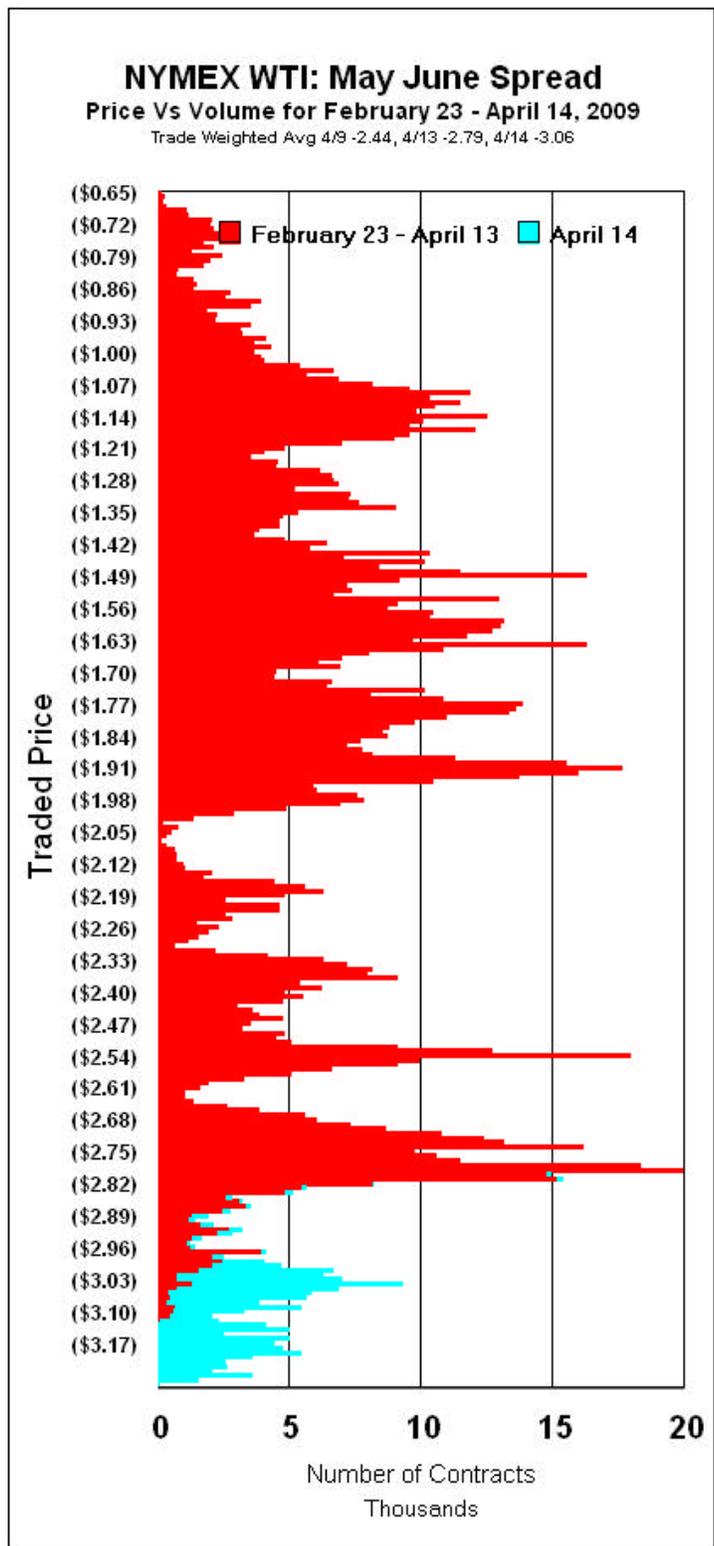
Britain's North Sea Flotta crude stream is scheduled to load about 63,000 bpd in May, down from 65,000 bpd in April.

Royal Dutch Shell said a fire that shut down flowstations feeding into the company's 150,000 bpd Trans-Niger oil pipeline was extinguished on Monday and repair work will start on Tuesday. Shell said it believed the grade affected was Nigeria's Bonny Light but this could not be confirmed. Liftings at the Bonny crude terminal are under force majeure with production reduced by about 200,000 bpd due to rebel attacks to oil facilities in the Niger Delta.

Oil exports from Iraq's Basra terminal fell to 1 million bpd on Tuesday from 1.416 million bpd on Monday due to bad weather conditions. High winds made it difficult for ships to reach the port easily.

Kuwait Oil Co said it has contained an oil leak in one pipeline in the western part of the country. The oil leak that occurred Sunday near oil-gathering center 28 did not affect production. The quantity leaked amounts to about 600 barrels.

Seaborne Russian oil exports are set to exceed their monthly schedule in April as producers rush to avoid a 25% increase in export duties expected in May. Russia's April seaborne crude exports are scheduled to increase 3.7% on the month to 2.73 million bpd or 11.2 million tons.



Apache Corp said that initial production from the Van Gogh development offshore Western Australia will be delayed following a fire aboard a floating production, storage and offloading vessel that is supposed to be leased to the company caught fire in Singapore. The Ningaloo Vision will have a processing capacity of 63,000 bpd and storage capacity of 620,000 barrels.

Royal Dutch Shell Plc has joined Chinese state oil firms to bid for oil projects in Iraq and is interested in the expansion of downstream businesses in China. By joining Shell, China would make its second major foray into Iraq after CNPC's \$3 billion project to develop the al-Ahdab field.

Iran expects to finalize two energy contracts totaling \$7 billion with an unnamed European firm and with India's Oil and Natural Gas Corp. The European firm has completed a development plan for the offshore Lavan natural gas field in the Gulf. The Lavan gas field, has in place reserves of about 10 trillion cubic feet.

Russia's Gazprom said its total reserves increased by 11% last year. Its reserves increased to 217.3 billion barrels of equivalent as of December 31 from 196.4 billion the previous year. Gazprom said it had 33.1 trillion cubic meters of gas, 1.287 million metric tons of gas condensate and 1.598 million tons of crude oil.

National Iranian Oil Co has cut its official selling prices for May term supply bound for Northwest Europe and South Africa with Iranian Light crude set at BWAVE minus \$3.30 while its Iranian Heavy crude

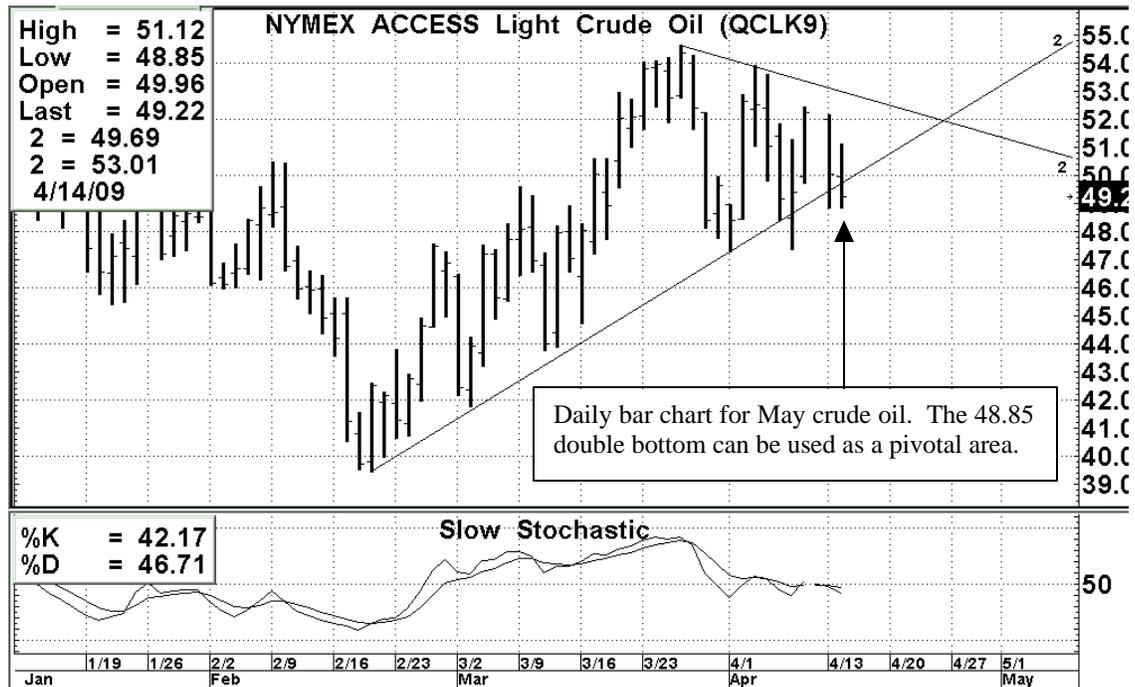
NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 04/13/2009									
				TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY	
-----CONTRACT-----				SETTLE	SETTLE	VOLUME	HIGH	LOW	
AO	12	9	C	110	0.74	0.8	150	0	0
AO	11	9	C	70	5.09	5.66	150	0	0
AO	12	9	C	70	5.86	6.43	150	0	0
AO	10	9	C	70	4.5	5.03	150	0	0
AO	10	9	C	110	0.43	0.48	150	0	0
AO	11	9	C	110	0.48	0.53	150	0	0
LC	12	11	C	80	10.08	10.55	500	0	0
LC	12	10	P	50	4.93	4.54	400	0	0
LC	12	12	P	70	13.04	12.41	350	0	0
LC	10	9	C	80	2.04		200	0	0
LC	6	9	C	60	1.47	2.06	200	1.25	1.25
LC	6	9	C	55	3.07	3.98	160	3.65	2.7
LC	5	9	C	51	1.12		150	0	0
LO	5	9	P	45	0.19	0.17	8984	0.37	0.1
LO	6	9	C	70	0.3	0.46	5511	0.31	0.23
LO	5	9	P	50	1.52	0.96	3634	2.14	0.93
LO	6	9	P	35	0.14	0.12	3305	0.2	0.12
LO	6	9	C	60	1.47	2.06	2943	1.9	1.12
LO	6	9	P	45	1.2	0.99	2889	1.45	0.98
LO	5	9	P	49	1.08	0.69	2784	1.6	0.62
LO	6	9	C	65	0.67	0.98	2762	0.75	0.49
LO	5	9	P	47	0.48	0.34	2706	0.77	0.25
LO	5	9	C	51	1.12	2.55	1848	1.78	0.7
LO	6	9	C	80	0.06	0.11	1804	0.1	0.04
LO	6	9	P	40	0.47	0.38	1804	0.65	0.37
LO	5	9	P	48	0.73	0.49	1770	1.1	0.4
LO	6	9	C	62.5	0.99	1.42	1711	0	0
LO	5	9	C	50	1.57	3.2	1597	2.42	1.1
LO	6	9	C	55	3.07	3.98	1504	3.6	2.55
LO	8	9	P	46	2.38	2.11	1475	0	0
LO	8	9	C	56	6.98	7.87	1370	6.7	6.5
LO	5	9	C	55	0.19	0.79	1357	0.47	0.12
LO	5	9	C	52	0.77	1.98	1347	1.3	0.51
LO	6	9	P	30	0.03	0.03	1327	0.07	0.05
LO	7	9	P	46	1.99	1.73	1200	0	0
OB	6	9	C	1.6	0.0866	0.0997	225	0.06	0.06
OB	6	9	P	1.31	0.0579	0.0585	121	0	0
OB	6	9	C	1.66	0.0692	0.0811	121	0	0
OB	9	9	P	1.4	0.148	0.1436	100	0	0
OH	5	9	C	1.5	0.0331	0.0521	205	0.035	0.035
OH	5	9	P	1.3	0.03	0.0297	150	0	0
OH	5	9	C	1.45	0.0485	0.0711	145	0.04	0.0325
OH	5	9	C	1.4	0.0691	0.0951	100	0	0

was set at BWAVE minus \$4.05 and its Forozan Blend was set at BWAVE minus \$3.90. Iranian Light crude bound for Europe from Sidi Kerir was set at BWAVE minus \$2.40, its Iranian Heavy crude was set at BWAVE minus \$3.20 and its Forozan Blend crude was set at BWAVE minus \$3.05. Iranian Light crude bound for Asia was set at the Oman/Dubai average plus \$1.10, its Iranian Heavy crude was set at the Oman/Dubai average minus 45 cents and its Forozan Blend was set at the Oman/Dubai average minus 40 cents.

OPEC's news agency reported that OPEC's basket of crudes fell to \$51.92/barrel on Monday from \$52.26/barrel on Thursday. It reported that OPEC's basket of crudes increased by \$2.79/barrel to \$51.34/barrel in the week ending April 10<sup>th</sup>.

**Market Commentary**

Once again discouraging economic news rocked the crude oil market. U.S. equities dropped for the first time in four days as the declines in retail sales and producer prices offset optimism from Federal Reserve Chairman Ben Bernanke, economy's slump may be slowing. A report that showed retail sales in the U.S. dropped 1.1 percent and

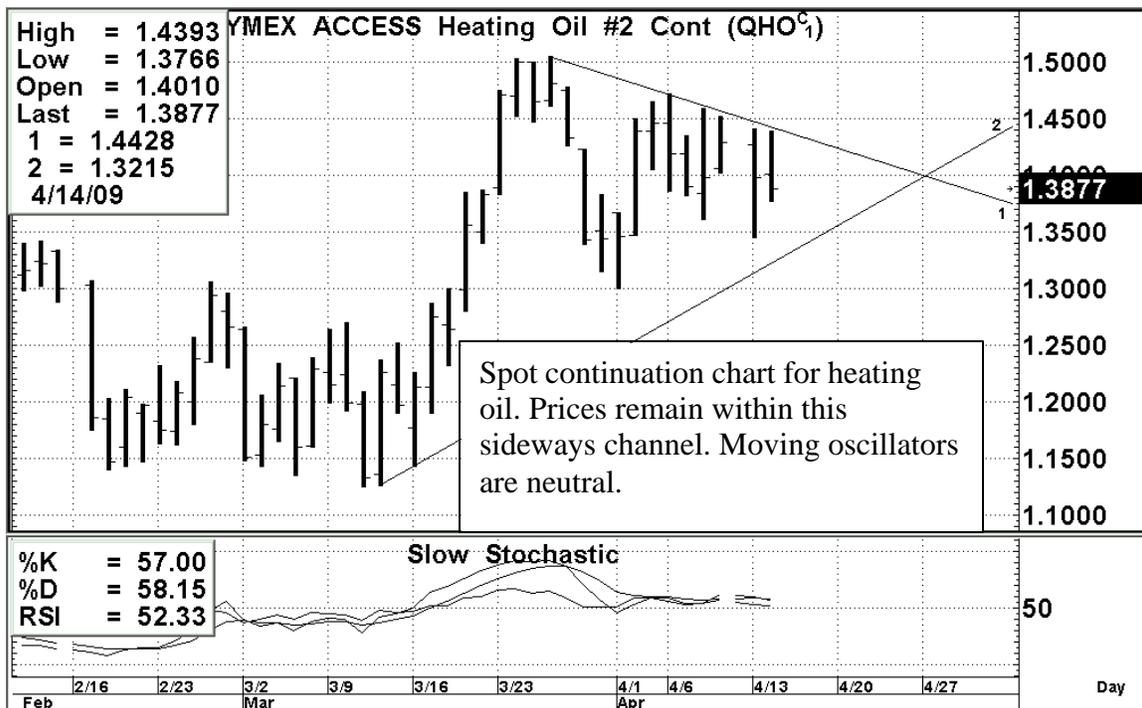
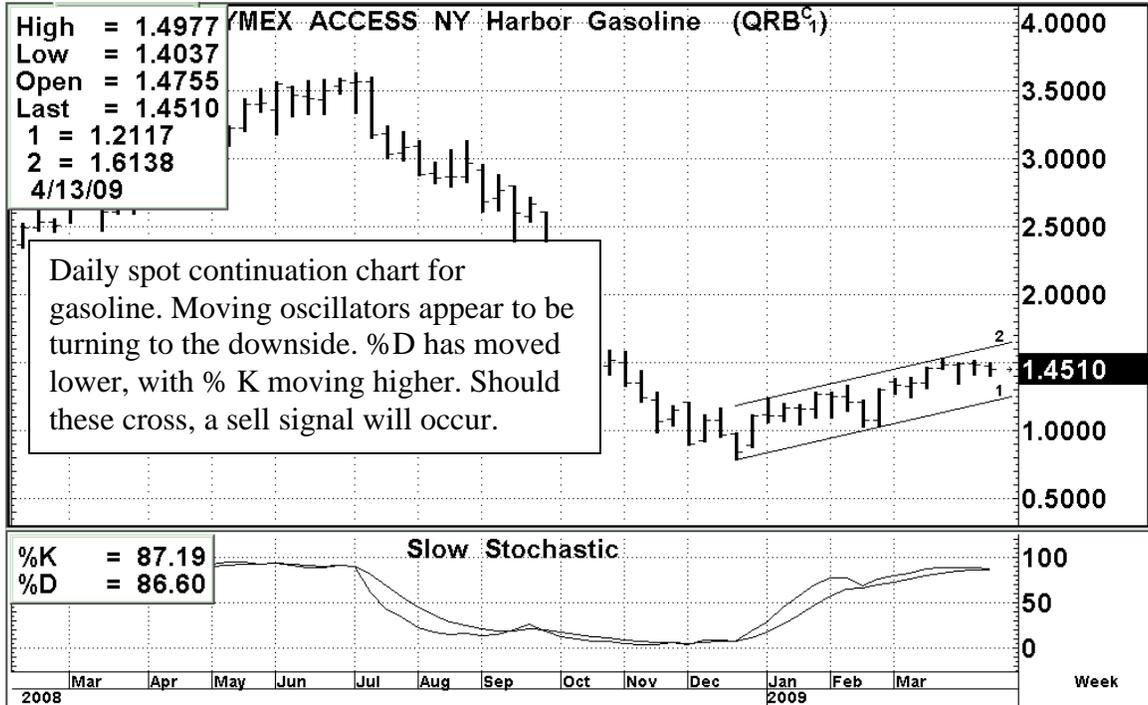


another report stating the Producer Price Index fell in March after two months of gains, sent crude oil prices tumbling today, with the May contract bottoming out at \$48.85. The shape of the forward curve is still indicative of an oversupplied market under waning demand. Crude oil inventories are expected to show an increase of 2 million barrels for the week ending 4/11. Inventories are at their highest level since July of 1993. There is now a double bottom set at \$48.85 on the daily bar chart for the May contract. This area can be considered a pivotal number. Any failures to penetrate this support level can be used as buying opportunities, with successful penetrations, selling opportunities. With gasoline inventories running 8 million barrels above that of the five year average and summer demand expected to increase by only 1%, it is difficult to conceive that this market will be able to sustain any gains. From a technical standpoint, the spot contract continues to trend within the ascending channel that can be depicted on a spot continuation chart. Slow stochastics are in overbought territory, with percent D moving lower and percent K moving higher. Should K cross below D, this would present a selling opportunity. Given the fundamentals of this market, we would tend to lean to the downside. Heating oil inventories are running 3 million barrels over the five-year average, with summer demand expected to be 4.5% below that last year's level. Technical indicators are trending sideways in neutral territory. Based upon a spot continuation chart, a symmetrical triangle appears. A penetration of this triangle

above the \$1.4428 top would set prices up for a test at \$1.5641. A penetration of the lower trendline would set prices up for a test at \$1.2002.

Crude Oil  
MAY.09 132,583  
40,345  
JUN.09 299,309  
+21,815  
JUL.09 142,044

+140 AUG.09 43,386 -1,013 Totals: 1,181,099 -23,599 Heating Oil MAY.09 38,967 -3,564  
JUN.09 48,534 +2,417 JUL.09 28,989 +546 AUG.09 14,988 +85 Totals: 253,001 + 484 New York  
Harbor RBOB MAY.09 47,354 -5,133 JUN.09 52,983 +6,073 JUL.09 29,192 +1,422  
AUG.09 16,737 +927 Totals: 201,405 +3,828



<b>Crude Support</b>	<b>Crude Resistance</b>
48.85, 47.35, 45.24, 43.74, 40.00, 38.95, 32.25, 29.66, 28.63, 26.65, 25.50	54.75, 55.98, 57.20
<b>Heat Support</b>	<b>Heat resistance</b>
1.3472, 1.3000, 1.1359, 1.10951.0520	1.4593, 1.4715, 1.4865, 1.5050, 1.5143,1.5285, 1.5520 167.15,
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.3400, 131.80,1.2700, 1.2625 1.1680,1.0128,9590,	1.4900,11.5088, .5260, 1.5340,1.5800,

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