

**W** The  
Windham Group



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR JANUARY 5, 2010**

---

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said the country is content with an oil price above \$80/barrel. He said the price is not too high and added that demand is increasing and floating storage is declining.

Iran repeated its counter proposal for a staged swap of its low enriched uranium for

nuclear fuel from abroad for a research reactor. An Iranian Foreign Ministry spokesman said if the other side expresses readiness for the gradual and staged swap, Iran will discuss the details. On Saturday, Iran's Foreign Minister Manouchehr Mottaki insisted that Iran had until the end of January to reach a uranium swap deal, stressing it will proceed with its plans to produce highly enriched uranium if there is no agreement. Meanwhile, China's Foreign Ministry called for continued talks to resolve the standoff over Iran's nuclear program, saying there was still room for diplomacy. The US on Monday said the door is still open for Iran to meet world demand on its nuclear aims but warned that it was discussing with its allies the next steps, which could include sanctions.

Iran has banned its citizens from cooperating with foreign organizations it says are trying to destabilize the government. The 60 blacklisted groups include human rights groups, Iranian opposition websites and media groups such as the BBC and US broadcasters. Iran's Deputy

#### **Market Watch**

The Commerce Department reported this morning U.S. factory orders in November exceeded expectations as it climbed by 1.1%, with non-defense capital goods orders excluding airplanes surging 3.6%. The bullish economic news though was tarnished a bit by the National Association of Realtors Index for pending sales of previously owned homes plunged 16% to 96 in November from an upwardly revised 114.3 in October. The decline is the first in 10 months and is more than triple of what industry analysts had been looking for.

The Baltic Exchange's main sea freight index increased to a three week high on Tuesday. The index increased by 4.14% or 130 points to 3,270 points. The Baltic's capsize index increased by 5.58% on Tuesday with average capsize earnings rising to \$42,722 while the Baltic's Panamax index increased by 4.71%.

Venezuela's Electricity Minister Angel Rodriguez is calling the country's month long struggle to meet increasing demand for electricity an emergency. He said that there is an emergency situation in the power system as levels fall on a daily basis at the country's main hydroelectric dam, the Guri, causing the main generator there to produce less electricity. The dam's water level is currently at 261 meters above sea level. Officials say that if the level falls to 240 meters above sea level, the hydroelectric plant would be forced to shut down units or face an operative collapse. On Monday, Venezuela's Electricity Minister said the government may be forced to completely shut down aluminum, steel and bauxite operations in southeastern Guayana state. The government has stated that the country's oil operations have not been affected so far.

**January  
Calendar Average**  
**CL – \$81.64**  
**HO – \$219.23**  
**RB – \$211.47**

Intelligence Minister said the groups were involved in a “soft war” against the country and added that the groups had helped incite post election unrest.

Iran’s parliament authorized the creation of a state run body Tuesday that will implement a major plan to scrap subsidies on energy and goods. Lawmakers approved the establishment of the Organization of Targeted

Subsidies to be responsible for spending the extra income generated from the phased out subsidies. Approval must be finalized by the Guardians Council. Direct and indirect subsidies on goods cost the Iranian government as much as \$100 billion a year.

According to MasterCard Advisors LLC, US gasoline demand fell by 3.5% or 324,000 bpd to 8.93 million bpd in the week ending January 1<sup>st</sup>. Gasoline demand was down 0.4% on the year. On a four week basis, demand increased by 1.2% on the year. Demand for all of 2009 was 0.6% above a year ago at 9.26 million bpd. On a nationwide average, the retail price of gasoline increased by 4 cents to \$2.62/gallon on the week.

**Refinery News**

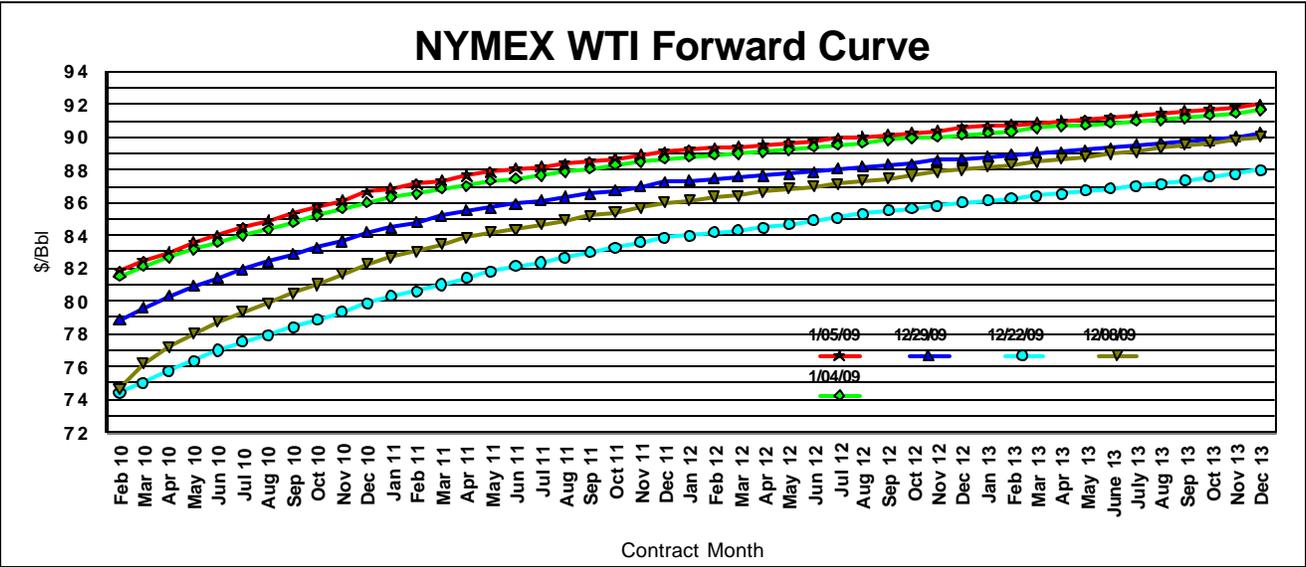
Enbridge Inc has completed an expansion of its North Dakota oil pipeline system to handle increasing production from Bakken oilfield. Capacity on the system has been increased by 40,000 bpd at the system’s western end, which runs to Minot, North Dakota while the Minot to Clearbrook, Minnesota, section of the system can handle an additional 51,000 bpd. The expansion raises the total capacity of Enbridge’s North Dakota system to 161,000 bpd.

Tesoro Corp had a brief fire at its 58,000 bpd Salt Lake City, Utah refinery on Monday.

BP PLC reported a planned flaring event at its 265,000 bpd Carson, California oil refinery that will last nearly 10 days starting on Wednesday.

Sinclair Oil said its 80,000 bpd refinery in Sinclair, Wyoming was operating at 50% capacity and will operate at partial rates through most of January. It said maintenance started after a December 9<sup>th</sup> power failure have been delayed after a second power failure on December 31<sup>st</sup>, which idled its hydrocracker unit.

Suncor Energy is performing unspecified maintenance at its 135,000 bpd Edmonton refinery in Canada.



Nigerian National Petroleum Corp said it cannot pump crude to oil refineries in Warri and Kaduna due to pipeline damage. A NNPC spokesman said many points of the pipeline are under serious attack. He said the refineries are ready to operate after the completion of repairs. The Warri refinery has a capacity of 125,000 bpd while the Kaduna refinery has a capacity of 110,000 bpd.

Dubai's Emirates National Oil Co plans to start operations of its upgraded 120,000 bpd Jebel Ali refinery in April. The upgrade would allow ENOC to convert naphtha to reformat and give it capacity to produce 40,000 bpd of the gasoline component. The upgrade has added a reformer and a hydrotreater to the plant.

Sinopec Corp's 160,000 bpd Hainan refinery started maintenance for its entire plant on December 20<sup>th</sup> and will resume operations at the end of this month. Separately, Sinopec Corp's newly expanded Tianjin refinery plans to export 70,000 tons of diesel this month.

Japan's Showa Shell Sekiyu KK plans to refine 8.77 million kiloliters of crude oil in January-March, down about 3% on the year amid sluggish domestic oil product demand.

Japan's Cosmo Oil Co plans to process 7.225 million kiloliters or 505,000 bpd of crude in January-March, down 4.6% on the year.

According to Reuters, South Korea's crude runs in January increased by 0.4-2% on the month to 2.25 million bpd-2.3 million bpd.

China started building the Lanzhou strategic crude oil reserve base in northwestern Gansu province on December 29<sup>th</sup> after starting construction of the Dushanzi state oil tanks in Xinjiang in September. The Lanzhou base, with storage capacity of 3 million cubic meters or 18.9 million barrels, is expected to cost 2.38 billion yuan or \$348.6 million and be ready for use in the first half of 2011. Meanwhile, the first phase of the Dushanzi state oil reserve tanks, with capacity of 18.9 million barrels, is due for completion by July 2011.

Western fuel oil arriving in Asia in January is seen at a six month low of about 3 million tons. February arrivals are also expected to remain tight, with less than 1.5 million tons fixed so far, amid lower arrivals from the Middle East for this month as well.

Work on expanding a pipeline at Saudi Arabia's Shaybah oilfield will be completed soon. In June, Saudi Aramco said it had completed work on expanding capacity at Shaybah to 750,000 bpd from 500,000 bpd. The project is one of three that it completed in 2009 that increased its total output capacity to 12.5 million bpd.

Norway's Statoil ASA has launched a new biofuel called Bensin 95 which will be sold at 40% of its gas stations in Norway starting this month. Statoil is the first to offer 5% bioethanol to general consumers, reducing carbon emissions in Norway by about 11,000 metric tons annually.

Brazil's Foreign Trade Ministry reported that the country's ethanol exports in December fell to 124.3 million liters from 348.5 million liters a year earlier.

### **Production News**

Mexico's government said the country's oil exporting ports of Dos Bocas, Coatzacoalcos and Cayo Arcas were closed on Tuesday due to bad weather conditions.

Iraq's cabinet ratified deals with foreign energy companies to develop the Majnoon, Gharaf, Qayara and al-Najmah oilfields. Royal Dutch Shell and Petronas won the rights to Majnoon, a major field near the southern oil hub of Basra. The Majnoon oilfield has reserves of 12.6 billion barrels while the Gharah oilfield has reserves of 900 million barrels. The right to develop the 800 million barrel Qayara and the 900 million barrel Najmah oilfield was won by Angola's Sonangol.

#### **API Report**

Crude Oil	down 2.3 million barrels	Iraq's crude oil exports in 2009 averaged 1.906 million bpd, up 2.7% on the year. An Iraqi Oil Ministry spokesman said that despite the increase in exports, revenues from crude oil sales in 2009 were down 46% on the year at around \$41 billion.
Distillate	up 962,000 barrels	
Gasoline	up 5.6 million barrels	
Runs	up 1.3% at 79.5%	
Cushing	up 221,000 barrels	

Iran's Oil Ministry reported that the country is burning oil and gas produced by a leaking well at one of its largest oilfields after efforts failed to stem the flow. The well has the capacity to produce 2,000 bpd, only a fraction of the 500,000 bpd potential output from the Marun field.

The Iranian Offshore Oil Co is in talks with the Qatar National Bank for a Eur400 million financing to develop the Esfandiar oilfield. An official at the Iranian Offshore Oil Co said it will develop the offshore oilfield as soon as talks over financing are completed.

Nigeria will export an average of 1.95 million bpd of crude oil in February, unchanged on the month. February's export volumes will keep Nigeria's oil production well above its target set by OPEC.

Estonia's main oil loading port, the port of Tallinn, shipped 2.24 million tons of oil products in December, up 13.7% on the year and up from 1.79 million tons loaded in November. Total oil products loaded in 2009 reached 23 million tons, up 12.1% on the year.

Saudi Aramco set the price of its Arab Extra Light crude bound for the US at the Argus Sour Crude Index plus \$1, up 20 cents on the month; its Arab Light crude at ASCI minus 60 cents, up 15 cents; its Arab Medium at ASCI minus \$2.20, down 25 cents and its Arab Heavy at ASCI minus \$3.45, down 45 cents. Saudi Aramco also set the price of its Arab Extra light crude bound for Northwest Europe at BWAVE minus \$1, up 65 cents on the month; its Arab Light crude at BWAVE minus \$1.80, up 50 cents; its Arab Medium at BWAVE minus \$3, up 40 cents and its Arab Heavy at BWAVE minus \$3.65, up 25 cents. Meanwhile Saudi Aramco set the price of its Arab Super Light crude bound for Asia at the Oman/Dubai average plus \$1.40, down 30 cents; its Arab Extra Light crude at the Oman/Dubai average plus 90 points, down 35 cents; its Arab Light crude at the Oman/Dubai average plus 10 cents, down 35 cents; its Arab Medium crude at the Oman/Dubai average minus 85 cents, down 40 cents and its Arab Heavy at the Oman/Dubai average minus \$1.65, down 40 cents.

Libya's National Oil Co has kept its January official selling price for its benchmark Es Sider crude oil grade at a discount of 5 cents to Dated Brent.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.02/barrel to \$78.18/barrel on Monday.

#### **Market Commentary**

Crude oil traded in a see – saw fashion as it responded to warmer weather forecasts ahead for the U.S. and a stronger dollar. Lower than normal temperatures still persist in Europe and in Asia, with colder weather expected to spread from the northeast of Europe to the southwest and Asia experiencing heavy snow fall and extremely low temperatures. Prices also reacted before the release of inventory numbers by the DOE. Slight builds are expected in both crude oil and gasoline, and heating oil is expected to decrease by 2 million barrels for the week ending January 1. As mentioned in our wire of yesterday, we would continue to look for an influx of new money into this

market as economists seek a safe haven for their investments. The recent shift to the upside in the energy markets is all predicated on an increase in demand that has yet to surface. Supplies are still ample and the cold weather is expected to subside starting the middle of next week. We would look for prices to continue to react to outside influences, while the overall supply/demand scenario should act as a lid on prices.

Crude FEB.10 29,352 +12,118 MAR.10 178,537 +11,987 APR. 58,585, +5,949 Totals 1,241,859, +48,794, Heating oil FEB 10 94,566 +2,266 MAR.10 52,680 +1,173 APR10 29,217 +476 Totals: 309,506 +5,943 Gasoline FEB.10 91,980 +2,352 MAR. 10 43,443 +1,057 APR10 31,893 Totals: 240,940 +6,286.

<b>Crude Support Based on February</b>	<b>Crude Resistance Based on Feb</b>
79.89, 78.50, 77.85, 75.00, 73.50, 72.91, 72.60, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95,	82.00, 83.19, 84.83, 85.40, 86.60, 88.80, 89.88
<b>Heat Support</b>	<b>Heat resistance</b>
1.8570, 1.8280, 1.7670, 1.7565	2.2110, 2.2575, 2.4200
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.7900, 1.7200 1.6600	, 2.1600, 2.3350

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.