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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR FEBRUARY 8, 2010**

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Iran's envoy to the UN's IAEA, Ali Asghar Soltanieh said Iran notified the IAEA of its plans increase its uranium enrichment from 3.5% needed for commercial nuclear reactors to 20%. Weapons grade

uranium is at least 90% enriched. Separately, the US said new sanctions against Iran is the only path after Iran announced it was stepping up its uranium enrichment program. The US called on the international community to take new action while France called Iran's latest move "blackmail." US Defense Secretary Robert Gates said the international community had given Iran multiple opportunities to provide reassurances about its intentions with respect to its nuclear program. Meanwhile, Russia's Foreign Ministry again called on Iran to abide by its earlier agreements to send uranium abroad for enrichment. The IAEA fears Iran's plan to start producing higher enriched uranium will damage chances to save a proposed atomic fuel supply deal between Iran and world powers. An IAEA spokeswoman confirmed Iran had notified it of its intention to begin refining uranium to a higher level on Tuesday.

An Iranian opposition leader, Mohsen Aminzadeh, was convicted of organizing protests, disturbing security and spreading propaganda against the system. He was convicted to six years for his role in the unrest following June's disputed presidential election. He was a supporter of defeated candidate Mir Hossein Mousavi.

#### **Refinery News**

Valero Energy Corp said a 66,000 bpd fluid catalytic cracking unit shut last Tuesday due to a fire will be offline for several weeks. It however said no major disruption is expected.

**February  
Calendar Averages  
CL – \$74.14  
HO – \$1.9503  
RB – \$1.9529**

BP Plc shut an ultraformer unit at its 455,790 bpd Texas City, Texas refinery on Saturday to repair a steam leak on a furnace. The shutdown could last through Wednesday.

ExxonMobil Corp said delayed coking unit no. 1 at its 572,000 bpd Baytown,

Texas refinery malfunctioned on Saturday.

Chevron Corp reported flaring at its 245,571 bpd refinery in Richmond, California on Saturday. The flaring was due to the failure of a level controller at the refinery.

Frontier Oil Corp said its two refineries would run below capacity in February due to planned spring maintenance. Its 130,000 bpd refinery in El Dorado, Kansas is expected to run at 120,300 bpd while its 47,000 bpd Cheyenne, Wyoming refiner is expected to operate at 35,000 bpd.

Murphy Oil Corp expects to begin restarting units at its 125,000 bpd Meraux, Louisiana refinery on Tuesday as it completes about 30 days of planned maintenance.

No injuries were reported in a Friday night explosion at Calumet Specialty Products Partners LP's 58,000 bpd Shreveport, Louisiana refinery. The refinery was shut after the explosion occurred in a wet gas scrubber at the refinery.

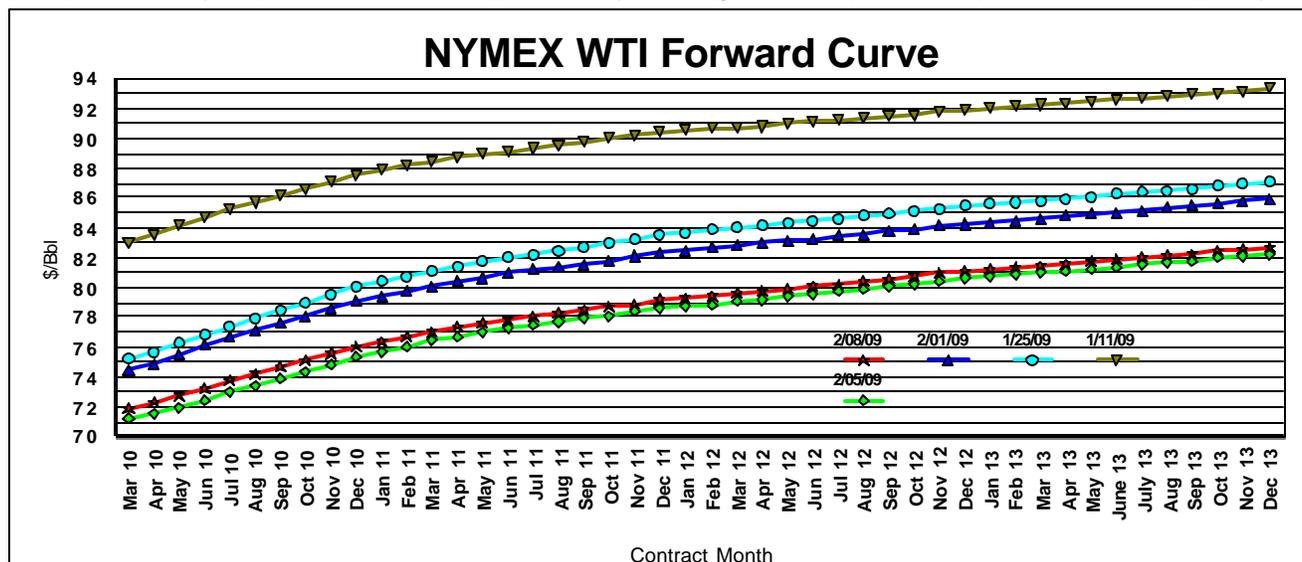
Suncor Energy reported process changes which started over the weekend at its 135,000 bpd refinery in Edmonton, Alberta were expected to result in higher than normal flaring.

Valero Energy Corp said the outage of a 66,000 bpd fluid catalytic cracking unit at its 265,000 bpd Quebec City refinery will last several weeks.

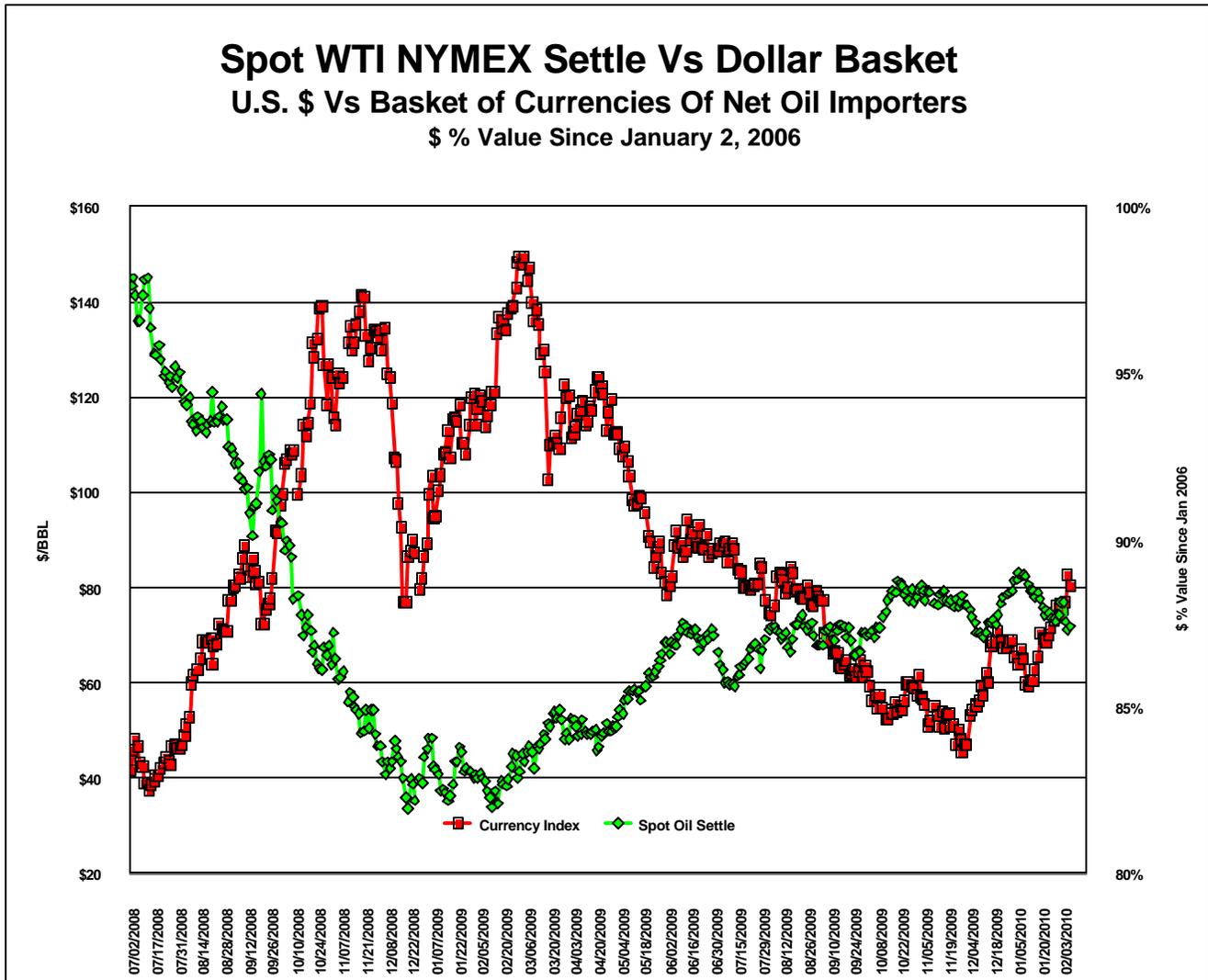
Operations at Norway's 250,000 bpd Mongstad refinery returned to normal after a leak of liquefied petroleum gas shutdown a section of the facility on Monday.

Workers in one third or 10 of Total's French fuel storage sites are carrying out a 24 hour strike on Monday and disrupting product supplies after Total said it was scaling down its fuel storage activity. Total said it was planning to shut a storage unit in southeast France and transfer its stakes in five other sites to other stakeholders. The plan, which involves cutting Total's fuel storage capacity by 6% to 2.35 million cubic meters, will be implemented by mid-2011. France's CGT, Sud Chimie, FO, CFE-CGC and the CFDT unions last week called an open ended strike at Total's French refineries on February 17<sup>th</sup> to try to obtain a commitment by Total not to close down its Dunkirk refinery. The unions also called on workers to block product supply.

Sinopec's newly expanded 100,000 bpd refinery in Qingdao is expected to process at full capacity this



year, increasing new supplies as Chinese oil demand is set for strong growth. Expansion of Qingdao Petrochemical plant was completed in January, doubling its refining capacity from 50,000 bpd. The refinery will add an additional 50,000 bpd crude runs to the 560,000 bpd in incremental throughput



expected from China's 22 refineries.

Saudi Aramco had concluded supply deals to purchase up to 7.14 million barrels of gas oil for delivery in 2010 from private trading firms and international oil companies. Vitol, BP, Kuwait's Independent Petroleum Group and Japan's Itochu Petroleum will each supply about 1.19 million barrels to Saudi Aramco. Aramco also has the option of purchasing an additional 595,200 barrels from each respective company. The deals will run from March through December.

Indonesia's Pertamina plans to cut imports of oil products in March after some of its refineries resumed operations. Pertamina plans to import 5 million barrels of gasoline next month, down from 6.7 million barrels that traders estimated the firm will import in February. It also plans to import 3 million barrels of diesel in March, down from 3.6 million barrels in February after Pertamina unexpectedly shut a hydrocracker in January. It plans to import 680,000 barrels of fuel oil in March, unchanged on the month.

Italy's Eni said its refinery in Livorno is no longer up for sale. In September, Eni was in preliminary talks with a UK private equity fund to sell the 85,000 bpd refinery.

**Production News**

The North Sea Oseberg crude oil stream will load 6.7 million barrels or 216,000 bpd in March, up from 5.45 million barrels or 195,000 bpd in February. The North Sea Gullfaks crude stream will load 7.695 million barrels in March, up 1.71 million barrels on the month.

The BP Plc led Baku-Tbilisi-Ceyhan pipeline is expected to load 23 million barrels in March.

The Abu Dhabi Co for Onshore Oil Operations expects to bring 225,000 bpd of onshore oil capacity onstream in 2012 and add an additional 175,000 bpd by 2017. It plans to increase its crude capacity from its onshore fields to 1.8 million bpd by 2017 from its current capacity of 1.4 million bpd.

Russia's Rosneft reported a 163% reserves replacement ratio. Its proved reserves under the Petroleum Resources Management System stood at 22.858 billion barrels of oil equivalent, up 2.5% from 22.307 billion boe in 2008. Under the US SEC's methodology, Rosneft's reserves increased to 15.146 billion boe from 14.448 billion boe in 2008.

OPEC's news agency reported that OPEC's basket of crudes fell to \$69.71/barrel on Friday from \$72.73/barrel on Thursday. It also reported that OPEC's basket of crudes increased to \$72.33/barrel in the week ending February 5<sup>th</sup>, up from \$71.64/barrel in the previous week.

**Market Commentary**

Crude oil rose in reaction to a weaker dollar, geopolitical concerns and expectations of cold weather in the southern plains, across the Midwest and up into the northeastern part of the U.S. Heating oil also reacted strongly to the cold weather predictions, which comes on the heels of this weekend's snowstorm that stretched from Washington, D.C. to the New Jersey shore. Experiencing an inside trading range, March crude oil contract found support down around \$70.72, the 200-day moving average. This technical correction is not surprising given the fact that prices fell hard over the last three trading sessions. We would look for the March crude oil contract to work back up towards the \$76.00 as we await last week's DOE numbers. Our overall opinion remains bearish of this market but would not be surprised to see such technical corrections

Crude oil MAR.10 287,290 -24,145 Apr. 10 145,560 +7,858, May 10 108,181 +6,004 Totals 1,305,523 -12,426 Heating oil MAR.10 85,110 -7,519 APR10 48,946 +2,132 May 10 30,940 +919 Totals: 311,654 -1,937 Gasoline MAR.10 79,089 -4,940 APR10 45,082 +257 May 10 31,351 +1,663 Totals: 255,331 -812

<b>Crude Support Based on February</b>	<b>Crude Resistance Based on Feb</b>
70.42, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	72.42, 78.36, 79.86, 81.00, 82.00, 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	2.0665, 2.2270, 2.2575, 2.4200
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.0846, 2.1930, 2.2270, 2.3350,

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