

**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 FEBRUARY 11, 2009**

---

OPEC Secretary General Abdullah al-Badri said world oil demand is unlikely to fall by more than 500,000 bpd. OPEC is due to release its monthly oil market report on Friday. Last month, OPEC estimated oil demand would fall by about 200,000 bpd in 2009.

The chairman of Libya's National Oil Corp, Shokri Ghanem said OPEC has all of its options open for its March 15 meeting to set oil output policy, including a further cut in production. He urged OPEC members to meet their agreed production quotas in full. Meanwhile, Venezuela's Oil Minister Rafael Ramirez said he will support further output cuts by OPEC to push oil prices higher. Algeria's Oil Minister Chakib Khelil reiterated that there was a 50% chance OPEC would cut production when it

#### Market Watch

BP Plc sold another North Sea Forties crude cargo from its VLCC, reducing floating storage. It sold one 600,000 barrel cargo for February 24-26 transfer from its VLCC Eagle Vienna to Vitol for ship to ship transfer at Scapa Flow in the UK at a discount of 90 cents to March BFOE. On Tuesday, it sold a similar cargo for February 24-26 transfer to Vitol at a discount of 50 cents to March BFOE.

The US Labor Department reported that the number of workers filing new claims for unemployment benefits fell by 8,000 to 623,000 after seasonal adjustments in the week ending February 7<sup>th</sup>. The previous week's level, the highest since 1982, was revised slightly higher. The four-week average increased by 24,000 to 607,500, the highest since November 1982. According to Thursday's report, continuing claims increased by 11,000 to 4,810,000. Continuing claims are up more than 2 million in the past year. The unemployment rate remained at a 25 year high of 3.6%.

The Commerce Department reported that US retail sales unexpectedly increased in January by 1% compared with expectations of a 0.8% decline. Sales in December fell by 3%. Separately, the Commerce Department said US business inventories in December fell by 1.3%, the largest decline since October 2001 after falling by a revised 1.1% in November. Wholesale inventories fell by a record 1.4% in December.

The API will delay the release of its weekly petroleum stocks report until Wednesday, February 18<sup>th</sup> at 4:30 pm EST due to the Presidents Day holiday on Monday. The EIA will also delay the release of its weekly petroleum stocks report until Thursday, February 19<sup>th</sup> at 11am EST.

Venezuela's PDVSA will combine 21 joint ventures with foreign partners into as many as six large companies, hoping to reduce costs. The plan by PDVSA aims to cut its operating budget anywhere between 30% and 40% this year. The restructuring is expected to take place largely in the coming month.

India's Reliance Industries started gasoline trading operations in the US, adding liquidity to physical trading operations in the US Gulf Coast and New York Harbor markets bringing in fuel from India when it is economically profitable.

A total of 643 lots or 64,300 tons of gasoil was physically delivered against the expiry of ICE February gasoil futures. It is down 53% on the month.

The Agriculture Department said US corn used to produce ethanol will increase in 2009/10 but beyond that growth is forecast to slow. USDA projected 4.2 billion bushels of corn will be used to produce ethanol in 2009/10, an increase from 3.6 billion bushels forecasted for 2009. Ethanol is forecast to command about 33% of the corn crop compared with 30% in 2008/09. The US renewable fuels standard requires the use of 11.1 billion gallons of renewable fuels in 2009 with much of the output coming from corn.

meets next month. He said OPEC compliance with its agreed production cuts had reached 85%. He expects compliance to reach 100% by its next meeting in March.

According to Wood Mackenzie, world oil demand is expected to fall by 1.5 million bpd in 2009 as the world recession cuts consumption. Demand in OECD countries is expected to fall by 1.7 million bpd in 2009, as developed economies are most exposed to the recession. It sees the world economy contracting by 0.61% in 2009.

**February Calendar Averages**

**CL – \$38.84**

**HO –\$1.3349**

**RB – \$1.2310**

According to Oil Movements, OPEC's crude oil exports, excluding Angola and Ecuador, are forecast to fall by 820,000 bpd to 22.75 million bpd in the four weeks ending February 28<sup>th</sup>. It said OPEC has cut 2.1 million bpd of the 4.2 million bpd it agreed to cut.

Royal Dutch Shell has declared force majeure on its Nigerian Bonny Light oil shipments on February 10<sup>th</sup> due to insecurity in the Niger Delta. It said it will affect the remainder of February and perhaps March loadings with some deferred to April. Shell had planned to load three Bonny Light cargoes this month totaling 2.85 million barrels or 102,000 bpd.

Nigeria's freight and forwarding agents have ended a three-day strike on Wednesday that worsened cargo congestion at the Lagos seaport. Nigeria's Transport Minister, Ibrahim Bio met with leaders of the striking unions and set up a committee to look into the issue of high port charges, poor facilities and cargo congestion at the ports. There are currently 93 ships, including oil tankers, waiting to berth at the port.

US intelligence director, Retired Adm. Dennis Blair said the US believes that Iran has not restarted the nuclear weapons design and work that it halted in the fall of 2003. It however believes the country is at least keeping that option open.

### **Refinery News**

Colonial Pipeline Co imposed the 24<sup>th</sup> consecutive restriction on distillate product shipments to the Northeast on Thursday. It is allocating the 11<sup>th</sup> cycle shipments through its distillate mainline, Line 2, between Collins, Mississippi and Greensboro, North Carolina as nominations exceed the company's ability to maintain its five-day lifting cycle.

Total SA said it expects the level of turnaround maintenance at its refineries in 2009 to be comparable with that in 2008. There were six refinery turnarounds in 2008 compared with 10 in 2007.

Tesoro Corp began the process of restarting its 120,000 bpd Anacortes, Washington refinery on Thursday following about 45 days of planned turnaround maintenance. Operations at the refinery are expected to be at normal rates by February 19<sup>th</sup>.

Valero Energy Corp cut rates on its crude distillation units, fluid catalytic cracking units and delayed coking units at its 289,000 bpd Port Arthur, Texas refinery following a power outage.

Saudi Aramco shut a 47,000 bpd reformer unit at its Yanbu refinery over the weekend due to a technical problem, forcing it to sell three prompt cargoes. It also prompted Saudi Aramco to buy a cargo of gasoline.

Japan's Cosmo Oil Co plans to restart its 13,500 bpd No.3 catalytic reformer and its 30,000 bpd No.4 kerosene and gas oil hydro desulphurization unit at its Yokkaichi refinery on Friday after suspension orders were lifted earlier on Thursday following a fire on January 29<sup>th</sup>.

Indonesia's Pertamina shut its 83,000 bpd residue fluid catalytic cracking unit at the Balongan refinery on Thursday due to an outage. It is unclear how long the unit will remain shut.

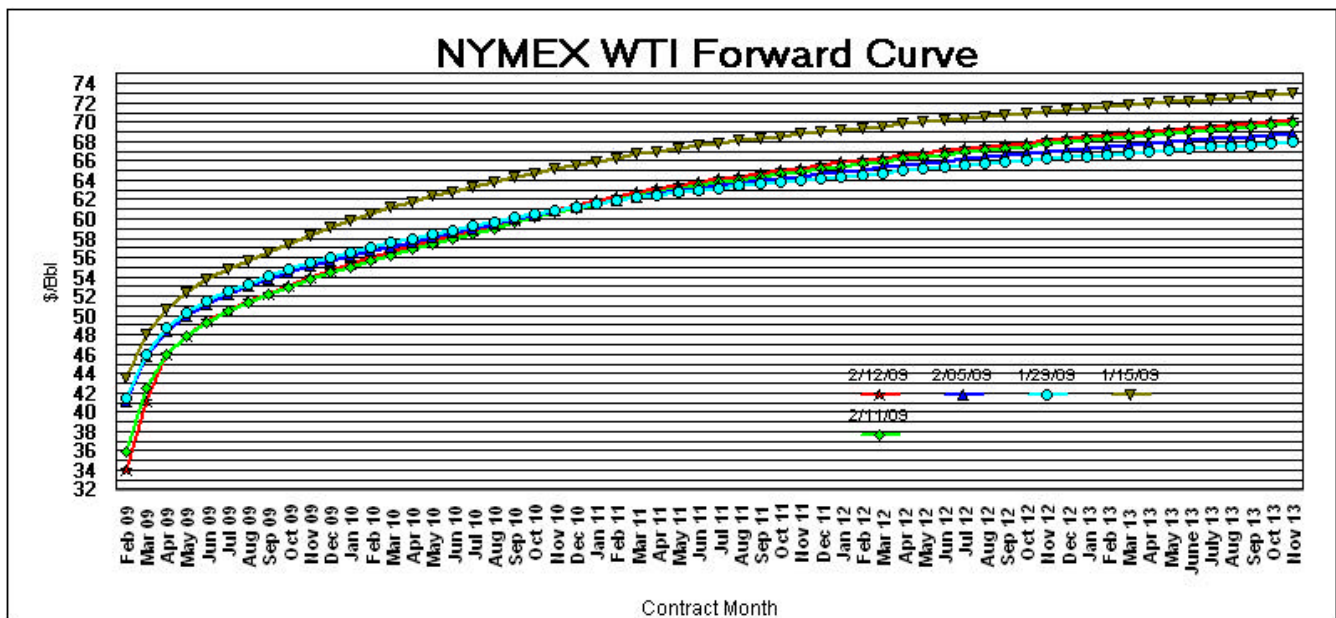
Indonesia's President Susilo Bambang Yudhoyono urged Pertamina to build new refineries to cut its imports of oil products. Construction of new refineries has become more important in recent years as increasing domestic demand has forced Pertamina to import more fuel, straining the budget and weighing on the rupiah currency. Pertamina plans to build new refineries adding a combined 400,000 bpd of capacity in Indonesia.

Brazil's Petrobras said there is an impasse in its proposed oil refinery joint venture with PDVSA. It said there were doubts about whether PDVSA would take part in the 230,000 bpd Abreu e Lima refinery project planned for Brazil's northeastern state of Pernambuco. The refinery is expected to begin operations in 2011. Petrobras and PDVSA are scheduled to hold talks on February 17<sup>th</sup>. Separately, Petrobras said Brazil's fuel consumption in 2009 is expected to grow at the same rate as 2008 of about 3%.

Ineos Group Holdings Plc plans to shut a hydrocracker unit at its 200,000 bpd Grangemouth refinery for repairs early next year. It will undergo repairs starting at the end of March for at least a month.

China plans to build state reserves of oil products to help ease the pressure of rising stock levels on domestic refiners as slowing economic growth impacts demand. The government has yet to decide how much oil to buy. China's commercial oil product stocks reached record highs at the end of last year as apparent oil demand fell for a second month in December.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 2.042 million barrels to 19.348 million barrels in the week ending February 11<sup>th</sup>. It also reported that Singapore's light distillate stocks fell by 1.221 million barrels to 7.713 million barrels while its middle distillate stocks fell by 1.504 million barrels to 10.685 million barrels on the week.



The Petroleum Association of Japan reported that the country's oil inventories fell to their lowest level in nearly five months last week. It reported that crude stocks fell by 1.5 million barrels on the week but increased by 11.13 million barrels on the year to 102.68 million barrels in the week ending February

7<sup>th</sup>. The fall in crude stocks came in part as Japan's refinery utilization rate increased by 2.8% to 84.8% last week. It reported that Japan's gasoline stocks increased by 410,000 barrels on the week but fell by 460,000 barrels on the year to 13.27 million barrels while kerosene stocks increased by 760,000 barrels on the week but fell by 3.93 million barrels to 14.4 million barrels.

South Korean refiners will cut overall prompt delivery fuel oil exports by 24% in February following a 36% cut in January due to high domestic demand and lower crude refining rates. South Korea's SK Energy, GS Caltex, S-Oil Corp and Hyundai Oilbank will export 190,000 tons of fuel oil in February compared with 250,000 tons in January.

### **Production News**

Britain's North Sea Flotta crude oil system is scheduled to load 63,000 bpd of crude oil in March, down from about 70,000 bpd in February.

Kuwait National Petroleum Co said Kuwait's oil exports resumed from Wednesday night, a day after exports were halted due to bad weather conditions. Meanwhile, Bahrain resumed its oil exports on Thursday after its port facilities were shut down on Wednesday due to bad weather conditions. Separately, tanker operations at the UAE's Jebel Ali port were suspended early on Thursday due to poor weather conditions. Jebel Ali is an oil blending center for clean petroleum products such as jet fuel and diesel.

Nexen Inc will shut the 200,000 bpd Buzzard oil field for one month in the third quarter, coinciding with a slowdown of BP's 700,000 bpd Forties Pipeline System. It will shut the oil field to carry out construction work on a fourth platform. The shutdown will limit supplies of Forties and affect the quality of the remaining blend.

An energy pundit at Cambridge Energy Research Associates said the collapse of oil prices has slowed efforts to tap vast crude oil and natural gas supplies that lie under the Arctic Ocean. Oil prices have to reach \$100/barrel to justify multi-billion dollar investments. However countries such as Russia, Canada and Norway have started to develop resources in the area. In the eastern Barents Sea, a group led by Russia's Gazprom aims to develop the Shtokman gas field, with a key decision expected by the first quarter of 2010. Norway's StatoilHydro is drilling for oil and natural gas north of the Arctic Circle at a field called Snohvit. Five countries, Russia, Norway, Canada, the US and Denmark are vying for a share of the resources. The UN is working to sort out territorial claims of the five countries boarding the Arctic.

Georgia's Black Sea port of Batumi shipped 447,677 tons of crude oil and refined products in January 2009, down from 682,000 tons in January 2008. It shipped a total of 7.2 million tons of crude oil and refined products in 2008, down from 9.5 million tons the previous year.

Russia's Energy Minister Sergei Shmatko has proposed scrapping oil export duties on future shipments of Russian oil to Asia. He also forecast oil production in Russia could fall to 450 million tons in 2013 from 488 million tons in 2008. He said investment in the Russian oil sector could suffer a shortfall of 200 billion rubles or \$5.58 billion this year.

OPEC's news agency reported that the OPEC's basket of crudes fell more to \$42.30/barrel on Wednesday from \$43.47/barrel on Thursday.

Iran increased all official selling prices for March crude, according to a source with National Iranian Oil Co. Its Iran Light crude bound for Northwest Europe was increased by \$1.95 to BWAVE minus \$3.45; its Iran Heavy was increased by \$2.65 to BWAVE minus \$3.85 and its Forozan crude price was increased by \$2.70 to BWAVE minus \$3.80. The price of its Iran Light bound for the Mediterranean

was increased by \$1.50 to BWAVE minus \$4.40; the price of its Iran Heavy was increased by \$2.10 to BWAVE minus \$5.25 and the price of its Forozan crude was increased by \$2.15 to BWAVE minus \$5.20. The price of its Iran Light bound for Asia was increased by 70 cents to the Oman/Dubai average plus 50 cents; the price of its Iran Heavy crude was increased by \$1.40 to the Oman/Dubai average minus 58 cents and the price of its Forozan crude was increased by \$1.40 to the Oman/Dubai average minus 51 cents.

**Market Commentary**

The oil market continued to trend lower, settling in negative territory for the fifth consecutive trading session. The market settled down \$1.96 at \$33.98, its lowest level since it reached a five year low of December 19<sup>th</sup>, when the market settled at \$33.87. The market was pressured amid the continuing lack of supportive economic news. The market traded in a yo-yo pattern after it posted a high of \$36.25 in overnight trading. Similar to Wednesday’s trading pattern, the market traded towards its high in afternoon trading as it traded back over the \$36.00 level, only to see it erase its gains on a late bout of selling. The market extended its losses to \$2.39 as it sold off to a low of \$33.55 ahead of the close. The March/April crude spread continued to collapse, as it settled at \$8.19 from \$6.52 on Wednesday. The oil market is seen targeting the \$32.25 level with further support seen at \$31.20, basis a trendline. The RBOB market continued to retrace its previous gains and settled in negative territory. The market, which breached its upward trendline on Wednesday, erased its gains and held its resistance at \$1.3094 as it posted a high \$1.3055 in overnight trading. The market sold off throughout the session and posted a low of \$1.248 ahead of the close, settling down 1.15 cents at \$1.2583. It is seen finding support at \$1.248, \$1.237 and \$1.2122 while resistance is seen at \$1.28, \$1.3055 and \$1.3106. The March RBOB crack continued to trend higher and settled up at \$18.87 as the crude market sold off. The crack spread is seen targeting the \$20 level. The heating oil market once again traded within Tuesday trading range. It posted a higher low and higher high, as it rallied from a low of \$1.3016 to a high of \$1.342 by mid-day and later settled up 54 points at \$1.3218. The market is seen finding support at \$1.3016 followed by its previous lows of \$1.2976-\$1.2967 while resistance is seen at \$1.342, \$1.4084, \$1.4232 and \$1.44.

Crude Oil (CL) MAR.09 169,986 -33,631 APR.09 259,912 +22,219 MAY.09 116,344 +13,954 Totals: 1,242,062 +4,472 Heating oil MAR.09 43,588 -4,805 APR.09 46,046 +1,212 MAY.09 31,819 -994 Totals: 250,555 -2,930 NEW YORK HARBOR RBOB GASOLINE MAR.09 39,946 -5,500 APR.09 52,112 +4,699 MAY.09 24,873 +77 Totals: 189,101 +1,507.

<b>Crude Support</b>	<b>Crude Resistance</b>
33.55, 32.25, 31.20, 29.66, 28.63, 26.65, 25.50	35.08, 36.25, 38.47, 41.80, 42.68, 43.60, 48.77
<b>Heat Support</b>	<b>Heat Resistance</b>
1.3016, 1.2976-1.2967, 1.2785, 1.1895	1.342, 1.4084, 1.4232, 1.44, 1.4813, 167.15, 171.85, 176.70, 1.8500
<b>Gasoline Support</b>	<b>Gasoline Resistance</b>
1.248, 1.237, 1.2122, 1.1525, 1.0988, 1.0680, 1.0128	1.28, 1.3055, 1.3106, 1.3373, 136.14, 1.3775, 1.4100, 1.4400