



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR MARCH 9, 2009**

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OPEC's Secretary General, Abdullah al-Badri said OPEC will cut its 2009 oil demand forecast this week, a move that may lend support to calls from some members for further supply cuts at a meeting on Sunday. He said OPEC expects the slowing global economy to cut demand by 1 million bpd from its previous forecast. OPEC is scheduled to release its latest Monthly Oil Market Report on Friday. He reiterated that an additional cut was among its choices. He said OPEC may decide to make a new output cut when it meets on March 15. He said current oil prices of about \$40/barrel are not suitable because they will not guarantee investment in future capacity beyond 2013. He said compliance with its 4.2 million bpd output reduction agreed on December 17 was at 85%.

Saudi Arabia's al-Hayat newspaper said Saudi Arabia wants OPEC to discuss stricter compliance with existing supply cuts and cited sources as saying the group should not discuss another cut. Separately, a trade source said Saudi Arabia will cut its oil supplies to one European oil company in April. Saudi Arabia kept volumes steady to

#### **Market Watch**

According to a Bloomberg survey, oil prices are expected to rebound to an average of \$49.56/barrel in the second quarter. Traders are looking for oil prices to reach \$50 in two months. The number of contracts that give traders the option to buy crude at \$50/barrel before May 14 more than doubled to 16,952. In a Bloomberg survey, 31 of 41 analysts believe OPEC will limit its production for the fourth time next week.

Venezuela's Oil Minister Rafael Ramirez and a team from PDVSA will visit China on March 21 for Joint Energy Commission talks with economic planner, the National Development and Economic Commission and oil companies PetroChina Co. and Sinopec. At present, Venezuela is supplying about 300,000 bpd of oil to China, with about 70% of this in the form of high sulfur fuel oil.

China Shipping Co President Li Shaode said he proposed that the government use some of its foreign exchange reserves on floating oil storage because onshore tanks are full. He said China's four state-owned emergency oil reserve tanks, with a capacity of 100 million gallons, are full.

Iranian lawmakers scrapped a proposal in the budget, which would allow the government to raise energy prices following protests this would stoke inflation. Under a \$298 billion budget approved by parliament on Sunday, the government planned to earn \$20 billion during the year to March 2010 by increasing prices of subsidized energy and utilities. The government planned to spend part of the \$20 billion dollars on cash payments to compensate people from low and middle-income groups.

The International Monetary Fund will forecast a contraction in world trade this year of 5% or more ahead of the April 2 G20 summit. In its previous forecast at the end of January, the IMF forecast a 2.8% decline in world trade. The new IMF forecast will be studied closely by the G20 leaders to tackle the financial and banking crisis and look at ways of boosting demand, including trade to pull the world out of recession. Meanwhile, the World Trade Organization plans to issue a forecast on March 31, ahead of the G20 meeting.

China's power generation increased for the first time in five months in February. Power output in February increased by 6% on the year but fell 4.3% to 487.4 billion kilowatt hours in the first two months of the year. Power consumption in eastern Shandong province increased by 4% in February after falling by 17% in January.

**March Calendar Averages****CL – \$43.90****HO –\$1.1917****RB – \$1.3279**

major Asian and European buyers in March.

A senior Kuwaiti oil official said oil prices may increase above \$50/barrel in the third quarter if OPEC cuts output by 1 million bpd at its meeting on Sunday. A member of Kuwait's Higher Petroleum Council, Moussa Marafi said the market remains oversupplied despite existing

OPEC supply cuts and the world economic slowdown will keep demand low until the end of the second quarter. Compliance within OPEC since September stood at about 80%. Meanwhile, Qatar's Oil Minister Abdullah al-Attiyah is satisfied with OPEC member commitment to production cuts agreed since September to increase its prices.

Venezuela's Finance Minister, Ali Rodriguez said world oil prices will likely remain steady this year despite being below their fair value.

Iraq's Oil Minister Hussain al-Shahristani said Iraq is working with other OPEC member countries to try to increase its oil prices.

Nigeria's Joint Task Force, Operation Restore Hope claimed to have uncovered a plot to attack Chevron Corp's Abiteye flow station and its pipelines in the Niger Delta. The Nigerian military is on maximum alert to repel attacks on the flow station.

The Pentagon said five Chinese ships, including a naval vessel, harassed a US Navy ship in the South China Sea on Sunday. The White House called on China to observe international maritime rules.

According to the AAA Daily Fuel Gauge report, US retail gasoline prices continued to increase to \$1.945/gallon on Monday, up 5 cents/gallon from Friday.

The EIA reported that the US average retail price of diesel fell by 4.2 cents to \$2.045/gallon in the week ending March 9. It also reported that the US average retail price of gasoline increased by 0.7 cents to \$1.941/gallon on the week.

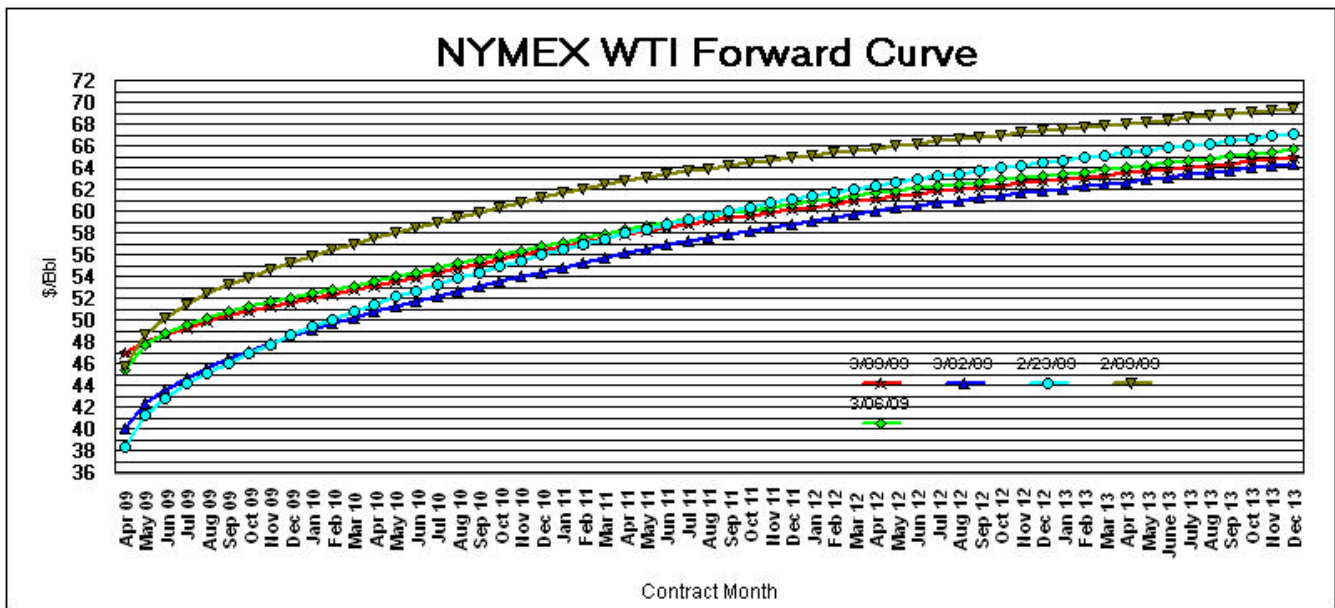
**Refinery News**

According to Credit Suisse, US refinery margins fell last week due to higher crude oil prices. Margins for West Coast refiners fell the most, down \$3.56/barrel to \$9.66/barrel in the week ending March 6. Northeast refining margins fell by 80 cents to \$6.44/barrel while Gulf Coast margins fell by 89 cents to \$7.92/barrel. Margins in the Rockies fell by \$1.12 to \$12.19/barrel while margins in the Midwest increased by 81 cents to \$8.97/barrel.

Tesoro Corp reported flaring due to an equipment breakdown on Saturday at its 100,000 bpd Los Angeles refinery.

BP Plc reported a chemical compound leak on Sunday from a pipe at its 265,000 bpd refinery in Carson, California. BP said the substance is leaking from a pipe in the facility for unknown reasons. It has scheduled maintenance at the refinery. Separately, BP's 475,000 bpd Texas City, Texas refinery is nearing normal throughput and processing rates Monday following unplanned maintenance last week at the plant's sulfur recovery complex. Crude throughput was cut on March 2 and several units were placed in circulation mode, when the Shell Claus off-gas treating unit, was shut for unplanned repairs.

ConocoPhillips restarted a crude unit and six other units at its 247,000 bpd Sweeny, Texas refinery on Sunday after six weeks of planned overhaul. In addition to the crude unit, a hydrotreater, vacuum



distillation unit, delayed coker, sulfur recovery unit, hydrogen purification unit were included in the overhaul.

Valero Energy Corp plans to conduct a 14 day turnaround on a 36,000 bpd hydrocracker unit at its 170,000 bpd refinery in Benicia, California. It also said there was no impact from a crude oil leak in an underground pipeline on Sunday at the 144,000 bpd oil refinery in Benicia. Separately, Valero said most units at its 245,000 bpd Texas City, Texas refinery resumed operations following the completion of maintenance work.

Venezuela's 135,000 bpd El Palito refinery on Monday shut its fluid catalytic cracking unit for turnaround and expansion. The maintenance coincides with a similar cat cracker expansion and maintenance program at the Cardon refinery, leaving more than half of Venezuela's total domestic cracking capacity of 250,000 bpd offline.

Total will reduce runs at its refineries in France by about 20% due to poor margins. It will also cut its crude runs by about 15% at its German refinery and by about 10% at its Dutch refinery. The run cuts will be implemented shortly. Separately, Total shut two thirds of its 231,000 bpd Donges refinery from February 22 for a maintenance outage due to finish towards the end of April.

Kuwait Petroleum Corp said it has no plans to cut refinery output after Indonesia cut imports of Kuwaiti diesel for the second quarter by 80%. KPC currently does not have any excess gas oil volume.

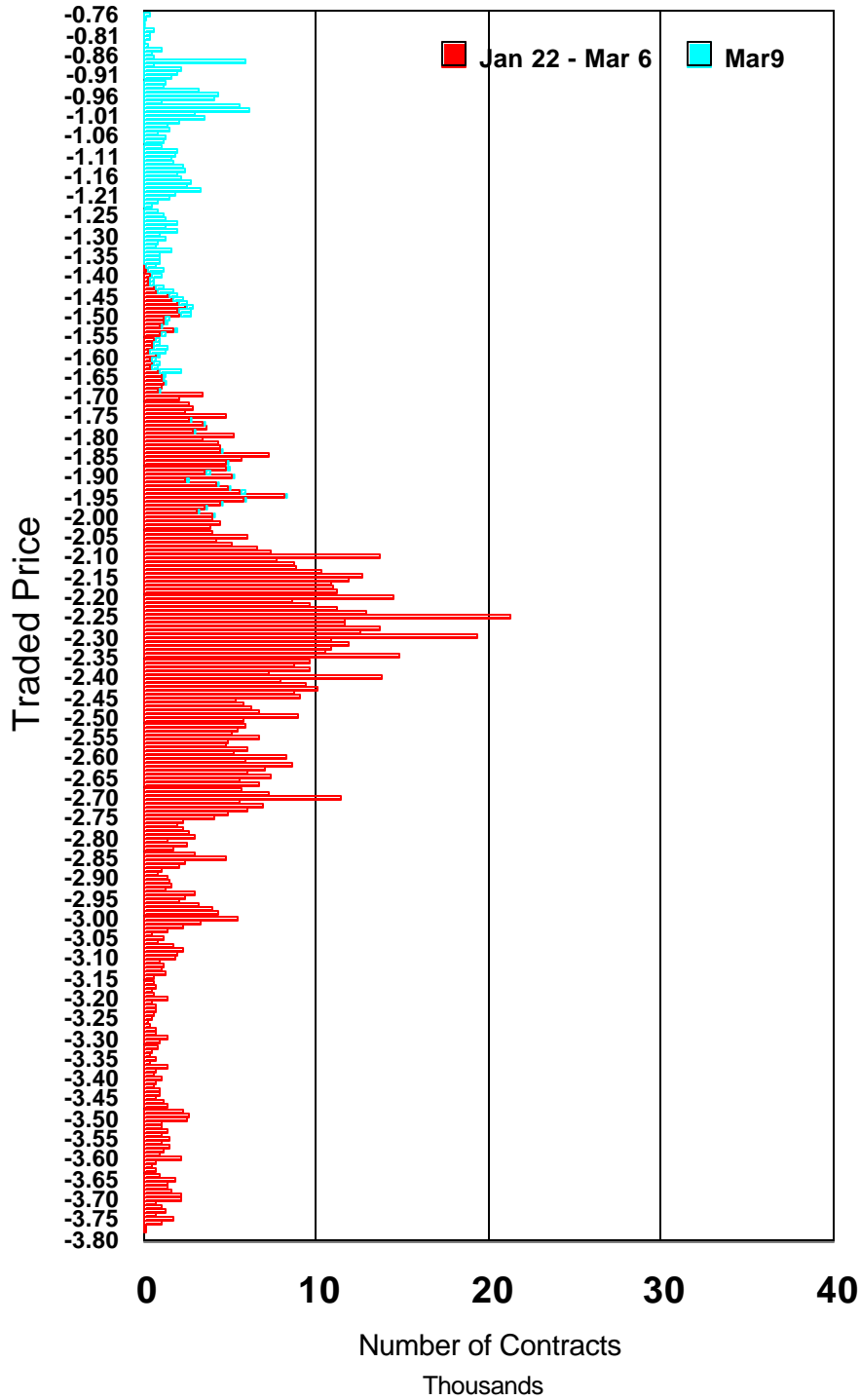
The BP Plc led Baku-Ceyhan pipeline is expected to pump about 700,000 bpd or 21 million barrels in April, down from 858,000 bpd in March.

Iran is stockpiling 1.7 billion liters or 11 million barrels of gasoline ahead of its New Year holiday this month about the same amount of diesel fuel for power stations. The managing director of the National Iranian Oil Products Distribution Company said the level of gasoline inventory was very beneficial. Iran's new year starts March 21 and runs through March 25.

**Production News**

Royal Dutch Shell Plc said a recent militant attack on Nigeria's Escravos oil pipeline had forced it to halt deliveries to many of its customers. It declared a force majeure on Saturday. Forcados exports were due to be around 184,000 bpd in March and 285,000 bpd in April. The recent attacks have

**NYMEX WTI: April May Spread**  
**Price Vs Volume for January 22 - March 9, 2009**  
 Trade Weighted Avg: 3/5 -1.98 3/6 -2.10, 3/9 -1.15



prompted Nigeria's two main oil unions to threaten strikes in a few weeks if the government does not do more to improve security around energy facilities.

Chevron Corp over the next few months will begin large scale testing in the Middle East of a method for extracting heavy crude oil. The steam injection technique will be employed in the neutral zone between Saudi Arabia and Kuwait and could result in the recovery of billions of barrels from the area.

The Norwegian Petroleum Directorate said StatoilHydro made an oil and gas discovery in the North Sea at Wilcat Well 30/9-22.

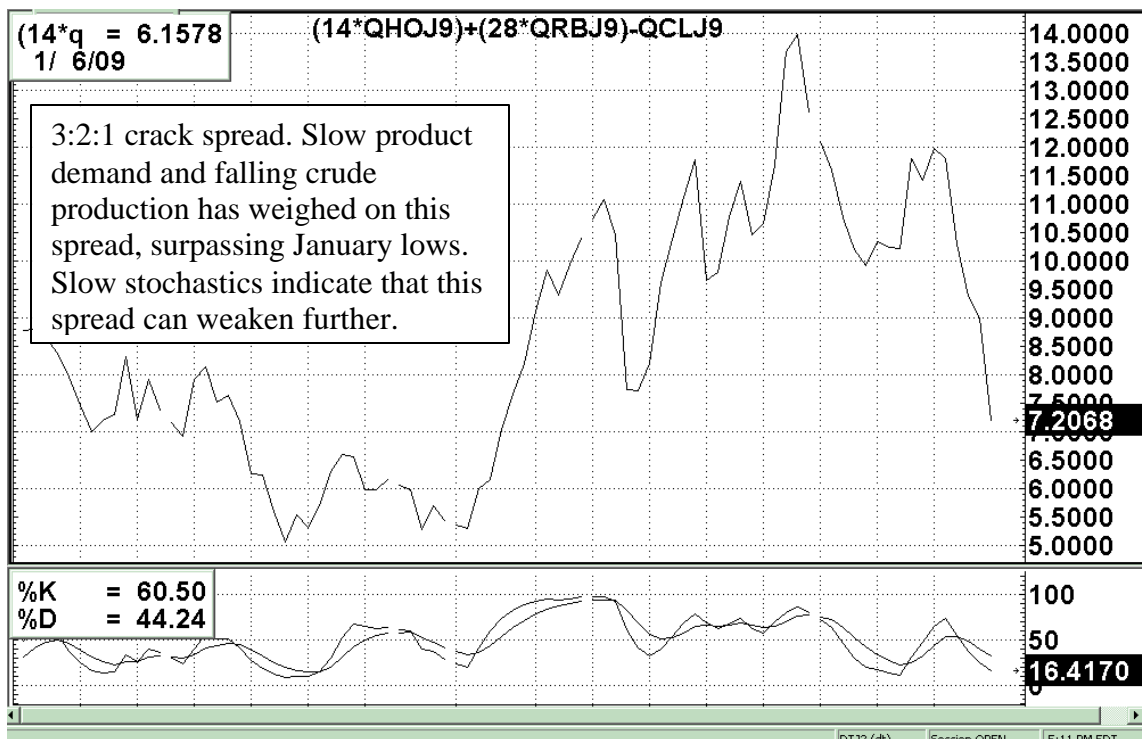
Total's Akpo deep offshore condensate and natural gas field in Nigeria has started operations ahead of schedule. Production expected to reach 175,000 bpd of condensate and 320 million standard cubic feet/day this summer.

Oil exports from Iraq's southern Basra terminal fell to 960,000 bpd on Monday, down from 1.32 million bpd on Sunday.

ExxonMobil Corp's chief executive Rex Tillerson is in talks with Iraq to create the investment climate that would allow it to become a significant player in Iraq's energy sector. Iraq is drawing up the contract terms for a bidding round for six fields,

which together hold more than 30% of its reserves. Iraq needs billions of dollars of foreign investment to overhaul its oil sector and increase its output. He noted Qatar as an investment model that attracts





Crude Support	Crude Resistance
41.00,40.00,38.95, 32.25, 29.66, 28.63, 26.65, 25.50	48.77, 50.07, 54.75, 55.98, 57.20
Heat Support	Heat resistance
1.1359, 1.1095,1.0520	1.3315, 1.4813, 167.15, 171.85, 176.70, 1.8500
Gasoline support	Gasoline resistance
1.2800,1.2700, 1.2625 1.1680,1.0128,9590, .8978, .8755, 7850	1.4100,1.4400, 1.4760