



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR MARCH 10, 2010**

---

In its latest monthly report, OPEC raised its 2010 oil demand forecast despite contracting OECD economies, with demand mostly driven by China and the Middle East. It estimates 2010 demand growth at 900,000 bpd, up 100,000 bpd from its previous forecast. Oil demand in 2010 is estimated at 85.2 million bpd. It said OECD demand is expected to fall about 150,000 bpd while non-OECD demand is expected to grow by 1 million bpd. OPEC revised up its previous demand forecast for 2009 OPEC crude to an estimated 29 million bpd. In 2010, demand for OPEC oil is expected to average 28.9 million bpd, up 200,000 bpd from its previous forecast. It reported that OPEC's oil production

#### **Market Watch**

According to AccuWeather, an unusually active hurricane season is likely for the US this year. It is predicting five hurricanes, with two or three major hurricanes making landfall in the US. About 16 to 18 storms are likely to form during the season, compared with 11 named storms in an average year. Meteorologist Joe Bastardi cites the weakening of El Nino as one driver of the increase in storm activity. Warm Atlantic waters, dissipating trade winds and rising humidity levels are also likely to create more storms.

The Commerce Department reported that US wholesalers' inventories unexpectedly fell 0.2% in January. Analysts had expected inventories to increase by 0.2%. The unexpected decline followed a downward revision in December's inventory level showing December inventories contracted by 1% rather than the 0.8% decline originally reported. Sales by US wholesalers in the first month of 2010 increased by 1.3% to a seasonally adjusted \$346.7 billion.

IHS Cambridge Energy Research Associates said the price of oil is likely to remain within a range of \$65/barrel to \$85/barrel this year due to expectations for a recovery.

An Iraqi government official said Iraq will increase the capital of its South Oil Co to \$420 million from \$4.3 million. Iraq's SOC operates most of Iraq's producing oil fields such as Rumaila, Zubair, Nassiriyah, West Qurna phase one and two.

Argentina's government accused the local units of Royal Dutch Shell and Petrobras on Wednesday of causing gasoline shortages in the local market in order to force rival YPF to raise its prices. Planning Minister Julio De Vido said the government will intervene to ensure oil refineries were working at full capacity and did not rule out possible regulation of fuel exports.

#### **DOE Stocks**

**Crude** – up 1.4 million barrels  
**Distillate** – down 2.2 million barrels  
**Gasoline** – down 2.9 million barrels  
**Refinery runs** – down 1.2%, at 80.7%

increased by 190,000 bpd on the month to 29.4 million bpd in February. Compliance by the 11 quota bound members with production cuts agreed in 2008 has now declined to 53.2% from 55.9% in January and 80% in March last year.

A member of Kuwait's Supreme Petroleum Council said OPEC will not act to change output quotas as long as oil

prices remain below \$100/barrel. The official said the \$80/barrel level will persuade OPEC members not to take action. However he added that OPEC will attempt to tackle compliance when it gathers in Vienna on March 17<sup>th</sup>. He said if prices do surpass the \$100/barrel level, OPEC will likely increase its output levels. He also said that for 2010, OPEC will not let prices rise above \$100/barrel unless there is some sort of currency crisis with the dollar.

<b>March Calendar Averages</b> <b>CL – \$80.80</b> <b>HO – \$2.0814</b> <b>RB – \$2.2424</b>
---

According to UK shipbroker Simpson, Spence and Young, the volume of oil products held offshore at the end of February fell nearly 6 million barrels on the month. A total of 92 tankers were storing about 67 million barrels of oil products, mainly distillates at the end of February compared with 102 tankers storing 72.7 million barrels at the end of January. It also reported that the volume of crude stored at sea at the end of February fell with 12 tankers storing 22.5 million barrels compared with 14 tankers holding 25.6 million barrels at the end of January.

Russia’s Foreign Minister Sergei Lavrov said Iran has no missiles capable of striking Europe and the US. He said Iran currently poses no threat to the US and European countries.

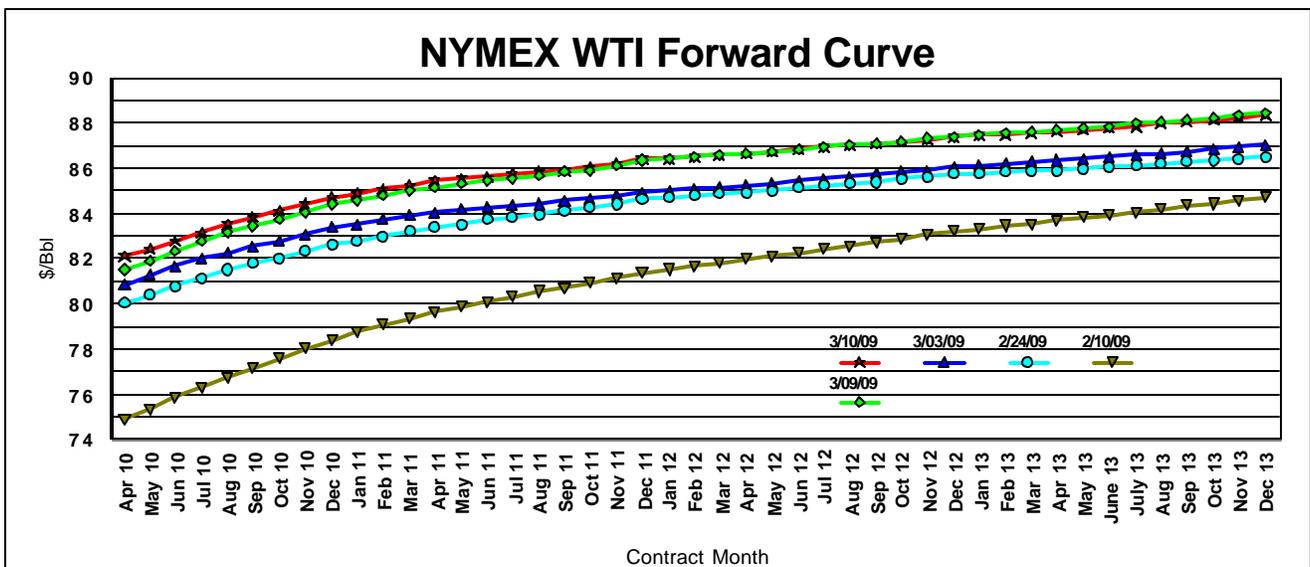
**Refinery News**

Colonial Pipeline said it expects to restore power completely at its Dorsey substation in Woodbine, Maryland on Thursday following a weekend outage that forced reduced oil product flow on some local lines. It said its main line, Line 3 was not impacted.

Buckeye Pipeline has scheduled maintenance involving three total station shutdowns at its Linden, NJ facility in March and April. The work will necessitate shutting down all incoming and outbound lines during times that would have the least impact on its customers. On March 17<sup>th</sup>, a station will close at 6 am EST until 10 pm EST for a total of 16 hours. On April 7<sup>th</sup> and April 21<sup>st</sup> it will shutdown from 7 am until 3 pm for a total of 8 hours each day.

Tesoro Corp reported late Tuesday that a plantwide power outage caused flaring at its 100,000 bpd Wilmington, California refinery. The refinery is expected to resume normal operations by Thursday after power was restored quickly following the outage.

Valero Energy Corp said that preparations are underway at its 195,000 bpd refinery in Memphis, Tennessee for the start of turnaround maintenance at a 145,000 bpd crude distillation units and a fluid catalytic cracking unit at the refinery. Both units are still in operation.



Planned turnaround maintenance started on Tuesday at Marathon Oil Corp's 226,000 bpd refinery in Catlettsburg, Kentucky. Marathon Oil Corp also said that planned turnaround maintenance at its Garyville, Louisiana refinery has ended and the plant is resuming normal operations. The turnaround started in January.

China Petroleum & Chemical Corp or Sinopec will add a further 10 million tons of refining capacity in 2010.

Japan's Idemitsu Kosan Co announced plans to halt operations at three domestic refineries for about a month in fiscal 2010 to cut crude oil processing to 28.3 million kiloliters, down 0.7% on the year. It plans to shut its refinery in the Hokkaido city of Tomakomai starting in mid-June and two other facilities in Shunan, Yamaguchi Prefecture and Chita, Aichi Prefecture in September or later.

Japan's Showa Shell Sekiyu KK announced that it will halt operations at its Kawasaki refinery for about two months starting in April.

Royal Dutch Shell Plc said it is no longer selling gasoline to Iran. It is the latest oil company to make such a move amid threats of tougher sanctions against Iran. Vitol Holding BV and Glencore International AG recently decided to halt sales of gasoline to the country.

Chevron Corp will continue operating its Pembroke refinery in Wales if a buyer for the site is not found. The company announced on Tuesday that it plans to ask for bids for some assets in Europe, including the Pembroke refinery as part of its global restructuring.

India's Essar Oil Ltd said it is not seeking to build a refinery in Indonesia, dismissing a report that cited an Indonesian official as saying the company is looking to invest in a refinery project in Indonesia.

China's General Administration of Customs reported that the country imported 18.51 million metric tons or 4.85 million bpd of crude in February. It is up from 17.11 million metric tons imported in January. It also reported that China imported 2.89 million tons of oil products in February.

China Aviation Oil plans to buy up to 4.65 million barrels or 625,000 metric tons of jet fuel via term contracts with S-Oil Corp and SK Energy Co in 2010. China's demand for jet fuel and kerosene is expected to increase by 4.5% to 131 million barrels in 2010. China imported 6.1 million tons or 45.6 million barrels of jet fuel and kerosene in 2009.

The Petroleum Association of Japan reported that the country's gasoline stocks in the week ending March 6<sup>th</sup> fell by 61,703 kiloliters to 2.19 million kiloliters. Meanwhile, Japan's crude stocks increased by 1.111 million kl on the week to 14.95 million kl or 94.01 million barrels. The PAJ also reported that its crude runs fell by 96,701 kl to 4.27 million kl and its average refinery runs stood at 80%, down from 81.8% in the previous week.

Germany's energy demand in 2009 fell by 6% to 455.2 million tons of coal equivalent. Its oil demand fell by 5% to 158 million tons of coal equivalent.

### **Production News**

Saudi Aramco has left its April term crude oil allocations unchanged for several European buyers. Meanwhile it has also left its April allocation unchanged from March at full volumes for its Asian buyers.

Production of benchmark BFOE crude, a basket of Brent, Forties, Oseberg and Ekofisk grades, is expected to total 40.9 million barrels or 1.36 million bpd in April compared with 39.9 million barrels or

1.29 million bpd scheduled for March. Including Statfjord and Gullfaks, the output of six major crude oil grades for April will reach 52.8 million barrels or 1.76 million bpd compared with March's 54.4 million barrels or 1.76 million bpd. The North Sea Brent crude oil stream is scheduled to load 6 million barrels in April, up 1.67 million barrels from 4.333 million barrels in March. The volume is equivalent to 200,000 bpd compared with 139,774 bpd in March. The North Sea Forties crude stream is scheduled to load 18 million barrels in April, up 600,000 barrels from 17.4 million barrels in March. It is equivalent to 600,000 bpd compared with 561,290 bpd in March. The North Sea Oseberg crude stream is scheduled to load 5.45 million barrels in April, down 1.25 million barrels from March. It is equivalent to 181,667 bpd compared with 216,129 bpd in March. The North Sea Ekofisk crude stream is scheduled to load about 380,000 bpd in April, up from 369,000 bpd in March.

BP Plc said North Sea Forties Blend crude production is expected to fall sharply to 512,000 bpd in May from an expected 669,000 bpd level in April. About 10% of May output will come from the Buzzard field, which is lower than the normal level of more than 30%.

Venezuela's Oil Ministry reported the country's oil exports in February fell by 263,933 bpd on the month to 2.235 million bpd.

Ecuador's Central Bank reported that the country's average oil production in January fell by 8% to 14.33 million barrels from 15.61 million barrels a year earlier. Its average oil output was 462,400 bpd in January. Petroecuador's average oil production in January stood at 8.48 million barrels while private oil companies produced 5.85 million barrels.

Brazil's Petrobras informed the National Petroleum Agency or ANP that it found oil in a subsalt block of the offshore Santos basin.

OPEC's news agency reported that OPEC's basket of crudes fell by 48 cents to \$77.38/barrel on Tuesday from \$77.86/barrel on Monday.

### **Market Commentary**

Once again it was another rocky day for the energy markets as they responded to both economic and fundamental influences. A weak dollar sparked support, as did a less than expected build in crude oil inventories. The conflict between the true underlying fundamentals of this market and outside influences, such as the global economic situation, remains. Current fundamentals as they are do not support prices at this level. Gasoline, which is coming into season, is experiencing a near 16-year high in regards to inventories. This makes the fact that we are coming into the U.S. summer driving season not so alarming. Refiners, which are running at 80% capacity, below the 85% average for this time of year, have plenty of supply to draw from should need be. A steady increase in refining margins will entice refiners to ramp up their units. We would continue to monitor the currency situation with regards to direction for this market. Eventually, it is our belief that this market will experience a pullback in prices, with crude oil retreating to the \$70.00 level. In our wire of yesterday we had mentioned that based on a technical perspective, crude oil should make an attempt at the \$85.00 level. Our opinion remains the same.

Crude oil Apr. 10 212,892 -2,874, May 10 220,252 +14,768, June 10 182,507 +4,892 Totals 1,348,241 +26,398 Heating oil APR10 72,973 -3,622 May 10 63,605 +1,906 June10 50,042 +894 Totals: 318,425 +905 Gasoline APR10 82,015 -6,906 May 10 73,223 +5,351 Jun10 42,729 +648 Totals: 292,916 +2,266.

<b>Crude Support Based on March</b>	<b>Crude Resistance Based on March</b>
78.05, 76.72, 75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	83.40, 84.83, 85.05, 85.40, 86.60, 88.80, 89.88
<b>Heat Support</b>	<b>Heat resistance</b>
2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.2270, 2.2575, 2.4200
<b>Gasoline support</b>	<b>Gasoline resistance</b>
2.2040, 2.1460, 2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.3350, 2.5040,

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.