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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR MARCH 31, 2009**

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Venezuela's President Hugo Chavez sees \$80/barrel as a fair price for oil. He said a majority of OPEC members are willing to cut oil output again. In recent weeks, Energy Minister Rafael Ramirez said he expects oil prices to stabilize at \$70/barrel.

Libya's Shokri Ghanem said OPEC can take action if a deteriorating economy worsens the oil oversupply.

Iran's OPEC Governor, Mohammad Ali Khatibi said another OPEC cut in May might be a surprise the oil market does not need if fundamentals and prices continue to improve. He said that while OPEC has successfully stopped the

#### Market Watch

According to technical analysis by Societe Generale SA, crude oil may fall to \$28/barrel in the second quarter. It said prices may rally until it meets resistance at \$71/barrel and then fall to their lowest level since 2003. Analysis using Elliot Wave indicates that prices will increase to \$71/barrel and then fall to \$33.20, basis a trendline. A drop below \$33.20 opens the way for a further decline to a range between \$28 and \$25/barrel.

According to Bank of America Securities-Merrill Lynch, economic growth in oil producing Persian Gulf countries will be negatively impacted in 2009 as governments cut production this year and oil prices remain below averages of the previous years. The production cuts will lead to a contraction in overall growth of -0.2% year on year from 4.2% growth in 2008.

The Organization for Economic Cooperation and Development cut its forecast for China's economic growth this year to 6.3% from its previous estimate of 8%. It also cut its forecast for growth next year to 8.5% from its previous estimate of 9.2%. It expects China's consumer price index to fall 1% this year and 1.5% in 2010 after the CPI increased 5.9% in 2008. Separately, the Asian Development Bank earlier Tuesday cut its forecast for China's GDP growth in 2009 to 7% from a previous forecast of 8.2%

An official at National Iranian Oil Co said Iran will halt diesel imports starting next month, as its rising gas production will be used as substitute fuel for power generation. Iran has not included diesel imports in the budget for its new calendar year starting March 21 and is expected to tap into new gas production from South Pars and other fields.

Tokyo Electric Power Co forecast higher consumption of oil and coal in the next business year, assuming there would not be a restart of its quake hit nuclear plant. TEPCO expects to increase oil consumption by 23% to 10.8 million kiloliters or 186,000 bpd in the fiscal year starting Wednesday. All seven nuclear generators at the Kashiwazaki-Kariwa nuclear plant have been shutdown following an earthquake on July 16, 2007. There has been speculation that the No. 7 generator was closer to a restart after a local prefecture panel this month supported a government ruling that quakeproofing of the unit was sufficient. TEPCO has also postponed the start of commercial operations of four new nuclear power generators by at least a year due in part to delays in the government safety review process.

### API Stocks

**Crude** – up 3.275 million barrels  
**Distillate** – up 1.776 million barrels  
**Gasoline** – down 451,000 barrels  
**Refinery runs** – down 0.3%, at 81.8%

downward trend, another step OPEC could take is to encourage prices to increase maybe to \$70-\$80/barrel because below that the investments in oil production will fall. He also stated that OPEC is discussing the possibility of replacing some secondary sources used to assess the output compliance of its members. Some OPEC members, including Iran, have blamed secondary sources for saying they were not

complying with their quotas.

### Refinery News

Colonial Pipeline will allocate Cycle 20 nominations for its main distillates lines as demand for space exceed capacity. Colonial Pipeline also announced the elimination of the 28<sup>th</sup> cycle for distillate and gasoline shipments through its mainline pipelines between Collins, Mississippi and Greensboro, North Carolina.

BP is restarting its 235,000 bpd distillation unit at its 410,000 bpd Whiting, Indiana refinery while work continued on the smaller of the two fluid catalytic cracking units. BP is also preparing to perform planned maintenance on one of the smaller crude units. Its large crude unit was shut for work in early March.

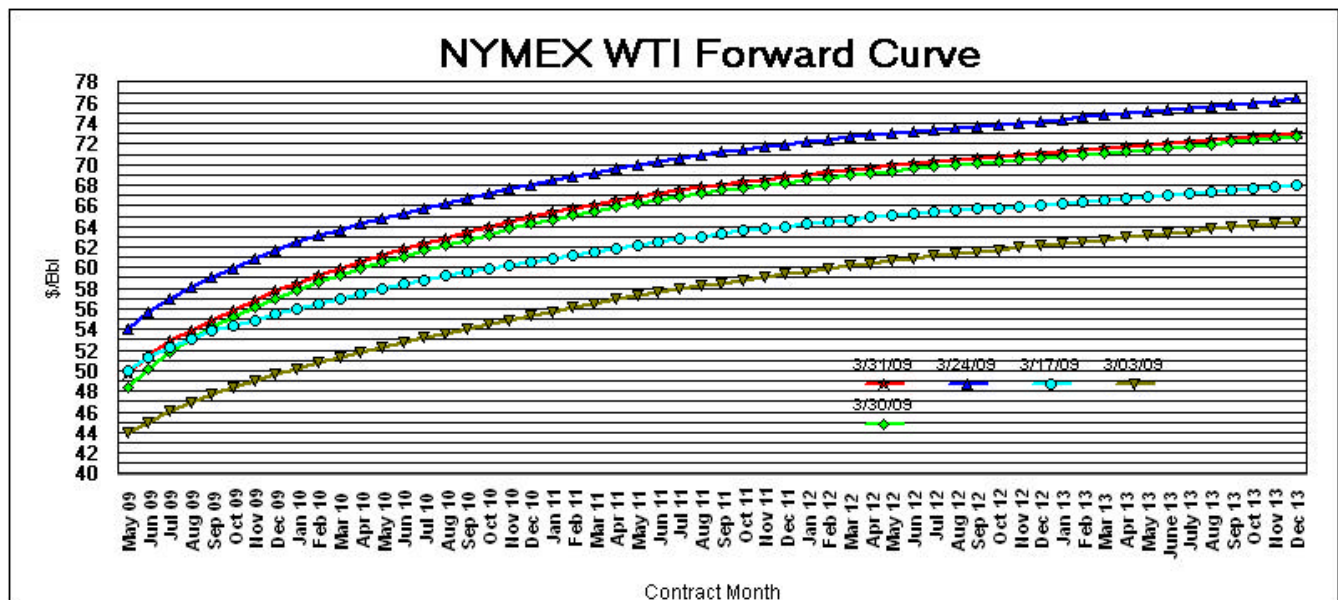
Sinclair Oil Corp's 83,000 bpd Sinclair, Wyoming refinery is operating at partial capacity following a heater fire on Sunday morning. The fire forced the shutdown of a hydro-desulfurization unit. Sinclair said it is working to restore normal operations but could not say when the refinery would resume full capacity.

### March Calendar Averages

**CL** – \$48.06  
**HO** – \$1.2924  
**RB** – \$1.3886

The California State Board of Equalization said gasoline demand in California fell by 4.1% in 2008. It also reported that gasoline demand also fell in the fourth quarter by 4.8% and in December by 6.3% on the year. Diesel demand fell by 8.3% in 2008 with fourth quarter demand falling by 9.6% and December sales down 9.2% on the year.

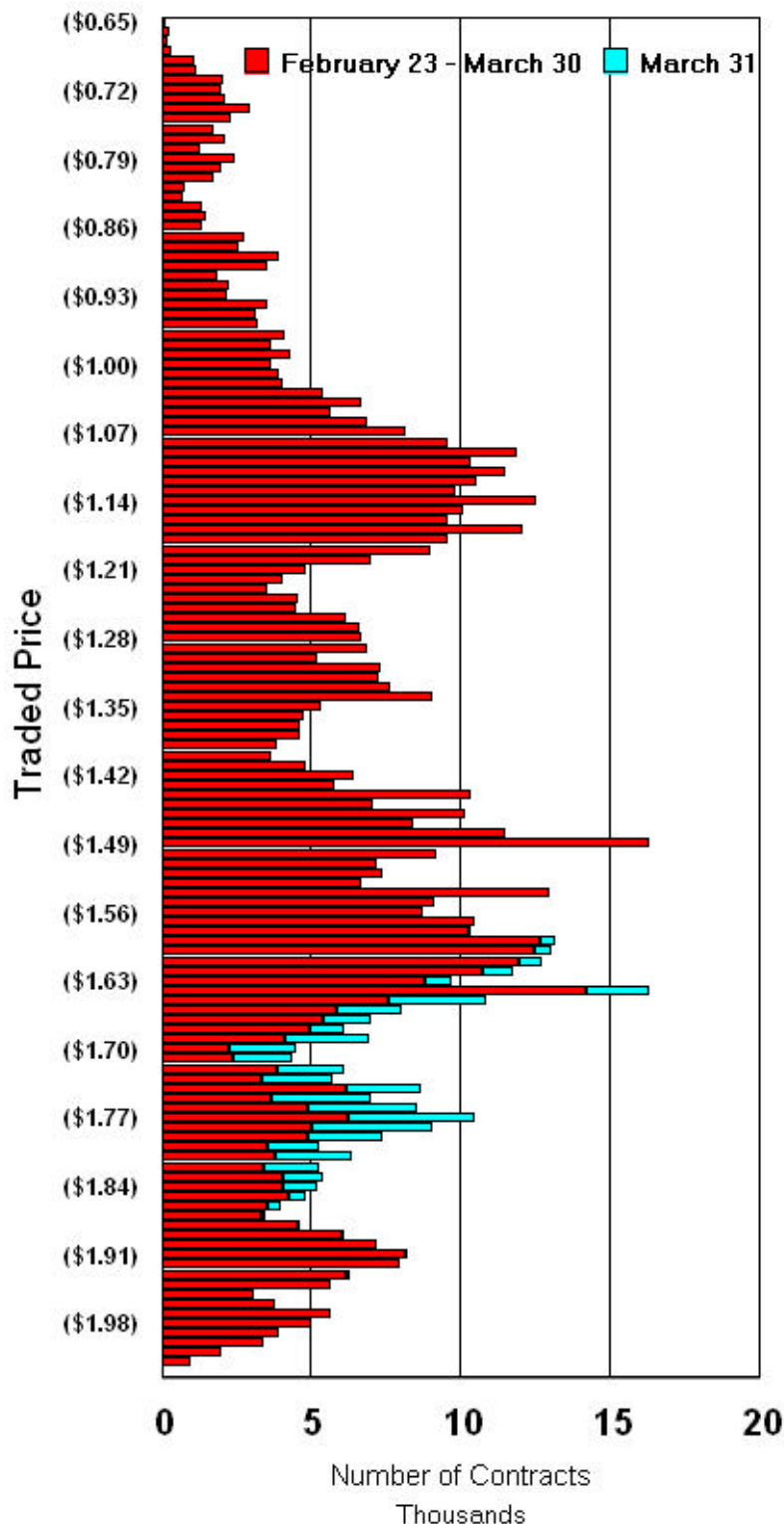
Taiwan's Formosa Petrochemical Corp is preparing to restart its 1.2 million ton/year No. 3 naphtha unit on Tuesday after it was shut for repairs on March 12.



## NYMEX WTI: May June Spread

Price Vs Volume for February 23 - March 31, 2009

Trade Weighted Avg 3/27 -1.57, 3/30 -1.81, 3/31 -1.69



Oil exports from Iraq's southern Basra terminal increased to their normal rate of 1.44 million bpd on Tuesday after falling to 1 million bpd on Monday due to bad weather conditions.

Japan's oil product exports fell for the first time in 26 months in February and domestic sales fell to a 39-year low for the month as fuel demand continues to fall amid a global economic slowdown. Japan's Ministry of Economy, Trade and Industry reported that Japan's oil product exports fell by 2.4% on the year to 2.26 million kiloliters or 548,000 bpd. February domestic sales of oil products fell by 20.1% on the year to 16.06 million kl, with gasoline sales falling by 7.3% and diesel sales falling by over 15%. Japan's crude oil import in February fell by 3.3% on the year. Japan's February crude oil imports fell by 3.3% on the year to 19.55 million kl or 4.39 million bpd. Its overall oil product output fell by 5.8% on the year to 17.25 million kl. Separately, Japan's METI said Japan's oil product demand is expected to fall 5% in the year from April 1 compared with the current year. Oil product demand is expected to fall 3.5% per year on average through 2013/14.

China's Sinopec is considering adding four large commercial storage facilities capable of holding a total of 8 million tons of refined oil products to increase its supply capacity. The government has not given more support to commercial fuel stockpiling but Sinopec has started preparatory work to increase buffer supplies to protect against future supply shortages. China has completed its first phase of state strategic oil reserve bases, which could hold 102 million bpd of oil by the end of last year and has planned a second phase that will be able to store about 170 million barrels.

Saudi Aramco sold another three A960 fuel oil cargoes, bringing the total to seven in the past month, as its Ras Tanura hydrocracker remains shut. Its 44,000 bpd hydrocracker has been shut since early March. It is unclear when the hydrocracker will resume operations.

NEW YORK MERCANTILE EXCHANGE(r)									
NYMEX OPTIONS CONTRACT LISTING FOR 03/31/2009									
					TODAY'S	PREVIOUS	ESTIMATED	DAILY	DAILY
-----CONTRACT-----					SETTLE	SETTLE	VOLUME	HIGH	LOW
AO	7	9	P	50	4.56	4.83	150	0	0
AO	8	9	P	50	4.81	5.05	150	0	0
AO	9	9	P	50	4.87	5.07	150	0	0
LC	7	9	P	40	1.47	1.64	500	0	0
LC	12	11	C	80	8.88	8.62	250	0	0
LC	6	9	C	55	3.23	2.76	200	0	0
LC	6	9	P	45	2.16	2.43	200	0	0
LO	6	9	C	56	2.89	2.45	6251	2.85	2.85
LO	5	9	P	40	0.38	0.53	5783	0.65	0.3
LO	6	9	P	45	2.16	2.43	5204	2.18	2.15
LO	6	9	C	54	3.6	3.09	5003	3	2.9
LO	6	9	P	35	0.4	0.46	4927	0.55	0.49
LO	6	9	P	40	1.02	1.16	4436	1.31	1.05
LO	12	9	C	100	0.95	0.97	3750	0	0
LO	6	9	C	90	0.07	0.06	3702	0.06	0.05
LO	6	9	P	30	0.12	0.14	3001	0.19	0.18
LO	5	9	P	45	1.28	1.65	2754	1.85	1.15
LO	6	9	C	60	1.81	1.52	2604	1.9	1.39
LO	6	9	P	50	4.05	4.53	2282	4.9	4.15
LO	5	9	C	55	1.2	0.94	2203	1.2	0.82
LO	12	9	C	56	9.59	9.24	2040	0	0
LO	12	9	P	56	7.89	8.2	2040	0	0
LO	6	9	C	50	5.42	4.73	1927	5.1	4.75
LO	5	9	C	50	2.93	2.38	1782	3	2.17
LO	6	9	C	51	4.9	4.27	1702	4.7	4.1
LO	7	9	P	35	0.67	0.75	1701	0.7	0.7
LO	6	9	C	55	3.23	2.76	1676	3.25	2.6
LO	6	9	C	108	0.01	0.01	1600	0.02	0.01
LO	6	10	C	62	10.12	9.72	1500	0	0
OB	8	9	C	1.68	0.1181	0.1103	323	0.1	0.1
OB	8	9	C	1.61	0.1376	0.1288	320	0	0
OB	7	9	P	1.2	0.0665	0.073	100	0	0
OB	9	9	P	0.8	0.01		100	0.013	0.013
OH	5	9	C	1.4	0.0819	0.0776	202	0.0609	0.0609
OH	6	9	C	2	0.0144	0.0122	200	0	0
OH	6	9	C	2.5	0.002	0.0016	200	0	0
OH	12	9	P	1.25	0.096	0.1027	200	0	0
OH	12	9	P	1.5	0.2064	0.2177	200	0	0
WA	6	9	P	-0.5	1.4	1.48	500	0	0

Brazil's Petrobras said domestic fuel sales showed signs of a recovery in March as the effects of the world economic slowdown eased. However it is too early to say that it is a trend. Earlier this month, Petrobras said it expects total fuel sales volumes in 2009 to equal the 37.8 billion liters sold last year.

### **Production News**

According to a consultancy, Kuwait may have oversupplied the oil market by 2% in February. Kuwait supplied 2.27 million bpd of crude oil in February, about 40,000 bpd above its implied output allocation.

China's Ministry of Land and Resources said the country found more oil in 2008 than a year earlier. It discovered 1.34 billion tons of proven geological oil reserves, 647.2 billion cubic meters of natural gas and 23.11 billion tons of coal deposits in 2008. It also said that 15 new oil and gas fields were found and confirmed last year, each with proven reserves of at least 100 million tons.

Iraq has tendered to build a 50,000 bpd crude production facility at its West Qurna oil field in southern Iraq. The underdeveloped West Qurna oil field has estimated proven reserves of 8.6 billion barrels and is producing 300,000 bpd while its potential production capacity could reach up to 650,000 bpd. Separately, Iraq's South Oil Co issued tenders for foreign companies to examine a number

of existing oil and gas pipelines in southern Iraq.

ExxonMobil Corp aims to cut billions of dollars from the cost of increasing production capacity at the world's fourth largest oilfield in the UAE. The capacity increase at Upper Zakum accounts for about a third of the UAE's planned increase to a total capacity of 3.5 million bpd in 2018 from about 2.8 million bpd. The field currently produces over 500,000 bpd and Abu Dhabi aims to increase its production to 750,000 bpd.

Algeria's Sonatrach has cut its April official selling price for Saharan Blend crude to dated Brent plus 60 cents/barrel. It is down \$1.25 from the March price of dated plus \$1.85/barrel.

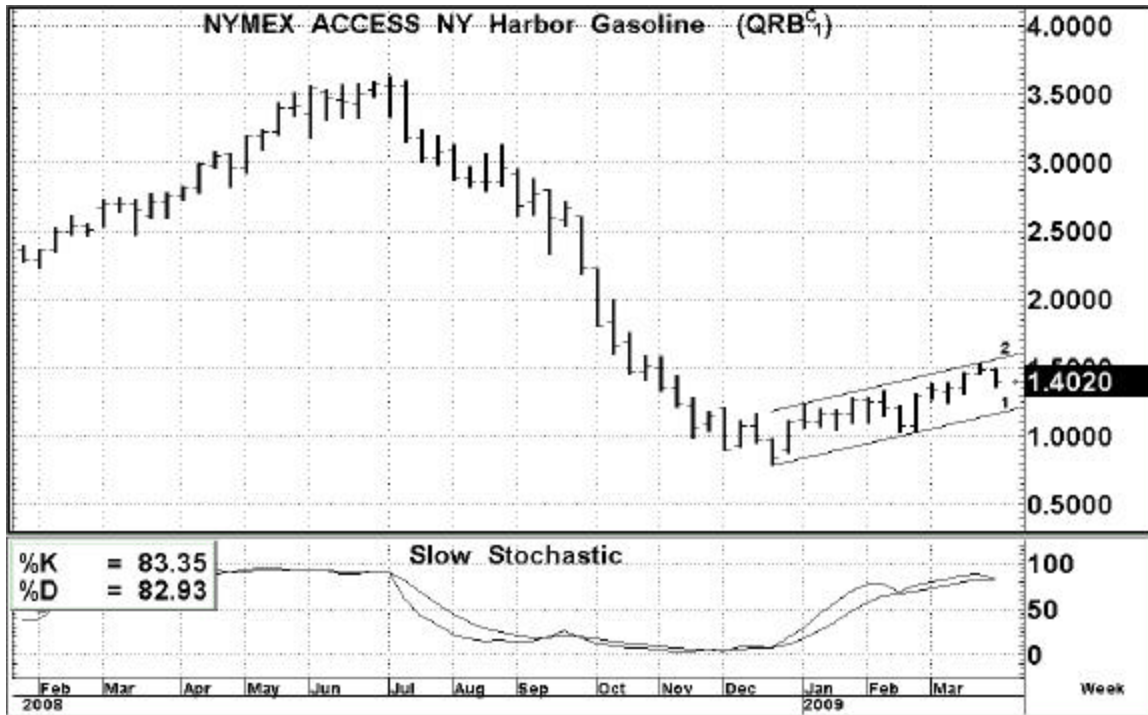
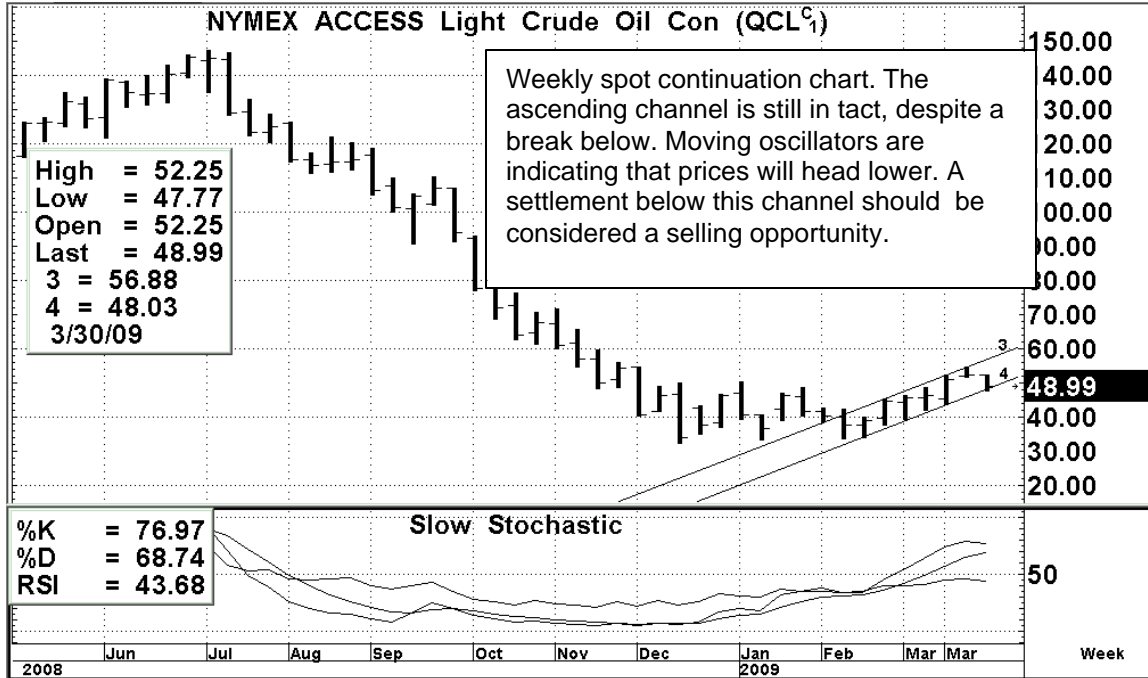
OPEC's news agency reported that OPEC's basket of crudes fell to \$47.72/barrel on Monday from \$50.41/barrel on Friday.

### **Market Commentary**

Once again the true fundamentals of this market were pushed to the sidelines as equities and the U.S. dollar took center stage. Crude oil edged higher today on the heels of a stronger stock market, which is on track for its best month in six years. It is difficult to think that any rally in prices can sustain itself given the global economic outlook. Home prices in the U.S. continue to decline, indicating the severity of this economic situation. The U.S. is the world's largest energy consumer. Adding to the downward pressure on prices, are expectations of a build in crude oil inventories of 2.6 million barrels. Typically, this week sees increases in inventories as refiners wind down their heating oil production in order to gear up for the U.S. summer driving season. Heating oil inventories are expected to decrease by 1.1 million barrels, with gasoline inventories decreasing by 1.3 million barrels. It is our belief that the true fundamentals of this market will come into play and that prices will head lower, testing the \$35.00 range. The May crude oil contract dipped below the ascending channel on a weekly spot continuation chart, however failed to settle below it. Slow stochastics are sitting just below over bought territory but appear to be getting ready for a cross to the downside. Barring any major supportive changes in inventory levels, we would look for prices to break out of the \$56.88 - \$48.03 ascending channel.

(CL) MAY.09 285,029 -11,203 JUN.09 191,986 -119 JUL.09 90,443 -1,228 AUG.09 33,306 +258  
Totals: 1,146,648 -14,624 Heating oil APR.09 8,626 -5,953 MAY.09 56,862 -613 JUN.09 39,729 +233  
JUL.09 23,198 +118 AUG.09 12,837 +206 Totals: 256,925 -3,930 YORK HARBOR RBOB APR.09  
5,007 -6,412 MAY.09 78,390 -1,146 JUN.09 34,152 +56 JUL.09 19,206 +571 AUG.09 15,040 +590  
Totals: 201,385 -6,206

The API reported a build in crude stocks of 3.275 million barrels on the week, with a build of 2.542 million barrels in Padd 3. Total crude stocks are up 15.6% on the year. It reported the build in stocks as crude runs fell by 163,000 bpd to 14.103 million bpd. It also showed that crude imports increased by 362,000 bpd to 10.121 million bpd on the week. The API also reported a build in distillate stocks of 1.776 million barrels on the week, leaving total stocks up 27.9% on the year. Distillate stocks saw a build of 1.966 million barrels in Padd 1. It reported the build in stocks as apparent demand fell by 13.1% to 3.936 million bpd while apparent demand basis its three week moving average fell by 5.1% to 4.193 million bpd. Meanwhile gasoline stocks fell by 451,000 barrels on the week. It reported the draw in gasoline stocks as imports fell by 75,000 bpd to 296,000 bpd. It showed that apparent gasoline demand fell by 1.7% to 9.412 million bpd and apparent demand basis its three week moving average increased by 2.2% to 9.479 million bpd on the week.



<b>Crude Support</b>	<b>Crude Resistance</b>
41.00,40.00,38.95, 32.25, 29.66, 28.63, 26.65, 25.50	54.75, 55.98, 57.20
<b>Heat Support</b>	<b>Heat resistance</b>
1.3400, 1.3057, 1.1359, 1.10951.0520	1.4865, 1.5285, 1.5520 167.15, 171.85, 176.70, 1.8500
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.2700, 1.2625 1.1680,1.0128,9590, .8978, .8755, 7850	1.5340,1.5800,

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