

**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 APRIL 7, 2010**

---

The chairman of Libya's National Oil Co, Shokri Ghanem said oil prices could reach \$90/barrel as early as next week due to rising demand from the US. He however ruled out the need for an emergency OPEC meeting to address the sharp rise in prices before it next scheduled meeting in October.

#### **Market Watch**

Weather forecasters at Colorado State University said the 2010 Atlantic hurricane season will see above normal activity. They predict 15 named storms and eight hurricanes, including four major hurricanes. The forecasters had previously predicted 11 to 16 named storms, six to eight hurricanes and three to five major hurricanes. The forecasters said the expectations of above average activity are based on the premise that El Nino weather conditions dissipate by the summer and that warm tropical Atlantic sea surface temperatures will persist. The Colorado State University forecast team said for the Gulf Coast, from the Florida Panhandle west to Brownsville, Texas, including the Gulf of Mexico oil patch, the probability of a major hurricane making landfall was seen at 44% compared with a long term average of 30%.

Iran's President Mahmoud Ahmadinejad warned his US counterpart, President Barack Obama, as he condemned Washington's new nuclear policy. The US announced new limits on the nation's nuclear arsenal on Tuesday, saying it would only use atomic weapons in extreme circumstances and would not attack non-nuclear states. In a policy shift, the US said that countries without atomic weapons that complied with non-proliferation treaty obligations need not fear a US nuclear attack. However President Barack Obama warned exceptions could be made for "outliers" such as Iran and North Korea.

Iran's Foreign Minister Manouchehr Mottaki warned the UN Security Council against penalizing a state "for a crime it has not committed" saying it will undermine its status. He also questioned the Council's lack of action towards Israel over its nuclear weapons and its attacks on Gaza and Lebanon in recent years. Separately, Iran's nuclear chief, Ali Akbar Salehi said Iran has produced several kilograms of uranium enriched to a purity of 20% to power its Tehran research reactor.

#### **DOE Stocks**

**Crude** – up 1.979 million barrels  
**Distillate** – up 1.074 million barrels  
**Gasoline** – down 2.498 million barrels  
**Refinery runs** – up 1.9%, at 84.5%

The UN's IAEA praised next week's nuclear terrorism summit as recognition that nuclear security needed more attention. The nuclear security summit will be held in Washington on April 12-13 to discuss the prevention of acts of nuclear terrorism and steps that can be taken to secure vulnerable nuclear materials.

## Refinery News

Alyeska Pipeline Service Co said a 4.6 magnitude earthquake north of Anchorage on Wednesday had no impact on the trans-Alaska pipeline.

BP said it was restarting an ultracracker unit at its 475,000 bpd refinery in Texas City, Texas after a compressor trip forced a unit shutdown. Separately, BP said the earthquake in Alaska was felt in the company's offices in Anchorage but had no impact to production.

Valero Energy Corp said there was no impact to production from a sulfur plant problem on Tuesday at its 195,000 bpd refinery in Paulsboro, New Jersey.

Sunoco's 98,000 bpd fluid catalytic cracking unit at its 178,000 bpd Marcus Hook, Pennsylvania refinery was fully restarted following a planned maintenance shutdown that started in late February. A crude unit at the refinery has also reportedly restarted operations.

Chevron Corp lost a compressor at its 245,271 bpd refinery in Richmond, California, which caused a flare to release materials.

Ineos is scheduled to shutdown a crude distillation unit at its 207,000 bpd Lavera refinery for planned maintenance this month. The outage is expected to start on April 12<sup>th</sup> and last six weeks.

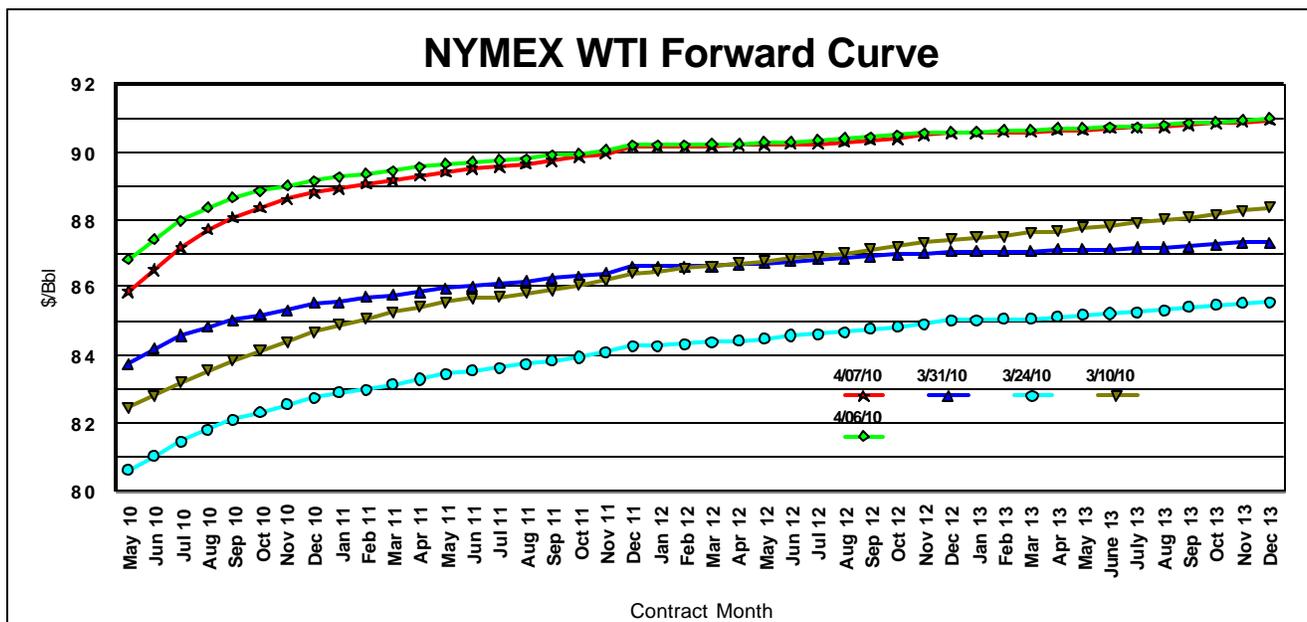
Normal operations have been restored at Eni SpA's Taranto refinery in southern Italy after a leak resulted in a fire earlier on Wednesday. A leak occurred during the start up process at Eni's Taranto refinery from a pipe in the platforming plant.

PetroChina's Dalian refinery plans to shut down a 1.4 million ton/year fluid catalytic cracking unit for about one month of regular repairs from late April.

China's Sinopec Corp has started up a new 160,000 bpd crude oil unit in its Qilu refinery two months ahead of its original plan. Sinopec wants Qilu to process more local crude, a heavy grade from Shengli field.

Crude throughput at China's major refineries are expected to reach a new high in April, at 11% on the

<b>April</b>
<b>Calendar Averages</b>
<b>CL – \$86.05</b>
<b>HO – \$2.2491</b>
<b>RB – \$2.3342</b>



month. Twelve major refineries, accounting for more than a third of China's capacity, plan to process about 2.934 million bpd of crude in April, up 290,000 bpd on the month.

Analysts said China may increase its retail prices for gasoline and diesel by 3-4% soon after benchmark crude prices reached the trigger for adjustment since its last price move in November. Analysts said it would take an increase of 250-300 yuan per ton to offset the recent crude cost rise.

The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending April 3<sup>rd</sup> fell by 7.01 million barrels on the week and by 12.9 million barrels on the year to 90.13 million barrels. It also reported that gasoline stocks fell by 200,000 barrels on the week and by 2.06 million barrels on the year to 2.09 million barrels while kerosene stocks fell by 1.05 million barrels on the week and by 380,000 barrels on the year to 9.85 million barrels and naphtha stocks increased by 180,000 barrels to 11.1 million barrels. The refinery utilization rate fell by 0.8% on the week and by 0.5% on the year to 78%. It reported that crude runs fell by 40,000 bpd on the week and by 80,000 bpd on the year to 3.74 million bpd. The PAJ also reported that Japan's total oil product sales increased by 6.9% on the week and by 7.9% on the year to 3.13 million bpd. Gasoline sales increased by 4.6% on the week but fell by 8.6% on the year to 940,000 bpd while kerosene sales increased by 18.6% on the week and by 16.7% on the year to 530,000 bpd and gas oil sales fell by 0.3% on the week but increased by 0.7% on the year to 530,000 bpd. It also reported that naphtha sales increased by 37.8% on the week and by 160.3% on the year to 450,000 bpd while jet fuel sales increased by 40.7% on the week and by 18.95 on the year to 120,000 bpd.

Saudi Arabia's deputy minister for electricity, Saleh Alawaji said the country aims to increase the use of crude oil for power generation. It said it also plans to increase the use feedstock, including crude oil, oil products and gas, for power generation to 2.5 million bpd of oil equivalent by 2020 from 1.5 million bpd of oil equivalent last year. Using more crude to generate electricity would allow Saudi Arabia to utilize new output from major oilfields while holding firm to its OPEC commitment to curb its exports.

### **Production News**

France's Total SA said it and its partners made two new oil discoveries off the coast of Angola. The finds confirm the potential of Block 15/06.

Italy's Eni SpA said it and Angola's Sonangol have made two new oil discoveries offshore Angola. During the tests, the Nzanza-1 well produced oil at rates above 1,600 bpd while the Cinguvu-1 well produced oil at rates of 6,400 bpd.

Qatar raised its March retroactive official selling price for Qatar Marine crude by \$3.62 from February to \$76.17/barrel. It also raised the Qatar Land crude price by \$3.90 to \$77.55/barrel.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$82.59/barrel on Tuesday from \$81.31/barrel on Monday.

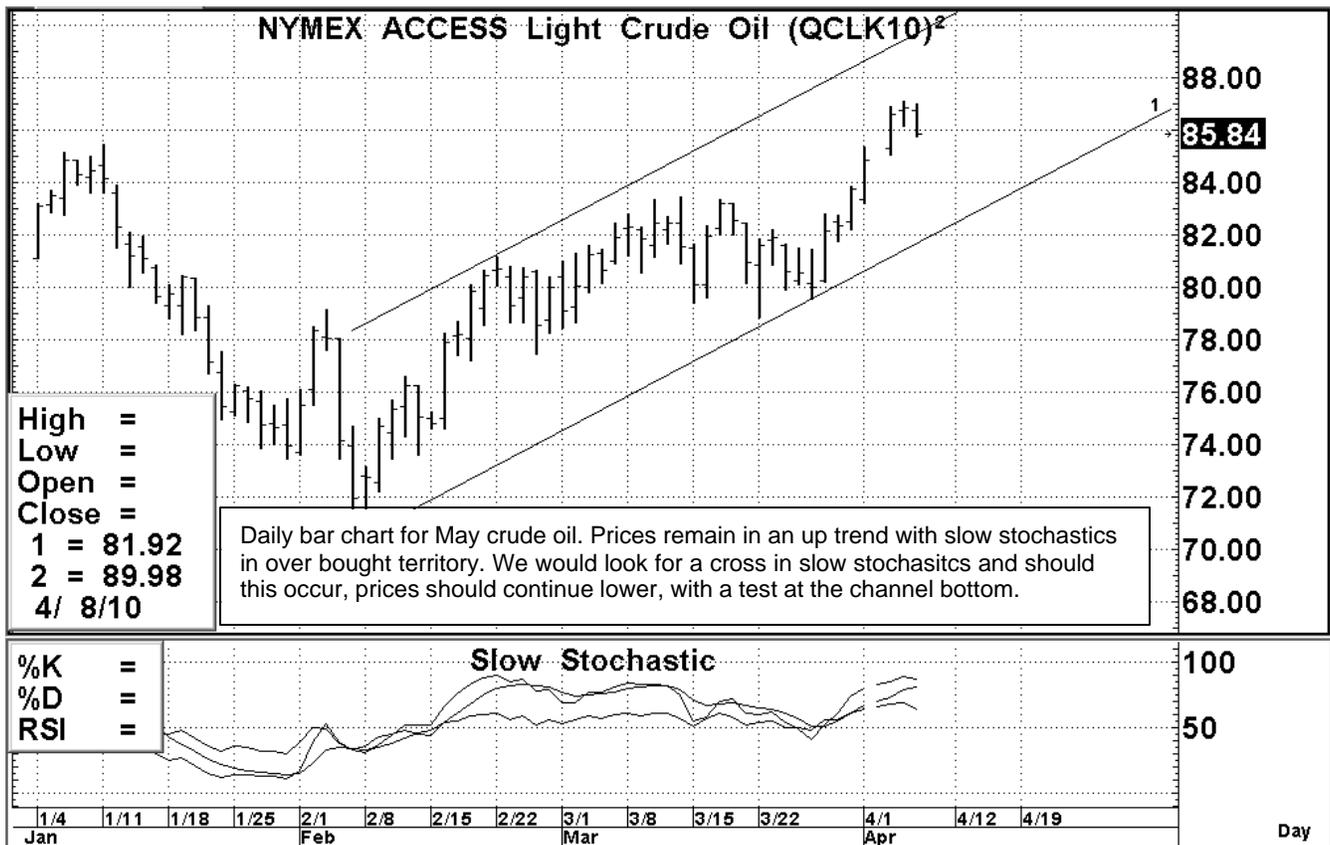
### **Market Commentary**

A fundamentally bearish inventory report sent energy prices lower for the first time in six sessions. Larger than expected builds in crude oil inventories; a surprising surge in crude oil imports, along with increases in refinery operations sent a bearish message through the marketplace. Federal Reserve Chairman Ben Bernanke did little to quell economic concerns as he spoke of the loss of jobs, home foreclosures and weak lending by banks to small businesses. Once again the demand factor came to the forefront, forcing longs to liquidate. As mentioned previously, fundamentally this market should continue to be limited to the upside, however, technically it is still in an uptrend. This is the first time in five sessions that the May crude oil contract settled below the upper Bollinger band on a spot

continuation chart. Slow stochastics are in overbought territory, with percent K turning to the downside. Should percent K cross below percent D, a shift in market trend will occur. At this point in time, we believe that there will be a pause in the market, with more profit taking to the downside to continue. The near term downside objective is \$82.47.

Crude oil May 10 298,193 -13,923 June 10 192,102 +6,186, July 125,463 +5,686 Totals 1,343,407 +10,317 Heating oil May 10 102,115 -3,213 June10 59,054 +2,500 July 10 28,660 -373 Totals: 323,223 -930. Gasoline May 10 128,908 -327 June 10 64,696 +1,908 July 10 36,475 +1,908 Totals 321,994 +1,951

<b>Crude Support</b>	<b>Crude Resistance</b>
85.40, 86.42, 84.55, 83.95, 83.18, 79.75-79.51, 78.43, 76.72, 75.00, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	87.85, 88.80, 89.10, 89.88, 92.75
<b>Heat Support</b>	<b>Heat resistance</b>
2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.4200, 2.4940,
<b>Gasoline support</b>	<b>Gasoline resistance</b>
2.1460, 2.1320, 2.0660, 2.0420, 1.9970, 1.9862, 1.8650, 1.85.65, 1.7900, 1.7200 1.6600	2.4850, 2.5040, 2.5115



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.