



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 7, 2011**

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US Energy Secretary Steven Chu said high oil prices posed a threat to the world economy. He said the oil producer countries and the oil consuming countries are concerned because it does not have an impact on a fragile economic recovery. He also stated that he was aware that Libyan rebels had been able to sell a cargo of crude oil but he did not have any details on the transaction. He said the US supports the sale of oil by Libya's rebels and supports Libya's Transitional National Council in exporting oil. An oil tanker departed the northeastern port of Marsa al-Hariga in Libya carrying one million barrels of oil, marking the first sale of oil by Libya's rebel government since an uprising against Muammar Gaddafi began on February 17<sup>th</sup>. China is believed to be the ultimate destination of the first oil cargo from Libya's rebels.

#### **Market Watch**

The US Labor Department said initial jobless claims fell by 10,000 to a seasonally adjusted 382,000 in the week ending April 2<sup>nd</sup>. The prior week's figures were revised up to 392,000 from an originally reported 388,000. The four week moving average of new claims fell by 5,750 to 389,500 in the week ending April 2<sup>nd</sup>. It stated that the number of continuing claims fell by 9,000 to 3,723,000 in the week ending March 26<sup>th</sup>. The unemployment rate for workers with unemployment insurance was 3% in the week ending March 26<sup>th</sup>, unchanged from the previous week.

Analysts were expecting a total of 25 major retailers to show a fall of 0.7% in sales at stores open at least a year. Of the first 17 retailers to report sales, 11 beat expectations.

The Energy Department said weekly inventory and other data will be curtailed in the event of an extended government shutdown. Its EIA will not publish its weekly reports including US oil inventories, retail gasoline prices or natural gas storage in the event of a prolonged furlough. Energy Secretary Stephen Chu said the Department has enough funding to continue operations through early next week and EIA staffers have been instructed to report to work on Monday. He said if a new funding bill is not enacted on Friday, all DOE federal employees are still expected to report to work as usual on their next scheduled work day.

The European Central Bank increased its key interest rate by 25 basis points to 1.25% on Thursday, tightening policy as expected. It also increased its deposit rate by 25 basis points to 0.50% and increased its marginal lending rate by the same amount to 2%.

Jefferies Group said it would buy Prudential Financial's global commodities and derivatives trading business for \$430 million. Prudential Bache's Global Commodities Group is a broker for listed derivatives, including futures and options. It also clears trades and does over the counter trading in foreign exchange, base and precious metals and energy and agriculture swaps. Prudential is exiting the commodities trading area to focus on its core businesses of insurance, retirement and asset management.

The International Monetary Fund said the world economy is entering a period when demand for oil would strip supply, laying the ground for a rally in prices. It said if tensions between demand and supply factors intensified it could force prices to rally to as high as \$148/barrel, the record high in 2008.

**April  
Calendar Averages**  
**CL – \$108.78**  
**HO – \$3.1776**  
**RB – \$3.1802**

French Energy Minister Eric Besson said the oil price is likely to increase in the long term on strong demand for fuels, especially in China.

French Foreign Minister Alain Juppe said the international contact group on Libya will meet on April 13<sup>th</sup> in the Qatar’s capital of Doha.

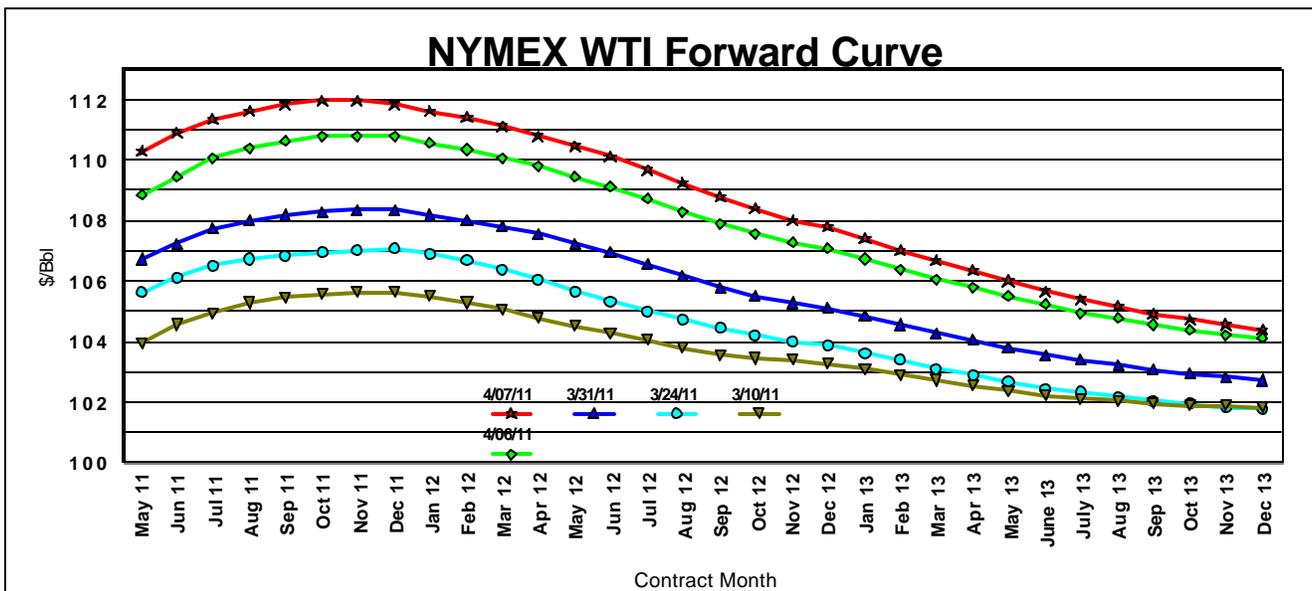
NATO blamed forces loyal to Muammar Gaddafi for a fire in an oilfield in Libya on Thursday and denied that the Western military alliance had launched air strikes in the area. The Libyan government’s Deputy Foreign Minister Khaled Kaim said that British planes had damaged an oil pipeline in a strike against the Sarir oilfield that killed three guards. NATO said it was not conducting strikes in the area because there was no threat to the civilian population there. Meanwhile, NATO is trying to confirm reports that an alliance warplane struck rebel tanks in Libya. Witnesses said the tanks were near the eastern oil town of Brega when they were hit by the air strike which killed two people and wounded 10 others. NATO warned that it would strike any forces threatening civilians.

The White House on Wednesday acknowledged receiving a letter from Muammar Gaddafi, in which the Libyan leader urged US President Barack Obama to end the air strikes. When asked about the letter, US Secretary of State Hillary Clinton was dismissive. Separately, the commander of US Africa Command, General Carter Ham said a stalemate appears to be emerging in Libya between rebels and forces loyal to Libyan leader Muammar Gaddafi.

Libyan rebels and civilians were fleeing Ajdabiya rumors that Muammar Gaddafi’s forces were moving towards the eastern town.

Turkish Prime Minister Recep Tayyip Erdogan disclosed a roadmap to end the conflict in Libya on Thursday. He asked Libya’s leader Muammar Gaddafi to stop besieging cities held by rebels and withdraw. He said a real ceasefire should be settled immediately. He also urged the creation of secure humanitarian spaces to allow the delivery of aid to the Libyan people. He called for reforms to the political process.

An opposition source said that a Gulf Arab plan for Yemen’s president to step down would guarantee the leader and his family immunity from prosecution. However youth activists said that should be rejected. The Gulf Arab plan envisages Yemen’s president handing over power to a vice president.



A group close to the Iranian opposition in exile said it located an industrial site near Tehran that produces components for centrifuges used to enrich uranium. Information gathered by the People's Mujahedeen of Iran opposition group showed that the Taba site has been in operation for four and a half years. The site is located in Karaj in Tehran's western suburbs. There is also another factory making centrifuge components in Sahfizadeh, near Qazvin, 80 miles west of Tehran.

### **Refinery News**

Venezuela's Cardon, Amuay, Puerto La Cruz and El Palito refineries were working normally on Thursday despite a blackout that hit oil states and parts of Caracas.

Saudi Aramco completed maintenance on its 305,000 bpd refinery jointly owned by Aramco and Royal Dutch Shell. It also increased its fully owned Yanbu refinery capacity following a 38 day turnaround.

China's West Pacific Petrochemical Co is gradually restarting its refining units after major maintenance at its 200,800 bpd refinery ended earlier this week.

PetroChina Co plans to increase its crude runs in April by 15% on the year to ensure market supplies, particularly during the time of spring planting. PetroChina has asked its refineries to run at above 98.5% capacity this month and to increase oil product output by 19.5% on the year.

Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending April 7<sup>th</sup> increased by 1.5% on the week but fell by 11.05% on the year to 877,000 tons. Gasoil stocks increased by 10.25% on the week and by 37.76% on the year to 2.904 million tons while fuel oil stocks fell by 15.44% on the week and by 14.3% on the year to 767,000 tons. Naphtha stocks fell by 30% on the week and by 26.32% on the year to 56,000 tons while jet fuel stocks fell by 6.34% on the week and by 19.34% on the year to 680,000 tons.

Singapore's International Enterprise reported that residual fuel stocks in the week ending April 6<sup>th</sup> increased by 2.097 million barrels to 20.672 million barrels. It also reported that light distillate stocks fell by 83,000 barrels to 11.981 million barrels while middle distillate stocks fell by 1.039 million barrels to 12.311 million barrels on the week.

Indonesia's Pertamina is importing more gasoline and gasoil to cover a domestic shortage after shutting its 348,000 bpd Cilacap refinery due to a fire. It is importing up to 200,000 barrels of gasoline and 600,000 barrels of gasoil for prompt delivery into Cilacap.

Indonesia's BPMIGAS sold heavy sweet Duri crude for May-July loading at the highest premium in more than two years on strong demand from Japan. Japan's demand for medium and heavy sweet crude has increased as it ramps up electricity output from oil-fired power plants following the earthquake and tsunami. BPMIGAS sold the cargoes at a premium higher than \$6/barrel to Indonesia Crude Price.

Taiwan's crude imports in January fell by 15.4% to 3.5 million barrels from December 2010. Taiwan's refinery throughput in January increased by 6.5% to 4.375 million bpd.

### **Production News**

Murphy Oil Corp won approval to resume drilling a deepwater well in the Gulf of Mexico that was halted when the US government banned such operations following last year's oil spill. Murphy Oil's permit is the ninth drilling permit regulators have issued since allowing deepwater operations to resume in late February.

The North Sea Ekofisk crude oil stream is scheduled to load about 319,000 bpd in May, down from 325,000 bpd in April. A total of 9.9 million barrels is due to load in 16 cargoes. The North Sea Oseberg crude oil stream is scheduled to load 3.6 million barrels in May, down 1.2 million barrels on the month. The volume in May is equivalent to 116,129 bpd compared with 160,000 bpd in April.

The chairman of Libya's National Oil Corp, Shokri Ghanem said the country's oil production has fallen to 250,000 to 300,000 bpd from about 1.6 million bpd.

Ecuador's central bank reported that the country produced an average of 508,900 bpd of crude in February, up 2% from 500,200 bpd in January.

### **Market Commentary**

Crude oil seesawed up and down prior to rising to a 30-month high of \$110.44. There were several factors that contributed to today's market activity. A fire burning in Libya's Sarir field, news of a 7.1 earthquake in Japan and U.S. jobless claims, which fell by 10,000. Shipments out of Libya remain a concern, as does the possibility of spreading unrest. The situation in Japan leaves concern in regards to demand, which at first should show signs of slowing. Although there are signs that this market may be taking a break, the uptrend remains intact. For now, we would look for signs of short-term weakness, buying dips down around the \$106 area.

Crude oil: May 11 303,406 -12,495 June 11 187,849 +2,242 July 11 142,535 +6,000 Totals 1,569,111  
 Heating oil: May 11 101,838 -2,277 June 11 57,691 +775 July 11 35,109 +708 Totals 307,812 +1,975  
 Rbob: May 11 99,626 -4,211 June 11 49,910 +624 July 11 28,609 +882 Totals 285,804 -810

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
10880	111.65	30810		30130	
10695	11563	27980		26965	
10136	121.26	26680	33510	26300	32450
10000		27375		25683	35915
9622		23685		25145	36310
9540		22960		24240	
9267				23631	
9635				23414	
8385					

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