



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 9, 2010**

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Iran's President Mahmoud Ahmadinejad said any threats from the West against Iran make the country more determined and reiterated that his government was not seeking an "inhuman" atomic bomb. He said Iran was now a nuclear nation and that it was Western pressure which had

forced it to enrich uranium to the 20% level. Separately, the head of Iran's Atomic Energy Organization said Iran has designed and tested a third generation of centrifuges capable of much faster uranium enrichment. He said Iran will unveil third generation centrifuges, which have a separation power 10 times that of the first generation. According to the UN's IAEA, Iran has installed 8,610 centrifuges at its Natanz uranium-enrichment facility. Of these, 3,772 centrifuges are actively enriching uranium under the supervision of the IAEA.

#### **Market Watch**

According to the Commerce Department, US wholesalers' inventories increased far above expectations to 0.6% in February but were outpaced by sales. Sales of US wholesalers were up 0.8% to a seasonally adjusted \$338.66 billion. It was the eleventh consecutive monthly increase in sales. The wholesalers' inventories gain followed an upward revision in January's inventory level showing an increase of 0.1% rather than a 0.2% decline originally reported.

The Baltic Exchange's main sea freight index remained at its lowest level in over five weeks on Friday. The index fell by 0.31% or 9 points to 2,913 points in a fifth consecutive decline. The Baltic's capesize index fell by 2.9% on Friday with average capesize earnings falling to \$25,115. The Baltic's panama index increased by 1.31% while the supramax index increased by 0.77% on Friday.

#### **Refinery News**

Hess Corp started a month of planned maintenance on a fluid catalytic cracking unit at its 70,000 bpd refinery in Port Reading, New Jersey on Friday.

China's Sinopec has started up a new 6 million ton/year crude distillation unit that will increase annual output at its Qilu refinery by 33%. The unit, which will replace another unit that is being decommissioned, successfully completed a trial last month.

Brazil's Petrobras is negotiating the sale of its refinery in San Lorenzo, Argentina and other distribution assets in the country. Petrobras did not unveil any further details.

Taiwan's total oil product demand increased in February by 18% on the year to 4.177 million kiloliters. Taiwan's crude imports in February fell by 18.8% on the year to 3.457 million kiloliters.

**April  
Calendar Averages**  
**CL – \$85.75**  
**HO – \$2.2418**  
**RB – \$2.3208**

Indian Oil Corp on Friday issued its second spot tender seeking more sweet crude oil for June loading. In its first tender for June cargoes, IOC bought 2 million barrels of Nigerian Escravos crude oil from Vitol Holding and 2 million barrels of Qua Iboe crude from Glencore.

India's Hindustan Petroleum Corp has floated a tender seeking crude oil for June loading.

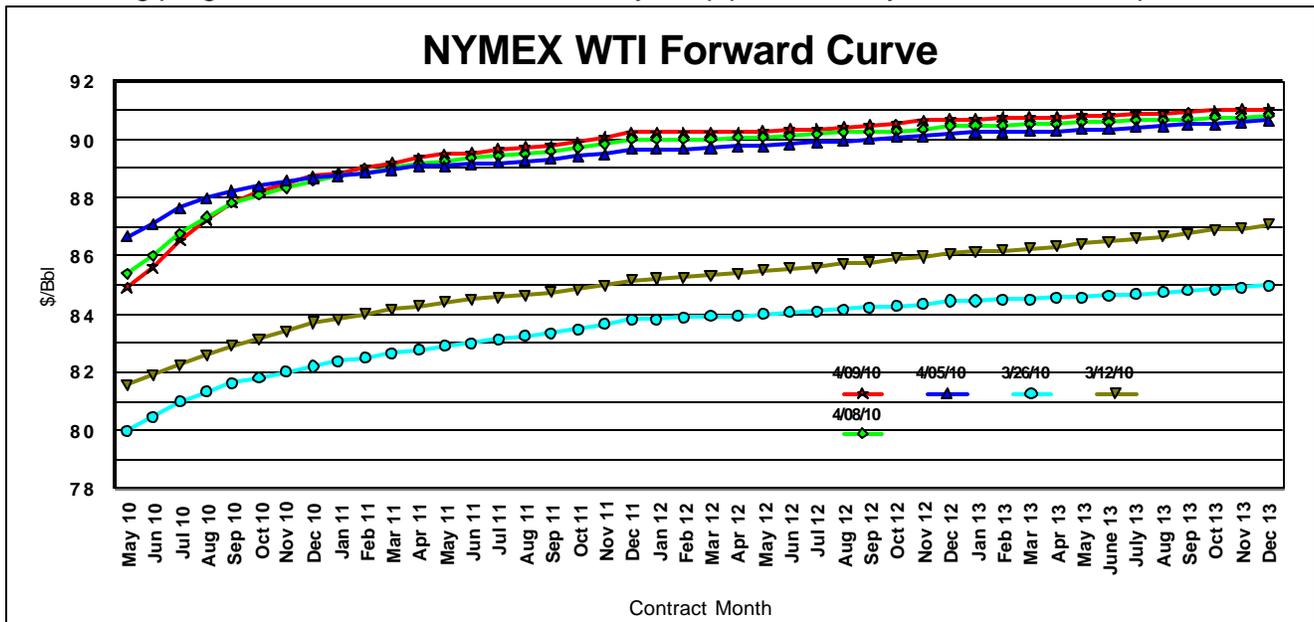
**Production News**

BP Plc will cut its production at its 250,000 bpd Thunder Horse platform in the Gulf of Mexico by 50% to facilitate planned maintenance starting this week. The shutdown, which is expected to last about 60 days, will cut BP's total annual production by about 10,000 bpd of oil and gas equivalent in 2010. The maintenance work will replace a temporary subsea gathering system that BP put in place at Thurnderhorse earlier to help the platform begin oil production in 2008.

Baker Hughes reported that the number of rigs searching for oil and natural gas in the US increased by 11 to 1,476 this week. The number of rigs searching for oil increased by 3 to 505 while the number of rigs searching for natural gas increased by 10 to 959.

Production of benchmark BFOE crude, Brent, Forties, Oseberg and Ekofisk grades, will total 38.3 million barrels or 1.24 million bpd in May compared with 40.85 million barrels or 1.36 million bpd scheduled for April. Including Gullfaks and Statfjord crude grades, the output of the six major crude grades in May will reach 49.4 million barrels or 1.59 million bpd, down from April's 52.8 million barrels or 1.76 million bpd. The North Sea Brent crude oil system will load about 193,548 bpd or 6 million barrels in May, down from 200,000 bpd in April. The North Sea Forties crude oil system is scheduled to load 484,000 bpd or 15 million barrels in May, down from about 680,000 bpd or 18 million barrels in April. The North Sea Oseberg crude oil stream is scheduled to load about 175,806 bpd in May or 5.45 million barrels, compared with 181,667 bpd in April. The North Sea Ekofisk crude oil scheduled the loading of 11.85 million barrels in May, up 450,000 barrels from 11.4 million barrels in April. The North Sea Gullfaks crude oil system is scheduled to load 193,065 bpd or 5.985 million barrels in May, compared with 199,500 bpd in April. The North Sea Statfjord crude oil system is scheduled to load 165,484 bpd or 5.13 million barrels in May, down from 199,500 bpd or 5.985 million barrels in April.

The loading program for BP Plc's Baku-Tbilisi-Ceyhan pipeline in May has scheduled exports of about



787,000 bpd or 25.98 million barrels, up from 657,000 bpd or 19.7 million barrels in April.

Ecuador's central bank reported that the country's average oil production fell by 7% to 466,000 bpd between January and February from 501,000 bpd reported last year. Petroecuador's average production stood at 274,966 bpd in the first two months of the year while private companies' average production stood at 190,661 bpd.

Kuwait has cut the official selling price for its crude oil sales to Asian customers for May loading by 15 cents to the Oman/Dubai average minus \$2/barrel.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$81.65/barrel on Thursday from \$82.41/barrel on Wednesday.

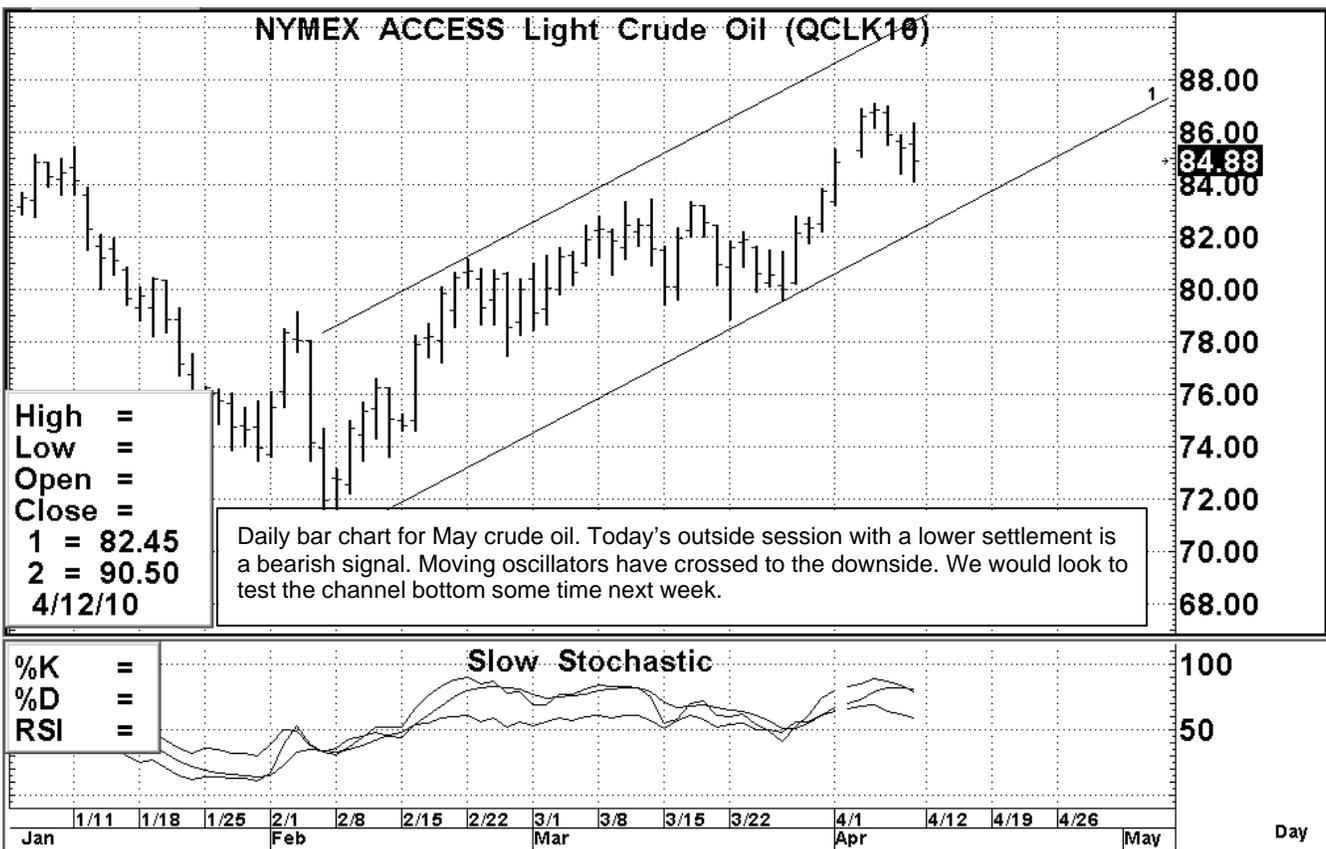
### **Market Commentary**

Early gains in energy prices were given back as the market responded to overflowing inventories and turning technical indicators. Price movement detached from that of the dollar, which was also lower on the day. A weaker dollar usually heightens demand for commodities as a financial hedge. This move is not surprising and should have been expected. We have been saying all along that this market is still in an uptrend but that bearish fundamentals will keep a lid on prices as they react to financials. The May crude oil experienced an outside trading session, reaching a higher high and lower low than that of Thursday. The fact this market settled lower on the day sets up for continued downside movement next week. We believe that additional moves to the downside are due and expect that prices will test the \$82.45 channel bottom depict on the chart within this wire. Gasoline and heating should also come under pressure as the demand factor weighs on this market.

Crude oil May 10 272,121 -15,486 June 10 217,648 +17,775, July 131,586 +6,193 Totals 1,365,102 +15,199 Heating oil May 10 93,425 -5,719 June 10 58,128 -1,430 July 10 31,922 +1,856 Totals: 316,911 -5,686. Gasoline May 10 116,212 -7,963 June 10 67,860+4,774 July 10 40,988 +1,210 Totals 324,424 +1,077.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 10,984 contracts to 128,138 contracts in the week ending April 6<sup>th</sup>. The combined futures and options report showed that non-commercials increased their net long position by 14,983 contracts to 219,720 contracts on the week. The disaggregated combined futures and options report showed that producers/merchants cut their net short position by 7,268 contracts to 214,167 contracts while swap dealers switched from a net long position of 1,185 contracts to a net short position of 19,735 contracts. Managed money funds increased their net long position by 18,789 contracts to 192,126 contracts while other reportable cut their net long position by 3,806 contracts to 27,594 contracts. Meanwhile, the combined futures and option report showed that the funds in the product markets also increased their net long positions. Non-commercials in the heating oil market increased their net long position by 7,642 contracts to 33,868 contracts while non-commercials in the RBOB market increased their net long position by 5,631 contracts to 79,730 contracts on the week.

<b>Crude Support</b>	<b>Crude Resistance</b>
85.40, 86.42, 84.40, 83.95, 83.18, 82.50, 82.19, 679.75-79.51, 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	85.85, 86.65, 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



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