

**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 15, 2010**

---

Kuwait's Oil  
Minister Sheikh  
Ahmad al-Abdullah  
al-Sabah said  
OPEC will make a  
decision on  
whether to  
increase its output  
to halt a rise in oil  
prices if the market  
surpassed the  
\$100/barrel level.

Venezuela's Oil  
Minister Rafael  
Ramirez said  
OPEC will not  
increase its oil  
production to lower  
oil prices. He said  
global oil  
inventories are  
very high because  
demand is low and  
added that any  
additional OPEC  
output would end  
up in inventories  
and would not  
satisfy consumer  
demand.

Oil Movements  
reported that  
OPEC's oil  
shipments,

#### **Market Watch**

The National Oceanic and Atmospheric Administration said below normal temperatures are expected to stretch in the central US from May through July. The western US is expected to see above normal temperatures, which are also expected in the southeast states, excluding most of Florida, where equal chances exist for normal, above-normal and below normal temperatures. The region from central Montana south through far western Texas and across most of the eastern US are also expected to see equal chances of normal, above-normal and below normal temperatures.

The US Labor Department reported that initial claims for unemployment benefits increased by 24,000 to a seasonally adjusted 484,000 in the week ending April 10<sup>th</sup>. The four week moving average increased by 7,500 to 457,750 from the previous week's unrevised average of 450,250. It reported that the number of continuing claims increased by 73,000 to 4,639,000 from the preceding week's revised level of 4,566,000. The unemployment rate for workers with unemployment benefits for the week ending April 3<sup>rd</sup> was 3.6%, an increase of 0.1%.

The US Federal Reserve said US industrial production in March increased by 0.1%. February's industrial production was revised up 0.3% from 0.1%. The rate industries used their capacity increased slightly in March to 73.2% from 73% in February. Separately, the New York Federal Reserve's "Empire State" general business conditions index increased to 31.86 in April, the highest level since October and up from 22.86 in March. The Philadelphia Federal Reserve Bank said factory activity in the US Mid-Atlantic region grew in April. Its business activity index increased to 20.2 in April from 18.9 in March. Economists had expected a reading of 20.

According to Russia's Finance Ministry, Russia will increase its oil export duty in May by 5.6% to \$284/ton from \$268.90/ton in April to reflect a rise in oil prices. Export duties on light refined products, such as gasoline and gas oil, will total \$203.70/ton, up from the current level of \$193.50/ton. Export duties on heavy refined products, such as fuel oil, will total \$109.70/ton, up from the current level of \$104.20/ton.

China's GDP in the first quarter increased by 11.9%, the fastest pace since 2007.

According to Barclays, commodity assets under management increased by \$5.4 billion in the first quarter of this year to \$283 billion but commodity inflows fell as precious metals lost their safe haven appeal. It said commodity index assets under management increased by \$5 billion quarter on quarter to \$116 billion. The largest inflows were into commodity indices, which reported inflows of \$9.5 billion. Energy, with inflows of \$4.5 billion, registered the highest inflows out of all sectors in the first quarter of the year.

**April  
Calendar Averages**  
**CL – \$85.43**  
**HO – \$2.2378**  
**RB – \$2.3189**

excluding Angola and Ecuador, are expected to increase by 200,000 bpd to 23.4 million bpd in the four weeks ending May 1<sup>st</sup>.

According to Genscape, oil inventories at Cushing, Oklahoma increased by 1.2 million barrels to 35 million barrels in the week ending April 13<sup>th</sup>. Genscape also reported that crude storage capacity at Cushing, Oklahoma has increased in recent weeks after Plains All American put four new 575,000 barrel tanks into operation at the hub. Plains fill the four new tanks with more than 1 million barrels of crude, to about 50% of their capacity, during the week ending April 13<sup>th</sup>. Plains had about 11 million barrels of Cushing tankage at the end of 2009 and planned to build another 3 million barrels of capacity during 2010.

Iran is storing crude on up to 20 tankers with most of it believed to be on very large crude carriers.

UN diplomats said the five permanent members of the UN Security Council, the US, Britain, China, France and Russia, plus Germany continued their negotiations on a new round of sanctions against Iran over its nuclear program on Thursday. They are expected to meet in the coming days and weeks.

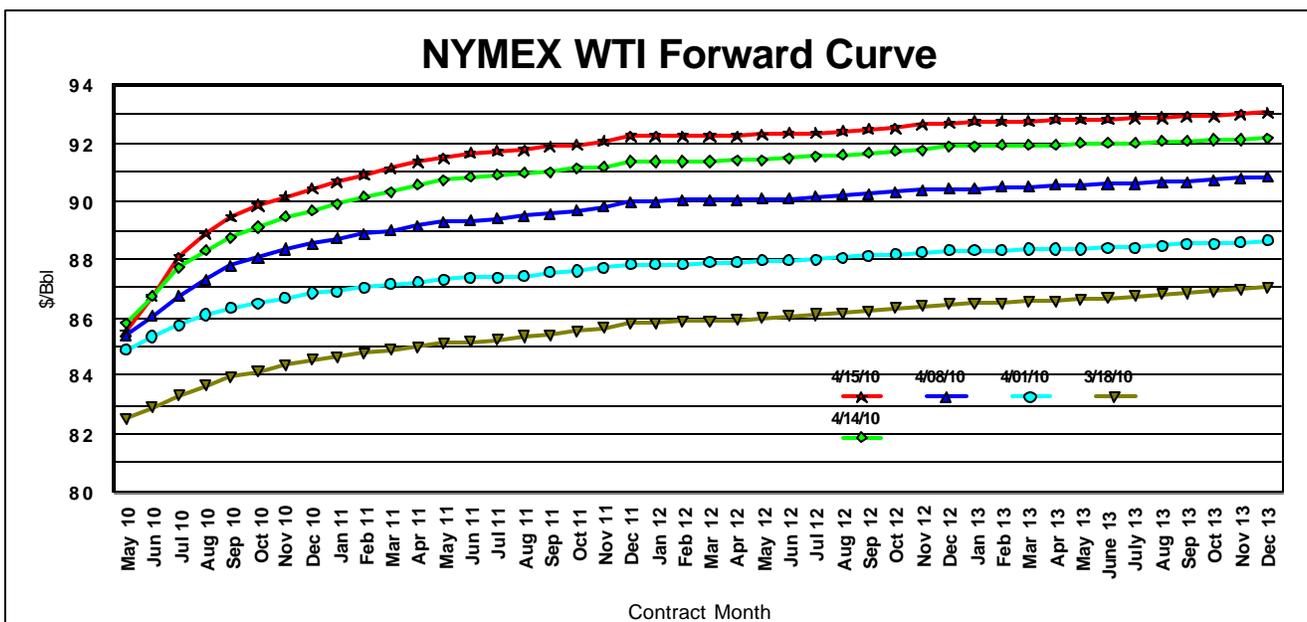
**Refinery News**

Valero Energy Corp is starting up complexes 1 and 3 in the West Plant of its 315,000 bpd Corpus Christi, Texas refinery following the completion of maintenance. The startup will last until April 16<sup>th</sup>. Separately, Valero Energy Corp’s refinery in Quebec City, Canada resumed normal operations of its 66,000 bpd fluid catalytic cracking unit that was shut on February 2<sup>nd</sup> due to a fire. The unit was restarted over the weekend.

ExxonMobil Corp said that the brief fire at its 503,000 bpd Baton Rouge, Louisiana refinery occurred at a gas compressor. The fire did not impact general operations at the refinery and the company is working with authorities to investigate the accident.

Irving Oil said that maintenance work on gasoline units at its refinery in St. John, New Brunswick was completed. The scheduled work started in late February.

A strike by workers at Total SA disrupted production at most of its six refineries across France on Thursday. The strike, the second staged by refinery workers in less than two months, is to press



demand for job security after Total last month announced the closure of its plant in Dunkirk. The CGT main union said the one-day strike would not affect supplies to fuel stations.

Japan's Cosmo Oil Co shut its 120,000 bpd No. 2 crude distillation unit at its Chiba refinery on Wednesday due to problems at some secondary units. It is scheduled to undergo regular maintenance from April 23 to June 24.

Oil product stocks in independent storage at the Amsterdam-Rotterdam-Antwerp terminal increased last week. Gasoline stocks increased by 54,000 tons to 1.04 million tons while gas oil stocks increased by 8,000 tons to 2.116 million tons while fuel oil stocks increased by 85,000 tons to 980,000 tons. Jet fuel stocks increased by 49,000 tons to 892,000 tons while naphtha stocks increased by 36,000 tons to 112,000 tons.

China's apparent oil demand in March increased by 13% on the year and by 6% on the month. The high demand is expected to last at least until the middle of May as its economic recovery accelerates.

Indian Strategic Petroleum Reserve Ltd said India aims to build its first strategic oil reserve facility with a capacity of 1.33 million tons at Visakhapatnam in southern India by October 2011. India plans to build such facilities at three locations in southern India to meet local demand for 14-15 days in case of emergencies. The second facility will be built at Mangalore by November 2012 and will have a capacity of 1.5 million tons. A third facility with a capacity of 2.5 million tons will be built at Padur by December 2012.

Germany's MWV said the country's oil product sales in March totaled 6.58 million tons, down 15.6% on the year. Total oil product sales in the first quarter of 2010 stood at 18.297 million tons, down 15.1% on the year. It reported that gasoline sales in March increased by 0.2% on the year to 1.72 million tons while diesel sales increased by 3.9% to 2.7 million tons, heating oil sales fell by 41.3% to 1.75 million tons and fuel oil sales fell by 17.9% to 410,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 360,000 barrels to 25.221 million barrels in the week ending April 14<sup>th</sup>. It also reported that the country's light distillate stocks fell by 579,000 barrels to 11.453 million barrels while middle distillate stocks increased by 35,000 barrels to 13.85 million barrels.

### **Production News**

BP Plc confirmed it will shut in the Thunder Horse field for 90 days for planned maintenance. It aims to expand its output.

Norway's Statoil said the country's oil and gas output is so far unaffected by a closure of helicopter traffic in the North Sea after ash from an Icelandic volcano halted much of northern Europe's air traffic. The Norwegian Petroleum Safety Authority said it was in the process of gathering information to assess the consequences for the petroleum sector.

BP Plc said it had not delayed a decision on whether to proceed with the Sunrise oil sands project in Canada, despite reports a decision had been pushed back into 2011. BP's chairman Carl-Henric Svanberg said all BP oil and gas projects are required to give an acceptable rate of return at an oil price of \$60/barrel.

China's National Bureau of Statistics reported that the country's crude oil production in March increased by 6.9% on the year to 16.92 million metric tons or 4 million bpd. In the first three months of the year, China's oil production increased by 4.6% to 48.19 million tons or 3.92 million bpd. It

reported that China produced 12.63 million metric tons of diesel in March, up 16.7% on the year, 6.3 million tons of gasoline, up 0.9% on the year and 1.89 million tons of fuel oil, up 12.4% on the year.

PetroChina Co said its crude oil and natural gas output increased in the first quarter of 2010.

Sinopec Group said it will sign a package of agreements, including a crude oil purchase deal, with Petrobras during Chinese President Hu Jintao's visit to Brazil. The new supply agreement is addition to a previous oil agreement the two companies signed last May, under which Petrobras will supply crude to Sinopec for 10 years, with 150,000 bpd for the first year and 200,000 bpd over the next nine years.

The head of exploration and production at Pemex said the company's goal is to keep crude oil production between 2.4 million and 3 million bpd in the 2010 and 2024 period. Pemex expects to produce at least 2.5 million bpd of crude on average this year.

A strike by Gabon's main oil industry trade union has cut oil production from the country by at least 60%. The strike in Gabon, with an output of about 250,000 bpd, is over labor regulations.

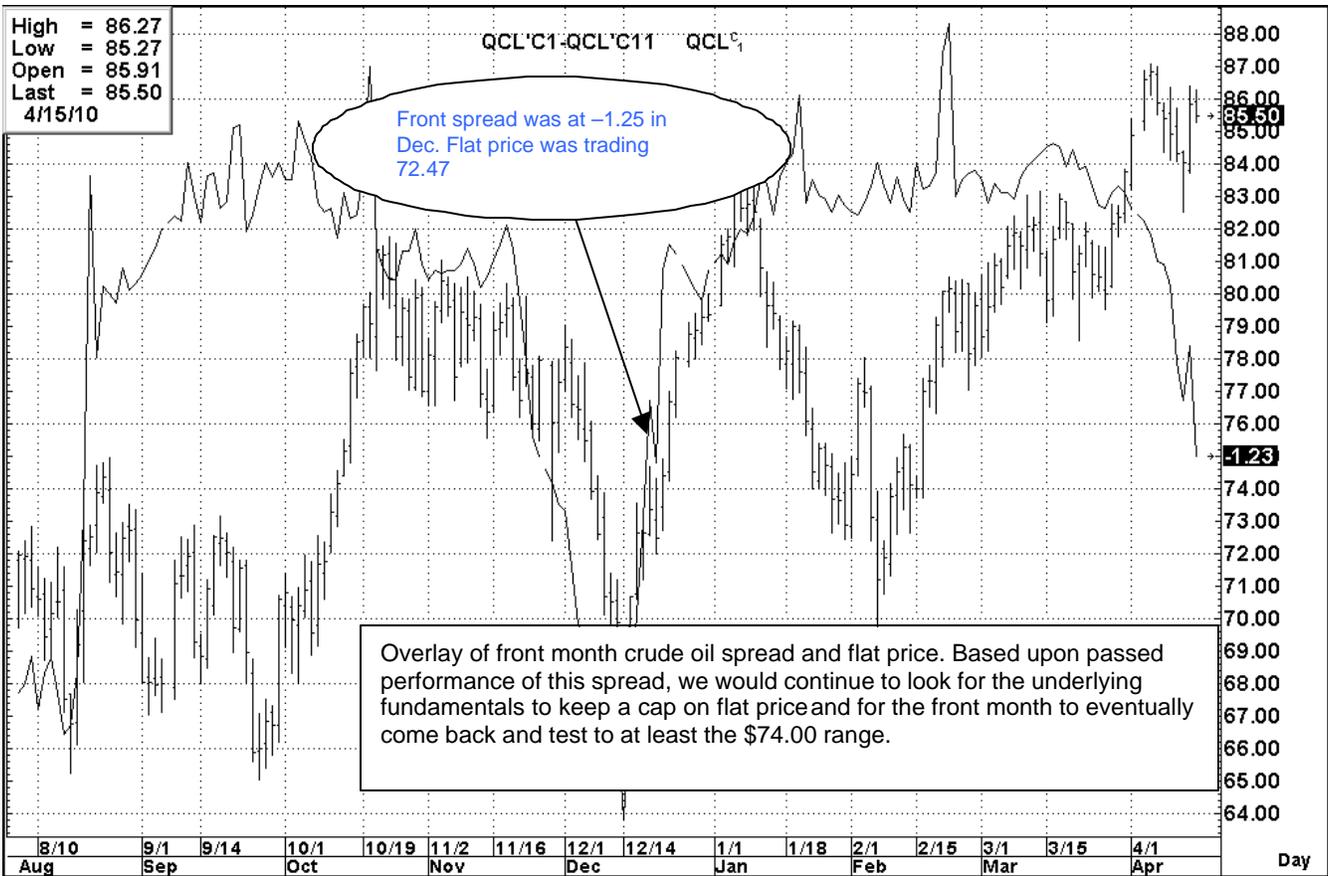
OPEC's news agency reported that OPEC's basket of crudes increased to \$82.63/barrel on Wednesday from \$81.52/barrel on Tuesday.

### **Market Commentary**

Heating oil proved to be the strongest of the three markets for the second straight day. The unexpected increase in jobless claims in the U.S. was offset by an increase in U.S. manufacturing, sending hopes of demand growth for distillate. Crude oil gravitated towards the \$85.00 level as the May crude oil options expired today. Coming into today's session, open interest in the \$85.00 calls was 7,789, not a significant number. Open interest for the \$90.00 calls stood at 10,620, with the \$80.00 puts holding 12,196 in open interest. These numbers were not significant enough to say that they swayed the market. The May/June crude oil spread widened further today, settling the session at -\$1.24. This is the lowest settlement for the front month spread since December 21, 2009. At that time the flat price for crude oil was trading at \$72.47. Based upon passed performance, we would look for this spread to drag on prices, bringing them down to the \$74.00 level. Technical indicators are trending in neutral territory, not appearing to indicate a shift in market direction. We would look for prices to continue to trend within the ascending channel, buying and selling at the listed support and resistance numbers.

Crude oil May 10 114,458 -42,173 June 10 340,763 +27,966 July 10 166,356 +4,112 Totals 1,385,517 -6,806 Heating oil May 10 71,194 -784 June10 65,266 +2,316 July 10 31,884 +739 Totals: 303,197 +4,684 Gasoline May 10 79,004 -7,856 June 10 89,918 +2,996 July 10 50,018 +3,538 Totals 326,066 +2,597

<b>Crude Support</b>	<b>Crude Resistance</b>
8435, 83.50 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	86.65, 87.85, 88.80, 89.10, 89.88, 92.75
<b>Heat Support</b>	<b>Heat resistance</b>
2.2120, 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.