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## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

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### **ENERGY MARKET REPORT FOR APRIL 16, 2010**

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A senior analyst at the IEA said oil prices at \$85/barrel could endanger the world economic recovery. The IEA said in its monthly Oil Market Report that world oil

demand would reach an average of 86.6 million bpd this year, up from 84.93 million bpd in 2009 as economies recover from the recession. The analyst said the reason oil prices were rising sharply was because of the output cuts carried out by OPEC to put a floor on the price decline during the recession.

#### **Market Watch**

The US Commerce Department said housing starts increased by 1.6% to a seasonally adjusted annual rate of 626,000 units. It is the highest level since November 2008. February's housing starts were revised up to show a 1.1% increase, which was previously reported as a 5.9% decline. New building permits increased by 7.5% to 685,000. Permits were up 34.1% from March 2009.

The API stated that US demand for crude oil and petroleum products in March increased by 3.5% on the year to 19.333 million bpd. US gasoline demand increased by 3.8% to a March record of 9.2 million bpd while gasoline production increased by 7.5% to a record high of 9.318 million bpd. Distillate demand fell by 0.8% to 3.703 million bpd in March while jet fuel demand in March increased by 0.5% to 1.448 million bpd and residual fuel demand fell by 1.8% to 594,000 bpd. On the supply side, crude and petroleum product imports averaged 11.202 million bpd in March, down 8.6% on the year. Crude oil imports fell by 1.2% on the year to 9.1 million bpd. US crude oil production increased by 1.1% to 5.5 million bpd for the second consecutive month.

Venezuela's Oil Minister Rafael Ramirez said the world crude inventories are high and the recent rise in oil prices is not related to market fundamentals but rather perceived instability. He said OPEC should not and would not likely increase its production this year. He said his country is abiding by its quota levels agreed with OPEC.

Iran is believed to be storing large volumes of crude oil on tankers in the Persian Gulf. According to ship brokers there are six tankers in total, including five Very Large Crude Carriers capable of holding 2 million barrels of oil each, anchored off the coast of Assaluyeh while a Suezmax, with the capacity to store 1 million barrels, is currently awaiting orders in Iranian waters. Two VLCCs were also spotted off the coast of Kharg Island.

Turkey's Foreign Minister Ahmet Davutoglu said his country would not discuss a new package of UN sanctions against Iran unless details are revealed. Turkey is opposed to a US push for fresh

**April  
Calendar Averages**  
**CL – \$85.23**  
**HO – \$2.2359**  
**RB – \$2.3150**

sanctions to punish Iran for failing to halt its uranium enrichment. He said he would travel to Iran next week in a bid to find a diplomatic solution to the standoff over Iran's nuclear drive.

**Refinery News**

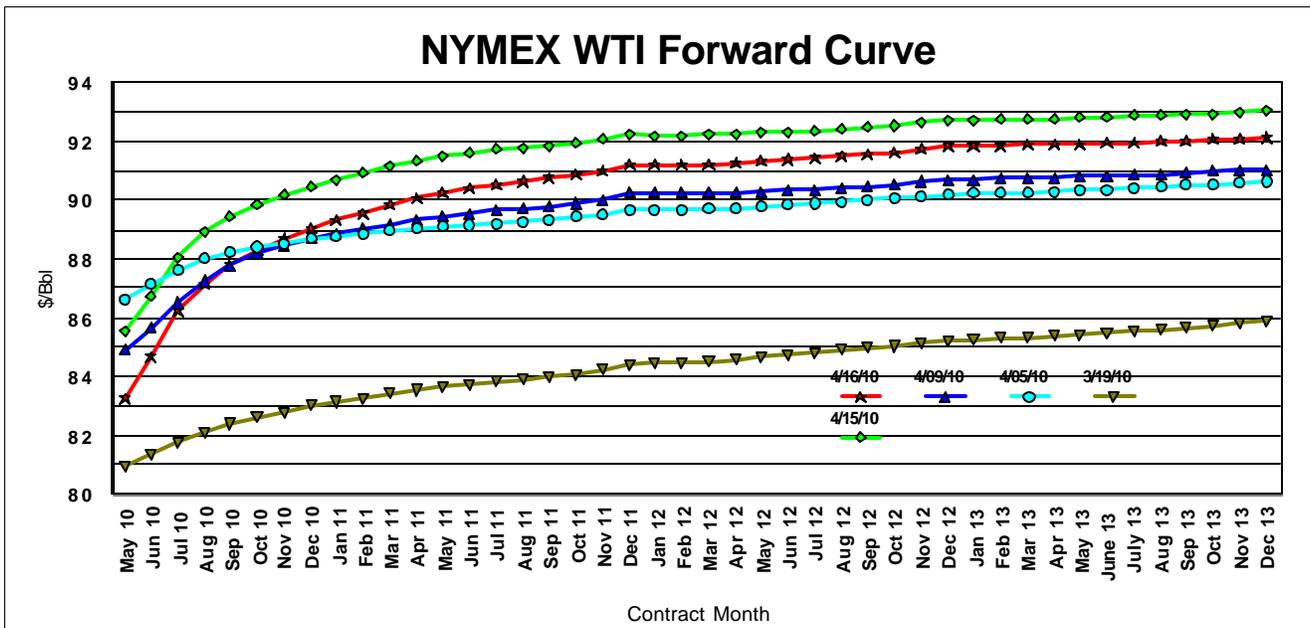
Colonial Pipeline said it allocated shipping space for cycle 24 on the main gasoline pipeline north of Collins, Mississippi to Greensboro, North Carolina because demand exceeds capacity. This is the fourth consecutive cycle where high demand for space has restricted shipping volumes.

Tesoro Corp has started shutting down its 58,000 bpd refinery in Mandan, North Dakota for planned maintenance. The refinery is scheduled to restart on May 17<sup>th</sup>.

Irving Oil has completed the maintenance at its Saint John refinery in New Brunswick, Canada and is starting up a final unit, which should take about a week. The last unit to come out of planned turnaround maintenance that started at the end of February is a distillate hydrotreater unit. The turnaround work included work on a gasoline hydrotreater, a reformer and a heavy oil conversion unit.

South Korea's Hyundai Oilbank shut its 280,000 bpd No. 2 crude distillation unit for one month maintenance on Thursday.

South Korea's GS Caltex has resumed operations at its 100,000 bpd No. 1 crude distillation unit early this week after completing one month of maintenance.



India's Chennai Petroleum Corp plans to expand its Manali refinery capacity to 16.5 million tons a year.

China's Xinhua News Agency reported that China's monthly crude oil demand between April and June is expected to increase to about 35 million metric tons amid a recovering economy. China will continue to meet over 50% of its domestic crude demand through imports as local crude production can only be maintained at 16.2 million tons a month. Imported crude oil met 53.4% of China's domestic demand during the first quarter.

**Production News**

Baker Hughes reported that the number of rigs searching for oil and gas increased by 15 to 1,491 this week. The number of rigs searching for oil increased by 1 to 506 while the number of rigs searching for natural gas increased by 14 to 973 on the week.

North Sea oil and gas field operator representatives said flight bans in place while the volcanic ash from Iceland looms over Europe should not have any impact on operations. Statoil has resumed some helicopter flights to offshore platforms in the North Sea on Friday, a day after choppers were grounded due to volcanic ash spewed from Iceland.

The Norwegian Petroleum Directorate said the Lofoten region may hold 1.3 billion barrels of oil equivalent.

A strike by energy sector workers has virtually shut in Gabon's oil production of 250,000 bpd. The union, ONEP, said it called the strike over government regulations. An ONEP delegation is meeting government officials on Friday after a scheduled meeting on Thursday night was canceled.

Angola is likely to ship eight cargoes of Dalia and six cargoes of Kissanje crude as part of its June export program. It is also expected to ship two Kuito, two Mondo crude cargoes and five Hungo crude cargoes. Traders said loading schedules showed the country aimed to ship 55.8 million barrels or 1.8 million bpd of crude in May compared with 54.74 million barrels or 1.82 million bpd in April.

Austria's OMV AG said its first quarter hydrocarbon output fell by 3.1% on the quarter to 317,000 bpd of oil equivalent, down from 327,000 bpd of oil equivalent in the fourth quarter of 2009.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$83.28/barrel on Thursday from \$82.63/barrel on Wednesday.

### **Market Commentary**

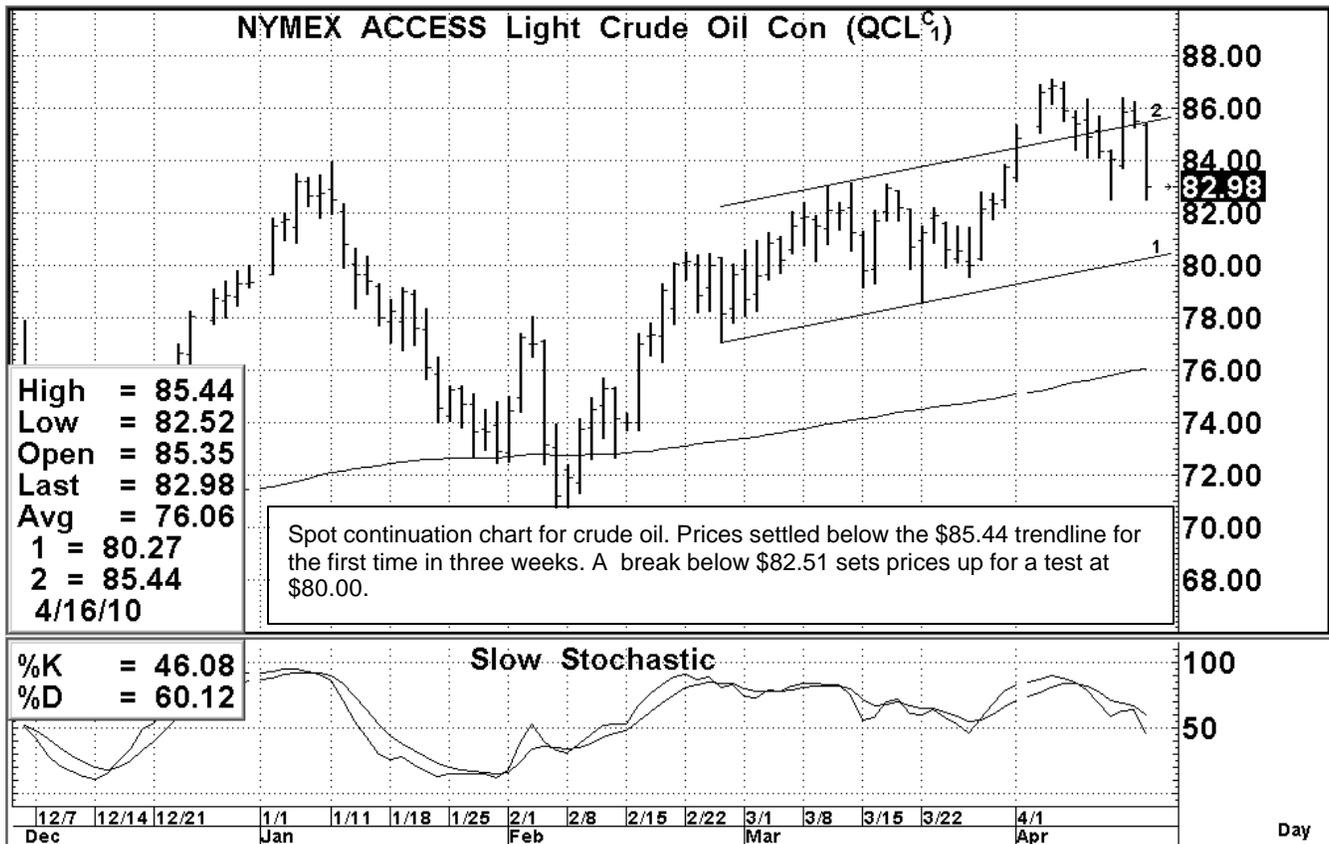
Commodities across the board came tumbling down in response to the filing of fraud charges by the SEC against investment giant, Goldman Sachs. Crude oil fell 3 percent as the dollar gained and the euro fell. Adding to the pressure on prices was a U.S. consumer sentiment report, which reflected that consumer sentiment turned negative as concerns regarding income and jobs weighed on consumer's minds. The May contract, which expires on Tuesday, bounced off of the \$82.51 low of April 13<sup>th</sup> and appears poised to test the \$80.00 level. Technical indicators have turned to the downside in neutral territory. Coming into next week, we would look for continued pressure on prices, with an initial test at the \$80.00 level with extended losses to \$76.55.

Crude oil May 10 77,249 -37,209 June 10 362,387 +21,624 July 10 172,912 +6,556 Totals 1,387,905 +2,388 Heating oil May 10 62,004 -9,190 June10 68,569 +3,303 July 10 33,511 +1,627 Totals: 302,518 -679 Gasoline May 10 74,964 -4,040 June 10 94,541 +4,623 July 10 51,127 +1,109 Totals 332,977 +6,911

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 14,774 contracts to 113,364 contracts in the week ending April 13<sup>th</sup>. The combined futures and options report showed that non-commercials cut their net long position by 9,489 contracts to 210,231 contracts on the week. The funds cut their total long position by 12,035 contracts to 312,303 contracts on the week. The disaggregated combined futures and options report showed that producers/merchants cut their net short position by 2,102 contracts to 212,065 contracts while swap dealers increased their net short position by 10,409 contracts to 30,144 contracts. Managed money funds cut their net long position by 11,071 contracts to 181,055 contracts while other reportables increased their net long position by 1,581 contracts to 29,175 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market increased

their net long position by 1,988 contracts to 35,856 contracts while non-commercials in the RBOB contract cut their net long position by 1,952 contracts to 77,778 contracts on the week.

<b>Crude Support</b>	<b>Crude Resistance</b>
80.27, 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	85.45, 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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