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ENERGY MARKET REPORT FOR APRIL 20, 2011

Ecuador's Oil Minister Wilson Pastor said OPEC sees an oil price of between \$80 and \$90/barrel as adequate to provide a profit for producers and low enough to keep from impacting the global economy. He also reiterated that OPEC did not see a need for an emergency meeting because the market is well supplied.

The IEA's executive director Nobuo Tanaka said high oil prices have cut demand in China and the US and added that OPEC needs to increase its output around June to stem further price increases. The IEA has warned

that high oil prices are threatening to slow global economic expansion, which would in turn erode the pace of growth in fuel demand. Separately, the IEA's executive director called on China to more quickly reduce subsidies on gasoline, diesel and electricity. He said China continues to send the

Market Watch

The Reuters-Jefferies CRB Index was on track to its largest gain in nearly two weeks on Wednesday as gold, oil and other raw materials rallied amid the dollar's fall. On Wednesday morning, the CRB was up 0.8% to 363.84 points, its largest one day gain since April 8th.

The National Association of Realtors said sales of previously owned US homes increased more than expected in March. Sales increased by 3.7% on the month to an annual rate of 5.1 million units following an upwardly revised 4.92 million unit pace in February.

The Mortgage Bankers Association said applications for US home mortgages increased for the first time in a month last week as interest rates eased and purchase activity increased. Its seasonally adjusted index of mortgage application activity increased 5.3% in the week ending April 15th.

The Federal Reserve Bank of Chicago said financial conditions in the US loosened slightly over the past week and remain looser than would be expected at the current stage of the economic cycle. It reported that its National Financial Conditions Index reached -0.61 in the week ending April 15th compared with -0.63 in the previous week. However when adjusted for current economic conditions, the index stood at -0.36 compared with -0.32 in the previous week and -0.64 a year ago.

China has ordered cuts in electricity flows from Guizhou province to the country's export hub of Guangdong, in a sign that ongoing spring power shortages could worsen well before the arrival of peak demand season in the summer. The National Development and Reform Commission asked the China Southern Power Grid to reduce power flows from southwestern Guizhou to Guangdong to help ease power shortages in the inland province.

The US Transportation Department said US highway travel in February increased by 0.9% on the year, despite the increase in gasoline prices by 28 cents/gallon.

Barclays Capital said commodities assets under management increased to \$412 billion in the first quarter of the year from \$376 billion in the four quarter of last year. Energy and agricultural markets captured investor inflows of \$6.8 billion and \$7.1 billion, respectively while \$300 million flowed into precious metals markets in the first quarter.

DOE Stocks

Crude – down 2.322 million barrels
Distillate – down 2.504 barrels
Gasoline – down 1.583 million barrels
Refinery runs – up 1.1%, at 82.5%

wrong signal to the consumer about energy costs. He said prices in China should reflect the fact that the age of cheap energy is over. Separately, the IEA said biofuels could supply up to 27% of the world's transport fuels by 2050 compared with the current level of 2%, provided the efficiency of the production process can be improved. It said biofuels could displace substantial volumes of diesel, kerosene and jet fuel

currently produced from fossil fuel.

A senior member of Misrata's governing council, Nuri Abdullah Abdullati asked Britain and France to send troops to help fight Muammar Gaddafi's forces. His plea came as rebel forces and Muammar Gaddafi's forces engaged in fierce fighting in Misrata. British Foreign Secretary William Hague said Britain would send 12 military advisers to rebel held eastern Libya but that would not be involved in training or arming the rebels or help in planning operations. France has sent a small number of military officers to advise Libya's rebel Transitional National Council in their Benghazi stronghold. French President Nicolas Sarkozy promised Libyan rebel leader Mustafa Abdel Jalil that France would intensify air strikes on Gaddafi's army. Libyan rebel leader is expected to ask NATO to increase air strikes and supply a list of names of officials in Tripoli the opposition would be willing to work with if Libya's leader departed. US President Barack Obama opposes sending US ground troops to Libya. Meanwhile, Seif al-Islam, a son of Gaddafi, said he was confident the rebellion would fail. Libya's Foreign Minister Abdul Ati al Obeidi said Libya's government could hold elections, including on the future of leader Muammar Gaddafi, if western air strikes stopped. He said an election supervised by the UN could be held after six months.

The Red Cross reported that the number of people displaced by deadly riots in Nigeria over President Goodluck Jonathan's election win has risen to nearly 40,000, with more than 400 wounded. Police in northern Nigeria has arrested hundreds of people following the deadly protests. Meanwhile the Muslim opposition candidate, Muhammadu Buhari, who lost Nigeria's presidential election alleged rigging and said he could have won if irregularities had not tainted the ballot. He said he did not instigate post election violence.

Yemeni opposition called for mass protests Wednesday following deadly confrontations with police while talks between Gulf mediators and representatives of Yemen's President were deadlocked. Foreign Ministers of the Gulf Cooperation Council held talks on Tuesday with representatives of President Ali Abdullah Saleh as part of effort to hammer out a deal by which the president would step down. However the meeting appeared to have made no major progress.

The UAE Foreign Minister said Iran should reconsider its policies in the region and respect the unity of Gulf countries amid heightened regional tension.

Refinery News

Valero Energy Corp said units shut due to a brief power outage at its Corpus Christi, Texas refinery will resume normal operations by Thursday. The west plant of the 315,000 bpd refining complex experienced a brief power outage on April 19th.

Tesoro said the restart of an unspecified unit shutdown following a power trip on Tuesday morning is continuing at its 96,860 bpd Wilmington, California refinery.

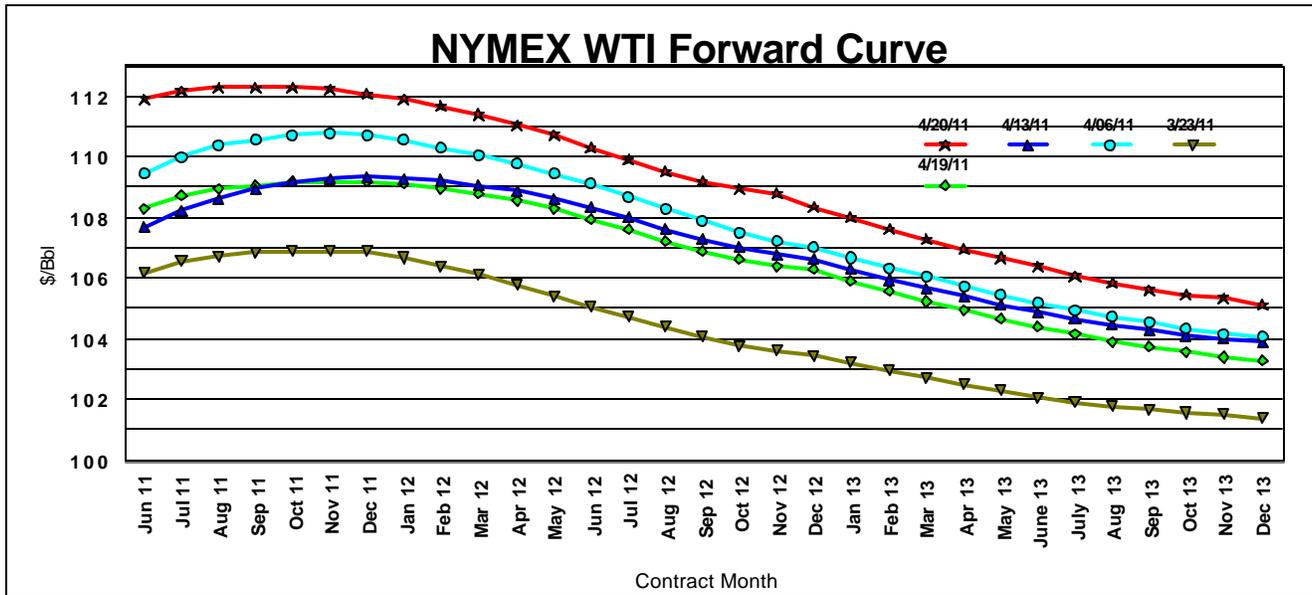
BP Plc's fluid catalytic cracking unit at its 437,080 bpd refinery in Texas City, Texas has been restarted. It was restarted after a crude distillation unit resumed operations. Both units were shut in January for a planned

**April
Calendar Averages
CL – \$108.89
HO – \$3.2055
RB – \$3.2183**

turnaround.

Sunoco Inc restarted a 90,000 bpd fluid catalytic cracking unit at its 335,000 bpd Philadelphia refinery on Wednesday. The unit was shut last week following a brief fire. The unit is expected to resume production on Thursday. It plans to restart a 35,000 bpd vacuum distillation portion of a 175,000 bpd crude distillation unit over the weekend.

ExxonMobil said its 238,600 bpd refinery in Joliet, Illinois is operating at normal rates after experiencing operations issues at a fluid catalytic cracking unit on Monday night.



Spain's Repsol halted the platforming unit at its 220,000 bpd refinery in Bilbao for maintenance expected to last one month. The work would not affect production.

Hovensa LLC completed the shutdown of older units that reduce its crude processing capacity by 30% to 350,000 bpd, a move that is expected to increase earnings by focusing on selling higher profit fuels such as gasoline and distillates. In January, Hovensa announced plans to cut crude distillation by 150,000 bpd by shutting older, less efficient units.

China's teapot refineries in the southern province of Guangdong are closed while output in eastern Shandong province, where larger refineries are located, is down to 20-30% as weak margins force operators to extend turnarounds. Traders said a fall in crude oil prices could prompt refiners to restart the refineries as hopes for another increase in retail prices to improve margins look dim.

Japan's Idemitsu Kosan Co closed its 220,000 bpd Chiba refinery on Monday for regular maintenance. The maintenance period is expected to last until early June.

The Petroleum Association of Japan reported that the crude oil inventories in the week ending April 16th fell by 1.71 million barrels on the week but increased by 4.04 million barrels on the year to 105.33 million barrels. It reported that Japan's gasoline stocks increased by 500,000 barrels on the week and by 300,000 barrels on the year to 14.62 million barrels while kerosene stocks increased by 710,000 barrels and by 2.21 million barrels on the year to 11.39 million barrels and naphtha stocks increased by 1.7 million barrels on the week and by 2.89 million barrels on the year to 13.05 million barrels. Japan's crude runs increased by 60,000 bpd on the week but fell by 370,000 barrels on the year to 3.31 million barrels. Refinery utilization increased by 1.5% on the week and by 6% on the year to

82.7%. The PAJ also reported that total oil sales increased by 1.9% on the week but fell by 9% on the year to 2.47 million bpd.

Japan's Ministry of Finance said the country's crude imports in March did not fall as much as expected despite the earthquake and tsunami. Undamaged refineries in western Japan absorbed most of the shipments originally bound for the quake hit areas. However oil demand is slow due to adequate product inventories, warmer weather and the end of major rescue activities. Refiners are no longer operating undamaged facilities at full capacity. The Ministry of Finance said Japan's imports of crude and condensate in March fell 6.6% on the year to 17.78 million kiloliters or 3.61 million bpd. It also reported that imports of liquefied natural gas fell by 0.6% to 6.674 million tons in March.

China's demand for fuels used for blending gasoline is unlikely to increase as fast as last year as high crude oil costs squeeze margins. This could cut imports of blending fuels such as naphtha, aromatics and methyl tertiary butyl ether and increase demand for the locally produced gasoline.

Production News

The EIA reported that US ethanol production fell by 42,000 bpd to 856,000 bpd in the week ending April 15th. Ethanol stocks fell by 424,000 barrels to 20.09 million barrels on the week.

Nigeria's Qua Iboe crude oil export stream is scheduled to load 12 cargoes of about 380,000 bpd in June compared with 13 cargoes or 398,000 bpd scheduled in May.

Iraq has set a May 19th deadline for international oil companies to register to participate in the fourth bidding round scheduled to be held later this year. The new bidding round is expected to add about 29 trillion cubic feet to Iraq's gas reserves of 126 trillion cubic feet. The fourth round is also expected to add 10 billion barrels of oil to reserves estimated at 143 billion barrels.

Russia's Prime Minister Vladimir Putin said Russia's oil companies will invest 8.5 trillion rubles or \$302 billion over the next three years.

OPEC's news agency reported that OPEC's basket of crudes fell to \$116/barrel on Tuesday from \$117.37/barrel on Monday.

Market Commentary

Once again a weak dollar kick started another round of commodity buying as investors were looking for investment alternatives. A combination of factors, including, a 2.32 million barrel draw in crude oil inventories, a 518,000-barrel drop in crude oil imports and draws in both the gasoline and distillate stocks, propped up prices 33 percent from a year ago. This increased hopes that an economic recovery is still underway and that demand will remain steady. Volume remained light. There is underlying concern that the recent surge in prices will cause consumers to curtail driving, leading to a slowdown in demand. With this in mind, we would look for traders to remain cautious when putting on long positions. The upcoming long Easter weekend will most likely lead to a light trading session again tomorrow, with the possibility of profit taking.

Crude oil: June 11 358,632 +6,847 July 11 186,200 -176 Aug 11 70,820 +2,697 Totals 1,539,895 – 5,320 Heating oil: May 11 50,480 –8,838 June 11 92,451 +5,454 July 11 44,695 +2,193 Totals 316,036 +550 Rbob: May 11 53,374 –3,437 June11 81,085 +3,033 July 42,815 +818 Totals 298,388 +5,014

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
10845		30810			35915
10484	10910	27980		30130	36310
10270	11563	26680	33510	26965	
10136	11703	27375		26300	
10000	12126	23685		25683	
9622	14933	22960		25145	
9540				24240	
9267				23631	
9635				23414	

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