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Windham Group



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 21, 2010**

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Iran's Supreme Leader Ayatollah Ali Khamenei denounced US "nuclear threats" against Iran. Meanwhile, Iran's Revolutionary Guard said it would stage war games in the Gulf and the Strait of Hormuz this week.

#### **Market Watch**

The IMF once again upgraded its estimate for US economic growth in 2010, forecasting GDP would expand by 3%, up about 0.5% from its previous estimate. It however said that an unusually weak labor market would temper the country's recovery. The US in March posted its largest increase in nonfarm payrolls in three years, due in part to the hiring of temporary workers for the US Census. However while nonfarm payrolls increased by 162,000 in March, 15 million people were unemployed and the unemployment rate remained at 9.7%. The IMF expects the US unemployment rate to average 9.5% in 2010 and fall to 8.25% in 2011. The IMF predicted that the US economy would grow more quickly than the economies in the euro zone, the UK and Japan in 2010 and 2011.

Separately, Iran's Defense Minister Ahmad Vahid denied Iran is planning to develop ballistic missiles capable of striking the US, as alleged by the US. He was reacting to comments by a senior US official James Miller, principal deputy undersecretary of defense for policy, who said that Iran could develop missiles that could strike the US by 2015.

#### **Refinery News**

Kinder Morgan said the Calnev pipeline carrying refined products from Los Angeles refineries to Las Vegas was reopened Tuesday night following an investigation of a possible leak at the pipeline's Colton, California terminal. A parallel pipeline running between Colton and Las Vegas continued to operate during the shutdown that lasted about 24 hours.

Valero Energy Corp reported a malfunction of an air compressor on its fluid catalytic cracking unit at its 195,000 bpd Paulsboro, NJ refinery on Monday.

BP Plc's 455,790 bpd Texas City, Texas refinery is restoring operations at units that were shut following a brief power failure early Wednesday. It said there was a problem with the steam system that caused a couple of units to trip offline. All of the nonessential workers were evacuated from the plant as a precaution following the outage.

#### **DOE Stocks**

**Crude** – up 1.9 million barrels  
**Distillate** – up 2.1 million barrels  
**Gasoline** – up 3.6 million barrels  
**Refinery runs** – up 0.3%, at 85.9%

Marathon Oil Corp said units were being restarted at its 226,000 bpd Catlettsburg, Kentucky refinery after completing

a plant-wide turnaround. Maintenance at the refinery started in early March.

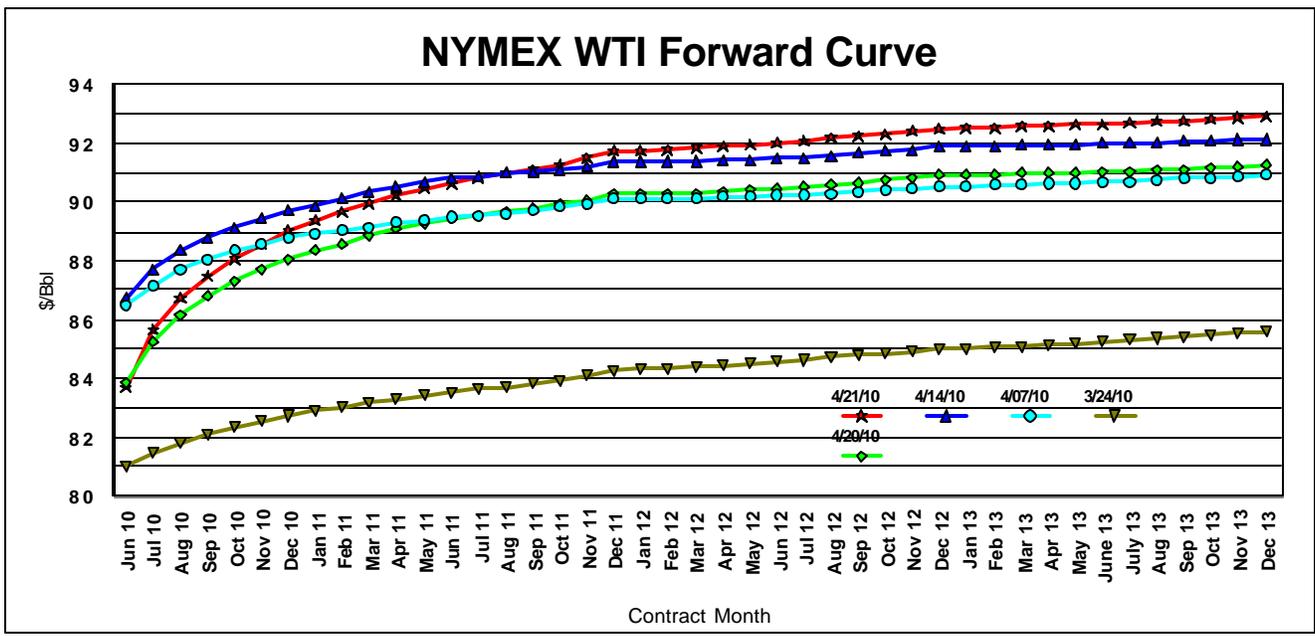
Japan's Nippon Oil Corp shut its 404,000 tons/year naphtha cracker at its Kawasaki plant on Wednesday as scheduled for repair work. The cracker is scheduled to remain shut for 19 days with a restart date of May 10<sup>th</sup>.

<b>April</b> <b>Calendar Averages</b> <b>CL – \$84.72</b> <b>HO – \$2.2241</b> <b>RB – \$2.3060</b>
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Saudi Arabia is likely to proceed with plans for a new 400,000 bpd refinery at Yanbu even after ConocoPhillips pulled out. Saudi Arabia's plans to increase its refinery capacity have suffered several setbacks. Another plan to increase capacity to 400,000 bpd at Ras Tanura is on hold and may be shelved indefinitely. If all plans proceed, Saudi Arabia would increase its domestic refining capacity by more than 1.7 million bpd from the current level of 2.1 million bpd.

China's implied oil demand in March increased 12.3% on the year to 8.25 million bpd. China's oil demand is down 4.6% or 400,000 bpd on the month. China's diesel exports in March increased by 17.6% on the year to 472,317 tons while its gasoline exports increased by 386.6% on the year to 594,379 tons. China's fuel oil imports fell by 6.9% on the year to 2.08 million tons while naphtha imports increased by 57.2% to 221,945 tons. Separately, China's General Administration of Customs confirmed that the country's crude imports in March reached 21.06 million tons or 4.98 million bpd, up 29% on the year.

The Petroleum Association of Japan reported that Japan's crude stocks in the week ending April 17<sup>th</sup> increased by 2.67 million barrels on the week but fell by 5.51 million barrels on the year to 98.21 million barrels. It also reported that Japan's gasoline stocks increased by 64,000 barrels on the week but fell by 62,000 barrels on the year to 14.33 million barrels while its kerosene stocks remained unchanged on the week but fell by 1.66 million barrels on the year to 9.18 million barrels and naphtha stocks fell by 210,000 barrels on the week to 10.16 million barrels. The refinery utilization rate fell by 0.6% on the week but increased by 3.5% to 76.7%. Crude runs fell by 30,000 bpd on the week but increased by 140,000 bpd to 3.68 million bpd. Japan's total oil product sales fell by 10.2% on the week and by 3.8% on the year to 2.73 million bpd. Gasoline sales fell by 11% on the week and by 14.6% on the year to 860,000 bpd while kerosene sales fell by 28.7% on the week but increased by 64.2% on the year to 330,000 bpd and gasoil sales fell by 0.3% on the week but increased by 14.3% on the year to 540,000 bpd. Naphtha sales fell by 10.2% on the week but increased by 80.3% on the year to 400,000 bpd and jet fuel sales fell by 5.1% on the week and by 44.9% on the year to 79,000 bpd.



Korea National Oil Corp reported that crude imports by South Korea in March increased by 8.2% on the year. SK Energy, GS Caltex, S-Oil Corp, Hyundai Oilbank and KNOC imported 66.8 million barrels of crude in March, up from 61.8 million barrels last year. It reported that South Korea's crude runs fell by 8.8% to 68.1 million barrels due to maintenance shutdowns while domestic oil product demand remained relatively unchanged at 66.7 million barrels.

China Aviation Oil Corp is seeking up to 120,000 tons of jet fuel for May-June delivery.

### **Production News**

Transocean said a fire and explosion occurred late Tuesday night offshore Louisiana on a Transocean drilling rig. The semisubmersible rig was drilling for BP about 41 miles offshore Louisiana on Mississippi Canyon Block 252. The US Coast Guard reported that eleven workers missing and 17 were injured in the explosion.

A senior Gulf OPEC delegate said Saudi Arabia is producing about 8.05 million bpd of crude in April, relatively unchanged on the month. The delegate also said that the country's spare capacity stood at about 4.5 million bpd.

Director for petroleum policy at Japan's Ministry of Economy, Trade and Industry, Hidenobu Teramura said Saudi Aramco will likely begin storing crude in spare facilities at Okinawa by the end of this year. Saudi Aramco plans to store about 600,000 kiloliters or 3.7 million barrels of crude each month. The agreement is expected to last for a minimum of three years.

The loading rate for the nine main North Sea crude oil streams will average 2.025 million bpd in May, down from 2.185 million bpd in April. The Brent crude stream is scheduled to load 194,000 bpd, Forties is scheduled to load 484,000 bpd, Oseberg is scheduled to load 176,000 bpd, Ekofisk is scheduled to load 382,000 bpd, DUC is scheduled to load 155,000 bpd, Flotta is scheduled to load 63,000 bpd, Gullfaks is scheduled to load 193,000 bpd, Statfjord is scheduled to load 165,000 bpd and Troll is scheduled to load 213,000 bpd.

Statoil is planning turnarounds on 13 oil/gas fields in 2010, with most turnarounds scheduled for August and September. The turnarounds are not expected to impact its previous production guidance.

Venezuela's Oil Minister Rafael Ramirez said that Venezuela received three separate offers for the Carabobo 2 project.

Kazakhstan's Energy Minister Sauat Mynbayev said the country, which announced plans to review some contracts with foreigners, will not target its largest project Kashagan. Kazakh President Nursultan Nazarbayev said this year contracts protecting oil ventures from tax changes must be reviewed but did not name any of them.

Nigeria's exports of its Qua Iboe crude oil were set to reach a three year high in June. Preliminary loading programs show exports of Qua Iboe will increase to an average of about 412,000 bpd in June, up from about 368,000 bpd in May. The loading schedules also showed three Yoho crude cargoes or 95,000 bpd would be shipped in June, down from 123,000 bpd in May. Brass River crude loadings are set to average about 124,000 bpd in June. Nigeria also plans to ship five cargoes of Bonny Light crude in June.

China's CNPC is progressing well with its oil exploration and development projects in Iraq and Iran. It started drilling the first appraisal well in the north Azadegan oilfield in Iran on March 19<sup>th</sup> ahead of schedule. CNPC is contracted to develop north Azadegan into a 120,000 bpd field.

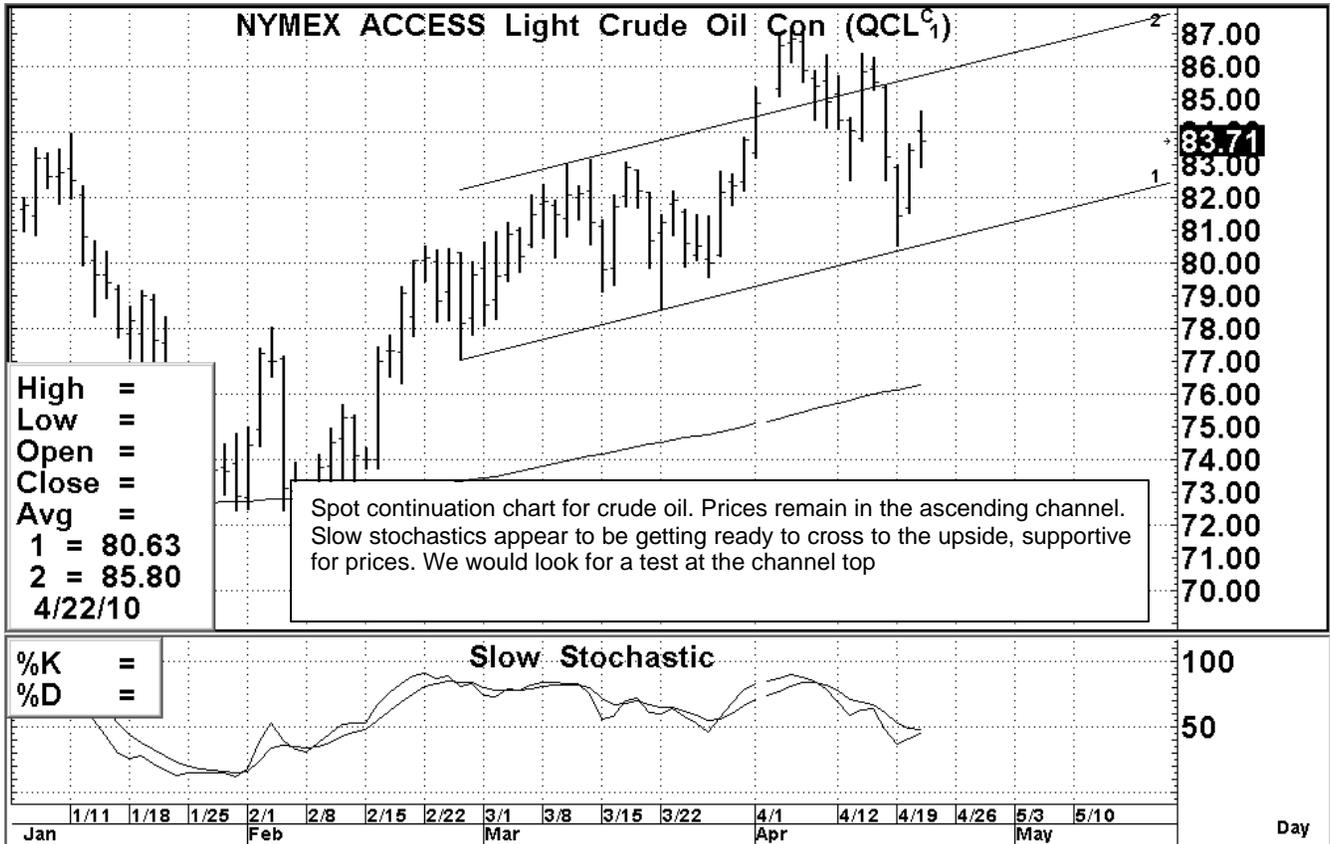
OPEC's news agency reported that OPEC's basket of crudes increased to \$81.83/barrel on Tuesday, up from \$80.89/barrel on Monday.

**Market Commentary**

Crude oil settled down 2 percent in the June contract as the market had a mixed reaction to today's inventory numbers. Crude oil stocks rose 1.9 million barrels, pressuring the front month spread 55 cents. Stock levels at Cushing, Ok, the NYMEX delivery point, which were at a deficit of 13 percent in mid-February, are now at a 15 percent surplus, based on a year on year average. This is an indication that demand for crude oil is still suffering despite hopes of an economic recovery. In contrast to the front-end weakness, deferred contracts settled stronger on the day, based upon hopes of future demand growth. Heating oil, the underlying contract for distillate and jet fuel held the rest of the complex up as flights to and from Europe continue to resume. This can be a somewhat misinterpreted view of demand for this product. The fact that flights were grounded would leave unused supplies lying in storage. Distillate inventories are currently higher than that of the average range for this time of year, with demand based upon a four-week average down 0.1 percent on the year. We believe that this sudden strength in heating oil will be short lived and that prices will turn to the downside. Technically, crude oil appears to have additional strength left in it, so we would not discount a test at the channel top, which is set at \$85.80 for tomorrow's session.

Crude oil June 10 374,679 +114 July 10 179,667 +6,963 Aug 10 69,869 +2,625 Totals 1,356 869 +1,285 Heating oil May 10 34,948 June10 85,754 +5,367 July 10 35,552 +82 Totals: 300,329 -673 Gasoline May 10 45,164 -5,818 June 10 103,742 +2,834 July 10 55,987 +1,803 Totals 322,769 -682

<b>Crude Support</b>	<b>Crude Resistance</b>
82.00, 80.27, 79.75-79.51, 78.43, 76.15, 75.37, 72.60, 71.31, 70.42, 69.50, 65.05, 64.70, 63.38, 62.70, 61.61, 60.95	84.55, 85.71, 86.65, 87.85, 88.80, 89.10, 89.88, 92.75
<b>Heat Support</b>	<b>Heat resistance</b>
2.1084, 2.0800, 2.0180, 1.9975, 1.9860, 1.8570, 1.8280, 1.7670, 1.7565	2.3000, 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	2.3635, 2.4850, 2.5040, 2.5115



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