

**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 22, 2010**

---

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said Kuwait is happy with oil prices. He said the current price was very fair and added that there was no need for OPEC to hold an extraordinary meeting to discuss the market. However he said Kuwait was less content with the group's level of compliance with agreed quotas. He urged OPEC members to be more disciplined about their production levels.

#### **Market Watch**

Ibrahim Al-Muhanna, the advisor to the Saudi Minister of Petroleum, said peak of oil demand will come before the peak of supply. He said oil demand from emerging markets will peak this decade or early 2020s. He said the key is for the country to have spare oil output capacity to ensure global supply security. He also stated that he sees a continuing decline in European oil consumption in the coming years.

The US Labor Department said initial claims for unemployment benefits in the week ending April 17<sup>th</sup> fell by 24,000 to 456,000. The previous week's level was revised downward to 480,000 from 484,000. The four week moving average increased by 2,750 to 460,250 from the previous week's revised average of 457,500. The number of continuing claims in the week ending April 10<sup>th</sup> fell by 40,000 to 4,646,000 from the preceding week's revised level of 4,686,000. The unemployment rate for workers with unemployment insurance in the week ending April 10<sup>th</sup> was 3.6%, down from the prior week's revised rate of 3.7%.

The Labor Department also reported that the Producer Price Index for finished goods increased by a seasonally adjusted 0.7% on the month in March. Core wholesale prices increased by 0.1%, unchanged on the month. The report showed that for the 12 months ending March 2010, the unadjusted Producer Price Index increased by 6%, the largest increase since September 2008. Energy prices increased by 0.7% in March following a 2.9% decline in February.

The National Association of Realtors said existing home sales in March increased by 6.8% to a 5.35 million annual rate from a downwardly revised 5.01 million annual rate in February. Housing inventory in March increased by 1.5% to 3.58 million.

Iran's OPEC Governor, Mohammad Ali Khatibi said OPEC was unlikely to increase its production this year, as there is a reasonable balance between supply and demand. He said any output increases would not happen until 2011 and that such a policy would depend on how the world economy is doing by then. Meanwhile, Iran's Oil Minister Massoud Mirkazemi said Iran is committed to the output target set by OPEC. However he said the current price of oil was unfair. He also said that Iran's oil industry has not been impacted by sanctions imposed against the country, dismissing a potential threat to the country's gasoline imports as "a joke." He said imposing sanctions has not isolated Iran but helped the country to improve its oil industry. He also said Iran need to invest \$200 billion in its oil and gas sector in the 2010-15 period. He reiterated that Iran's recoverable oil stood at 138 billion barrels and that its gas reserves were 29 trillion cubic meters. Echoing Iran's defiance in the face of sanctions,

**April  
Calendar Averages**  
**CL – \$84.65**  
**HO – \$2.2235**  
**RB – \$2.3056**

First Vice President Mohammad Reza Rahimi said the world needed Iranian energy too much to isolate it.

Separately, Iran's atomic chief Ali Akbar Salehi said Iran is ready to consider an exchange of nuclear fuel on foreign soil as proposed by world powers if it gets guarantees. He said Iran is ready to begin negotiations without preconditions.

The official IRNA news agency reported that Iranian naval forces foiled a pirate attack on an Iranian oil supertanker carrying 300,000 metric tons of crude in the Gulf of Aden. The vessel came under attack a few days ago when it was heading from the Iranian island of Khark to Egypt.

Iran's Revolutionary Guards successfully deployed a new speed boat capable of destroying enemy ships as war games began on Thursday. Iranian media said naval, air and ground units of the Revolutionary Guards would take part in the three day exercise in the Gulf and Strait of Hormuz.

US Vice President Joe Biden said he expects new UN sanctions on Iran by late April or early May and dismissed the notion that Israel may attack Iran before first allowing sanctions to take their course. He said Israel agreed to await the outcome of tightened sanctions against Iran. He also reiterated the Obama administration's view that China would support new sanctions on Iran.

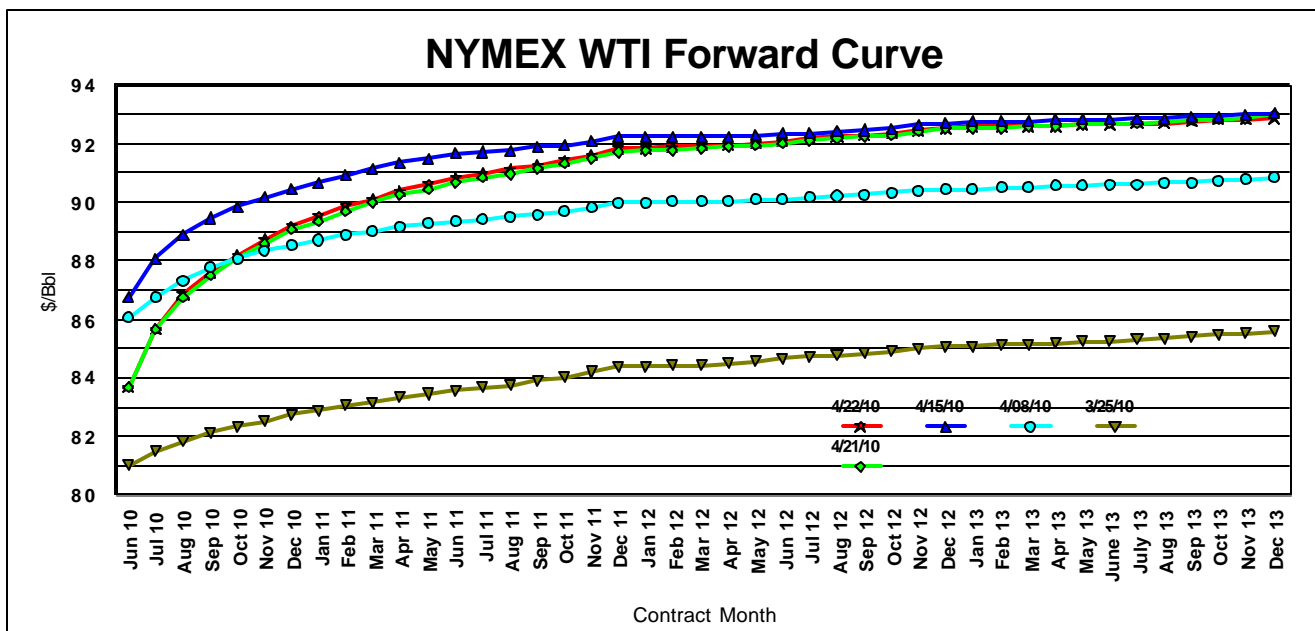
Genscape reported that oil inventories in Cushing, Oklahoma increased by 700,000 barrels to 35.7 million barrels in the week ending April 20<sup>th</sup>.

According to Oil Movements, OPEC's oil exports, excluding Angola and Ecuador, are expected to fall by 120,000 bpd to 23.25 million bpd in the four weeks ending May 8<sup>th</sup>.

**Refinery News**

According to a report filed with California state regulators, ExxonMobil Corp's flaring at its 150,000 bpd refinery in Torrance, California could exceed the report requirement. The refinery is currently undergoing planned turnaround work.

Suncor Energy will begin production shutdowns at its 130,000 bpd refinery in Montreal, Quebec from April 28 through June 3.



Germany's 220,000 bpd PCK Schwedt oil refinery will restart on May 15<sup>th</sup> following a major maintenance shutdown that started on April 6<sup>th</sup>. The maintenance has tightened product supplies in Germany and supported wholesale fuel prices in Europe as it coincided with the shutdown of ConocoPhillips' 260,000 bpd Wilhelmshaven refinery. The Wilhelmshaven refinery has been shut since last October when it was shut to undergo maintenance.

Portugal's two refineries operated by Galp Energia were restoring their operations after a three day strike by workers, who threatened further strikes if the company refuses to negotiate a pay rise.

Statoil ASA plans to shut part of its Kalundborg refinery in Denmark in early October for five weeks of maintenance. It is scheduled to shut a crude oil and coker unit at its 200,000 bpd Mongstad refinery in Norway at the end of August for five weeks of turnaround.

Japan's Idemitsu Kosan Co will cut crude refining capacity by more than 15% over the next few years. It plans to cut at least 100,000 bpd of capacity from its current capacity of 640,000 bpd by March 2014. Japan's JX Holdings Inc, Showa Shell Sekiyu KK and Cosmo Oil Co have already announced plans for total refining cuts of 800,000 bpd by March 2015, of the country's refining capacity of 4.8 million bpd.

Japan's Finance Ministry said the country's customs-cleared crude oil imports in March increased by 4.9% on the year to 19.04 million kiloliters or 3.86 million bpd.

The director for petroleum policy at Japan's Ministry of Economy, Trade and Industry, Hideo Nobu Teramura said Saudi Arabia could store up to 16% of its term crude oil supply to Japan in Okinawa. Japan hopes to sign the storage deal by the end of the year.

China's commercial crude oil stocks in March increased by 1.2% on the month to 28.54 million metric tons or 209.2 million barrels. China's gasoline stocks fell by 2% last month to 6.25 million tons while diesel stocks fell by 8.2% to 10.58 million tons and kerosene stocks fell by 3.4% on the month to 1.71 million tons.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 505,000 barrels to 25.726 million barrels in the week ending April 22<sup>nd</sup>. It also reported that the country's light distillate stocks fell by 553,000 barrels to 10.9 million barrels while its middle distillate stocks increased by 741,000 barrels to 14.591 million barrels.

Sources stated that at least three tankers are storing jet fuel at sea in Europe after volcanic ash from Iceland disrupted air travel leading to a build-up of unused stocks. Earlier in the week, JBC Energy consultants estimated 11 million to 14 million barrels of jet fuel were currently being held in floating storage, with 4 million to 5 million barrels of that stored in the past 4 to 5 days.

Morgan Stanley is likely to load North Sea Forties crude onto a VLCC next week. The Ashna is expected to arrive at Hound Point, Scotland on April 27<sup>th</sup>.

### **Production News**

BP Plc said work has started to shut in the oil flow that is feeding a fire aboard the Transocean Ltd drilling rig that suffered an explosion on Tuesday. The rig in the Gulf of Mexico, called the Deepwater Horizon, remains on fire following the unexplained explosion Tuesday night. BP Plc has sent 32 vessels and other resources to help contain an oil spill left after a fire and explosion led to the sinking of the drilling rig. The amount of oil that has been spilled has yet to be estimated. Separately, Royal Dutch Shell shut in a Gulf of Mexico pipeline that feeds the Motiva refinery in Norco, Louisiana as a

precaution. The Shell operated pipeline that handles 75,000 bpd of oil is called Nakika and is located in the Mississippi Canyon area where the Transocean Ltd drilling rig caught fire and sunk on Thursday.

Iraqi officials said an explosion in Iraq's northern province of Nineveh damaged the Iraq-Turkey oil pipeline and added that it may take as much as a week to restart exports. Police blamed a bomb planted by suspected Sunni Islamist insurgents fighting to undermine the Shi'ite majority.

Iraq's Oil Ministry reported that Iraq exported an average of 1.841 million bpd of crude in March. Sales of Iraqi oil exports in March totaled \$4.351 billion, up from \$4.229 billion in February.

Norway's airport authority said helicopter flights to Norway's oil and gas platforms were suspended again on Thursday due to the risk from volcanic ash from Iceland. Helicopter flights to and from offshore platforms have been stopped on several occasions since the Eyjafjallajokull volcano erupted last week.

The Norwegian Petroleum Directorate said Norway's oil production fell to an average 1.92 million bpd in March from 1.96 million bpd in February. Production of natural gas liquids and condensate fell to 347,000 bpd in March from 380,000 bpd in February.

A.P Moller-Maersk said Danish Underground Consortium's oil and gas output from the Danish part of the North Sea increased in March. Its oil and condensate production increased to 229,700 bpd in March from 225,600 bpd in February. DUC production of natural gas increased to 710 million cubic meters in March from 650 million cubic meters in February.

Nigeria plans to export five 1 million barrel cargoes of Bonga crude in June. Nigeria will also export one 950,000 barrel cargo of Pennington crude in June. Nigeria is expected to export at least 64 cargoes or 1.9 million bpd of crude in June.

Total's chief executive Christophe de Margerie said world oil output will grow by 1% per year in coming years, down from a level of 1.6%. Separately, Total is considering a larger stake in Iraq's Halfaya oilfield, in a bid to increase its presence in Iraq. China National Petroleum Co is the majority partner in the oilfield and Total owns an 18.75% stake in the field. The Halfaya oilfield has estimated reserves of 4.1 billion barrels of oil.

Kuwait's state news agency reported that the country's Burgan oilfield contains more oil than previously estimated. The area, which encompasses the Burgan, Magwa and Ahmadi fields, was previously estimated to hold about 70 billion barrels or 70% of Kuwait's 101.5 billion barrels of reserves.

Kuwait opened a new gathering center at its Sabriya oilfield as part of its effort to increase its oil production to 4 million bpd by 2020. The facility can handle 165,000 bpd of crude and 85 million cubic feet/day of gas.

Brazil's Petrobras said its overall oil and gas production reached an average of 2.556 million bpd of oil equivalent in March, down 0.2% from 2.561 million bpd of oil equivalent in February. In Brazil, Petrobras' domestic oil production increased by 0.3% to 1.994 million bpd in March, up from February's 1.988 million bpd level. Its international oil production averaged 149,600 bpd in March, down from 151,400 bpd in February.

Colombia's Ecopetrol said the country's oil production will exceed 1 million bpd within five years. Its current production is just below 800,000 bpd.

Venezuela's PDVSA is asking for a payment in euros for a sale of diesel in a spot tender for May. It was not clear why PDVSA was seeking a euro payment. In the tender, PDVSA offered up to four cargoes of 240,000 barrels of diesel from the Puerto La Cruz refinery in Venezuela.

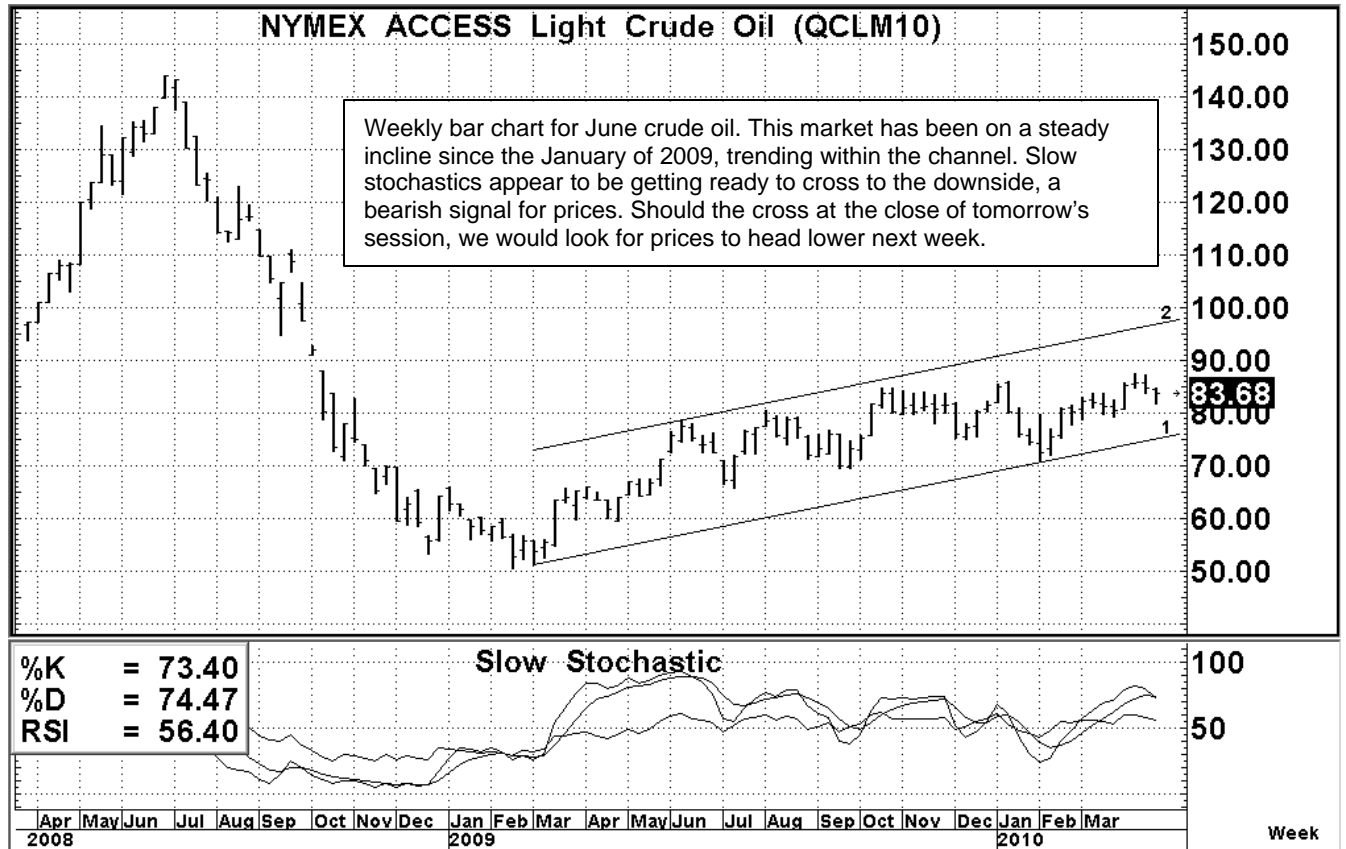
OPEC's news agency reported that OPEC's basket of crudes increased further to \$82.01/barrel on Wednesday from \$81.83/barrel on Tuesday.

**Market Commentary**

Prices posted modest gains as existing home sales in the U.S. increased, heightening hopes of an increasing economic recovery in the U.S. This move higher came despite a stronger dollar, which typically causes investors to shy away from commodities as a financial hedge. Heating oil rose for the third straight day on expectations that an economic recovery will bring about greater demand for distillate. The June heating oil crack spread gained 29 percent since Friday's close, continuing its steady climb since early March. Asian demand for distillate has helped to support this spread. Crude oil will continue to be economically sensitive, with gradual moves to the upside. Weekly technicals appear to be getting ready to cross to the downside. Should this occur, prices are expected to work lower in the beginning of next week.

Crude oil June 10 375,020 +341 July 10 184,972 +5,305 Aug 10 71,027 +1,158 Totals 1,363,332 +6,463 Heating oil May 32,438 -2,510 June10 87,682 +1,928 July 10 21,255 +645 Totals: 301,708 +1,379 Gasoline May 10 38,208 -6,956 June 10 107,281 July 10 57,246 +1,259 Totals 323,026 +257

<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	84.85,85.71, 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



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.