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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 23, 2010**

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Venezuela's Energy Minister Rafael Ramirez said OPEC production levels are adequate for the next two years. He stated that Venezuela's oil production is currently at 3.01 million bpd. He also said that its refinery in Curacao should be back up by the end of April following its closure earlier this year due to electricity supply problems. Separately, Venezuela's Oil Minister Rafael

#### **Market Watch**

The US Commerce Department said durable goods orders fell by 1.3% in March to a seasonally adjusted \$176.7 billion. It was the largest drop since August. New durable goods orders excluding transportation increased 2.8% last month, the largest rise since December 2007, after increasing 1.7% in February. Durable goods in February increased by 1.1%, revised from a previously reported 0.5% increase.

Separately, the Commerce Department said sales of new homes increased by 27% in March to a seasonally adjusted annual sales pace of 411,000. It was the strongest month since last July and largest monthly increase in 47 years.

Energy agencies are likely to increase forecasts for oil demand following upward revisions in world economic growth assumptions by the IMF. The IMF said in its World Economic Outlook that it increased its 2010 world growth forecast to 4.2% from its January estimate of 3.9%, citing a faster than expected rebound from the world recession. This should prompt the IEA, EIA and OPEC to increase their oil demand estimates.

Schlumberger Ltd's chief executive Andrew Gould said customers will increase spending at oil prices near \$80/barrel.

According to forecasts by the Chinese Academy of Social Sciences, China's economy is expected to grow by about 9.9% this year, compared with a previous estimate of 9.1%.

Ramirez said Venezuela will send China 100,000 bpd of crude for the next 10 years to pay for a \$20 billion loan. Venezuela said it will use the loan for highways and other infrastructure projects as well as investments in the energy sector. Venezuela said it ships about 460,000 bpd of oil to China and hopes in the coming years to increase that towards 1 million bpd.

Iran's Deputy Oil Minister Shahnazi Zadeh said Iran hopes to become self sufficient in gasoline within three years, as policies to cut demand and increase refining allow it to cut its reliance on imports. In 2009-10, Iran produced 44.6 million liters of gasoline everyday but consumed 64.9 million liters, with the difference made up by imports. Domestic gasoline production is expected to increase this year to 45.6 million liters/day. However Iran still needs a large increase in its refining capacity. Iran plans to issue bonds worth \$1 billion to help fund the required investments.

**April  
Calendar Averages**  
**CL – \$84.68**  
**HO – \$2.2252**  
**RB – \$2.3086**

Brazil's President Luiz Inacio Lula da Silva is scheduled to visit Iran May 16 and 17<sup>th</sup>, amid moves in the UN Security Council to impose sanctions against Iran. Brazil is an opponent to the Security Council imposing sanctions. Brazil's President has repeatedly defended Iran's nuclear activities, saying Iran has the right to atomic energy.

**Refinery News**

ConocoPhillips said that work was underway at its 139,000 bpd refinery in Wilmington, California. It did not specify which units were impacted but trade sources said that the hydrotreater would begin planned maintenance over the weekend.

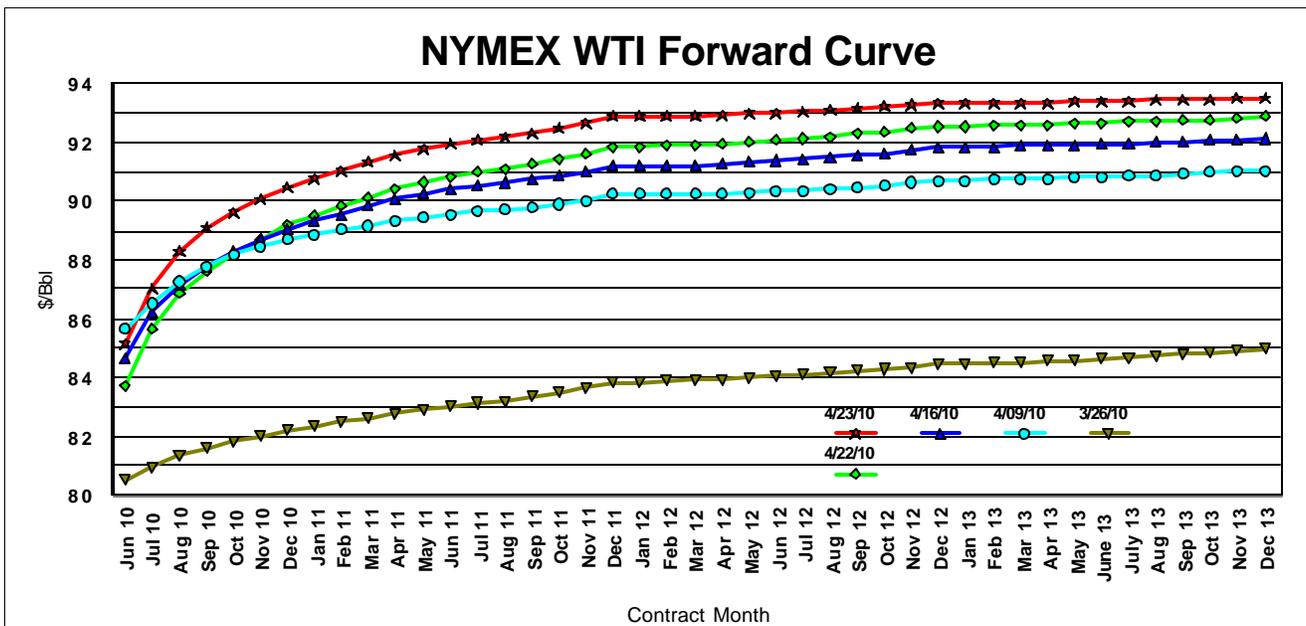
BP Plc's 455,800 bpd refinery in Texas City, Texas will begin maintenance of its fluid catalytic cracking unit Friday night. The work on the unit is associated with a vessel and is expected to last one day.

South Korea's SK Energy is scheduled to shut its 60,000 bpd No. 1 crude distillation unit on May 12-26 and its 170,000 bpd No. 3 crude distillation unit on June 28-July 26 for planned maintenance. It is also scheduled to shut its 70,000 bpd No. 2 residue fluid catalytic cracking unit from June 28-August 3.

China's commercial crude oil inventory increased by 340,000 tons or 2.3 million barrels to 28.54 million tons or 208.3 million barrels at the end of March, according to China OGP newsletter. It also reported that China's oil product stocks, including gasoline, diesel and kerosene, reached 18.54 million tons at the end of March, down 1.14 million tons or 5.8% from February. Gasoline inventory reached 6.25 million tons, down 2% on the month while diesel and kerosene stocks stood at 10.58 million tons and 1.71 million tons, down 8.2% and 3.4% on the month, respectively.

China's National Energy Administration said the country's apparent fuel consumption between April and June is expected to increase 5% on year to 54.7 million-55.7 million metric tons. Domestic oil product output is forecast to continue growing steadily during the second quarter due to the large new refining capacity brought online last year and high operational rates of refineries.

India's Reliance Industries' crude oil imports in March fell by 25% on the month but increased by 11% on the year to 998,350 bpd.



## **Production News**

Royal Dutch Shell Plc said its NaKika pipeline in the Gulf of Mexico that feeds the Motiva refinery in Norco, Louisiana remains shut in. Shell shut in the 75,000 bpd pipeline as a precaution to avoid the possible fall of a sinking rig. Meanwhile, the US Coast Guard said oil appears to have stopped leaking from a drill site in the US Gulf of Mexico after a Transocean Ltd drilling platform caught fire and sank. It said there were 200 barrels of oil on the surface and a 2 mile by 8 mile oil sheen. About 181 barrels of oil and water mix have been recovered. Separately, BP Plc is unlikely to see output suffer after the Deepwater Horizon rig it leased exploded and sank because the deposit it was drilling was relatively small. The reservoir likely contains less than 100 million barrels and was of commercial interest mainly because of its proximity to existing pipelines. BP's output in the area is 450,000 bpd.

Australia's Woodside Petroleum Ltd said its output in the first quarter fell by 7% to 19.2 million bpd of oil equivalent, mainly due to scheduled maintenance at the Stybarrow oil field off western Australia and the sale of the Otway gas assets. It previously forecast that its 2010 production would total 70-75 million barrels of oil equivalent, down from 80.9 million boe last year.

Loading programs for Nigeria's June crude export plan show the country will ship at least 75 cargoes or 2.3 million bpd of crude.

Gunvor has postponed the start of Russia's largest oil product outlet, in the Baltic port of Ust Luga, to the autumn from May. Industry sources said the launch of the Ust Luga terminal will affect other export routes and cargoes via Russia's Baltic Sea oil terminals of Vysotsk, Petersburg and Primorsk. Gunvor previously stated that annual capacity at Ust Luga will reach 25 million tons of refinery products. Full capacity would eventually increase to 30 million tons/year. The terminal would also be able to store 1 million tons of oil products after the second stage of oil storage is completed in 2011.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$82.36/barrel on Thursday from \$82.01/barrel on Wednesday.

## **Market Commentary**

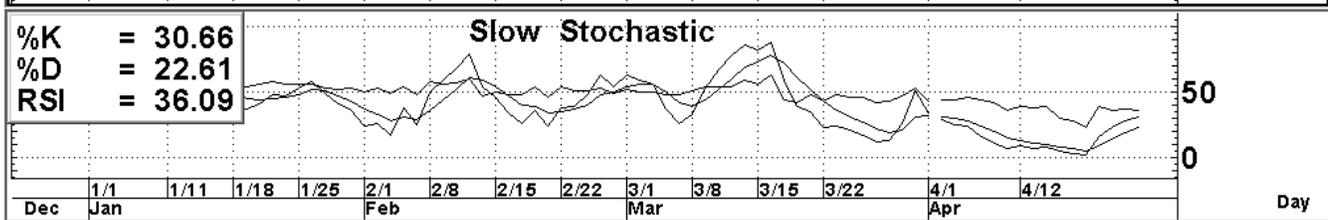
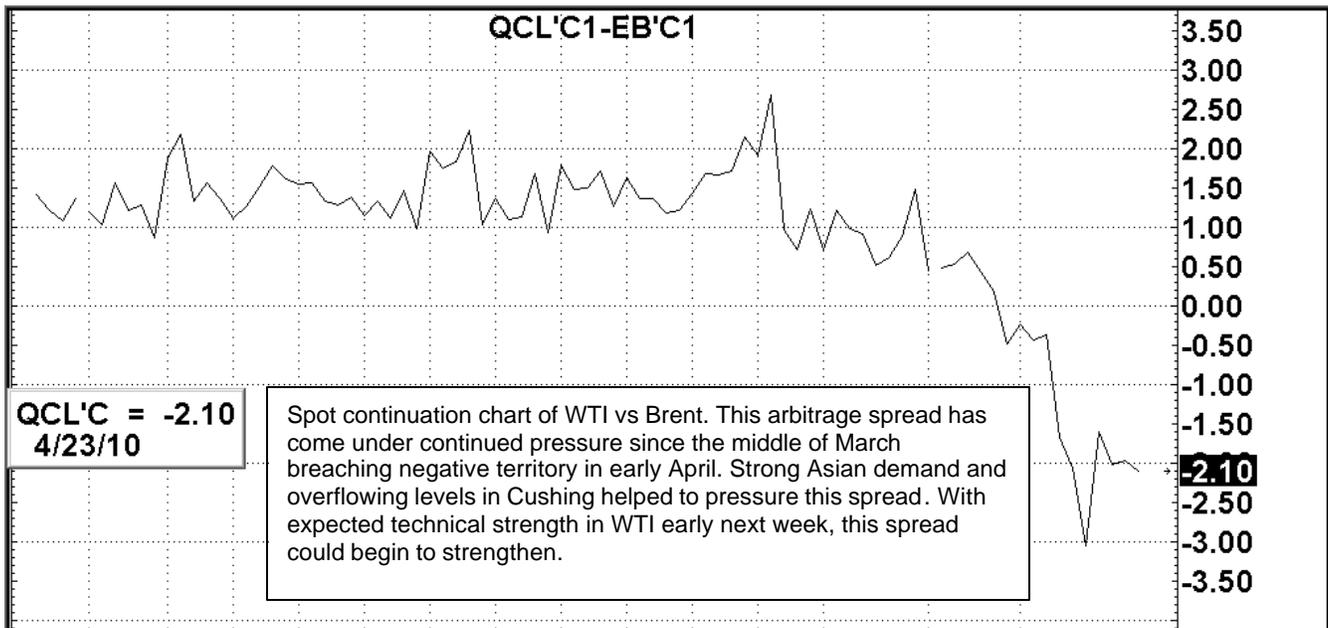
Crude oil rose 1.7 percent, supported by an increase of nearly 27 percent in new home sales and by positive news regarding durable goods sales in the U.S. A trimmed dollar added to the bullishness. This market continues to react to various stimuli, among which are, the dollar, the equities market and the underlying fundamentals. This has provided for daily fluctuations and sometimes confusion as to where prices belong. High inventory levels in Cushing, Ok, the NYMEX delivery point, along with steady demand in Asia, have forced the Brent/WTI spread to a \$2.00+ premium to the Brent. Brent typically trades at a discount to WTI. As mentioned in our wire of yesterday, we were following the moving oscillators on a spot continuation chart for crude oil. A cross to the downside would most likely have indicated lower prices next week. This did not happen. Instead, slow stochastics turned to the upside. Coming into next week we would look for prices to continue higher as we await the release of inventory numbers.

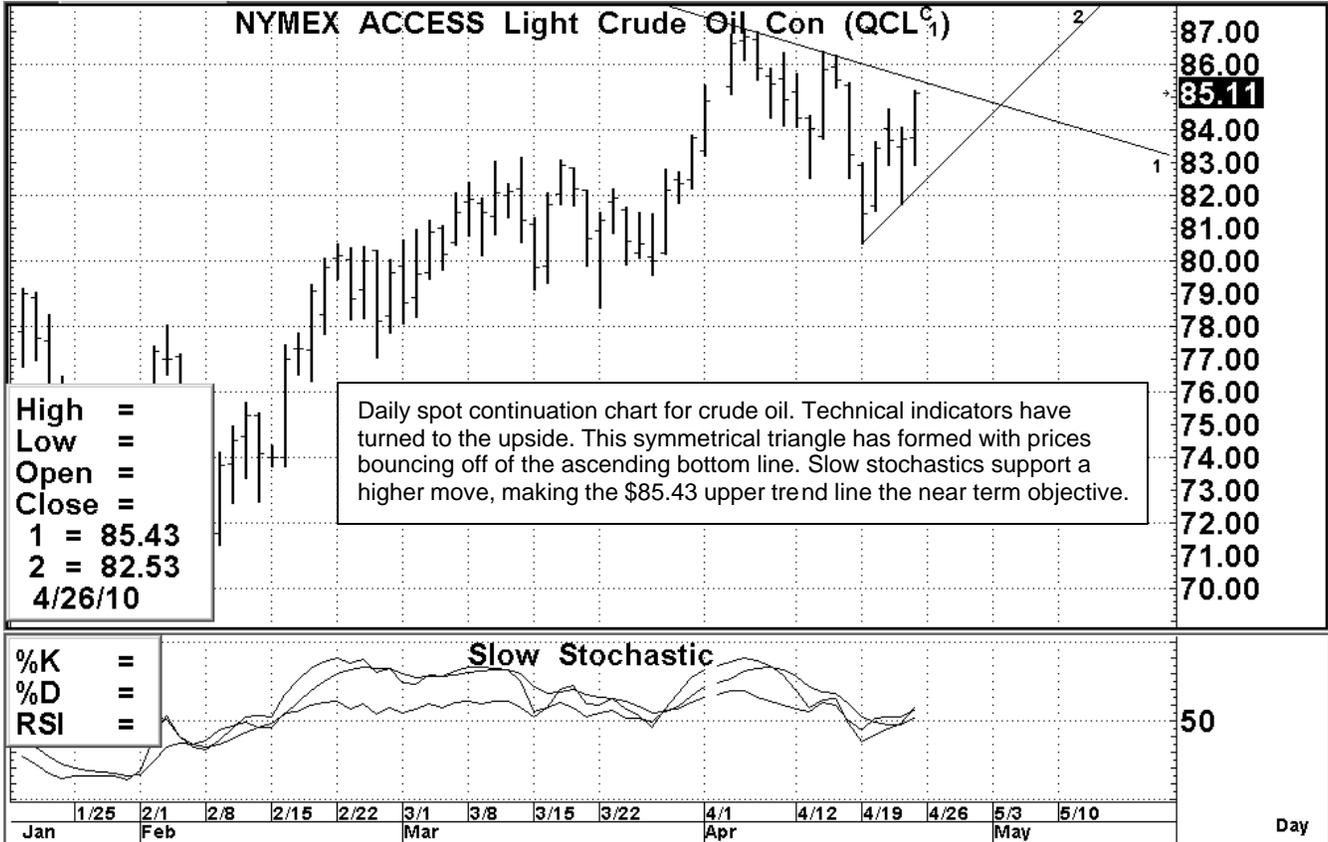
Crude oil June 10 368,329 -6,691 July 10 185,269 +297 Aug 10 74,840 +3,813 Totals 1,363,320 -12  
Heating oil May 30,745 -1,693 June10 90,249 +2,567 July 10 36,982 +980 Totals: 304,603 +2,895  
Gasoline May 10 36,315 -1,893 June 10 106,309 -972 July 10 57,363 +117 Totals 325,366 +2,340

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 8,111 contracts to 121,475 contracts in the week ending April 20<sup>th</sup>. The combined futures and options report showed that the funds cut their net long position by 1,665 contracts to 208,566 contracts on the week. The disaggregated futures and options report showed that producers/merchants increased their net short position by 14,967 contracts to 227,032 contracts while

swap dealers cut their net short position by 20,326 contracts to 9,818 contracts on the week. The managed money funds cut their net long position by 7,405 contracts to 173,650 contracts while other reportables increased their net long position by 5,740 contracts to 34,915 contracts on the week. Meanwhile, non-commercials in the product markets cut their net long positions. The funds in the heating oil market cut their net long position by 3,305 contracts to 32,551 contracts while funds in the RBOB market cut their net long position by 5,908 contracts to 71,870 contracts on the week.

<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,	,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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