



## ***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 26, 2010**

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OPEC said mixed global economic and market signals raised real questions about whether current crude prices at the \$70-\$80/barrel level are sustainable in the coming months. OPEC said world demand in 2010 was expected

to increase by 900,000 bpd but added that there is still large uncertainty surrounding its forecast as the data so far does not indicate a noticeable increase in world demand. OPEC forecast the world economy to grow 3.5% in 2010, with China's economy expanding by 9.5% while OECD is forecast to grow 1.9%.

An official at the National Iranian Oil Co said oil prices will increase substantially this year due to strong demand driven by a world economic upturn.

Iran's President Mahmoud Ahmadinejad said the UN Security Council and the veto power held by its five permanent members are "satanic tools" aimed at oppressing mankind.

The EIA reported that the US retail average price of diesel increased by 0.4 cents to \$3.078/gallon in the week ending April 26<sup>th</sup>. The EIA also reported that the US average retail price of gasoline fell by 1.1 cents to \$2.849/gallon on the week.

The Lundberg Survey reported that the average price of gasoline remained unchanged from levels reached about two weeks ago, capping the end of a five week rise in prices. The average price of gasoline held at \$2.85/gallon in the two weeks ending April 23<sup>rd</sup>.

#### **Refinery News**

Credit Suisse reported that US refinery margins increased last week, with the Gulf Coast leading the gains. It reported that Gulf Coast margins increased by \$1.97 to \$10.73/barrel while margins in the West Coast increased by \$1.69 to \$16.92/barrel and margins in the Midwest increased by 37 cents to

#### **Market Watch**

Saudi Arabia's domestic energy demand is set to increase by 250% to 8.3 million bpd of oil equivalent by 2028. Saudi Aramco's chief executive Khalid al Falih said Saudi Arabia will have to improve energy efficiency in the future in order to sustain its leading export capacity while achieving ambitious economic development goals.

Venezuela's President Hugo Chavez said the country's economy could contract for the second consecutive year in 2010, reversing a previous forecast of growth. He said preliminary data showed the economy had shrunk in the first quarter of this year. He blamed the country's problems on a crisis in capitalism.

**April  
Calendar Averages**  
**CL – \$84.65**  
**HO – \$2.2259**  
**RB – \$2.3105**

\$10.83/barrel. In the Northeast, margins increased by 16 cents to \$5.43/barrel while margins in the Rockies region increased by \$1.34 to \$19.67/barrel.

ExxonMobil Corp depressurized a coke drum at its 344,500 bpd Beaumont, Texas refinery on Saturday. The coke drum was taken out of service because a crack in the drum allowed the release of pollution beyond permitted levels from the refinery. It said there was a minimal production impact due to the coker unit problem.

Valero Energy Corp is scheduled to carry out maintenance on the SCOT unit at its 170,000 bpd McKee refinery in Texas on Monday because of sulfur accumulation. Valero Energy said a brief upset had a small production impact on its Texas City, Texas refinery's coker unit on Sunday. Valero also stated that its hydrocracker unit at its 325,000 bpd Port Arthur, Texas refinery resumed planned rates following a 38 day planned turnaround. The unit was restarted over the weekend.

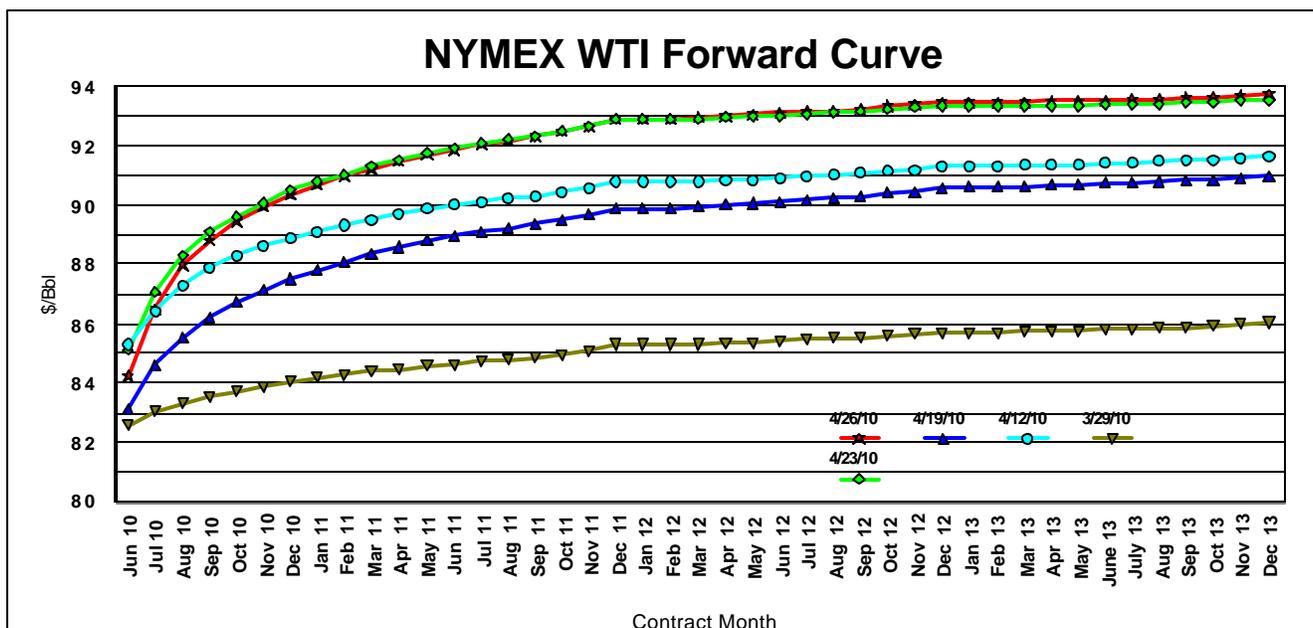
Flint Hills Resources reported maintenance on a flare gas recovery unit at its 288,126 bpd Corpus Christi, Texas refinery. The maintenance started on April 26<sup>th</sup> and will last until May 3<sup>rd</sup>.

Hess Corp said that a minor weekend incident had no impact on planned work on the fluid catalytic cracking unit at its 70,000 bpd Port Reading, New Jersey refinery. Work on the fluid catalytic cracking unit started on April 9<sup>th</sup> and is on track to end in early May.

The 104,000 bpd fluid catalytic cracking unit at PDVSA's 300,000 bpd Cardon refinery was shut on Saturday following a second fire in a month. It said it had sufficient stocks to prevent exports and domestic supplies from being affected. The unit is expected to remain shut for a week.

The official IRNA news agency reported that an Iranian state firm has signed a contract to help double the capacity at Sri Lanka's Sapugaskanda oil refinery from 50,000 bpd to 100,000 bpd.

Total's Chief Executive Christophe de Margerie said energy companies have no time to lose in making the necessary investments to keep supplying the world with enough oil and gas to meet future demand. He said oil prices at \$80-\$85/barrel were sufficient to encourage project investment in the sector. In regards to Iran, he said Total would cease gasoline sales to Iran if the US passed legislation that would penalize fuel suppliers exporting to Iran. Total has been delivering only small amounts of fuel to Iran. Under bills that have been passed by the US Senate and House of



Representatives, but which still have to be combined into one, companies worldwide would be largely prevented from doing business with the US. In regards to Iraq, Total said the political situation in Iraq has not slowed down work on the Halfaya oilfield project. The Halfaya oilfield has estimated reserves of 4.1 billion barrels of oil.

Indonesia's downstream oil regulator, BPH MIGAS, increased its estimate for 2010 gasoline consumption to 23.2 million kiloliters from its previous estimate of 21.4 million kiloliters. It said subsidized diesel consumption is expected to reach 13.1 million kl this year compared with a previous estimate of 11.2 million kl.

### **Production News**

Iraq resumed crude oil exports to Turkey through its northern Kirkuk-Ceyhan pipeline on Monday morning, at a rate of 18,000 barrels/hour following the completion of its repairs. The pipeline was halted following an explosion on Thursday. Separately, an Iraqi official said Iraq's crude oil exports for the first 25 days of April totaled 1.7 million bpd compared with 1.84 million bpd in March due to bad weather and sabotage. So far, Iraq exported a total of 1.4 million bpd from its southern ports in Basra and 300,000 bpd from Kirkuk in northern Iraq.

Total said the Elgin Franklin gas field in the North Sea, with the capacity to produce 19.8 million cubic meters of gas and 62,389 bpd of crude, was in the process of restarting on Monday after it was shut over the weekend.

BP Plc said as lease operator of Mississippi Canyon Block 252, it continues to forge ahead with a comprehensive oil sell intervention and spill response plan following the April 22<sup>nd</sup> sinking of the Transocean Deepwater Horizon drilling rig.

Iran's Oil Minister Massoud Mirkazemi said Iran has the capacity to produce more than 4.1 million bpd of crude oil. He said Iran's policy was not to produce more than 3.6-3.7 million bpd in order to remain within OPEC quotas. Separately, Iran's official IRNA news agency reported that officials from Iran and Iraq have started talks over possible future oil and gas drilling in Iraq. An Iranian diplomat said Iran hopes to sign a deal with Iraq to build an oil export pipeline from Iraq's southern city of Basra to Iran's Abadan refinery within a month.

Kuwait's Oil Minister Sheikh Ahmad al-Abdullah al-Sabah said the country's oil production capacity currently stood at 3.1 million bpd compared with its quota of 2.2 million bpd. He said he would like to see more technical service agreements signed with international companies to develop oilfields in Kuwait. He said oil prices at about \$75 to \$90/barrel would make investments in most projects viable. He also stated that world oil demand over the next five years would increase by 5 million bpd, putting annual demand growth at about 1 million bpd.

Russia plans to export 6.3 million metric tons or 1.5 million bpd of Urals crude in May from its Baltic Sea port of Primorsk, up from 5.9 million tons planned for April. Russia also plans to export 35 cargoes of Urals crude totaling 3.6 million tons from the Black Sea port of Novorossiisk and nine 80,000 ton cargoes of Urals crude from Ukraine's Black Sea port of Yuzhny. It also plans to ship five cargoes of Siberian Light totaled 378,000 tons from Tuapse.

Nigeria cut the official selling price of its Bonny Light and Qua Iboe crude for May loading by 5 cents to dated Brent plus \$1.30/barrel. It however increased the price of its Forcados crude by 5 cents to dated Brent plus \$1.10/barrel. The price of its Escravos crude was also increased by 10 cents to dated Brent plus \$1/barrel.

OPEC's news agency reported that OPEC's basket of crudes increased by 65 cents to \$83.01/barrel on Friday from \$82.36/barrel on Thursday. It also reported that OPEC's basket of crudes fell by 48 cents to \$82.02/barrel in the week ending April 23<sup>rd</sup>.

**Market Commentary**

The oil market on Monday erased Friday's sharp gains as traders feared last week's supportive economic data may also push the Federal Reserve closer to eventually increase interest rates. The crude market posted its high of \$85.63 on Globex. The market however erased its gains and gradually sold off throughout the session following the opening of the open outcry session. It retraced close to 50% of its move from Thursday's low of \$81.73 to its high of \$85.63 as it posted a low of \$83.78 ahead of the close. It settled down 92 cents at \$84.20. The market continued to see some selling pressure in late afternoon trading on Globex and posted a low of \$83.73 on the day. The crude market on Tuesday is seen retracing some of today's losses. The market is seen finding support at \$83.73, \$83.22, \$82.92, \$82.00 and \$81.73. More distant support is seen at \$80.71 and \$80.03. The product markets also ended the session in negative territory. The heating oil market also erased some of Friday's gains as it sold off from its high of \$2.2650 to its low of \$2.2295 late in the session. It settled down 1.34 cents at \$2.2371. The RBOB market also settled down 1.22 cents at \$2.3409 after it too sold off sharply. The market posted a low of \$2.3347 late in the session. The heating oil market is seen finding support at \$2.2295, \$2.2173, \$2.2026, \$2.2017, \$2.1879 and \$2.1744 while support in the RBOB market is seen at \$2.3347, 42.3182, \$2.3034, \$2.2887, \$2.2875, \$2.241 and \$2.2202.

Crude oil June 10 362,596 -5,733 July 10 186,975 +1,706 Aug 10 78,492 +3,653 Totals 1,367,681 +4,361 Heating oil May 27,098 -3,647 June10 92,363 +2,114 July 10 37,448 +466 Totals: 305,872 +1,269 Gasoline May 10 33,015 -3,300 June 10 106,917 +608 July 10 56,529 -834 Totals 322,076 -3,290

<b>Crude Support</b>	<b>Crude Resistance</b>
83.73, 83.22, 82.92, 82.00, 81.73, 80.71, 80.03	84.42, 85.21, 85.63, 85.71, 86.65, 87.25, 87.59, 87.85, 88.80, 89.10, 89.88, 92.75
<b>Heat Support</b>	<b>Heat resistance</b>
2.2295, 2.2173, 2.2026, 2.2017, 2.1879, 2.1744, 2.1620, 2.1402	2.2425, 2.2531, 2.2590, 2.2650, 2.2690, 2.2822
<b>Gasoline support</b>	<b>Gasoline resistance</b>
2.3347, 2.3182, 2.3034, 2.2887, 2.2875, 2.2410, 2.2202	2.3458, 2.35, 2.36, 2.3659

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