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## ***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 29, 2011**

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OPEC Governor for Iran, Muhammad Ali Khatibi said OPEC cannot do anything to ease concerns because there is an excess of sour crude but a high demand for sweet crude. He said the market as a whole is oversupplied. However he said the problem is the quality of crude available.

The head economist at the IEA, Fatih Birol said high oil prices are threatening to disrupt the global economic recovery. He called on OPEC to increase production at its scheduled June 8<sup>th</sup> meeting, warning that prices may

continue to increase otherwise. He said oil demand is expected to increase by up to 3 million bpd over the next few months and prices could continue to rise unless major producers increase their production. He also stated that Brent crude more accurately reflects the cost of oil worldwide, due to supply issues with NYMEX traded WTI crude.

#### **Market Watch**

Federal Reserve Chairman Ben Bernanke said the US economy is not fully recovered from its deep recession with the housing market still weighing on growth. He said home foreclosure rates remain high and many families find themselves owing more for their homes than the homes are worth.

The US Commerce Department said incomes increased by 0.5% following an upwardly revised 0.4% increase in February. Consumer spending increased 0.6% after rising an upwardly revised 0.9% in February. The saving rate held steady at 5.5%. The data showed that the price index for personal consumption expenditures increased by 1.8% on the year, after increasing 1.6% in February. The core PCE price index, excluding food and energy prices, increased 0.9% in the year in the March.

The US Labor Department said higher benefits caused a small increase in US labor costs during the first quarter of 2011. The employment cost index increased 0.6% in the first three months of the year. Wages and salaries increased 0.4% while benefit costs increased by 1.1%.

The Economic Cycle Research Institute said its Weekly Leading Index fell to 129.3 in the week ending April 22<sup>nd</sup> from 131.7 the previous week. It was the lowest level since 129.1 was reported for the week ending March 18<sup>th</sup>. The index's annualized growth rate fell to 7.5% from 7.7% a week earlier.

The Thomson Reuters/University of Michigan's consumer sentiment survey showed that sentiment increased in April. The index increased to 69.8 from 67.5 in March and up from a preliminary reading of 69.6. The survey's barometer of current economic conditions held steady with March's reading of 82.5 while the survey's barometer of consumer expectations increased to 61.6 from 57.9. The survey's one year inflation expectation was unchanged at 4.6%.

New York City business activity in April slowed sharply and employment contracted. The Institute for Supply Management-New York's Current Business Conditions index fell to 56.9 in April from 66.4 in March. The six month outlook index fell to 65.6 from 71.4.

The Institute for Supply Management-Chicago said its index of Midwest business activity fell in April to 67.6 from 70.6 in March.

The European Commission's Euro zone economic sentiment survey for April showed a decline in the sentiment index to 106.2 from 107.3 in March.

**April  
Calendar Averages**  
**CL – \$110.04**  
**HO – \$3.2095**  
**RB – \$3.2679**

NATO warships stopped pro-Gaddafi forces on Friday from laying water mines in the harbor of Misrata, the main rebel held city in western Libya.

More than 200 Shi'ite Muslims protested in Saudi Arabia's oil producing east on Friday in support of Shi'ite Muslims in Bahrain. The gathering in the towns of Awwamiya and Qatif defied a call by leading Shi'ite clerics last week for an end to rallies in the country's Eastern Province.

**Refinery News**

Restart procedures are well underway at BP's 475,000 bpd refinery in Texas City, Texas. It restarted a crude distillation unit and said it would restart a coker unit after a power outage shut fuel production at the refinery earlier this week. It also reported the start up of a residual hydrotreating unit and aromatics recovery units A and B.

Valero Energy Corp said the restart process continues at its Texas City, Texas refinery, with some units already back online. It said it would take a couple of days before the refinery reaches planned rates. Separately, Valero said its crude unit at its Aruba refinery remains down for repairs.

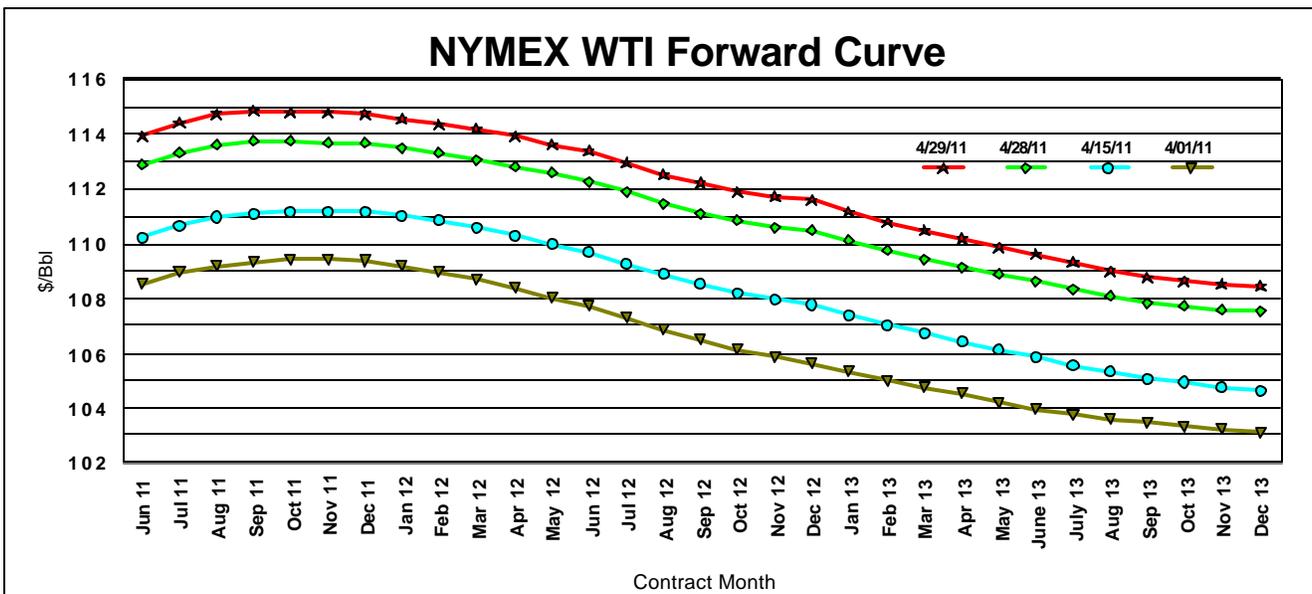
Sunoco Inc restarted a crude unit at the Girard Point section of its 335,000 bpd refinery in Philadelphia following the completion of maintenance and repair work. The isomerization unit was also restarted following repairs. In the Point Breeze section of the refinery, the alkylation unit, hydrodesulfurization unit and unifier units were restarted.

Shell Oil Co is planning to shut cogeneration units 2 and 3 for maintenance at its 145,000 bpd refinery in Anacortes, Washington. It is planning to shut unit 2 for work from May 1<sup>st</sup>-8<sup>th</sup> and unit 3 from May 7<sup>th</sup>-June 1<sup>st</sup>.

Motiva Enterprises reported a flaring event at distilling unit D5 at its Norco, Louisiana refinery.

ExxonMobil reported a flaring event at its 238,600 bpd refinery in Joliet, Illinois. It cited high hydrocarbon levels in the settler unit as the cause of the release.

Tesoro plans to shut its F102 heater for work at its 120,000 bpd refinery in Anacortes, Washington. The maintenance is expected to be carried out from April 28<sup>th</sup> through May 2<sup>nd</sup>. It is also expected to take its Tank #22 out of service until the end of May.



A major turnaround of Syncrude Canada's coker unit is scheduled to begin in September or October. The coker unit is expected to remain down for about 45 days, resulting in a cumulative loss of 4-5 million barrels of production from the oil sands project while the maintenance work is completed.

India's refineries processed 3.31 million bpd in the year ending March 2011, up 3% on the year. India had a refining capacity of 196.38 million metric tons as of October 1, 2010 and is expected to increase to 240 million tons by the end of this fiscal year that started on April 1<sup>st</sup>. In March, India's refineries processed about 3.55 million bpd, up 1.4% on the month.

### **Production News**

Iran Deputy Oil Minister Ahmad Ghalebani said the country plans to increase its oil production by 115,000 bpd until March 2012. According to Iranian authorities, Iran is producing more than 4 million bpd.

Separately, Central Bank of Iran's governor, Mahmoud Bahmani said Iran secured the release of some funds that India had paid for Iranian oil and that had been frozen in Germany. In December, the Reserve Bank of India said that oil trade payments to Iran could no longer be settled using a long standing clearing house system run by regional central banks.

Brazil's Petrobras announced a new oil discovery in the Albacora field in the Campos Basin pre-salt. Preliminary volume estimates indicate an economically recoverable volume potential of about 350 million barrels of light crude.

Thailand's Ministry of Energy reported that the country's crude imports in March fell by 2.3% on the year and by 8.9% on the month to 719,000 bpd. Crude imports in the first quarter averaged 759,000 bpd, down 3.1% on the year. Refined oil product imports fell 32.9% on the year to 38,700 bpd in March and exports fell 24.5% on the year to 123,700 bpd.

Chevron Corp's first quarter earnings increased 36% as it benefitted from higher oil prices and stronger refining margins. It reported a profit of \$6.21 billion, up from \$4.55 billion a year earlier.

France's Total SA reported an increase in its quarterly net income of 35% as higher oil prices help make up for production lost in Libya. Its adjusted net income increased to 3.1 billion euros or \$4.6 billion in the first quarter of 2010 from 2.3 billion a year earlier.

Saudi Arabia may lower the official selling price for June Arab crude as fuel oil margins fall, while leaving values for lighter grades little changed, in an attempt to rebalance sweet and sour supplies.

### **Market Commentary**

The crude market settled higher for the third consecutive session. It was supported by the strength in the gasoline market, which settled in positive territory for the seventh consecutive session. It was also supported the better than expected consumer spending report. The weakening dollar also lent some support to the market. The oil market, which posted a low of \$112.25 in overnight trading bounced off that level and continued to trend higher. The market rallied to a high of \$114.18 ahead of the close and settled up \$1.07 at \$113.93. It traded and settled at its highest level since September 22, 2008. The June gasoline contract settled up 2.88 cents at \$3.3984 following the expiration of the May product contracts. Technically, the markets are seen remaining in their uptrend. The crude market is seen finding support at \$112.57, \$112.25, \$111.69 and \$110.71. Resistance is seen at \$114.18, \$114.68, \$115.63 and \$117.03.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 4,037 contracts to 258,068 contracts in the week ending April 26<sup>th</sup>. The combined futures and options report showed that the funds increased their net long position by 9,875 contracts to 335,553 contracts. Meanwhile, the disaggregated futures and options report showed that managed money funds increased their net long position by 11,202 contracts to 301,118 contracts on the week as the crude market continued to trend higher.

Crude oil: June 11 352,319 +3,709 July 11 206,018 +6,410 Aug 11 78,404 +3,068 Totals 1,602,349 +21,072 Heating oil: June 11 117,267 +3,214 July 11 48,197 -566 Aug 11 28,900 +1,429 Totals 312,116 -1,963 Rbob: June11 100,438 +1,692 July 49,390 +699 Aug 11 27,295 +1,413 Totals 291,964 -2,882

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
11225	11418	32358	32800	33524	34050
11169	11468	32225	32837	33323	35915
11071	11563	32069	32925	32979	36310
10796	11703	31850	33372	32531	
10600	12126	31688		32471	
10470	14933	31325		32363	
10322				31615	

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