



## ***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 MAY 1, 2009**

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Royal Dutch  
Shell has  
resumed  
operations at  
flowstations  
feeding into its  
Trans-Niger oil  
pipeline in  
southern  
Nigeria, two  
weeks after it  
was shut due to  
a fire. It said it  
completed  
repairs at the  
Bomu manifold  
in Ogoniland  
last Monday and  
has restarted  
production.  
Prior to the  
disruption, the  
pipeline  
transported  
about 120,000  
bpd of Bonny  
Light crude.

#### Market Watch

The Commerce Department said factory orders fell 0.9% in March following a revised increase of 0.7% in February. It was the seventh decline in eight months. Initially, February's gain was reported as much higher at 1.8%. Economists had expected a much smaller decline in factory orders of 0.6%. Demand for durable goods fell an unrevised 0.8% in March. Manufacturers' inventories in March fell by 0.8% after falling 1.3% in February.

The Institute for Supply Management reported that its monthly index of manufacturing activity in April increased to 40.1 in April from 36.3 in March. A reading below 50 indicates contraction in the manufacturing sector. The index has been below this threshold for 15 consecutive months. The Reuters/University of Michigan Surveys of Consumers said its final index of confidence increased to 65.1 in April from 57.3 in March. It was the highest level since September 2008 and the largest one month increase since October 2006. The index of current economic conditions increased to 68.3 last month from 63.3 in March.

China's manufacturing expanded for the second month as stimulus spending caused a recovery in its economy. The Purchasing Manager's Index increased to a seasonally adjusted 53.5 in April from 52.4 in March. A reading above 50 indicates an expansion.

The Orkney Islands Council Department of Harbors said a ship to ship transfer of about 500,000 barrels of North Sea Foinaven crude is due to be undertaken in Scapa Flow, Scotland.

Shell said a force majeure however will remain in place for Bonny Light shipments. It remains unclear whether the ruling will be extended to cover the entire month of May. The cause of the fire that shut operations on April 12 is not known.

#### **April Calendar Averages**

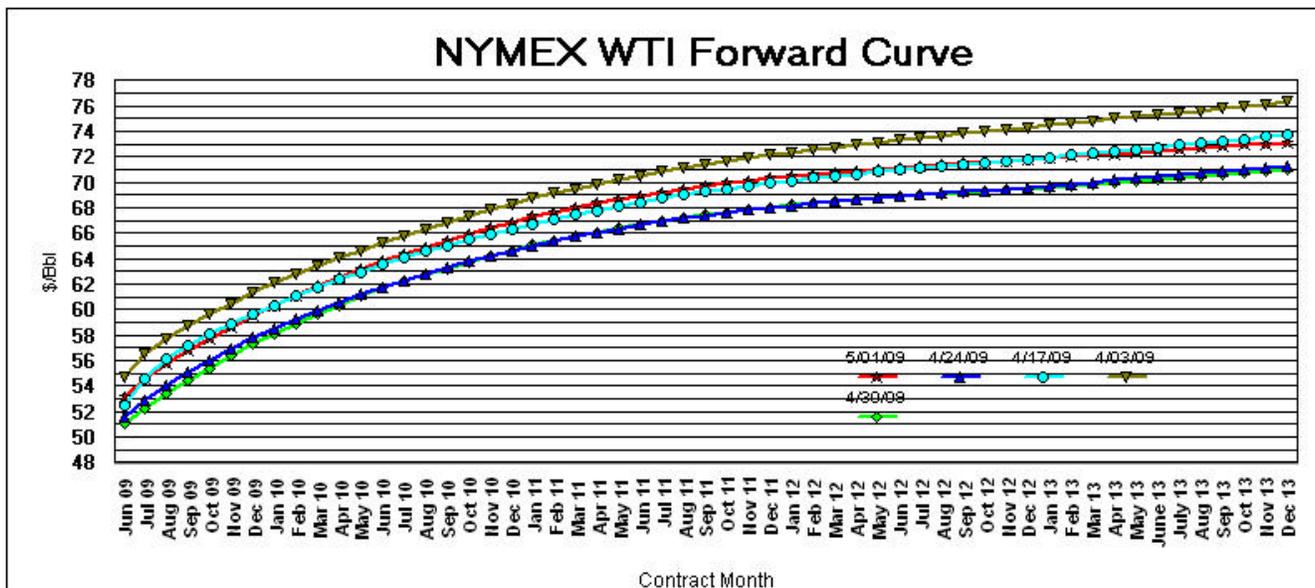
**CL – \$53.20**

**HO – \$1.3884**

**RB – \$1.5174**

#### **Refinery News**

TransCanada Corp, which reported a fall in first quarter profit of 26% to \$280 million, said it is months away from completing the first phase of its Keystone pipeline. The pipeline will carry 1.1 million bpd of oil sands



crude from Alberta to refineries in the US Midwest and US Gulf Coast. It said shipments to Wood River, Illinois refineries can start as early as the first quarter of 2010 or sooner. The timing of deliveries will depend on how long it takes to fill the pipeline with its initial volumes of oil.

Flint Hills Resources said a partial power loss on Thursday caused a crude complex to shut down at the west plant of its 288,000 bpd Corpus Christi, Texas refinery. Power was restored later on Thursday.

ConocoPhillips started about 20 days of planned maintenance at its 152,000 bpd Borger, Texas refinery. Several units, including a gas oil desulphurization unit, a SCOT unit and a reformer, were taken out of service early Friday. The maintenance is expected to end on May 21<sup>st</sup>.

Valero Energy Corp said it is starting a 21 day turnaround on a crude unit and fluid catalytic cracker at its 170,000 bpd McKee, Texas refinery on Friday. It will also shut an alkylation unit for maintenance work.

Shell Oil Corp expects its 145,000 bpd Anacortes, Washington refinery to return to normal operations early next week or sooner. The refinery was shut due to an unexpected interruption of power from Puget Sound Energy on April 23<sup>rd</sup>. Shell declared a force majeure on crude oil receipts following the shutdown. The duration of the force majeure situation is unknown at this time.

Spain's Repsol SA YPF said a planned refinery strike has been averted after it reached a preliminary agreement with trade unions. Operations at the Puertollano, La Coruna and Tarragona will not be disrupted. The three refineries have a combined capacity of 420,000 bpd. Union workers were due to strike at the refineries starting May 3<sup>rd</sup>.

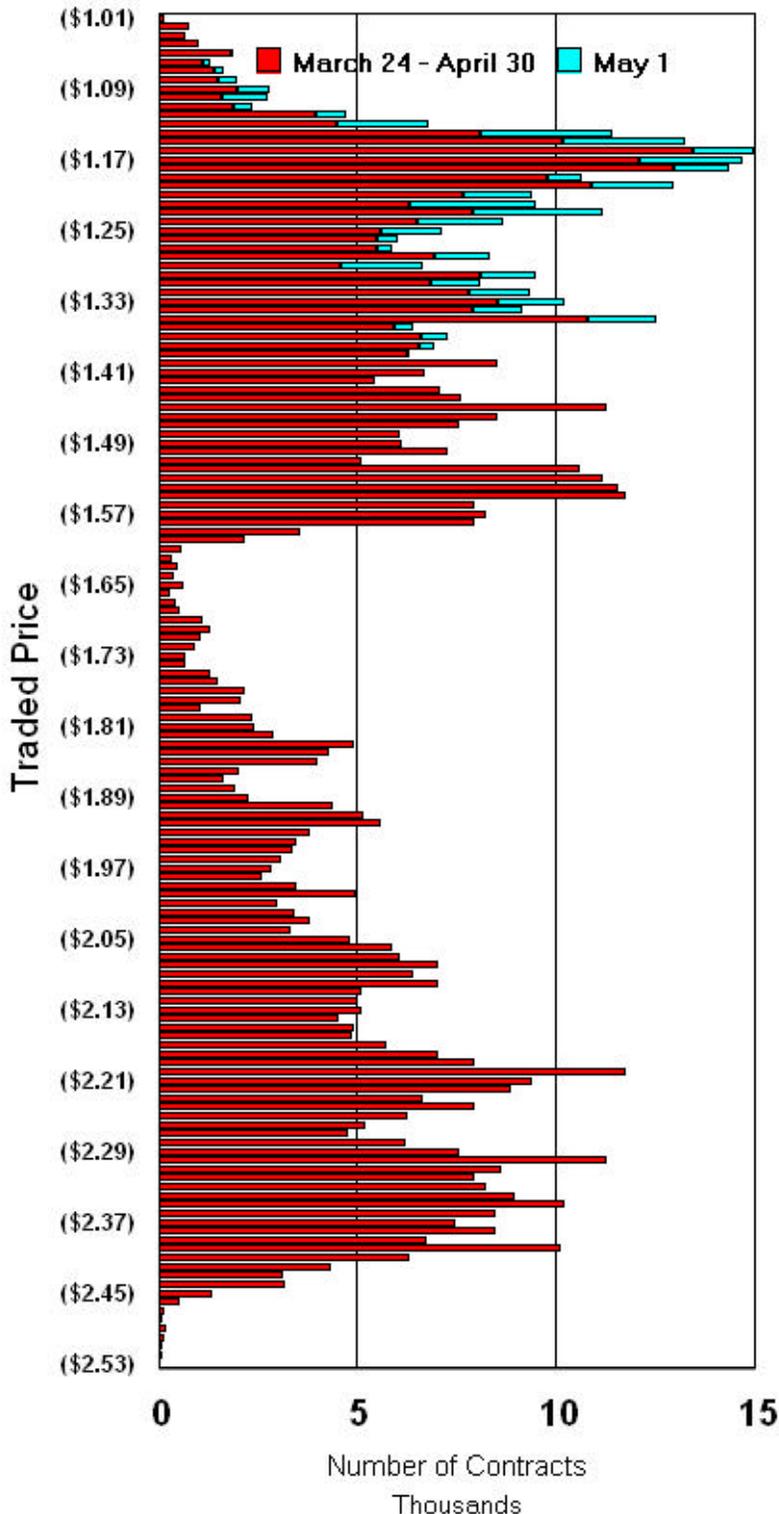
Japan's Seibu Oil Co Ltd raised the capacity of a catalytic reformer unit at its Yamaguchi refinery by 2,000 bpd to 21,000 bpd.

Indonesia's diesel inventories fell by 20% to 24 days' worth of supply after months of oversupply forced state oil company, Pertamina, to nearly halt imports. Meanwhile, Pertamina has increased its gasoline stocks to the equivalent of 20 days of demand, up from 17.6 days on April 8<sup>th</sup>. Pertamina is set to import 8.6 million barrels of oil products this month, the highest level since last December. Its diesel

## NYMEX WTI: June July Spread

### Price Vs Volume for March 24 - May 1, 2009

Trade Weighted 4/29 -1.18, 4/30 -1.14, 5/1 -1.22



imports are expected to increase to 2.4 million barrels in May from 1.2 million barrels in April. Its gasoline imports are expected to fall to 5.4 million barrels, down from 6 million barrels in April.

A senior Energy Ministry official in Indonesia said the country may provide additional incentives to investors to build new oil refineries. Indonesia needs to build new refineries to meet increasing domestic demand reduce imports. Pertamina has nine refineries in the country with a combined capacity of about 1 million bpd, which supplies only 70% of domestic oil product consumption while 30% comes from imports. One incentive under consideration is to allow the new refineries to sell oil products to the domestic market at the international market price.

### Production News

Baker Hughes Inc said the number of rigs searching for oil and natural gas in the US fell this week by 10 to 945. It said the number of rigs searching for oil fell by 6 to 196 while the number the rigs searching for natural gas fell by 1 to 741.

According to a Reuters survey, OPEC's oil production, except Iraq, fell to 25.52 million bpd in April from a revised level of 25.63 million bpd in March. The survey suggests OPEC has complied with 84% of its output cut. Supply from OPEC members bound by production limits, was 680,000 bpd higher than their target of 24.84 million bpd. OPEC has cut its production by 3.52 million bpd. OPEC's total oil production fell by 40,000 bpd to 27.82 million bpd. The majority of the cut was made by Nigeria, which cut its production by 70,000 bpd to 1.71 million bpd amid the disruptions to oil facilities. Saudi Arabia maintained its production at 7.95 million bpd while Iran increased

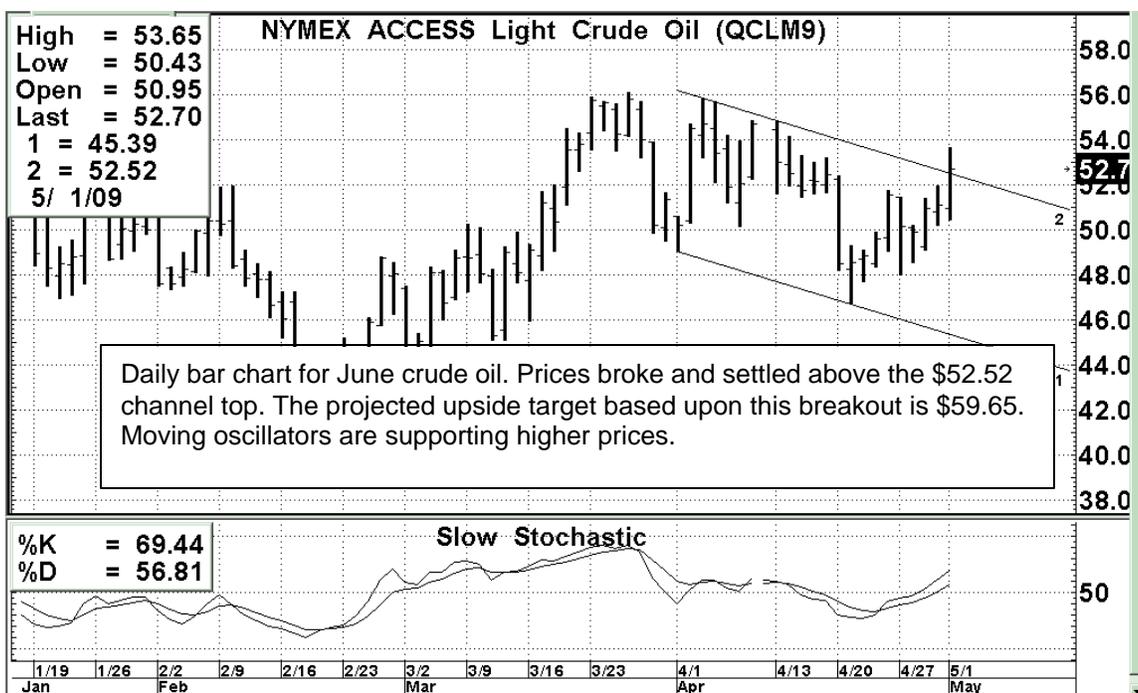
its production by 40,000 bpd to 3.7 million bpd. Iraq's oil production increased by 70,000 bpd to 2.3 million bpd.

Mexico's Pemex said it will operate normally despite the May 1-5 shutdown of nonessential economic activities ordered by the government to combat the spread of the swine flu. Pemex will operate with the minimum number of staff necessary to keep its facilities running as usual.

Brazil's Petrobras started a 16 month test at the Tupi field on Friday. The first well, 1-RJS-646, will produce about 14,000 bpd. Testing of the well will continue for six months. A second well, 9-RJS-660, is expected to produce about 15,000 bpd during a nine month test. In December 2010, Petrobras plans to start a pilot production program at Tupi. The Tupi field is expected to produce 100,000 bpd of crude and 4 million cubic meters of natural gas.

Chevron Corp reported earnings of \$1.84 billion in the first quarter of 2009 compared with \$5.17 billion in the first quarter of 2008. Chevron's Chairman and CEO Dave O'Reilly said production increases in the first quarter included volumes from start up of deepwater projects last year at Agbami in Nigeria

and Blind Faith in the US and from expansion activities completed last year at Tengiz in Kazakhstan. Deepwater production start ups in 2009 are scheduled at 58% owned Tahiti in the US Gulf of Mexico with maximum oil-equivalent



production estimated at 135,000 bpd, 31% owned Tombua-Landana in Angola, with production of 100,000 bpd and 52% owned Frade in Brazil with production of 90,000 bpd. It said worldwide oil-equivalent production was 2.66 million bpd in the first quarter of 2009, up 64,000 bpd on the year. US upstream earnings of \$21 million in the first quarter of 2009 was down \$1.6 billion from the year ago period on sharply lower oil and natural gas prices. Net oil-equivalent production of 671,000 bpd in the 2009 period was down 44,000 bpd.

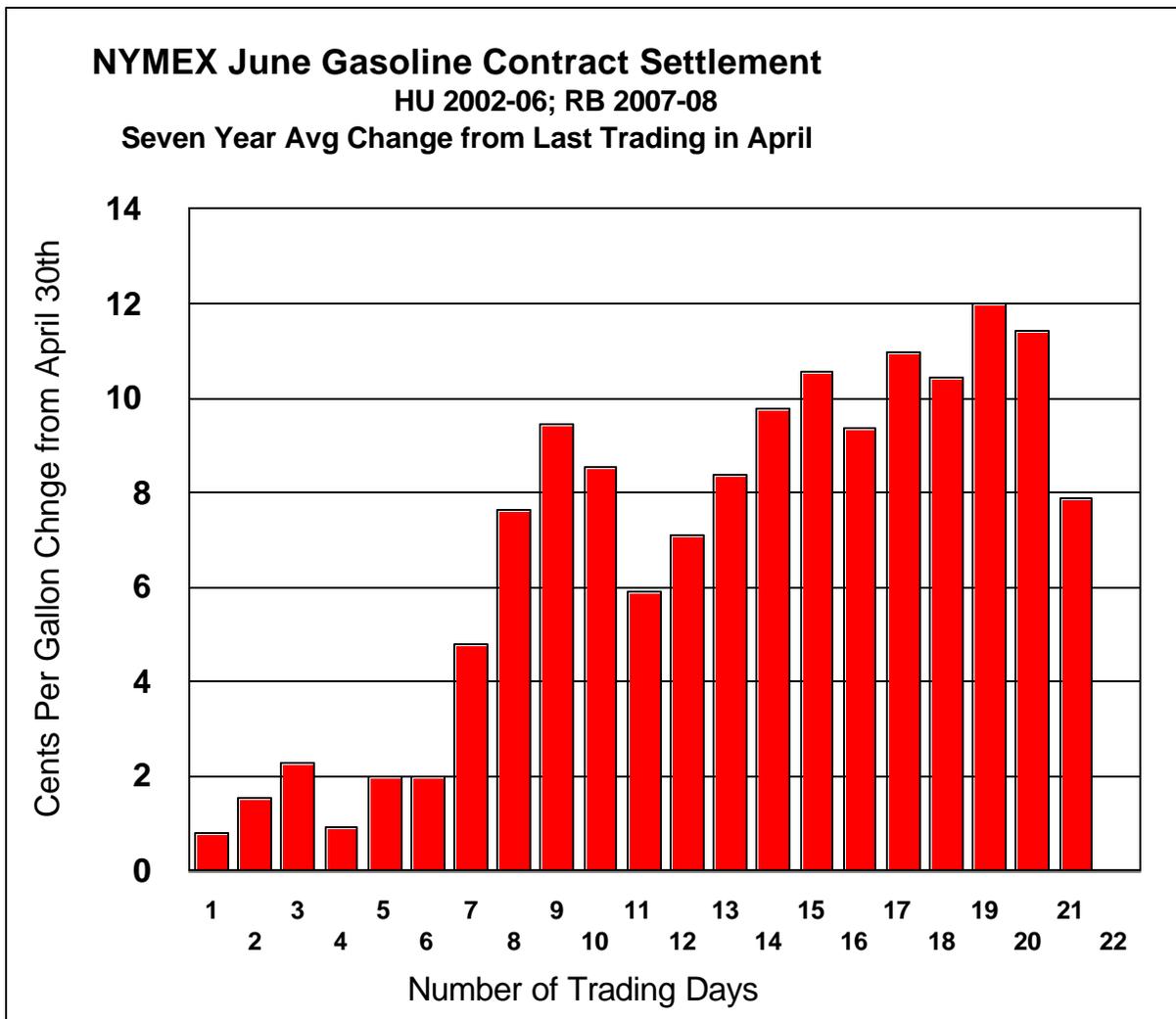
Woodside Petroleum Ltd reaffirmed its annual production guidance, despite a fire disrupting output offshore Western Australia state. Woodside is targeting production of 81 million-86 million barrels of oil equivalent in 2009. It said it does not expect its Vincent project offshore Western Australia to resume operations until the end of June following its closure in mid-April. It is losing about 500,000 barrels/month while the facility remains shut.

**Market Commentary**



Crude Oil (CL) JUN.09 313,829 +3,900 JUL.09 206,903 +8,055 AUG.09 64,111 +2,743 SEP.09 42,464 +524. Totals: 1,167,380 +16,560 N.Y. Heating Oil (HO) JUN.09 71,758 +2,731 JUL.09 34,527 -55 AUG.09 20,345 -41 SEP.09 16,864 +220 Totals: 264,677 -28 NEW YORK HARBOR RBOB (RB) GASOLINE JUN.09 86,081 +2,732 JUL.09 36,732 +1,460 AUG.09 22,031 +136 SEP.09 18,673 -188 Totals: 206,745 -40

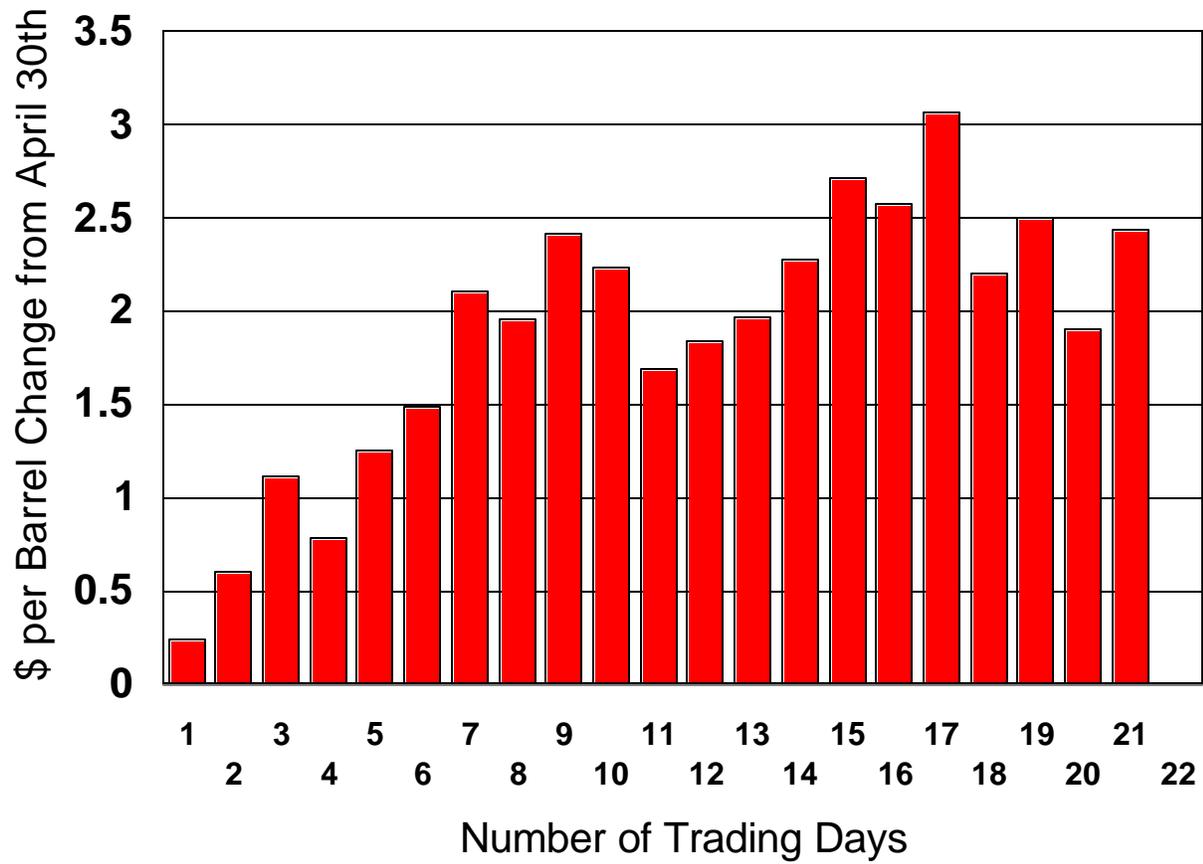
The latest Commitment of Traders report showed that non-commercials in the crude market switched from a net short position of 14,605 contracts to a net long position of 308 lots in the week ending April 28<sup>th</sup>. The funds cut their total short position by 20,988 contracts to 174,000 contracts. Meanwhile, the combined futures and options report showed that non-commercials increased their net long position by 1,747 contracts to 76,894 contracts on the week. Given the market's move and the build in open interest in recent trading days, the non-commercials have continued to add to their net long positions. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market cut their net long position by 3,427 contracts to 17,169 contracts while non-commercials in the RBOB market cut their net long position by 5,100 contracts to 41,096 contracts on the week.





# NYMEX July WTI Contract Settlement

## Seven Year Avg Change from Last Trading Day in April



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