



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
& Karen Palladino

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR MAY 7, 2009**

---

Qatar's Oil  
Minister bin  
Abdullah Al  
Hamad said  
Attiyah will  
OPEC discuss  
will discuss  
how to deal  
with oil  
market  
speculators  
at its next  
meeting. He  
declined to  
comment on  
whether or not  
OPEC members  
are likely to  
cut or hold  
their production  
steady.

According to  
Barclays  
Capital, OPEC  
is unlikely to  
announce a  
further output  
cut at its next  
meeting as  
prices stabilize.  
It said OPEC  
will likely keep  
production  
targets  
unchanged as  
long as crude

#### Market Watch

The US Labor Department said initial claims for state unemployment benefits fell by 34,000 to 601,000 in the week ending May 2<sup>nd</sup>. It is the fourth decline in five weeks. The four week average fell by 14,750 to 623,500, the lowest level since mid-February. According to the report, continuing unemployment claims increased by 56,000 to a record high of 6,351,000. The unemployment rate for workers with unemployment insurance increased 0.1% to 4.8%, a 26 year high. Meanwhile, the Labor Department reported that non-farm business productivity in the first quarter increased 0.8% at an annual rate. It is more than double the 0.3% increase economists had expected. Productivity fell by 0.6% in the fourth quarter of 2008. Unit labor costs increased 3.3% last quarter at an annual rate.

The Baltic Exchange's main sea freight index, which gauges the cost of shipping resources including iron ore, cement, grain, coal and fertilizer, increased 6.25% on Thursday to 2,194 points due to continued Chinese demand for iron ore and other commodities.

According to an Industry Economic & Ratings Outlook, the collapse of crude and natural gas prices will make 2009 difficult for the exploration and production sector, particularly for speculative grade companies. They will experience dramatically reduced prices and credit measures while liquidity for some companies can also become an issue. Despite the sector's favorable start to 2009, Standard & Poor's Ratings Services believes operating margins in the next 12 months will remain uncertain.

Barclays Capital technical analysts said oil prices may rise to \$71.55/barrel within two months as prices complete an inverted head and shoulders formation.

Tokyo Electric Power Co won approval on Thursday to restart the 1,356 Mw No. 7 reactor at its Kashiwazaki-Kariwa nuclear plant nearly two years after it was damaged in an earthquake. The restart could cut TEPCO's annual fuel purchases by more than 70 billion yen or \$713 million and cut carbon dioxide emissions by 5 million tons. An official at Japan's Institute of Energy Economics said that at a 75% run rate the No. 7 reactor will generate 8.9 billion kilowatt hours of power annually, which is equivalent to burning 2.1 million kiloliters or 37,000 bpd of fuel oil.

Venezuela's Congress approved legislation allowing the nationalization of a group of oil service companies. The legislation will make it easier for the government to seize assets owned by companies such as Halliburton and Schlumberger as PDVSA builds up billions of dollars in debts with contractors amid low oil prices. The move could lead to further declines in the country's oil production.

**April Calendar Averages**  
**CL – \$54.91**  
**HO – \$1.4411**  
**RB – \$1.5938**

prices remain around current levels and inventory growth continues to decline.

Oil Movements reported that OPEC's crude exports, excluding Angola and Ecuador, in the four weeks ending May 23<sup>rd</sup> are estimated to fall by 130,000 bpd to 22.15 million bpd. Middle East shipments are expected to fall by 270,000 bpd in the four weeks to 15.96 million bpd. OPEC's compliance with the supply cuts is about 80%, which has been unchanged for a number of weeks.

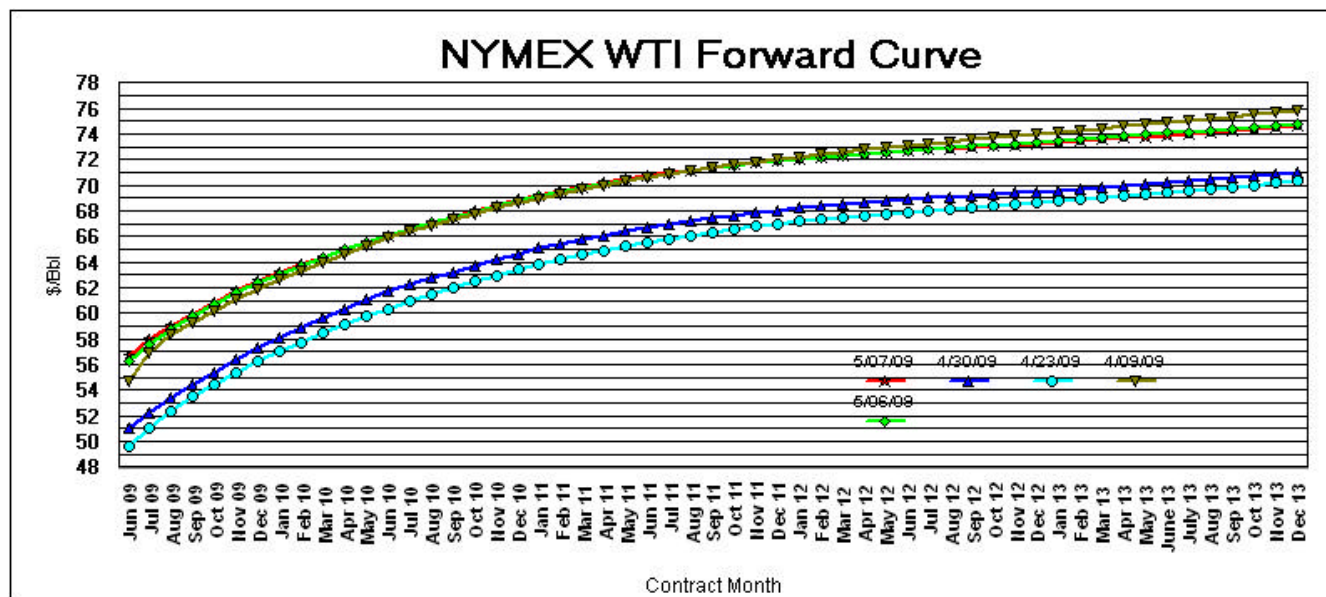
US consumption of refined products remains weak, with demand averaging 18.212 million bpd in the four weeks ending May 1, down 2.399 million bpd on the year. Gasoline demand has fallen by 224,000 bpd, jet fuel demand has declined by 147,000 bpd while residual fuel demand has declined by 319,000 bpd. However distillate demand has declined by 661,000 bpd or 15.8% on the year. Over the last three years, refiners have been exporting record volumes of distillate to Asia and Latin America to stem the rise in inventories and ease downward pressure on refinery margins. The pace of exporting seems to have increased further this year as domestic demand has fallen. However inventories continue to build. Distillate stocks are up more than 10 million barrels since early January despite a colder than average winter and are almost 24 million barrels higher than last year's level. Distillate stocks look set to increase further over the next four months as refiners produce more diesel and heating oil as an unwanted co-product of gasoline production.

**Refinery News**

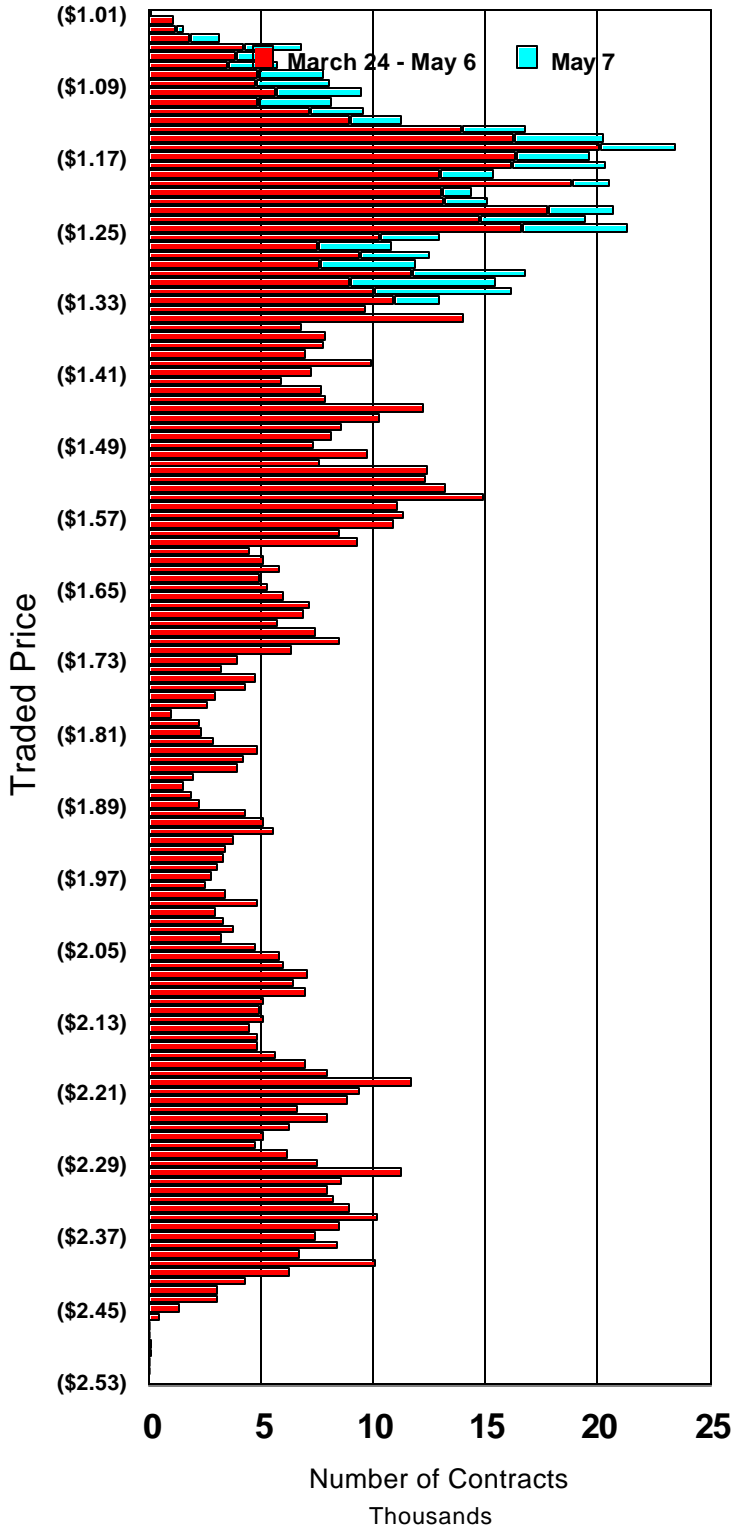
Total Petrochemicals is preparing to restart Unit 813 at its 232,000 bpd refinery in Port Arthur, Texas on Thursday. Total also said it will begin the orderly shutdown of Unit 837 at its Port Arthur, Texas refinery for maintenance on Thursday. It is expected to restart on May 21<sup>st</sup>.

Delek US Holdings failed to start up a fluid catalytic cracking unit at is 58,000 bpd Tyler refinery in Texas due to equipment failure. The plant is preparing to attempt a second start up of the fluid catalytic cracking unit on Thursday.

ExxonMobil Corp shut a fluid catalytic cracking unit at its 500,000 bpd Baton Rouge, Louisiana refinery after a flex joint failure on a boiler plate caused a release of carbon monoxide. Nine refinery workers were treated for exposure to carbon monoxide. The fluid catalytic cracking unit will remain closed until repairs are completed.



**NYMEX WTI: June July Spread**  
**Price Vs Volume for March 24 - May 7, 2009**  
 Trade Weighted 5/5 -1.65, 5/6 -1.21, 5/7 -1.02



Alon USA Energy Inc will take 10 weeks to restart a naphtha hydrotreater unit at its Paramount refinery in California following a malfunction in April.

Murphy Oil Corp's Meraux, Louisiana refinery is operating at 10,000 bpd below its 120,00 bpd capacity due to low demand for motor fuels. Its 34,300 bpd Superior, Wisconsin refinery is operating at 32,000 bpd as it makes asphalt in preparation for the summer roadway paving season.

Holly Corp is operating its Navajo refinery in Artesia, New Mexico at about 90,000 bpd after an expansion project finished in the first quarter.

Tesoro Corp is planning turnarounds at its hydrocracking units at two of its refineries in California. A 39 day turnaround will shutdown a hydrocracker and reformer unit this quarter at the 166,000 bpd at the Golden Eagle refinery in Martinez, California. It is also scheduled to conduct a similar turnaround at its 97,000 bpd refinery in Wilmington, California in the fourth quarter.

Frontier Oil Corp said its 130,000 bpd refinery in El Dorado, Kansas ran at an average rate of 125,000 bpd during the first quarter of 2009.

Irving Oil shut a fluid catalytic cracking unit at its 300,000 bpd refinery in St. John, New Brunswick, Canada for work. The refinery exports a total of 175,000 bpd of gasoline, including 100,000 bpd to the US Northeast.

ConocoPhillips plans to shut Ireland's only crude oil refinery, with a capacity of 71,000 bpd, in the third quarter for maintenance and inspections. The halt is likely to occur in August and last about a month.

Petroplus Holdings' 117,000 bpd Teesside refinery in the UK is in safe

shutdown mode for the second quarter ahead of its potential sale or conversion to a terminal or storage facility. Petroplus has stopped buying crude for the facility. Meanwhile, the company is planning a full maintenance turnaround at its 172,000 bpd Coryton refinery in the UK for the fourth quarter. The turnaround is expected to affect all refinery units and last about 55 days.

Sinopec Corp's expanded 240,000 bpd Fujian refinery started pumping crude into its new facility in late April. The refinery is expected to reach normal operating rates as early as July.

China's top refineries will cut their crude oil processing in May by about 6% from April due to major planned maintenance, the first cut this year after refineries increased their runs earlier this year in anticipation of a recovery in demand. Twelve major refineries plan to process 2.34 million bpd of crude in May, down from 2.49 million bpd in April.

China will cut its oil product exports in May after four months of rising exports, as domestic inventories fall during this month's heavy refinery maintenance and some expected recovery in fuel demand. Gasoline exports for May will hold steady to April levels at 180,000 tons while diesel shipments will fall to a four month low of 180,000 tons.

India's government data showed the country's total crude oil imports increased to more than 2.5 million bpd, up more than 5% from the previous year.

Indian Oil Corp issued two new tenders for July loading crude oil. In its tender for June, IOC bought 10 million barrels of June loading West African crude while its first tender for July, IOC bought 4 million barrels of West African crude from Vitol.

Gasoline inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending May 7<sup>th</sup> fell by 18% on the week and by 34.14% on the year to 656,000 tons as gasoline cargoes were shipped to the Mediterranean, the US, Gibraltar, Nigeria and Mexico. Gas oil inventories built by 5.8% on the week and by 126.9% on the year to 2.48 million tons while fuel oil stocks fell by 2.38% on the week and by 15.23% on the year to 657,000 tons. Naphtha stocks built by 102.78% on the week but fell by 48.59% on the year to 73,000 tons while jet fuel stocks increased by 16.51% on the week and by 281.63% on the year to 748,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks in the week ending May 7<sup>th</sup> built by 1.921 million barrels on the week to 22.452 million barrels. It also reported that Singapore's light distillate stocks fell by 463,000 barrels to 8.782 million barrels while its middle distillate stocks built by 156,000 barrels to 10.831 million barrels on the week.

### **Production News**

Chevron Corp reported that in the first quarter, its worldwide net oil equivalent production averaged 2.66 million bpd. During the period, net oil production was limited by about 50,000 bpd due to quotas imposed by OPEC. In the US during the first quarter, about 35,000 bpd of oil equivalent production remained offline as a result of damage caused by hurricanes in the Gulf of Mexico last September. Restoration of these volumes is expected to occur as repairs to third party pipelines and production facilities are completed. Its international net oil equivalent production was 1.99 million bpd in the first quarter, up 6% on the year while its net oil equivalent production in the US was 671,000 bpd in the first quarter of 2009, down 44,000 bpd on the year. Crude oil inputs to the company's refineries in the US were 938,000 bpd in the first quarter of 2009, up 5% on the year.

Suncor Energy Inc's production at its oil sands facility during April averaged about 304,000 bpd. Year to date oil sands production at the end of April averaged about 284,000 bpd. Suncor is targeting average oil sands production of about 300,000 bpd this year.

Kuwait National Petroleum Co said the country halted exports of crude oil and products on Thursday due to bad weather conditions. A shipper said there was no disruption to exports from Saudi Arabia.

BP Plc said UK North Sea Forties Blend crude production is expected to total 690,000 bpd in May, 680,000 bpd in June and 678,000 bpd in July. However production will fall to 365,000 bpd in August, down 46% on the month. BP did not state the reason for the sharp fall in production however traders said it may be due to planned maintenance at the Buzzard field and the Forties Pipeline System.

Indonesia's Energy Ministry is offering 24 oil and gas blocks for exploration, part of its efforts to increase production. Indonesia has 8.2 billion barrels of proven and potential oil reserves and 170 trillion cubic feet of natural gas reserves.

A senior Iraqi oil official said Iraq is expected to invite certain international companies to compete for developing the southern portion of East Baghdad oil field. The East Baghdad field is currently producing about 17,000 bpd and is estimated to hold reserves of 7.5 billion barrels.

Ecuador's central bank reported that the country exported 29.8 million barrels or 331,400 bpd in the first three months of the year, down 11% from 33.41 million barrels or 367,143 bpd reported last year.

A Chinese energy industry website said that China cancelled a fuel price increase for unknown reasons. Earlier reports stated that China's retail diesel prices would increase by 500 yuan/ton and its gasoline prices by 520 yuan/ton effective from Friday.

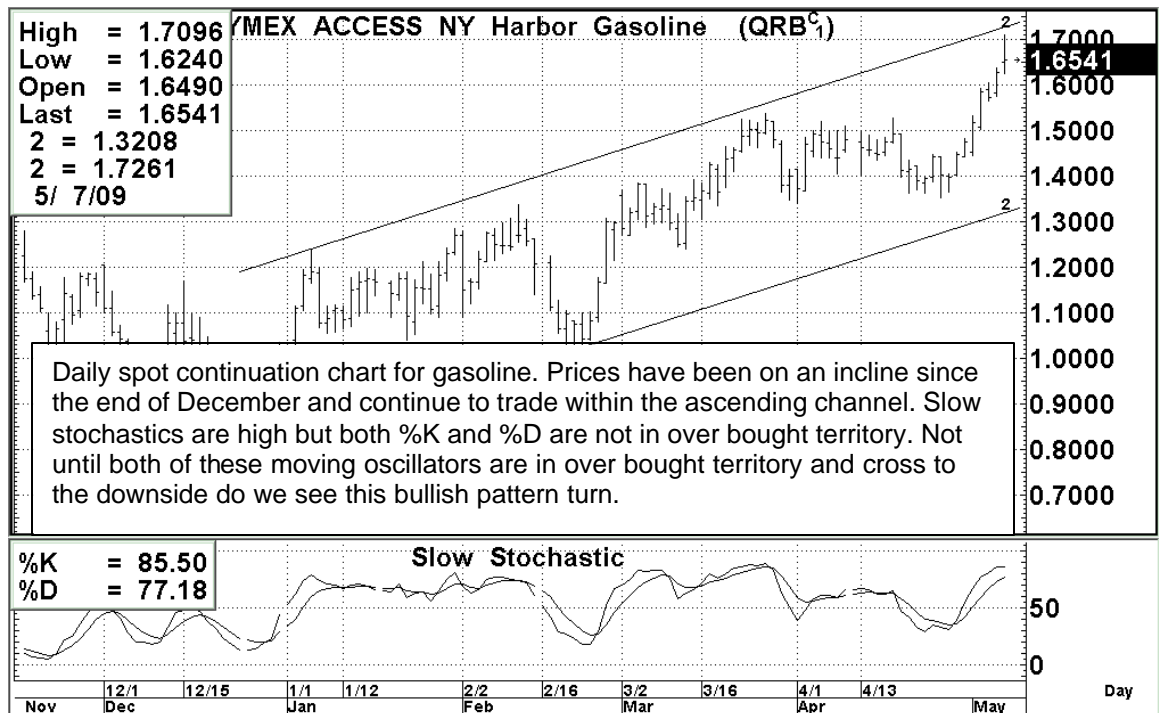
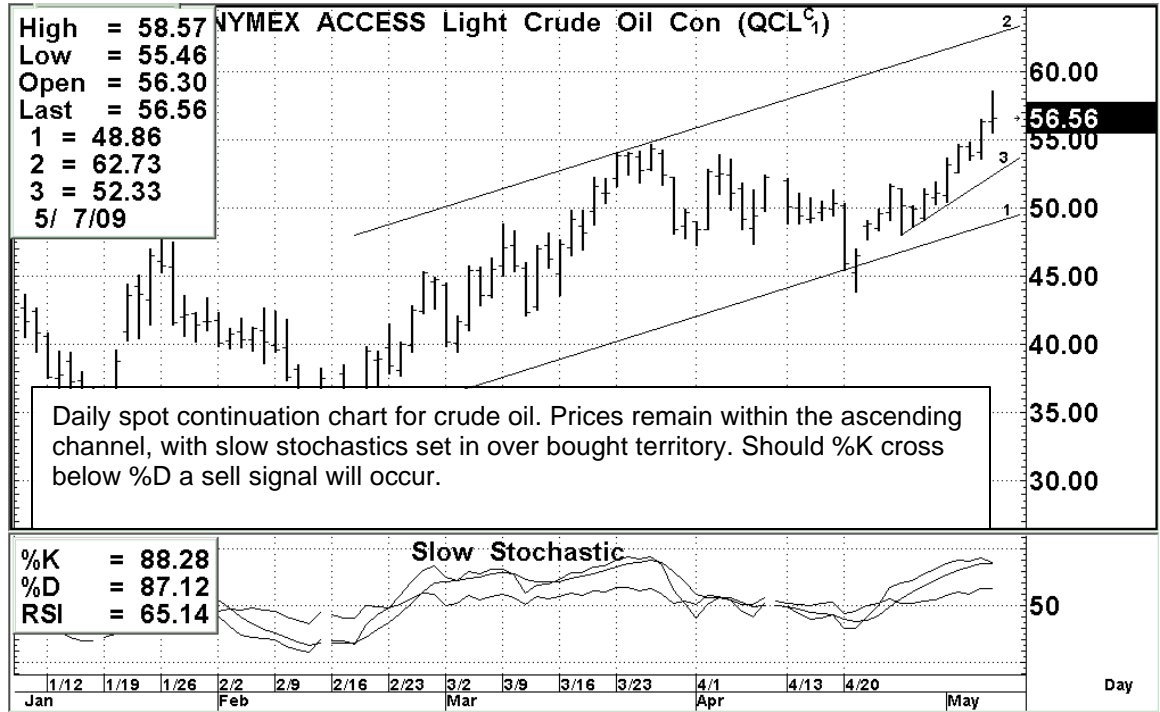
China has signed five loan-for-oil deals since February this year as it seeks to secure long term energy supplies. China Development Bank will lend \$15 billion to Russia's Rosneft and \$10 billion to Transneft in return for supplies from new East Siberian oilfields for the next two decades. China Development Bank finalized a deal to extend a \$10 billion line of credit to Petrobras for future supplies. China will also give \$4 billion in financing to PDVSA and \$5 billion to Angola to rebuild its infrastructure. China's Chinese National Petroleum Company will also enter into a \$5 billion financing deal with Kazakhstan's state oil company.

OPEC's news agency reported that OPEC's basket of crudes increased to \$54.09/barrel on Wednesday from \$52.71/barrel on Tuesday.

### **Market Commentary**

Energy prices edged higher today in response to a more positive economic outlook. A release of weekly U.S. unemployment rates indicate that jobless claims fell to the lowest level in three months, dropping 34,000 to 601,000 in the week ending May 2. This is the lowest level since January. Although this optimism is not reflected in supply and demand, hope is that demand will pick up as the year progresses. The June crude oil market reached its highest level since January, topping the day at \$58.67. The true fundamentals of the market do not support higher prices and therefore a correction is due. We have seen part of this correction during a late day sell off. A wave of selling came into the market as the June crude oil contract broke below the \$57.00 level. At this point in time, the market will remain sensitive to economic news and not until we can see steady increases in demand do we think any moves higher can be sustained. Gasoline continues to trend within the ascending channel that began to form towards the end of December. We remain bullish of this market based upon the historical seasonality mentioned in our past two wires. The aforementioned channel will begin tomorrow's session set between \$1.3320 and \$1.7372. We would look for prices to work towards the top of this channel. A break above the top of this channel sets prices up for a test at the projected upside objective of \$2.1424.

Crude Oil (CL) JUN.09 278,836 -15,573 JUL.09 235,080 +3,983 AUG.09 73,399 +125 SEP.09 48,679 +1,983 Totals: 1,189,469 -8,485 N.Y. Heating Oil (HO) JUN.09 61,312 -2,396 JUL.09 35,765 +1,249 AUG.09 20,811 -11 SEP.09 17,587 +484 Totals: 255,622 - 151 NEW YORK HARBOR RBOB (RB) GASOLINE JUN.09 79,169 -3,615 JUL.09 42,818 +2,494 AUG.09 24,073 +295 SEP.09 19,301 +690 Totals: 209,195 + 525



<b>Crude Support</b>	<b>Crude Resistance</b>
55.45, 53.45, 52.33, 46.68, 45.10, 44.50, 43.80, 40.00, 38.95, 32.25, 29.66, 28.63, 26.65, 25.50	59.20, 59.66
<b>Heat Support</b>	<b>Heat resistance</b>
1.2715,1.2300, 1.1359, 1.1095, 1.0520	1.5520, 1.6025, 1.6475, 1.6688, 1.6715
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.5370, 1.5260, 1.3560, 1.3400, 1.31.80,1.2700, 1.2625 1.1680,1.0128, .9590,	1.7372, 1.7555, 1.8800, 2.0700

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.