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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR NOVEMBER 13, 2009**

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OPEC's President Jose Botelho de Vaconcelos said OPEC should keep oil production unchanged at its December meeting due to high oil stocks and weak fundamentals in the world economy. He said that even though many in the group were inclined to maintain the current levels of production, OPEC has the capacity to increase production at any time.

Iran's Oil Minister Massoud Mirkazemi said an oil price of around \$70/barrel is

not good for Iran and added that prices needed to be higher to justify energy sector investment.

Saudi Aramco chief executive Khalid Al-Falih said the company saw signs of oil demand recovery led by China, although overall demand was still lower than last year. Aramco plans to supply China with 1 million bpd of crude. The 1 million bpd figure would be nearly 30% more than actual exports from Saudi Arabia seen in the first nine months of the year.

Iran's armed forces chief of staff General Hassan Firouzabadi said he supported proposals for Iran to ship out most of its stocks of low-enriched uranium in return for fuel for a reactor designed to produce medical isotopes. He said he had no particular issue with the amount of low-enriched uranium that Iran ships out, 1,200 kilograms under the proposals drawn up by the UN's IAEA.

#### **Market Watch**

Bank of America-Merrill Lynch increased its 2010 US crude oil price forecast to \$85/barrel from \$75/barrel. It said a combination of tighter physical oil supply and demand fundamentals, loose monetary policy and a weaker US dollar are creating an increasing risk for oil prices to rally above \$100 ahead of 2011.

ExxonMobil Corp's chief executive Rex Tillerson sees winter oil demand having a limited effect in reducing a world fuel inventory oversupply and added that there needs to be an increase in industrial and transport demand to bring stocks back to normal. He said the weak US dollar has pushed crude oil prices \$20-\$25/barrel higher over the past couple of years.

The US Labor Department reported that US import prices posted their seventh increase over the past eight months in October, led by higher fuel prices. Import prices increased by 0.7% in October. This follows a revised 0.2% increase in September. The core inflation rate fell to a 1.4% annual rate in the third quarter from 2% in the second quarter. Prices for import fuel increased by 1.8% in October as natural gas prices increased by 24.1%. Petroleum import prices increased by 0.9% in October.

The Commerce Department reported that the US trade deficit widened more than expected in September, reaching \$36.5 billion as rising imports continued to offset export gains and the trade gap with China reached its highest level in nearly a year. It reported that the US paid \$19.51 billion for crude oil imports in September, up from \$17.38 billion in August. The total US bill for all types of energy-related imports increased to about \$24.87 billion from \$22.39 billion in August.

**November  
Calendar Averages**  
**CL** – 78.62  
**HO** – 2.0399  
**RB** – 1.9724

Royal Dutch Shell said suspected oil thieves in Nigeria have increased their attacks on its oil facilities. Shell said suspected thieves sabotaged five oil wellheads in the Niger Delta since August 14<sup>th</sup>. No production was affected since most of the oilfields were already shutdown because of insecurity in the region. Shell said four of its damaged oil wellheads were under control. However its Odidi 36 oil wellhead in Delta state continues to leak three months after the suspected sabotage.

**Refinery News**

Colonial Pipeline Co extended restrictions on gasoline shipments to the Northeast region of the US as nominations continue to exceed the pipeline’s capacity and the company’s ability to maintain its five day lifting cycle. It enacted the Capacity Allocation Program or CAP to the 66<sup>th</sup> cycle shipments through its gasoline mainline, Line 01, between Collins, Mississippi and Greensboro, North Carolina. Gasoline shipments continue to the Northeast through a mixed product pipeline from Greensboro to Linden, NJ.

ConocoPhillips’ 146,000 bpd Borger, Texas refinery started repairs of its Unit 34 sulfur recovery unit and tail gas treatment unit on Thursday. Feed to the unit will be shut down and diverted to Unit 43 sulfur recovery unit to prevent flaring during unit shutdown.

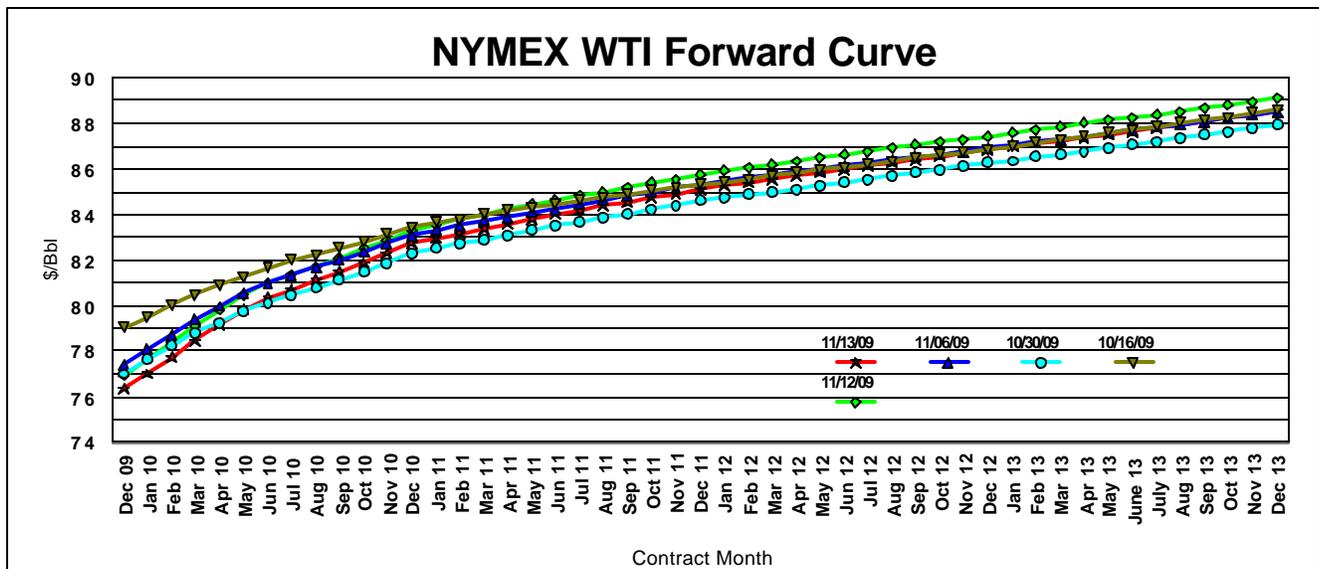
Valero Energy Corp is restarting a storage tank that was undergoing maintenance at the West Plant of its 340,000 bpd Corpus Christi, Texas refinery. The tank has been undergoing maintenance since Monday.

ExxonMobil Corp restarted a vacuum distillation unit at its 238,600 bpd refinery in Joliet, Illinois earlier this week following the completion of maintenance work.

Alon USA said a turnaround at its 83,100 bpd refinery in Krotz Springs, Louisiana started on November 1<sup>st</sup> with preliminary estimates of the turnaround lasting 45 days. The company also said the alkylation unit at its 70,000 bpd Big Spring, Texas refinery was in the completion phase and start-up of the unit is planned by year end.

Royal Dutch Shell Plc said maintenance that had started Thursday morning on a unit at its Scotford refinery in Alberta, Canada would cause flaring for a 24 hour period.

ExxonMobil is evaluating investments in its Singapore refinery to produce clean diesel to meet the



region's increasing demand for cleaner fuel products. It is expanding its integrated refinery and petrochemical complex in Singapore, which will become its largest downstream facility in the world.

Saudi Arabia's Oil Minister Ali al-Naimi said the country's overall downstream investment will double its refining capacity in Saudi Arabia and abroad by 2015. It is building two new refineries in Saudi Arabia with a combined capacity of 800,000 bpd. This is part of a \$100 billion investment plan involving maintaining and increasing oil and gas production capacity and adding refining facilities in and out of Saudi Arabia.

Germany's MWV reported that the country's oil product sales in October 2009 totaled 6.52 million tons, down 18.6% on the year. Germany's heating oil sales fell by 40.1% on the year to 1.75 million tons while diesel sales fell by 0.2% on the year to 2.7 million tons and fuel oil sales fell by 31.7% to 380,000 tons. Germany's total gasoline sales fell by 7.4% on the year to 1.69 million tons.

### **Production News**

Suncor Energy Inc said it earmarked \$5.23 billion for capital expenditures next year and will restart projects the economic crisis had forced it to suspend. It is targeting an additional 136,000 bpd of production from its holdings there by the end of 2012 as it completes stages 3 and 4 of the recession-delayed Firebag thermal project. It aims to increase oil sands production, targeted at 300,000 bpd this year, by 10% to 12% annually through 2020. It also said that its Fort Hills oil sands project remains an important resource for the company. While it said it is not abandoning the project, it is not yet sure when Fort Hills will be developed.

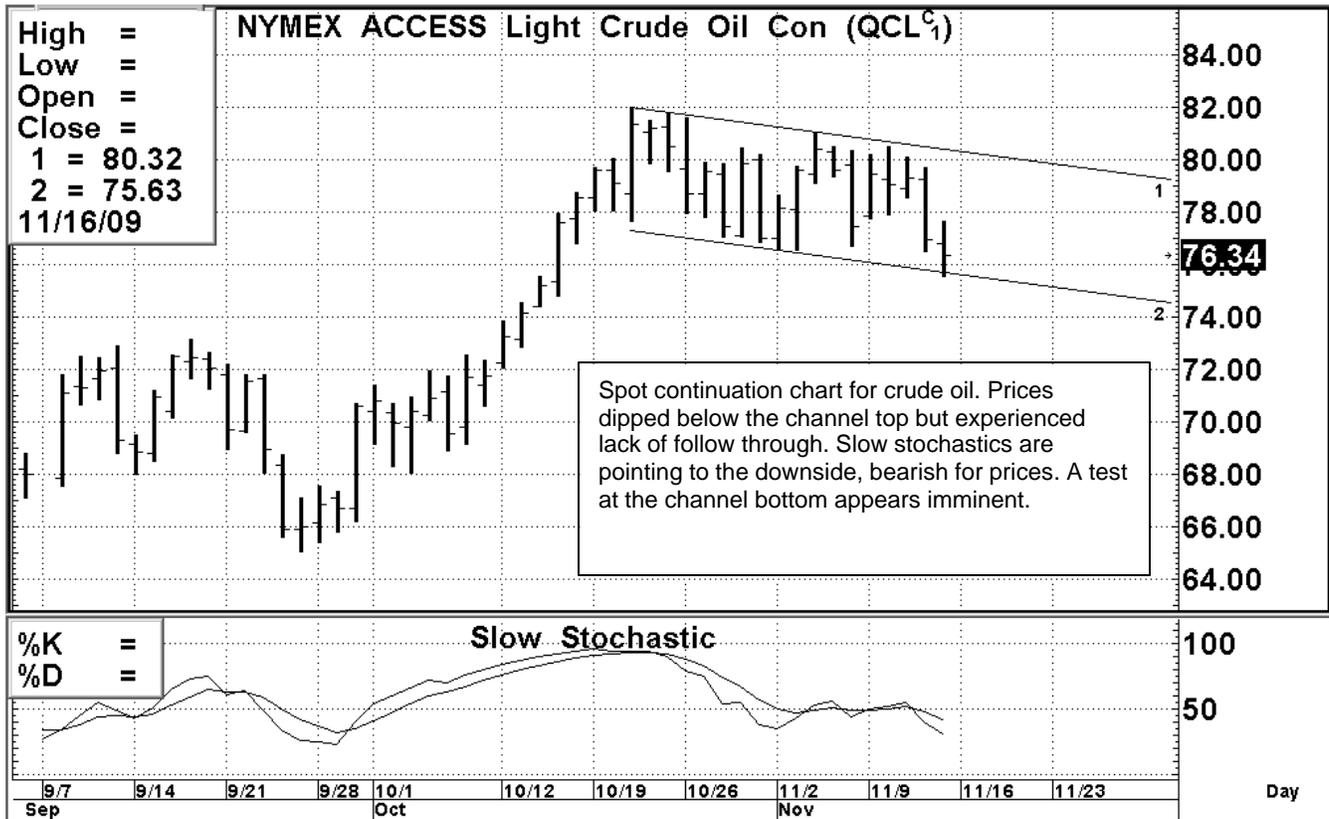
### **Market Commentary**

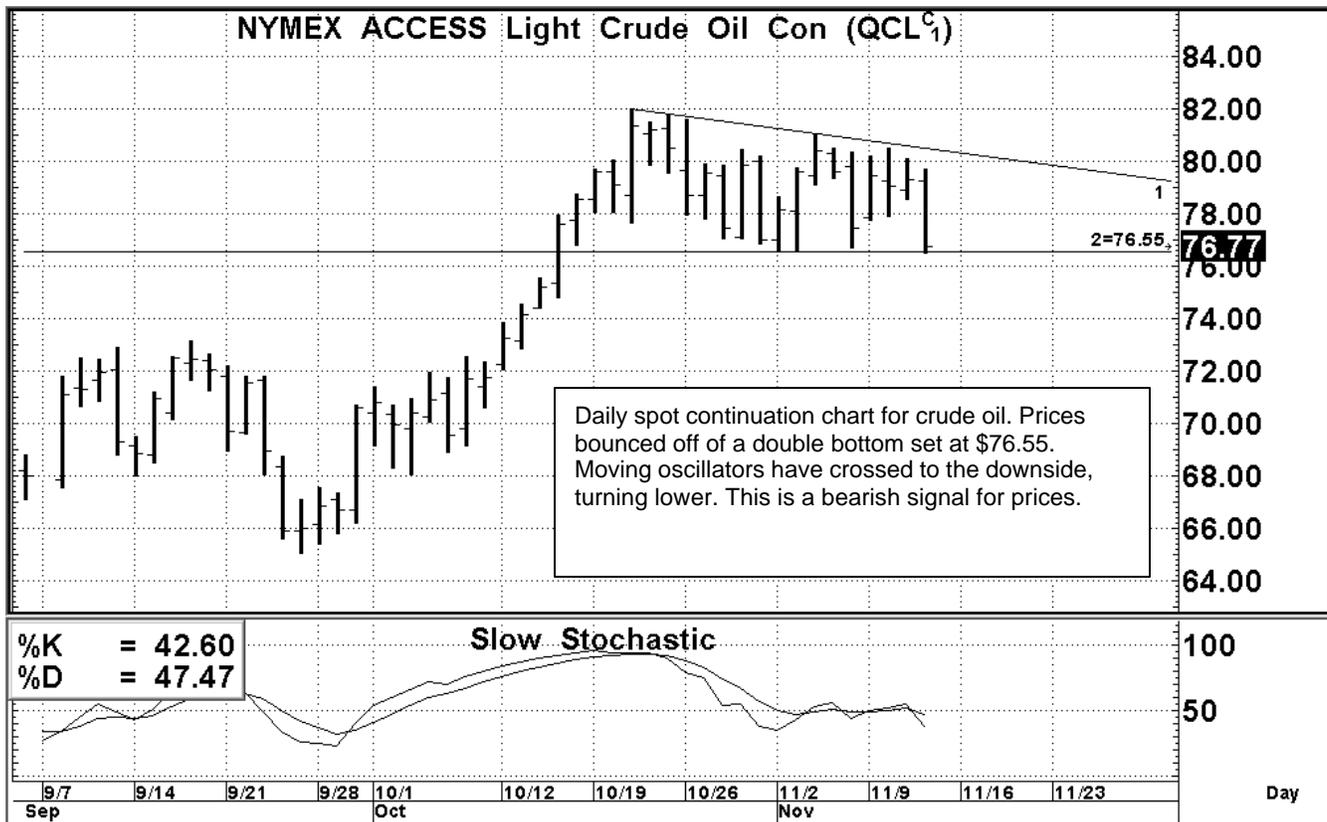
Concerns about demand dominated the marketplace today, pushing the December crude oil contract below key support at \$76.55. The market was still reeling over yesterday's DOE numbers that indicated builds across the board in both products and crude oil. Along with these builds was diminishing demand and lower refinery runs. The energy markets continue to trade, caught between the true fundamentals of this market and anticipation of an economic recovery. Prices will react accordingly to both stimuli, with the fundamentals capping any run-ups in prices. From a technical perspective, crude oil broke through and settled below the aforementioned key support. The downward trend should continue into next week with prices making an attempt to break below the channel, which will begin next week set between \$80.32 and \$75.63. A penetration and settlement below this channel sets prices up for a test at the projected downside level of \$70.94. We would also look for the December/January spread to continue to weaken, looking for an initial test at -.93.

Crude DEC. 211,021 -16,669 JAN.10 292,662 +25,816 FEB.10 73,628 +157 MAR.10 64,566 +579  
Totals: 1,264,735 +19,413 Heating DEC.09 56,186 -7,307 Jan.10 78,322 +3,009. FEB 10 34,579  
+1,590 MAR.10 24,927 +593 Totals: 322,781 +213 Gasoline DEC.09 50,612 -6,998 JAN.10 91,999  
+5,668 FEB.10 22,406 +528 MAR.10 23,955 -46 Totals: 253,418 +1,259.

The latest Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 15,772 contracts to 88,045 contracts in the week ending November 10<sup>th</sup>. The combined futures and options report showed that non-commercials cut their net long positions by 13,488 contracts to 176,875 contracts on the week. The funds cut their total long position by 13,519 contracts to 276,918 contracts. The combined disaggregated report showed that producers/merchants increased their net short position by 4,159 contracts to 197,786 contracts while swap dealers cut their net short position by 7,949 contracts to 1,993 contracts. Managed money funds cut their net long position by 24,348 contracts to 156,788 contracts while other reportable increased their net long position by 10,860 contracts to 20,088 contracts on the week. Meanwhile, the combined futures and option report showed that non-commercials in the product markets increased their net long positions. The funds in the heating oil market increased their net long position by 120

contracts to 42,920 contracts while non-commercials in the RBOB market increased their net long position by 6,833 contracts to 62,164 contracts on the week.





<b>Crude Support</b>	<b>Crude Resistance</b>
75.63, 73.52, 71.52, 64.70, 63.38, 62.70, 61.61, 60.95	76.55, 80.50, 84.83, 85.40, 86.60, 88.80
<b>Heat Support</b>	<b>Heat resistance</b>
, 1.8570, 1.7670	2.2110, 2.2575, 2.4200
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.9060, 1.8840, 1.8480, 1.7900	2.1100, 2.1600, 2.3350

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