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Windham Group



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR NOVEMBER 21, 2011**

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Saudi Arabia's Oil Minister Ali al-Naimi said the country will adapt to market dynamics and that he is happy with current oil prices. He however decline to specify the country's preferred price range or whether there is a need for more oil in the market. He said the market is currently balanced but that it is too early to comment on what action OPEC may take when it meets in Vienna in December. He also stated that Saudi Arabia produced 9.4 million bpd in October, down from 9.436 million bpd in September.

OPEC's Secretary General Abdalla Salem El-Badri said OPEC is unlikely to discuss output allocations

before June next year and its December meeting is likely to see no arguments or friction.

Iran's OPEC governor Mohammad Ali Khatibi warned sanctions on petroleum producers were self defeating for consuming countries and warned them against interfering in OPEC's next meeting. However he said the OPEC meeting scheduled for December 14<sup>th</sup> could be relatively amicable. He pointed out that some producers had cut output to make room for a resurgent Libyan production.

#### Market Watch

The National Weather Service forecast that US heating demand this week is expected to be 27.5% below normal. Demand for heating oil this week is expected to average 23.9% below normal while heating demand for natural gas is expected to average 25.8% below normal.

The National Association of Realtors said US existing homes sales unexpectedly increased in October as low interest rates and increasing rents led more homebuyers into the market. Sales increased 1.4% to an annual rate of 4.97 million units from September's revised rate of 4.9 million. The median sales price for existing homes was 4.7% lower in October than it was a year earlier.

Atlanta's Federal Reserve President Dennis Lockhart said the performance of the US economy, while not terribly strong, has exceeded expectations and could see a growth rate of 3% in the last three months of the year.

The US EPA will likely delay proposing the country's first ever greenhouse gas limits on oil refineries. The EPA has been required to propose the rules by mid-December.

Societe Generale forecast that ICE Brent crude would average \$110/barrel in 2012, up \$10 from its previous estimate. It also increased its 2012 WTI crude price forecast by \$23 to \$103/barrel. It also forecast that the WTI discount to Brent would average \$7 in 2012.

The CME Group announced the launch of NYMEX Brent 25-day(Platts) futures and options contracts to begin trading December 12<sup>th</sup> with February 2012 being the first listed month. Final settlement of the contracts will be based on the Platts 25-day Brent cash assessment and use the Platts Market on Close methodology.

Japan's exports fell at the fastest pace in five months in the year to October. Exports fell 3.7% in October following a 2.3% increase in September.

Barclays Capital said investment flows into commodities increased in October by \$2.1 billion following the largest ever monthly outflow of institutional funds from commodities last month. It said commodities assets under management increased to \$412 billion at the end of October, down \$39 billion from all time high set in April this year.

**November  
Calendar Averages**  
**CL - \$96.70**  
**HO - \$3.0922**  
**RB - \$2.6066**

The EIA reported that the US average retail price of diesel increased by 2.3 cents to \$4.01/gallon in the week ending November 21<sup>st</sup>. It also reported that the US average retail price of gasoline fell by 6.8 cents to \$3.368/gallon on the week.

The Lundberg Survey reported that the US average retail price of gasoline fell to an average of \$3.38/gallon in the week before the Thanksgiving holiday.

The Arab League's chief Nabil al-Arabi called for calm in Egypt, urging all political forces to press forward with the democratic process. He expressed grave concern over the deadly clashes in Cairo's Tahrir Square.

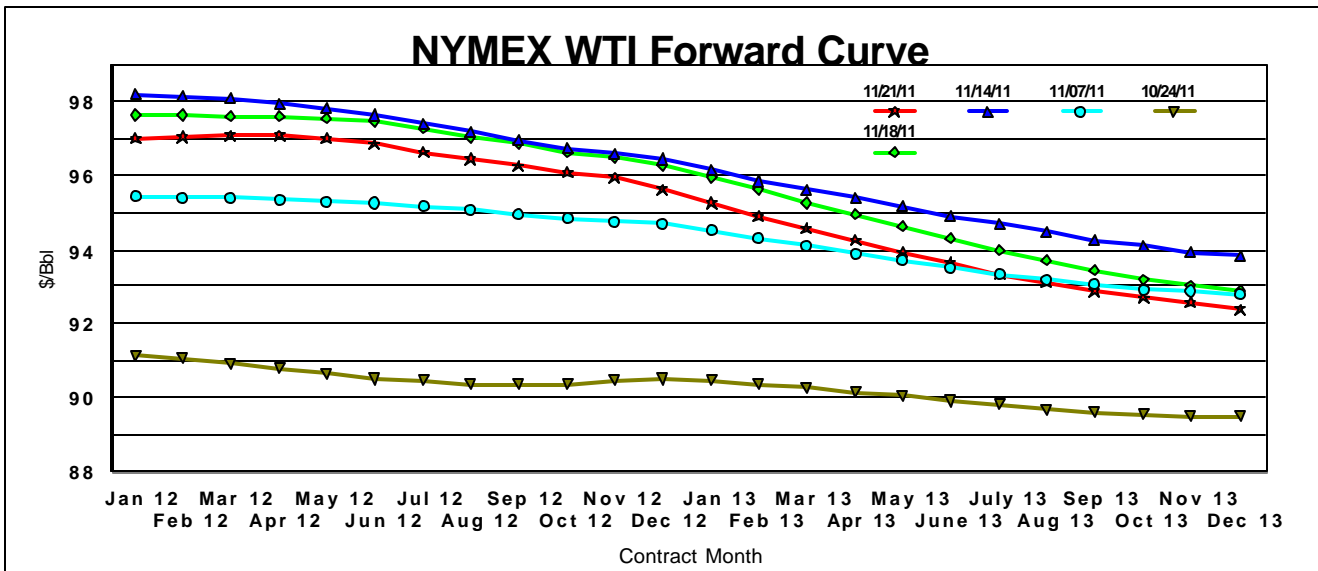
**Refinery News**

Credit Suisse reported that US refined product margins fell across all regions in the week ending November 18<sup>th</sup>. Margins in the Northeast fell by 71 cents to \$7.09/barrel while margins in the Midwest fell by \$8.58 to \$14.55/barrel and margins in the Gulf Coast fell by \$7.31 to \$14.27/barrel. Margins in the Rockies region fell by \$4.61 to \$28/barrel while margins in the West Coast fell by \$6.89 to \$3.91/barrel.

Colonial Pipeline was freezing Cycle 63 nominations on Line 27, Linden Line L2 and L6.

IIR Energy reported that US oil refiners are expected to shut 517,000 bpd of capacity in the week ending November 25<sup>th</sup>, down from 683,000 bpd of shut capacity in the previous week.

Valero Energy Corp said there was no material impact to production due to repairs on a compressor at a hydrotreater unit at its 171,000 bpd refinery in McKee, Texas.



ConocoPhillips' 198,400 bpd Ponca City, Oklahoma refinery has completed a planned overhaul on a crude distillation unit. The crude unit was shut in early October for work.

Western Refining reported a diesel hydrotreater unit shutdown at its 122,000 bpd E Paso, Texas refinery. The shutdown did not impact the operation of other process units.

Tesoro Corp said maintenance work on unspecified units have been completed at its 96,860 bpd refinery in Wilmington, California. The refinery was undergoing scheduled maintenance work on certain units for the past few weeks.

Alon USA Energy reported emissions from its fluid catalytic cracking unit and the CO boiler at its 67,000 bpd Big Spring, Texas refinery on Sunday.

Sunoco Inc reported a hydrotreater shutdown on November 15<sup>th</sup> at the Point Breeze section of its 335,000 bpd refinery in Philadelphia. The unit will remain down until the mechanical problem is resolved. Suncor Energy Inc reported a minor leak in a naphtha unit at its 85,000 bpd refinery in Sarnia, Ontario. The leak occurred late Sunday evening.

ExxonMobil reported emissions of nitrogen oxides as a result of flaring at its 238,600 bpd refinery in Joliet, Illinois.

Maintenance work at Irving Oil's St. John refinery in New Brunswick will be completed by the end of the month. A restart of the 300,000 bpd refinery will follow shortly afterwards.

Suncor Energy Inc shut its 85,000 bpd refinery in Sarnia, Ontario on Sunday evening after a leak was discovered.

Euroilstock reported that total refinery production fell to 10.995 million bpd in October from 11.232 million bpd in September. It reported that gasoline production fell by 72,000 bpd on the month to 2.608 million bpd while its middle distillate production fell by 79,000 bpd to 5.584 million bpd. Crude intake fell by 257,000 bpd to 10.493 million bpd with capacity utilization falling to 80.1% in October from 82.06% in September.

Saudi Aramco denied that it was considering the construction of an oil refinery in Bangladesh after a senior energy official said the proposal had been raised last week.

China's apparent oil demand increased by 2.3% on the year to 9.12 million bpd in October.

China's commercial crude oil stocks fell by 4% at the end of October compared with September. China's overall oil product stocks fell by 3.6% on the month, with commercial diesel inventories falling by 6.8% while gasoline stocks increased by 2.2% and kerosene stocks fell by 9.3% on the month.

China's General Administration of Customs reported that China's crude oil imports in October totaled 20.8 million metric tons or 4.92 million bpd, up 26.9% on the year. China's gasoline and diesel exports in October fell sharply on the year. China's gasoline exports fell by 42% to 203,604 metric tons while its diesel exports fell by 63% to 132,455 tons. China imported only 7 tons of gasoline in October while its diesel imports increased to 330,586 tons and fuel oil imports increased by 3% to 1.76 million tons.

Japan's Ministry of Finance reported that crude oil imports increased by 1.1% on the year to 3.4 million bpd in October. Its liquefied natural gas imports increased sharply by 18% in October to 6.2 million metric tons. It was the sixth consecutive month of double digit on year growth.

### **Production News**

Nexen's Buzzard oil field has been ramping up production and is soon expected to reach normal daily volumes of about 200,000 bpd. Traders said last week production at the field fell to zero.

Libya's National Oil Co said the country is planning to export 9 million barrels in December, up 2.2 million barrels on the month. Libya's shipments are expected to average 290,323 bpd in December,

up 64,000 bpd on the month. It is still far from about 1.5 million bpd Libya exported in January before the civil war started.

Nigeria is expected to export 398,387 bpd of Qua Iboe crude in January, up from 337,097 bpd originally scheduled in December. Some 13 cargoes of Qua Iboe crude are scheduled to load in January, with a total volume of 1.24 million barrels.

Saudi Aramco is focusing on investing heavily in gas more than licensing its oil production. Its chief executive Khalid al-Falih said the country was previously facing pressure to increase its output but added that the pressure had substantially declined. Last month, he said Saudi Arabia was unlikely to proceed with plans to increase its oil production capacity to 15 million bpd. Saudi Aramco said its dominant role in world oil supply had been altered by large new reserves in North America, impacting the urgency to develop the country's own reserves.

Chevron Corp estimated 2,400 barrels of crude oil leaked into the Atlantic Ocean off the coast of Brazil after an incident at the Frade field.

The Brazilian Oil Workers Federation, the union representing oil workers at Brazil's Petrobras, said it will meet the company's CEO for last minute negotiations later on Monday before deciding on a date for a strike that aims to undercut crude oil production.

The head of the Iraqi Oil Ministry's petroleum contracts and licensing directorate said the ministry could ask Royal Dutch Shell to develop Iraq's West Qurna Phase 1 oil field in southern Iraq, if the government decides to terminate ExxonMobil Corp's contract after it signed a deal to explore for oil in the Kurdish region of the country.

A crude oil pipeline in the UAE that would bypass the Strait of Hormuz is nearly complete with first oil expected to flow next month. The Abu Dhabi Crude Oil Pipeline project, a pipeline with a capacity of up to 2.5 million bpd, would allow the UAE to avoid the Strait of Hormuz and increase exports from its Fujairah terminal on the Gulf of Oman.

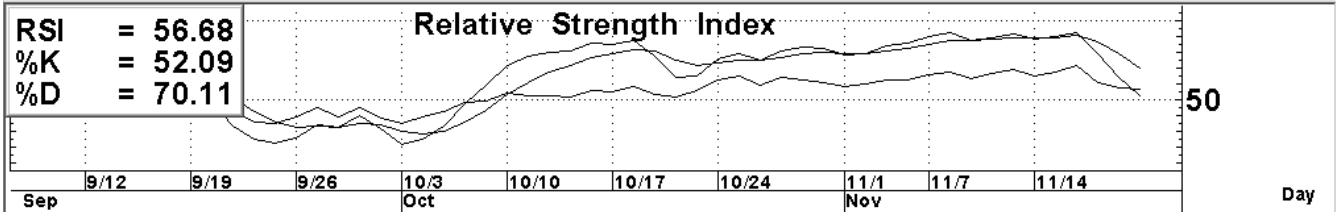
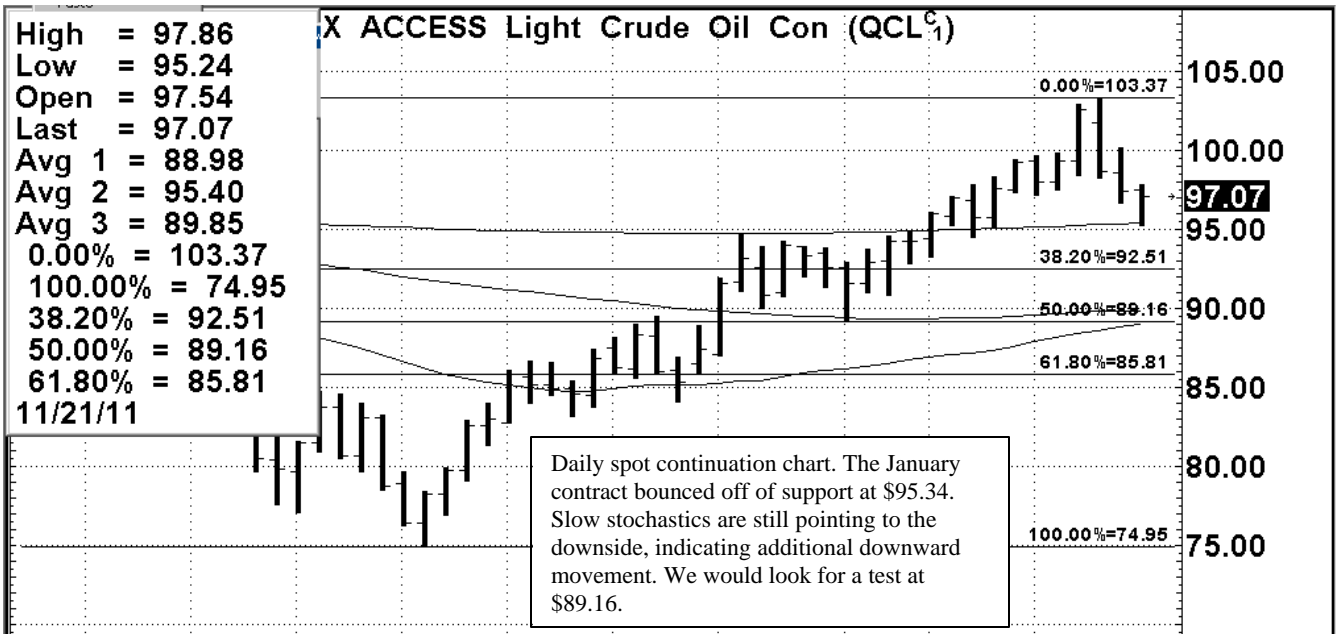
TNK Vietnam said it will bid for blocks in Petrovietnam's licensing round after acquiring assets from BP.

### **Market Commentary**

The inability of the U.S. Congressional Committee to reach an agreement on solving the budget deficit combined with lingering woes over the European debt crisis pressured prices for the third straight day. Strength in the dollar pressured commodities across the board. The January crude oil contract dipped below the 200-day moving average of \$95.34 but was unable to gain momentum once penetrating it. The failure of this market to sustain itself above the \$100.00 level, shifts the near term bias to the downside. We would look for an initial test at \$94.93. Breaks below this level targets \$89.16, the 50% retracement between the recent high of \$103.37 and the October low of \$74.95. So far, \$89.17 is the low for November. This area should prove to be an area of congestion where prices should spring back.

Crude oil: Jan 12 331,603 -2,535 Feb 12 78,828 -2,481 March 12 95,480 -114 Total 1,263,557 -43,959 Heating oil: Dec 11 50,747 -6,530 Jan 12 81,760 +3,668 Feb 12 34,460 +956 Totals 297,128 -2,319 Rbob: Dec 11 43,482 -5,102 Jan 12 82,315 +2,192 Feb 12 26,203 -41 Totals 284,038 -737

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
9493	9960	26975	32777	24240	33369
8917	10134	26680	33370	23631	35915
8507	11483	27375	33510	23414	36310
8337		23685			
7570		22960			
7487					
7365					
<b>50-day MA</b>	<b>88.98</b>				
<b>100-day MA</b>	<b>89.84</b>				



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