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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR NOVEMBER 24, 2010**

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OPEC said the IEA and OPEC discussed over-the-counter transactions at meetings on oil trading regulation this week. OPEC has called for tighter regulatory action to tackle excessive speculation.

OPEC's Secretary General Abdullah al-Badri said tighter regulation should be imposed on trade in oil-based financial instruments to curb volatility in oil prices. Separately, he stated that OPEC's meeting in December will run smoothly. He said oil prices are comfortable for producers and consumers at current levels.

Saudi Arabia's Oil Minister Ali al-Naimi said the country will continue to seek oil market stability.

#### **Market Watch**

The US Commerce Department said orders for durable goods saw the largest decline in two years during October. Durable goods orders fell by 3.3% to a seasonally adjusted \$196.05 billion, the largest decline since January 2009. New orders for non-defense capital goods excluding aircraft also fell by 4.5%. Durable goods orders in September increased by 5%. Meanwhile, the Commerce Department reported that consumer spending remained modest in October. Consumer spending increased by 0.4% in October, up from a revised 0.3% increase in September. It reported that incomes increased by 0.5%. Saving in October increased to a rate of 5.7%. The Commerce Department also reported that new home sales fell in October by 8.1% to a seasonally adjusted annual pace of 283,000. The fall was the fourth in six months. October's new home sales fell by 28.5% on the year. It reported that US building permits increased by 0.9% in October to 552.

The Federal Housing Finance Agency said US home prices fell by a seasonally adjusted 0.7% in September, bringing the 12 month decline to 3.4%. The US index is down 14.7% from its April 2007 peak.

The US Labor Department reported that initial unemployment benefits fell by 34,000 to 407,000 in the week ending November 20<sup>th</sup>. The previous week's figures were revised upwards to 441,000 to 439,000. The four week moving average fell by 7,500 to 436,000 from the prior week's revised average of 443,500. It also reported that the number of continuing claims in the week ending November 13<sup>th</sup> fell by 142,000 to 4,182,000 from the preceding week's revised level of 4,324,000. The unemployment rate for workers with unemployment benefits in the week ending November 13<sup>th</sup> was 3.3%, down 0.1% on the week.

The Thomson Reuters/University of Michigan's final November reading on the overall index on consumer sentiment was 71.6, up from 67.7 in October and above November's preliminary reading of 69.3. The survey's barometer of current economic conditions was 82.1 in November, up from 76.6 in October and above the preliminary estimate of 79.7. The survey's gauge of consumer expectations also increased to 64.8 compared with 61.9 in October and 62.7 in early November.

China's National Development and Reform Commission said the country's consumption of energy relative to economic output fell about 3% in the first three quarters compared with the same period last year. In the first half, fuel used per dollar of GDP increased 0.09% on the year.

Germany's Economy Minister Rainer Bruederle said the situation in Ireland is serious but added that he did not believe the euro is in any danger as a result.

### DOE Stocks

**Crude** – up 1.029 million barrels  
**Distillate** – down 541,000 barrels  
**Gasoline** – up 1.913 million barrels  
**Refinery runs** – up 1.5%, at 85.5%

The Washington Post reported that a top aide to Iranian President Mahmoud Ahmadinejad said sanctions against Iran have failed despite Western nations imposing stricter sanctions. He also claimed the failure of sanctions had prompted the West to relaunch the talks, a direct contradiction of the US position.

Nigeria has seized another illegal arms shipment at its main port, including pistols and military vehicles. A Nigerian Navy spokesman said a number of suspects had been arrested in connection with the illegal importation of the military items.

The US CFTC said it will hold a public hearing on December 1<sup>st</sup> to unveil its proposed definitions for terms such as swap dealer and major swap participant. It will also discuss whether and how to put limits on algorithmic trading at its December 2<sup>nd</sup> meeting.

### Refinery News

Kinder Morgan Energy Partners LP restarted its Watson-Colton line in California after repairing a valve. The products pipeline, which connects the company's Watson Station in Carson to its Colton Terminal in Bloomington, developed a slight leak. Kinder Morgan said the company repaired the leak the same day it was discovered and restarted the pipeline.

Magellan Midstream Partners LP is encountering some outages of ultra low sulfur diesel and No. 1 heating oil in the northern tier of its system. The company has adequate supplies of the products at its larger terminals.

Operations at the Houston Ship Channel were normal on Wednesday after heavy sea fog forced ships to stop for 10 hours overnight. Four ships were waiting to enter the channel.

ExxonMobil Corp restarted units at its 149,500 bpd Torrance, California refinery following an early morning power outage. Separately, ExxonMobil reported emissions at its 238,600 bpd refinery in Joliet, Illinois as it restarted a unit on Tuesday. Meanwhile a small fire at its 344,500 bpd refinery in Beaumont, Texas was extinguished within an hour and had minimal impact on operations. The fire started in an unspecified processing area. The refinery continued operating and remains operational.

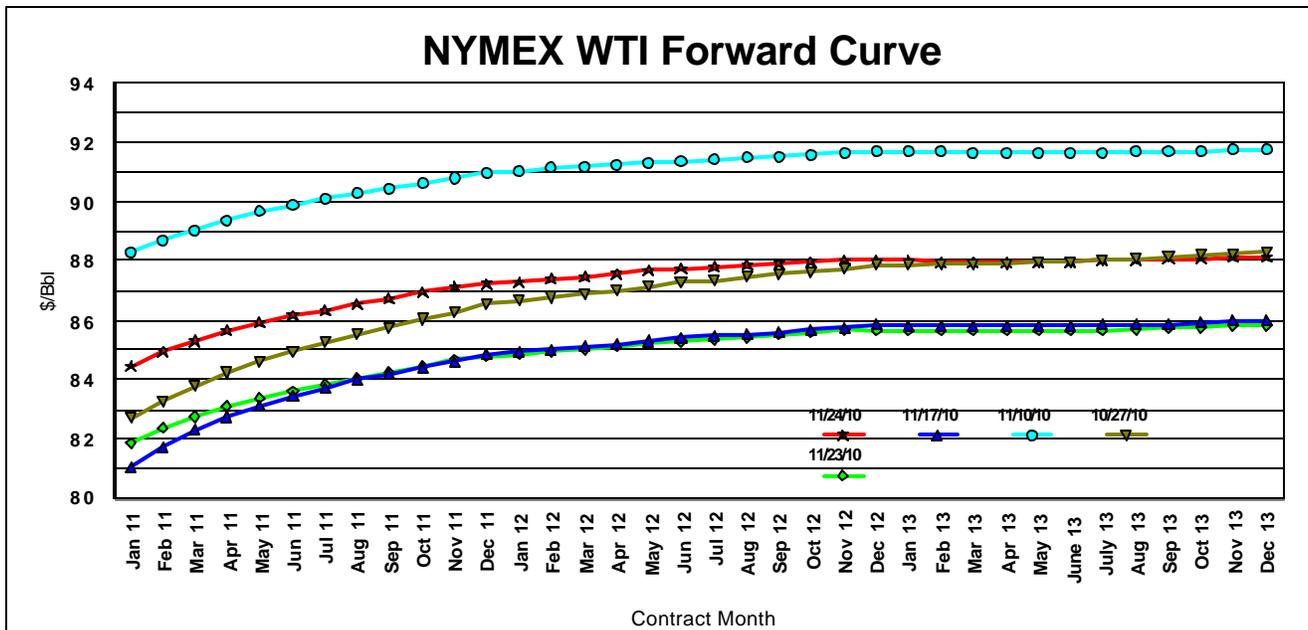
Royal Dutch Shell Plc restarted its hydrocracking unit at its 400,000 bpd Pernis refinery at the end of last week. However its fluid catalytic cracking unit is expected to remain offline for at least another two months. Maintenance on the fluid catalytic cracking unit, which started in September, is expected to last until at least January.

The Nigerian National Petroleum Corp said the shutdown of the Kaduna refinery following damage to a feeding pipeline would not affect the supply of oil products. It said it was carrying out repairs to a pipeline supplying the Kaduna refinery.

China's crude imports from Saudi Arabia will likely increase by 11% next year and reach 1 million bpd, a pace slightly faster than 2010. Industry officials said China's refining expansion is expected to moderate next year and increasing competition of mostly Russian oil via a Siberian pipeline means import growth for the high sulfur Saudi oil would be limited.

Russia plans to export 6.3 million metric tons or 1.49 million bpd of Urals crude in December from the Baltic Sea port of Primorsk.

**November  
Calendar Averages**  
**CL – \$84.30**  
**HO – \$2.3360**  
**RB – \$2.1742**



### **Production News**

China's Cnooc Ltd said its operations in China's northeastern Bohai Bay are unaffected by the developing crisis in the Korean peninsula after North Korea fired artillery at a South Korean island on Tuesday.

Venezuela's PDVSA said infrastructure problems and bad weather have halted operations of its Petropiar and Petroanzoategui heavy crude upgraders and reduced capacity. Venezuela's four upgraders for the Orinoco belt, which convert up to 620,000 bpd of extra heavy crude into an export product, have been hit by constant failures and maintenance stoppages since last year.

Russia's Lukoil said its total crude oil production fell about 1.4% in January-September 2010 to 72.27 million tons. Oil production in Russia however fell by 2% to 67.65 million tons. Throughput at its refineries increased by 6.7% to 49.7 million tons.

Indonesia's BPMIGAS expects the country's oil production to reach 970,000 bpd in 2011, up from 965,000 bpd in 2010. It also forecast oil prices at \$80/barrel for 2011.

Abu Dhabi National Energy Co said it successfully restarted crude oil production from the Rijn field off the Dutch coast. The field had been shut for 12 years. Production is currently 3,500 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell by 82 cents to \$80.14/barrel on Tuesday from \$80.96/barrel on Monday.

### **Market Commentary**

Economic optimism in the form of lower jobless claims and a rise in consumer spending supported prices, with crude oil rising the most in five weeks. Short covering prior to the long Thanksgiving Holiday came into play along with the aforementioned, as those short the market did not want to leave their positions exposed to the North/South Korea situation. Bearish inventory numbers were ignored. This move higher came on light volume and could be on the exaggerated side of things. We would look for a quite session on Friday and for traders to regroup on Monday. In recent days, the gasoline crack spread came under pressure due to the end of the month long strike at French ports and refineries and idled refineries in the U.S. With the strikes ending and refineries in the U.S. coming back on line, coupled with today's more positive economic outlook, the gasoline crack spread turned

higher. The gasoline crack spread gained 72.48 cents, settling at \$9.1112 on the day. Should forthcoming economic news remain promising, the gasoline crack spread should continue to gain working towards the recent high of \$11.74.

Crude oil: Jan 11 351,130 +103 Feb 11 108,266 -1,376 Mar 11 117,438 -1,215 Totals 1,331,203 -3,726 Heating oil: Dec 10 35,436 -6,630 Jan 11 94,507 +3,275 Feb 11 39,796 +1,389 Totals 316,945 -1,108 Rbob: Dec 10 26,133 -7,999 Jan 11 99,565 Feb 11 34,586 +1,454 Totals 277,551 -5,198

Crude Oil		Heating Oil		Rbob	
Support	Resistance	Support	Resistance	Support	Resistance
7993		22040	24680		22770
7871	8890	21860	24950	20300	23050
7783	9050	21375	26740	20130	24880
7671	9100	21140		18750	27085
7601	9385	20702		18240	
				<b>16010</b>	

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