



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR DECEMBER 9, 2009**

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Iran's Oil Minister Massoud Mirkazemi said OPEC should not raise its oil production targets when it meets on December 22<sup>nd</sup> as oil prices are not favorable.

Meanwhile, Nigeria's Minister of State for Petroleum Odein Ajumogobia said he does not believe OPEC needs to increase its oil production. He said the market is reasonably stable. Separately, Libya's top oil official, Shokri Ghanem said OPEC is unlikely to change output at its

December 22<sup>nd</sup> meeting due to volatility in the oil market.

#### **Market Watch**

The US Commerce Department said wholesale inventories increased 0.3% in October, following 13 consecutive months of declines. Sales of US wholesalers increased in October by 1.2% to a seasonally adjusted \$326.17 billion, the seventh consecutive increase. Wholesalers' inventories of durable goods fell 0.4% in October after falling 1% in September. Durable goods sales increased by 0.8% in October.

Forecasters at Colorado State University said the 2010 Atlantic hurricane season will show above-average activity. They forecast 11 to 16 named storms, six to eight hurricanes and three to five major hurricanes, with sustained winds of 111 mph or greater. The forecasters see a 64% chance of at least one major hurricane making landfall on the US coast in 2010 compared with the long term probability of 52%. There is a 40% chance of hurricane landfall on the East Coast compared with a 31% long term probability. In the Gulf Coast region there is a 40% chance of hurricane landfall compared with a 30% long term probability.

Sempra Energy and Royal Bank of Scotland Group Plc are exploring the sale of their joint commodities trading business. RBS was forced to sell its half of the joint venture by European Commission regulators, as part of Brussel's approval for the state aid provided to the British bank.

According to Commerzbank AG, crude oil may fall towards its 200 day moving average near \$65/barrel after breaching the bottom of a supporting channel. Breaching the channel opened the way for a further slide towards a price range between \$65.23 and \$64.88.

Algeria's Oil Minister Chakib Khelil said the economic climate will somewhat improve in 2010 and oil prices are expected to be between \$70 and \$80/barrel next year. He also said the lower oil prices seen this year have had no effect on his country's energy investments.

#### **DOE Stocks**

**Crude** – down 3.823 million barrels

**Distillate** – up 1.619 million barrels

**Gasoline** – up 2.253 million barrels

**Refinery runs** – up 1.4%, at 81.1%

The chief economist of the IEA, Fatih Birol said oil prices above \$70-\$80/barrel could be risky for world economic recovery. He said that current oil price levels are good for investment. He said demand could increase in 2010 given

global signals for a possible economic recovery but that demand would depend on the rate of recovery.

<b>December Calendar Average</b> <b>CL – \$74.87</b> <b>HO – \$2.0144</b> <b>RB – \$1.9608</b>
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The head of the Atomic Energy Organization of Iran, Ali Akbar Salehi said it is the country's priority to work with the IAEA. He also said that supplying fuel from abroad is Iran's priority. Separately, Iran's Defense Minister Ahmad Vahidi said Iran will strike Israeli installations if it is attacked by Israel. Israel has not ruled out a military strike against Iran's nuclear facilities to stop it from developing a weapons capability.

**Refinery News**

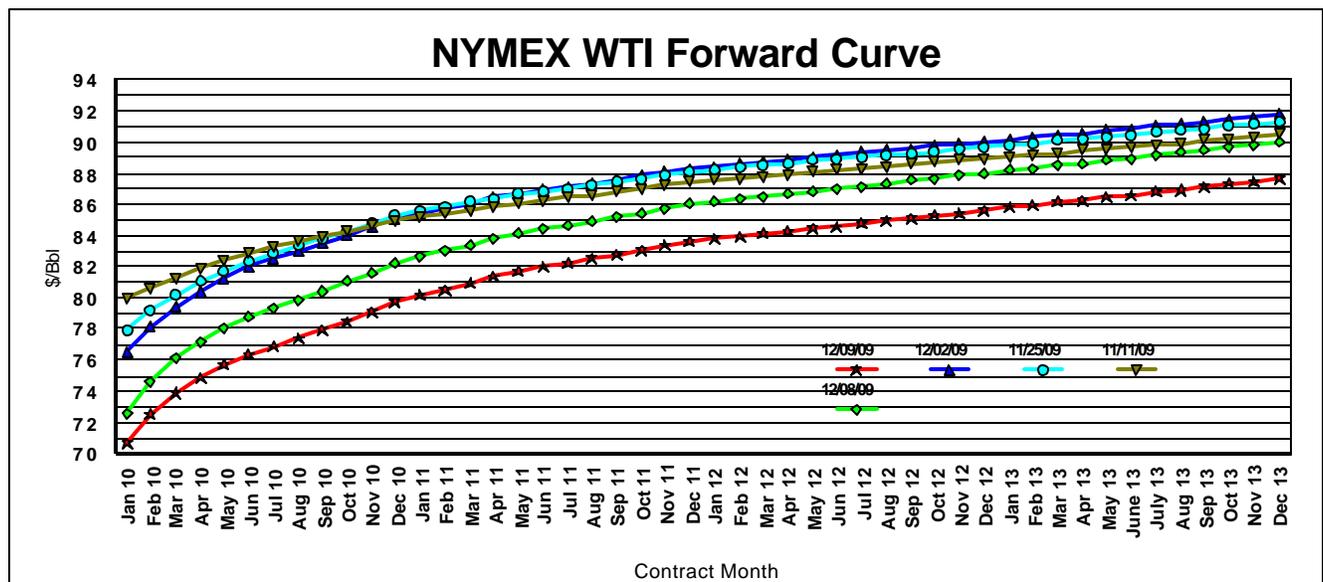
Valero Energy Corp shut complex 1 and a hydrodesulfurization unit at its Corpus Christi, Texas refinery West Plant for unplanned maintenance. It said streams are being routed to authorized control devices, without saying why the units were shut. It said the hydrodesulfurization unit was restarted on Tuesday evening. It also said its coker and crude units at its 135,000 bpd Wilmington, Texas refinery have restarted and are at planned rates after being shut during the turnaround of a fluid catalytic cracking unit.

BP reported a brief upset at a fluid catalytic cracking unit at its 417,000 bpd Texas City, Texas refinery. BP said it stabilized the unit and resumed normal operations.

The US Chemical Safety Board warned of a potential hazard from toxic hydrogen fluoride vapor releases at Citgo Petroleum Corp's Corpus Christi, Texas refinery. It urged Citgo to develop and implement plans to ensure an adequate water supply to prevent toxic hydrogen fluoride vapor releases from spreading into Corpus Christi. It also called on Citgo to have a third party audit operations on hydrogen fluoride alkylation units at its 163,000 bpd Corpus Christi, Texas and 167,000 bpd Lemont, Illinois refineries to see if they conform with practices recommended by the API.

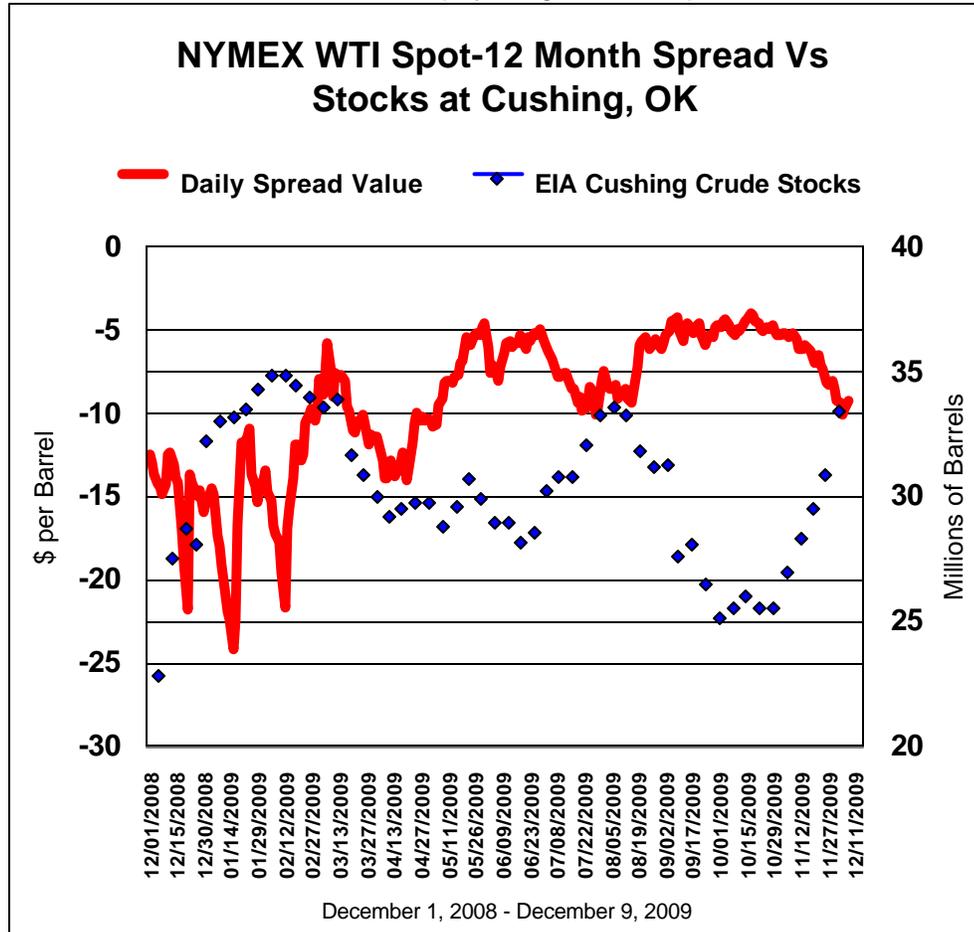
Sinclair Oil Corp confirmed that all major processing units at its 75,000 bpd refinery in Sinclair, Wyoming, remained shut after an external power outage on Sunday. The power outage shut the majority of the refinery and damaged two boiler units.

Saudi Arabia's Oil Minister Ali al-Naimi said the country may award contracts by year end to build a new refinery at Jizan in Saudi Arabia's southwest.



China's Sinopec may build a 240,000 bpd refinery in Shanghai to meet the rising fuel demand along the eastern coast. The company aims to receive state approval for the project in 2011.

The ISNA news agency reported that Iran's gasoline imports fell by 54% to about \$1.15 billion during the first eight months of the current Iranian year. In terms of volumes, its imports fell to 1.64 million tons from 2.7 million tons. The report appears to contradict an Iranian official's statement that Iran needed an additional \$3 billion to pay for gasoline imports until the end of the current year.



According to Euroilstock, total oil and oil product stocks in Europe in November increased by 0.8% on the month and by 2.6% on the year to 1.147 billion barrels. Crude oil inventories in Europe increased by 1.7% on the month and by 1.1% on the year to 479.61 million barrels while gasoline stocks fell by 0.7% on the month and by 4.2% on the year to 116.62 million barrels. Distillate stocks in Europe increased by 0.1% on the month and by 8.2% on the year to 412.5 million barrels while fuel oil stocks increased by 0.7% on the month but fell by 1.2% on the year to 109.98 million barrels.

Euroilstock reported that capacity utilization increased to 81.97% in November from 81.57% in October but fell from 88.79% last year.

German residential heating oil stocks are at 65% of capacity on December 1<sup>st</sup>, down from 68% on November 1<sup>st</sup>.

The Petroleum Association of Japan reported that the country's crude oil inventories in the week ending December 5<sup>th</sup> increased by 6.15 million barrel on the week but fell by 15.09 million barrels on the year to 91.2 million barrels. Its gasoline stocks built by 40,000 barrels on the week and by 130,000 barrels on the year to 13.61 million barrels while kerosene stocks built by 1.05 million barrels on the week but fell by 560,000 barrels on the year to 20.65 million barrels and naphtha stocks built by 870,000 barrels on the week to 10.63 million barrels. Its crude runs fell by 10,000 bpd on the week and by 120,000 bpd on the year to 3.89 million bpd. It reported that Japan's total oil product sales fell by 8.8% on the week and by 10.5% on the year to 2.91 million bpd, with its gasoline sales increasing by 16.2% on the week to 970,000 bpd.

Tokyo Electric Power Co's crude oil consumption in November fell by 64.9% on the year to 53,000 kiloliters while its fuel oil consumption fell by 54.5% on the year to 224,000 kiloliters. Its LNG consumption fell by 10.4% on the year to 1.431 million tons while coal consumption increased by 100.7% to 281,000 tons.

### **Production News**

Norway's North Sea Gullfaks crude oil stream is scheduled to load nine cargoes of 855,000 barrels each in January. The program showed an average of about 248,000 bpd of Gullfaks crude would load in January, steady from December. Meanwhile Norway's North Sea Statfjord crude stream is scheduled to load seven cargoes of 855,000 barrels each in January, unchanged on the month. The program showed an average of about 193,000 bpd of Statfjord crude would load in January.

Norway's Petroleum Directorate said the country's oil production in November increased to 2.064 million bpd from 2.009 million bpd in October. It also reported that the Norway's natural gas liquids and condensate output in November totaled 344,000 bpd, down from 351,000 bpd in October.

Pemex said output at its Cantarell field will fall by about 5.2% next year to about 550,000 bpd from an average 579,990 bpd through the first ten months of the year. Pemex plans to spend \$11.1 billion through 2012 in its Chicontepec field as it seeks to offset the decline at Cantarell. Pemex produced 2.602 million bpd in October, down 5.7% on the year.

Ecuador's central bank reported that the country's oil exports totaled 99.53 million barrels or 327,388 bpd in the first ten months of 2009, down 6% from the 106.42 million barrels or 348,921 bpd reported last year. Private companies exported 30.73 million barrels while Petroecuador exported the remaining oil.

OPEC's news agency reported that OPEC's basket of crudes fell by 96 cents to \$74.80/barrel on Tuesday from \$75.76/barrel on Monday.

### **Market Commentary**

Builds in U.S. fuel inventories helped to push crude oil to a two-month low as refineries increased operations. Refiners increased runs by 1.4 percent to 81.1 percent of capacity. Despite the increase in operations, demand for products did not increase, perhaps an indication that the economy has not recovered enough to warrant more product. With demand still weak and not showing any sign of improving, the 5.815 million barrel draw in crude oil stocks was ignored by market participants. Reports of fog in the Houston Ship Channel may be behind this decrease, as shipments to that region will be delayed. The nearby to twelve month spread, after hitting the lows of July, has begun to rebound as more inventory is sought after to be put into storage. This spread began to strengthen as inventories in Cushing, OK, the NYMEX delivery point, started to decline and weakened as inventories grew. We would keep a watchful on inventories in that region as an indication of where the twelve month spread may go. As this spread decreases the profitability of storing crude oil to sell at a later date becomes more attractive. Stock levels in Cushing have increased for the sixth straight week and this spread has responded accordingly. The January crude oil, from a technical perspective remains weak and a test that the \$65.00 level appears imminent.

Crude Jan. 10 264,311 -43,641 FEB.10 152,496 +10,554 MAR.10 122,071 -566 Totals: 11,218,158 -45,922 Heating oil Jan.10 74,207 -5,786 FEB 10 49,811 -533 MAR.10 39,765 +1,280 Totals 311,649 -3,478 Gasoline JAN.10 78,342 -7,244 FEB.10 39,457 287 MAR. 10 36,842 +1,486 Totals: 241,434 -4,266.

<b>Crude Support</b>	<b>Crude Resistance</b>
65.05, 64.70, 63.38, 62.70, 61.61, 60.95	75.85, 76.15, 80.50, 84.83, 85.40, 86.60, 88.80
<b>Heat Support</b>	<b>Heat resistance</b>
1.9500, 1.9175, 1.8570, 1.7670	2.1580, 2.2110, 2.2575, 2.4200
<b>Gasoline support</b>	<b>Gasoline resistance</b>
1.8480, 1.7900	2.1100, 2.1600, 2.3350

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