



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
Zachariah Yurch & Karen Palladino  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR DECEMBER 28, 2007**

---

Iran's official news agency IRNA reported that the country received the second shipment of nuclear

**Market Watch**

The NYMEX announced that the margin requirement for its Heating Oil contract would increase to \$8,100 from \$6,750 as of Monday, December 31.

fuel from Russia on Friday for a power plant being constructed in the southern Iranian town of Bushehr. The fuel was delivered according to a schedule agreed with the Russians, which IRNA indicated would bring 82 metric tons of nuclear fuel in eight shipments.

Russia's RIA-Novosti news agency reported that the federal agency that oversees military exports on Friday denied reports that Russia was planning to deliver S-300 anti-aircraft missile systems to Iran. Iran's defense minister said this week that Russia was preparing to equip Iran with the missile systems that would increase the country's ability to repel an attack.

Pakistan's Interior Ministry said that former Prime Minister Benazir Bhutto died from hitting her vehicle's sunroof when she tried to duck after a suicide attack and that no bullet or shrapnel was found in her. The ministry also stated that an al Qaeda phone call was intercepted after she was killed and there was irrefutable evidence that the group was trying to undermine the country. It said al Qaeda was behind the October attack on former Prime Minister Benazir Bhutto.

An Iraqi oil official said Iraq plans to increase its sales of Kirkuk oil by at least 100,000 bpd to 400,000 bpd starting in January. Shipments of Kirkuk crude by pipeline over the past 10 days have been sustained at 400,000 bpd to 500,000 bpd, increase the volume in storage at Turkey's port of Ceyhan to close to 6.5 million barrels. The official said the amount in storage is expected to reach 8 million barrels, close to capacity.

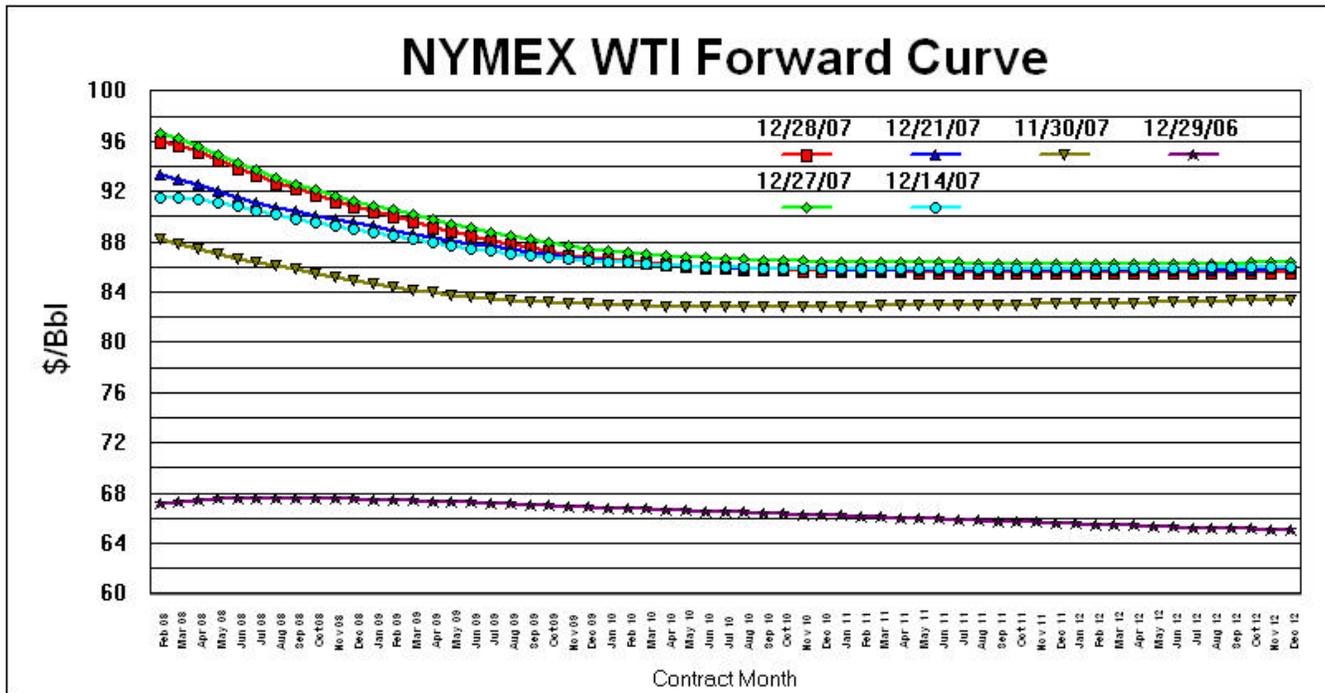
Turkey's national security council or MGK said it would continue its military operations against Kurdish rebels in northern Iraq. It claimed Turkish forces had inflicted heavy losses against the PKK rebels and largely destroyed their supply and communications systems while the zones with civilian populations have not experienced any losses.

**Dec Calendar Averages**

**CL** – 91.52  
**HO** – 257.53  
**RB** – 233.85

**Refinery News**

Lithuania's Mazeikiu Nafta refinery is expected to resume full capacity next month after finishing repairs on a fire damaged vacuum distillation unit.



Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area increased by 45,000 tons on the week and by 9,000 tons on the year to 819,000 tons in the week ending December 20. Naphtha stocks built by 9,000 tons on the week and by 20,000 tons on the year to 103,000 tons while gas oil stocks built by 39,000 tons on the week but fell by 341,000 tons to 1.424 million tons. Fuel oil stocks built by 322,000 tons on the week and by 206,000 tons on the year to 711,000 tons while jet fuel stocks built by 44,000 tons on the week but fell by 84,000 tons on the year to 216,000 tons.

Japan's Ministry of Economy, Trade and Industry reported that the country's oil product sales fell by 2.6% on the year to 18.9 million kiloliters or 3.96 million bpd. It reported that Japan's kerosene sales fell by 5.3% on the year to 2.38 million kl or 500,000 bpd while its gasoline sales fell by 1.9% to 4.845 million kl or 1.01 million bpd. Japan's METI reported that the country's crude imports increased by 7% to 20.9 million kl or 4.38 million bpd in November. It also stated that Japan's commercial crude oil stocks totaled 16.55 million kl at the end of November, up 0.3% on the month but down 9.4% on the year.

According to official data, India imported 9.25 million tons of crude oil in November, up from 8.69 million tons last year. Overall refinery runs in November increased by 5.2%. It showed that India's oil product sales increased by 5.5% on the year in November to 10.6 million tons largely due to higher consumption of transport fuels. Petrol sales during the month were up 17.1% on the year while diesel sales increased by 10.3%.

### **Production News**

Russia's Rosneft said it would increase its oil production by 11% in 2008 to 111.93 million tons or 2.24 million bpd. It said refining would increase to 49 million tons next year from 40 million tons this year, leading to an increase in refined products output to 46.8 million tons from 38.1 million tons in 2007.

Angola is set to benefit from Total's announcement that it planned to begin drilling operations at its Pazflor oil development in 2009 with oil production scheduled to start in 2011. Total said production

would be undertaken from a floating platform with storage capacity up to 1.9 million barrels and a daily production of 200,000 barrels.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$90.39/barrel on Thursday from \$89.54/barrel on Wednesday.

**Market Commentary**

According to a survey of industry analysts, 53% are calling for lower prices in crude oil. With the start of the New Year, below normal temperatures for the lower region of the U.S. and typical stock replenishing by refiners, are the factors named for this expected slide in prices. Another disappointing factor is the inability of the market to reach the psychological level of \$100.00 despite its many attempts. The front end of the curve appears weak in comparison to the middle to back end, with the February/March spread settling at 0.24 cents or 0.11 cents lower than the previous close. As mentioned in yesterday's wire, we were looking to buy the cal 08 and sell the cal 09, as it appears that length is being placed in that sector of the curve. The Dec08/Dec09 crude oil spread settled up 0.29 cents and appears to be headed towards its all time high of \$4.63. We would still consider buying this spread and look for a test of the aforementioned high. Should this level hold, we would look to take profits. Total open interest in crude oil is 1,356,423 up 23,667, FEB.08 329,849, up 3,791, March 163,436, up 4,821. Meanwhile, the heating oil market posted an outside trading day after the market rallied to a high of 270.10 early in the session. However the market which was holding support for much of the day above 268.00, breached that level and extended its losses to over 4.7 cents as it posted a low of 263.30 ahead of the close. It settled down 4.33 cents at 263.70. The RBOB market also settled down 3.65 cents at 245.97 after the market sold off more than 3.8 cents to a low of 245.75. Early in the session, the RBOB market breached its previous high as it rallied to a high of 251.75. The markets on Monday will likely retrace some of their late losses ahead of the January product expiration and the New Year holiday. In the heating oil support, basis the February contract, is seen at its low of 262.27, 260.25 basis its trendline, 258.40 and 256.20. Resistance is seen at 264.50, 268.90 and its high of 269.61 followed by 277.50, basis its trendline. In the RBOB support, basis the February contract, is seen at its low of 247.82, 246.20, 241.50 and 241.38 basis is trendline. Resistance is seen at 249.00, 252.60, 253.87 and 259.19, basis its trendline.

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 17,864 contracts to 52,847 contracts in the week ending December 24. The combined futures and options report showed that non-commercials in the crude market increased their net long position by 7,136 contracts to 126,300 contracts on the week. Given the market's move higher on Wednesday and Thursday and the large build in open interest of 23,867 contracts as of Thursday, the non-commercials have likely increased their net long position further. The non-commercials in the heating oil market increased their net long position by 2,653 contracts to 25,701 contracts

while non-commercials in the RBOB market also increased their net long position by 1,690 contracts to 44,700 contracts on the week.

		Explanation
<b>CL</b> 96.00, down 62 cents	<b>Resistance</b>	98.12, 99.29
	<b>Support</b>	97.92
		Friday's high
<b>HO</b> 263.70, down 4.33 cents	<b>Resistance</b>	270.57, 273.85, 276.43
	<b>Support</b>	266.00, 269.65, 270.10
		Previous highs, Basis trendline Friday's high
<b>RB</b> 245.97, down 3.65 cents	<b>Resistance</b>	263.30
	<b>Support</b>	259.40, 258.42, 256.58
		Friday's low Previous low, Basis trendline, Previous low
<b>RB</b> 245.97, down 3.65 cents	<b>Resistance</b>	256.74
	<b>Support</b>	251.75
		Basis trendline Friday's high
<b>RB</b> 245.97, down 3.65 cents	<b>Resistance</b>	245.75
	<b>Support</b>	243.95, 238.43-238.41, 235.75, 233.10, 231.05
		Friday's low Previous low, Basis trendline, Previous lows