



## ***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 MARCH 28, 2008**

---

Iraq's oil exports returned to normal in Basra on Friday following a bomb attack on a pipeline on Thursday. A senior oil official said Thursday's attack forced the temporary shutdown of at least three oil pipelines, which pump 1.5 million bpd to the Basra terminal. An investigation showed that a small pipeline, pumping 100,000 bpd was severely damaged. One of the two major pipelines

had minor damage and was repaired on Thursday. Backup pipelines from southern oilfields kept flow levels to the terminal near normal. The small pipeline is expected to be repaired later on Friday. A shipping source at the Basra terminal said the flow rate from the southern oil pipeline system early on Friday was 1.75 million bpd, up 550,000 bpd from the previous day. However the four day Iraqi army crackdown on Shi'ite cleric Moqtada al-Sadr's Mehdi Army in Basra has ignited clashes across southern Iraq.

US warplanes carried out at least two airstrikes overnight in Basra. A UK military spokesman said jets have been providing air support since clashes between Shi'ite militias and Iraqi forces started on Monday.

#### **March Calendar Averages**

**CL** – 105.62

**HO** – 300.77

**RB** – 266.10

#### **Market Watch**

Deutsche Bank increased its price forecast on Brent crude by 13% to \$95.75/barrel in 2008 and by 28% to \$102.50/barrel in 2009.

Venezuela's PDVSA reported that its 2007 profit increased by 15% to \$6.3 billion on a reduction in costs, though revenue fell by 3% to \$96.2 billion and oil production fell by 3% to 3.15 million bpd. It said its costs fell 8% to \$72.3 billion compared with 2006.

A member of Mexico's ruling National Action Party, or PAN, said there were no plans to set up joint venture companies with foreign companies for oil production. He said the reforms to Mexico's oil industry would focus on an internal restructuring of Pemex to reduce bureaucracy and improve oversight, not a broad opening of the industry to outside investment. He said the PAN was finalizing its energy reform proposal and could open debate on the policy changes as soon as next week.

Separately, Iran's parliament has set up a committee led by its Sunni Arab speaker to mediate an end to the clashes in southern Iraq. The house's largest Shi'ite bloc, the United Iraqi Alliance, boycotted the session. A member of the committee said it wanted a truce to be declared before it starts mediation.

France's ports union said it would meet port and government officials on April 1 to discuss port reform plans following its one day strike on Wednesday. The union would then have an internal meeting on April 2 to decide what the next step would be but added that it would keep the pressure on the government during the talks.

Nigeria's senior oil workers' union, PENGASSAN accused ExxonMobil of renegeing on agreements in a labor dispute and said it may decide next week to launch an industry-wide strike. It said the central working committee would meet next week to decide on a strike.

Petrologistics reported that OPEC is expected to produce 100,000 bpd more in March than in February due to increased production from Iran. OPEC's total production is estimated to average 32.9 million bpd, up from 32.8 million bpd in February. OPEC's production, excluding Iraq, is seen averaging 30.6 million bpd in February, up 100,000 bpd on the month.

The EIA reported that US oil demand in January fell by 445,000 bpd or 2.2% on the year to 20.114 million bpd. Demand fell by 3.6% or 755,000 bpd on the month in January. It reported that gasoline demand fell by 0.9% on the year to 8.814 million bpd. It is up 2.2% from its previous estimate. Distillate demand in January averaged 4.209 million bpd, down 1.4% on the year.

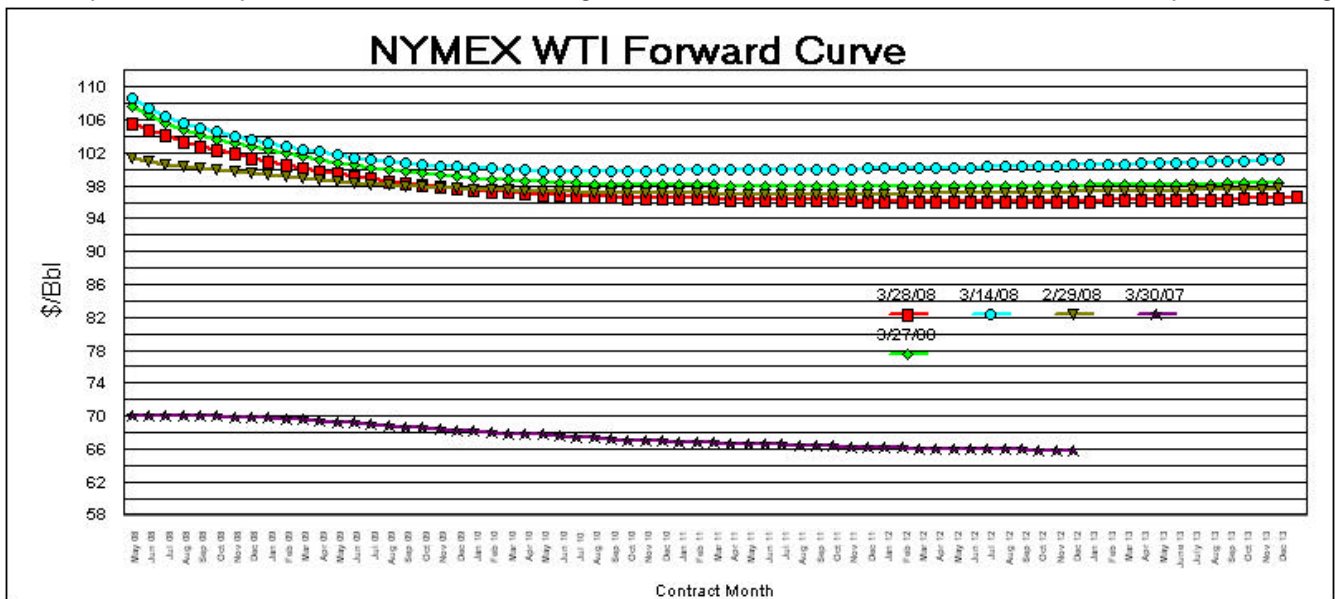
The California state sales tax board said California's gasoline demand in the fourth quarter of 2007 fell by 1.4% year on year in spite of a 1.2% increase in gasoline demand in December. For all of 2007, gasoline demand was nearly 1% less than last year's level.

**Refinery News**

A 55,000 bpd fluid catalytic cracking unit and alkylation units at Valero's 150,000 bpd refinery in Wilmington, California were shutdown on Thursday evening due to a leak. The outage is expected to last 10 days. Los Angeles wholesale gasoline rallied 9.75 cents/gallon on Friday following the shutdown.

Venezuela's Oil Minister Rafael Ramirez said Venezuela was sending oil usually shipped to its Chalmette refinery to China after ExxonMobil stopped accepting crude from PDVSA.

Norway's StatoilHydro said it was evaluating if a leak that forced it to shutdown its catalytic cracking



unit at its Mongstad refinery required a longer shutdown. The rest of the refinery has been operating normally.

Traders said China was importing at least 130,000 tons of gasoline April, as refiners moved to cover shortfalls due to several refinery maintenance shutdowns. Sinopec Corp booked 30,000 tons of gasoline while PetroChina booked at least 100,000 tons of gasoline for April.

South Korea's S-Oil is likely to cancel the shipments of 1.5 million barrels of gasoil and 300,000 barrels of gasoline for April after it declared force majeure on exports of oil products.

### Production News

Woodside Petroleum Ltd said it shut down its 30,000 bpd Enfield oil field off Western Australia due to a cyclone threat. Operations at other projects, such as the Cossack Pioneer and the North West Shelf liquefied natural gas project have not been affected. BHP Billiton Ltd, which operates the 80,000 bpd Stybarrow oilfield said it has not suspended operations there.

According to UBS, the recent fall in Russia's oil production is not expected to become an overall trend this year if the country drills more wells. It said Russia's oil companies would need to drill 5,710 wells in order for production this year to equal last year's production level. It added that failure to do so would result in a production decline in excess of 1%. The UBS forecast compares with Russia's energy and economy ministries, which have stated that oil production is expected to grow by 1.7% this year.

OPEC's news agency reported that OPEC's basket of crudes increased to \$100.36/barrel on Thursday from Wednesday's \$98.42/barrel level.

### Market Commentary

The oil market erased Thursday's sharp gains following the news that Iraq's oil exports returned to normal after the pipeline damaged in a blast on Thursday was repaired. The market's sell off also reflected profit taking ahead of the week and the end of the first quarter on Monday. The market opened lower in overnight trading and posted a high of 107.63. However the market retraced almost 38% of its move from a low of 98.65 to Thursday's high of 108.22 as it extended its losses to \$2.87 and posted a low of 104.71. The oil market settled down \$1.96 at 105.62. The market early next week is seen retracing its move and trend higher at the start of the next quarter. The market is seen finding support at 104.71, 104.56, 103.44, 102.31, 101.43, 99.13 and 98.65. Resistance is seen at 106.00, 107.63, 108.22, 108.90 and 110.35. Open interest continued to build by 17,291 lots to 1,414,877 as of Thursday. Open interest in the May and June contracts built by 4,008 lots and by 3,269 lots, respectively.

The heating oil market, which posted an inside trading day, also gave up its previous gains and settled down 4.33 cents at 310.50. The market was

|           |                         | <b>Explanation</b>                             |   |
|-----------|-------------------------|--|---|
| <b>CL</b> | <b>Resistance</b>       | 108.22, 108.90, 110.35                         | Previous highs  |
|           | 105.62, down \$1.96     | 106.00, 107.63                                 | Friday's high   |
|           | <b>Support</b>          | 104.71   | Friday's low  |
|           |                         | 104.56, 103.44, 102.31, 101.43, 99.13, 98.65   | 38%(99.13 and 108.22), 50%, 62% and Previous lows             |
| <b>HO</b> | <b>Resistance</b>       | 305.56, 305.63, 308.00, 308.74, 310.93         | Previous highs  |
|           | 310.50, down 4.33 cents | 300.75, 302.00, 304.26                         | Friday's high(May contract)                                   |
|           | <b>Support</b>          | 297.75   | Friday's low(May contract)                                    |
|           |                         | 295.50, 294.58, 292.40, 289.29, 283.75, 279.23 | 38%(279.23 and 305.56), Previous low, 50%, 62%, Previous lows |
| <b>RB</b> | <b>Resistance</b>       | 275.40, 276.72                                 | Previous highs  |
|           | 271.70, up 7 points     | 271.70, 272.74                                 | Friday's high(May contract)                                   |
|           | <b>Support</b>          | 268.77   | Friday's low(May contract)                                    |
|           |                         | 267.60, 266.76, 266.26, 263.04, 259.81         | Previous lows, 38%(249.35 and 276.72), 50%, 62%               |

holding some support at 309.90 for much of the day before a late sell off pushed it to a low of 309.00 before trading back in its previous range ahead of the close. Meanwhile, the RBOB market also posted an inside trading day but settled in positive territory, up just 7 points at 271.70. The product markets on Monday are seen remaining supported ahead of the April contract expiration at the close. In the heating oil support is seen at 297.75, 295.50, 294.58, 292.40 and 289.29 while resistance is seen at 300.75, 302.00, 304.26, 305.56, 305.63 and 308.00. In the RBOB, support is seen at 268.77, 267.60, 266.76, 266.26, 263.04 and 259.81 while resistance is seen at 271.70, 272.74, 275.40 and 276.72, basis the May contract.

The Commitment of Traders report showed that non-commercials in the crude market continued to cut their net long position. They cut their net long position by 32,457 contracts to 53,892 contracts in the week ending March 25. Their total long position fell by 22,176 contracts to 226,381 contracts on the week. The combined futures and options report also showed that non-commercials cut their net long position by 33,343 contracts to 112,267 contracts on the week. The funds have likely reversed some of this amid the rally in the market and the increase in open interest seen in recent days. The non-commercials in the heating oil market also continued to cut their net long position by 525 contracts to 25,007 contracts while non-commercials in the RBOB market cut their net long position by 5,564 contracts to 41,430 contracts in the latest week.