



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 4, 2007**

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In surprise announcement, Iran's President Mahmoud Ahmadinejad said he pardoned the 15 British sailors and marines. The President scolded Britain for not being brave enough to admit they made a mistake. He said the captives would be released immediately following his news conference.

He added that the British government sent a letter to Iran's Foreign Ministry pledging its forces would not enter Iranian waters again. Iran's President said there was no link between the release of 15 sailors and the release of the Iranian diplomat in Iran. An Iranian official said the British sailors would be handed over to the British embassy in Tehran.

Separately, US and Iranian officials downplayed the disappearance of a former FBI agent in Iran last month. A US diplomatic official said the case was routine adding that several US citizens go temporarily missing each year in Iran. Iranian officials said there was no evidence that the former FBI agent had disappeared.

Kuwait's Oil Minister said he saw no need for an emergency OPEC meeting and that the price of oil was not too high. He said the increase in prices was due to international tension between Iran and the West. Meanwhile, Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said oil prices were returning to normal levels Wednesday after Iran announced that it would release the 15 British sailors.

#### **DOE Stocks**

**Crude** – up 4.3 million barrels  
**Distillate** – unchanged  
**Gasoline** – down 5 million barrels  
**Refinery runs** – unchanged, at 87%

#### **Market Watch**

The US Department of Energy deemed unacceptable an initial bid it received in response to a solicitation to purchase up to 4 million barrels for the US SPR. The DOE found the bid to be too high and not a reasonable value for taxpayers. It said it would issue another solicitation for bids later in April.

The NYMEX announced that as of the close of business on Thursday, margins on propane would increase to \$3,038 from \$2,363.

The CBOT reported that 17 delivery notices were posted against the April ethanol contract.

Officials stated that two Lebanese construction workers, a British oil worker and a Dutch security manager kidnapped in Nigeria's Niger Delta were released on Wednesday. After Wednesday's releases, there were no more foreign hostages being held in the Niger Delta.

According to a Reuters survey, tensions between Iran and the world's major powers have forced analysts to increase their average oil price forecasts for this year to \$61.63/barrel, up 34 cents from last month's estimate. Long term forecasts showed analysts expect yearly prices to average \$60.08/barrel in 2008 and \$53/barrel in 2010.

### Refinery News

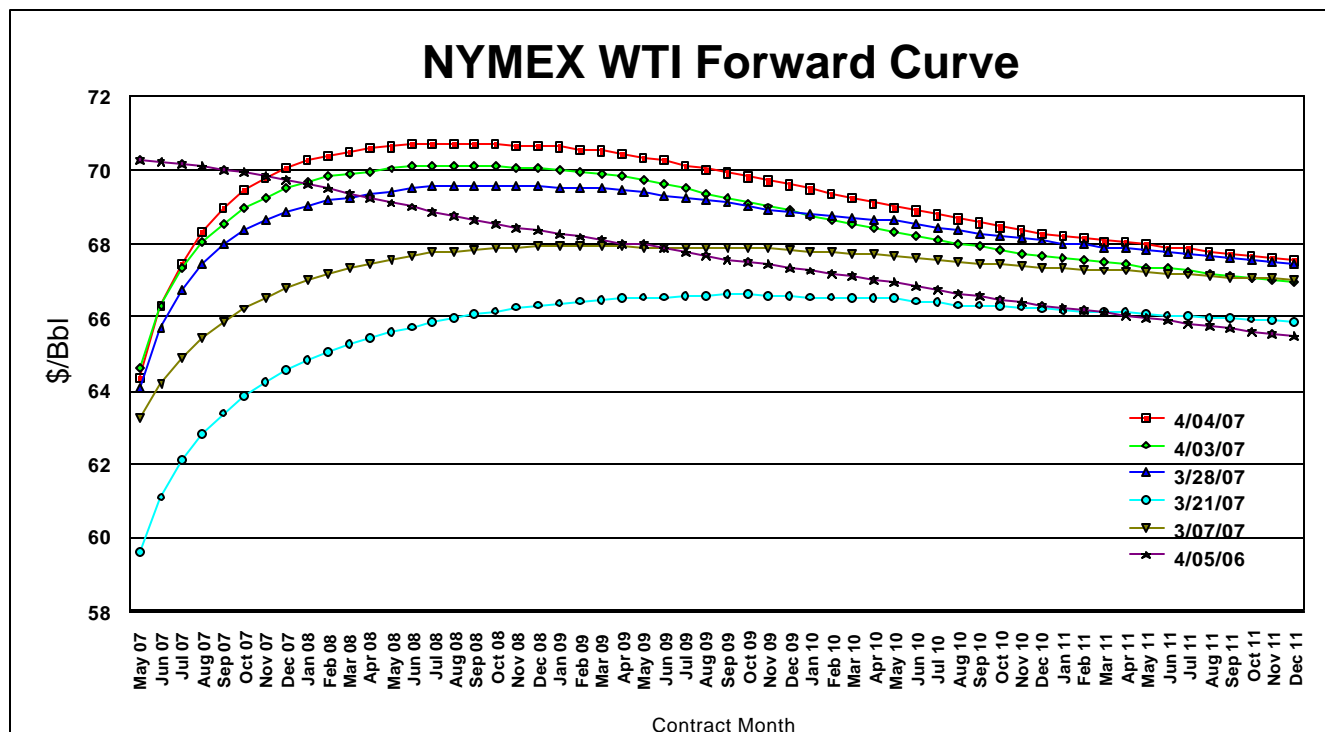
Citgo Petroleum Corp reported flaring from a fluid catalytic cracking unit at its Corpus Christi, Texas refinery on Wednesday. The brief flaring resulted from the installation of a new valve in the unit. A report filed with the Texas Commission on Environmental Quality did not say whether production at the 156,000 bpd refinery was impacted by the work.

BP Plc reported that a small fire broke out in a storm water surge tank at its Texas City, Texas refinery on Wednesday. It said the fire did not impact production at the refinery.

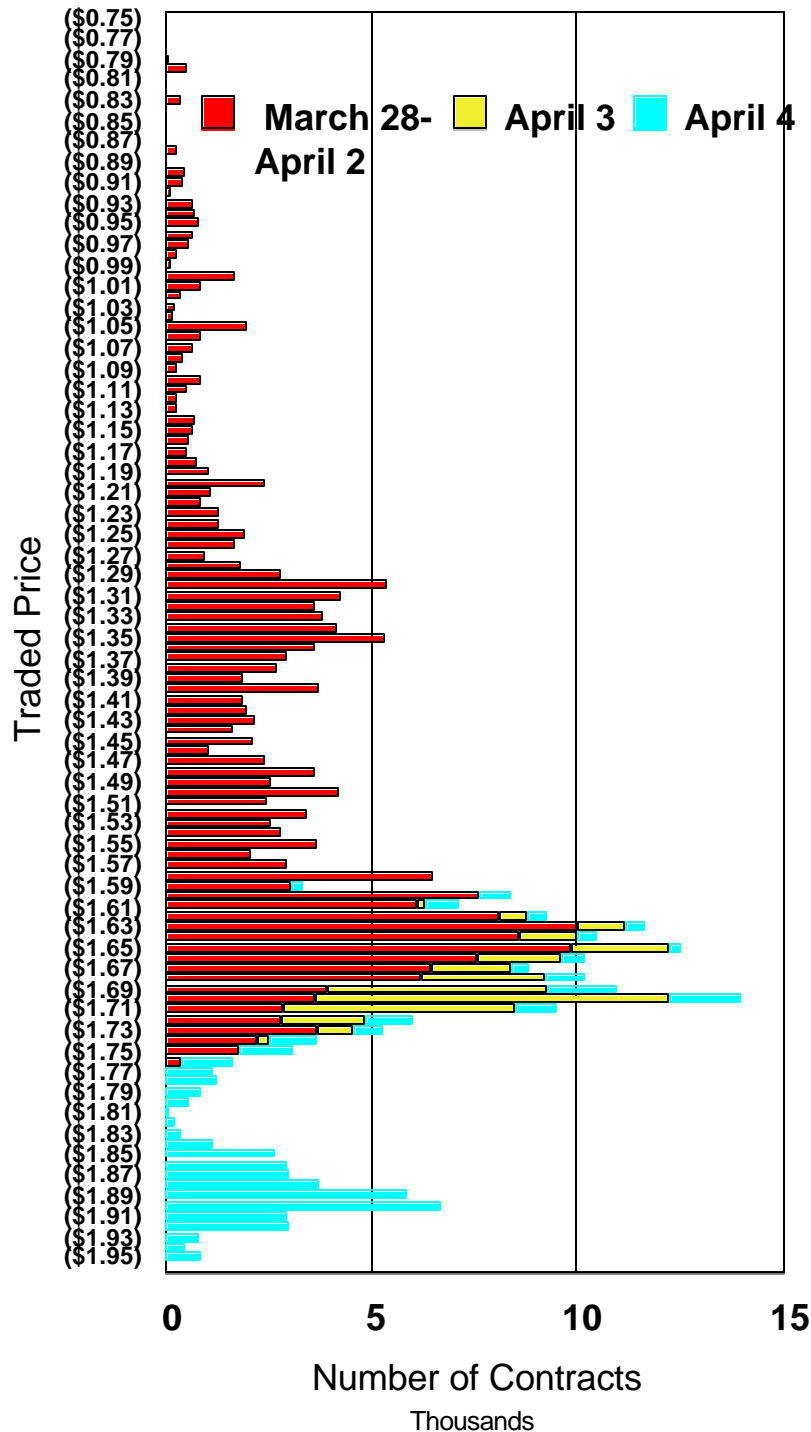
Separately, BP Plc shut units at its Whiting, Indiana refinery following a brief power outage on Wednesday morning. BP's preliminary investigation indicated that a construction crane may have struck a power pole and knocked out electrical power on the plant's North side. A BP spokeswoman said power was restored but she could not yet identify the exact units involved or the outage's impact on production. The outage came a week after a fire caused BP to accelerate its maintenance scheduled at the refinery.

ExxonMobil Corp shut a coker gas plant at its Beaumont, Texas refinery on Tuesday. A report filed with the Texas Commission on Environmental Quality did not specify whether the shutdown impacted the refinery's production.

According to a report filed with the Texas Commission on Environmental Quality, two sulfur removal units at Lyondell Corp's Houston refinery were shutdown on Tuesday due to a valve problem. The incident resulted in flaring from the refinery's sulfur recovery unit complex, the Claus units, the sulfur pit and two thermal oxidizer stacks.



**NYMEX WTI: May June Spread  
Price Vs Volume for Mar 28-Apr 2, 2007**



The Texas Natural Resource Conservation Commission reported that an aromatics unit at Shell's Deer Park, Texas refinery began its start up following a scheduled turnaround.

Bank of America Securities raised its US Gulf Coast refining margin forecast for 2007 and 2008 by 15% to 20%. Its refining margin estimate for 2007 was increased to \$11.50/barrel while its 2008 estimate was increased to \$9.50/barrel.

Several Colorado gasoline stations supplied by Valero Energy Corp have run out of gasoline during the last two weeks after Valero's 170,000 bpd Sunray, Texas refinery was shut by a fire on February 16. Valero is expected to restore partial production in the first half of the month.

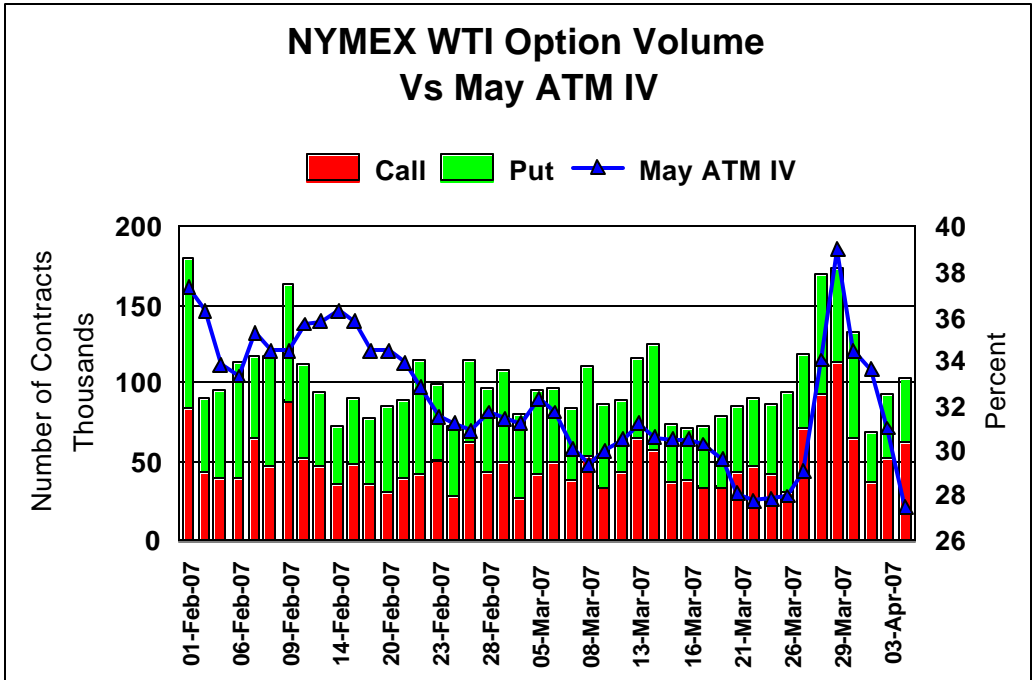
PDVSA completed work on a 4,000 bpd alkylation unit at its Puerto La Cruz refinery on March 31 after it was shut for 17 days. PDVSA said the unit was fully operational.

Venezuelan authorities hope to remove a tanker that ran aground in the Lake Maracaibo shipping channel on Thursday. A port official said tanker traffic in and out of the channel was normal despite the incident.

Shell's 412,000 bpd Pernis refinery resumed normal operations after it suffered a power outage early on Wednesday.

**Production News**

Saudi Aramco increased its May official selling prices to Northwest Europe from Sidi Kerir for most of its benchmark crude grades. The



official selling price for Arab Light was increased by \$1.35/barrel to a discount of \$3.45 against the BWAVE. Its Arab medium grade was increased to \$1.35/barrel to a discount of \$5.15 while Arab heavy was increased by \$1.40 to a discount of \$6.85. Meanwhile, Saudi Aramco kept its official crude selling price for Arab Light to Asia unchanged for May at the Oman/Dubai

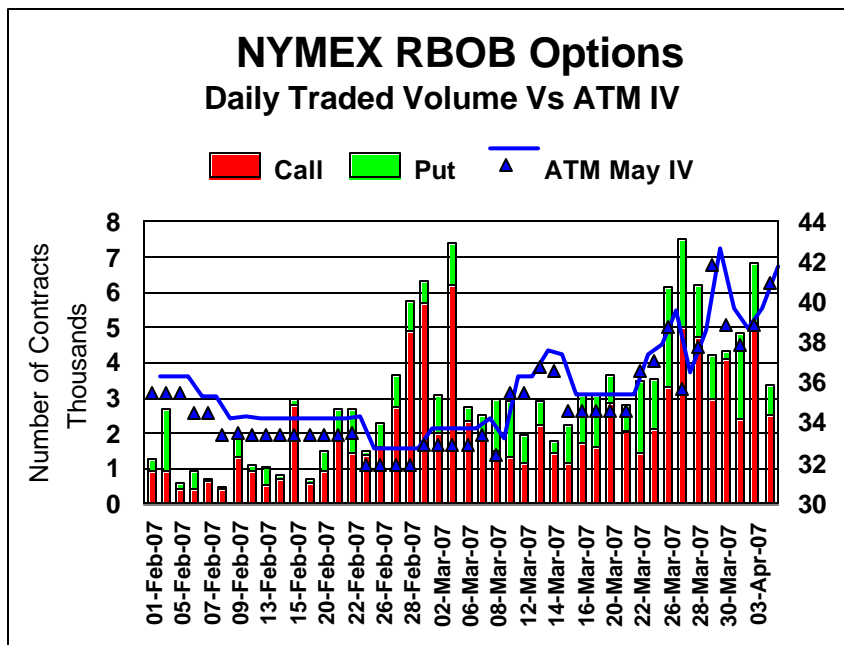
average plus 15 cents. It increased its Arab Medium crude by 15 cents to Oman/Dubai average minus \$2.30.

Brazil's Petrobras increased its production at its Block 18 to 30,000 bpd on Wednesday, prompting Petroecuador to lift a five-day force majeure on oil exports. Disruptions from local protesters had generated losses of 840,000 barrels, worth \$40 million.

Separately, Petrobras and Ecuador's Petroecuador signed a memorandum of understanding to develop the Ishpingo-Tiputini-Tambococha fields.

The Petroleum Association of Japan reported that the country's crude and oil product inventories mostly fell on strong demand in the week ending March 31. It reported that crude stocks fell by 3.79 million barrels to 108.77 million barrels while gasoline stocks fell by 320,000 barrels to 13.49 million barrels on the week. It reported that kerosene stocks fell by 620,000 barrels to 12.73 million barrels while naphtha stocks built by 1.42 million barrels to 12.51 million barrels. Japanese refineries operated at an average of 87%, up 2.5% on the week.

Japan's Ministry of Economy, Trade and Industry said the



government is likely to continue revising down the targets for its strategic oil reserves for five fiscal years starting in April due to an expected fall in demand. According to its outlook for Japan's oil demand in the five years to fiscal 2011, overall domestic fuel oil demand would fall by an average

1.8% a year to 202.6 million kiloliters in 2011. The government was holding 50.88 million kiloliters of crude in its strategic reserves as of the end of January.

### Market Commentary

The big news of the day came from the Iranian president stating that he would pardon the British sailors that have been held in his country.

Supported by gasoline, which reacted strongly to the API & DOE numbers, the May crude contract bounced off the support level of 63.53, which was a point on the daily trend line from last week.

There still remains a gap in May from 63.56 to 63.05. We have support in May set at 64.05, 63.35, 62.45, 62.10, 61.75, 61.00 with resistance up above starting at 64.65 followed by 65.20, 65.40, 65.65, 65.78, 66.00 and 66.80.

<b>NYMEX Petroleum Options Most Active Strikes for April 4, 2007</b>										
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	High	Low	IV
LO	12	8	C	40.5	11/17/2008	30.15	6,000	0	0	53.86
LO	12	8	C	40	11/17/2008	30.65	6,000	0	0	55.11
LO	5	7	P	64	04/17/2007	1.15	2,552	1.7	1.11	27.62
LO	5	7	C	64	04/17/2007	1.52	2,307	1.43	1.22	27.43
LO	7	7	P	67	06/15/2007	3.17	2,200	0	0	29.02
LO	12	7	C	80	11/13/2007	2.34	2,175	0	0	26.59
LO	9	7	C	75	08/16/2007	2.29	2,125	0	0	27.54
LO	5	7	C	70	04/17/2007	0.13	2,106	0.14	0.1	30.77
LO	12	7	C	90	11/13/2007	0.96	2,076	0.94	0.9	27.37
LO	5	7	P	63	04/17/2007	0.74	2,024	1.1	0.75	27.51
LO	12	7	C	75	11/13/2007	3.69	2,000	0	0	26.70
LO	7	7	C	77	06/15/2007	0.84	1,925	0	0	30.50
LO	7	7	P	52	06/15/2007	0.09	1,850	0.14	0.13	30.98
LO	7	7	C	70	06/15/2007	2.37	1,850	0	0	28.97
LO	9	7	C	85	08/16/2007	0.79	1,675	0	0	29.49
LO	7	7	P	61	06/15/2007	1.06	1,600	1.05	1.05	29.67
LO	12	7	C	85	11/13/2007	1.48	1,550	0	0	26.82
LO	5	7	C	75	04/17/2007	0.02	1,500	0.04	0.04	35.99
LO	6	7	C	75	05/17/2007	0.38	1,455	0.45	0.38	29.48
LO	6	7	P	55	05/17/2007	0.13	1,455	0.18	0.18	32.51
LO	7	7	C	68	06/15/2007	3.17	1,350	0	0	28.97
LO	6	7	P	60	05/17/2007	0.61	1,319	0.7	0.6	30.76
LO	8	7	C	75	07/17/2007	1.76	1,302	1.7	1.5	28.52
LO	6	7	P	58	05/17/2007	0.34	1,184	0.48	0.4	31.35
LO	6	7	C	66	05/17/2007	2.79	1,175	2.45	2.45	29.48
LO	6	7	C	70	05/17/2007	1.26	1,105	1.3	1.05	29.34
LO	10	7	C	75	09/17/2007	2.81	1,100	0	0	26.95
LO	6	7	C	69	05/17/2007	1.56	1,077	0	0	29.35
LO	5	7	P	62	04/17/2007	0.45	1,050	0.59	0.5	27.58
LO	9	7	P	50	08/16/2007	0.18	1,000	0	0	30.69
LO	11	7	C	75	10/17/2007	3.31	1,000	0	0	26.93
LO	12	8	P	50	11/17/2008	1.56	1,000	0	0	27.57
OB	10	7	C	2.5	09/25/2007	0.0371	250	0	0	36.24
OB	9	7	C	1.99	08/28/2007	0.1699	135	0	0	31.80
OB	9	7	P	1.99	08/28/2007	0.1414	135	0	0	31.70
OB	6	7	C	2.34	05/25/2007	0.0323	120	0.0275	0.0275	37.11
OB	6	7	C	2.06	05/25/2007	0.1156	105	0	0	35.38
OB	6	7	C	2.38	05/25/2007	0.0267	100	0.0225	0.0225	37.45
OB	8	7	P	1.8	07/26/2007	0.0515	100	0.0525	0.0525	33.57
OB	9	7	C	2	08/28/2007	0.1648	100	0	0	31.72
OB	9	7	P	1.97	08/28/2007	0.1321	100	0	0	31.80
OB	9	7	P	2	08/28/2007	0.1462	100	0	0	31.65
OB	9	7	C	1.97	08/28/2007	0.1802	100	0	0	31.93
OH	5	7	C	2.2	04/25/2007	0.0032	189	0.003	0.003	39.68
OH	5	7	C	2.32	04/25/2007	0.0009	100	0.001	0.001	40.61

At this point we still feel that there is more downside potential, with filling the gap our first objective and possible downward momentum to 60.45. Volume in the crude market was much better with over 370,000 lots booked on Globex during the open outcry session. Open interest in the crude market fell by 3,998 contracts, with open interest in the May contract falling by 11,325 contracts amid the weakness in the market on Tuesday. Meanwhile, the product markets were well supported, especially the RBOB market, in light of the larger than expected draw in gasoline stocks. The RBOB market was also well supported amid reports of several refinery problems. The market extended its gains to over 9 cents as it posted a high of 211.00, pushing the May RBOB crack spread over 24. The product markets will likely retrace some of its gains early in the session. However their gains are seen limited amid the continuing refinery problems. The RBOB market is seen finding resistance at 211.00 followed by 211.34 and 214.88 while support is seen at 208.30, 206.76, 205.45 and 204.13.

June crude continued to gain strength against the May contract with a range from -1.58 to -1.96 with a weighted average of -1.84. We do not see these gains dissipating any time soon for the same reasons mentioned in our previous wires. The forward curve showed gains over all, with particular strength in Jan 08 on back posting strong gains. (See chart above)

Technical levels		
	Levels	Explanation
<b>CL</b> 64.38, down 26 cents	<b>Resistance</b> 65.94, 66.69, 66.80	Previous highs
	<b>Support</b> 65.09	Wednesday's high
<b>HO</b> 186.44, up 2.57 cents	<b>Resistance</b> 64.20, 63.56	Wednesday's low
	<b>Support</b> 63.50, 63.36, 62.24	Previous lows
<b>RB</b> 210.54, up 8.77 cents	<b>Resistance</b> 188.40, 190.55	Previous highs
	<b>Support</b> 186.65	Wednesday's high
<b>RB</b> 210.54, up 8.77 cents	<b>Resistance</b> 185.30, 183.85, 182.00	Wednesday's low
	<b>Support</b> 181.00&180.00, 178.11, 176.05	Previous lows, 50% retracement (165.67 and 190.55), Previous low
<b>RB</b> 210.54, up 8.77 cents	<b>Resistance</b> 211.34, 214.88	Basis trendline, Previous high
	<b>Support</b> 211.00	Wednesday's high
<b>RB</b> 210.54, up 8.77 cents	<b>Resistance</b> 208.30, 206.76, 205.45, 204.13	Retracement levels (199.89 to 211.00)
	<b>Support</b> 199.89, 198.57	Wednesday's low, Previous low