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## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 5, 2007**

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OPEC's President Mohammed al-Hamili said the world economy was stable and oil market fundamentals were sound. Meanwhile, Qatar's Oil Minister Abdullah al-Attiyah said oil prices were driven by international politics outside OPEC's control, adding that the market is amply supplied with crude.

The executive director of the IEA, Claude Mandil said oil producing countries should invest more to meet long term demand.

According to Oil Movements, OPEC's oil exports are expected to increase by 390,000 bpd to 24.48 million bpd in the four weeks ending April 21.

#### Market Watch

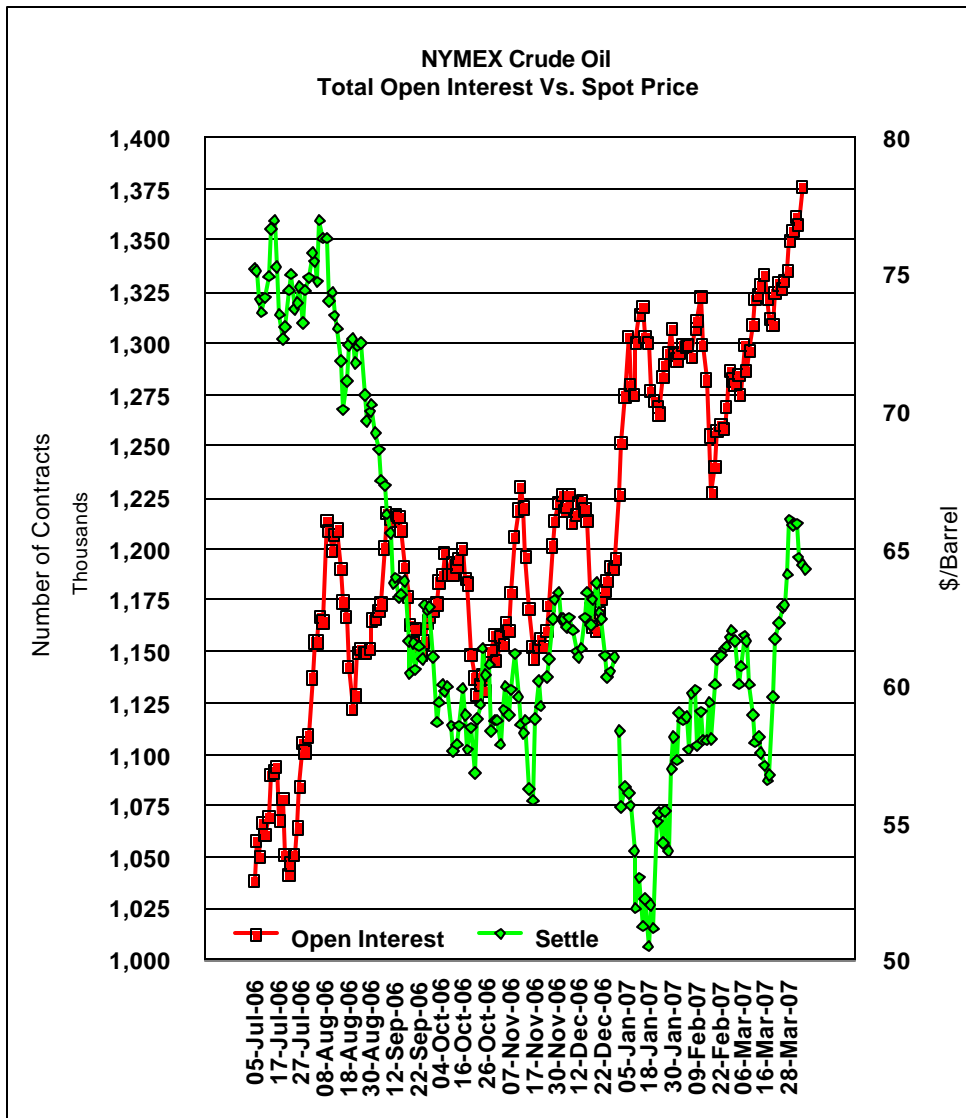
The IMF's chief economist Simon Johnson said the US was not heading towards a recession. He said the main weak spot in the US was its cooling housing market. Worries that the slowing US economy could slip into recession were heightened in February by former Fed chief Alan Greenspan's comments that a US recession was possible.

Barclays Capital said Iran's release of the UK sailors had limited price impact and WTI was still above levels traded when they were detained. It said the dispute over the nuclear dispute is still the main issue and would continue to keep markets on edge in the coming months. Separately, it stated that high crude stocks at Cushing was pressuring the WTI front end.

Royal Dutch Shell Plc said it would invest in Iraq's oil and gas projects when it was confident that it would not face a different legal framework in the future. Shell said it was still examining the law.

The International Association of Independent Tanker Owners said oil tanker owners were urging the International Maritime Organization to lay out a plan by next year for switching all ship engines to use diesel instead of fuel oil. By adopting a global rule to use diesel without waiting for outside regulation, the industry could avoid a complex web of national rules, although it would have to accept about a 50% increase in fuel costs. However a move to diesel has faced resistance, including from some in the shipping industry, who argue that the additional refining processes required to upgrade the surplus residual fuel to diesel would cause nearly as much pollution as burning it in ships. Also costs would be a concern.

The NYMEX said it would list American style crude oil options on its Clearport electronic platform starting on April 15 for the April 16 trade date. The options would be listed alongside traditional open-outcry trading on the NYMEX trading floor.



Ecuador's leftist President Rafael Correa said his country would rejoin OPEC. He said the decision to rejoin OPEC would open up a lot of opportunities, among them access to credit in Middle East banks. In January, Ecuador's oil production fell by 8% to 514,226 bpd.

**Refinery News**

Traders said cash gasoline differentials in the US Gulf Coast increased amid the talk of several refinery problems. News surfaced of a problem with a hydrotreater and hydrogen plant at ConocoPhillips' 247,000 bpd refinery in Sweeny, Texas.

Motiva Enterprises had to abort the restart of a fluid catalytic cracking unit at its 285,000 bpd refinery in Port Arthur, Texas. The unit was expected to

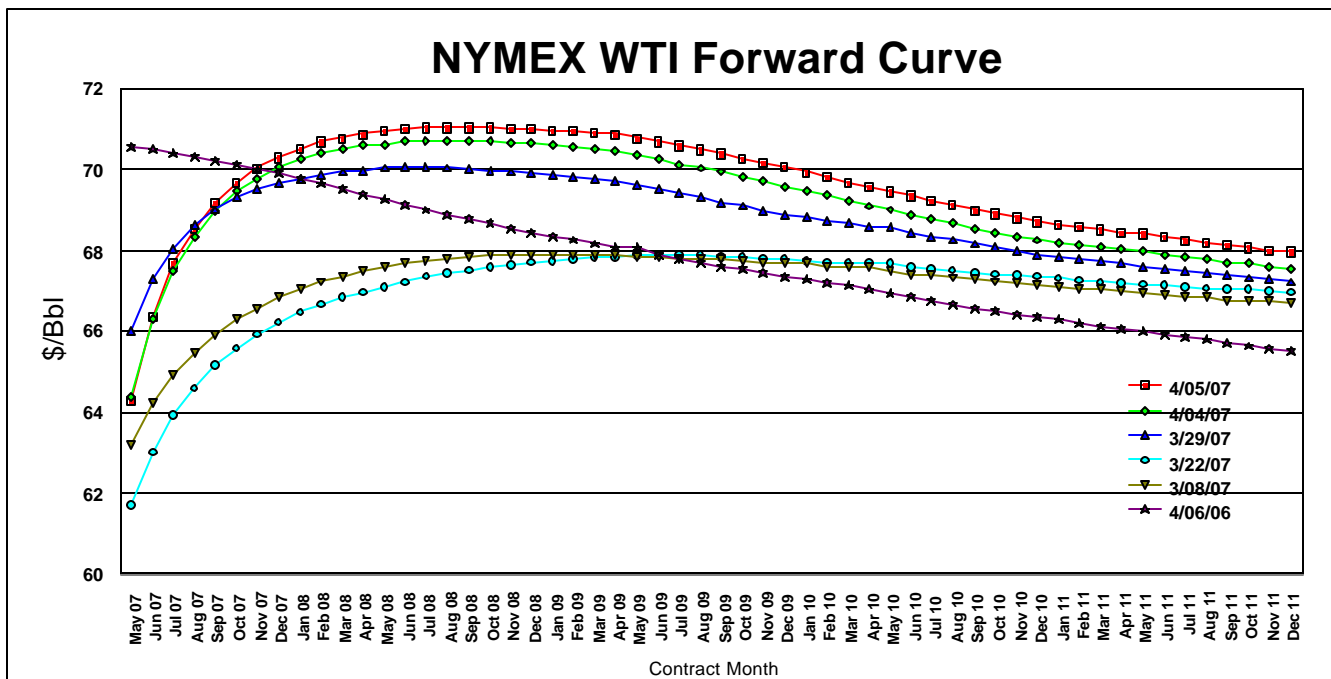
restart on Wednesday but was delayed by a relatively minor problem. The unit may restart over the weekend.

Citgo's 167,000 bpd refinery in Lemont, Illinois was operating at 60% of capacity after an unspecified mechanical problem. Traders said they expected the refinery to resume full operations by the end of the week.

ExxonMobil Corp shut a coker gas plant at its 349,000 bpd refinery in Beaumont, Texas on Wednesday. The unit was shut to repair a leak. The repairs are expected to be completed on Friday.

BP's 131,000 bpd refinery in Toledo, Ohio resumed operations following a 30 day maintenance shutdown. The work, which started on March 5, was minor maintenance ahead of the gasoline season. The refinery is expected to undergo a major overhaul in the fall.

Lyondell Chemical Co is expected to shut a fluid catalytic cracking unit at its 270,000 bpd refinery in Houston, Texas next week for a minor repair.



Thailand's 155,000 bpd Star Petroleum refinery said it expected its fluid catalytic cracking unit to reach full capacity of 45,000 bpd following two weeks of unplanned maintenance. The unit was shut from March 18 to the end of March due to catalyst problems and was now operating at 70%.

According to Reuters, an average of about 640,000 bpd of European refinery capacity is expected to be shut in April for planned maintenance. The European total is set to increase slightly in May to 650,000 bpd or 4.1% of Europe's 16 million bpd capacity.

BP's Baku-Ceyhan pipeline from Azerbaijan to Turkey has reached its full capacity of 1 million bpd. The pipeline currently ships about 700,000 bpd of oil from the ACG fields, which have reserves estimated at 900 million tons or 6.59 million barrels. BP has stated that it was planning to expand the Baku-Tbilisi-Ceyhan pipeline's capacity to 1.6 million bpd.

**Production News**

Iraq's Oil Ministry stated that oil exports were flowing normally, contradicting a report a bomb attack had disrupted supplies from southern Iraq. A ministry spokesman said a roadside bomb on Wednesday threw shrapnel on a pipeline carrying oil from South Rumaila oilfield to storage tanks at Zubair.

An adviser to Saudi Arabia's Oil Minister, Ibrahim al-Muhanna, said Saudi Arabia was aiming to have spare production capacity of 1.5-2 million bpd in case of natural disasters or political problems. Separately, an industry source stated that Saudi Arabia's crude oil production in April was running at 8.5 million bpd.

Total said oil production in Nigeria is expected to recover this year after violence in the Niger Delta cut production. Oil production has been cut by 500,000 bpd since February last year due to a series of raids on Royal Dutch Shell oilfields by the rebel Movement for the Emancipation of the Niger Delta.

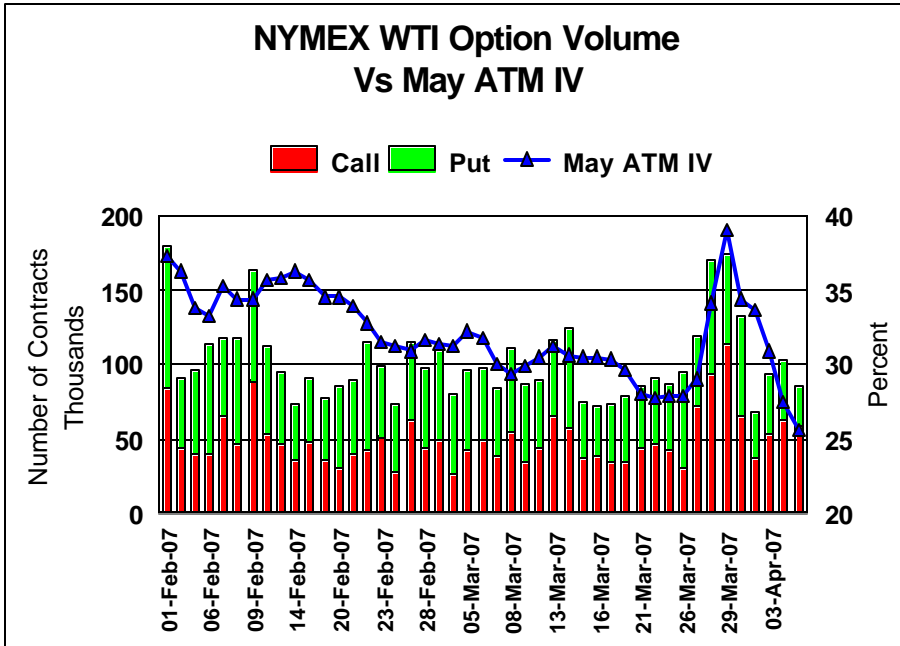
**NYMEX Petroleum Options Most Active Strikes for April 5, 2007**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	7	7	C	70	06/15/2007	2.42	7,086	28.85
LO	6	7	C	70	05/17/2007	1.25	4,514	29.25
LO	6	7	C	68	05/17/2007	1.9	3,402	29.20
LO	6	7	C	82	05/17/2007	0.09	3,341	32.82
LO	7	7	C	75	06/15/2007	1.13	2,753	29.62
LO	7	7	P	60	06/15/2007	0.8	2,464	29.79
LO	12	8	C	40.5	11/17/2008	30.51	2,250	54.38
LO	6	7	C	78	05/17/2007	0.19	2,087	30.58
LO	8	7	C	70	07/17/2007	3.36	2,000	28.10
LO	12	8	C	42	11/17/2008	29.02	2,000	50.79
LO	5	7	C	70	04/17/2007	0.08	1,939	29.18
LO	8	7	C	80	07/17/2007	0.97	1,813	29.51
LO	5	7	C	64	04/17/2007	1.33	1,802	25.61
LO	6	7	C	75	05/17/2007	0.36	1,758	29.16
LO	6	7	P	60	05/17/2007	0.57	1,652	30.61
LO	6	7	C	76	05/17/2007	0.29	1,589	29.62
LO	5	7	C	66	04/17/2007	0.54	1,547	25.73
LO	5	7	P	64	04/17/2007	1.05	1,415	25.60
LO	5	7	P	62	04/17/2007	0.36	1,405	25.45
LO	6	7	P	55	05/17/2007	0.11	1,329	32.00
LO	6	7	C	66.5	05/17/2007	2.54	1,325	29.24
LO	5	7	P	61	04/17/2007	0.19	1,278	25.69
LO	6	7	P	61	05/17/2007	0.75	1,250	30.30
LO	5	7	C	65	04/17/2007	0.87	1,181	25.62
LO	6	7	C	67	05/17/2007	2.31	1,127	29.20
LO	5	7	C	75	04/17/2007	0.01	1,106	34.65
OB	6	7	C	2.15	05/25/2007	0.0869	1,734	35.76
OB	6	7	C	2.25	05/25/2007	0.0563	1,530	36.72
OB	6	7	P	1.64	05/25/2007	0.0039	1,245	37.53
OB	6	7	P	1.9	05/25/2007	0.0353	226	36.18
OB	6	7	C	2.2	05/25/2007	0.0701	220	36.22
OB	5	7	C	2	04/25/2007	0.1601	204	41.84
OB	9	7	C	2.15	08/28/2007	0.1175	202	32.57
OB	5	7	C	1.9	04/25/2007	0.2405	201	42.68
OB	7	7	C	1.95	06/26/2007	0.1961	173	32.32
OB	6	7	C	2	05/25/2007	0.1625	160	35.88
OB	6	7	C	2.06	05/25/2007	0.1274	152	35.49
OB	5	7	C	2.02	04/25/2007	0.1459	141	41.68
OB	7	7	C	1.85	06/26/2007	0.267	125	33.22
OB	5	7	P	2	04/25/2007	0.0317	118	41.68
OB	5	7	P	1.9	04/25/2007	0.0122	109	42.14
OB	8	7	C	2.23	07/26/2007	0.0866	108	33.22
OB	5	7	P	2.1	04/25/2007	0.0674	104	41.22
OB	5	7	C	2.15	04/25/2007	0.0719	103	41.26
OH	5	7	C	1.75	04/25/2007	0.1338	201	38.14
OH	7	7	P	1.85	06/26/2007	0.0893	200	31.65
OH	7	7	C	1.85	06/26/2007	0.1338	200	31.76
OH	5	7	C	1.73	04/25/2007	0.1491	150	38.30
OH	8	7	C	1.88	07/26/2007	0.1494	140	31.80

Separately, Total's CEO Christophe de Margerie said ambitions to increase daily world oil supplies to 100 million barrels would be difficult to reach. He also stated that increasing tariffs billed by energy services companies may hurt exploration and production activities worldwide and the industry as a whole. He said rising tariffs could lead to a fall in world oil production at a time when more investment is needed to replace depleting reserves and meet world demand. In regards to Iran's South Pars liquefied natural gas project, he said rising costs and geopolitical concerns could delay Total's planned involvement in the project. He said he could not say whether Total would take a decision this year on investing in the project.

The UAE's Crescent Petroleum met with representatives of the Iraqi Oil Ministry this week for implementation of their joint study of an exploration area in the region near the Iraq-Kuwait border in southern Iraq.

Saudi Aramco increased its May official selling prices to Northwest Europe from Ras Tanura for its crude oil grades. Its Arab Extra Light was priced at a 5 cent premium to BWAVE, up \$1.05 on the month. Its Arab Light crude was priced at BWAVE minus \$3.80 while its Arab Medium was priced at BWAVE minus \$5.50 and its Arab Heavy crude was priced



at BWAIVE minus \$7.20. Meanwhile, Saudi Aramco cut the price of its Arab Super Light crude bound for Asia to the Oman/Dubai average plus \$7.20, while its Arab Extra Light and Arab Light were kept unchanged at the Oman/Dubai average plus \$3.20 and the Oman/Dubai average plus 15 cents, respectively. Its Arab Medium crude was increased by 15 cents to the Oman/Dubai average minus \$2.30 and its Arab Heavy was increased by 30 cents to the Oman/Dubai average minus \$4.75.

Iran's Light crude bound for Asia was priced at a 20 cent premium over the average Oman/Dubai assessment, unchanged from April. Meanwhile, the May official selling price for its Iranian Heavy crude was increased by 15 cents on the month to a \$2.70 discount to the Oman-Dubai average.

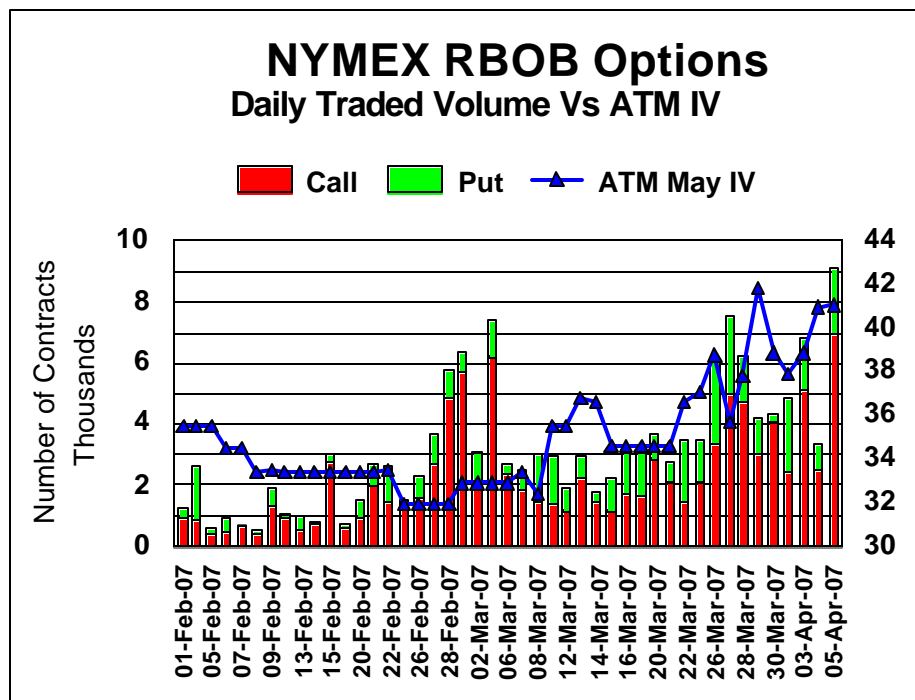
China has banned export processing of fuel oil, heavy diesel, wax and other heavy oil products as it seeks to cut back on pollution and energy intensive industries.

Singapore's International Enterprise reported that its residual fuel stocks increased by 34,000 barrels to 11.374 million barrels in the week ending April 4. It also reported that its light distillate stocks increased by 732,000 barrels to 8.614 million barrels while its middle distillate stocks increased by 18,000 barrels to 8.687 million barrels on the week.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$63.31/barrel on Wednesday from \$63.73/barrel on Tuesday.

**Market Commentary**

The crude market ended slightly lower on profit taking ahead of the long holiday weekend. The oil market continued to trade lower on the easing of geopolitical concerns following the release of the UK sailors. The crude market



posted an inside trading day as it failed to test Wednesday's trading range, with much lighter volume trading. The market traded to its high of 64.94 early in the session and sold off to a low of 63.60 in afternoon trading amid the reports of further refinery glitches, which however continued to support the RBOB market. The May/June crude spread continued to widen out as the June contract continued to strengthen. The spread, which settled at -1.64 on Wednesday, settled at -2.16. Crude volume was lighter, with 277,065 lots traded on Globex during the open outcry session. Open interest in the crude market built by a total of 19,023 lots. Open interest in the May contract built by 1,471 lots while open interest in the June contract fell by 253 lots and the July and August contracts built by a total of 5,563 lots. The largest build in open interest was seen in the December 08 contract with a build of 8,960 lots. It is interesting to note that the Dec07/Dec08 spread also continued to widen amid the strength in the Dec 08 contract. Meanwhile, the RBOB market remained well supported amid several reports of refinery problems. It settled up 2.34 cents at 212.82 after the market posted a high of 213.30. The May RBOB crack spread continued to strengthen to 25.21 in light of the refinery glitches. The heating oil market settled slightly lower, down 35 points at 186.09.

The crude market is seen testing its support levels at 63.60, 63.56, 63.50, 63.36 followed by more distant support at

Technical levels		
	Levels	Explanation
<b>CL</b> 64.28, down 10 cents	<b>Resistance</b>	65.09, 65.94, 66.69, 66.80
		64.94
	<b>Support</b>	63.60
		63.56, 63.50, 63.36, 62.24
<b>HO</b> 186.09, down 35 cents	<b>Resistance</b>	188.40, 190.55
		187.50
	<b>Support</b>	184.25
		182.00, 181.00, 180.00
<b>RB</b> 212.88, up 2.34 cents	<b>Resistance</b>	214.88
		213.30
	<b>Support</b>	209.25
		207.67, 205.94, 204.20
		Retracement levels (198.57 and 213.30)

62.24, as stochastics continue to trend lower. The market, which has been pressured by the recent spate of refinery problems cutting into crude demand, will continue to be driven by the refinery headlines. Meanwhile, resistance is seen at its high of 64.94 followed by 65.09 and 65.94. More distant resistance is seen at 66.69 and 66.80.

**NYMEX WTI: May June Spread**  
Price Vs Volume for Mar 28-Apr 5, 2007

