



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 9, 2007**

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Iran's President Mahmoud Ahmadinejad announced that Iran was now capable of enriching uranium on an industrial scale. Iran has started enriching uranium with 3,000 centrifuges, in an

#### **Market Watch**

IntercontinentalExchange Inc said it planned to open an electronic trading center in New York City on Thursday. The trading center would be at the World Financial Center and would provide access to ICE's electronic energy and soft commodities markets. Foreign exchange and index products would also be available in the near future.

expansion of the uranium enrichment program that the UN has demanded it halt. He however stated that the door to negotiations with the West remains open. Iran's President insisted that Iran has been cooperative with the UN's IAEA by allowing inspections of its facilities. However he warned against doing something that would make Iran reconsider its policies, in a reference to the threat of increased UN sanctions. Meanwhile' Iran's chief negotiator Ali Larijani said his country was willing to offer assurances its program was peaceful. However he said the West must accept its nuclear program as a fact.

In response, the US State Department said Iran's decision to start industrial scale enrichment of uranium was a further act of defiance of the international community's demands that Iran end its nuclear program. It said Iran's actions are such that the UN Security Council and the UN's IAEA do not believe Iran's assurances that their nuclear program is peaceful in nature. A US State Department spokesman Sean McCormack noted that there would be a UN IAEA report released on May 24 on what agency officials have found in monitoring Iran's nuclear activities.

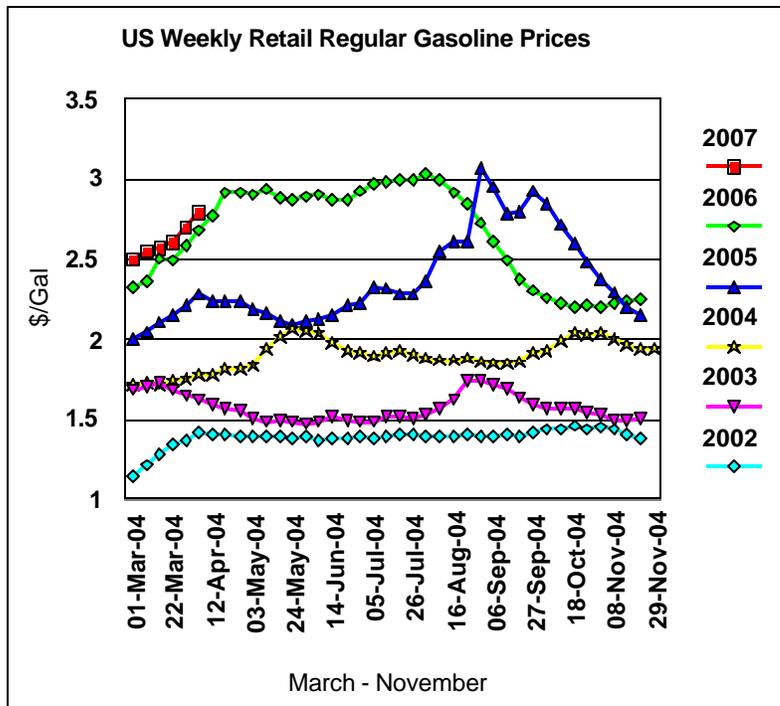
OPEC Oil Ministers stated that the world oil market was well supplied and high prices reflected tension between Iran and the West rather than any shortage of oil. OPEC's President Mohammed al-Hamli said the market is well supplied and added that OPEC does not need an emergency meeting before September. Indonesia's Oil Minister Purnomo Yusgiantoro said OPEC could do little to lower prices while Iran's Oil Minister Kazam Vaziri-Hamaneh said OPEC's 1.7 million bpd output cut had balanced fundamentals in the market.

Separately, Iran's Oil Ministry said it would continue to import gasoline to meet the shortfall in domestic supply until the government clarifies plans that include possible rationing. Iran's Parliament has supported plans to raise heavily subsidized prices from 800 rials/liter or 9 cents to 1,000 rials/liter from May 22 and ration the fuel to restrain consumption.

Gunmen in Nigeria kidnapped two Turkish engineers from their car in Port Harcourt in Nigeria's Niger Delta.

The EIA reported that the US average retail price of gasoline increased for the tenth consecutive week and reached \$2.80/gallon in the week ending April 9. It is up 9.3 cent on the week and 11.9 cents on the year. The EIA also reported that the US average retail price of diesel increased by 5 cents on the week to \$2.84/gallon.

According to the Lundberg survey, the US average retail price of gasoline increased to \$2.789/gallon in the two weeks ending April 6, up about 18.23 cents/gallon due to reduced US refinery capacity and strong demand.



**Refinery News**

Motiva Enterprises LLC restarted a fluid catalytic cracking unit at its Port Arthur, Texas refinery following a 13 day outage. Workers successfully restarted the fluid catalytic cracking unit between Saturday and Sunday after repairing malfunctions discovered during a restart attempt at the end of March. In addition, a sulfur recovery unit shutdown reported to state regulators over the weekend was very brief.

ExxonMobil Corp said it was restarting major refinery process units at its 150,00 bpd Los Angeles refinery. A spokeswoman said the refinery was nearing the end of a two month overhaul of hydrotreating units.

Alon USA cut rates on a sulfur recovery unit and related equipment at its Big Spring, Texas refinery on Saturday following problems with a hydrogen unit. Several units that use hydrogen to reduce the sulfur content of diesel fuel were running at reduced rates.

Total temporarily cut crude feed at a unit in its 240,000 bpd refinery in Port Arthur, Texas over the weekend.

Valero Energy Corp is expected to begin restarting units at its fire damaged refinery in Sunray, Texas by April 15. The refinery, with a capacity of 170,000 bpd, is expected to function at about 85,000 bpd in the days following the initial restart. Separately, Valero said it had an unspecified operating problem at its 245,000 bpd refinery in Texas City, Texas on Wednesday. It said there was no impact on production.

PDVSA has delayed the restart of a 25,000 bpd alkylation unit at its Cardon refinery until mid-May. The refinery originally planned to have the unit back in service by the end of the month.

Kuwait National Petroleum Co said on Saturday its 270,000 bpd Mina Abdullah refinery was operating at full capacity after an oil leak was brought under control. It said production was not affected.

Russia's top refiner Kirishi has started six months of maintenance work on two oil processing units at the 400,000 bpd refinery, which would cut runs by 15%. The halt is unlikely to affect export operations.

Egypt's Oil Minister Sameh Fahmy said a feasibility study for an upgrade of a refinery in Suez, which could cost up to \$2 billion, was underway. It would allow the refinery to upgrade fuel oil to higher quality products.

**Production News**

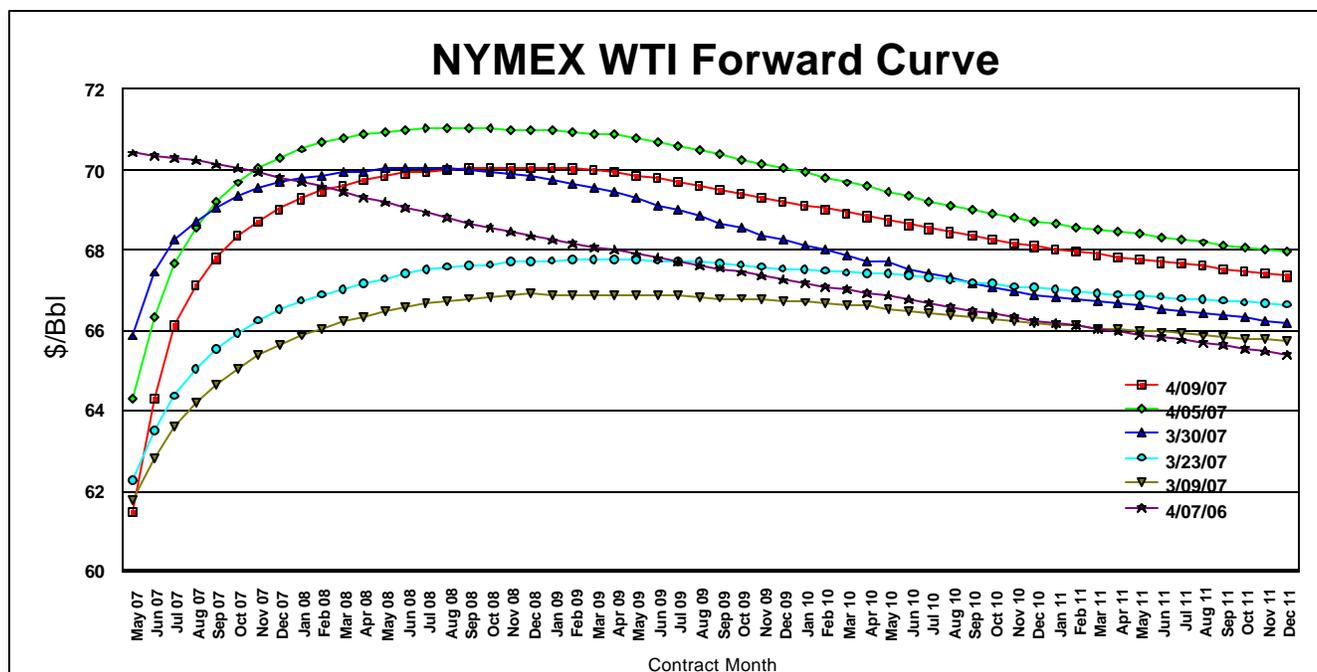
Iran's Oil Minister Kazem Vaziri-Hamaneh said Iran was close to a deal with China's Sinopec on developing Iran's Yadavaran oil field. The field could produce as much as 300,000 bpd of oil. The two countries have failed to agree on the rate of return that Sinopec should receive for its investment in the field.

The UAE's Oil Minister Mohammed Al-Hamli said the country was attempting to fast track a pipeline that would bypass the Strait of Hormuz although the tight availability of oil services firms has been impeding its development. The pipeline, which would take oil from Ruwais in Abu Dhabi to the export point of Fujairah, could carry up to 1.8 million bpd. He said he expected the pipeline to come onstream by 2010.

Russia's Lukoil is expected to increase its fuel oil and vacuum gas oil exports from its Baltic Sea terminal of Vysotsk in April-July, while diesel shipments are likely to remain unchanged. The port's total shipments are expected to reach 800,000-900,000 tons of refined products per month in the period, compared with 700,000 tons in March.

China's PetroChina said it was skipping gas oil imports in April for the second consecutive month as domestic supplies are adequate to cover peak farming demand. It imported 60,000 tons of diesel in February.

OPEC's news agency reported that OPEC's basket of crudes increased by 66 cents/barrel to \$63.97/barrel on Thursday, up from \$63.31/barrel on Wednesday.



Indonesia's Pertamina is expected to invest 14 trillion rupiah or \$1.54 billion in the upstream and downstream sectors this year to increasing production, up about 40% of its initial projection. Its plans include exploring many untapped oil and gas areas in Indonesia. Pertamina has stated that it would increase its crude oil production to 118,000 bpd in 2007 from its own operations, compared with 107,000 bpd last year.

Southwest China's Sichuan province has been considering building a \$456 million pipeline to supply crude from northwest China to the province's first major refinery. The pipeline would link Lanzhou in Gansu province with Chengdu and have a capacity of 10 million tons per year. This would allow the planned refinery to eventually tap crude imported from the Central Asia via the China Kazakhstan pipeline. A feasibility study for the new pipeline would be completed by the end of the year.

**Market Commentary**

The front end of the curve nose-dived today, surpassing the lows of March and is currently \$9.00+ lower than a year ago. Adding further pressure to prices today, was news that Motiva Enterprises LLC's Port Arthur, LA fluid catalytic cat-cracker was returned to service after a 13-day outage. This unit is a key source of gasoline. The crude oil market continued its downward momentum, puncturing through the 63.35 number. Prices however stopped right before the daily trend line of 61.21, which can be drawn off of the lows from mid-January. If prices can settle below 61.21, our objective would be 58.85. We show current support at 61.21, 60.88, 60.44, 59.97, 59.50 and 58.85 with resistance set at 62.05, 62.50, 63.35, 63.70, and 64.35. Volume in the crude market was excellent with 380,364 lots booked on Globex during the open outcry session. Meanwhile, the RBOB market, posted an outside trading day as it traded to a high of 215.55 early in the session and sold off more than 4.4 cents to a low of 208.46 in light of the refinery news. The May RBOB crack spread continued to strengthen to 26.63, amid the sharp sell off in the crude. Similarly, the heating oil market also posted an outside trading day. It posted a high of 187.86 early in the session before it gave up its gains and sold off to a low of 181.26 amid the weakness in the crude market. Volumes in the product markets were good with 55,410 lots booked in the RBOB market and 50,643 lots booked in the heating oil market. The product markets will likely retrace some of today's sharp sell off before they continue to retrace their previous gains. The product markets will also continue to be driven by refinery headlines following the recent gasoline stock draws.

Just as we suspected, the June contract continued to gain strength against the May and we could see the spread

possibly weakening to the lows of the April/May spread, which was around - 4.75.

Technical levels		
	Levels	Explanation
<b>CL</b> 61.51, down \$2.77	<b>Resistance</b> 62.05, 62.50, 63.35, 63.98	Basis trendline Monday's high
	<b>Support</b> 61.36 61.21, 60.88, 60.44, 59.97, 59.50	Monday's low
	<b>Resistance</b> 188.40, 190.55 184.00, 186.30, 187.86	Previous highs Monday's high
<b>HO</b> 181.57, down 4.52 cents	<b>Support</b> 181.26 181.00, 180.00, 178.11, 175.17	Monday's low Previous lows, 50% (165.67 and 190.55), 62%
	<b>Resistance</b> 210.65, 213.00, 215.55	Basis trendline Monday's high
<b>RB</b> 209.46, down 3.42 cents	<b>Support</b> 208.46 207.67, 205.94, 204.20	Monday's low Retracement levels (198.57 and 213.30)