



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 9, 2008**

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According to Euroilstock, total oil and product inventories in March built by 9.43 million barrels on the month but fell by 14.8 million barrel on the year to 1.126 billion barrels. It reported that middle distillate stocks built by 2.92 million barrels on the month but fell by 10.42 million barrels to 378.9 million barrels. Crude oil inventories built by 7.3 million barrels on the week but fell by 2.62 million barrels to 478.3 million barrels while gasoline inventories fell by 2.13 million barrels on the month and by 5.16 million barrels on the year to 127.33 million barrels. It

reported that fuel oil stocks built by 460,000 barrels on the month but fell by 200,000 barrels on the year to 113.17 million barrels. Euroilstock also reported that crude intake fell by 70,000 bpd to 11.671 million bpd while capacity utilization increased to 89.09% from 87.27%.

#### **DOE Stocks**

**Crude** – down 3.2 million barrels  
**Distillate** – down 3.7 million barrels  
**Gasoline** – down 3.4 million barrels  
**Refinery runs** – up 0.6%, at 83%

#### **Market Watch**

Mexico's government handed Congress a compromise energy reform plan on Tuesday. The government plan omits risk sharing alliances but would allow Pemex to add performance based incentives on its service contracts with private companies. The reform plan should speed up new exploration and production projects and could also see new refineries built. Mexico's Deputy Energy Minister Jordy Herrera said the reform plan was diluted to ensure a smooth passage through the divided Congress but the government saw it as far-reaching enough to help the flagging oil industry. Mexico's President Felipe Calderon said the energy reform proposal would help the industry to uncover potentially massive oil deposits in the deep waters of Mexico's Gulf.

According to a Reuters survey, oil prices are expected to reach a record average of \$91.24/barrel in 2008, up from \$90.55 in the previous survey in late March. The survey showed that analysts estimated crude prices would average \$87.12/barrel in 2009 and \$84.37/barrel in 2010.

Forecasters with Colorado State University said the 2008 Atlantic hurricane season would likely be well above average in producing both more storms and more intense storms. They predicted 15 named storms, eight hurricanes and four of those being intense or major hurricanes. In December, CSU projected 13 named storms, seven hurricanes and three intense hurricanes.

The Commerce Department reported that US wholesale inventories increased by 1.1% in February while sales fell 0.8%, the largest drop in a year.

Iran's President Mahmoud Ahmadinejad insisted Iran would never abandon its nuclear program. He warned the West to expect a "bloody nose" over mounting pressure on Iran to

halt its uranium enrichment activities. He said imposing sanctions on Iran would have no results for the West. Iran, which has ruled out halting or limiting its nuclear work in exchange for trade and other incentives, said it would only negotiate with the UN's IAEA.

April Calendar Averages	
<b>CL</b>	– 106.33
<b>HO</b>	– 302.49
<b>RB</b>	– 274.31

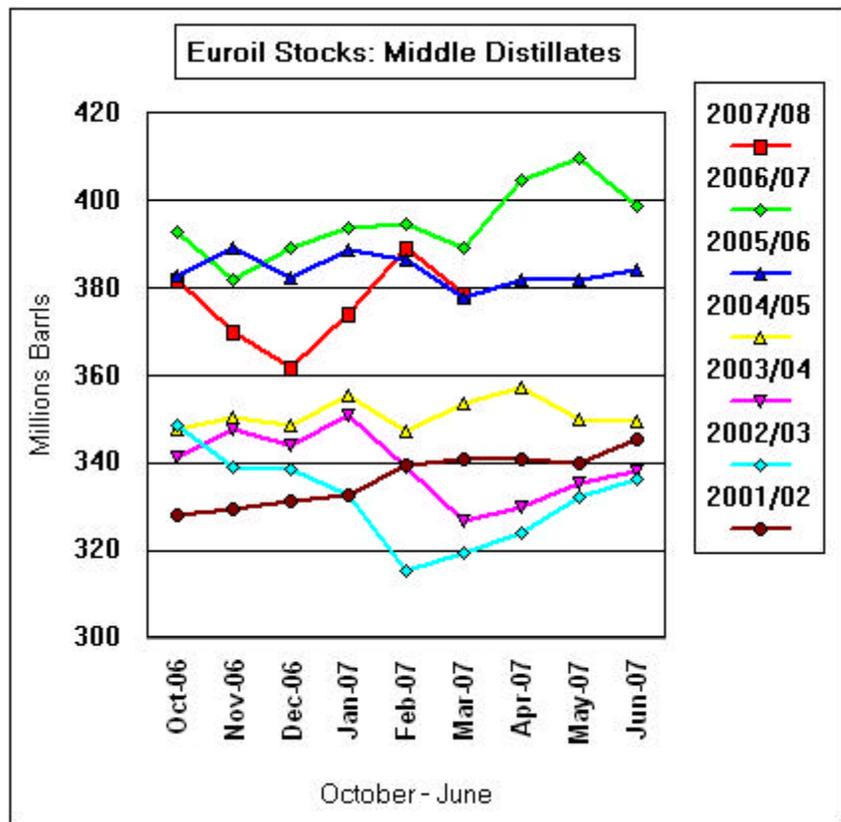
The Deputy head of the Atomic Energy Organization of Iran, Hossein Faghihian said Iran would inaugurate a new uranium ore concentrate production plant in Ardakan, Iran in less than a year. He said the Ardakan Yellowcake Production Plant would open before the end of the current Iranian calendar year or March 20, 2009. The plant would take uranium ore and turn it into a concentrate known as yellowcake in an initial step in the process to produce nuclear fuel.

Nigerian police and residents said at least seven people have been killed and several injured in two days of clashes between two ethnic communities in southwest Nigeria. Clashes broke out in Sango-Ota over a plan to appoint a traditional ruler for the town.

**Refinery News**

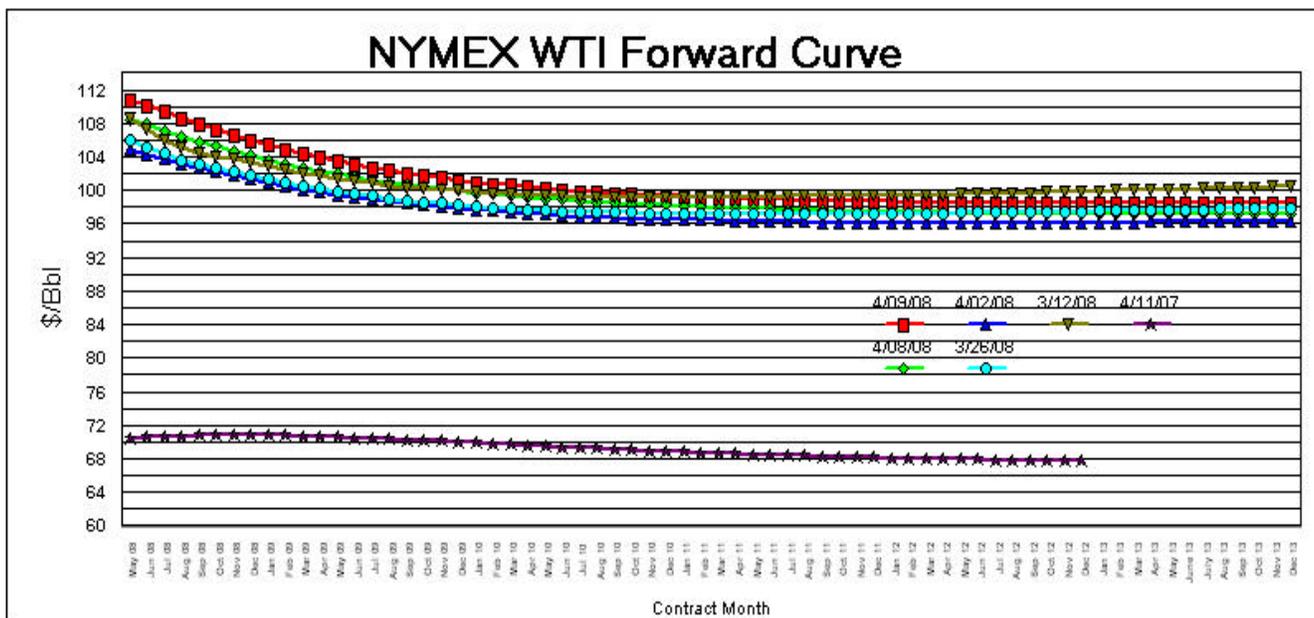
ConocoPhillips' Bayway refinery in Linden, NJ was operating at reduced rates while repairs continued on a distillate desulfurization unit following planned turnaround maintenance. The crude unit was processing about 200,000 bpd, down 38,000 bpd from its rated capacity and there has been no ultra low sulfur diesel production since the planned maintenance began on March 14. Meanwhile, ConocoPhillips' 306,000 bpd Wood River, Illinois refinery was in restart mode following about 30 days of planned turnaround maintenance. There was no estimate on when the refinery would reach normal operating rates.

ConocoPhillips' chief executive Jim Mulva said he expected reasonable refining margins for the rest of the year but did not expect a repeat of the record profit margins experienced in recent years. Margins



to produce gasoline fell in late 2007 and early 2008 as refiners were unable to push through costs from increasing crude oil prices to customers. He also reiterated that he hoped to resolve the company's dispute with Venezuela this year.

Sunoco's 178,000 bpd Marcus Hook, Pennsylvania refinery began the process of restarting operations on Wednesday after suffering a power failure on Monday. While no estimate was given for the refinery's return to normal operations, the process would occur at a slow pace to ensure a safe restart. Separately, Sunoco Inc released an unspecified amount of alumina silica from its 145,000 bpd Eagle Point, NJ refinery on Monday evening, blanketing the area with white dust. The dust is considered a non-hazardous material. A spokeswoman for state



environmental regulators said the release was likely caused by an equipment malfunction at the refinery.

Valero Energy Corp said production by fluid catalytic cracking units across its 16 North American refineries has increased because of restarts at two plants. It recently restarted a fluid catalytic cracking unit at its Memphis, Tennessee refinery and a catcracker and alkylation unit at its Wilmington, California refinery, increasing its production capacity above the 73% mentioned last month by Valero's chief executive Bill Klesse.

Venezuela's Oil Minister Rafael Ramirez said operations at PDVSA's 320,000 bpd La Isla refinery in Curacao were normal following reports of a disruption. A PDVSA spokesman said earlier that the refinery was shut on Wednesday due to a power outage. Separately, Venezuela's Oil Minister said PDVSA would seek a new operator to replace ExxonMobil Corp in their Chalmette refinery partnership. He also stated that Venezuela's planned windfall oil tax would be levied on all private companies operating in the country and would bring in several billion dollars a year. The Venezuelan government announced that the new tax would take 50% of oil revenues above \$70/barrel and 60% of revenues above \$100/barrel. Venezuela's Congress is expected to give final approval to the new law in the coming days.

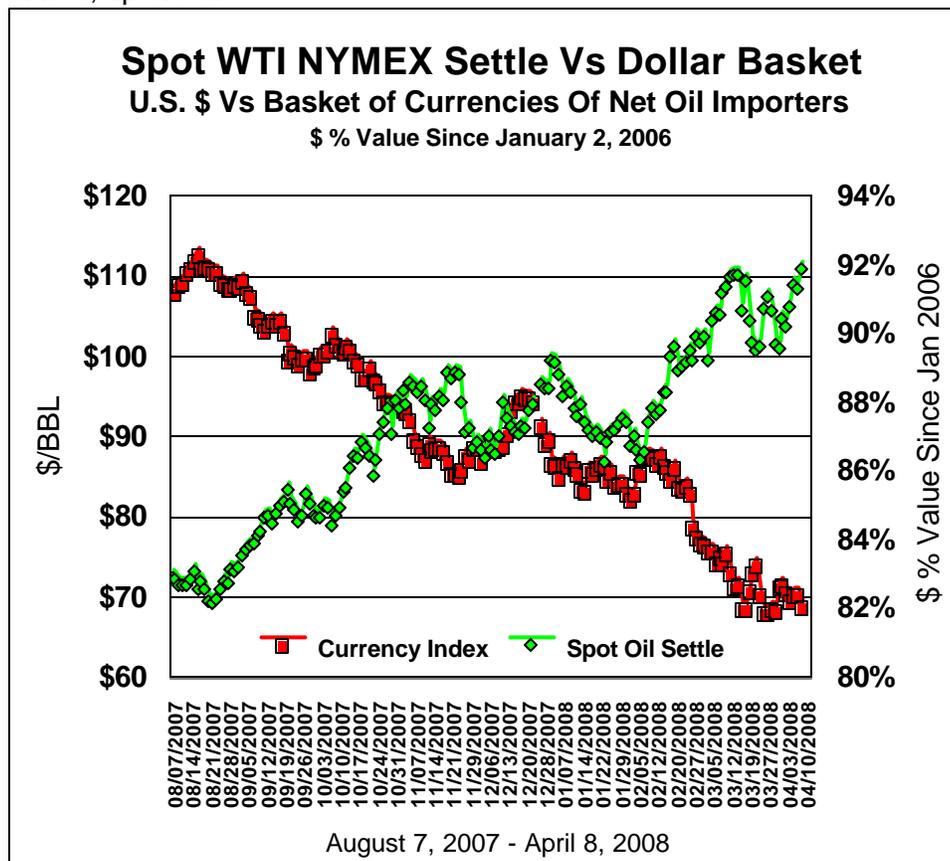
Nippon Oil Corp said it would shut its 60,000 bpd refinery in Toyama by the end of March 2009 and convert the site into an import terminal. It the latest sign of easing strains on refining sector amid declining demand. It said the new terminal would be used to import oil products from its refineries elsewhere in Japan.

Petrobras reported that the consumption of ethanol in Brazil likely outpaced that of gasoline during March. According to the Brazil's National Petroleum and Biofuels Agency, distributors sold 1.43 billion liters of pure gasoline in Brazil in February and 1.41 billion liters of ethanol.

Latvia's oil terminal Ventspils shipped 1.36 million tons of crude oil and products in March, up from 1.25 million tons in February. In the first three months of the year, 2.9 million tons of diesel fuel have been shipped via a petroleum products pipeline and by rail, 500,000 tons of gasoline was transported by rail and 300,000 tons of crude and petroleum products have been delivered by sea.

China's CNPC stated that it would start full scale construction of the China-Kazakhstan natural gas pipeline and the second phase of an existing crude pipeline this year. The construction of the Kumkol-Kenkiyak crude pipeline extension was scheduled for completion by October 2009.

The Petroleum Association of Japan reported that the country's gasoline stocks fell by 560,000 barrels to 14.58 million barrels in the week ending April 5 after the expiry of a provisional gasoline tax. A temporary gasoline tax had added 25.1 yen per liter to the price of petrol expired on March 31. It reported that Japan's crude oil stocks built by 1.69 million barrels to 94.16 million barrels while kerosene stocks built by 290,000 barrels to 11.8 million barrels and naphtha stocks built by 1.32 million barrels to 11.79 million barrels on the week. Japanese refiners ran their facilities at an average of 87.5%, up 0.9%.



Ports in Indonesia were operating normally on Wednesday as unions discussed whether to begin a strike over a new law to open up operations of ports to the private sector. Officials said contingency plans were in place to keep ports working if a strike was launched.

Thailand's Department of Energy Business reported that the country's average crude oil imports fell by 6.1% on the year in February to 908,000 bpd. Meanwhile its imports of refined products fell by 17.6% on the year to 13,200 bpd.

**Production News**

Nigeria's Oil Minister Odein Ajumogobia said about 55,000 bpd of oil production that was shut in due to problems in the Niger Delta has been restarted. He said the production was coming from Chevron Corp, which operates the Escravos and Pennington facilities that have about 90,000 bpd of production shut in.

Saudi Aramco said it would start up its 500,000 bpd Khursaniyah oilfield in April. Its output is expected to reach 300,000 bpd within two months. The field is expected to reach its full capacity once related gas facilities are completed.

Britain's North Sea Brent crude oil system is scheduled to load about 178,000 bpd in May, up from 145,500 bpd in April. The May program listed a total of 5.528 million barrels, up from 4.365 million barrels in April.

The North Sea Ekofisk crude oil system is scheduled to load about 397,000 bpd in May, down from 410,000 bpd in April. The North Sea Forties crude oil system is set to load about 619,000 bpd in May. The May program consists of 19.2 million barrels, up from 18 million barrels in April.

The Norwegian Petroleum Directorate reported that Norway's oil production increased to 2.2 million bpd on average in March from 2.1 million bpd in February.

Husky Energy Inc said that oil production at the 140,000 bpd White Rose field off Newfoundland was suspended again due to ice conditions in the region on Monday. Production was also suspended for two days last week due to ice.

Russia's Tatneft said its oil production increased by 1.3% on the year to 6.5 million metric tons in January-March. In March, the company's oil production increased by 0.4% on the year to 2.2 million tons.

Petroecuador reported its oil export revenue at \$486.3 million in March, down 17% on the month. It exported 5.42 million barrels of crude in March, down 25% from 7.25 million barrels in February.

Marathon Oil said it restarted production at the East Brae gas platform in the North Sea after a fault shut it down on Tuesday. A fault early on Tuesday shut down the platform just hours after restarting, following a power cut on Monday.

PDVSA's vice president of exploration and production, Luis Vierma said Venezuela's crude oil production was set to more than double to 6.8 million bpd by 2021. He said PDVSA was aiming for an average production level of 3.5 million bpd in 2008, up from 3.2 million bpd last year.

### **Market Commentary**

Another record high was made again in crude oil today with the May contract peaking at \$112.16. A greater than expected draw of 3.2 million barrels in crude oil stocks coupled with a weaker dollar helped to bring prices to the record high. Crude oil stocks are now set at 316.0 million barrels and are running in the middle of the average range. Imports for crude oil were down 1.4 million bpd on the week and this number will continue to fluctuate from week to week. Strength was seen across the board today, with this move evident on the forward curve chart. We did not see the pull back we would have liked to see, however we feel that a pullback is due. With short term slow stochastics crossing to the down side, we would look to buy and sell against the listed support and resistance numbers. Total stocks for gasoline decreased by 3.4 million barrels, greater than the 2.3 expected draws. Total gasoline stocks are set at 221.3 million barrels or 20.5 million greater than a year ago, with demand set at 9.26 million

barrels per day or 300,000 bpd greater than last year. Total gasoline stocks remain in the upper limit of the average

		<b>Explanation</b>	
<b>CL</b>	<b>Resistance</b>	112.58, 116.13	Basis trendlines
	110.87, up \$2.37	112.21	Wednesday's high
	<b>Support</b>	110.50, 108.75, 107.95	Wednesday's low
<b>HO</b>	<b>Resistance</b>	334.29	Basis trendline
	323.45, up 12.43 cents	325.61	Wednesday's high
	<b>Support</b>	319.80, 317.35, 310.90, 309.07	Wednesday's low
<b>RB</b>	<b>Resistance</b>	290.03	Basis trendline
	277.42, up 2.38 cents	280.60, 282.28	Wednesday's high
	<b>Support</b>	276.20, 274.35	Wednesday's low
		272.87, 270.62, 269.70, 265.82, 261.93	Previous lows, 38% (249.35 and 282.28), 50%, 62%

range. With a settlement in the May contract at 2.7742, prices fell shy of the 2.7620 major support level. Slow stochastics on the daily chart are trending slightly higher, but are in the over bought zone. Should the aforementioned 2.7620 support level become penetrated, we would look to sell this product with a near term objective of 2.7240. Total distillate stocks fell 3.7 million barrels, greater than the 1.2 million barrels expected decrease. Total stocks for distillate are set at 106.0 million barrels and are currently set in the lower half of the average range. Prices continue to trade at unseasonable highs, as tightness in Europe is showing no signs of abating. Technically, this market has approximately a 32 cents move to the downside before reaching key support at \$2.9000. Until this happens we would have to stick with buying and selling the support and resistance numbers. Although our opinion is that the fundamentals do not add up to current prices, we cannot let the global economic/demand factors fall to the wayside. Total open interest for crude oil is 1,412,326 down 5,612, May08 245,751 down 42,418, June08 263,636 up 33,630 and Dec08 198,724 up 1,715.