



## <sup>5</sup>**ENERGY RISK MANAGEMENT**

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### **ENERGY MARKET REPORT FOR APRIL 11, 2007**

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Iran's chief nuclear negotiator Ali Larijani reiterated that Iran was open to discussing concerns over its nuclear program. However he added that Iran would not agree to preconditions for the negotiations. The UN Security Council has set a deadline of late May for Iran to halt its nuclear program, warning it would gradually ratchet up its sanctions. Iran's chief nuclear negotiator warned that if the UN imposed further sanctions, Iran could reconsider how much it cooperates with the UN IAEA.

Separately, the IAEA said it did not expect Iran to be in a position to build a nuclear weapon for four to six years at the earliest. An IAEA spokeswoman said there was time for diplomacy.

#### Market Watch

Iran's Deputy Foreign Minister Abbas Araghchi signaled Iran may boycott the upcoming Iraq conference in Egypt if five Iranian diplomats held by the US in Iraq are not released beforehand. Iran's state broadcasting company reported that Iran's Foreign Minister Manouchehr Mottaki sent a letter to Iraq's Foreign Minister Hoshyar Zebari warning him that the continued detention of its diplomats would undermine Iran's cooperation with Iraq.

The Federal Reserve said it believed that weaker than expected economic indicators and uncomfortably high readings on inflation suggested greater risks of slower economic growth as well as greater uncertainty that core inflation would recede as expected. US Federal Reserve officials agreed that more rate hikes may be needed to combat inflation.

The IMF said falling oil prices and a fall in oil production are expected to lead to slower growth in the Middle East. However it said inflation would remain well contained. It said the outlook for the region as a whole remains favorable, with some moderation of growth among exporters. It forecast the region's current account surplus is expected to fall from its 2006 level of 18% of GDP to about 10.75% over the next two years. GDP in the region is expected to expand 5.5% in 2007, up slightly from the IMF's 5.4% estimate in September.

NYMEX Holdings said it acquired a 19% stake in energy derivatives broker Optionable Inc. In addition to the 19% stake bought from Optionable's founding stockholders, Optionable has issued a warrant that would permit NYMEX to increase its stake in the firm to 40%. NYMEX chairman Richard Schaeffer said it would contribute to the exchange's future expansion in the options markets.

#### **DOE Stocks**

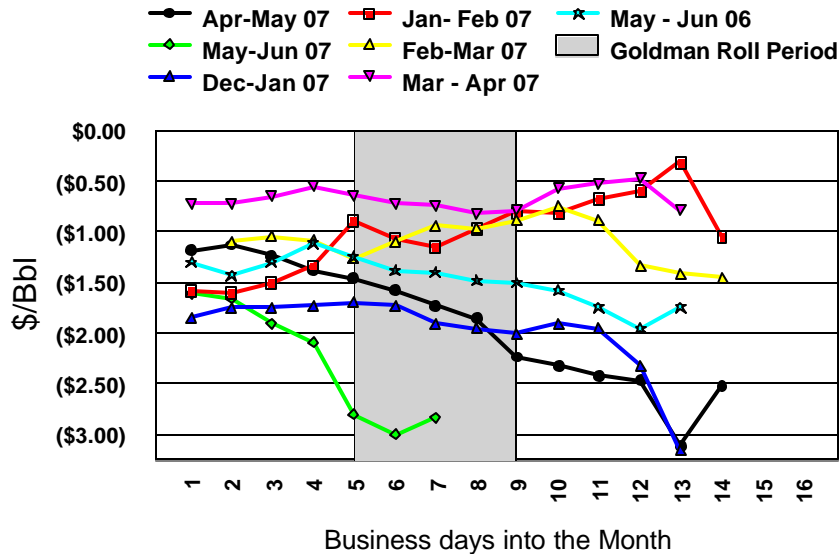
**Crude** – up 700,000 barrels  
**Distillate** – up 100,000 barrels  
**Gasoline** – down 5.5 million barrels  
**Refinery runs** – up 1.61%, at 88.4%

According to Euroilstock, total petroleum stocks in Europe fell by 7.67 million barrels on the month to 1.152 billion barrels in March. It reported that gasoline stocks increased as high prices encouraged refiners to increase gasoline production. It reported that gasoline stocks increased by



## NYMEX WTI Front Month Spread

Basis Settlement



According to Oil Movements, oil tanker spot chartering this month by Saudi Arabia's Vela International Marine Ltd were running at a two year high, with crude volumes up an estimated 150,000 bpd against a year ago. It said Vela was shipping additional crude volumes out of the Persian Gulf to the Atlantic Basin. In the four weeks ending April 21, Vela chartered daily volumes equal to about 500,000 barrels, up 150,000 bpd on the year.

According to Platts, the ten OPEC members produced an average of 26.54 million bpd in March, down 80,000 bpd from February. Total OPEC production stood at 30.11 million

bpd, down 70,000 bpd from the prior month.

Chevron Corp's oil and gas production in the first two month of 2007 fell about 1.7% to 2.61 million barrels of oil equivalent/day from fourth quarter levels of 2.66 million boe/d.

The North Sea Ekofisk crude system is expected to load about 508,000 bpd in May, up from 492,000 bpd in April.

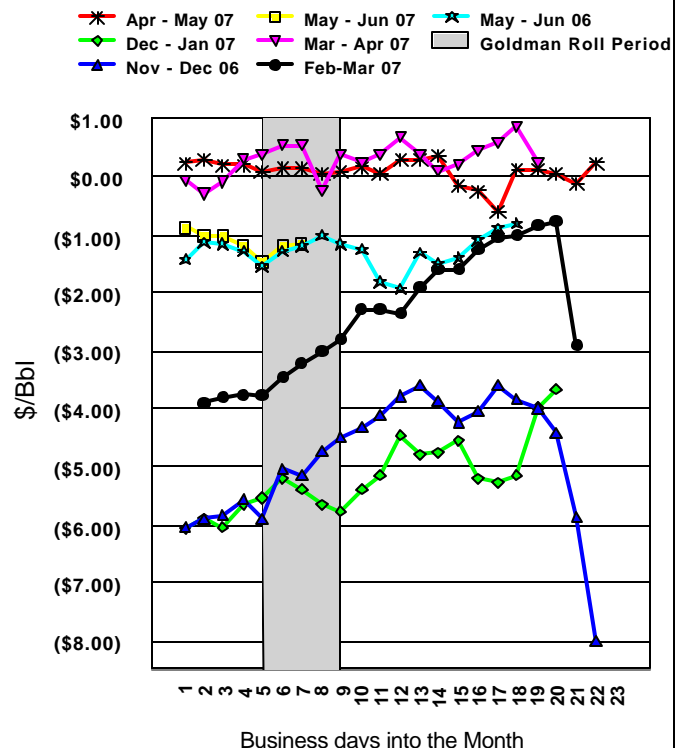
The Shetland Island Council reported that Brent crude oil exports from Sullom Voe fell to 286,832 tons in the week ending April 10 from 496,657 tons in the previous week.

China resumed its strategic crude stockpiling in March, storing about 8 million barrels of crude in its Zhenhai strategic reserve tanks after halting operations in February. There is a total of 37.4 million barrels stored in the facility.

China's National Development & Reform Commission said in a report on the 2006-2010 energy sector development plan that the volatility in world markets was increasing security concerns. China expanded its plans to increase energy supply security by accelerating

## NYMEX HO Front Month Spread

Basis Settlement



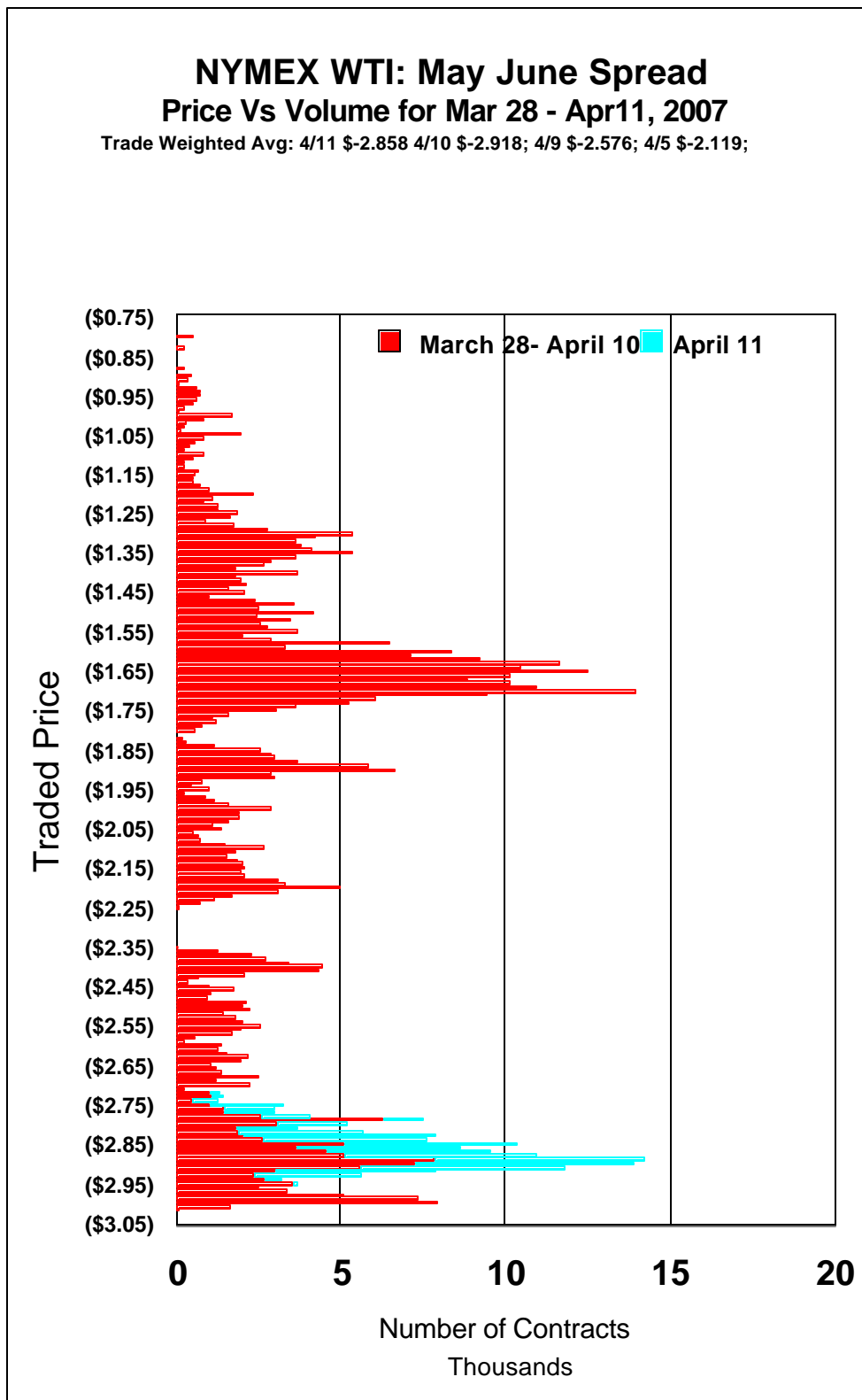
the build up of oil reserves as it faces steady production growth. China has been building the first phase of its strategic reserve tanks that is projected by 2009 to store 100 million barrels if used in full. The commission estimated 2010 crude production at 193 million tons or 3.86 million bpd, up 5% from 2006.

Indonesia's Pertamina has purchased 5.7 million barrels of June arrival sweet crude in its regular spot tender.

The Petroleum Association of Japan reported that the country's crude stocks fell by 4.81 million barrels to 103.96 million barrels in the week ending April 7. It reported that gasoline stocks increased by 610,000 barrels to 14.1 million barrels while kerosene stocks increased by 90,000 barrels to 12.82 million barrels on the week. It reported that its refinery runs fell to 86.6% of total capacity of 4.83 million bpd from 87% the previous week.

Ecuador's Central Bank reported that the country's average oil production fell 8% to 512,390 bpd in the first two months of the year from 555,220 bpd in the same period of 2006. Petroecuador's production averaged 258,034 bpd in the first two months.

OPEC's news agency reported that OPEC's basket of crudes fell to \$62.66/barrel on



**NYMEX Petroleum Options Most Active Strikes for April 11, 2007**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LO	6	7	P	56	05/17/2007	0.2	5,101	32.26
LO	8	7	C	80	07/17/2007	0.69	3,650	29.12
LO	8	7	C	70	07/17/2007	2.72	3,251	27.71
LO	6	7	C	85	05/17/2007	0.01	3,208	32.76
LO	8	7	C	75	07/17/2007	1.32	3,125	27.67
LO	7	7	P	60	06/15/2007	0.85	3,090	28.98
LO	7	7	C	90	06/15/2007	0.07	3,020	34.08
LO	5	7	C	62	04/17/2007	0.83	3,009	26.05
LO	10	7	P	69	09/17/2007	4.94	2,650	27.55
LO	5	7	P	60	04/17/2007	0.17	2,570	25.85
LO	6	7	C	65.5	05/17/2007	1.98	2,450	28.31
LO	6	7	P	65.5	05/17/2007	2.63	2,450	28.25
LO	7	7	P	58	06/15/2007	0.51	2,175	29.25
LO	10	7	C	69	09/17/2007	4.7	2,150	27.56
LO	5	7	C	65.5	04/17/2007	0.06	2,100	27.69
LO	5	7	C	62.5	04/17/2007	0.6	2,083	25.84
LO	5	7	P	61	04/17/2007	0.41	1,916	26.01
LO	6	7	C	65	05/17/2007	2.2	1,855	28.24
LO	5	7	C	63	04/17/2007	0.43	1,786	26.08
LO	5	7	C	63.5	04/17/2007	0.3	1,770	26.31
LO	6	7	C	74	05/17/2007	0.19	1,765	28.50
LO	7	7	C	72	06/15/2007	1.21	1,735	28.05
LO	8	7	P	60	07/17/2007	1.11	1,660	28.60
LO	5	7	P	62	04/17/2007	0.82	1,632	26.05
LO	6	7	P	60	05/17/2007	0.66	1,436	29.78
OB	7	7	P	1.9	06/26/2007	0.0516	1,950	34.63
OB	6	7	P	1.8	05/25/2007	0.0185	1,687	41.22
OB	6	7	P	2	05/25/2007	0.0633	1,673	38.84
OB	5	7	C	2.15	04/25/2007	0.0759	1,052	42.60
OB	5	7	C	2.25	04/25/2007	0.0377	1,050	43.45
OB	7	7	C	2.5	06/26/2007	0.0251	274	35.61
OB	8	7	C	2.24	07/26/2007	0.0838	231	33.57
OB	8	7	C	2.18	07/26/2007	0.1006	221	33.01
OB	7	7	C	2.04	06/26/2007	0.1493	208	33.15
OB	7	7	C	2.35	06/26/2007	0.0454	200	34.41
OB	7	7	P	1.8	06/26/2007	0.0302	200	35.80
OB	7	7	C	2.05	06/26/2007	0.1436	198	32.99
OB	5	7	P	2.1	04/25/2007	0.0462	195	43.22
OB	7	7	C	1.98	06/26/2007	0.186	176	33.95
OB	7	7	C	1.99	06/26/2007	0.1796	172	33.84
OB	8	7	C	2.25	07/26/2007	0.0813	151	33.68
OH	12	7	C	2.3	11/27/2007	0.0887	210	28.76
OH	6	7	C	2.4	05/25/2007	0.0019	204	34.15
OH	5	7	C	1.78	04/25/2007	0.1143	125	38.38
OH	7	7	C	1.95	06/26/2007	0.0877	125	30.67
OH	7	7	P	1.82	06/26/2007	0.0643	125	30.80
OH	6	7	C	1.98	05/25/2007	0.046	100	31.88

Tuesday from \$63.55/barrel on Monday.

**Market Commentary**

WTI continues to be disconnected from the market as loses against other grades go on. The WTI has been trading at a discount to other grades since the middle of March and continues to post further discounts. Without any news from refineries experiencing problems coming back on line any time soon, we do not see this situation changing for the time being. The May contract although still weak posted gains today in response to significant draws in gasoline stocks. Prices are still adhering to the major trend line set at 61.38 and the minor trend line of 63.19. Overall we would look for prices to break to the downside, with an initial stop at 58.85. Support in May is set at 61.65, 61.35-61.25, 60.88, 60.44, 60.25, 59.95, 59.50, 59.15 and 58.85. Resistance is at 62.24, 62.55, 62.94, 63.35, 63.90 and 64.52. For the first time in a week, the May/June spread settled lower than the previous settlement. This could be a function of the reaction to bullish API's. A settlement below -2.77 on this spread could spark longs to cover aggressively bringing the differential into -2.41. Volume in the crude market was excellent with 374,160 lots booked on Globex during the open outcry session. Open interest in the crude market continued to fall, by a total of 2,704 lots as of Tuesday, with open interest in the May contract falling by 39,736 lots as

traders continued to roll their positions in the back months. Open interest in the June contract increased by 24,421 lots. Meanwhile, the RBOB market settled sharply higher in light of the larger

than expected draw reported in gasoline stocks of over 5 million barrels. The market, which bounced off its low of 212.74, extended its gains to 4.68 cents as it traded to a high of 216.98 on the supportive report. However the market surprisingly gave up some of its gains and settled in a sideways trading pattern ahead of the close. The May RBOB crack spread remained steady and is still seen remaining supported by the refinery problems and the continued draws in stocks.

<b>Technical levels</b>		
	<b>Levels</b>	<b>Explanation</b>
<b>CL</b> 62.01, up 12 cents	<b>Resistance</b> 62.61, 62.94, 63.35, 63.90	Basis trendline
	<b>Support</b> 62.56	Wednesday's high
<b>HO</b> 187.47, up 1.86 cents	<b>Resistance</b> 61.53	Wednesday's low & basis trendline
	<b>Support</b> 61.35-61.25, 60.88, 60.44, 60.25	
<b>RB</b> 215.87, down 3.57 cents	<b>Resistance</b> 190.55	Previous high
	<b>Support</b> 188.77	Wednesday's high
<b>HO</b> 187.47, up 1.86 cents	<b>Resistance</b> 185.59	Wednesday's low
	<b>Support</b> 181.71, 181.26, 181.00, 180.00	Previous lows, 50% (165.67 and 190.55)
<b>RB</b> 215.87, down 3.57 cents	<b>Resistance</b> 219.57	Basis trendline
	<b>Support</b> 216.98	Wednesday's high
<b>RB</b> 215.87, down 3.57 cents	<b>Resistance</b> 214.50, 212.74	Wednesday's low
	<b>Support</b> 209.70, 208.46, 203.79	Previous lows, 38% retracement (182.45 and 216.98)