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## ***ENERGY RISK MANAGEMENT***

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## **ENERGY MARKET REPORT FOR APRIL 24, 2008**

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Saudi Aramco said rising oil prices were driven by a range of factors including speculation and the depreciation of the US dollar, not mainly by China. A Saudi Aramco official said the large influx of speculative money into the oil futures markets, the weak dollar and tight capacities all along the petroleum value chain all contributed to the surges in prices.

Nigeria's white collar oil workers union, Pengassan, suspended a planned strike over a labor dispute with ExxonMobil. It had threatened to begin a strike on Thursday after talks broke down on Wednesday. Members of Pengassan locked the gates to Exxon's Lagos office and other facilities, including the Qua Iboe export terminal. However a union leader said ExxonMobil's office was closed on Thursday because the union had already mobilized its members for the strike before the decision to suspend it was made. An ExxonMobil spokeswoman confirmed the company's offices were shut but added that oil output and exports at its Qua Iboe terminal were unaffected.

### **April Calendar Averages**

**CL** – 111.55  
**HO** – 317.21  
**RB** – 285.86

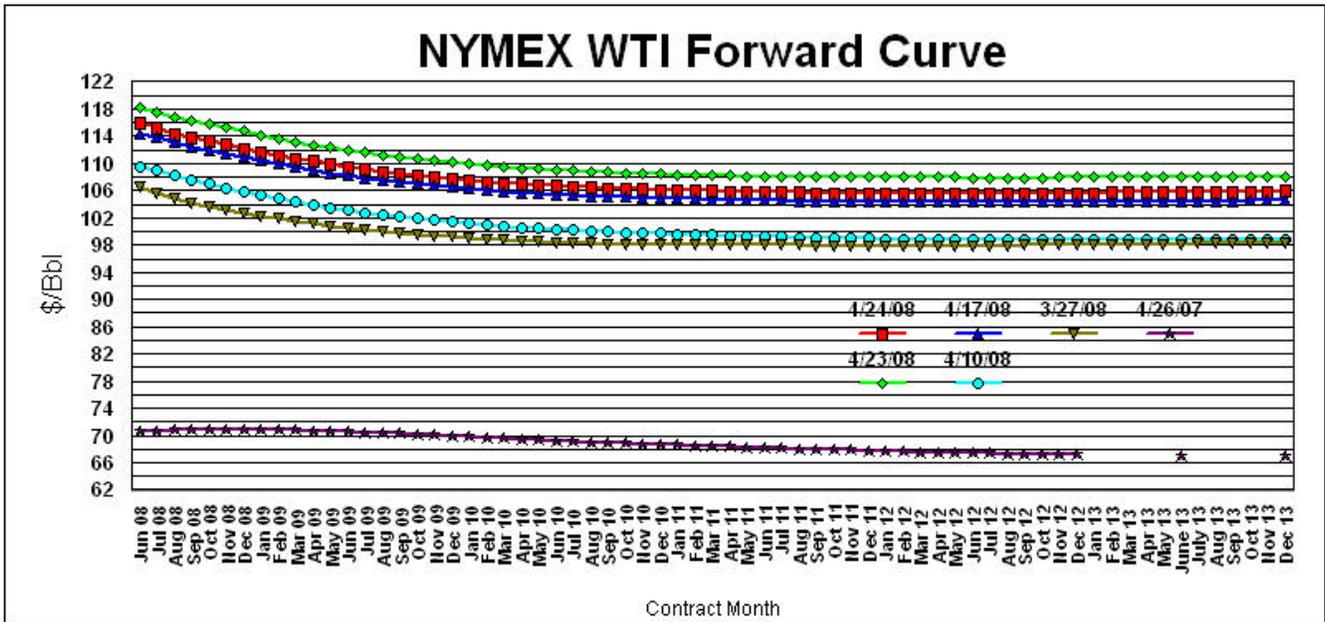
### **Market Watch**

The Speaker of the US House of Representatives, Nancy Pelosi, called on the White House to temporarily suspend oil deliveries into the SPR. She said suspending deliveries would save drivers 5 cents to 24 cents/gallon at the pump. However the White House immediately rejected the plea, saying the fill rates did not have meaningful impact on oil supplies. Meanwhile, five US senators are expected to call on President George W. Bush to persuade OPEC to increase its production or risk having Congress hold up multi-million dollar arms sales to Saudi Arabia, the UAE and other OPEC members.

Suncor Energy Inc said current oil prices of about \$115/barrel are not sustainable over the long term but added that the market needs at least \$75/barrel to bring on increasingly tougher to find reserves. He said the current floor for the industry to operate could be in the \$75-\$80/barrel.

The Bank of Canada forecast that commodity prices should retreat by 10-15% by the end of 2010 while the Canadian dollar should remain relatively steady around 98 cents or C\$1.02 per dollar in coming months. It based its crude oil projections on futures showing they should fall by 10% from \$112/barrel seen in mid-April to \$102 in 2010.

The dollar increased broadly on Thursday after government data showed better than expected readings on weekly jobless claims and last month's durable goods. The number of US workers filing initial claims for unemployment benefits unexpectedly fell last week. In contrast, demand for the euro fell after a reading on German business sentiment showed the largest monthly fall since September 2001. Later, the US dollar pared gains against the euro and yen on Thursday following news of an unexpectedly low reading on US new home sales in March.



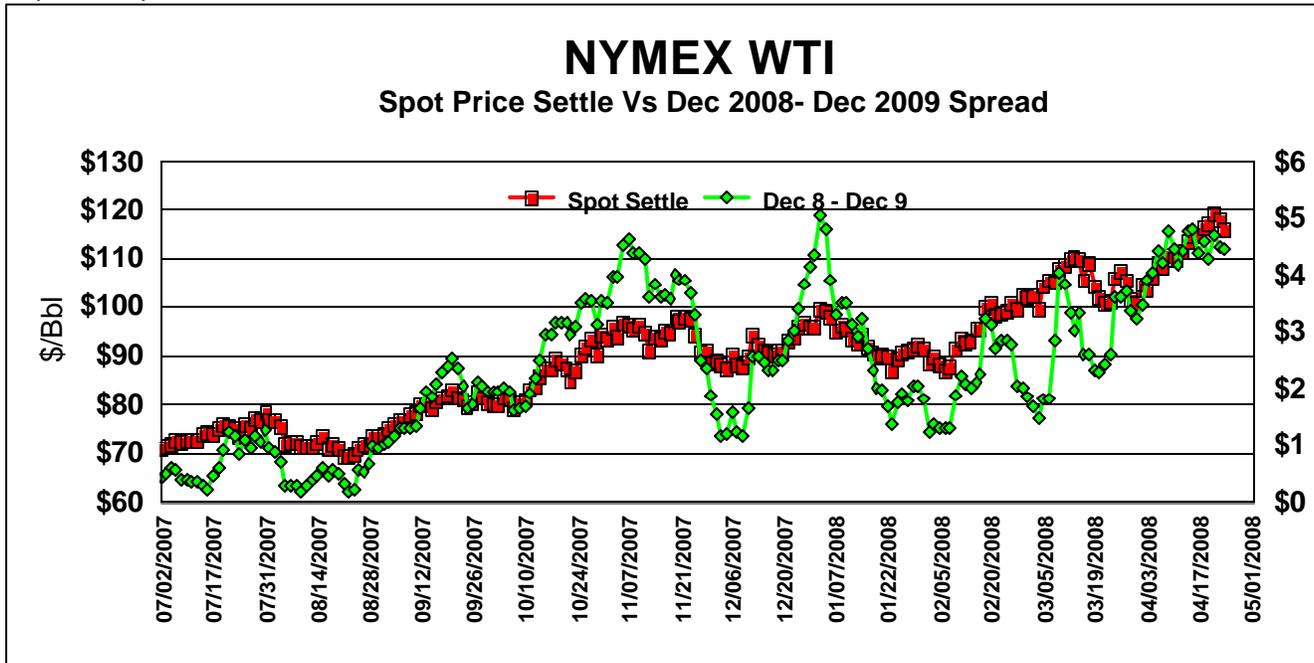
According to Oil Movements, OPEC's oil shipments are expected to increase by 180,000 bpd to 24.48 million bpd in the four week period ending May 10 on strong Asian demand, especially China. Deliveries from core OPEC producers in the Middle East are expected to increase by 150,000 bpd to 17.62 million bpd in the four week period.

### Refinery News

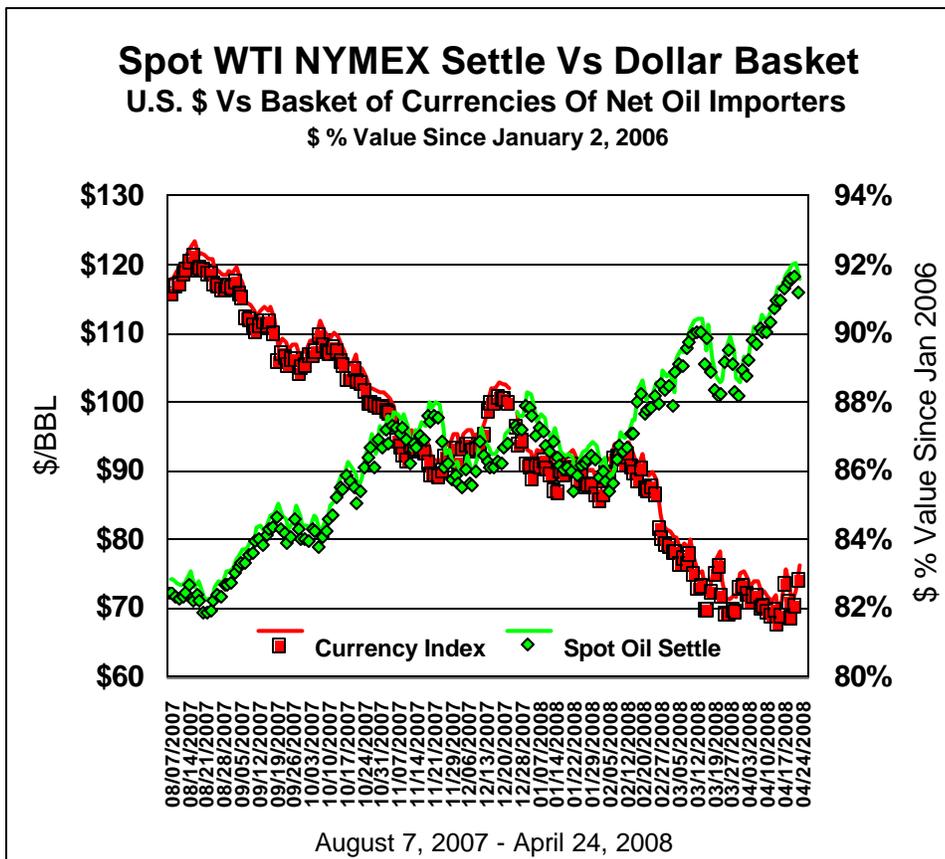
Ineos Group Holdings Plc is proceeding with the closure of the 200,000 bpd Grangemouth oil refinery after talks with the union broke down on Wednesday. The plant is expected to shutdown by April 26, ahead of the planned two day strike, which is expected to start on April 27. Ineos said it would continue to negotiate with the union to avoid the strike and added that it is seeking to resume talks on Friday. However a union official said talks between management and workers were unlikely to resume ahead of the strike. A power station at the refinery will likely shutdown by Saturday, which could force BP Plc to shutdown its Forties Pipeline System that pumps about 700,000 bpd for processing and export. BP said it was preparing for a possible shutdown of the Forties Pipeline System. The refinery stoppage may halt supplies of steam and electricity to the Kinneil pipeline terminal, which are essential services for deliveries of Forties crude. The planned strike could cut the UK's oil production by about 40%. The closure of the pipeline would also impact Britain's gas production from fields connected to the Forties system, equivalent to about 30% of current gas demand. According to Platts, crude oil flows through the Forties Pipeline System could be disrupted for at least six days if union decides to proceed with the strike. The startup of the pipeline system would be a reversal of the shutdown sequence and would take 2 days. Business Secretary John Hutton said that fuel stocks and imports should be sufficient to maintain supplies during the planned strike at the Grangemouth refinery. He however urged refinery operator Ineos to restart talks with the unions and said that he hoped a shutdown of the Forties Pipeline System could be avoided. Meanwhile, European diesel prices rallied after talks broke down, with premiums of 10ppm diesel increasing as much as \$23 as bidders were forced to pay up for cargoes to cover their existing supply contracts.

Activity at the Marseille port and the Fos-Lavera oil terminals resumed on Thursday after a port workers' strike ended. An official said that while 30 ships, including 10 from the petroleum sector were being loaded or unloaded at Marseille, 40 were waiting, including 36 from the petroleum sector.

Valero Energy Corp said that flaring at its 182,000 bpd Delaware City, Delaware refinery had no impact on production.



Tesoro Corp reported that its 100,000 bpd refinery in Los Angeles resumed operations following a power outage on Wednesday morning.



Suncor Energy Inc said it scheduled a 30 day maintenance shutdown at one of its oil sands upgrading units next month. The work on upgrader 1 is scheduled to start May 16. During the outage, upgrader 2 would continue producing 200,000 bpd. Also, output at its Firebag steam-driven oil sands operations is expected to remain reduced for two to four weeks while it performs the maintenance.

South Korea's S-Oil Corp has increased its crude runs to at least 520,000 bpd, allowing it to resume May jet fuel exports after skipping April shipments due to a force majeure following a plant outage.

S-Oil was operating at 420,000 bpd or 72% of its 580,000 bpd capacity after an outage on March 24.

India's Reliance Industries Ltd is scheduled to commission a new 580,000 bpd Jamnagar oil complex in September after completing test runs in July. Reliance Industries, which operates a 660,000 bpd refinery, is setting up the new plant through its subsidiary Reliance Petroleum. Its two refineries would process 1.24 million bpd of crude, making it the world's largest refining complex.

Gasoline inventories in the Amsterdam-Rotterdam-Antwerp area built by 120,000 tons to 1.09 million tons in the week ending April 24 amid a fall in exports to the US. Gasoline stocks were up 511,000 tons on the year. Gas oil stocks fell by 88,000 tons on the week and by 767,000 barrels to 1.147 million tons while fuel oil stocks built by 69,000 tons on the week and by 131,000 tons on the year to 667,000 tons. Naphtha stocks built by 15,000 tons on the week but fell by 3,000 tons to 107,000 tons while jet fuel stocks built by 5,000 tons on the week but fell by 199,000 tons on the year to 191,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 353,000 barrels to 19.576 million barrels in the week ending April 24. It also reported that Singapore's light distillate stocks fell by 1.657 million barrels to 8.027 million barrels while middle distillate stocks built by 316,000 barrels to 7.292 million barrels on the week.

Independent refiners in northern China have made rare purchases of 320,000 tons of fuel oil from Singapore as they make up for lost supplies from Russia that have mostly been diverted to Japan. Russian fuel oil imports into China fell about 60% to 150,000 tons in March while Japan's imports increased.

China's Ministry of Commerce has ordered already strained oil producers to increase output of diesel to meet higher farm demand during spring planting. It told major domestic companies, including China National Petroleum Corp, China Petrochemical Corp and China National Offshore Oil Corp to prepare for an increase in diesel fuel demand due to the spring planting season.

### **Production News**

Libya's National Oil Corp said about 45,000 bpd of Libyan offshore oil production has been halted due to a technical problem and added that it could be offline for a few weeks. The head of the NOC, Shokri Ghanem said the disruption occurred at a well in the al-Jurf block.

Russia's Lukoil is expected to increase its crude production by 1.5% this year. In 2007, Lukoil produced 96.6 million metric tons of oil or 1.94 million bpd.

Iraq's Oil Ministry reported that Iraq increased its crude oil exports by 3.3 million barrels on the month in March to 59.4 million barrels.

A Russian Finance Ministry official said export duties on crude oil and refined products are expected to reach a new high from June amid the continued rally in oil prices. The official said the duty on crude oil would increase to \$395-\$400/ton or by at least 16% from the current duty of \$340.10. Duties on light refined products would increase to \$279-\$282/ton from the current \$241.40 while heavy products such as fuel oil would be subject to a duty of \$150-\$152 compared with \$130.10.

Russia's oil exports from seaports in May are expected to increase by 90,000 bpd to 2.95 million bpd.

An official at Saudi Aramco said the company aimed to double its crude oil supply to China by 2010 from about 500,000 bpd last year. It has signed an agreement with China Petrochemical Corp to sell 1 million bpd by 2010.

Kuwait Petroleum Corp said it would export 100,000 bpd of crude to China in 2008.

Petroecuador reported that its oil export revenue totaled \$1.76 billion between January and March, more than double the \$737.3 million reported last year. It exported 21.52 million barrels of crude oil between January and March, up 30% from 16.51 million barrels reported that last year.

Turkmenistan and Iran failed to make progress in their negotiations over resuming Turkmen gas supplies to Iran during talks on Thursday. Turkmenistan halted its gas deliveries of up to 23 million cubic meters/day to Iran in late December, citing technical issues. However talks are expected to continue.

### **Market Commentary**

The rising today of the dollar against the euro proved to be more influential on prices than possible strikes at the Grangemouth refinery in Scotland and a strike by white collar oil workers at Exxon Mobil Corp's Nigerian refinery. The dollar experienced its largest gain since December, rising 1.3% to 1.5676. The euro versus the dollar has had a correlation of 0.96 with the price of oil over that past 12 months. This is the first time in a month that the June crude oil contract has had lower highs two days in a row and it is the first time since April 2<sup>nd</sup> that this contract has settled below the bottom trendline on the ascending channel. The June/July spread did not reflect today's activity and in fact settled .13 cents higher than yesterday's close. The middle of the curve is where the pressure was felt the most, as is evident on the forward curve. The front end of the curve is maintaining its upward slope, while the middle of the curve appears bowed. If the dollar can continue its strength, this market can fall even further as more and more hedge funds exit the market. At this point, we would look for the aforementioned spread to come under pressure as well. Our initial downside objective for the June

contract is \$109.08 and below that \$106.84. Gasoline, for the first time in ten sessions was unable to achieve a new daily high and since the middle of

		<b>Explanation</b>
<b>CL</b>	<b>Resistance</b>	118.56, 118.98, 123.29, 124.62 116.30, 118.30
	<b>Support</b>	114.25 112.33, 111.47, 109.15, 106.84
<b>HO</b>	<b>Resistance</b>	335.00, 347.98 327.40, 330.10, 333.00
	<b>Support</b>	323.74 322.47, 321.16, 317.13, 315.57, 313.70
<b>RB</b>	<b>Resistance</b>	305.44, 311.89 302.30, 304.71
	<b>Support</b>	299.25, 297.17 295.56, 294.70, 288.90, 286.61

March has been unable to breakout of the top of the upward channel. Slow stochastics have now crossed to the downside for the first time since April 2<sup>nd</sup> and are still in overbought territory. Once again, if the dollar can maintain its strength, gasoline should come under further pressure. Our initial downside objective is \$2.8404, the 38.2% retracement from \$304.65 and \$2.5070. We would expect the gasoline to maintain its strength against the crude oil and still keep our objective for the June gasoline crack at \$11.48. Heating oil was the only market today to achieve a higher high than the previous trading session, however its strength was short-lived. Slow stochastics for this contract have also crossed to the downside and are still in over bought territory. Heating oil versus the gasoline and crude oil lost some ground and should continue to do so based on seasonality. The initial downside

**NYMEX Petroleum Options Most Active Strikes for April 24, 2008**

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	12	8	C	130	11/17/2008	4.71	4,000	26.77
LC	12	8	P	100	11/17/2008	4.84	3,600	36.27
LC	9	8	P	95	08/15/2008	1.91	1,650	37.91
LC	12	8	C	150	11/17/2008	2.07	1,100	30.09
LC	9	8	C	120	08/15/2008	5.74	1,000	28.16
LO	7	8	P	90	06/17/2008	0.39	7,364	40.45
LO	6	8	C	75	05/15/2008	41.06	4,400	90.97
LO	6	8	P	80	05/15/2008	0.01	4,400	54.29
LO	7	8	C	85	06/17/2008	30.34	3,850	50.17
LO	6	8	C	79	05/15/2008	37.06	3,850	80.11
LO	8	8	P	87	07/17/2008	0.55	3,125	38.32
LO	12	12	P	105	11/14/2012	17.07	3,000	28.20
LO	6	8	C	50	05/15/2008	66.06	2,900	176.45
LO	6	8	C	135	05/15/2008	0.26	2,760	38.08
LO	6	8	C	120	05/15/2008	2.43	2,626	35.61
LO	6	8	C	125	05/15/2008	1.22	2,614	36.41
LO	7	8	P	100	06/17/2008	1.34	2,583	37.39
LO	6	8	C	109	05/15/2008	8.4	2,425	35.83
LO	7	8	C	111	06/17/2008	8.4	2,425	35.22
LO	6	8	C	70	05/15/2008	46.06	2,300	105.42
LO	6	8	P	90	05/15/2008	0.04	2,150	44.87
LO	9	8	P	95	08/15/2008	1.91	2,076	35.05
LO	12	8	P	100	11/17/2008	4.86	2,050	31.57
LO	12	10	P	75	11/16/2010	4.23	2,000	28.57
LO	12	10	P	80	11/16/2010	5.52	2,000	28.50
LO	7	8	P	95	06/17/2008	0.74	1,976	38.85
LO	6	8	P	95	05/15/2008	0.1	1,914	41.56
LO	6	8	P	100	05/15/2008	0.27	1,858	39.17
LO	6	8	C	72	05/15/2008	44.06	1,650	99.51
LO	6	8	P	115	05/15/2008	3.48	1,636	35.40
LO	12	8	C	48.5	11/17/2008	63.78	1,600	94.56
LO	12	8	C	49.5	11/17/2008	62.78	1,600	92.17
LO	6	8	C	130	05/15/2008	0.58	1,586	37.31
LO	6	8	P	110	05/15/2008	1.61	1,583	35.48
LO	6	8	P	98	05/15/2008	0.19	1,561	40.40
LO	10	8	C	115	09/17/2008	8.12	1,550	31.94
LO	10	8	P	115	09/17/2008	9.81	1,550	32.07
LO	12	8	C	113.5	11/17/2008	9.62	1,540	31.45
LO	12	8	P	113.5	11/17/2008	10.83	1,540	31.59
OB	7	8	C	3.3	06/25/2008	0.0717	620	35.88
OB	5	8	C	3	04/25/2008	0.0419	541	35.68
OB	5	8	C	2.98	04/25/2008	0.0548	500	35.99
OB	6	8	P	2.7	05/27/2008	0.0335	500	39.18
OH	5	8	C	3.23	04/25/2008	0.0552	400	41.22
OH	6	8	P	3.25	05/27/2008	0.1371	358	34.68
OH	7	8	P	3.05	06/25/2008	0.0862	300	32.68
OH	5	8	C	3.28	04/25/2008	0.0299	279	41.22
OH	5	8	P	3.28	04/25/2008	0.0516	270	41.22

objective for this contract is \$3.1370. Total open interest for crude oil is 1,334,694 down 2,361, June08 373,450 down 174 July08 114,901 up 2,589 Dec08 197,113 up 2. Total open interest for heating oil 233,970 up 166, May 27,019 down 2,033 and June 81,973 up 2,381. Total open interest for gasoline, 277,878 up 3,221, May 37,168 down 4,736 and June 94,948 up 4,538.