



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta,  
Zachariah Yurch & Karen Palladino  
**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR MAY 7, 2007**

---

Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said the world oil market is oversupplied and bottlenecks in refining capacity are to blame for high product prices. His statement came

following a meeting with US Energy Secretary Samuel Bodman. The US Energy Secretary agreed that high product prices were primarily a problem of refinery capacity shortages but said he believed the world supply of crude was adequate.

#### Market Watch

US Senator Charles Schumer called for an investigation into the tight gasoline market by the US Government Accountability Office, saying oil companies should be doing more to upgrade obsolete production facilities.

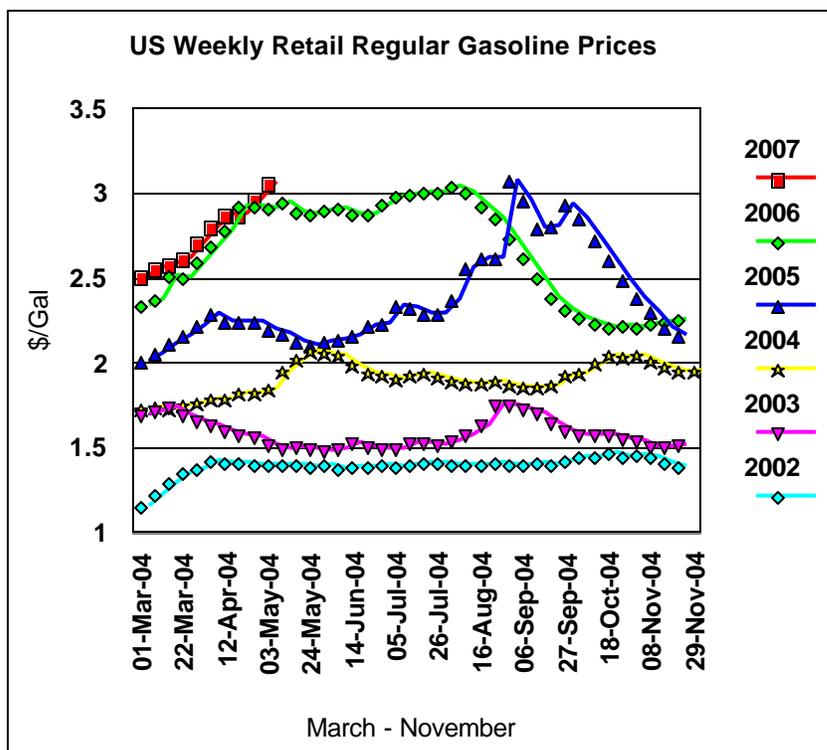
Open interest in the NYMEX crude market reached an all time high of 1,447,892 contracts on May 4. The total included the physically delivered light sweet crude contract, the financially settled crude contract and the e-miNY crude contract.

The 130 nation nuclear meeting adjourned on Monday after talks stalled for the sixth consecutive day, with Iran refusing to commit itself to a compromise meant to break a deadlock over its opposition to language calling for full compliance with the Nuclear Nonproliferation Treaty. Earlier, Iran's delegation consulted with its government on whether to adopt a compromise at the meeting or to continue opposing language calling for full compliance with the Nuclear Nonproliferation Treaty. Iran has argued that the language could lead to it becoming a target at the meeting because of its refusal to comply with UN Security Council demands to halt its uranium enrichment. Separately, EU foreign policy chief Javier Solana said his talks with Iran on its disputed nuclear program were difficult because Iran did not want to suspend its uranium enrichment. He said he wanted to meet Iran's top nuclear negotiator Ali Larijani again within weeks to discuss the deadlock. Iran's Foreign Minister Manouchehr Mottaki said Iran would not halt its uranium enrichment to reach an agreement with the UN over its nuclear program. He insisted that Iran had a legal right to pursue nuclear technology and would dismiss a Swiss initiative that calls for a simultaneous freeze of Iranian atomic activities in exchange for a commitment not to impose new UN sanctions.

Nigerian gunmen kidnapped a Belarussian woman working as an oil industry contractor in Nigeria, bringing the total number of abductions to 28 in five days.

The EIA reported that the US average retail price of gasoline increased by 8.3 cents/gallon to \$3.054/gallon in the week ending May 7. It also reported that the US average retail price of diesel fell by 1.9 cents to \$2.792/gallon on the week.

According to Trilby Lundberg, gasoline prices surged to a record average of \$3.07/gallon, nearly 20 cents higher than two weeks ago. The previous record was \$3.03/gallon on August 11, 2006. Separately, the Oil Price Information Service and AAA reported that the national average price of gasoline reached \$3.012/gallon, up 2.1 cents on the day. The AAA stated that by the end of May, gasoline prices may increase a further 10-15 cents/gallon, starting the peak demand season around \$3.15/gallon. It said record high prices would have only a small impact, since most driving is non-discretionary. Apart from the strong fundamentals supporting prices, the prospect of an active Atlantic hurricane season looms. Forecasters from Colorado State



University predict an active season with a 25% chance that one or more major storms would make landfall in the US Gulf Coast region. Also, forecasters at the University College London predict an 84% chance that the upcoming June 1-November 30 hurricane season would be among the top third most active since 1950.

### Refinery News

A coke drum cracked at ExxonMobil Corp's Beaumont, Texas refinery over the weekend, resulting in the shutdown of a wet gas compressor and coker gas plant. A report filed with the Texas Commission on Environmental Quality did not say whether the problem impacted production.

Gary-Williams Energy Corp said its 55,000 bpd refinery in Wynnewood, Oklahoma was operating at 65% of capacity or 35,750 bpd on Monday. The refinery was shut on April 27 due to storage tank fires that were caused by lightning.

Valero Energy Corp said a fluid catalytic cracking unit at its 250,000 bpd St. Charles refinery in Norco, Louisiana resumed operations and was operating at reduced rates. The 100,000 bpd unit is expected to resume normal operations very soon. The unit was shut to repair a slide valve that is needed to regenerate catalyst in the FCC.

ExxonMobil Corp said it completed maintenance at its 155,000 bpd refinery in Torrance, California and the affected units were returned to service on Sunday. The maintenance work that started on February 11 on hydrogen plants, hydrotreaters and sulfur recovery units ended with the restart of a sulfur recovery unit.

Citgo Petroleum Corp restarted a platformer unit at its 156,000 bpd refinery in Corpus Christi, Texas on Saturday. The restart effort is expected to last until May 11.

A fire at Eagle Oil refinery started just before 10 pm Sunday but was quickly contained. The cause of the fire at the 26,000 bpd refinery was under investigation.

PDVSA shut two crude distillation units at its La Isla refinery on Saturday for one month of planned work. A catalytic reformer unit has also been shut for maintenance.

Total SA said it planned to build a 200,000 bpd oil sands upgrading plant near Edmonton, Alberta to process extra heavy crude from its Canadian projects. It is the first phase of the upgrader would turn 130,000 bpd bitumen from the oil sands into refinery ready light oil starting in 2013 or 2014.

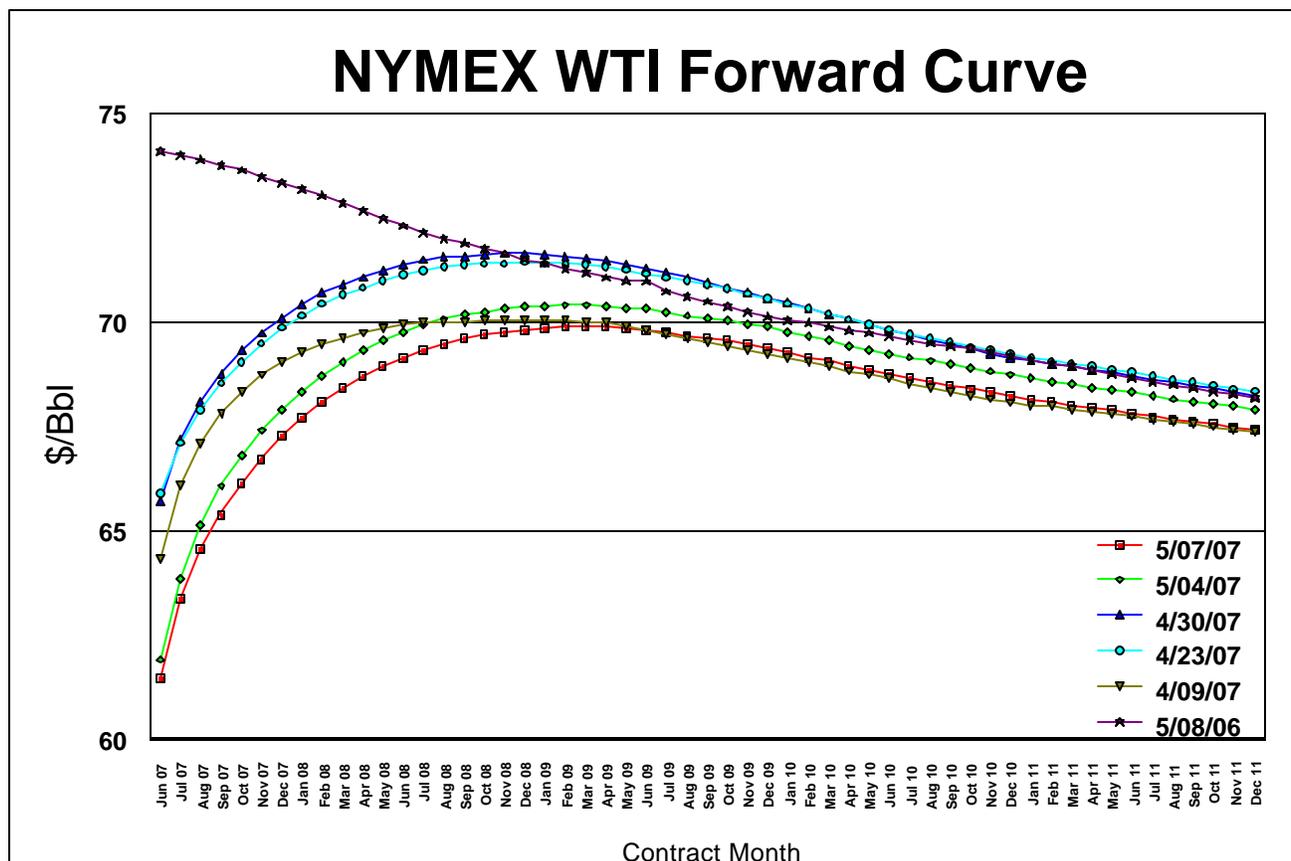
India's Hindustan Petroleum Corp Ltd is scheduled to shutdown its 110,000 bpd refinery in Mumbai for 35 days in October-November for development work.

**Production News**

Chevron Corp cut its Nigerian oil production by 42,000 bpd on Monday in response to a community protest the Ebite flow station, which is a primary feed point for the 160,000 bpd Escravos export terminal in the Niger Delta. The dispute, which was attributed to compensation for an oil spill, was already under negotiation and would be resolved by Tuesday at the latest.

Kuwait Oil Co said a small fire that started in a gas control unit in its Burgan oilfield was extinguished and did not affect oil or gas production.

Saudi Arabia has cut the price of all its June loading crude oil to Europe and the US, while increasing the prices for Asia. Its Arab Extra Light crude bound for Europe was cut by 70 cents to BWAVE minus



\$0.65/barrel, its Arab light was cut by 60 cents to BWAVE minus \$4.40/barrel, its Arab Medium was cut by 25 cents to BWAVE minus \$5.75 and its Arab Heavy was cut by 20 cents to BWAVE minus \$7.40. Meanwhile its Arab Extra Light crude bound for the US was priced at WTI plus 10 cents, its Arab Light was cut by \$1.65 to WTI minus \$3.10, its Arab Medium was cut by \$1.60 to WTI minus \$5.20 and its Arab Heavy was cut by \$1.40 to WTI minus \$7.30. Its Arab Super Light bound for Asia was increased by 55 cents to the Oman/Dubai average plus \$7.75, its Arab Extra Light was increased by 45 cents to the Oman/Dubai average plus \$3.65, its Arab Light was increased by 40 cents to the Oman/Dubai average plus 55 cents, its Arab Medium was increased by 30 cents to the Oman/Dubai average minus \$2.00 and its Arab Heavy was increased by 25 cents to the Oman/Dubai average minus \$4.50.

Crude oil imports into China's Ningbo port increased about 12.4% on the month in April to 3.925 million tons or 28.7 million barrels. It was not immediately clear how much oil was pumped in for emergency stocks.

Belarus reopened a Russian diesel pipeline to Latvia's port of Ventspils on Sunday following its closure on Saturday following a leak.

Malaysia agreed to build a trans-peninsula pipeline from Kedah to Kelantan to transport oil from West Asia to East Asian countries. The pipeline project is part of the government's move to develop the Northern Corridor.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$62.99/barrel on Friday from Thursday's \$63.11/barrel.

**Market Commentary**

Once again fundamentals halted the downward move in prices today. Exxon reported the flaring of a cracked coke drum at its Beaumont, TX refinery. The reaction however, was not strong enough for the market to make new highs. The overall outlook for prices still remains bearish and the 60.22 level is still our immediate downside target. We would still like to sell this market and would remain confidently short as long as the June settles below 62.35. Resistance is set at 62.15, 62.60, 63.41, 64.09 and 64.67. Support is set at 60.22, 59.78, 59.50, 59.22 and 58.75. With London closed for the May Day Holiday, quite a bite of roll activity was absent. The June/July spread for the most part was traded in a detached fashion to the market. We would still look for this spread to weaken further as roll activity picks up coupled with our bearish sentiment on the market. Open interest in the crude market continued to build by a total of 12,571 contracts as of May 4. Open interest in the June contract fell by 5,537 contracts while open interest in the July contract built by 12,789 contracts. Meanwhile, the RBOB

market continued to trend lower following Friday's late losses. The market breached its previous lows and sold off to a low of 214.88. However the

Technical levels		
	Levels	Explanation
CL 61.47, down 46 cents	Resistance	62.15, 62.60, 63.44, 64.09, 64.67
	Support	60.22, 59.78, 59.50, 59.22, 58.75
		60.72, 60.55, 60.22, 59.78, 59.50
HO 180.29, down 2.80 cents	Resistance	184.24, 187.21
	Support	177.15, 176.93, 174.40
		181.25, 183.65
RB 218.96, down 2.68 cents	Resistance	225.68
	Support	213.41, 212.61, 209.59
		119.90, 222.15

50% retracement(197.26 and 229.55),Previous low, 62%

market bounced off that low amid the refinery news. It retraced more than 50% of its move from a high of 222.15 to its low of 214.88 as it traded back towards 219.90 late in the session. It settled down 2.68 cents at 218.96. The heating oil market also settled down 2.80 cents at 180.29 as it continued to trade within a downward channel. The product markets are still seen trading lower in light of the early expectations that the weekly petroleum stock reports would show build of as much as 2 million barrels. The gasoline market is also seen trending lower as refineries resume operations following maintenance or unplanned outages. The RBOB market is seen testing its support at its low of 214.83 followed by 213.41 and 212.61. More distant support is seen at 209.59.