

**W** The  
Windham Group



## ***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 JUNE 25, 2007**

---

Nigerian labor unions called off a strike on Saturday after the government agreed to freeze fuel prices for a year. The government said it would reduce its petrol prices by five naira to 70 naira/liter by agreeing to freeze it at that level for a year. The four day strike had halted most economic activity however exports of oil were not affected.

Iran's OPEC Governor Hussein Kazempour Ardebili said increasing world oil prices had nothing to do with the present level of oil production

by OPEC because the group was ensuring supply was exceeding demand. He said the supply of oil by OPEC has added about 100 million barrels to the strategic and commercial reserves of the member states of the Organization of Economic Cooperation and Development.

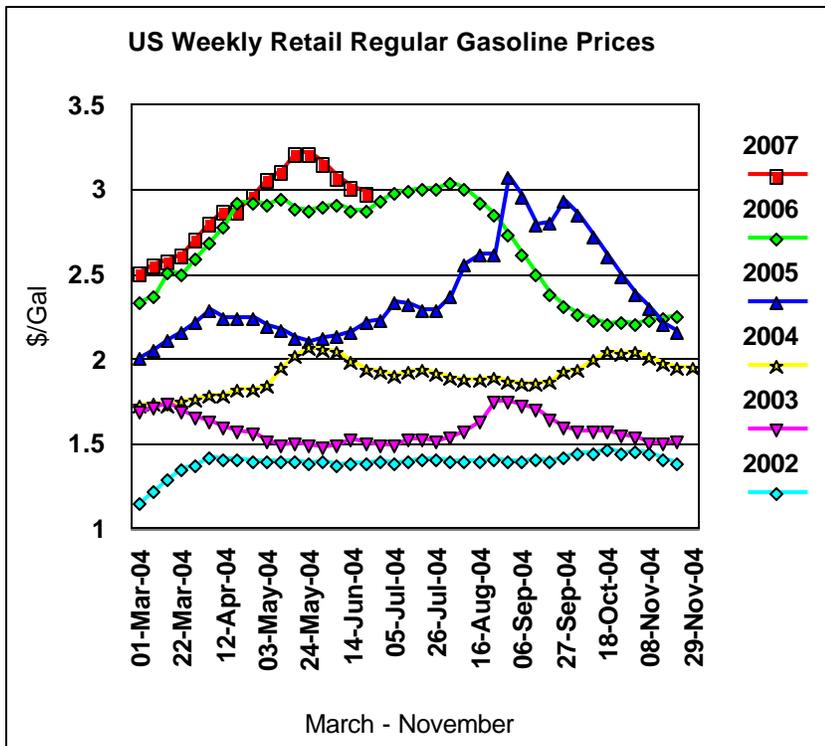
#### **Market Watch**

Venezuela's President Hugo Chavez said some foreign oil companies could reject Venezuela's demands for majority control of their heavy oil projects in the Orinoco river basin, in which case they would have to leave the country. Later officials from the oil industry and Venezuelan government officials stated that ExxonMobil and ConocoPhillips refused to sign an agreement to stay in the Venezuelan oil projects. A day before a deadline to accept the government's terms for nationalization that increases the government's stake in projects to at least 60%, the companies' decision greatly increases the chances they would leave Venezuela. The officials said Chevron Corp, Statoil, BP Plc and Total were working towards signing an accord that would keep them involved in the projects.

Iran is scheduled to start rationing its subsidized gasoline for three months starting next week. The government had initially planned to introduce rationing on May 22 but delayed the move partly because of problems in issuing smart cards. The quota of fuel for each car would be 100 liters per month. The first phase of gasoline rationing started on June 14, limiting fuel that drivers of state owned cars could purchase. Meanwhile, traders saw no signs that Iran would cut its imports of gasoline despite signals that it would start rationing next week.

Iran's central bank vice governor Jafar Mojarad said Iran was still reducing the share of dollars in its foreign exchange reserves as it sees no need to hold the US currency. Iran has been steadily shifting its foreign exchange reserves away from dollars into other currencies such as the euro, partly in a response to US hostility towards Iran.

Brazil's Cane Industry Association said it would open offices in Washington, Brussels and Asia to lobby for its interests such as market access for Brazilian ethanol. In the US, the lobby would probably work with Congress members, at the departments of energy and agriculture as well as the International Trade Commission.



Iran's Energy Minister Kazem Vaziri Ha maneh said Iran would launch its first nuclear plant in October. Separately, an IAEA spokeswoman said Iran has invited the IAEA to Iran to develop a plan to resolve outstanding issues and suspicions about its nuclear program. Iran's chief nuclear negotiator, Ali Larijani, issued the invitation during his talks with IAEA head Mohammed ElBaradei.

The EIA reported that the US average retail price of gasoline fell by 2.7 cents to \$2.982/gallon in the week ending June 25. It also reported that the US average retail price of diesel increased by 3 cents/gallon to \$2.835/gallon on the week.

According to the Lundberg survey, gasoline prices on average fell about 11 cents over the last two weeks to \$3/gallon.

### Refinery News

ExxonMobil Corp shut hydrocracker 1 at its 563,000 bpd Baytown, Texas refinery on Saturday. The unit was still shut on Monday and the company did not give an estimate for how long the unit would be down. The shutdown was expected to last through Monday morning and have a minimal impact on production at the refinery.

Valero Energy Corp restarted a crude unit and complex 1 regenerator at its 130,000 bpd Houston, Texas refinery on Saturday night after a partial power outage. It said all its units were back on line. The outage had no material impact on production at the refinery. Separately, a US Coast Guard official said Valero Energy Corp would have to keep one of the four loading docks at its Krotz Springs, Louisiana refinery shut possibly until next week. The refiner shut a dock last Wednesday due to a diesel spill of 500 gallons.

The No. 1 SCOT unit at Alon USA Energy Inc's 70,000 bpd Big Spring, Texas refinery was shutdown on Sunday due to a problem. The unit was tripped off line due to air demand analyzer failure. Also, according to a report filed with the Texas Commission on Environmental Quality, Alon USA started to work on equipment associated with a fluid catalytic cracking unit at its Big Spring, Texas refinery. The work is expected to last four days. It said it planned to keep the fluid catalytic cracking unit running during the repair work.

Total Petrochemicals USA shutdown a crude unit at its 232,000 bpd refinery in Port Arthur, Texas for routine maintenance.

Lyondell Chemical Co was restarting a fluid catalytic cracking unit at its 270,000 bpd Houston, Texas refinery after it was shut last Friday. The unit was shut due to a rupture to a steam line at the refinery.

Tesoro Corp reported that a ruptured pipeline at its Wilmington, California refinery led to an oil spill that was contained on the refinery's grounds. The break in the pipeline led to the release of 5,000 barrels of crude. A report filed with the Governor's Office of Emergency Services did not state whether the pipeline had been repaired.

Credit Suisse said refinery margins in most regions across the US increased last week but were expected to ease in the coming weeks as gasoline inventories build. In the Gulf Coast, refinery margins in the week ending June 22 increased by 4 cents to \$22.20/barrel while in the Midwest refinery margins increased by \$1.50 to \$25.03/barrel. Northeast margins increased by 91 cents/barrel to \$14.08/barrel while west coast margins increased by \$1.12 to \$26.11/barrel and margins in the Rocky Mountains fell by \$2.14 to \$35.86/barrel.

Italy's Saras said it expects partial maintenance at its 310,000 bpd refinery in Sarroch to be completed on schedule by the end of the month.

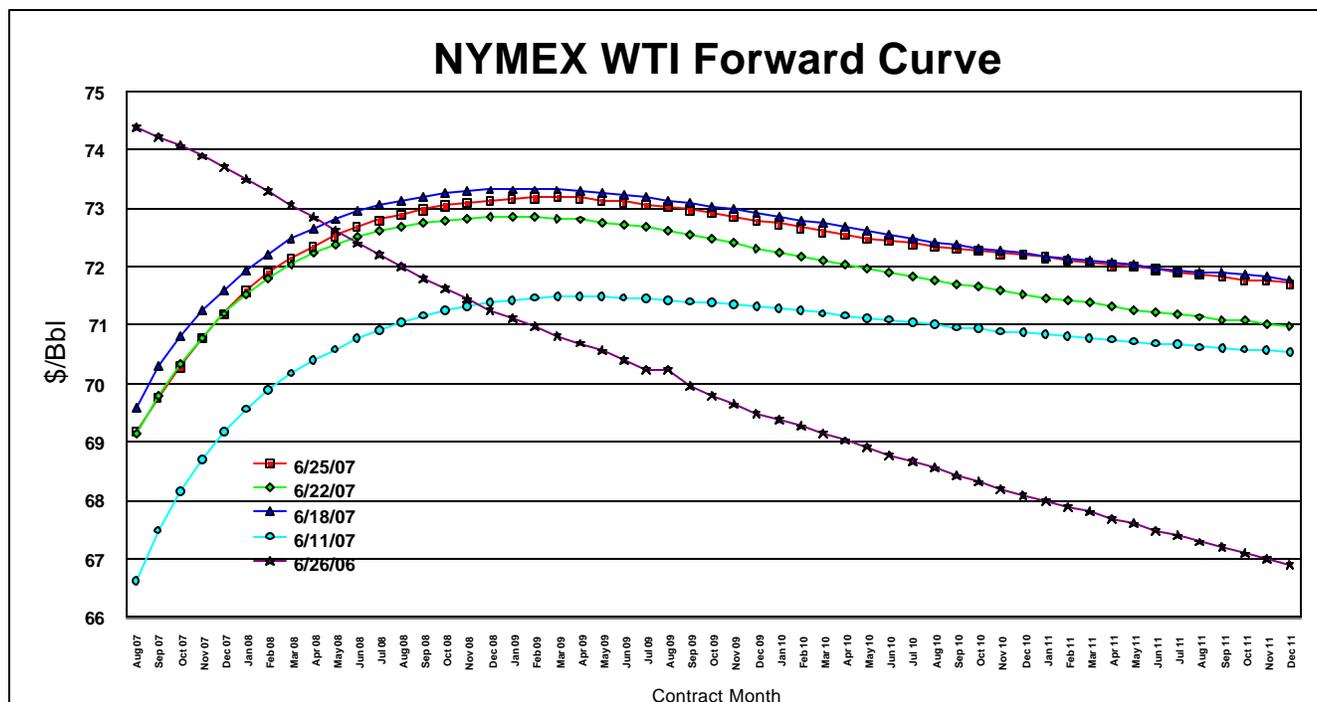
Nippon Oil Corp restarted its 180,000 bpd crude distillation unit as scheduled on Saturday. The unit had been shut since May 28.

**Production News**

Petrologistics reported that the ten OPEC members, excluding Iraq and Angola, are expected to increase their production in June to 26.8 million bpd, up from a revised level of 26.7 million bpd in May.

BP Plc said it expects to restore about 10,000 bpd of Alaskan oil production by mid-week after suspending its production June 17 due to a small leak.

Royal Dutch Shell said it would resume crude oil exports from its Forcados terminal in Nigeria in July, more than a year after it was shut by militant attacks. However the move is not a sign of resumption of production from the field since the oil would be coming out of storage. The exports did not resume in June, as planned, due to security reasons.



Iraq issued its first tender in five months to sell 3 million barrels of Kirkuk crude pumped from its northern field in Turkey. The oil would be lifted during the period up to July 23.

Kuwait Oil Co said it planned to increase its output of heavy crude to 700,000 bpd by 2020. It said heavy oil output would reach 50,000 bpd in 2011 and 250,000 bpd in 2015.

Indonesia's Energy Minister Purnomo Yusgiantoro said Indonesia was targeting crude oil and condensate production of at least 1 million bpd this year, up from 846,400 bpd produced in the first five months of the year.

OPEC's news agency reported that OPEC's basket of crudes fell 23 cents/barrel to \$67.35/barrel on Friday from \$67.58/barrel on Thursday. It reported that OPEC's basket of crudes increased by \$1.72/barrel to an average \$67.74/barrel in the week ending June 22.

### **Market Commentary**

Initially opening lower in reaction to sub siding fears of lower Nigerian exports, the crude oil market found strength in news that Exxon and Conoco Phillips would most likely not sign contracts with Venezuela. Technically speaking, this market is still in an upward trend and continues to provide buying opportunities. We would look for continued shake - outs of weak length, with sideways to higher prices and would like to buy any dips. Support is set at 68.21, 67.65, 67.40, 67.16, 66.40 and **66.03**. Resistance comes in at 69.59, 70.00, 70.45, 71.10, 71.90 and 72.39. As for the front month spread we would look for a test of the -.85 number and once there would wait to see its reaction at that level. The RBOB market bounced off a low of 225.87 amid some refinery problems. ExxonMobil Corp reported that a hydrocracker at its 563,000 bpd Baytown, Texas refinery remained down after it was shut on Saturday. The market extended its gains to 3.8 cents as it posted a high of 232.47 in afternoon trading amid the strength in the oil market. The RBOB market later erased some of its gains and settled up 1.59 cents at 230.25. Similarly the heating oil market, which retraced some of Friday's gains amid the selling seen in the crude market early in the session, bounced off its low of 199.61 and traded in positive territory. The market posted a high of 206.06. It later erased some of its gains and settled up 44 points at 204.24. The RBOB market is still seen remaining supported ahead of the release of the weekly inventory reports. The market is seen finding support at 229.45, 227.75 and 225.87 followed by 223.00,

220.32, 217.43 and 215.00. Meanwhile resistance is seen at 232.47 followed by 232.97 and 234.19.

<b>Technical levels</b>		
	<b>Levels</b>	<b>Explanation</b>
<b>CL</b>	<b>Resistance</b> 69.59, 70.00, 70.45, 71.10, 71.90, 72.39	Monday's high
	<b>Support</b> 69.18, up 4 cents 68.21, 67.65, 67.55 67.40, 67.16, 66.40, 66.03	Monday's low Previous lows
<b>HO</b>	<b>Resistance</b> 204.24, up 44 points 206.85, 207.83 206.06	Previous high, Basis trendline Monday's high
	<b>Support</b> 203.75, 201.00, 199.61 199.25, 197.89, 195.77, 195.71	Monday's low Previous low, 50%(188.92 and 206.85), 63%, Previous low
<b>RB</b>	<b>Resistance</b> 230.25, up 1.59 cents 232.97, 234.19 232.47	Previous highs Monday's high
	<b>Support</b> 229.45, 227.75, 225.87 223.00, 220.32, 217.43, 215.00	Monday's low Previous lows