



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR JUNE 29, 2007**

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Turkey's Foreign Minister Abdullah Gul said Turkey has prepared detailed plans for a cross border operation into Iraq against Kurdish rebels. He said Turkey would act if US

or Iraqi forces failed to tackle them. Turkey has previously threatened to send troops into mainly Kurdish northern Iraq to hunt down thousands of militants from the outlawed Kurdistan Workers Party.

A bomb exploded Friday under an oil pipeline south of Baghdad, spilling crude and sparking a fire. The pipeline transports crude oil from Iraq's southern oil fields to the Dora refinery.

#### **Refinery News**

ConocoPhillips said it planned to begin the restart of a 67,000 bpd fluid catalytic cracking unit at its Borger Texas refinery on Friday following the completion of maintenance work on the unit. The startup process of the unit is expected to end July 6.

ExxonMobil Corp began shutting its 309,000 bpd Singapore refinery for about seven weeks of routine maintenance.

#### **Production News**

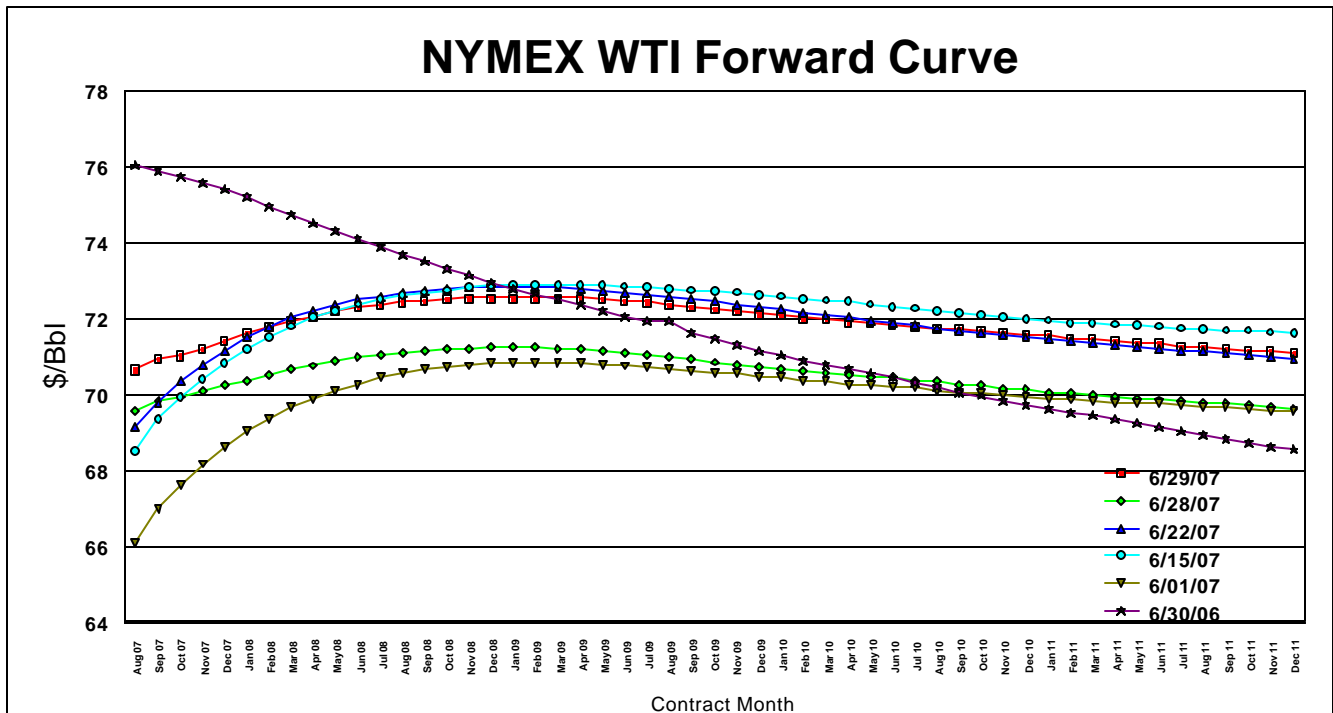
Statoil and Shell have dropped plans to bury carbon dioxide in the seabed beneath Shell's Draugen field in the North Sea to enhance oil recovery because it is uneconomical. The companies said the extra oil volumes that Shell believed to be recoverable were too low to justify the necessary investments in the field. Modifications of the platform would have been extensive and required a production shutdown for about one year.

Separately, Statoil said it aimed to increase its oil recovery at its Snorre field in the North Sea to 55% from the current 45% by upgrading equipment at the installations. The extra oil production is estimated at 66 million barrels.

#### **Market Watch**

Iraq's northern autonomous Kurdish government on Friday said it was planning to offer 40 new oil blocks to foreign companies in a sign that reflected its confidence that Iraq was close to reaching a final deal on the country's hydrocarbons law. The oil blocks would be formally opened to competitive bidding once the Kurd's own petroleum law is approved by the Kurdish parliament.

The EIA and API weekly petroleum stock reports will be delayed one day until Thursday, July 5 at 10:30 am EDT due to the Independence Day holiday.



Japan's Ministry of Economy, Trade and Industry reported that the country's oil product sales fell for the seventh consecutive month in May to 16.23 million kiloliters or 3.3 million bpd. It was down 2.7% on the year. It reported that gasoline sales fell 0.2% to 4.89 million kl or 1 million bpd while kerosene sales fell 6.3% to while jet fuel sales increased by 20.6% to 480,000 kl. Japan's crude oil imports in May fell 11% on the year to 17.46 million kl or 3.5 million bpd as refinery rates fell to its lowest level in about five years. Refining rates averaged 70.5% in May, down from 74.8% a year earlier. It also reported that gasoline stocks stood at 2.15 million kl, down 0.6% on the month. Japan's commercial crude oil stocks totaled 16.78 million kl at the end of May, up 1.5% on the month.

OPEC's new agency reported that OPEC's basket of crudes increased to \$67.58/barrel on Thursday from Wednesday's \$67.28/barrel level.

### Market Commentary

The August crude oil contract came within four cents of the bottom of the gap between 71.10 and 72.38 on the spot continuation chart. After rallying for most of the session, the August crude oil contract experienced what appeared to be an end of the quarter sell off. This was not enough however to change our bullish stance on this market. Having breached the long-term trend line dating back to Jan 18<sup>th</sup> of this year, the spot month contract managed to settle below this trend line on two out of fourteen times. Barring any major news, we would look for this pattern to continue, buying dips where possible. Support is set at 69.65, 68.94, 67.74, 67.10, **66.96**, Resistance is set at 71.10 71.90, 72.38 and 72.97. The Aug/Sep spread appears to be stuck in a range between -.35 and -.20. Should either one of these levels be broken, that would determine what should be done with this spread. While it is trading within these two numbers, we would take advantage of buying and selling for quick money. As for the Dec07/Dec08, we show support at -1.39 with resistance at -.61. At this point we would like to trade between these two numbers, however should the -1.39 level get taken out we would like to sell the Dec07 and buy the Dec08 looking for stretches to -2.00. On the other side should -.61 level get taken out we would like to buy the Dec07 and sell the Dec 08. It is interesting to note that open interest in the crude market built by a total of 30,368 lots as new longs were added to the market. Open interest in the September contract built by 10,115 lots with further builds seen in the outer

months. Meanwhile, the product markets ended the session in positive territory once again as traders liquidated their positions ahead of the July contract's expiration at the close. The July RBOB contract settled up 2.75 cents at 229.42 after the market rallied to a high of 231.00 in last minute liquidation. Earlier the market seemed to have found resistance at 230.00 as it erased its early gains and sold off to a low of 226.40. The August RBOB contract posted a high of 224.65 early in the session before it sold off to a low of 220.80. However it boun ced off its low late in the session and settled up 3.42 cents at 224.28. Unlike the gasoline market, the heating oil market posted a high of 205.44 early in the day before it sold off late in the session. The July heating oil contract settled up 1.36 cents at 203.19 while the August contract settled up 1.58 cents at 204.24. The product markets are likely to continue its upward momentum, especially with the start of the new quarter next week. The RBOB market is seen

The Commitment of Traders report showd that non-commercial cut their net long positions by 257 contracts to 67,164 contracts in the week ending June 26. The futures and option report showed that non-commercials cut their net long positions by 2,601 contracts to 103,760 on the week. Given the market's move in the past few trading sessions, the non-commercials have added to their net long positions. In the product markets, the non-commercials in the RBOB market cut their net long position by 1,172 contracts to 40,029 contracts while non-commercials in the heating oil market cut their net long

positions by 3,015 contracts to 16,621 contracts on the week.

Technical levels		
	Levels	Explanation
<b>CL</b>	<b>Resistance</b> 71.10, 71.90, 72.38, 72.97	Friday's high
	<b>Support</b> 69.65, 69.46	Friday's low
	70.68, up \$1.11 68.94, 67.74, 67.16, 66.96	
<b>HO</b>	<b>Resistance</b> 206.26, 207.48	Previous highs
	<b>Support</b> 203.10, 202.25	Friday's low
	204.24, up 1.58 cents 198.08, 196.60	Previous lows
<b>RB</b>	<b>Resistance</b> 224.75, 227.31, 227.55, 227.77	Previous highs
	<b>Support</b> 221.00, 220.80	Friday's low
	224.28, up 3.42 cents 224.65 220.25, 215.89, 215.10	Friday's high Previous lows