



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR JUNE 30, 2006**

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Iraq resumed pumping Kirkuk crude oil to the Turkish port of Ceyhan on Thursday night following a suspension since Sunday, as storage at the terminal was full. A shipping agent stated that flow resumed at a rate of 15,000-20,000 barrels

an hour. Turkey's Tupras finished loading 1 million barrels of Kirkuk crude early Friday. It is expected to lift the remaining 1 million barrels via a pipeline to its Kerikkale refinery. ExxonMobil is expected to complete loading 2 million barrels late Friday. Iraq's SOMO awarded a total of 3.6 million barrels of Kirkuk crude to Repsol, Royal Dutch Shell and North Atlantic Refining in its latest sales tender for oil from its northern fields. Spain's Repsol is expected to lift 600,000 barrels of Kirkuk crude while Shell is scheduled to take 2 million barrels and North Atlantic Refining is scheduled to lift 1 million barrels.

#### Market Watch

The US House of Representatives voted to end a federal ban on most offshore oil and natural gas drilling, allowing energy exploration 100 miles from the coastline. The Deep Ocean Energy Resources Act could open up waters off the east and west coasts and in the eastern Gulf of Mexico off Florida, collectively known as the Outer Continental Shelf. Currently, federal offshore drilling is allowed only in Alaska, Alabama, Louisiana and Texas. However the bill must still be reconciled with a plan yet to pass the Senate which would allow drilling in nearly 3 million acres of federal waters in the eastern Gulf of Mexico.

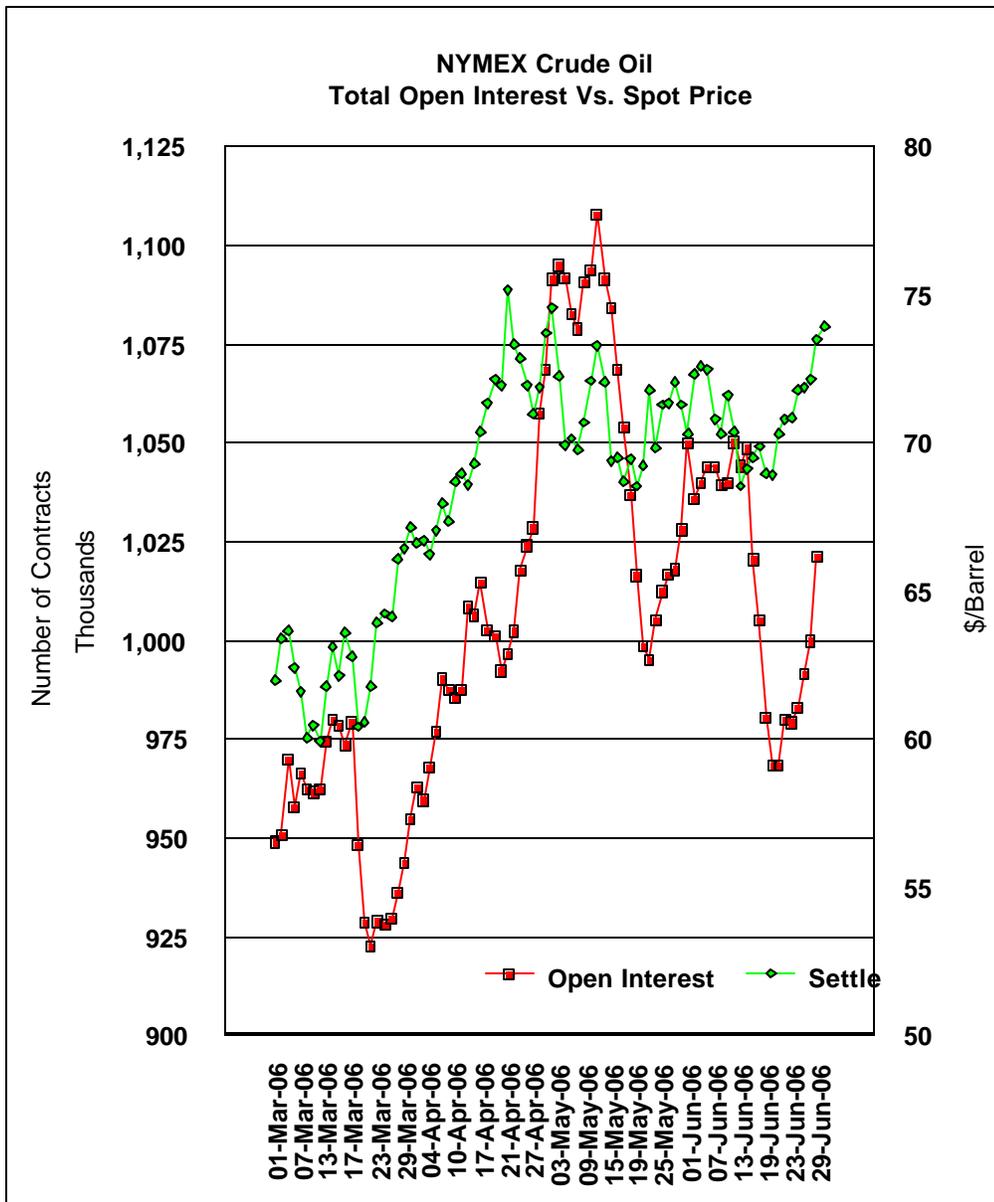
#### Refinery News

The rest of the Calcasieu Ship Channel in Louisiana may reopen to barge traffic later Friday if four vessel test runs go well. On Thursday, two barges successfully passed from the Gulf of Mexico to a Firestone polymers plant along the southwestern Louisiana waterway while an outbound test barge was also successful. Meanwhile Citgo Petroleum Corp said it started an internal investigation into a 47,400 barrel spill into Louisiana's Calcasieu Ship Channel last week.

The Buckeye Partners LP has restarted the Pennsylvania-New York section of its oil products pipeline grid late on Thursday after a shutdown for less than 24 hours. The pipeline was shut as a precaution to floods and a potential washout in the Northeast.

Valero Energy Corp said that there was no material impact to production from a reduction in feedstock to its fluid catalytic cracking unit at its 260,000 bpd Port Arthur, Texas refinery. The feedstock was reduced after an unexpected unit upset.

Japan's Ministry of Economy, Trade and Industry reported that the country's crude oil imports in May fell by 6.7% on the year to 3.979 million bpd. It reported that domestic sales of oil products fell by 1.5% on the year to 3.396 million bpd, despite an increase of 0.9% in gasoline sales to 1.001 million



bd. It also reported that oil product exports increased by 25.7% on the year to 321,534 bpd. Meanwhile refinery throughput fell by 1.2% to 3.571 million bpd.

Thailand's Energy Ministry reported that the country's oil product exports increased by 52.5% on the year in May to 90,957 bpd. It said the country's fuel oil exports led the increase with a 248.2% increase to 106.2 million liters.

**Production News**

An oil tanker is still aground in the Lake Maracaibo shipping channel while tanker traffic resumed on Wednesday. An official at the port said there were no delays in departures. The tanker was carrying 231,000 bpd of Boscan crude bound for the US. Authorities plan to remove a

portion of the oil this weekend to free up the ship.

Norway's Norsk Hydro cut its 2006 oil and gas production target by 5% to 585,000 barrels of oil equivalent/day due to production shortfalls. It estimated second quarter oil and gas production at about 535,000 boe/d, of which 32% is gas. Meanwhile, Statoil said its target of producing 1.2 million boe/d in 2006 remained firm.

The Norwegian Oil Industry Association stated that a strike in Norway's oilfield services sector is estimated to be costing 37,000 barrels of oil equivalent per day in lost or delayed oil and gas production. The strike by 87 members of the NOPEF oil workers' union started on June 21 after pay talks collapsed. The strike has so far halted two drilling rigs.

Royal Dutch Shell has restored 50,000 bpd of Nigerian oil production following repairs of a leak in the Nembe trunk line. The leak in the pipeline, which was discovered on May 28, forced Shell to close four

flow stations and shut in production. However Shell said it was losing 18,000 bpd of oil production in Nigeria due to an attack on a natural gas plant more than three weeks ago. The production was shutdown following the June 7 attack by armed militants on the Cawthorne Channel gas installation. The supply cut increased its total output loss in Nigeria to 473,000 bpd.

Russia's oil production in June is expected to reach 9.65 million bpd. Its oil production stood at 38.211 million tons in the first 29 days of June. If June production is confirmed at 9.65 million bpd, the annual month on month growth would stand at 2.3%.

Petroecuador signed an agreement with Venezuela on Thursday to swap crude extracted from the seized oilfields of Occidental Petroleum for refined products. Ecuador has committed to exchange up to 100,000 bpd of oil from Occidental Petroleum's former oilfields for its equivalent in oil products, such as diesel and naphtha. The one year agreement has a phase out clause that allows the two countries to end the deal at any moment. Ecuador terminated its agreement with Occidental on May 15 over accusations that the company sold parts of oil block without government authorization.

Kazakhstan's Energy Minister Baktykozha Izmukhambetov said the country's oil and natural gas production is expected to almost triple by 2015 as current projects come on stream and increase production. New export routes would be key for the country to reach its target of 3 million bpd of oil and 79.4 billion cubic meters of gas a year by 2015.

OPEC's news agency reported that OPEC's basket price increased to \$66.60/barrel on Thursday from \$65.89/barrel on Wednesday.

### **Market Commentary**

During Friday's shortened trading session, the oil market opened at a low of 73.55 and continued to trend higher ahead of the Independence Day holiday weekend. The market quickly rallied to a high of 73.90 and held good resistance at that level as it settled in a sideways trading range. The August crude contract however breached the 74.00 level and rallied to a high of 74.15 amid the light volume trading. The market later retraced some of its gains ahead of the close but still ended the session in positive territory for the eighth consecutive session. It settled up 41 cents at 73.93. Volume in the crude market was light with 158,000 lots booked on the day. Open interest in the crude market built by a total of 21,288 contracts as traders continued to increase their long positions ahead of today's shortened trading session and the long weekend. The gasoline market opened down 2.48 cents as it gave up some of Thursday's sharp gains. The expiring June contract failed to trade back up to its previous high as it posted a high of 228.75 early in the session. However the market later gave up its gains during

the last hour of trading as traders liquidated their long positions ahead of its expiration. The market tumbled more than 13.4 cents as it sold off to a low of

<b>Technical Analysis</b>		
	<b>Levels</b>	<b>Explanation</b>
<b>CL</b> 73.93, up 41 cents	<b>Resistance</b> 74.20, 75.15, 75.85	62% retracement(76.85 and 68.75), Previous highs
	<b>Support</b> 74.15	Friday's high
	<b>Support</b> 73.55	Friday's low
<b>HO</b> 202.86, down 2.18 cents	<b>Resistance</b> 72.50, 71.60, 70.40, 70.05	Previous low, Double bottom, Previous lows
	<b>Resistance</b> 206.70, 208.60	Previous highs
	<b>Support</b> 205.00, 206.00	Friday's high
<b>HU</b> 221.88, down 1.28 cents	<b>Support</b> 202.00	Friday's low
	<b>Resistance</b> 199.00, 198.80, 198.00	Previous lows
	<b>Support</b> 224.50, 228.75	Previous highs
<b>HU</b> 221.88, down 1.28 cents	<b>Resistance</b> 224.00	Friday's high
	<b>Support</b> 220.50 to 219.50	Remaining gap (June 29th)
	<b>Support</b> 214.00	Previous low

216.00 ahead of the close. It settled down 9.27 cents at 220.21. The August gasoline market however settled down just 1.28 cents at 221.88. It partially backfilled its previous gap from 219.50 to 221.00 as it traded to a low of 220.50. Meanwhile the heating oil market also settled in negative territory ahead of June heating oil contract's expiration. The market traded to a high of 199.00 before it retraced its previous gains. The market extended its losses to over 4.7 cents as it posted a low of 194.00 ahead of the close. The June heating oil contract settled down 2.34 cents at 196.42. The July contract also settled down 2.18 cents at 202.86. Volumes in the product markets were light with 20,000 lots booked in the gasoline market and 38,000 lots booked in the heating oil market.

The market on Wednesday will likely see some more retracement of its recent rally, barring any supportive news over the long holiday weekend. The market will also look for the weekly petroleum stocks reports for further direction. The market is seen finding support at its low of 73.55 followed by more distant support at 72.50 and 71.60. Meanwhile resistance is seen at 74.15, 74.20, 75.15 and 75.85.