



## ENERGY RISK MANAGEMENT

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### ENERGY MARKET REPORT FOR JULY 6, 2007

The Nigerian kidnappers of a three-year-old British girl have told her mother they wanted to exchange the child for the father or they would kill her. The toddler was snatched on Thursday from a car in Port Harcourt. The abduction of the child was the third such kidnapping this year.

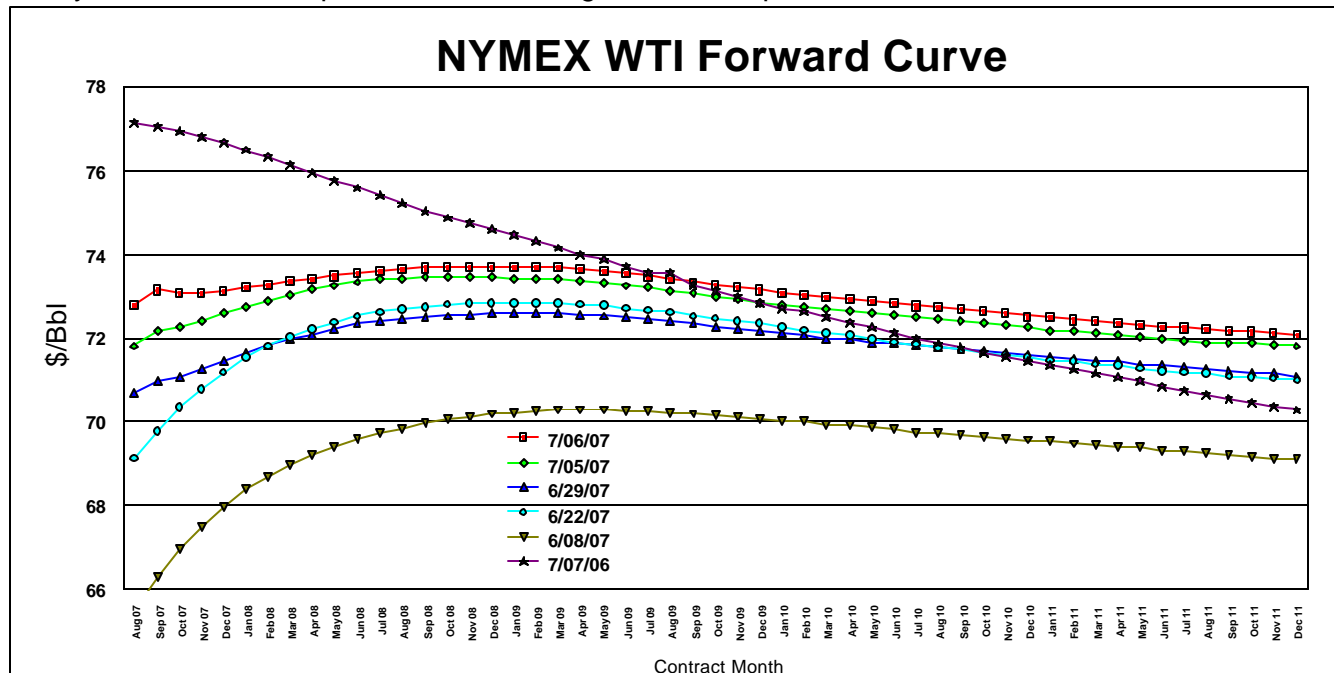
#### Market Watch

The Commodity Futures Trading Commission's Commitment of Traders report is expected to be released on Monday instead of Friday due to the July 4 holiday.

Energy pricing agency Argus on Friday adjusted how it assessed Forties crude, introducing a price de-escalator in valuing the crude grade.

#### Refinery News

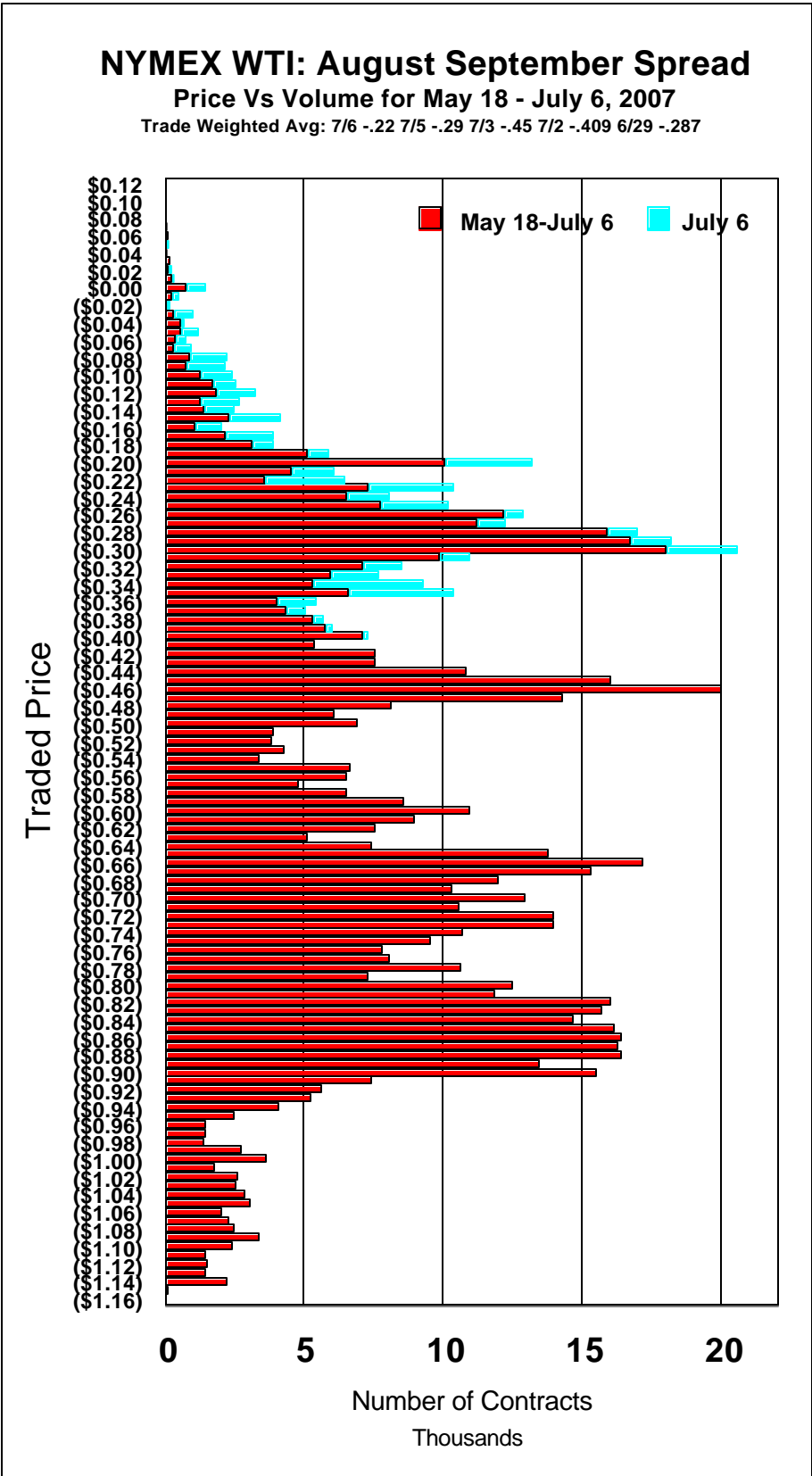
Valero Energy Corp reported that severe storms caused a plant wide power outage on Friday at its 213,750 bpd Texas City refinery. It said some units were affected by the power outage, but by late Friday said it was in the process for restarting units and expected the shutdown to be a short duration.



A hydrocracking unit at BP Plc's 260,000 bpd Carson, California refinery was shut on Thursday for unplanned repairs. The repairs may last up to 10 days and could lead to a cut in crude intake of up to 40,000 bpd. The least intake would be cut is 25,000 bpd.

South Korean refiners would cut overall crude processing rates in July by 265,000 bpd or about 12% on the month due to maintenance. The country's five refiners are expected to run at about 2.2 million bpd of crude this month, down from 2.465 million bpd in June. South Korea's GS Caltex Corp is expected to cut its July crude processing rate to 600,000 bpd from 620,000 bpd in June due to weak refining margins. Separately, South Korea's SK Corp is expected to cut its July crude refining rate to 750,000 bpd from 780,000 bpd in June due to an unscheduled shutdown. The refiner is expected to shutdown its No. 5 260,000 bpd capacity crude distillation unit from July 29 to August 2.

ExxonMobil's Nansei Sekiyu KK has delayed the restart of its 100,000 bpd crude distillation unit by another week. Completion of the Nishihara refinery CDU maintenance, which started on June 10, had been delayed until July 5 from the originally scheduled June 27. The unit is expected to restart on July 12.



Oil traders have booked an additional 320,000 tons of low sulfur gas oil to Europe this month, taking total shipments to nearly 500,000 tons to date.

India's Mangalore Refinery and Petrochemicals Ltd issued tenders to sell 170,000 tons of August loading oil products.

Repairs to the UK's Central Area Transmission System gas import pipeline are expected to take several weeks. The pipeline was closed on Sunday preventing imports of gas into Teesside from the North Sea.

Operators at Valero Energy's Ardmore, OK refinery shut a key gasoline producing unit for unplanned maintenance Friday. The FCC unit will remain of line for an undetermined length of time. The company said that during the outage it expects a loss of 35,000 b/d of gasoline and 10,000 b/d of diesel.

### Production News

Venezuelan union leaders said National Guard troops took control of three Venezuelan oil rigs after hundreds of workers abandoned installations following protests that halted operations. A group of about 400 workers were protesting a plan by PDVSA to replace them with inexperienced workers but walked away on Friday when PDVSA officials arrived to negotiate.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$70.22/barrel on Thursday from

		Levels	Explanation
CL	<b>Resistance</b>	72.97, 73.38, 73.65, 74.00	Friday's high
	72.81, \$1.00	72.94	
	<b>Support</b>	72.20, 71.90, 71.56	
HO	<b>Resistance</b>	71.10, 70.51, 69.48, 68.79, 66.70	Friday's low
		211.14	Basis trendline
	209.51, up 78 points	210.60	Friday's high
	<b>Support</b>	209.00, 208.80, 207.50	Friday's high
RB	<b>Resistance</b>	205.03, 202.94, 202.25	Previous lows
		236.37	Friday's high
	230.96, up 2.53 cents	231.80	Friday's high
	<b>Support</b>	230.65, 229.00, 227.68	Friday's low
		222.12, 219.06	Thursday's low, Previous low

Wednesday's level of \$69.76/barrel.

### Market Commentary

Once again concerns over tight supplies were at the forefront of today's market action, causing prices to record their highest level in ten months. The market continues to react strongly to the situation in Nigeria, and is not being helped by concerns over Norwegian production cuts. Both these blends are tied to the Brent contract, which continues to hold its strength against the WTI. The August WTI has not traded at a premium to Brent since the beginning of April and is currently trading at a 2.80 discount. At this point this arbitrage appears poised to test the -5.00 level reached in the middle of May. Refinery problems in the U.S. continue to mount due to flooding, unexpected maintenance, and now threats of a strike at Canada's Regina, Saskatchewan refinery locations are adding to supply fears. Front month prices traded briefly over the deferred contract, but the August contract was unable to hold its strength above September. On the other hand, September posted strong gains against October, and managed to hold these gains throughout the session. Until supplies start moving, this market should continue trading sideways to higher and could easily approach last year's levels of \$78.00. Support is set at 72.20, 71.90, 71.10, 70.51, 69.48, 68.79 and **66.70**, with resistance set at 72.97, 73.38, 73.65 and 74.00. The RBOB market remained well supported amid the refinery problems. The market bounced off an early low of 227.68 and traded to 230.20, where it held

resistance for much of the day. The market, which seemed ready to continue trading in a sideways pattern, rallied further ahead of the close to 231.15 amid some supportive news. Valero reported that severe storms caused a plant wide outage at its Texas City refinery. The market settled up 2.53 cents at 230.96 before it continued to trend higher to in after hours trading. The heating oil market also settled up 78 points at 209.51 after it settled in a sideways trading pattern for much of the day. The market posted a high of 210.60 early in the session. The product markets are still seen remaining supported by the refinery problems despite the recent builds in product stocks. The RBOB market is seen finding support at 230.65, 229.00, 227.68 followed by more distant support at 222.12 and 219.06. Meanwhile resistance is seen at 231.80 and 236.37.