



## ***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 JULY 18, 2007**

---

The head of the EIA, Guy Caruso said OPEC should increase its production to prevent a supply crunch. He said inventories would be very low if production is not increased in the second half of the year.

#### **Refinery News**

##### **Coffeyville**

Resources LLC is expected to resume gasoline and diesel production by mid-September after a flood shut the

refinery on July 1. It said major damage was confined to pumps, motors and electrical controls. It said there was no damage to its processing units.

Valero Energy Corp shutdown its 30,000 bpd hydrocracking unit at its McKee, Texas refinery following equipment malfunction. It said there was no material impact to production.

Flint Hills Resources said it planned to restart its sulfur recovery unit No. 1 at the west plant of its 288,000 bpd Corpus Christi, Texas refinery. The unit was shut on Sunday for scheduled maintenance.

#### **DOE Stocks**

**Crude** – down 500,000 barrels

**Distillate** – down 200,000 barrels

**Gasoline** – down 2.3 million barrels

**Refinery runs** – up 0.8%, at 91%

#### **Market Watch**

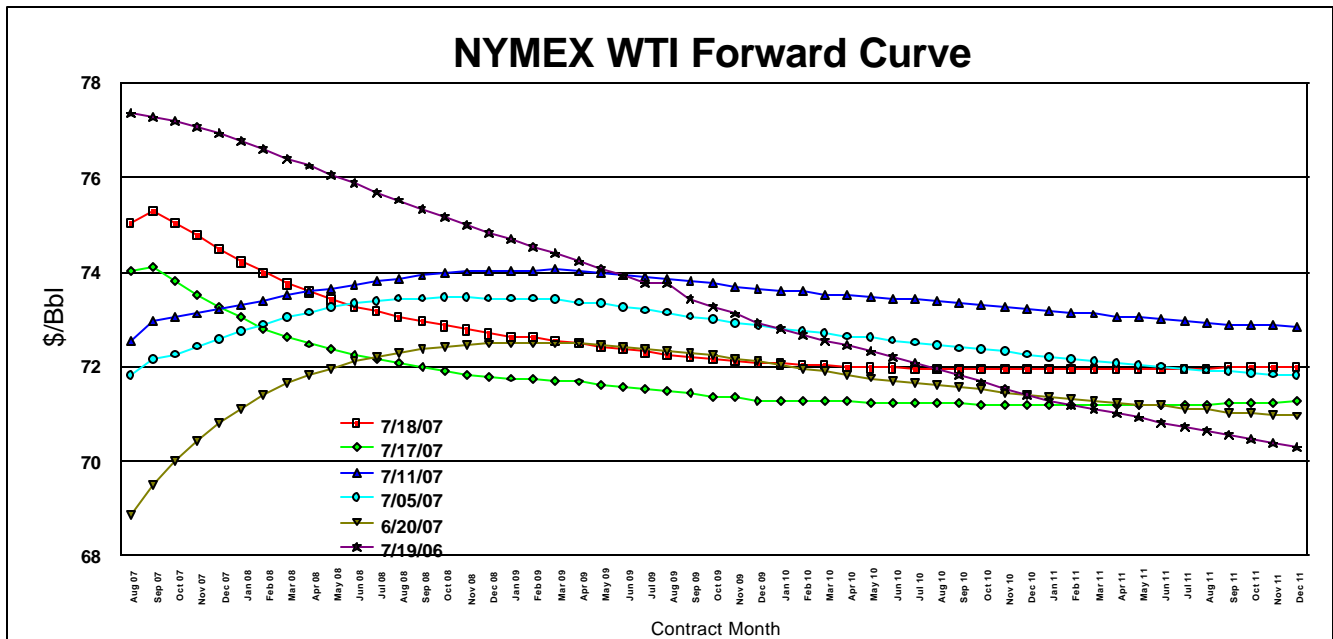
Federal Reserve Chairman Ben Bernanke said there are signs in the futures markets that oil prices would remain high but would level off in the next couple of years.

Dow Jones reported that market analysts lifted their outlook for the third quarter by \$5/barrel to \$72/barrel. The price of WTI for the fourth quarter is expected to increase by \$2.50 to \$67.50/barrel while the estimated price for 2007 was increased by \$2.50/barrel to \$66.60/barrel.

According to a Reuters/Zogby survey, some 40% of Americans would cut their driving habits if retail gasoline prices increased to \$3.50/gallon. Gasoline prices reached a record average in late May of \$3.23/gallon but have since fallen back to just above \$3/gallon, according to the AAA.

Nippon Oil Corp is set to switch payment for Iranian crude from dollars to yen by October. Nippon Oil was the first Japanese customer to accept Iran's formal request last week to switch to the yen, in line with Tehran's move to limit dollar denominated trades as the US leads efforts to isolate the country over its nuclear program. Iran has stated that most of its customers have already switched to non-dollar payments.

BP Plc began restarting a 63,000 bpd ultracracker unit at its Texas City, Texas refinery on Wednesday following eight days of work.



According to a report filed with the Texas Commission on Environmental Quality, an equipment leak at ConocoPhillips's oil refinery in Borger, Texas resulted in emissions of isobutene on Wednesday. It was not clear from the report whether the event had any impact on fuel production.

Sinopec Corp said it produced 2.12% more oil in the first half of the year and refined 6.38% more crude.

Nippon Oil Corp cut purchases of more expensive light crude following the resumption of operations of its secondary units and cracking units following the completion of maintenance. Separately, Nippon Oil said it was expected to refine 3-4% more crude in August than in July in effort to meet an increase in demand due to the unplanned closure of Tokyo Electric Power's Kashiwazaki-Kariwa nuclear power plant following an earthquake. Last month, it said it planned to process 5.42 million kl or 1.1 million bpd of crude in July. It processed 4.7 million kl or 954,000 bpd of crude in August 2006.

### **Production News**

According to CEAG, up to 100,000 bpd of oil produced in the North Sea, depends on the evacuation of gas through the closed Central Area Transmission System gas pipeline. It said oil output from the fields served by the pipeline could be preserved if the well operators get consent to flare or manage to reinject the gas. The pipeline was shut on July 1 after its concrete coating was damaged the previous week by a ship's anchor.

PDVSA stated that Venezuela's four Orinoco belt heavy crude projects were producing 500,000 bpd. PDVSA Vice President Luis Vierma said the company's goal was to reach 600,000 bpd. However he did not state when this would occur.

The Shetland Island Council reported that Brent crude oil exports fell to 347,557 tons in the week ending July 17, up from 166,934 tons in the previous week.

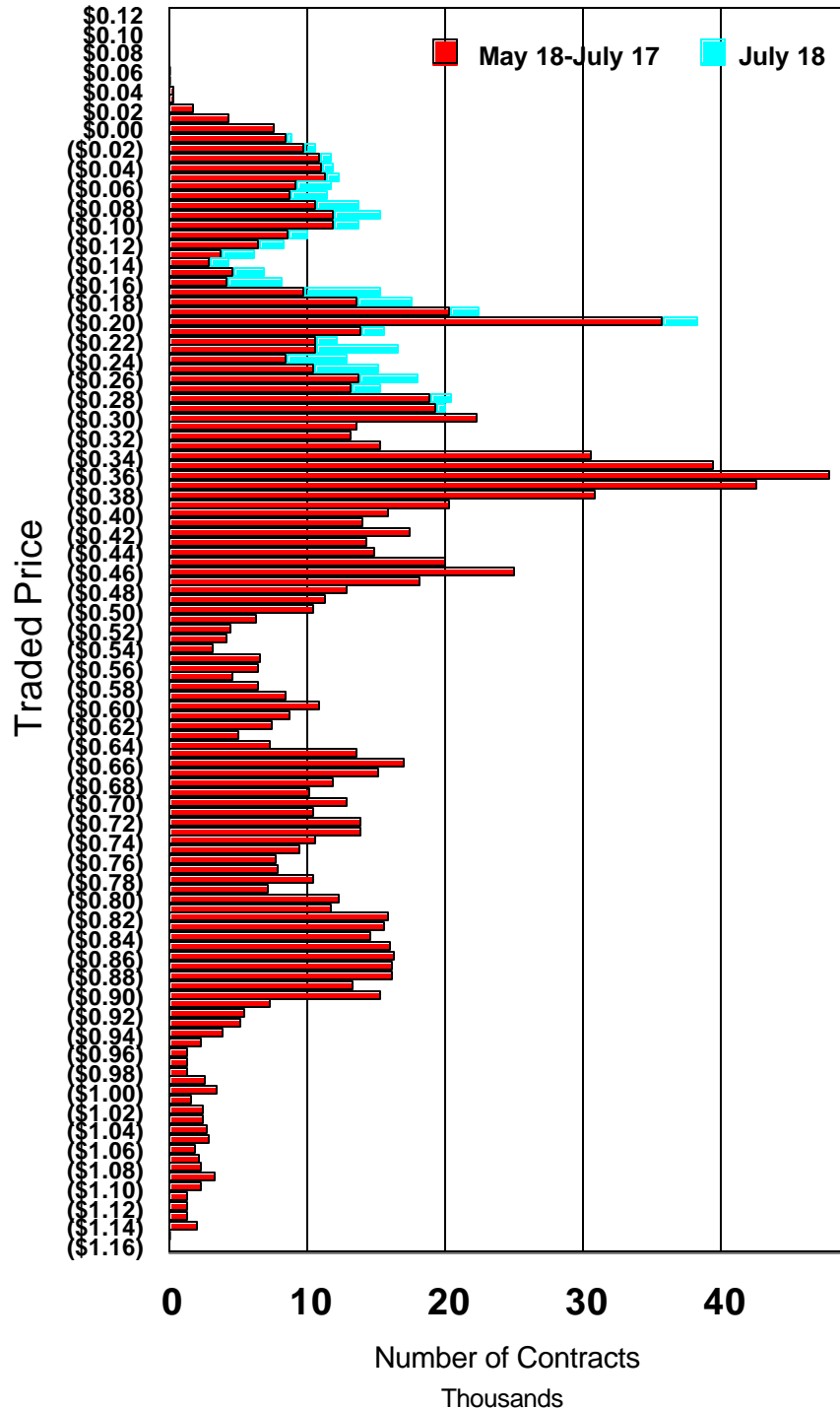
BP's Plutonio oilfield in Angola is expected to load its first crude shipment on September 24. A BP spokesman would not provide a specific date on when the field would begin producing.

Sinopec Group has formalized the control of China's strategic oil reserves by setting up an office to manage its oil storage centers. The Sinopec Crude Reserve Center was formed about a month ago to

## NYMEX WTI: August September Spread

Price Vs Volume for May 18 - July 18, 2007

Trade Weighted Avg: 7/18 -.17 7/17 -.06 7/16 -.127 7/13 -.206 7/12 -.356



manage the financing of oil purchases and monitor oil flows in and out of the storage centers. China has been seeking to build 100 million barrels of crude reserves or about 30 days of imports by 2008.

China's National Audit Office said the National Development and Reform Commission was running 28.5% over budget in its spending on developing four strategic oil reserve facilities.

OPEC's news agency reported that OPEC's basket of crudes fell to \$71.89/barrel on Tuesday from a revised price of \$72.82/barrel on Monday.

### Market Commentary

The oil market settled above the 75.00 level for the first time since early August last year in light of the supportive weekly petroleum stock reports. The market posted a low of 73.90 early in the morning before it bounced off that level and continued to retrace Tuesday's losses. The market rallied to a high of 75.28 following the release of the DOE report, which showed draws across the board. The crude market however erased some of its gains after it failed to test its previous high and settled in a sideways trading pattern during the remainder of the session. It settled up \$1.03 at 75.05. The product markets settled sharply higher in light of the unexpected draws reported in product stocks,

with the gasoline market settling up 9.46 cents at 219.53 and the heating oil market settling up 7.18

cents at 210.50. The RBOB market bounced off a low of 209.81 and extended its gains to over 5 cents as it rallied to 215.20 immediately following the release of the DOE report, which showed an unexpected draw of over 2 million barrels in gasoline stocks. The market rallied to a high of 219.84 as it continued to extend its gains throughout the session. Similarly, the heating oil market also bounced off its low of 203.20 and rallied to a high of 210.66 in light of the draw reported in distillate stocks. While the market may retrace some of its sharp gains on Thursday, the market's losses are seen limited. It is seen continuing on its upward trend after it settled above the 75.00 level. The market is seen finding support at 74.60, 74.50 and its low of 73.90 followed by further support at its previous low of 73.55. The market is however seen finding resistance at 75.28 followed by its previous high of 75.35. The RBOB market is also seen trending higher. It is seen finding support at 218.00, 217.40, 215.45, 213.50, 212.00 and its low of 209.81. More distant support is seen at 207.88. Meanwhile

resistance is seen at 219.84 followed by 223.12, its previous high of 224.08 and 226.72.

	Levels	Explanation
<b>CL</b> Resistance 75.05, up \$1.03 Support	75.35, 75.95, 76.52, 76.76 75.28	Previous high, Basis trendline, Previous highs Wednesday's high
	74.60, 74.50, 73.90 73.55, 72.26, 71.92, 71.60	Wednesday's low Previous lows
<b>HO</b> Resistance 203.32, down 2.24 cents Support	212.48, 212.84, 214.29 210.66	Previous highs Wednesday's high
	209.00, 207.80, 205.30, 203.20 202.40, 202.30, 198.08, 196.60	Wednesday's low Previous lows
<b>RB</b> Resistance 210.07, down 2.55 cents Support	223.12, 224.08, 226.72 219.84	50% retracement(238.36 and 207.88), Previous high, 62% Wednesday's high
	218.00, 217.40, 215.45, 213.50, 212.00 209.81, 207.88	Wednesday's low, Previous low