



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR AUGUST 9, 2007**

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Venezuela's Oil Minister Rafael Ramirez said he believed world oil inventories were currently much higher than average and there was no need to increase crude production. He also stated that Venezuela's government continued to hold talks with two companies over compensation for their recently nationalized assets in the Orinoco area.

The Movement for the Emancipation of the Niger Delta vowed on Thursday to renew attacks on oil pipeline in coming weeks and said it had still not held talks with the country's new government. It has not launched any assaults on energy facilities in three months as it said it would give the government time to come up with a plan to address the poverty and social problems in the country's Niger Delta. MEND also pledged to continue its tactic of abducting foreign oil workers in Nigeria. Separately, Nigeria

deployed troops to restore order in Port Harcourt on Thursday following a four day turf war between rival gangs. Security sources said about 15 people have been killed in gunfights since Sunday. Extra troops were deployed to the state government headquarters and to the offices of Royal Dutch Shell after a group of armed youths drove past shooting sporadically in the air on Thursday.

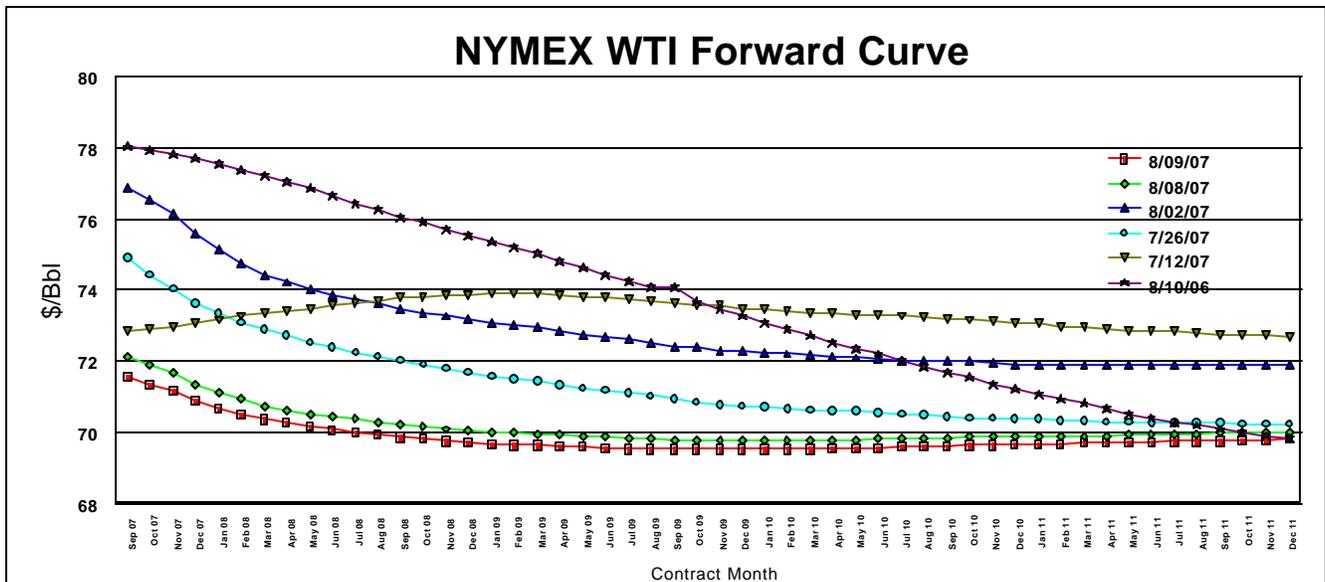
Oil Movements reported that OPEC oil exports are expected to increase by 360,000 bpd to 24.22 million bpd in the four weeks ending August 25. It said most of the extra supply was bound for Asian refiners. The head of the consultancy, Roy Mason, said OPEC shipments to Japan in particular were

#### **Market Watch**

According to government and industry pundits, US oil refiners have time to increase low heating oil supplies ahead of the winter heating season. They said consumers should not be overly concerned about a supply crunch this winter. The EIA said there was still plenty of time for refiners to increase supplies. Total distillate fuel stocks, including diesel fuels and heating oil are only 8.4% below last year. Supplies are in the middle of the average range for this time of year, according to the EIA.

The National Oceanic and Atmospheric Administration said the current Atlantic hurricane season would be more active than the long term average. However it cut the number of storms expected this season. It expects an 85% of an above normal season, up from 75% in its May 22 pre-season outlook. It now expects 13-16 tropical storms to develop, 7-9 of which would become hurricanes and of those 3-5 would be intense hurricanes.

The US Commodity Futures Trading Commission and the US Department of Justice were probing BP Plc's US trading activities back to 1999, instead of 2002. Last year, the CFTC filed a civil enforcement action against a unit of BP alleging it had manipulated the price of propane in February 2004. It made the same charge for April 2003 and was probing one day of unleaded gasoline trading in October 2002.



being driven by increased fuel oil demand from power stations after the country shut a nuclear plant due to an earthquake in mid-July. He said OPEC's production was down 1 million bpd on the year.

According to Euroilstock, total petroleum stocks in July fell by 2.31 million barrels or 0.2% on the month to 1.150 billion barrels. It reported that crude stocks fell by 1.98 million barrels or 0.4% to 485.3 million barrels while distillate stocks fell by 370,000 barrels or 0.1% to 398.63 million barrels. It reported the draws despite the higher refinery utilization rates. It reported that refinery utilization rates increased by 2.5% to 92.5% on the month.

Gas oil inventories in independent storage in the Amsterdam-Rotterdam-Antwerp area fell by 44,000 tons to 1.977 million tons in the week ending August 9 from 2.021 million tons last week. It is down from 2.06 million tons reported last year. Gasoline stocks fell by 16,000 tons to 675,000 tons on the week. It is up 60,000 tons on the year. Naphtha stocks fell by 24,000 tons to 38,000 tons while jet fuel stocks increased by 11,000 tons to 441,000 tons on the week.

Iran's Vice President Parviz Davoodi and Iran's Foreign Minister Manouchehr Mottaki promised Iraqi Prime Minister Nouri al-Maliki that Iran would do all it could to increase security in Iraq. They stated that security was the top priority but also working on economic deals that could bring increased Iranian oil supplies to help ease Iraq's chronic shortages.

### Refinery News

Traders said wholesale prices of gasoline in the Midwest increased sharply on talk of allocation for three cycles on a portion of the TEPPCO pipeline. They said the line from Seymour, Indiana to Chicago was allocated for three cycles due to overnomination.

Chevron said it was restarting several units at its 266,000 bpd El Segundo, California refinery after the units were shut midday Wednesday due to a power failure. The affected units included a hydrotreater, a 40,000 bpd reformer and a 48,000 bpd hydrocracker. The refinery is expected to be fully operational within 12 to 24 hours.

A primary oil processing unit at ConocoPhillips' refinery in Trainer, PA is expected to resume operations by Friday after undergoing repairs for several days. The problem at its refinery in Trainer,

PA and operational issues at its catalytic cracking unit at its Bayway refinery in Linden, NJ have prompted the company to enter the spot market to purchase gasoline.

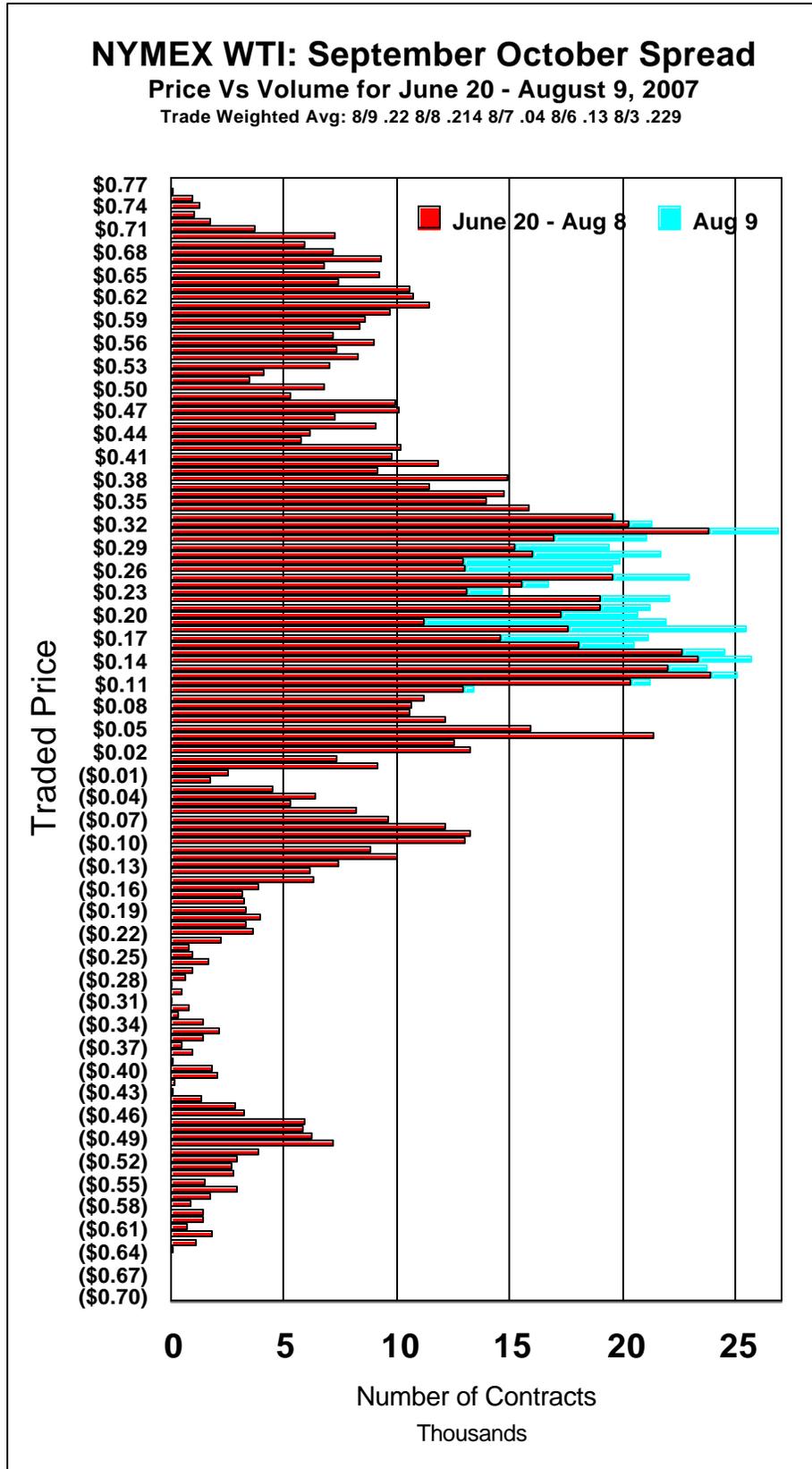
According to Credit Suisse, refinery margins during the third quarter of 2007 are expected to be about 40% lower on average than they were in the second quarter. Refinery profits along the US Gulf Coast have averaged \$15.26/barrel so far this quarter, down from \$25.63/barrel in the second quarter. Third quarter margins in the Midwest are set at \$19.74/barrel, down from \$30.42/barrel in the second quarter. Margins in the Northeast are expected to fall by 48% to \$7.56/barrel.

Production from a desulfurization unit at BP's 272,000 bpd Gelsenkirchen refinery in Germany has been halted. It is expected to remain down for about a week. It was not clear how much production from the refinery had been affected by the outage.

Total SA has scheduled maintenance at its 116,000 bpd Feyzin refinery in France in September. Sources could not state whether the entire refinery would be closed.

**Production News**

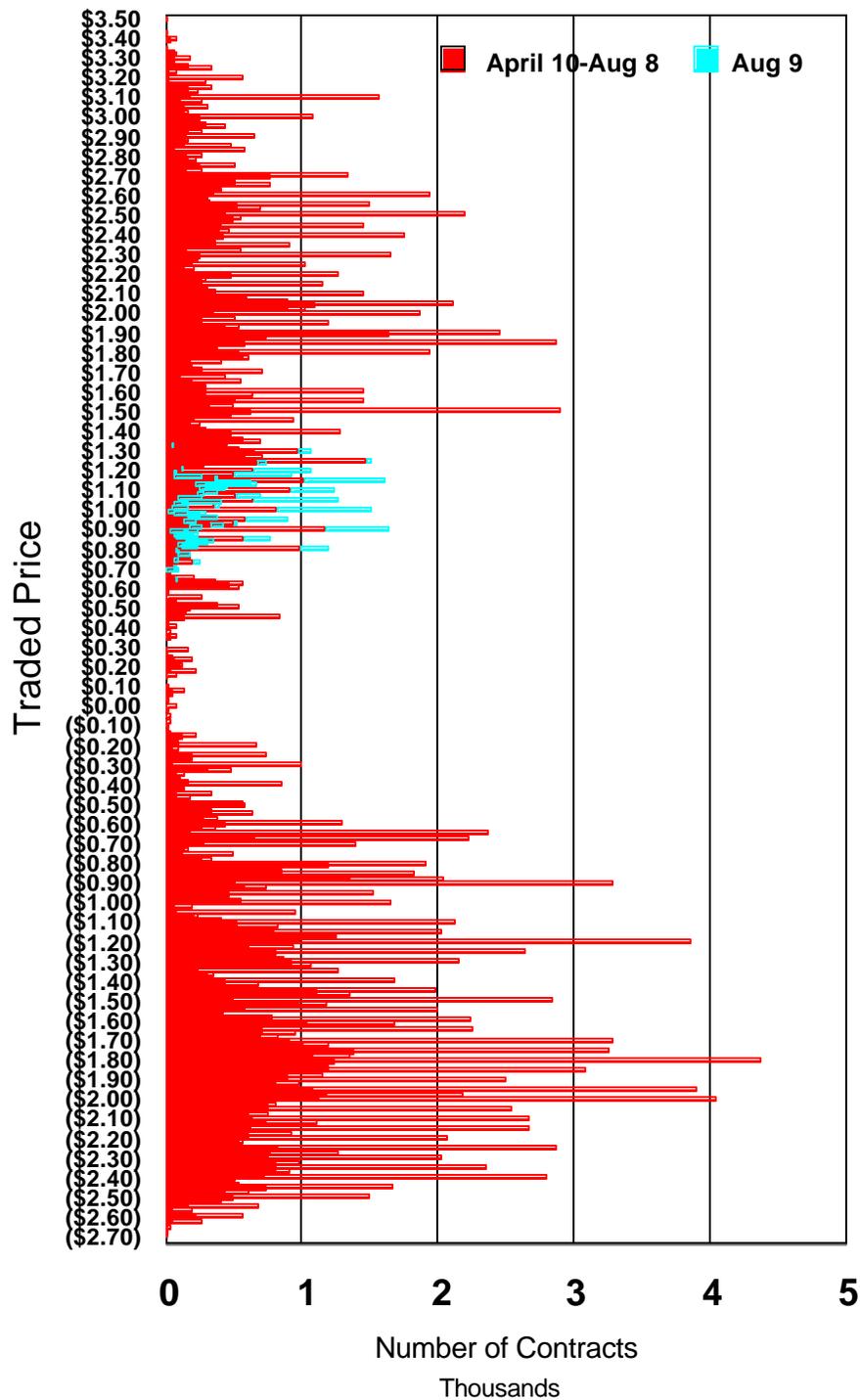
BP stated that a fire at a turbine that helps process oil at the Prudhoe Bay oilfield in Alaska prompted BP to shut



## NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - August 9, 2007

Trade Weighted Avg: 8/9 1.02; 8/8 1.31; 8/7 .90; 8/6 1.23; 8/3 2.02



the turbine and inspect a similar one. The fire lowered production slightly at the western half of Prudhoe Bay. A BP spokesman could not say how long the turbine would be shutdown.

The September loading program for North Sea Flotta crude scheduled a total of 1.3 million barrels. The cargoes are set to load on September 13-15 and 26-28. Meanwhile, the North Sea Oseberg crude system is scheduled to load about 220,000 bpd in September, up from 204,000 bpd in August.

Iraq's Oil Minister Hussain al-Shahristani said Iraq hoped to call the first open tenders to develop its oil fields after new oil legislation has been approved in September. He said he hoped parliament would pass the new oil legislation, opening the way to call tenders for about a third of Iraq's oilfields. He also stated that all 27 producing fields in Iraq would be transferred to the national oil company, which would be free to decide whether it wanted to have partners or not. Given the fields' potential, Iraq's production could increase to 6 million bpd by 2012 from the 4 million projected for 2010 and the current 3 million bpd.

Chevron Corp said it made a new oil discovery offshore Angola. It said the Malange-1 discovery well was tested in March and flowed high quality crude at a rate of 7,669 bpd of

oil.

The Rhine regions of Switzerland and Germany are facing increasing flood risks following recent heavy rainfall. The Rhine River in Switzerland has been closed to shipping since Wednesday evening due to rising water levels. Meanwhile, an official at the water and shipping authority in Germany said about 31 miles of the Rhine between Basel and Breisach in Germany was closed to shipping. He said as the wave of high water continued to move downstream, the closure would also move downstream.

OPEC's news agency reported that the OPEC basket price increased by 29 cents to \$68.56/barrel on Wednesday.

**Market Commentary**

Taking its lead from the stock market, crude oil breached the 71.10 support number, touching off stops below. Concerns that a reduction in U.S. economic growth could lead to diminishing demand while inventories are 11% above the 5 year average, sparked off further length lightening. The stock market continued to weaken late in our session, which is not good for upside potential. With tomorrow being Friday, we would look for further sell-offs with a test of the major support area of 69.96, but then for the market to make a bit of a come back. We would keep a close eye on the front month spread which, despite the recent sell-off in prices, has remained strong. Support comes in at 71.10, 70.50, **69.96**, 69.25, 68.64, and **67.70**. Resistance is set at 72.70, 73.05, 73.65 and 74.05, 75.18 and **76.50**. The RBOB market traded mostly sideways after the market breached Wednesday's low and sold off to a low of 189.57 early in the session. The market however bounced off that level early in the open outcry session and rallied to a high of 194.74 amid the strength in Midwest gasoline prices. The market was supported by talk that a portion of a TEPPCO pipeline was allocated for three cycles due to overnomination. The market however retraced some of its gains and traded mostly sideways ahead of the close. It settled down 37 points at 193.40. Meanwhile, the heating oil market also sold off to a low of 194.28 early in the session.

However it bounced off that level and extended its gains to over 2.5 cents as it rallied to a high of 199.26. It settled in a sideways trading pattern

		<b>Explanation</b>	
<b>CL</b>	<b>Resistance</b>	72.70, 73.05, 73.65, 74.05, 75.18 72.40	Thursday's high
	<b>Support</b>	71.10, 70.50 69.96, 69.25, 68.64, 67.70	Thursday's low
<b>HO</b>	<b>Resistance</b>	200.47, 202.81, 203.48, 207.98 199.26	38%(212.72 and 192.90), Previous highs Thursday's high
	<b>Support</b>	197.70, 194.28 192.90, 192.04, 189.16	Thursday's low Previous lows
<b>RB</b>	<b>Resistance</b>	197.67, 201.83, 201.86, 205.23 194.74	Previous highs, basis trendline, 38% (230.77 and 189.45) Thursday's high
	<b>Support</b>	191.80, 189.57 189.45, 183.22	Thursday's low Previous low, Basis trendline

ahead of the close and settled up 2.224 cents at 198.92. The product markets will likely retrace some more of its recent losses with the RBOB market finding support at 191.80, 189.57, 189.45 and 183.22. Meanwhile resistance is seen at 194.74, 197.67, 201.83, 201.86 followed by 205.23.