



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR AUGUST 13, 2007**

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Venezuela's President Hugo Chavez said world oil prices are headed for \$100/barrel and added that he would cut supplies to the US if the US government attacked the country again. He has previously accused the US of plotting a coup that ousted him for two days in 2002.

Meanwhile, Venezuela's Energy Minister Rafael Ramirez said OPEC should maintain its production cuts when it meets in September.

An official at the National Iranian Oil Co said OPEC could decide to increase its oil production at its September meeting. Iran's outgoing Oil Minister, Kazem Vaziri-Hamaneh, and other officials have insisted there is no shortage of crude supplies in the market and blamed high prices on other factors, such as a shortage of gasoline the US and political issues. Iran's President Mahmoud Ahmadinejad replaced Kazem Vaziri-Hamaneh with the head of NIOC, Gholamhossein Nozari who is acting in a caretaker role.

The DOE reported that the US average retail price of gasoline fell 6.7 cents/gallon to \$2.771/gallon in

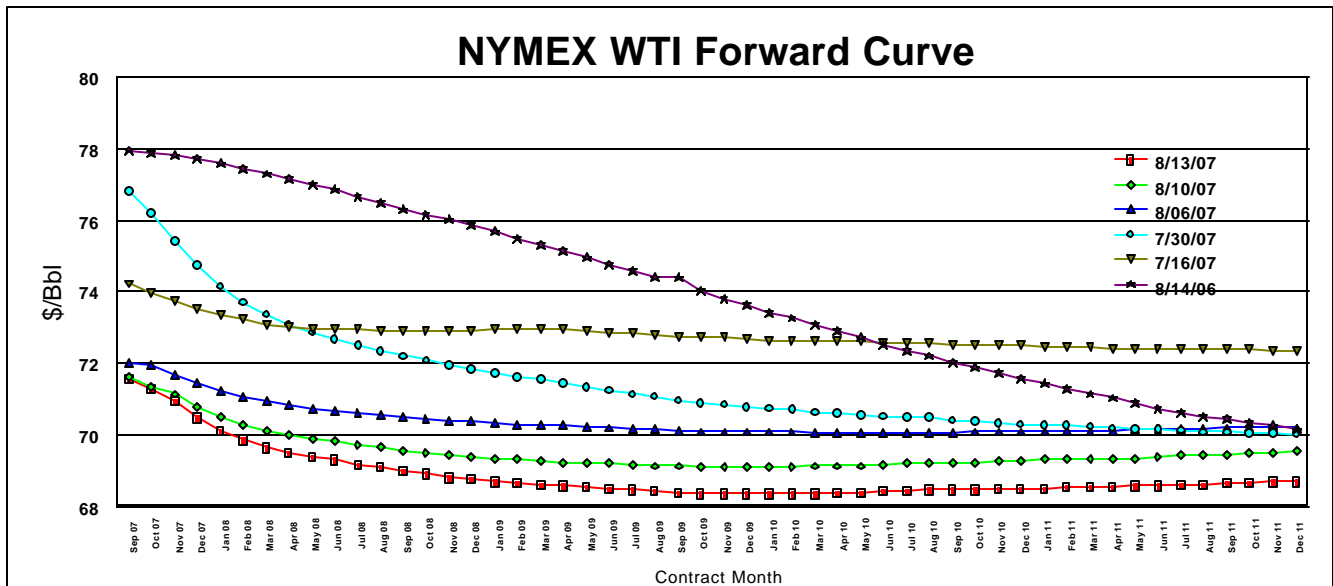
#### **Market Watch**

A tropical storm depression formed 520 miles west southwest of the Cape Verde Islands and was moving west near 21 mph. Its maximum sustained winds were near 35 mph. It could become Tropical Storm Dean if the winds strengthen to at least 39 mph. The National Hurricane Center said another tropical depression could form in the Gulf of Mexico over the next day or so. It noted that a broad low pressure area has formed in the southeastern Gulf about 90 miles north-northeast of Cancun. It said upper level winds were becoming more favorable for development of this system and a tropical depression could form later Monday or Tuesday.

According to Lehman Brothers, the credit squeeze that impacted the financial markets and pushed oil prices lower last week may ultimately lend support to the oil market by cutting investment in the new production capacity. Lehman Brothers stated that the US based housing problems could limit investor flows into the oil complex in the short term but cited US dollar depreciation, the coming peak of the hurricane season, OPEC output restraint and the profitability of long term fund investment in a backwardated market as limiting losses.

Goldman Sachs Group Inc said it was not unwinding its Global Alpha and North American Equity Opportunities funds. It said the value of Global Alpha was down about 27% year to date and about half of that decline occurred in the past week.

Hedge fund losses are expected to prompt exits. Unnerved by heavy losses at some of the hedge funds, many people would likely look to get out before things get worse. To pull out at the end of the third quarter, investors would have to notify their managers by August 15. Redemption notices began increasing weeks ago at hedge funds that specialize in subprime mortgages after two prominent Bear Stearns funds collapsed. Analysts stated that what seemed like a contained problem has spread from credit focused strategies to a broad range of funds.



the week ending August 13. It also reported that the US average retail price of diesel fell by 5.1 cents/gallon to \$2.847/gallon on the week.

According to the Lundberg survey, the US average retail price of gasoline fell by 10.72 cents to \$2.7771/gallon in the two weeks ending August 10.

### Refinery News

Hess Corp and PDVSA's 495,000 bpd refinery in St. Croix was carefully monitoring a tropical depression off the coast of Africa. Two computer models show Tropical Depression 4, passing over the US Virgin Islands later this week. Other models show it passing further south in the Caribbean Sea.

Coffeyville Resources LLC said it expects to resume operations at its Kansas refinery weeks earlier than its original mid-September estimate, possibly before the end of August after it was shut on June 30-July 1 due to flooding.

Valero Energy Corp's 142,000 bpd Corpus Christi, Texas refinery shut a coking unit in the East Plant to facilitate maintenance at the unit's heater tubes on Sunday. It said the shutdown would not have any material impact on production.

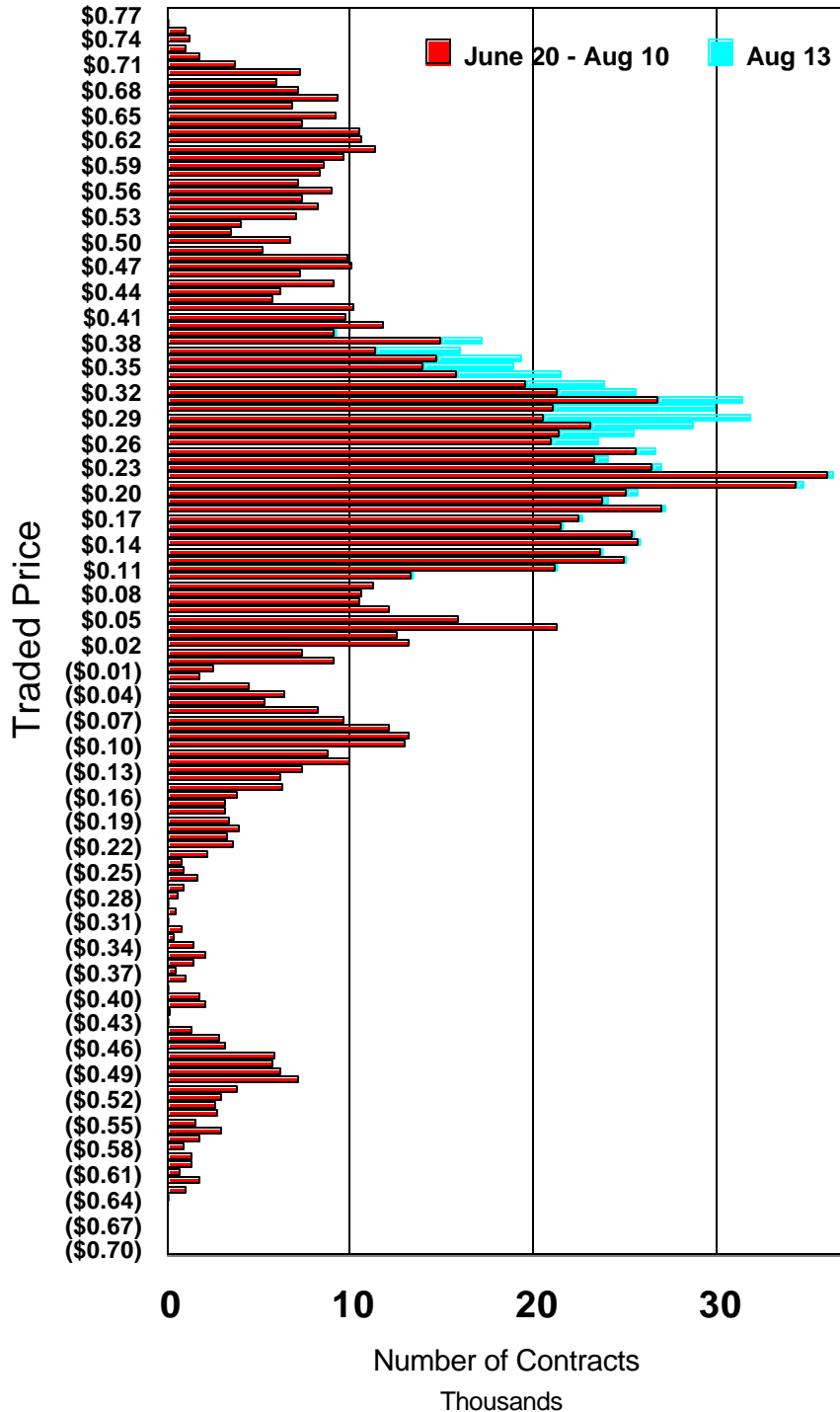
ConocoPhillips started seven days of unplanned maintenance at its 156,000 bpd Borger, Texas refinery on Thursday due to an equipment malfunction. It said operations were normal. It also stated that it expected to restart at fluid catalytic cracking unit at its 230,000 bpd Bayway refinery in Linden, New Jersey this week. Separately, ConocoPhillips said it restarted a crude unit at its 190,000 bpd Trainer, Pennsylvania refinery and resumed full operations. The unit was shut about a week ago. Also, work to reduce catalyst build up at the Sweeny refinery's unit 3 gasoline making complex was concluded by the weekend.

ExxonMobil Corp said that maintenance on fluid catalytic cracking unit 3 at its 563,000 bpd Baytown, Texas refinery and the unplanned shutdown of a booster station's main compressor on Sunday had no impact on production or the company's ability to meet customer commitments. It said the catcracker unit resumed normal operations.

## NYMEX WTI: September October Spread

Price Vs Volume for June 20 - August 13, 2007

Trade Weighted Avg: 8/13 .308 8/10 .22 8/9 .22 8/8 .214 8/7 .04



Alon USA Energy's 67,000 bpd refinery in Big Spring, Texas started work to replace a flue gas bundle on a fluid catalytic cracking unit on Sunday. The work may last through August 15. The scheduled maintenance is not expected to have any impact on throughput or production.

Total Petrochemicals Inc's 232,000 bpd refinery in Port Arthur, Texas restarted unit 817 on Saturday. The unit was shut to minimize acid gas emissions at the refinery.

Indonesia's Pertamina said its 125,000 bpd Balongan refinery resumed full capacity, up from 60% last week after it was shutdown due to an earthquake. Meanwhile Pertamina shut its 60,000 bpd crude unit at its Balikpapan refinery for scheduled maintenance.

### Production News

According to Reuters, the average daily loading rate of the nine main North Sea crude systems is expected to increase by 10.3% on the month in September to 2.44 million bpd, up from 2.212 million bpd. The September loading program for North Sea Statfjord crude scheduled the loading of 7.7 million barrels, up from 5.13 million barrels in August. The September loading program for North Sea Gullfaks crude scheduled the loading of 9.405 million barrels, up from 7.7 million barrels in August. The North Sea Troll crude system is set to load 4.6

million barrels or 153,000 bpd in September, down from 6.15 million barrels or 198,000 bpd in August.

Norway's Statoil said that a gas export compressor at its Asgard field was affected by a glitch. However it said that flows to customers were not affected. It did not elaborate on the extent of the problem nor when the field is expected to return to normal operations.

The UAE is scheduled to shutdown the Lower Zakum West field, which produces 280,000 bpd of crude oil in late October for between 17 and 25 days to tie in a new gas reinjection facility. The facility would be used to inject gas into oil wells to increase the pumping of oil.

Gasoline demand in Iran increased by 3.6% in the second week of August compared with the previous week. Statistics however showed that overall demand fell to about 61 million liters/day from about 75 million liters/day reported before the gasoline-rationing scheme was introduced.

Kazakhstan's State Statistics Agency reported that the country increased its oil and gas condensate production by 5.5% on the year to 39.03 million tons in January-July 2007. Oil production increased by 3.2% to 31.778 million tons in the same period. Its oil exports increased to 31.466 million tons in January-June, up 16.9% on the year.

Russia's Lukoil Holdings said it should be given priority when the Iraqi government awards the West Qurna oilfield. It said Iraq should take into account work implemented by Lukoil's experts to develop the West Qurna field before the US led occupation of Iraq.

Iraq on Sunday issued a tender to sell fuel oil from October 2007 to March 2008 from the Khor Al Zubair terminal. The bids are due on August 28.

The Rhine River in south Germany was fully reopened to shipping following a fall in water levels over the weekend.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$67.52/barrel on Friday from \$68.26/barrel on Thursday. It also reported that OPEC's basket of crudes fell by \$3.80/barrel to an average of \$68.57/barrel in the week ending August 10.

**Market Commentary**

In reaction to the stock market, and weather reports of a tropical depression forming and threatening to hit the Gulf of Mexico, the energy market initially worked higher. With reports of the storm changing direction, the market sold off, with the September contract hitting the 71.10 support level and holding. In Friday's wire, we wrote that we expected this market to be range bound between 73.00 and 69.96,

we will continue to hold this opinion, and therefore would continue to play the range and buy and sell at the listed support and resistance numbers.

		Explanation	
<b>CL</b>	<b>Resistance</b>	73.65, 74.05, 75.18, 76.50	Monday's high
	<b>Support</b>	71.10	Monday's low
<b>HO</b>	<b>Resistance</b>	203.48, 204.53, 207.27, 207.98	Previous high, 50% (212.72 and 192.90), 62%, Previous high
	<b>Support</b>	196.65, down 47 points	Monday's high
<b>RB</b>	<b>Resistance</b>	195.55	Monday's low
	<b>Support</b>	194.46, 194.28, 192.90, 192.04, 189.16	Previous lows
	<b>Resistance</b>	201.83, 205.23, 206.08, 210.11	Previous high, 38% (230.77 and 189.45), Previous high, 50%
	<b>Support</b>	193.75, down 1.73 cents	Basis trendline, Monday's high
		192.37	Monday's low
		189.52, 189.45, 186.68, 186.46	Previous lows

Should the support at 69.96 be penetrated, this market could tumble another \$5.00. 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**. Similarly, the RBOB market traded higher early in the session and posted a high of 200.41 amid speculation that the tropical depression could threaten Gulf of Mexico production of oil, refined products and natural gas. The market traded mostly sideways before it erased its gains in light of the forecasts stating the storm would miss the Gulf of Mexico. The market extended its losses to over 3 cents as it sold off to a low of 192.37. The market was also pressured in light of the reports stating the refineries were resuming operations. Coffeyville Resources said it could resume operations at its Kansas refinery weeks earlier than its original mid-September estimate. The RBOB market later retraced some of its losses and settled down 1.73 cents at 193.75. The heating oil market also rallied early in the session to a high of 202.50. However, similar to the rest of the complex, the heating oil market erased its gains and sold off to a low of 195.55. It settled down 47 points at 196.65. The product markets are seen testing their lows after the markets failed to sustain their earlier gains. The RBOB market is seen finding support at 192.37 followed by 189.52, 189.45, 186.68 and 186.46. Resistance is seen at 197.35, 199.35, 200.41 followed by 201.83. More distant resistance is seen at 205.23, 206.08 and 210.11.