



## ***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 AUGUST 16, 2007**

---

The head of OPEC affairs at Iran's Oil Ministry, Javad Yarjani said OPEC was unlikely to make a major change to its production policy at its meeting next month.

According to Oil Movements, OPEC's oil exports are expected to increase by 260,000 bpd to 24.08 million bpd in the four weeks ending September 1. It said most of the exports were bound for the US and Europe. It reported that OPEC was producing between 700,000 bpd to 800,000 bpd less than at this time last year.

Nigerian army and private security sources said Nigerian troops and gangsters fought gun battles in the city of Port Harcourt on Thursday. The army launched a dawn raid on several criminal hideouts after six days of street battles between rival gangs last week.

A rebel Kurdish commander said that the BP Plc led Baku-Tblisi-Ceyhan pipeline may become a new economic target if Turkish attacks continue against his armed group, the People's Defense Force. The force is the armed wing of the Kurdistan Workers' Party or PKK, a separatist guerrilla organization that has been seeking Kurdish independence from Turkey. Tensions have been rising in recent weeks between Turkey and the Kurdish insurgents. A BP official said there have been some criminal attempts to tap the pipeline. He said the amount of any oil removed from the pipeline was negligible and there was no impact on production at the Azeri-Chirag-Gunashli field that supplies the pipeline.

#### **Market Watch**

The US National Hurricane Center said Tropical Storm Dean strengthened into the first hurricane of the season on Thursday. Hurricane Dean was moving west to northwest and is expected to strengthen into a Category 4 hurricane over the next five days before striking the Yucatan Peninsula. The models are tightly clustered around a track through the Caribbean Sea to near the Yucatan Peninsula in five days. Meanwhile, Tropical Storm Erin was downgraded to Tropical Depression Erin as it moved inland near Corpus Christi, Texas.

The oil, nickel and copper led declines in commodity prices on increasing concerns that losses in world credit markets would erode economic growth and demand for raw materials. Investors are selling all but the safest assets to cover losses as banks put a squeeze on credit amid rising US subprime loan defaults.

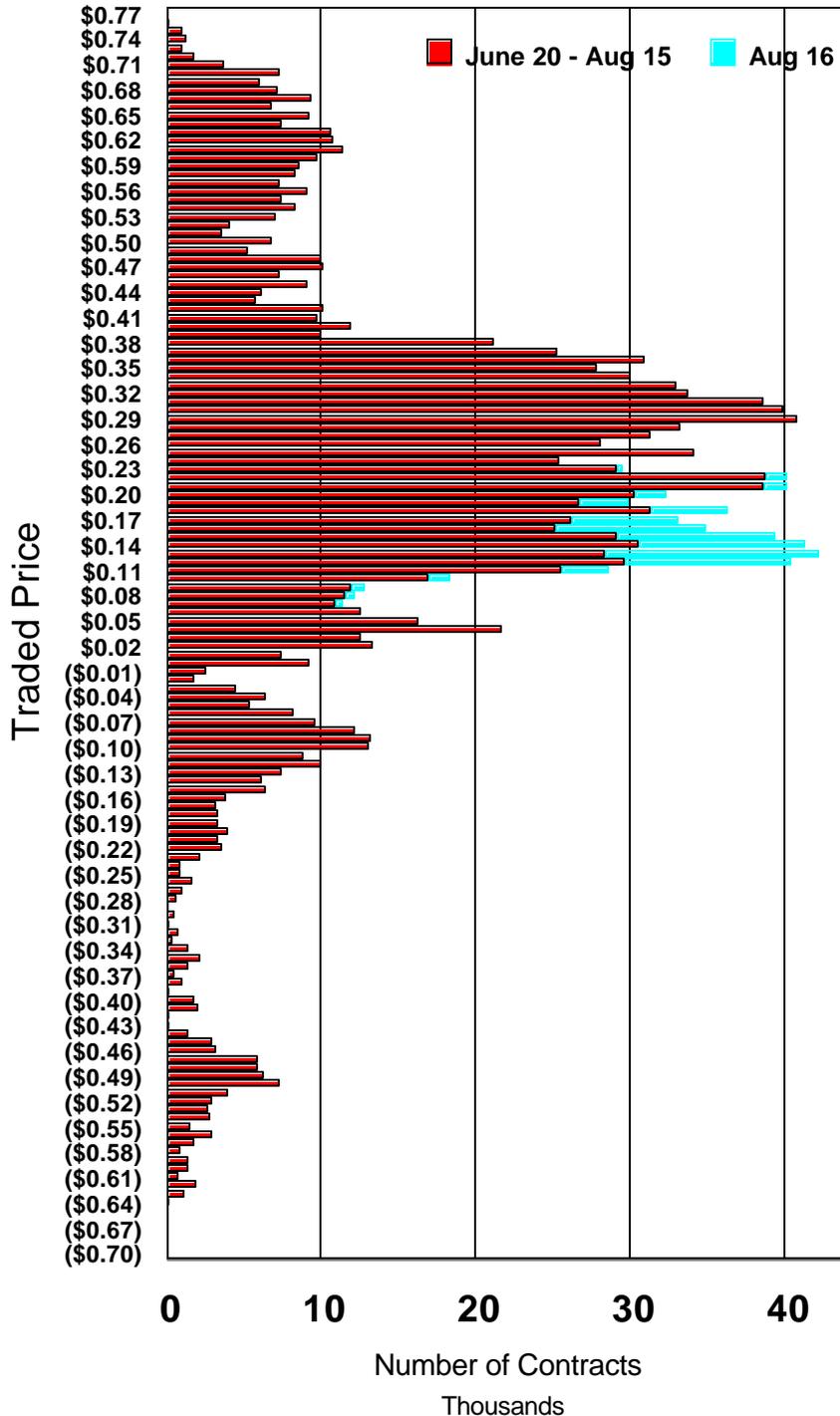
Brazil's Union of Sugarcane Industries said Brazil is expected to continue to ship 3.6 billion to 3.7 billion liters of ethanol for the 2007-2008 season, nearly unchanged from the 3.8 billion liters exported in the previous season.

#### **Refinery News**

## NYMEX WTI: September October Spread

Price Vs Volume for June 20 - August 16, 2007

Trade Weighted Avg: 8/16 .147 8/15 .217 8/14 .34 8/13 .308 8/10 .22



ConocoPhillips' 223,000 bpd Sweeny, Texas refinery was not affected by Tropical Storm Erin. Meanwhile, Valero Energy Corp and Citgo Petroleum Corp said their refineries were operating normally following the landfall of Tropical Storm Erin.

The Corpus Christi ship channel was reopened on Thursday morning after it was closed at midnight Wednesday due to Tropical Storm Erin.

Traders stated that Valero Energy cut rates at its 325,000 bpd refinery in Port Arthur, Texas after it shut the coker unit. The sources were unsure by how much rates were cut.

Separately, Valero Energy Corp said it was restarting a coker unit in the East Plant of its 142,000 bpd Corpus Christi, Texas refinery following the completion of maintenance work. The unit was shut on Sunday.

Chevron Corp said it was fighting a fire at its 325,000 bpd oil refinery in Pascagoula, Mississippi. The company spokesman could not say which processing units were involved.

Shell shutdown a hydrocracker unit at its 340,000 bpd Deer Park, Texas refinery on Wednesday after an associated compressor shutdown.

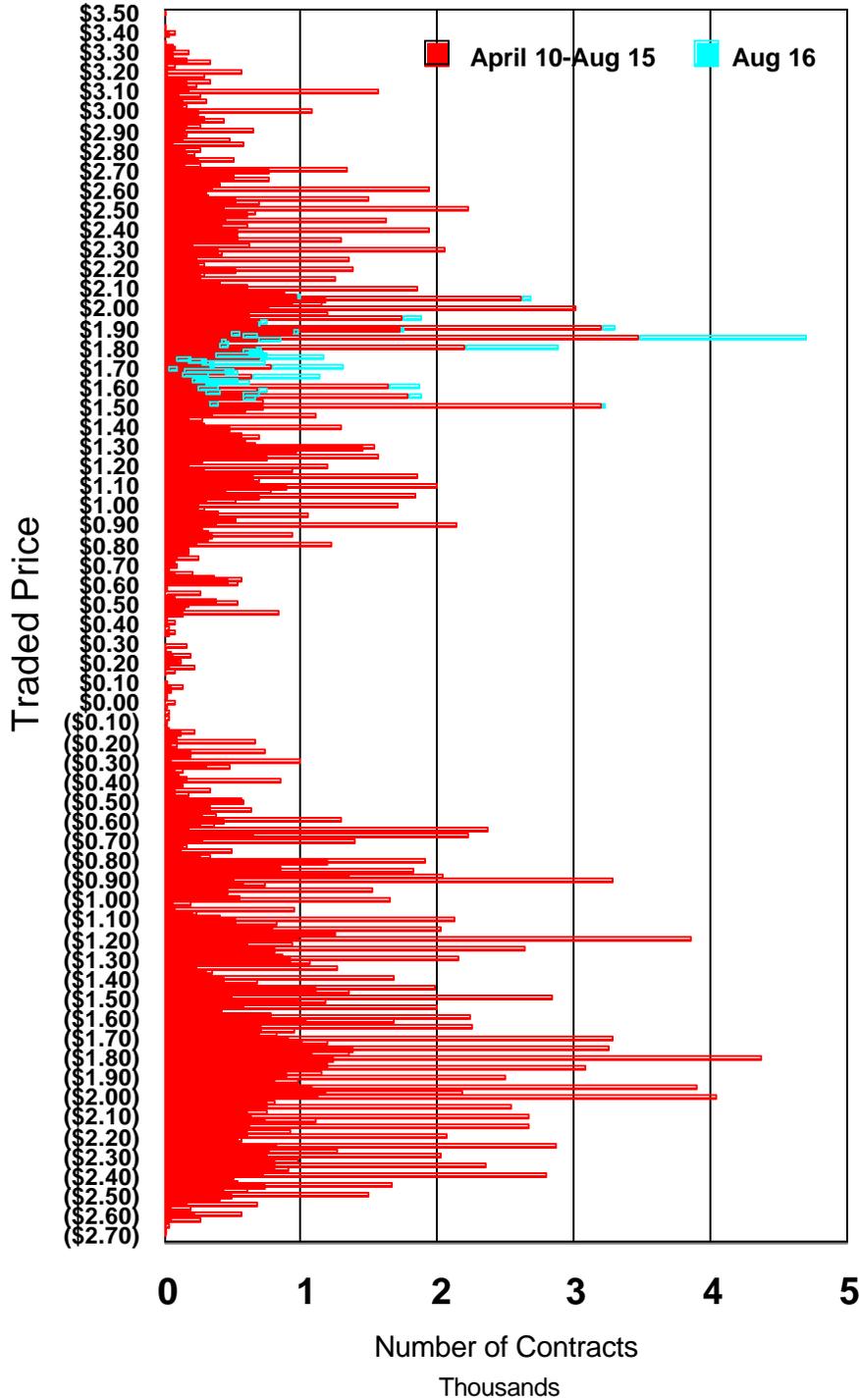
at ConocoPhillips' Bayway refinery in Linden, New Jersey was due to return to normal rates as



# NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - August 16, 2007

Trade Weighted Avg: 8/16 1.74; 8/15 2.26; 8/14 1.93; 8/13 1.75; 8/10 1.12



OPEC's newest member, Angola, is expected to ship 1.73 million bpd of oil in October, up from 1.7 million bpd in September. The total exports are equivalent to about 56.5 standard 950,000 barrel cargoes, up from 53.8 the previous month.

The UAE is expected to shut about 25% of its oil output for two to three weeks of planned maintenance at two of its largest fields from the end of October. The shutdown would cut production by about 630,000 bpd. Output from the Upper Zakum field would be reduced to about 180,000 bpd from about 530,000 bpd for about two and half weeks. Output from the Lower Zakum field would be completely shut for about three weeks.

Sources stated that ExxonMobil Corp's efforts to increase oil output from the Upper Zakum field in the UAE faces several months of delays. A contract to manage an engineering project that is required to tap the 20 billion barrels of crude held in the field has been delayed.

Iraq's Oil Minister Hussein al-Shahristani said Iraq would export about 100,000 bpd of its Basra Light crude to Iran in accordance with a deal signed recently. Under the agreement, the crude would be shipped in a fleet of trucks to the Iranian refinery in Abadan. In return, Iran would start supplying Iraq with 1.5 million metric tons/day of kerosene and 1.5 million

tons/day of gas oil.

Indonesia's President Susilo Bambang Yudhoyono said the country's average oil price in the 2008 budget was set at \$60/barrel, unchanged from 2007. He said oil lifting in Indonesia was expected to total 1.034 million bpd next year, up from 950,000 bpd in this year's budget. Indonesia's crude oil production fell to a new record low of 825,600 bpd in July, down 0.4% from June.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 887,000 barrels to 13.037 million barrels in the week ending August 15. It also reported that Singapore's light distillate stocks fell by 299,000 barrels to 8.128 million barrels while middle distillate stocks built by 1.835 million barrels to 8.785 million barrels.

Brazil's Petrobras said its overall domestic and international production of oil and gas fell to 2.33 million barrels of oil equivalent/day in July, down slightly from 2.34 million boe/day.

OPEC's news agency reported that OPEC's basket of crudes increased to \$68.58/barrel on Wednesday from \$67.71/barrel on Tuesday.

### **Market Commentary**

Fear continued today that losses in the global financial markets would dampen demand on raw materials. This weighed on commodities across the board from sugar to crude oil. Rumors of a London based hedge fund liquidating positions, sent longs diving for cover. Once again the market touched 70.10 and bounced back over 71.00. Concern over Tropical Storm Dean is still overshadowing the market, lending bulls what appears to be their only strength. After today's activity and with prices bouncing off of the lows once again, we could be heading higher in front of the weekend. Keep an eye on the storm as it develops out at sea. Support comes in at 70.10, **69.96**, 69.25, 68.64, and **67.70**. Resistance is set at 73.65 and **74.05**, 75.18 and **76.50**. The RBOB market posted its high of 200.83 in overnight trading and continued to erase Wednesday's gains amid the losses in the oil market. The market also erased its previous gains as refineries were operating normally in the Corpus Christi, Texas area after Tropical Storm Erin made landfall. The market extended its losses to over 8.5 cents as it sold off to a low of 192.35. However the market bounced off its low and traded back above the 198.00 level and settled down 3.05 cents at 197.83. The market was further supported in late afternoon trading and rallied to above the 200.00 level as the equity markets recovered. The heating oil market

also sold off more than 8 cents as it posted a low of 194.68 in follow through selling in the rest of the complex.

		<b>Explanation</b>	
<b>CL</b>	<b>Resistance</b>	73.65, 74.05, 75.18, 76.50	Thursday's high
	<b>Support</b>	72.10, 73.14	
<b>HO</b>	<b>Resistance</b>	204.98, 207.27, 207.98, 208.89	Previous high, 62% (212.72 and 192.90), Previous highs
	<b>Support</b>	200.65, 202.25	
<b>RB</b>	<b>Resistance</b>	203.80, 205.23, 206.08, 210.11, 210.66	Previous high, 38% (230.77 & 189.45), Previous high, 50%, Previous high
	<b>Support</b>	201.42	
		197.05, 195.20, 192.35	Thursday's low
		191.80, 189.52, 189.45	Previous lows

However it too bounced off its low and retraced its earlier losses. The market settled down 4.4 cents at 198.29. It later traded above the 200.00 level as the complex continued to retrace its earlier losses. The markets' losses will be limited ahead of the weekend as Hurricane Dean is expected to strengthen before making landfall. The markets are seen supported as traders await further forecasts on where the hurricane will make landfall and whether it will disrupt any production. The RBOB market is seen

finding support at 197.05, 195.20, 192.35 followed by 191.80, 189.52 and 189.45. Meanwhile resistance is seen at 201.42, 203.80, 205.23 and 206.08. More distant resistance is seen at 210.11 and 210.66.