



## ***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 DECEMBER 27, 2007**

---

Former Pakistani Prime Minister Benazir Bhutto was killed during an apparent suicide bombing attack in the town of Rawalpindi, according to her

aides. According to news reports, the former prime minister was emerging from a political rally when an attacker fired shots and detonated himself. The attack occurred after she addressed thousands of her supporters ahead of the January 8 parliamentary elections. Pakistan's President Pervez Musharraf was holding an emergency meeting at the presidency with top officials following the assassination of Benazir Bhutto. Meanwhile, the White House condemned acts of violence in Pakistan that killed opposition leader Benazir Bhutto. US President George W. Bush spoke with Pakistani President Pervez Musharraf on Thursday afternoon. The White House spokesman did not have any details about what they said during their conversation. The EU condemned the assassination as an attack against democracy and against Pakistan and urged people to refrain from violence. EU President Portugal said the EU condemned extremism in all its forms and expressed its wish that this tragic event does not undermine the ongoing democratic process in Pakistan. Iran also condemned the criminal action and urged authorities to track down the terrorists responsible.

### Market Watch

The death of former Pakistani Prime Minister Benazir Bhutto has triggered some typical flight to safety flows in the foreign exchange, bond and gold markets. The oil markets also moved higher on the news.

US government and analysts said al Qaeda was the chief suspect in the murder of Pakistani opposition leader Benazir Bhutto, standing to gain by preserving its stronghold, undermining President Pervez Musharraf and destabilizing the country. The militant group was blamed for a previous attempt on Bhutto and it has denounced her as an instrument of US policy in Pakistan.

The EIA reported that heating oil prices for US households increased by 0.2 cents to a record of \$3.30/gallon in the week ending December 21. The price of heating oil is up 86.6 cents on the year.

### **Dec Calendar Averages**

**CL** – 91.27  
**HO** – 257.19  
**RB** – 233.17

### **Refinery News**

Valero Energy Corp's Texas City, Texas refinery has returned to near normal operations about three weeks after a power outage shut the plant. The refinery lost power on December 3 when another company shut a power facility that supplied refineries operated by Valero and BP Plc.

ConocoPhillips said its Borger, Texas refinery experienced a process upset.

BP said it started scheduled maintenance on parts of the sulphur recovery unit at its 460,000 bpd Texas City, Texas refinery. The refinery is expected to resume operating at a level of 400,000 bpd by the end of 2008.

**DOE Stocks**  
**Crude** – down 3.3 million barrels  
**Distillate** – down 2.8 million barrels  
**Gasoline** – up 700,000 barrels  
**Refinery runs** – up 0.3%, at 88.1%

Tesoro Corp said the delayed coker unit at its 100,000 bpd Los Angeles refinery was operating normally after a brief upset last week.

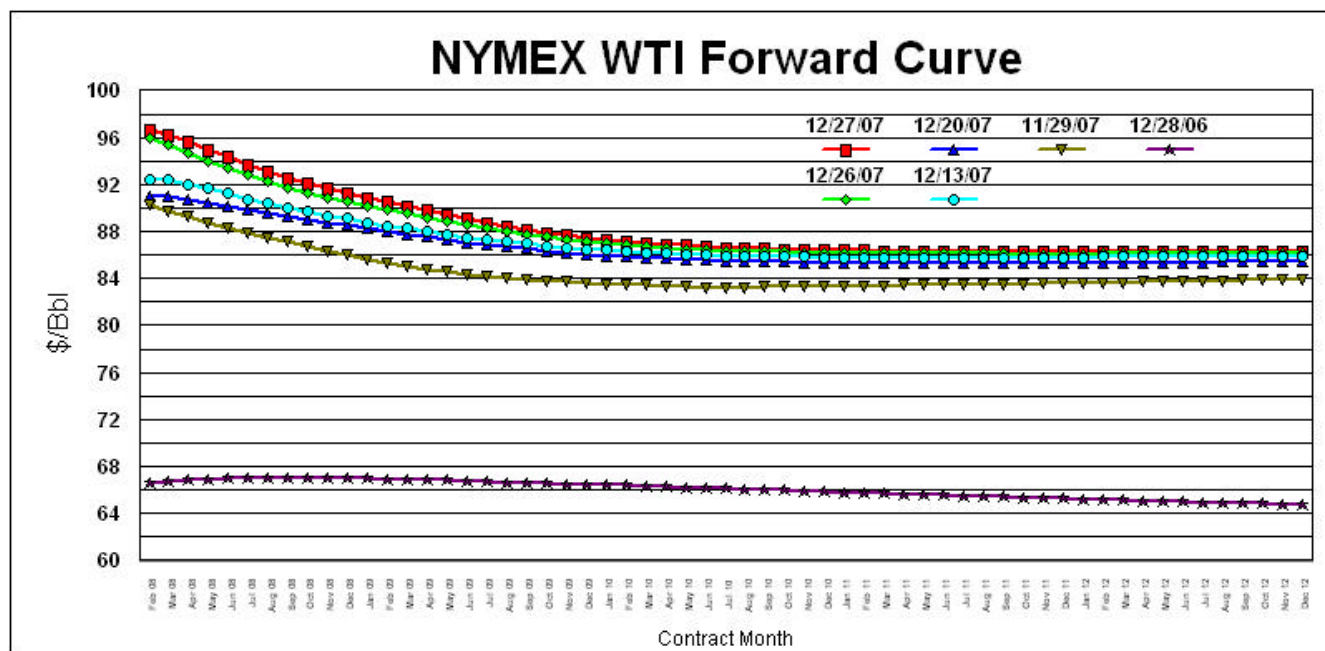
Citgo's 156,000 bpd Corpus Christi, Texas refinery did not experience any loss of production from a leak on Wednesday in one of its fluid catalytic cracking units.

India's refiners processed 12.97 million tons of crude oil in November, up 5.2% from 12.33 million tons a year ago. Crude oil output in November increased by 0.3% to 2.82 million tons.

According to the Shetland Islands Council, Brent crude oil liftings fell to 245,686 tons from 265,617 tons in the week ending December 25.

Russian overall seaborne January exports are expected to fall to 2.92 million bpd from 2.95 million bpd in December. A final export schedule showed that the port of Gdansk on the Baltic Sea would receive 351,000 tons of oil or 83,000 bpd in January, down from 746,000 tons in December. The port of Novorossiisk would receive 3.599 million tons in January, up from 3.469 million tons in December while the port of Primorsk would receive 6.62 million tons in January, up from 6.435 million tons in December.

Japan's Nippon Oil Corp has become the first Japanese company to sign a contract with New Zealand, which would give the country the option to purchase petroleum in the event of an emergency. New Zealand said last week it had secured additional oil supplies via tender to meet its emergency reserves target set by the IEA for next year. Nippon Oil said it sold an option for 115,740 tons of Middle East sour Oman crude for 2008.



The Petroleum Association of Japan reported that the country's crude oil inventories increased by 5.26 million barrels to 99.19 million barrels in the week ending December 22. Japan's refiners increased their refinery utilization rate by 0.2% to 92.7% of total capacity of 4.89 million bpd. Meanwhile kerosene stocks fell by 870,000 barrels to 25.86 million barrels while gasoline stocks built by 230,000 barrels to 13.34 million barrels.

According to Singapore's International Enterprise, the country's residual fuel stocks built by 629,000 barrels to 13.287 million barrels in the week ending December 27. Singapore's light distillate stocks fell by 560,000 barrels to 7.236 million barrels while its middle distillate stocks fell by 1.108 million barrels to 6.793 million barrels on the week.

**Production News**

Abu Dhabi National Oil Co is expected to supply full term volumes of crude to its Asian customers for February, unchanged on the month.

OPEC's news agency reported that OPEC's basket of crudes increased to \$89.54/barrel on Wednesday from \$89.97/barrel on Monday.

**Market Commentary**

Crude oil stocks fell last week by 3.3 million barrels per day, to 293.6 million barrels. Delays at the Houston Shipping Channel coupled with refiners drawing down year-end inventories to avoid paying taxes on storage, resulted in a larger than expected weekly draw down. Perhaps if one takes into account these two factors, combined with the colder than normal weather last week, a 3.3 million draw may not be too surprising. Today's run-up in prices could again be over exaggerated due to the light volume traded during this holiday week. With predictions of mild weather for the first to middle of January, prices should find difficulty reaching the long anticipated \$100.00 level. The February/March spread is also indicating front-end weakness, as this spread settled at 0.35 cents, down 0.18 cents on the day. Meanwhile, the middle to back end spreads settled higher on the day, indicating that length is being moved to that portion of the curve. With this in mind, we would look to sell cal09 and buy cal08 in anticipation of the back end of the curve weakening as the New Year begins. Total open interest in crude oil is 1,332,556 up 6,805, FEB.08 326,052, up 826, March 158,585, up 2,112. The product markets also remained well supported, with the heating oil market settling up 3.91 cents at 268.03 and the RBOB market settling up 4.36 cents at 249.62. The heating oil market traded off a low of 263.50 and rallied to a high of 269.90, a high not seen since late November, in light of the DOE report showing a draw in distillate stocks of 2.8 million barrels on the week. The market later retraced some of its gains ahead of the close. Meanwhile, the RBOB market rallied higher and extended its gains to 5.59 cents as it posted a high of 250.85. The market traded higher following the release of the weekly petroleum stock

reports. The DOE report showed a build of 700,000 barrels while the API reported a draw of 2.364 million barrels on the week.

		<b>Explanation</b>	
<b>CL</b>	<b>Resistance</b>	98.12, 99.29	Thursday's high
	<b>Support</b>	97.79	
<b>HO</b>	<b>Resistance</b>	96.50, 96.05, 95.22	Thursday's low
	<b>Support</b>	93.99, 93.34, 91.86, 90.38, 86.63, 85.55, 83.00, 76.19	Previous lows
<b>RB</b>	<b>Resistance</b>	270.57, 273.85	Previous highs
	<b>Support</b>	269.90	Thursday's high
<b>RB</b>	<b>Resistance</b>	267.55, 266.30, 264.70, 263.50	Thursday's low
	<b>Support</b>	259.40, 256.58	Previous lows
<b>RB</b>	<b>Resistance</b>	255.51	Basis trendline
	<b>Support</b>	250.91	Thursday's high
<b>RB</b>	<b>Resistance</b>	248.65, 245.85, 243.95	Thursday's low
	<b>Support</b>	238.41, 237.20, 235.75, 233.10, 231.05	Previous low, Basis trendline, Previous lows

The RBOB market later rallied to a high of 250.91 in late afternoon trading. The markets, which breached their recent highs are seen remaining supported ahead of the January expiration on Monday and the New Year's holiday. In the heating oil market, support is seen at 267.55, 266.30, 264.70, 263.50, 259.40 and 256.58 while resistance is seen at 269.90, 270.57 and 273.85. In the RBOB, support is seen at 248.65, 245.85, 243.95, 238.41, 237.20, 235.75, 233.10 and 231.05 while resistance is seen at 250.91 and 255.51.