



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 4, 2007

Saudi Arabia said its main oil exporting region would not be affected by a category 5 storm nearing the Arabian Peninsula. Tropical Cyclone Gonu, which had sustained winds of 160 mph, could make landfall over eastern Oman Wednesday night or Thursday morning. Meanwhile Oman called on people living in areas at risk to leave before the cyclone reached land. In the UAE, a shipping agent said no official warning had been issued although the country's eastern coastline opens onto the Indian Ocean.

Iran's Supreme Leader Ayatollah Ali Khamenei said his country would not beg world powers to

Market Watch

Sen. Ron Wyden called for the US DOE to halt its 9.2 million barrel fill of the SPR set to start in July, saying the decision in the middle of the US hurricane and driving season. In a letter to President George W. Bush, Sen. Wyden said the fill could further depress the supply of crude oil.

Citigroup increased its long term WTI oil price assumption to \$55/barrel from \$50/barrel. It continued to believe the long term price outlook would ultimately be determined by the level OPEC chooses to defend.

Lehman Brothers said global expenditures on exploration and production would increase by 13% this year, up from the 9% growth estimated in its prior survey. Total 2007 expenditures are estimated at \$308 billion for the 350 companies in its survey.

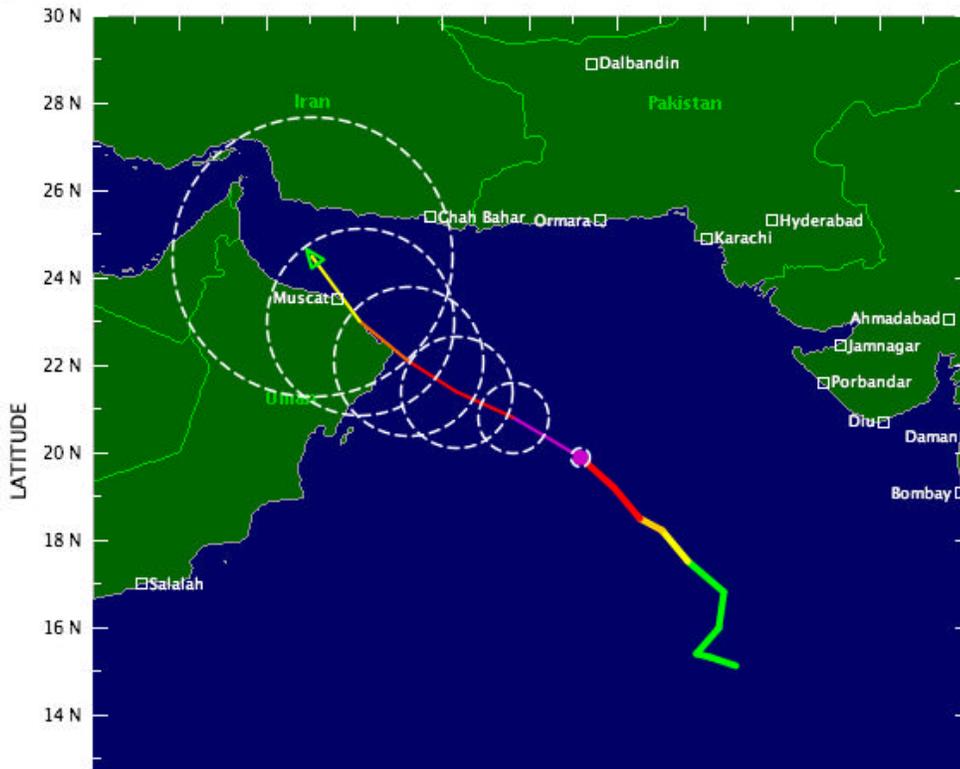
According to the World Energy Council, senior energy executives do not expect oil and gas prices to increase dramatically in the next five years. More than 65% of those surveyed expected the oil price to remain in the \$60-\$80/barrel range for the next five years. Just 5% believed oil prices would increase above \$80/barrel and less than 30% said oil prices would fall below \$60/barrel. Growth in demand from the developing world was seen as the main factor supporting oil prices. With oil and gas reserves politically uncertain, the majority of executives saw coal as a major growth fuel in the medium term and a stabilizing factor in energy prices.

Ship industry sources said oil firms have booked space on tankers to store up to 19 million barrels of crude in the US Gulf. They said the hurricane season was also cited as a reason for the increasing stocks on the water. Eight VLCCs and one ULCC was provisionally booked so far for typical 30-60 day periods, mostly from the end of May onwards.

The IntercontinentalExchange reported substantial growth in volume and commissions during the month of May 2007 compared to May 2006. Average daily volume for ICE futures was 540,304 contracts, up 59.5% on the year. It reported that the average daily volume for its Middle East Sour crude futures contract was 3,544 in the first nine days of trading through May 31 and on Friday, June 1 4,278 contracts were traded.

China unveiled its first national plan for climate change, saying it was intent on tackling the problem but not at the expense of economic development. A report reiterated China's aim to reduce energy use by a fifth before 2010 and increase the amount of renewable energy it produces. However it stated that the responsibility for climate change rests with western countries. Germany has called for a new UN protocol on climate change to replace the Kyoto pact when it expires in 2012. China's new national plan offered few new targets on reducing greenhouse gas emissions but outlined how it intended to meet the goals it has already set.

PAST AND FORECAST TRACK



FORECAST DATA

Time		Position		Strength	
GMT	Lead	Lat	Long	Peak Wind	Cat
5 Jun, 0:00	12 hrs	20.8 N	62.6 E	125 kts	4
5 Jun, 12:00	24 hrs	21.4 N	61.3 E	115 kts	4
6 Jun, 0:00	36 hrs	22.1 N	60.2 E	100 kts	3
6 Jun, 12:00	48 hrs	23.0 N	59.1 E	80 kts	1
7 Jun, 12:00	72 hrs	24.5 N	58.0 E	55 kts	TS

allow Iran to have a nuclear program. He said Iran would never back down from its nuclear right. His remarks came a day after Iran said disputes over its nuclear program could be settling in the coming weeks if the UN Security Council dropped preparations to debate another round of sanctions against the country and turn over its case to the IAEA. Meanwhile, an Iranian Foreign Ministry official said a third UN sanctions resolution and efforts by the US to isolate Iran would not deter the Islamic

Republic from pursuing its nuclear program. Separately, Russia's top nuclear official, Sergei Kiriyenko said Iran has paid Russia only a fraction of what it owes this year for the construction of a nuclear power plant. He said Iran has paid \$20 million over the past five months instead of about \$25 million per month.

Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said the oil was well supplied and there was no need for OPEC to increase its current production.

The executive director of the IEA, Claude Mandil called on OPEC to increase its crude oil output in the coming months to ensure that the market is adequately supplied. He however declined to quantify by how much OPEC should increase its production.

Nigeria's main labor unions said they would start a nationwide strike if recent increases in the price of gasoline and value added tax were not reversed by President Umaru Yar'Adua within two weeks. The unions also stated that the government also had to resolve the recent sale of Nigeria's refineries to a consortium of local companies. The leaders of the Trades Union Congress and the Nigeria Labor Congress said they planned to work together in carrying out the strike.

The Movement for the Emancipation of the Niger Delta said Saturday that it would halt attacks on oil facilities for a month to pave the way for talks with the new government. It said it hoped the government would use the grace period to come up with realistic measures to help solve the crisis in

the Niger Delta. Separately, gunmen kidnapped six Russians and shot dead a local driver in the dawn attack on a residential compound of a Russian aluminum company in Nigeria on Sunday.

The EIA said US retail gasoline prices have reached a short term high and could fall 5 cents to 10 cents/gallon in June. The head of the EIA, Guy Caruso said gasoline prices would be pushed lower by gasoline imports, which are expected to average 1.2 million to 1.3 million bpd through August and increasing gasoline production as more refineries come back online. In regards to OPEC, he stated that OPEC needed to increase its output in the second half of the year to meet winter heating demand. However he said it was too late for OPEC to have much impact on US oil supplies this summer.

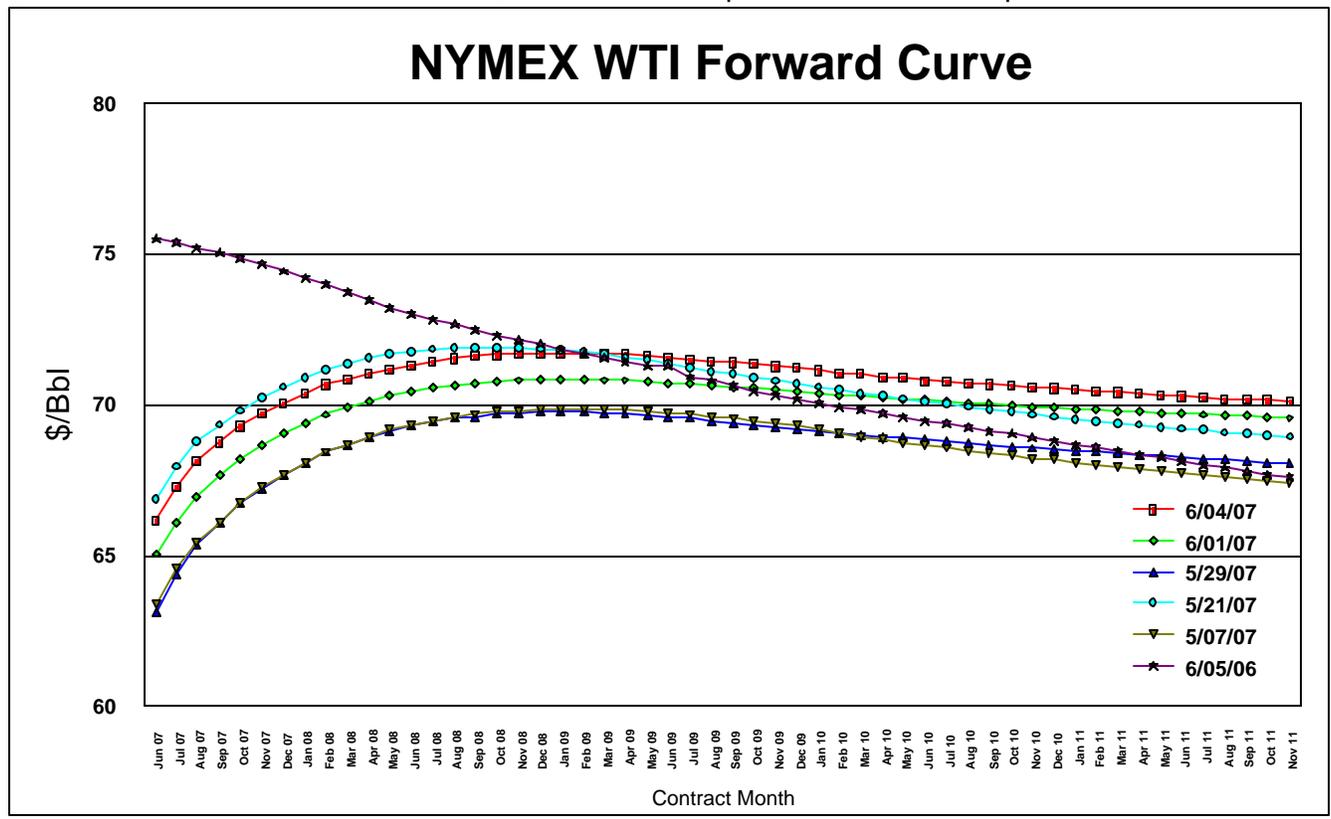
The EIA reported that the US average retail price of gasoline fell by 5.2 cents/gallon to \$3.157/gallon in the week ending June 4. It also reported that the US average price of diesel fell by 1.8 cents/gallon to \$2.799/gallon.

Refinery News

Colonial Pipeline Co said it restarted its gasoline pipeline between Atlanta, Georgia and Greensboro, North Carolina after it was shut last week. The restart of the pipeline was delayed twice due to slow work replacing a section of the line.

Credit Suisse said US refining margins continued to fall from their recent highs as gasoline inventories increased again last week. Margins in the Midwest fell by \$5.10/barrel to \$36.71/barrel while margins in the Gulf Coast fell by 85 cents to \$27.72/barrel and margins in the Rockies fell by \$2.95/barrel to \$44.12/barrel. It also reported that margins in the East Coast fell by 55 cents to \$14.46/barrel.

Global refinery margins fell last week amid the fall in gasoline prices. US Gulf refineries saw profit margins fall \$3.75 on the week to \$19.96/barrel. Refineries cracking Brent crude posted margins of \$13.02/barrel which were down from \$18.08/barrel the previous week. Complex Rotterdam refineries



saw margins fall \$1.41 to \$7.38/barrel. In the Mediterranean, complex refineries cracking Urals crude saw margins fall \$1.36/barrel to \$7.26/barrel. In Asia, falling gas oil prices and a fall in naphtha prices pressured refinery margins. Complex refineries cracking Dubai crude saw profit margins fall \$1.35/barrel to \$9.75/barrel.

European product prices are likely to be mixed this week. Traders said that with US tanks brimming with gasoline, traders pointed to a still closed spot arbitrage from Europe to the US that was likely to keep transatlantic flows down in June after May exports fell by 25%. Diesel prices should remain well supported as refinery glitches keep supply tight.

BP Plc's fluid catalytic cracking unit at its 155,000 bpd Toledo, Ohio refinery was restarted successfully on Friday. The unit was down about six weeks following the discovery of a crack in its reactor. Meanwhile, repairs to two of the three crude units at its Whiting, Indiana refinery were taking longer than expected. The extended downtime forced BP to cut back on its purchases of Canadian heavy crude last week. One of the crude units previously expected to restart in July is seen restarting in August or September while the other unit previously expected to restart in June is expected to take until sometime in July to restart.

A fluid catalytic cracking unit at Valero Energy Corp's McKee refinery was operating at planned rates following a successful restart Friday afternoon. The unit was shut on May 23 to address an unanticipated problem with catalyst circulation. The unit resumed operations about a week earlier than expected. Crude throughput was reduced to 80,000 bpd, down from about 100,000 bpd. It is expected to increase its crude throughput to 150,000 bpd by the end of June.

ConocoPhillips said a grass fire near propane tanks at its 76,000 bpd refinery in Rodeo, California on Friday was mistaken for a propane tank fire. Refinery operations were not affected. Separately, ConocoPhillips' 146,000 bpd refinery in Borger, Texas recovered from a process problem on Sunday.

Chevron Corp reported flaring at its 260,000 bpd refinery in El Segundo, California on Saturday after refinery column overpressured. It stated that the flaring was not related to a two month overhaul of its 200,000 bpd crude distillation unit at the refinery.

Delek Holding's 55,000 bpd refinery in Tyler, Texas resumed operations after a brief power outage late Friday shutdown operations. It experienced a 45 minute plant wide power outage.

BP's 110,000 bpd refinery in Castellon in Spain, which closed for maintenance on May 20, is scheduled to resume operations on July 5. The maintenance work has helped support diesel prices in the region, where closed arbitrage from Asia has already trimmed supplies in recent weeks.

A fire cut production at Imperial Oil's 190,000 bpd refinery in Edmonton, Alberta on Saturday. Imperial Oil said it could not yet determine when repairs to its refinery would be completed after the fire in a crude oil processing unit. It said it was operating at reduced rates using feedstock already in inventory.

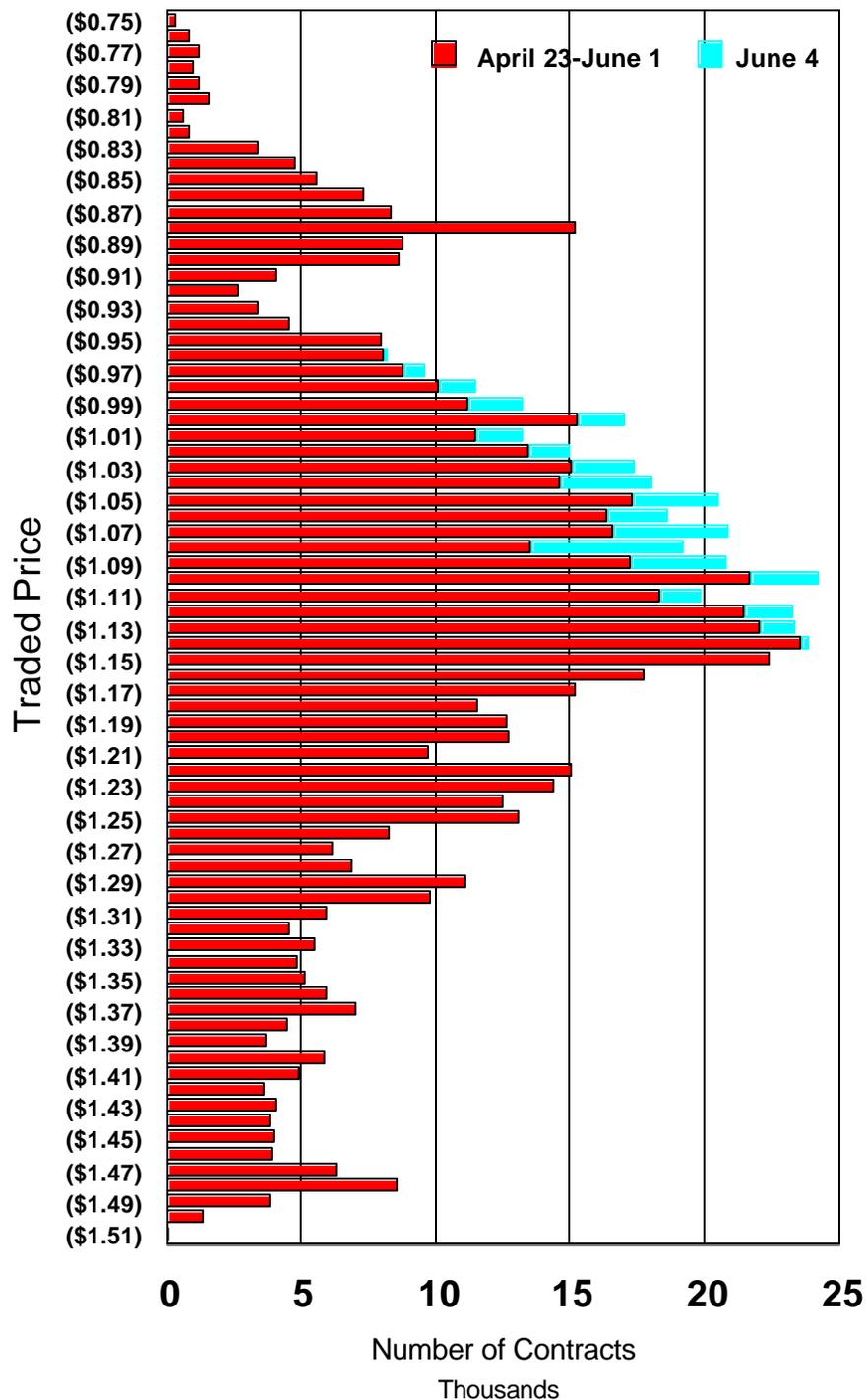
PDVSA cut crude runs at the Amuay section of the Paraguana refining complex when an 85,000 bpd crude unit was shut for five days last week. Meanwhile, the refinery was struggling to complete scheduled maintenance on a separate 125,000 bpd crude unit. PDVSA said it was behind schedule in completing planned maintenance to the crude unit as well as an alkylation unit at its Cardon refinery. Both units were shut in late March. A worker at Cardon said problems with supply pipelines have delayed work on the alkylation unit.

Preem said it expected its 113,000 bpd Gothenburg refinery to reach full capacity by around June 10 after a fire in mid-May delayed its return from maintenance.

NYMEX WTI: July August Spread

Price Vs Volume for April 23 - June 4, 2007

Trade Weighted Avg: 6/4 -1.06 6/1 -.94 5/31 -1.03 5/30 -1.095 5/29 -1.30



Idemitsu Kosan Co Ltd restarted its 220,000 bpd crude distillation unit at its Chiba plant as planned. The unit was shut since April 15.

Brazil's sugarcane sector is likely to be one of the first industries to produce economically viable ethanol via new cellulosic technologies. Feedstock costs account for full 75%-80% of the cost of ethanol produced from residual biomass, whether it comes from sugarcane, wood chips, switchgrass or corn husks. Brazil also has much of the logistical infrastructure in place to collect the excess sugarcane mass which would cut down on initial costs. Brazil could almost double its ethanol output, set to reach over 20 billion liters in the ongoing 2007-08 season to 36 billion liters per harvest, without expanding planted area beyond its current 6 million hectares.

Qatar's Energy Minister Abdullah bin Hamad al-Attiyah said a gas to liquid fuel plant being built in Qatar by Royal Dutch Shell should be operational by the end of 2009. Shell said the cost of the plant would be up to \$18 billion, based on it tapping 3 billion barrels at \$4 to \$6/barrel.

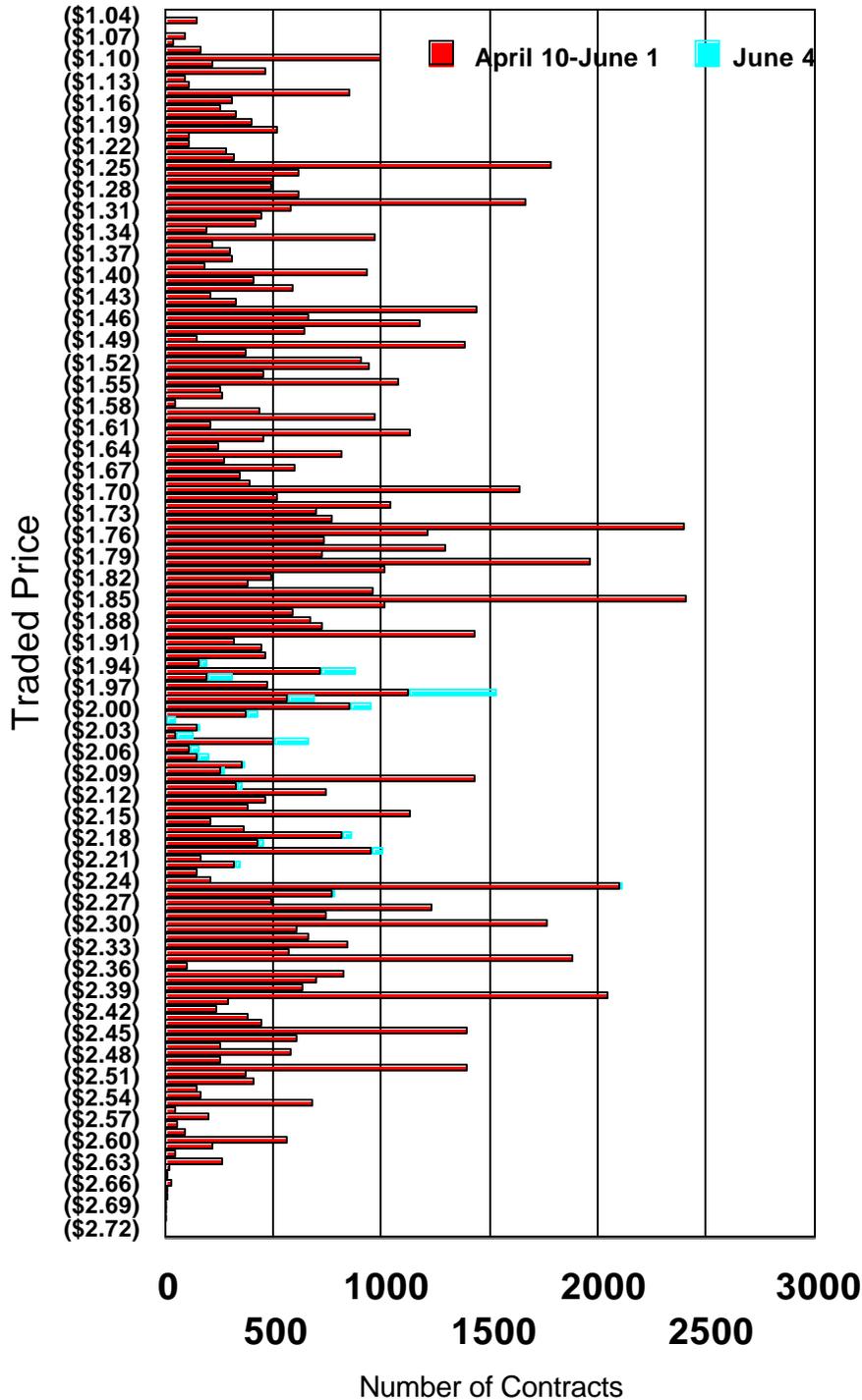
Production News

Royal Dutch Shell has resumed normal crude production at its 150,000 bpd

NYMEX WTI: Dec 07 Dec 08 Spread

Price Vs Volume for April 10 - June 4, 2007

Trade Weighted Avg: 6/4 -2.02; 6/1 -2.16; 5/31 -2.44; 5/30 -2.44; 5/29 -2.42



Bomu pipeline terminal in Nigeria after the facility was shut by local protesters last week. Separately, Shell said it was in talks with community members in Nembe to repair a pipeline that shut in 77,000 bpd since May 25. Exports from the Bonny terminal remained subject to a force majeure.

Italy's Eni has lifted a force majeure on exports from Nigeria's Brass River oil terminal. However it stated that production has not been fully restored. Eni was forced to cut 98,000 bpd of production and declare force majeure after a bomb attack on three of its pipelines.

According to Dow Jones, OPEC increased its oil production for the third consecutive month in May to 26.97 million bpd, up 57,000 bpd on the month. OPEC's total production increased by 81,000 bpd to 30.46 million bpd. It reported that Saudi Arabia increased its production by 50,000 bpd to 8.75 million bpd while Iran increased its production by 20,000 bpd to 3.92 million bpd. It also reported that Iraq increased its production by 4,000 bpd to 2.084 million bpd while Angola increased its production by 20,000 bpd to 1.59 million bpd.

Iraq's SOMO said the country would increase its exports of Basra Light crude via term contracts to 1.66 million bpd for the second half of 2007, up 10,000 bpd from the first

six months of the year. Iraq's crude oil exports in May stood at 1.57 million bpd, down 30,000 bpd or 1.9% from the previous month. SOMO said it had to defer about 6 million barrels from May to June.

Mexico's Pemex said Mexico would soon add 350 million barrels of oil and gas to its reserves or about 100 days of output. The head of exploration and production said it would announce three onshore oil finds in the southern states of Chiapas and Tabasco in the third quarter. The find would provide some comfort for Pemex's total reserves, which fell by 1 billion barrels in 2006 to 45.376 billion barrels.

Germany's state statistics office

BAFA said the country's crude oil import bill in the 12 months to April 2007 totaled 40.1 billion euros or \$53.98 billion, up 3.1% on the year. Crude imports in the 12 months were down 0.2% on the year at 110 million tons.

Kazakhstan's and Russia's oil exports via the Caspian Pipeline Consortium to the Black Sea fell by 4% in May to 730,000 bpd from 759,000 bpd in April.

Russia's seaborne crude oil exports fell to 2.95 million bpd in May, down 3.2% on the month. Its exports via the port of Novoroiissk increased by 2.6% on the month to 3.955 million tons while exports via Tuapse fell by 0.1% to 407,000 tons and exports via Odessa increased by 6% to 977,000 tons.

NYMEX Petroleum Options Most Active Strikes for June 4, 2007									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV	
LO	7	7	C	72	06/15/2007	0.11	7,954	32.01	06/04/2007
LO	7	7	C	66	06/15/2007	1.33	4,974	26.77	06/04/2007
LO	7	7	P	66	06/15/2007	1.12	4,461	26.76	06/04/2007
LO	8	7	P	55	07/17/2007	0.06	4,100	30.10	06/04/2007
LO	7	7	C	70	06/15/2007	0.22	3,417	28.53	06/04/2007
LO	8	7	C	75	07/17/2007	0.36	2,642	26.41	06/04/2007
LO	9	7	P	60	08/16/2007	0.65	2,375	28.25	06/04/2007
LO	8	7	C	70	07/17/2007	1.28	2,337	25.63	06/04/2007
LO	10	7	P	66	09/17/2007	2.53	2,325	26.54	06/04/2007
LO	9	7	P	58	08/16/2007	0.42	2,200	29.20	06/04/2007
LO	8	7	P	60	07/17/2007	0.35	2,195	28.14	06/04/2007
LO	8	7	C	78	07/17/2007	0.19	2,100	28.14	06/04/2007
LO	7	7	C	67	06/15/2007	0.87	2,053	26.60	06/04/2007
LO	7	7	P	65	06/15/2007	0.71	1,828	26.91	06/04/2007
LO	12	7	C	80	11/13/2007	1.65	1,826	26.97	06/04/2007
LO	12	7	P	65	11/13/2007	2.75	1,801	27.13	06/04/2007
LO	10	7	P	68.5	09/17/2007	3.62	1,550	26.22	06/04/2007
LO	10	7	P	60	09/17/2007	0.9	1,525	27.69	06/04/2007
LO	7	7	C	68	06/15/2007	0.54	1,490	26.59	06/04/2007
LO	10	7	C	68.5	09/17/2007	3.91	1,350	26.26	06/04/2007
LO	12	7	P	69.5	11/13/2007	4.62	1,300	26.50	06/04/2007
LO	12	7	C	69.5	11/13/2007	4.84	1,300	26.54	06/04/2007
LO	7	7	C	65	06/15/2007	1.92	1,216	26.98	06/04/2007
LO	10	7	P	63	09/17/2007	1.56	1,175	27.08	06/04/2007
LO	7	7	P	63	06/15/2007	0.26	1,134	28.38	06/04/2007
LO	10	7	C	100	09/17/2007	0.1	1,105	33.57	06/04/2007
LO	7	7	P	64	06/15/2007	0.43	1,062	27.37	06/04/2007
OB	8	7	P	1.72	07/26/2007	0.0045	153	37.38	06/04/2007
OB	7	7	C	2.15	06/26/2007	0.1349	141	39.30	06/04/2007
OB	8	7	C	2.4	07/26/2007	0.0506	140	36.95	06/04/2007
OB	8	7	P	2	07/26/2007	0.0405	110	35.95	06/04/2007
OB	8	7	P	1.8	07/26/2007	0.0093	102	36.91	06/04/2007
OB	7	7	C	2.23	06/26/2007	0.0888	100	38.95	06/04/2007
OH	8	7	P	1.62	07/26/2007	0.0033	310	29.84	06/04/2007
OH	7	7	P	1.85	06/26/2007	0.0133	200	27.61	06/04/2007
OH	7	7	C	1.96	06/26/2007	0.0542	150	27.15	06/04/2007
OH	8	7	P	1.79	07/26/2007	0.0204	100	28.61	06/04/2007
OH	8	7	C	2.15	07/26/2007	0.026	100	28.57	06/04/2007

Meanwhile its exports via the Transneft pipeline system fell by 2.7% to 19.32 million tons. Russian oil production fell by 0.1% to 41.469 million tons or 9.81 million bpd in May.

Refined oil products exports from Russia's Baltic Sea port of St. Petersburg are expected to increase in June to 1.3-1.4 million tons due to a second floating storage tanker being installed in the port. In May, the port exported about 1.2 million tons of refined products.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$64.47/barrel on Friday from \$64.34/barrel on Thursday. OPEC also reported that its basket of crudes fell \$1.50/barrel to an average of \$64.89/barrel in the week ending June 1.

Market Commentary

The crude oil market rallied today in response to several bullish fundamentals, as well as supportive technicals. Nigerian supply disruptions, year on year higher demand and a tropical storm forming in the Persian Gulf helped the July crude oil contract to trade above \$66.00 falling just 4 cents shy of the \$66.52 trendline drawn off of the highs from the beginning of May. At this point in time we don't see this market giving up any time soon. We would still like to buy and sell at the listed support and resistance number. Resistance is set at 66.85, 67.10, 67.45, 67.78, 68.15, 68.47, 68.65, 69.03 and 69.53. Support is set at 65.90, 65.50, 65.00, 64.85, 64.64, 64.25 and 64.13. The index rolls should

begin on Thursday, which should help to weaken this spread slightly, but we would keep in mind the aforementioned fundamental

Technical levels			
		Levels	Explanation
CL	Resistance	66.85, 67.10, 67.78, 68.15	Previous highs
	66.21, up \$1.13	66.48	Monday's high
	Support	65.90, 65.50, 65.00, 64.53	Monday's low
HO	Resistance	199.16, 201.50	Previous high
	196.46, up 4.18 cents	198.22	Monday's high
	Support	196.00, 192.90, 191.52	Monday's low
RB	Resistance	227.00, 231.90	Previous highs
	223.80, down 66 points	224.90, 226.46	Monday's high
	Support	222.40	Monday's low
		219.50, 212.91	Previous lows

s. Meanwhile, the heating oil market led the product markets higher amid reports of the closure of a BP refinery in Spain until July 5, which has helped support diesel prices in Europe. The market settled up 4.18 cents at 196.46 after the market traded off an overnight low of 191.52 and extended its gains to over 5.9 cents as it rallied to a high of 198.22 by mid-day. The market later retraced some of its sharp gains and held good support above the 196.00 level ahead for the close. Unlike the heating oil market, the RBOB market settled in negative territory, down 66 points at 223.80. The market posted an inside trading day after failing to breach Friday's trading range. The market rallied to a high of 226.46 before it sold off to a low of 222.40 late in the session. Similar to the crude, the product markets' losses are seen limited amid the supportive fundamentals. While the RBOB may continue to retrace some more of its previous gains on Tuesday, it is seen holding its support at its low of 222.40 followed by more distant support at 219.50. Meanwhile resistance is seen at 224.90, 226.46, followed by 227.00 and 231.90.