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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MAY 30, 2008

The US Deputy Director of National Intelligence, Donald Kerr said the National Intelligence Estimate had no plans to revise an estimate of Iran's nuclear ambitions that critics say underplayed Iran's efforts to make nuclear weapons. The estimate said Iran had stopped its development of a nuclear device in 2003 but continued both efforts to enrich uranium that could be used for nuclear weapons and its ballistic missile program.

Two rockets were fired at an oil pipeline in southern Yemen on Friday but caused no damage to the pipeline. The attack targeted a pipeline linking a refinery and an oil terminal.

Market Watch

The chairman of the Commodity Futures Trading Commission, Walt Lukken said increasing margin requirements for traders of commodity futures in the US is a dangerous step that would likely push investors to trade elsewhere. On Thursday, the CFTC took the unusual step of announcing a broad nationwide investigation into potential manipulation of the oil markets and said it was expanding surveillance of energy markets. Congress has been considering proposals to increase margin requirements, however no legislation has been introduced.

The Reuters/University of Michigan Surveys of Consumers said its index of confidence fell to 59.8 in May from April's 62.6. It was the lowest reading since June 1980 when the index stood at 58.7 but was slightly higher than the initial reading. It reported that one year inflation expectations increased to 5.2% from 4.8% in April. The five year inflation expectations increased to 3.4%, the highest since April 1995.

Fuel protests triggered by rising oil prices have spread to more countries across Europe, with thousands of fishermen on strike. French fishermen have been protesting for weeks while union leaders said Portugal's entire coastal fleet stayed in port on Friday and in Spain 7,000 fishermen held protests at the agriculture ministry. UK, Dutch, Belgium and Italian fishermen have also been protesting. Trade unions said the cost of diesel has become prohibitively high after increasing 300% over the past five years. Fishermen's leaders from France, Spain and Italy have been meeting to coordinate strikes and protests over the next three weeks. The protestors have been calling for direct immediate aid for the fisheries industry and increased subsidies. The European Commission said it was willing to show flexibility towards the industry but it has ruled out subsidies to offset rising fuel costs.

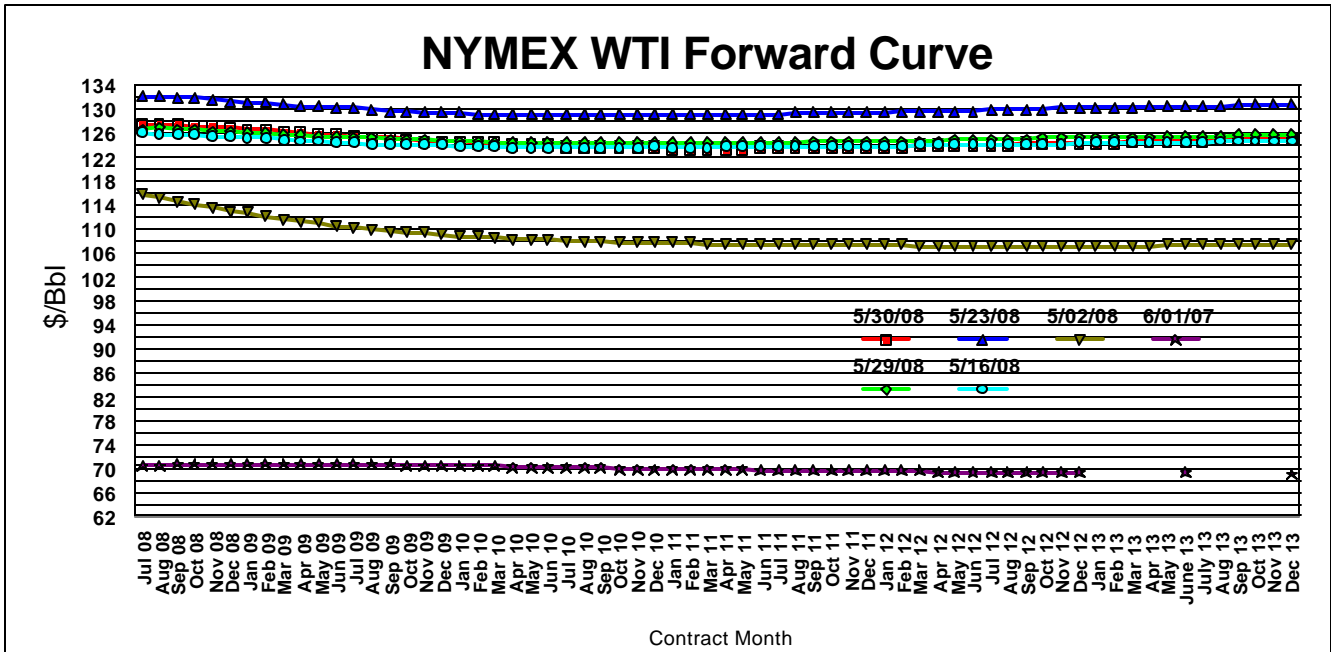
May Calendar Averages

CL – 125.46

HO – 361.63

RB – 322.39

An IEA official said gasoline and diesel demand in Europe is expected to fall this year for the first time in over a decade as record fuel prices at the pump start to cut demand. The IEA forecast European diesel and



gasoline demand would fall this year by 0.8% after increasing 1.9% last year. Demand is expected to start falling from June onwards. The IEA said demand is expected to fall in Germany, France and Britain while demand in central European countries is expected to continue seeing strong growth, although not as rapid as before.

Iran's parliament speaker Ali Larijani urged Iraqis to resist a pact under discussion to extend the US troop presence there beyond 2008. He said the occupiers' withdrawal was the only way of implementing security in Iraq.

Refinery News

Wynnewood Refining Co restarted two crude units at its 54,000 bpd Wynnewood, Oklahoma refinery and were increasing to full rates. The units were shut on April 1, along with a fluid catalytic cracking unit for turnaround.

US ethanol capacity has increased more than 40% on the year to 8.7 billion gallons/year. US ethanol distilleries totaled 151 on Thursday, up 4 from early April, with 51 plants under construction and 7 undergoing expansion. If all the new plants and expansions come on line total US capacity would be about 13.6 billion gallon/year.

Total and Saudi Aramco's planned oil refinery in Jubail is not expected to produce any heavy fuel oil and would instead focus on higher quality products. Total said gasoline exports from the planned 400,000 bpd refinery would be geared to Asian and US markets while its middle distillate production would be geared toward Asia and Europe.

South Korean refiners are expected to process 9% less crude oil in June than they did in May. SK Energy, GS Caltex, S-Oil Corp and Hyundai Oilbank are expected to process about 2.235 million bpd of crude in June, down from May's 2.455 million to 2.475 million bpd.

Japan's Ministry of Economy, Trade and Industry reported that the country's crude oil imports in April was unchanged on the month but increased by 20.9% on the year to 4.553 million bpd while its product imports increased by 8.2% on the month and by 19.2% on the year to 533,363 bpd. It reported its crude throughput fell by 4.5% on the month and increased by 5.5% on the year to 4.12 million bpd. It also reported that Japan's oil product sales increased by 2% on the month and by 2.7%

on the year to 3.805 million bpd, with gasoline sales increasing by 34.1% on the month and by 17.3% on the year to 1.209 million bpd and kerosene sales falling by 31.3% on the month and by 17.2% on the year to 312,000 bpd. Japan's METI also reported that the country's crude oil inventory increased by 8.5% on the month but fell by 6% on the year to 97.766 million barrels while its product inventory fell by 1.7% on the month and by 0.7% to 71.424 million barrels.

China is expected to import 650,000 tons of diesel in June, up from 600,000 tons in May ahead of the Olympics, particularly as diesel rationing plagues a few major coastal cities again. Meanwhile, China is expected to import 140,000 tons of gasoline in June, down from 160,000 tons in May.

India's domestic oil product sales in April increased by 6.3% on the year to 11.241 million tons. Its diesel sales increased by 13.1% on the year to 4.5 million tons.

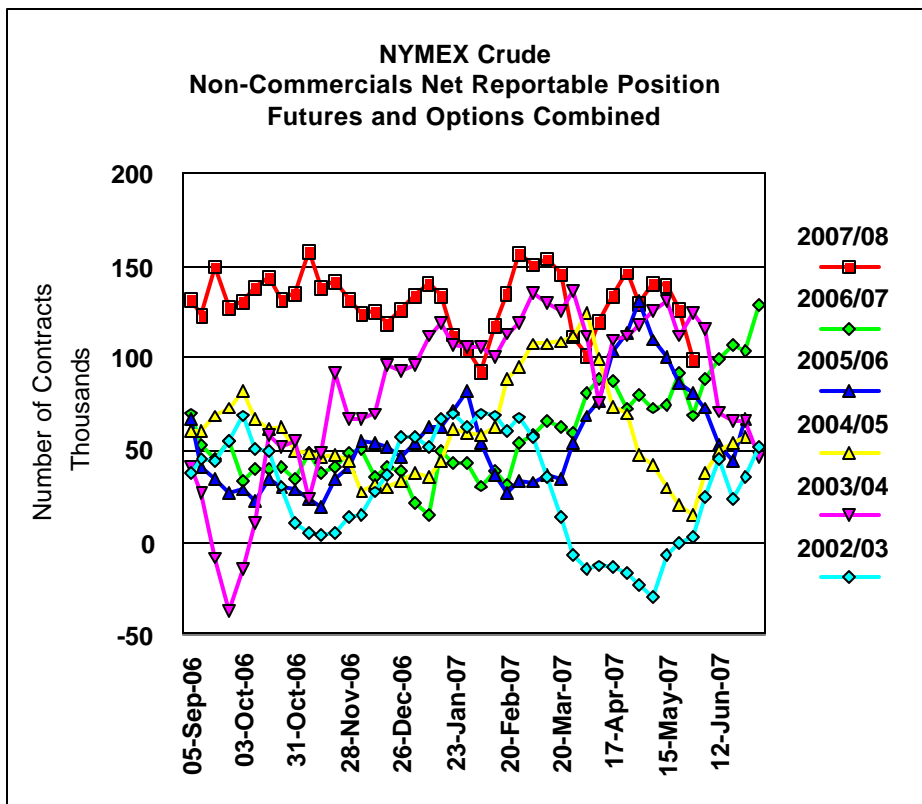
Officials said Indonesia's gasoline consumption has declined only 5% after Indonesia raised prices by a third last weekend, highlighting the difficulty in tempering demand. Indonesia's daily gasoline demand fell to about 53,000 kl or 333,300 bpd, equivalent to about 3% of US gasoline demand. Indonesia increased its fuel prices by almost 30% last Saturday, sparking protests in the country. Separately, a Pertamina official said the company would increase oil product stocks to 18 days of consumption from next Monday.

Production News

Brazil's Petrobras announced late Thursday that a test well BM-S-40 of the Santos Basin confirmed the presence of light oil. It said that the high pressure found in the test well indicated potential production of more than 12,000 bpd per well. It added that further exploratory drilling in the block was planned to start in June.

Separately, Petrobras said it was a net importer of oil and oil products in April. It imported \$550 million worth of oil and oil products more than its exported in April. A company official however said the trend should see a reversal soon and added that the company expects to end 2008 as a net exporter of oil and oil products.

Total SA said production is expected to start at the Kashagan oil field in Kazakhstan in the next few years. The Kashagan field is estimated to hold recoverable oil reserves of 13 billion barrels.



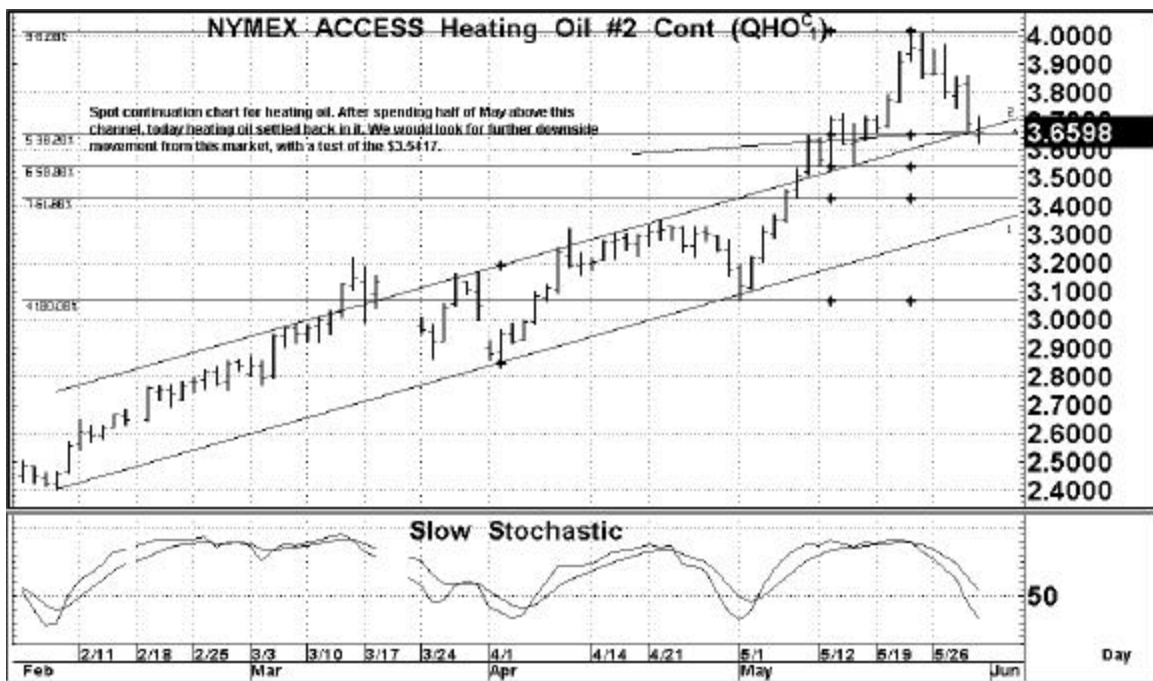
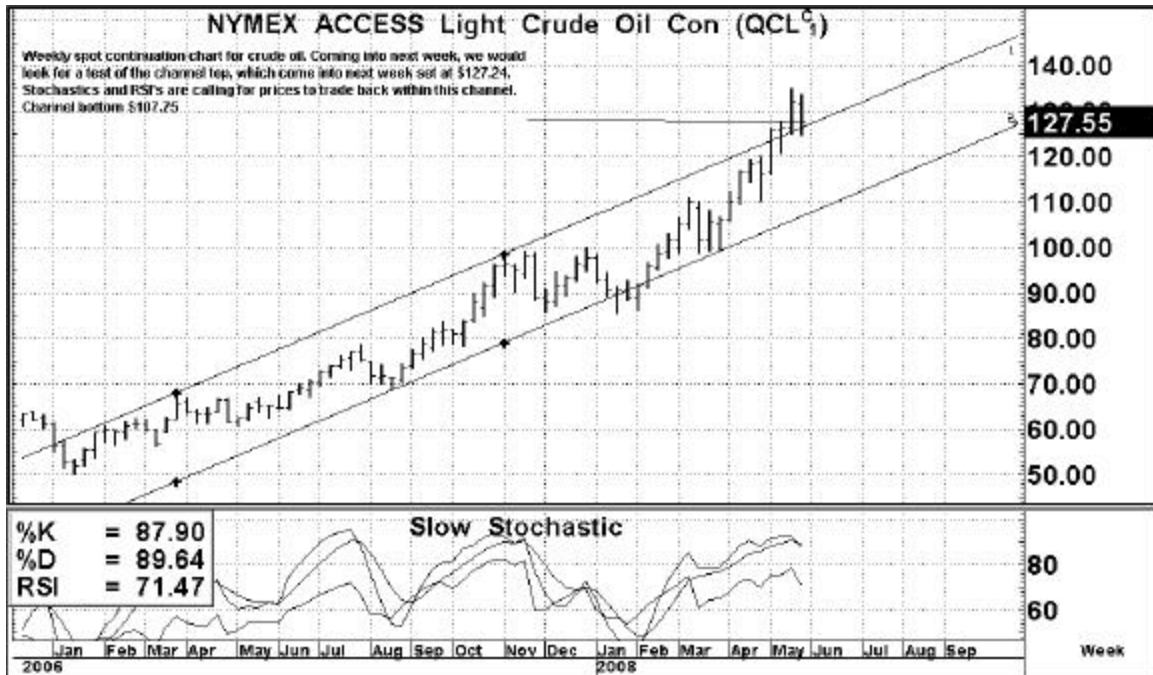
Kazakhstan's Zhaikmunai said it has challenged the Kazakh government's decision to subject the company to a new oil export duty. The duty of \$109.91/ton, enforced last week, was imposed mainly to

domestic producers while foreign companies working under production sharing agreements are exempt from it.

An official at Botas said natural gas imports

are expected to resume flowing from Iran to Turkey by Saturday morning after imports were halted earlier in the week.

Turkish officials halted imports from Iran following an explosion on the pipeline. Turkey had increased imports of Russian gas to make up for the deficit.

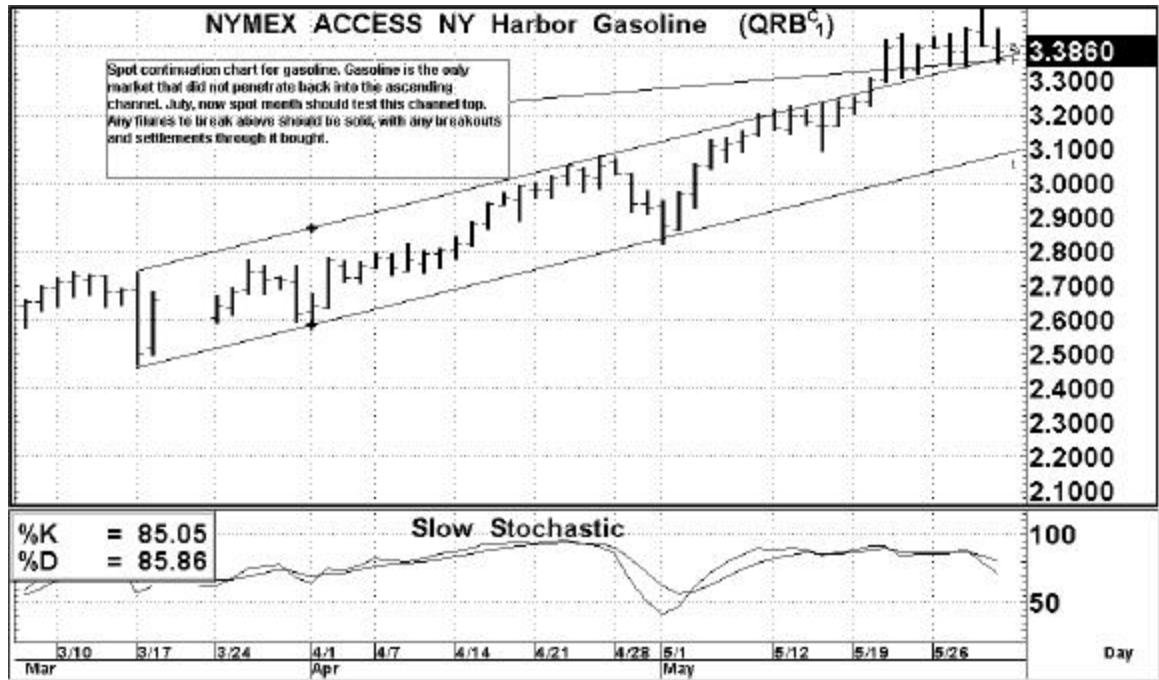


OPEC's news agency reported that OPEC's basket of crudes increased further to \$124.27/barrel on Thursday from \$123.05/barrel on Wednesday.

Market Commentary:

Trading the energy markets has proven to be more of a heart stopper than riding the Scream Machine at the Six Flags Amusement Park. Just when you get over the free fall and you think the ride might be over, you have just a short time to catch your breath, in anticipation of the next move. Once again the dollar came under pressure, which makes commodities more appealing as a hedge. Several industry sources are expecting the energy markets to sell off as large speculators exit the market while the CFTC conducts its investigation into recent high prices. For next week, we would look to see the spot month crude oil to trade back within the ascending channel based on a weekly spot continuation chart. This channel will start the week at \$127.24 – \$107.75. Slow stochastics and RSI's on this chart are in overbought territory, and %K has crossed over %D to the downside. The front month spread, which is trading back into negative territory is poised to test the previous low of -.45. With our expectations for lower price movement, the July08/August 08 spread should be able to meet this objective. After

spending most of May trading above the ascending channel on a spot continuation chart, heating oil traded below the top of this channel. With the June contract now expired, July becomes the spot month. July also settled



below this trendline and should continue lower next week. We would look for a test of \$3.5417, the 50% retracement number between \$4.0153 and \$3.0681. The December08/June09 heating oil spread once again came under pressure, nearing our initial downside objective of .1220. Given the recent unseasonable strength of this spread, a correction is long overdue. We would expect for this spread to penetrate the aforementioned support level and therefore would look to add to any shorts put on once this level is broken. Gasoline has finally taken on its seasonal role, remaining stronger than crude oil and heating oil. The prompt month, which is now July, should test this channel top, which begins next week set at \$3.3879. Any failures to penetrate and settle through this level should be sold, with any penetrations and settlements above it, bought. Total open interest for crude oil is 1,373,203 up 21,113, July08 370,883 up 9,347, August08 106,909 up 3,945, December 08 205,580 down 948. Total open interest for heating oil 209,231 down 5,30 June08 6,113 down 10,321 and July 72,810 up 2,931. Total open interest for gasoline, 261,534 down 9,712, June 08 7,725 down 12,069 and July 102,797 down 196.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 24,363 contracts to 25,867 contracts in the week ending May 27th. They cut their total long positions by 27,549 contracts to 215,999 contracts, a level not seen since February. The combined futures and options report also showed that non-commercials cut their net long position by 27,138 contracts to 99,376 contracts in the week ending May 27th. The funds cut their total long position by

28,363 contracts on the week as the market retraced its previous gains. The non-commercials in the product markets also continued to cut their net long positions. Funds in the heating oil market cut their net long position by 2,952 contracts to 16,044 contracts while funds in the RBOB market cut their net longs by 7,468 contracts to 62,452 contracts.

July Crude Support	July Crude Resistance
120.65,119.36,109.60,98.60, 85.40	135.10,136.80,141.00,147.54
Heating oil support	Heating oil resistance
3.5425 , 3.5100, 3.3500, 3.1680, 3.0980	4.0315,4.0475,4.0640
Gasoline support	Gasoline resistance
3.3075,309.20,3.0730, 3.0400, 3.0250, 2.9255	3.63.45,3.755,34655

