



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 JUNE 5, 2007

Tropical Cyclone Gonu, which reached the equivalent of a Category Five hurricane has forced the evacuation of thousands of people from Masirah Island in the Arabian Sea. The most powerful portion of the storm is expected on Thursday. According to the Joint Typhoon Warning Center, weather models showed that Cyclone Gonu was moving in a more westerly direction. It predicted that the cyclone currently off the coast of Oman, was expected to make landfall in southeastern Iran. The cyclone is expected to spare Iranian oil facilities. Oman closed its crude oil export terminal at Mina al-

Market Watch

According to OPEC's Secretary General Abdalla Salem el-Badri, OPEC members responsible for 40% of the world's oil production capacity could rethink their capacity expansion plans beyond 2012, unless talks with consuming countries gives them assurances over future demand. He said OPEC has earmarked \$130 billion worth of capacity expansions that would add a net 6.7 million bpd to current production levels by 2012. However a further 9 million bpd of capacity in place by 2020 could be in doubt.

Saudi Arabia has arrested three members of al Qaeda, one of whom was involved in plans to hit the country's oil industry.

Russia's Deputy Economy Minister Kirill Androsov said the majority of trade in futures contracts for Urals blend of oil would move to St. Petersburg when Russia launches its commodity exchange later this year.

George Soros said his \$900 million investment in Brazilian ethanol production was speculative because he still saw trade barriers restricting the country's full potential. He said Brazil had the capacity to increase its production ten fold but added that the regulatory environment did not allow that. He said he believed the international quotas and tariffs in the US and Europe would eventually be resolved in favor of Brazil.

Uranium spot prices may reach \$200/pound within the next two years, supported by a shortfall in supply and increasing investment in the nuclear fuel by speculators. According to Australia's Macquarie Bank Ltd, the price could average \$125/pound this year, rising to \$135/pound next year. It also stated that the start of the uranium futures market may add to price swings in the spot market through 2008. However any turn in sentiment by traders, speculators and funds would quickly push prices lower. The uranium supply deficit, which was 10,572 metric tons last year, could fall by 50% this year and fall further to 3,945 tons next year as supplies increase from new mines. Beyond 2008, the market would likely move into surplus as supply responds to higher prices.

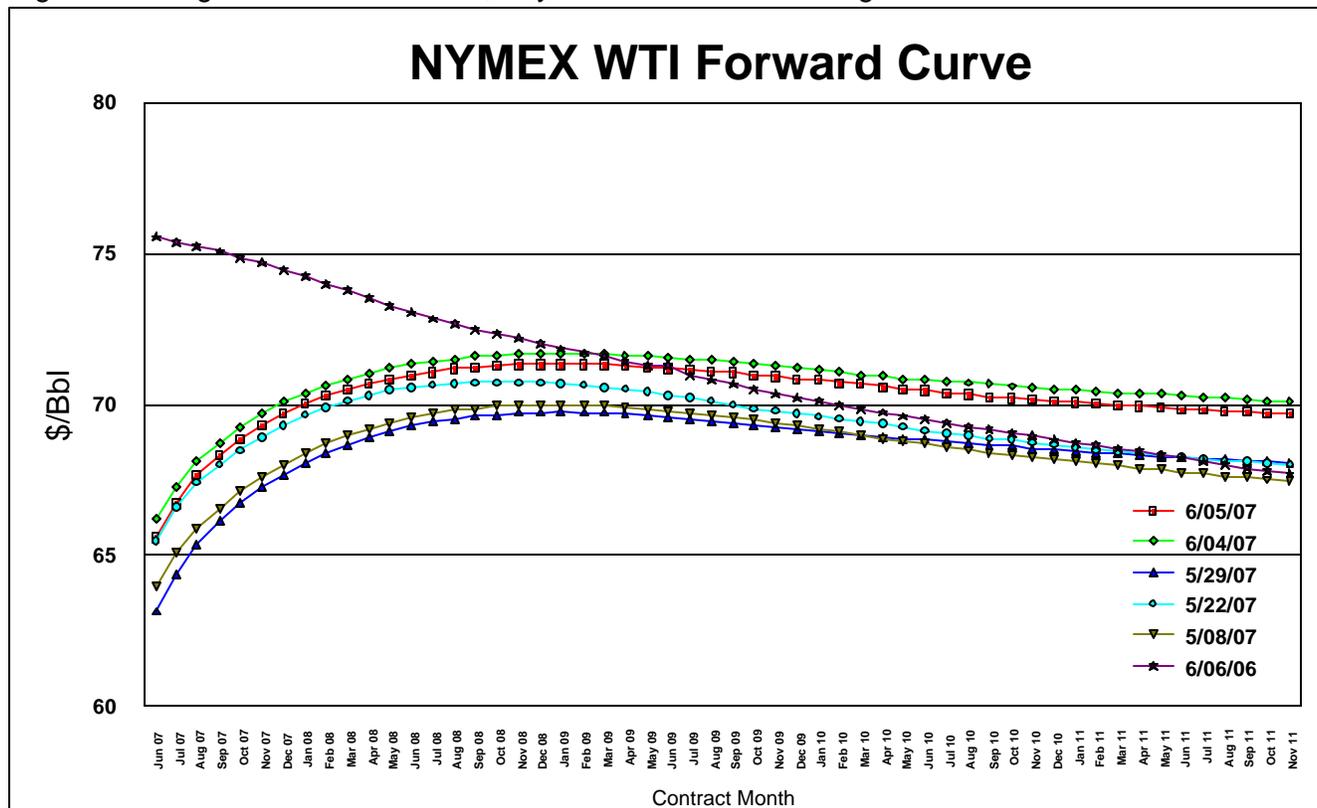
Fahal on Tuesday after a cyclone reached its coast. A shipping agent said the terminal was handling about 650,000 bpd of crude shipments. The country's port of Sur, which handles liquefied natural gas, was shut earlier. Oman's Oil Minister Mohammed Al Rumhy said that disruption to the country's oil and gas production caused by the cyclone could last up to 48 hours. Oman's Oil Minister later stated that he could not confirm that the oil export terminal had reopened following reports stating the contrary. An oil ministry official said Oman later suspended production operations at the 10,000 bpd Mukhaizna oilfield.

The US Navy's Fifth Fleet said it was not aware of any disruption to shipping in the Straits of Hormuz due to cyclone Gonu. Saudi Aramco said it did not expect its offshore facilities in the Gulf to be affected by cyclone Gonu. It said it was monitoring the storm and had prepared an emergency plan for on and offshore installations. Meanwhile an official at Kuwait Oil Co said Kuwait has halted its crude oil loadings due to gusty winds from the north of the country. The wind was unrelated to tropical cyclone Gonu. An oil trader said Kuwait shutdown loading of fuel oil from two of its export terminals.

Qatar's Oil Minister Abdullah bin Hamad Al Attiyah said that the country has not been affected by cyclone Gonu.

Iran's President Mahmoud Ahmadinejad told the UN Security Council not to continue imposing sanctions on Iran over its nuclear program, saying it was like "playing with a lion's tail." He said it was too late to stop Iran's nuclear program and urged the West and the US to abandon their policies of setting conditions. He said a third round of sanctions would only make things harder to resolve the issue. In response, US State Department spokesman Sean McCormack said that the world would not be intimidated by Iran's threats. Meanwhile, Iran's chief nuclear negotiator Ali Larijani is scheduled to meet with Germany's foreign minister Frank-Walter Steinmeier on Tuesday. In

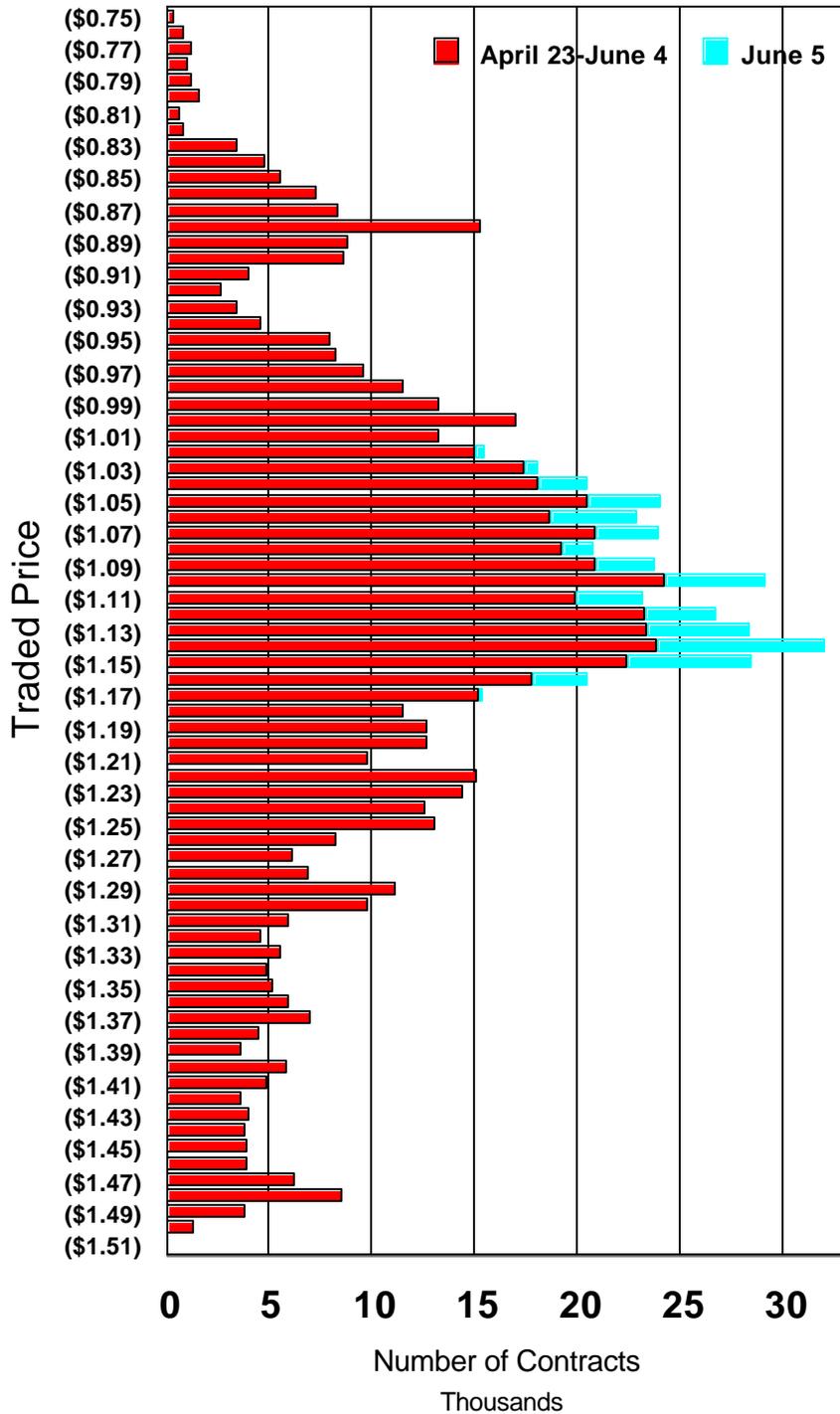
Nigerian state governors from Rivers, Bayelsa and Delta in the Niger Delta have called for the release



NYMEX WTI: July August Spread

Price Vs Volume for April 23 - June 5, 2007

Trade Weighted Avg: 6/5 -1.106 6/4 -1.06 6/1 -.94 5/31 -1.03 5/30 -1.095



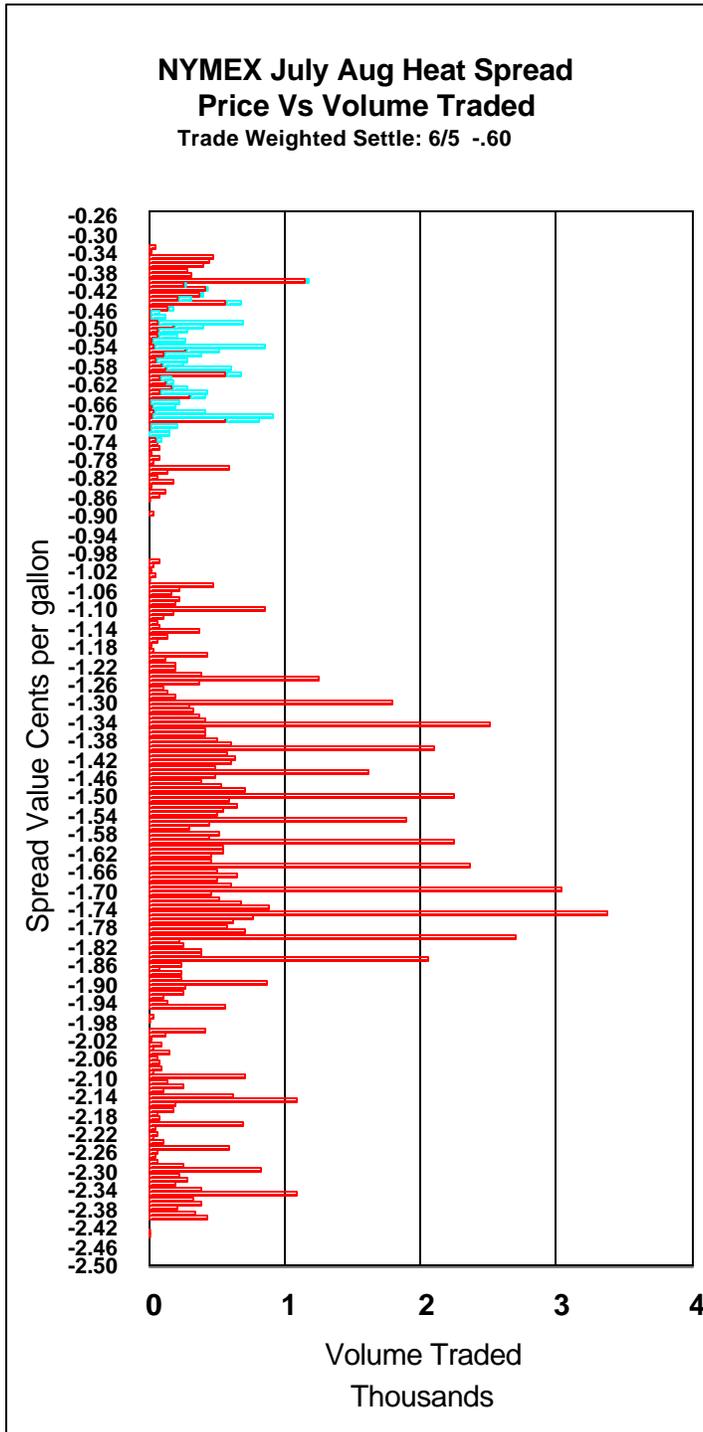
of a detained militant leader in an effort to appease insurgents. Several armed groups responsible for attacks on oil facilities and kidnappings have demanded the release of Mujahid Dokubo-Asari, who has been on trial for treason since September 2005. The Movement for the Emancipation of the Niger Delta declared a one month halt in attacks on oil facilities on Saturday and said it was prepared to negotiate with the new government. The group said it would stop abducting oil workers if the militant leader was released. Nigeria's Supreme Court is scheduled to decide on June 8 if the detained oil militant can be released on bail or not.

Nigeria's new government is not expected to reverse a 15% fuel price increase that has triggered fears of a nationwide strike. Nigeria's Pengassan and Nupeng unions called for a nationwide strike starting June 14 if the government failed to reverse the increase. Separately, a protest by truck drivers in Lagos has cut gasoline supplies to retail outlets. The drivers were protesting the seizure of their vehicles by a Task Force set up by former president Olusegun Obasanjo to relieve congestion at petroleum depots.

Refinery News

BP cut its coker unit operations to a minimum at its 460,000 bpd Texas City,

Texas refinery following a glitch late Sunday. It said it would restart a compressor on Tuesday or Wednesday after it tripped offline.



Valero Energy Corp cut rates on a fluid catalytic cracking unit in the East Plant of its 340,000 bpd refinery in Corpus Christi, Texas on Tuesday for maintenance work on soot blowers.

Citgo Petroleum Corp's Lake Charles, Louisiana refinery suffered a power outage on Monday which caused a temporary shutdown of some processing units. Several sulfur recovery units were shut for about four hours. The cause of the shutdown was not clear but was likely related to severe weather.

ExxonMobil Corp and Enbridge Inc said they planned to jointly develop a crude oil pipeline from the US Midwest to the US Gulf Coast. The pipeline would transport US and Canadian crude from Patoka, Illinois to Beaumont, Texas and onward to Houston. The pipeline is expected to begin operation by the end of 2010.

Alon USA said it would be interested in buying more refineries in the US if they met the company's criteria. It said refineries that ran cheaper sour or heavy crudes were more appealing. Alon President and CEO Jeff Morris said the expansion of its most recent refinery acquisition, two California refineries combined into one, is on track to reach 90,000 bpd by 2009.

Imperial Oil Ltd said would be able to meet commitments to supply customers with gasoline and other refined products even though its operations at its 190,000 bpd refinery in Edmonton, Alberta were cut. It said it was processing some crude in inventory but it has refused to say how much gasoline and other products were being produced at the facility.

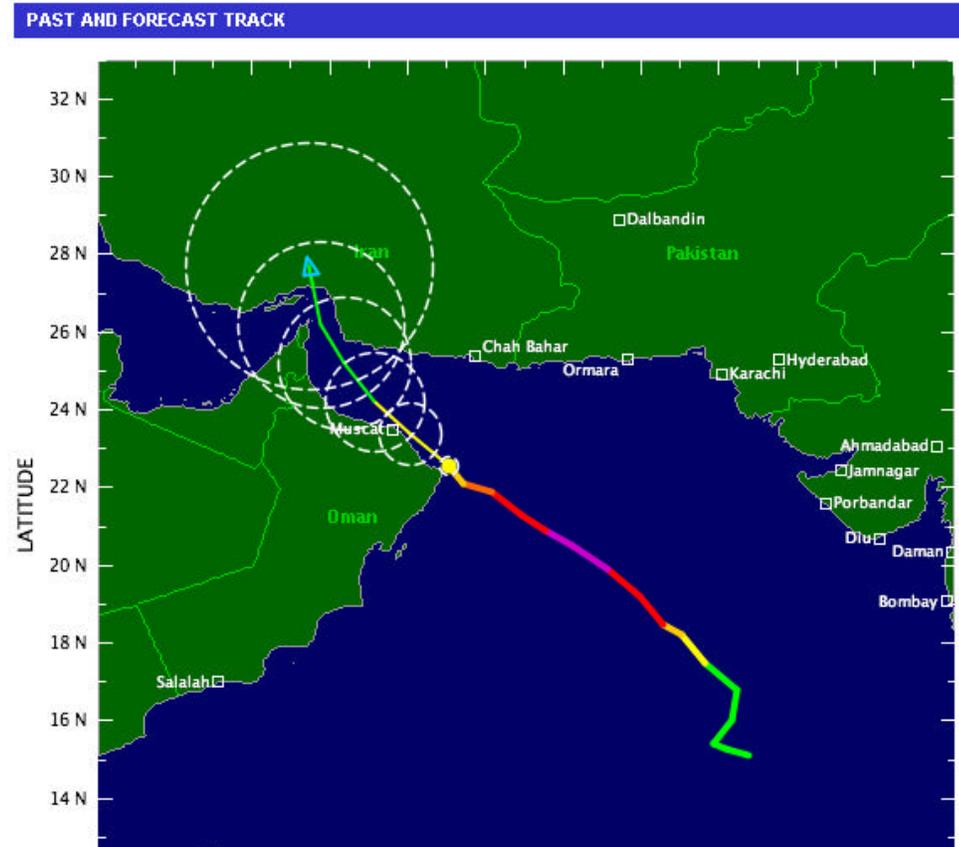
Hindustan Petroleum Corp Ltd's 60,000 bpd crude distillation unit and 12,000 bpd fluid catalytic cracker at its Vizag refinery have been shut since late on Sunday due to a technical problem. The crude distillation unit is expected to resume operations by Tuesday evening while the catcracker unit is expected to resume operations from late on Wednesday.

Production News

Workers at the Oil Pipeline Co in southern Iraq started a strike on Monday demanding the government improve their compensation. A company spokesman said about 600 workers were taking part in the strike and added that they have shut two main pipelines which carry refined oil products to Baghdad and to the southern cities. Iraq's Oil Ministry said the strike would not have any impact on crude oil exports from the south.

Saudi Aramco raised its July official selling price for crude oil bound for Europe and the US. It increased its Arab Light crude price to Europe via Sidi Kerir to BWAVE minus \$2.70, up \$1.70 from the previous month. Its Arab Medium was increased by \$1.30 to BWAVE minus \$4.45 and Arab Heavy was increased by \$1.10 to BWAVE minus \$6.30.

It also raised its Arab Light crude price to Europe via Ras Tanura to BWAVE minus \$3.70, up 70 cents on the month. Saudi Arabia also increased its Arab Light crude price to the US to WTI minus \$1.75, up \$1.35 on the month.



According to an energy official, Indonesia's crude oil production increased by 0.76% to 845,300 bpd in May from 838,900 bpd in April.

Former Soviet Union gas oil exports from the Baltic and Black Sea fell to 2.22 million tons in May from 2.3 million tons in April. Shipments from the Baltic ports fell

182,000 tons on the month in May to 1.27 million tons while shipments from the Black Sea increased by 105,000 tons to 954,000 tons.

Crude and refined products shipments from Georgia's Black Sea port of Batumi fell in May to 717,500 tons compared with 1.403 million tons last year.

OPEC's news agency reported that OPEC's basket of crudes increased to \$65.63/barrel on Monday, up from Friday's \$64.47/barrel.

Market Commentary

July crude oil traded over 175,000 contracts on globex today in a narrow range of .96 cents. Reacting to reduced concerns that Tropical Cyclone, Gonu, would not disrupt shipments out of the Persian Gulf and expectations of product builds in tomorrow's API/DOE numbers, the market traded lower throughout the session. It appeared that speculators did not want to commit themselves to buying significant length ahead of tomorrow's numbers and upon examination of the forward curve, there isn't anything standing out that seems to be attracting attention. Barring any major developments, prices should continue to bounce between the listed support and resistance numbers. Resistance is set at 66.45, 66.85, 67.10, 67.45, 67.78, 68.15, 68.47, 68.65, 69.03 and 69.53. Support is set at 65.00, 64.85,

64.64, 64.25 and 64.13. We would look for the Dec07/Dec08 spread to trade between the range of -1.85 and -2.25. As for the July/Aug spread, the

Technical levels		
	Levels	Explanation
CL 65.61, down 60 cents	Resistance	66.45, 66.85, 67.10, 67.78, 68.15
	Support	65.80, 66.19
HO 196.44, down 2 points	Resistance	65.50, 65.23
	Support	64.85, 64.53, 64.64, 64.25, 64.13
RB 220.73, down 3.07 cents	Resistance	199.16, 201.50
	Support	197.00, 198.49
	Resistance	196.30, 195.42
	Support	191.52, 187.32, 184.82
	Resistance	226.46, 227.00, 231.90
	Support	221.00, 222.00, 222.50, 223.46
	Resistance	218.64
	Support	218.29, 212.91

-1.10 to -1.14 range is an area of attraction and in wake of the up coming rolls, it appears that a test of the -1.50 level is due. Open interest in the crude market built by a total of 21,654 lots with open interest in the July contract falling by 6,874 lots while open interest in the August contract built by 11,296 lots as traders added new longs. Open interest also saw builds in the September contract of 4,065 lots, in the June contract of 4,605 lots and in the December contract of 6,811 lots. The gasoline market led the product markets lower ahead of Wednesday's release of the DOE report, which is expected to show a build in gasoline stocks of about 1.5 million barrels. The market posted a low of 218.64 early in the session before it bounced off that level and rallied to its high of 223.46 amid some refinery news. The market however erased its gains and traded back towards its low and settled in a sideways trading pattern ahead of the close. It settled down 3.07 cents at 220.73. Meanwhile, the heating oil market settled down just 2 points at 196.44. The product markets will be driven lower by the expected builds in stocks. However the markets' losses are still seen limited. The RBOB market is seen finding support at 218.64 followed by 218.29. More distant support is seen at 212.91. Meanwhile resistance is seen at 221.00, 222.00, 222.50 and 223.46. More distant resistance is seen at 226.46, 227.00 and 231.90.