



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 6, 2007

The Turkish Foreign Ministry said it had no plans at present to send troops into northern Iraq but indicated that it remained an option in the future. The statement came

amid an increase in attacks by members of the Kurdistan Workers' Party. The White House also denied reports that thousands of Turkish troops crossed into northern Iraq, saying Turkish and US officials in the region confirmed there had been no new activity in the region. Meanwhile, the director of foreign relations for the Kurdish Regional Government said there was no evidence of an incursion into its territory by Turkish military forces. It said it would turn to the government in Baghdad for help if there was evidence that Turkish forces had moved into Iraq's northern territory. Earlier, Turkish security officials said several thousand Turkish troops crossed into northern Iraq early Wednesday to root out the Kurdish rebels who operate their bases there. Two senior security officials said the raid was limited in scope and it did not constitute the kind of large incursion Turkish leaders have been discussing in recent weeks. The officials said any confrontation with Iraqi Kurdish group could trigger a larger cross border operation.

Market Watch

The EIA reported that refinery use fell by 1.5% to 89.6%, the lowest level in 15 years. EIA analyst Doug MacIntyre said strong imports of finished gasoline and gasoline blendstocks as well as increasing production of domestic ethanol could limit the bullish impact on oil prices of low refinery use.

According to the Joint Typhoon Warning Center, Tropical Cyclone Gonu continued to weaken and had maximum sustained winds of 75 knots. The cyclone is forecast to head northwest into the Strait of Hormuz, weakening to a system with sustained winds of between 30 and 40 knots when it is expected to make landfall in southern Iran late Thursday.

Oman suspended its oil exports, closed the port of Sohar and evacuated tens of thousands as the cyclone moved toward the Strait of Hormuz. Sohar's oil refinery and petrochemical plant continued to operate at very low levels. An Oman based shipper said Oman's 650,000 bpd Mina al Fahal oil export

terminal remained shut for the second day on Wednesday as did the Sur terminal, which handles 10 million tons per year of liquefied natural gas exports. Meanwhile a meteorologist and oceanographer on the USS Nimitz said it would be unsafe for ships to pass through the Strait of Hormuz for the next 48 hours but predicted they would probably speed up after that to get back on schedule.

DOE Stocks

Crude – up 100,000 barrels
Distillate – up 1.9 million barrels
Gasoline – up 3.5 million barrels
Refinery runs – down 1.5%, at 89.6%

minimum rates when the storm caused it to shutdown.

Valero Energy Corp said it shut a fluid catalytic cracking unit at both its Houston refinery and its refinery in Krotz Springs, Louisiana for repair work. The work at its Houston refinery is expected to take two weeks and cut gasoline production by 40,000 bpd. Crude throughput at the refinery is expected to be cut by 50,000 bpd during the maintenance period. It also stated that the repairs on its fluid catalytic cracking unit at the Krotz Springs refinery would cut gasoline production by about 25,000 bpd.

BP stated that a contract worker was electrocuted Tuesday while working on an idled residual hydrotreater at BP's refinery in Texas City. BP was conducting an internal investigation in addition to working with regulators and the local United Steelworkers union on a probe of the accident.

Sinopec Corp's Maoming refinery said it planned to lift its crude runs in June by 18% on the month to 284,700 bpd after scheduled maintenance ends.

Japan Energy Corp began restarting a 110,000 bpd No. 3 crude distillation unit at its Mizushima refinery earlier on Wednesday following unplanned repairs. The unit had been shut since Saturday after a technical problem was discovered.

Indonesia's Pertamina said it was seeking an additional 200,000 barrels of kerosene for June delivery due to the shutdown of Dumai refinery's hydrocracker unit. The unit is expected to resume operations on June 8.

Traders and shipping brokers said Singapore was shipping 95,000 tons or 0.005% sulfur gas oil to Europe in early July, signaling an opening in East-West arbitrage due to tighter Western supplies.

Production News

Iraq's oil exports in May increased to 1.63 million bpd from 1.49 million bpd in April. It was the highest level since September 2006, when Iraq's oil exports totaled 1.64 million bpd.

The Shetland Island Council said Brent crude oil loadings increased to 487,138 tons in the week ending June 5, up from 229,906 tons in the previous week.

BP Exploration & Production Inc said it discovered hydrocarbons in an exploration well that tested its Isabela prospect in the Gulf of Mexico.

According to the Petroleum Association of Japan, Japan's refineries increased their processing rates slightly from a three year low after some refineries returned from maintenance. The average refining rate increased 1% to 67.8% of total capacity of 4.83 million bpd in the week ending June 2. It reported that gasoline stocks fell by 590,000 barrels or 4.4% to 12.94 million barrels on the week, partly due to lower output and higher exports. Japan's gasoline exports increased to 6,538 kiloliters compared with 242 kl the previous week. The Petroleum Association of Japan also reported that the country's crude stocks built by 350,000 barrels to 107.23 million barrels. It also stated that kerosene stocks fell by 700,000 barrels to 13.76 million barrels while naphtha stocks fell by 350,000 bpd to 11.09 million barrels.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$66.18/barrel on Tuesday from Monday's \$65.63/barrel.

Market Commentary

The crude oil market experienced heightened institutional buying interest today in the middle to back end of the curve. The buying took place on both an outright and spread basis. It appears that there is a little bit of apprehension to buy the front end of the curve given the current supply situation. So far the July contract has made five failed attempts to break the daily trendline drawn off of the highs of mid-March. This trendline will come in tomorrow set at 66.34. Looking at the July weekly chart, this market has held a downward trendline for nine straight weeks. This trendline comes in at 66.29. Short-term indicators are pointing to the downside, with long-term indicators calling for higher prices. This scenario coupled with the aforementioned supply situation makes it difficult to feel comfortable with a bullish bias. For now we would still like to buy and sell at the listed support and resistance numbers. Support is set at 65.34, 65.00, 64.85, 64.50, 64.25 and 63.80 with resistance set at 66.34-66.40, 66.85, 67.10, 67.45, 67.79, 68.15 and 68.47. Spreads were a non-event today trading with in our expected ranges, July/Aug -1.15 to -.85 and Dec07/Dec08 -2.25 and 1.85.

Meanwhile, the RBOB market settled down 1.69 cents at 219.04 in light of the bearish DOE report showing a larger than expected build in gasoline stocks of 3.5 million barrels. The market extended its losses as it sold off to a low of 216.15 following the release of the report. The RBOB market later bounced off its low in follow through strength seen in the crude market amid the reports that thousands of Turkish troops moved into northern Iraq to chase Kurdish rebels, overshadowing the bearish DOE report. However the gasoline market settled in a sideways trading range as its gains remained limited by the large gasoline stock build. Similarly, the heating oil market sold off to a low of 195.00 on the inventory report before it bounced off its low and traded to a high of 198.47 by mid-day. The market, which also failed to test its previous high, erased some of its gains ahead of the close. It settled up 93 points at 197.37. The product markets on Thursday will likely retrace its gains in light of the product stock builds. The RBOB market is seen testing its support at 218.00 followed by its low of 216.15 and 212.91. Meanwhile resistance is seen at 219.50 followed by 222.30, 223.46, 226.46 and 227.00.

Technical Levels		
	Levels	Explanation
CL Resistance 65.96, up 35 cents Support	66.34, 66.40, 66.85, 67.10, 67.78, 68.15 66.27	Previous highs Wednesday's high
	65.34, 65.21 65.00, 64.85, 64.50, 64.25, 63.80	Wednesday's low
HO Resistance 197.37, up 93 points Support	199.16, 201.50 197.50, 198.47- 198.49	Previous high Wednesday's high, Tuesday's high
	196.80, 195.00 193.27, 191.66, 191.52, 190.04	Wednesday's low 38% retracement (184.82 and 198.49), Previous low, 50%, 62%
RB Resistance 219.04, down 1.69 points Support	223.46, 226.46, 227.00 219.50, 222.30	Previous highs Wednesday's high
	218.00, 216.15 212.91	Wednesday's low Previous low