



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 7, 2007

OPEC's President Mohammed bin Dhaen al-Hamli said OPEC was trying to keep a balance between world oil supply and demand but saw no need to meet to cut prices before their scheduled meeting in September. He said oil supplies were currently sufficient.

Royal Dutch Shell said oil tanker loadings at Oman's Mina al Fahal oil port were still delayed in the wake of Tropical Cyclone Gonu. It said it was unaware of any damage to the port. While the Mina al Fahal is yet to restart operations, the port of Sohar has been operating since Thursday morning. Also the UAE's port of Fujairah was reopened on

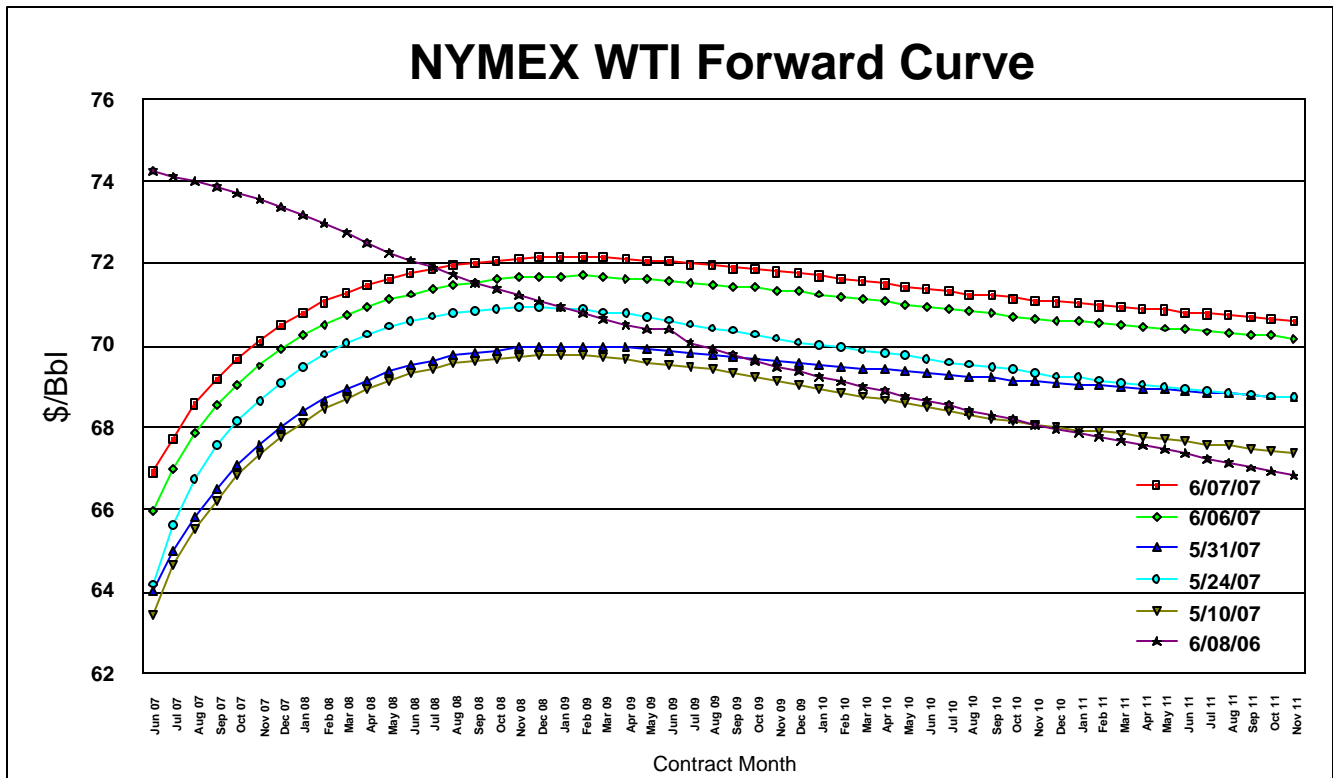
Market Watch

US Deputy Energy Secretary Clay Sell said he was concerned that oil refineries were operating at low levels. However he did not believe they were trying to restrict gasoline supplies or keep prices high. He said there was little the Energy Department could do in the short term to get refineries to increase their summer gasoline production. The EIA has previously stated that refiners had the economic incentive to operate their units at the highest possible rates, which the agency said suggested that unplanned refinery outages and extended maintenance were the key drivers of current utilization patterns.

Turkey has declared several areas near the border with Iraq to be temporary security zones in a sign of increasing activity by the military in its campaign against Kurdish rebels. It announced a ban on all land and air travel between Iraq and three Turkish provinces. The declaration came amid a Turkish military buildup on the border and on the same day as Turkish security officials said Turkish troops crossed into northern Iraq in pursuit of Kurdish rebels. A Turkish newspaper said the temporary security area, which would be locked down between June 9 and September 9, would also be used for air force training exercises. Meanwhile, analysts said the odds were still against a major Turkish army incursion into Iraq as it would strain ties with the US and the European Union. It would also stoke more violence in Turkey's mainly Kurdish southeast region and could destabilize Kurdish Northern Iraq.

Group of Eight leaders of industrialized nations agreed on Thursday there was a need for substantial cuts in greenhouse gases, short of European calls for halving emissions by 2050. On financial issues, the G8 acknowledged the contribution of hedge funds and other advanced products to the efficiency of markets. However the group said vigilance was still required in monitoring the funds. It stopped short of calling for new regulations.

According the Propane Education & Research Council, if a select 10% of the commercial fleet vehicles or 4.5 million vehicles switched to propane, the country could cut gasoline consumption by 830 million gallons annually by 2017. Compared to gasoline, propane produces fewer greenhouse gas emissions and cuts emissions of toxins and carcinogens by up to 96%. Operating costs are up to 30% lower than conventional or reformulated gasoline.



Thursday morning. The director general of the port said there was no damage to the port. Meanwhile, Petroleum Development Oman's operations and facilities escaped any damage from Cyclone Gonu. The storm continued to weaken and was downgraded to a tropical storm, according to the US military's Joint Typhoon Warning Center. It is expected to further weaken to a tropical depression as it makes landfall on Iran's southeastern coast late Thursday.

Brazil's main oil union, United Oil Workers' Federation, said talks with Petrobras over a job promotion plan failed and was proposing a five day strike. It said the union assembly would discuss strike plans and a start date at the end of next week. Unlike a 24 hour warning strike held at the beginning of May, the five day strike would cut oil production.

A Nigerian militant group, the Joint Revolutionary Council said it would not release four workers of Schlumberger Ltd, who were abducted last week, until an imprisoned militant is released from jail. Nigeria's Supreme Court is scheduled to rule Friday whether Mujahid Dokubo-Asari could be released on bail.

Saudi Arabia's Interior Ministry said 11 suspected militants were arrested, including one allegedly involved in last year's foiled suicide attack on the Abqaiq oil installation. Thursday's announcement came two days after the ministry said three men with suspected links to al-Qaeda had been arrested.

According to Oil Movements, OPEC's oil exports are expected to increase by 120,000 bpd to 24.31 million bpd in the four weeks ending June 23. It said OPEC's oil production continued to increase as producing countries capitalize on high crude prices. It said OPEC has cut its production by 800,000 bpd compared with its pledged cut of 1.7 million bpd.

Refinery News

A 12 inch petroleum pipeline, operated by Kinder Morgan, in Martinez, California resumed operations after it was shut as a precaution following a train derailment earlier on Thursday. The pipeline transports light products from Bay Area refineries to the Richmond terminal.

California Energy Commission reported that crude runs at the state's refineries fell to 1.834 million bpd in the latest week, down 2.1% on the week and down 0.5% on the year.

Preem Petroleum AB said it expected its 125,000 bpd Gothenburg refinery to return to full production on Friday after repairs following a May 13 fire are completed.

Belarus' two oil refineries cut their crude oil processing rate by 2.3% on the year to 8.773 million metric tons in January-May.

Production News

Canada's Suncor Energy Inc said it started to cut production at its oil sands facility at the end of May to prepare for a planned 50-day shutdown to tie in new facilities. Production in May averaged about 270,000 bpd.

An Iraqi oil official said Iraq has resumed exports of Kirkuk crude via the northern Iraqi pipeline to the port of Ceyhan. Separately, an official said Iraqi Oil Ministry accounts show that about 1.5 million barrels of oil were missing in 2006.

The July loading program for North Sea Statfjord crude is estimated at 8.55 million barrels, up from 7.7 million barrels in June.

Statistics Norway increased its forecast for 2007 investment in the country's oil and gas sector to 111.3 billion crowns or \$18.61 billion from 104.6 billion crowns estimated in March.

An analyst stated that gasoline stocks in independent Amsterdam-Rotterdam-Antwerp storage fell by 13,000 tons to 664,000 tons in the week ending June 7. Gas oil stocks increased by 78,000 tons to 1.854 million tons while fuel oil stocks increased by 32,000 tons to 499,000 tons on the week. Naphtha stocks also built by 17,000 tons to 101,000 tons while jet fuel stocks fell by 28,000 tons to 360,000 tons on the week.

Singapore's International Enterprise said the country's residual fuel stocks fell by 893,000 barrels to 13.649 million barrels in the week ending June 7. Its light distillate stocks built by 967,000 barrels to 9.059 million barrels while its middle distillate stocks fell by 653,000 barrels to 7.099 million barrels on the week.

Chevron Corp said all of the crude produced at the Nanpu block in China's Jidong field would likely be consumed domestically. Chevron is not involved in the development of the block but has been drilling in Bohai Bay where the Nanpu block is located. The new find at Nanpu block contain proven reserves of 405.07 million tons of crude oil and 140.1 billion cubic meters of natural gas.

Traders said China was exporting 420,000 tons of gasoline in June, down 16% on the month as higher domestic demand limited exports despite high refining runs. Sinopec Corp cut gasoline exports to 180,000 tons from 230,000 tons while PetroChina cut shipments by 30,000 tons to 120,000 tons. China also cut its gas oil exports to 10,000 tons in June.

Indonesia's Pertamina is expected to increase its oil product imports by 10% on the month to 11.66 million barrels in July. Pertamina is expected to import 5.32 million barrels of gasoline.

Market Commentary

The run up in prices today seemed to have caught people by surprise, especially given the lack of significant news. Once the July contract penetrated the 66.50 level, approximately 10,000 lots trade on the initial run up. Based on the weekly chart, the July contract traded above the 66.29 trendline and would need to close above this number to confirm further upward momentum for next week. Resistance in July is set at 67.45, 67.79, 68.15 and 68.47. Support is set at 65.34, 65.00, 64.85, 64.50, 64.25 and 63.80. The July/August spread was quite active today with 104,905 contracts traded and over 11,000 contracts trading at -.89. Back month trading was active again today, with buying taking place in the tail end of 2008 out to the beginning of 2010. Meanwhile, the RBOB market rallied early in the session amid the sharp rally in the crude market. The market extended its gains over 3.9 cents as it posted a high of 223.00. The RBOB market however erased its gains and sold off to a low of 218.01. It retraced some of its losses ahead of the close and settled up 23 points at 219.27. The July RBOB crack continued to come in and settled at 25.14. The crack spread is seen finding some support at 23.83 followed by 21.80, as the market's gains remain limited. The RBOB market will likely continue trade lower after it failed to sustain its early gains. The market is seen testing its support at its low of 218.01 followed by its previous lows of 216.15 and 212.91. Meanwhile, resistance is seen at 220.25, 221.70, 223.00

followed by 223.46. More distant resistance is seen at 226.46 followed by 227.00.

Technical levels		
	Levels	Explanation
CL 66.93, up 97 cents	Resistance 67.79, 68.15, 68.47 67.42, 67.45	Thursday's high
	Support 66.50, 65.82 65.43, 65.00, 64.85, 64.50, 64.25, 63.80	Thursday's low
	Resistance 199.16, 201.50 198.00, 199.15	Previous high Thursday's high
HO 197.64, up 27 points	Support 197.00, 196.45 195.00, 193.68, 191.99, 191.52, 190.29	Thursday's low Previous low, 38% (184.82 and 199.15), Previous low, 50%, 62%
	Resistance 219.27, up 23 points 223.46, 226.46, 227.00 220.25, 221.70, 223.00	Previous highs Thursday's high
RB	Support 218.01 216.15, 212.91	Thursday's low Previous lows