



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 7, 2007

Oman's 650,000 bpd Mina al Fahal oil terminal resumed operations. The loading rate in the terminal was between 32,000-35,000 barrels per hour. Oman started carrying out tests on pipelines in the terminal earlier on Friday.

Market Watch

The Group of Eight said it would back further measures against Iran if it did not comply with UN demands that it suspend its nuclear enrichment program. The Group of Eight said they regretted the fact that Iran had ignored three UN Security Council resolutions calling for a temporary halt of all uranium enrichment activity.

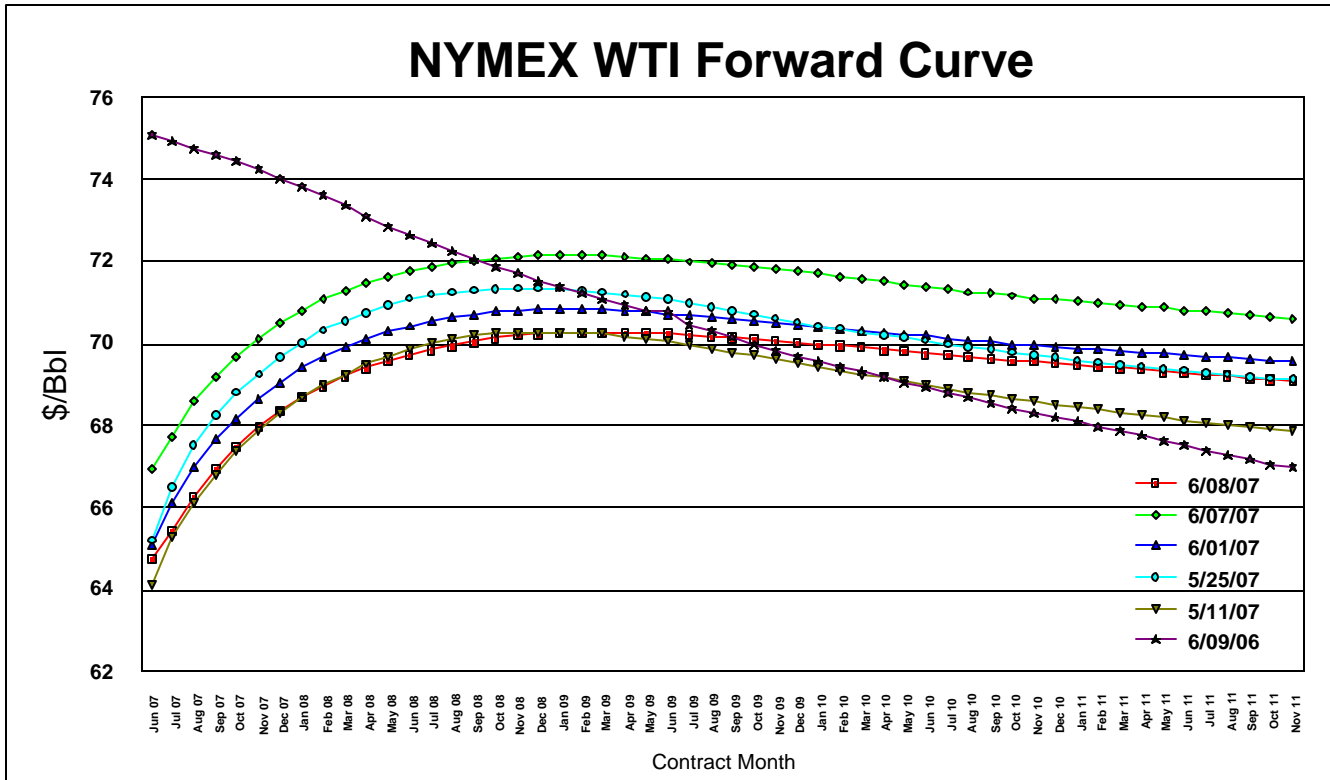
Lehman Brothers said it raised its crude oil price estimate for 2007 by \$1.90/barrel to \$62/barrel to reflect the continuing crisis in Nigeria.

Britain advised all its nationals to leave Bayelsa, Delta and Rivers states in the Niger Delta due to rising insecurity. Meanwhile, Royal Dutch Shell said it did not expect any disruption to its operations in Nigeria after the British government warned all Britons to leave the country. The company said it supported the relocation of those expatriate staff members.

Separately, Nigeria's Supreme Court refused bail on Friday to a former militia leader from the Niger Delta whose release has been demanded by armed groups in the region. The country's top court agreed with two rulings by lower courts that Mujahid Dokubo-Asari represented a threat to national security after calling for the disintegration of Nigeria. His defense lawyer said the continued detention of the former militia leader would only prolong the crisis in the delta.

The head of the IEA, Claude Mandil said the increasing production and use of biofuels was no threat to OPEC because they would account for only a small proportion of fuel. He said that a big increase in OPEC oil production would still be needed in the future.

Turkey's General Staff said Turkey is determined to fight terrorism and added that the country had an unquestionable right to respond as it sees fit to attacks by Kurdish separatists. Meanwhile, Iraqi Kurd officials stated that Turkish and Iranian forces shelled Kurdish rebel positions across the border in northern Iraq. The Patriotic Union of Kurdistan, or PUK said artillery shells overnight hit some areas in the Sidikan area in Irbil province. It was unclear whether there was any degree of coordination among Turkish and Iranian gunmen. US Secretary of State Condoleezza Rice said Turkey could risk expanding regional tensions if there was a "robust" move of troops into northern Iraq against Kurdish rebels.



Refinery News

ConocoPhillips began to restart the Santa Maria portion of its San Francisco refinery after an early morning power disruption prompted a shutdown of operations. It did not say how long the restart would last or when operations would be returned to normal.

Valero Energy Corp said production at its 135,000 bpd refinery in Wilmington, California was not affected by a sulfur recovery unit problem. Separately, Valero Energy Corp shut a hydrocracker unit at its Corpus Christi, Texas refinery late Thursday following a malfunction in associated equipment. A debutanizer reflux pump is expected to be repaired and the hydrocracker unit should return to normal operation as soon as possible. According to a report filed with the Texas Commission for Environmental Quality, Valero was investigating a possible leak from a fluid catalytic cracker exchanger at its Port Arthur, Texas refinery. It did not state whether the leak had impacted operations at the 325,000 bpd refinery.

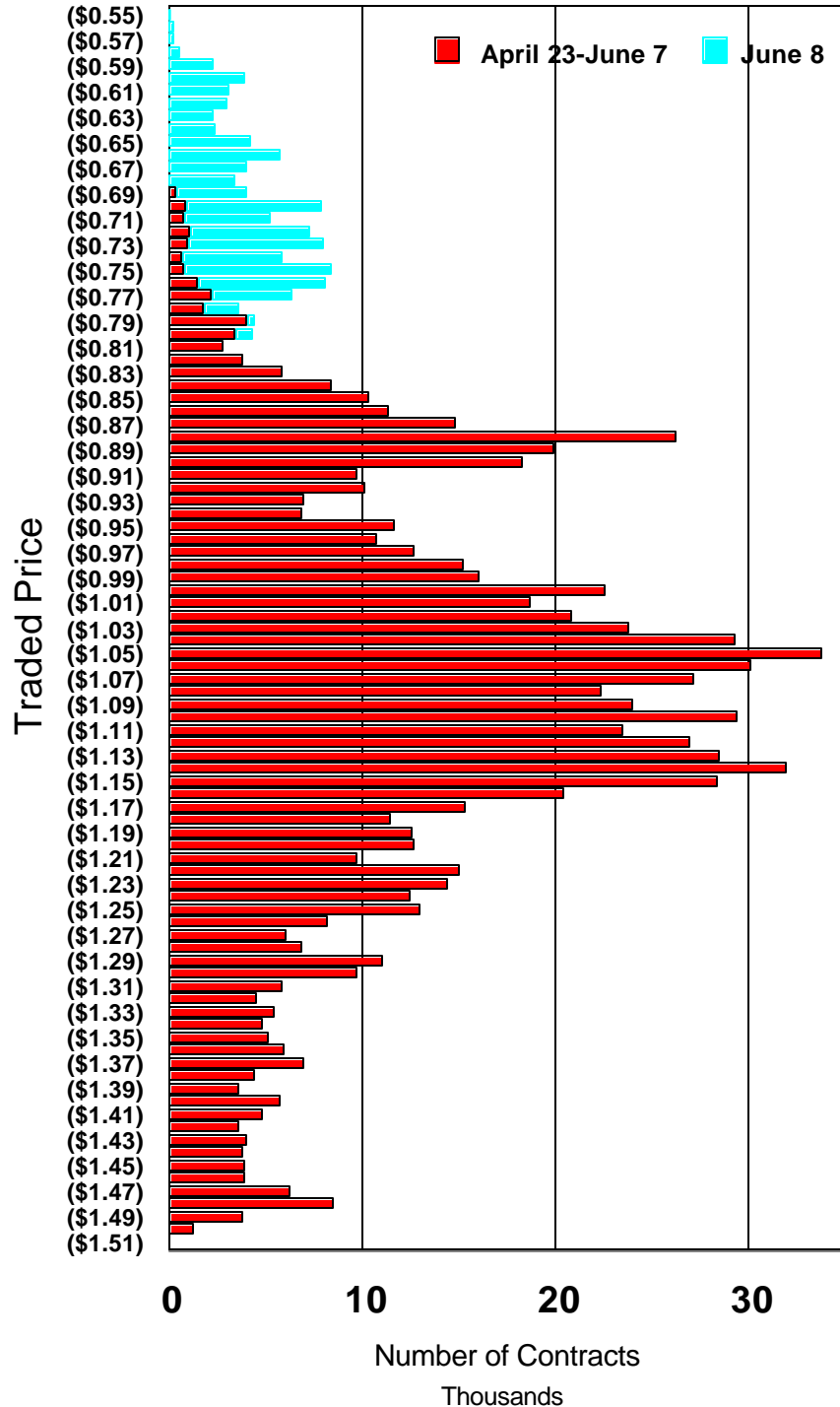
Flint Hills Resources' 288,000 bpd Corpus Christi, Texas refinery shut a fluid catalytic cracking unit Friday for scheduled repairs. A sulfur recovery unit may also be shut if there is not enough feedstock as a result of the FCC work. A report filed with the Texas Commission on Environmental Quality did not indicate the duration of the work. However traders said they expected the unit to be down for two to three weeks.

Hovensa LLC is scheduled to shut a 200,000 bpd crude distillation unit at its 425,000 bpd in St. Croix for 2-3 weeks of planned work starting mid-July. Traders said the fluid catalytic cracking unit is expected to continue to operate. The refinery is however ready to bring back up two crude units, a coker, two amine units, two vacuum units and one gas recovery units following 35 days of planned work which starting in May.

NYMEX WTI: July August Spread

Price Vs Volume for April 23 - June 8, 2007

Trade Weighted Avg: 6/8 -.695 6/7 -.87 6/6 -1.03 6/5 -1.106 6/4 -1.06



Syncrude Canada Ltd is scheduled to restart a 100,000 bpd coker unit next week that had been shut for repairs since May 2.

Indonesia's Pertamina has delayed the restart of a 27,000 bpd hydrocracker at its Dumai refinery until Monday from Friday. The unit was shut two weeks ago due to a technical problem. Separately, the company has allocated 2.08 million barrels of low sulfur residues for July, down 16% on the month.

China's top oil refineries are expected to lift its crude run rates to a record level in June of 2.56 million bpd from 2.48 million bpd in May to meet rising demand in the summer and offset falling supplies from small private refineries. A power shortage that has begun to hit manufacturing hub Guangdong and is expected to spread to other regions would increase demand for oil as companies turn to individual diesel fueled generators and fuel oil burning plants.

South Korean oil refining rates are expected to fall to 2.465 million bpd from 2.485 million bpd in May.

South Korea's SK Incheon Oil Corp is expected to start its 60,000 bpd residue fluid catalytic cracking unit in July 2008.

SK Corp said it expected refining margins to weaken in the second half of the year as

many refinery shutdowns in the region were ending. Separately, SK Corp said it may increase its

crude oil imports from the Middle East next year as a new refining unit would allow it to process heavier sour crude. SK Corp's third residue fluid catalytic cracking unit would come online next year. With the new unit, SK Corp would likely export 30,000-40,000 bpd of gasoline, some of which would be sold to the US.

Production News

An Iraqi oil official said Iraq suspended exports of Kirkuk crude to the port of Ceyhan on Thursday due to an act of sabotage against part of the northern pipeline after it resumed operations for one day. The North Oil Co managed to pump some 150,000 barrels via the pipeline, which started Wednesday evening.

The North Sea Brent crude oil system is scheduled to load about 179,870 bpd in July, down from 218,000 bpd in June.

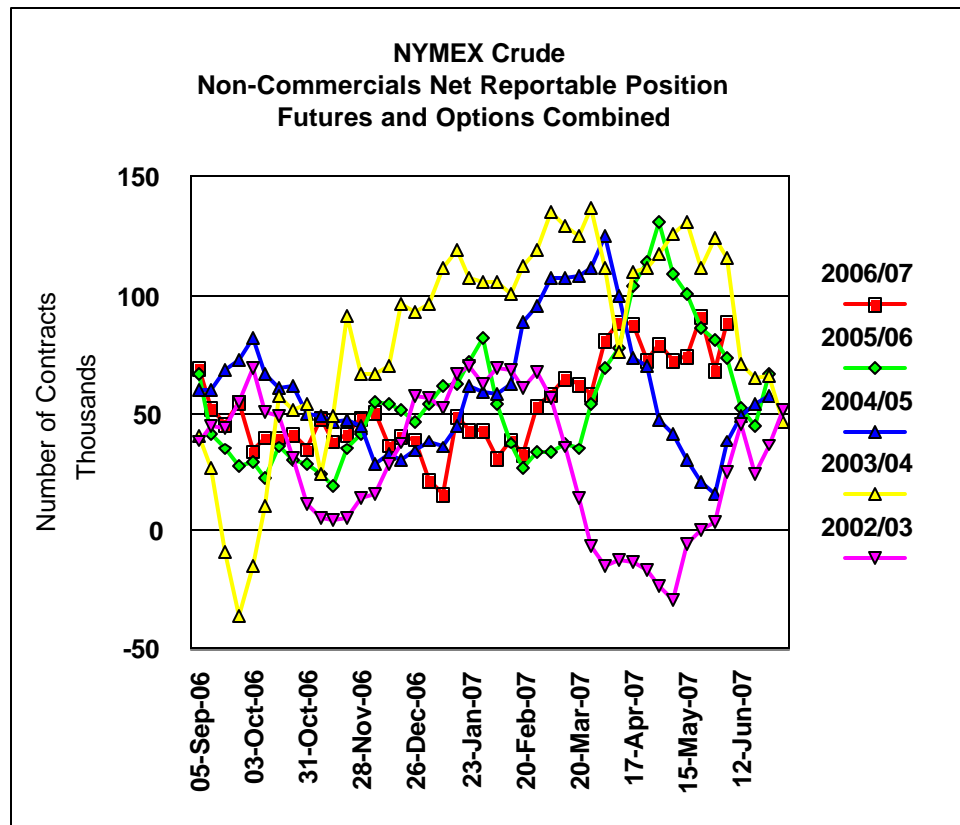
The Norwegian Petroleum Directorate said the country's oil production fell to 2.2 million bpd on average in May from 2.37 million bpd in April.

Azerbaijan's oil production in May increased by 12.3% on the month to 878,000 bpd. Socar produced 175,900 bpd while BP Azerbaijan said it produced 702,100 bpd.

Venezuela's President Hugo Chavez said a US oil company abandoned oil wells in Venezuela during his nationalization drive this year. It was unclear if he was referring to companies leaving the operations in the Orinoco reserve belt or was announcing that some companies had decided to stop doing business in the OPEC country altogether.

Traders said Russian mid-sized oil product exporters were facing problems with transit via Estonia. They said problems had eased since May when the route was shut for 10 days but flows of gasoline and naphtha via Estonian ports were often impossible following recommendations by Russian state railways to reroute volumes to other ports.

Ecuador's Petroecuador exported 145,476 bpd of crude oil in May, down 15.5% on the month. Petroecuador gave no immediate explanation for the fall in exports but said protests and sabotages to oil facilities in the Amazon region impacted daily production. Petroecuador said production increased to about 170,000 bpd after daily output in May averaged 166,874 bpd.



OPEC's news agency reported that OPEC's basket of crudes increased to \$67.01/barrel on Thursday from \$66.43/barrel on Wednesday.

Market Commentary

As mentioned in our wire of two days ago, we felt that it was hard to maintain any sense of bullishness. As news of Cyclone Gonu dissipating in the Persian Gulf spread, crude oil gave back yesterday's gains. Today's slide in prices was double that of yesterday's gains. The July contract still remains within the weekly channel of 60.53 and 65.97. The West Texas Intermediate continues to be outshined by the Brent contract, which is trading at abnormal positive differentials. For next week our initial thoughts are for further declines in prices, barring of course any major bullish fundamentals. We would look for a test of the key support level of 62.35. Support is set at 64.50, 64.25, 63.80, 63.30, 62.95 and 62.43. Resistance is set at 65.10, 65.45, 66.10, 66.38, 66.60, 67.05 and 67.42. The RBOB market also continued to trade lower after the market ended near its low on Thursday. The market posted a high of 218.58 in overnight trading before it sold off further during the day. It extended its losses to over 8 cents as it sold off to a low of 210.59 in afternoon trading. The market however bounced off its lows amid some short covering ahead of the weekend. There were also reports of refinery problems that helped support the market. The market settled down 6.56 cents at 212.71. The RBOB crack spread settled down at 24.917 and is still seen finding support at 23.83 followed by 21.80. The heating oil market also settled down 7.76 cents at 189.88 after it sold off to a low of 189.60 late in the session.

The product markets are still seen trading lower with the RBOB market finding support at 211.50 followed by 210.59, 209.76, 207.80 following today's sharp losses. Resistance is however seen at 214.00, 215.00, 216.00, 218.58 and 223.00.

Technical levels		
	Levels	Explanation
CL 64.76, down \$2.17	Resistance 66.83, 67.05, 67.42 65.10, 65.45, 66.10, 66.38, 66.60	Friday's high, Previous high
	Support 64.56 64.50, 64.25, 63.80, 63.30, 62.95, 62.43	Friday's low Previous lows
HO 189.88, down 7.76 cents	Resistance 197.70, 199.15 191.50, 193.75, 196.00	Friday's high, Previous high
	Support 189.60 187.32, 184.82, 184.21	Friday's low Previous lows
RB 212.71, down 6.56 cents	Resistance 218.58, 223.00 214.00, 215.00, 216.00	Friday's high, Previous high
	Support 211.50, 210.59 209.76, 207.80	Friday's low Previous lows

The latest Commitment of Traders report showed that non-commercials in the crude market increased their net long positions by 19,671 lots to 54,915 lots in the week ending June 5. It showed that they cut their total shorts by 19,572 lots to 125,651 contracts as the market found support above the 62.00 level. The combined futures and options report also showed that non-commercials in the crude market increased their net long positions by 19,576 contracts to 88,415 contracts on the week. The non-commercials in the RBOB market also increased their net long positions by 3,738 lots to 32,356 lots while non-commercials in the heating oil market increased their net long positions by 9,318 lots on the week.

NYMEX Petroleum Options Most Active Strikes for June 8, 2007									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV	
LO		8	7 P	65	07/17/2007	1.94	3,750	25.57	
LO		7	7 C	65	06/15/2007	0.8	3,708	25.56	
LO		8	7 P	60	07/17/2007	0.49	3,568	27.40	
LO		7	7 P	65	06/15/2007	1.04	3,275	25.57	
LO		7	7 C	65.5	06/15/2007	0.63	3,178	26.56	
LO		7	7 C	66	06/15/2007	0.46	3,116	26.45	
LO		7	7 P	66	06/15/2007	1.7	2,720	26.51	
LO		9	7 P	65	08/16/2007	2.28	2,503	25.65	
LO		9	7 C	65	08/16/2007	3.57	2,500	25.73	
LO		12	7 P	60	11/13/2007	1.62	2,380	27.52	
LO		10	7 P	57.5	09/17/2007	0.7	2,350	28.05	
LO		7	7 P	63	06/15/2007	0.33	2,019	27.37	
LO		7	8 P	60	06/17/2008	3.06	2,000	27.45	
LO		8	7 P	62	07/17/2007	0.88	1,806	26.42	
LO		8	7 P	57	07/17/2007	0.2	1,702	29.55	
LO		7	7 C	68	06/15/2007	0.1	1,660	26.25	
LO		8	7 C	66	07/17/2007	1.9	1,481	25.45	
LO		7	7 C	67	06/15/2007	0.23	1,421	26.46	
LO		8	7 P	59	07/17/2007	0.36	1,405	27.96	
LO		8	7 C	70	07/17/2007	0.67	1,231	25.59	
LO		9	7 C	67	08/16/2007	2.57	1,154	25.49	
LO		8	7 P	66	07/17/2007	2.45	1,150	25.50	
LO		12	7 C	70	11/13/2007	3.67	1,075	26.22	
LO		7	7 C	62.5	06/15/2007	2.49	1,050	27.71	
LO		11	7 C	69	10/17/2007	3.46	1,050	26.20	
LO		8	7 C	68	07/17/2007	1.16	1,038	25.47	
LO		7	7 C	66.5	06/15/2007	0.33	1,034	26.48	
OB		7	7 P	2.14	06/26/2007	0.0716	450	34.53	
OB		7	7 C	2.5	06/26/2007	0.0016	397	36.30	
OB		7	7 C	2.3	06/26/2007	0.0145	382	35.30	
OB		7	7 C	1.9	06/26/2007	0.2318	375	35.84	
OB		8	7 C	1.95	07/26/2007	0.1928	375	34.99	
OB		7	7 C	2.2	06/26/2007	0.0363	358	34.76	
OB		8	7 P	1.95	07/26/2007	0.043	350	34.65	
OB		7	7 C	2.05	06/26/2007	0.1096	342	34.76	
OB		8	7 C	2.48	07/26/2007	0.0169	295	37.76	
OB		7	7 C	2.1	06/26/2007	0.0789	284	34.61	
OB		8	7 C	2.41	07/26/2007	0.0238	251	37.03	
OB		7	7 C	2.15	06/26/2007	0.0544	220	34.53	
OB		7	7 C	2.45	06/26/2007	0.0028	202	35.99	
OB		8	7 C	2.45	07/26/2007	0.0195	132	37.41	
OB		8	7 C	2.38	07/26/2007	0.0276	129	36.76	
OB		7	7 P	2.2	06/26/2007	0.1091	127	34.91	
OH		8	7 P	1.8	07/26/2007	0.0323	660	28.11	
OH		7	7 C	2	06/26/2007	0.0137	401	28.07	
OH		7	7 C	1.95	06/26/2007	0.0257	200	27.61	