



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 10, 2008

Italy's declared force majeure on exports from its Brass River terminal in Nigeria following an incident at the facility on Sunday. Traders suggested that one of the pipelines, which feeds into the Brass River terminal, had been sabotaged over the weekend.

The EIA stated in its Short Term Energy Outlook that WTI crude oil prices are expected to average \$122/barrel in 2008 and \$126/barrel in 2009, up \$12/barrel and \$23/barrel, respectively from its previous forecast. Regular gasoline is

Eni

Market Watch

Merrill Lynch increased its 2008 WTI oil price forecast by \$13 to \$115/barrel and its 2009 forecast by \$17 to \$107/barrel. It also increased its 2008 Brent crude price forecast by \$14 to \$114/barrel and 2009 forecast by \$17 to \$106/barrel. Meanwhile, Citigroup increased its 2008 Brent price forecast by 22% to \$116.60/barrel. It lifted its 2009 oil estimate to \$122.50/barrel and its 2010 expectation to \$100/barrel from \$88/barrel and \$75/barrel, respectively.

A commodities expert said oil prices are expected to reach \$150/barrel in the coming months as the US hurricane season starts. He said if the hurricanes fail to materialize or are only weak, the price would fall below \$100/barrel in September before rebounding later in the year. He stated that despite the overall resilience of the world economy, there were growing risks for developing countries, with countries such as India no longer being able to subsidize fuel. Another risk is a possible economic or social crisis in China.

The US Commodity Futures Trading Commission announced the formation of the Interagency task force that would evaluate the developments in the commodity markets. The task force would include staff from the CFTC, the Federal Reserve, the Department of the Treasury, the Department of Energy and the Department of Agriculture. The CFTC said the task force would examine investor practices, supply and demand factors and the role of speculators and index traders in the commodity markets. The CFTC said the rally in oil prices had to be fully investigated by the government.

The US Senate voted against taking up a new energy package that would revoke \$17 billion in tax breaks extended to big oil companies like Exxon Mobil Corp and impose a 25% windfall profits tax on firms that do not invest in new energy sources.

Russia's Gazprom said the price of crude oil is expected to almost double to \$250/barrel by 2009. It said gas prices in Europe would increase to reflect the cost of crude.

Indonesia's vice president Jusuf Kalla said there was no need for the government to increase fuel prices again before the 2009 elections. The government raised its fuel prices by an average of nearly 30% in late May. Indonesia's fuel subsidies are expected to reach about \$20 billion this year.

The head of China's State Energy Bureau, Zhang Guobao said China's pricing policy for refined oil products served social and economic stability. He said the government had been committed to moving to market based pricing but that such reform was postponed because of rising world crude prices. He said moving too quickly to market based pricing would have a large impact on both agriculture and industry.

May Calendar Averages

CL – 129.48

HO – 375.02

RB – 336.20

expected to average \$3.78/gallon in 2008. The US average regular gasoline price, which is currently at \$4/gallon, is expected to peak at \$4.15/gallon in August. It previously stated that gasoline prices would peak at \$3.73/gallon in June. Retail diesel fuel prices are expected to average \$4.32/gallon in both 2008 and 2009, up \$1.44/gallon from the 2007 average. The EIA reported that world oil consumption increased by about 630,000 bpd on the year during the first quarter of 2008 to 85.98 million bpd. It cut its 2008 world consumption estimate by 230,000 bpd from its previous estimate to 86.38 million bpd while its 2009 estimate was also cut by 250,000 bpd to 87.7 million bpd. OECD consumption is estimated at 48.71 million bpd; down 240,000 bpd from its previous estimate while non-OECD consumption is estimated at 15.62 million bpd, led by China, India and the Middle East. Continued economic growth, fuel subsidies and increased oil fired power generation is expected to continue supporting non-OECD oil consumption. The EIA also reported that OPEC production is expected to average 36.9 million bpd in the second quarter, up 140,000 bpd from the first quarter. In May, OPEC's oil production increased by 510,000 bpd on the month to 32.47 million bpd. OECD commercial inventories stood at 2.54 billion barrels, 18 million barrels above the 5-year average and equal to 53 days of forward consumption at the end of the first quarter. In 2008, total domestic crude oil production is estimated to average 5.1 million bpd. It reported that total petroleum demand averaged 20.7 million bpd in 2007 and is expected to fall to 20.41 million bpd in 2008, down 100,000 bpd from its previous estimate. Gasoline demand is expected to average 9.22 million bpd in 2008, down 10,000 bpd from its previous estimate while distillate demand is expected to average 4.18 million bpd, down 20,000 bpd from its previous estimate. The EIA also reported that above normal hurricane activity in the Atlantic is likely to correspond to increased impacts on offshore crude oil and natural gas producers in the Gulf of Mexico. It expects a total of about 11.3 million barrels of crude oil and 78 billion cubic feet of natural gas to be shut in during the 2008 hurricane season. The National Oceanic and Atmospheric Administration predicted above normal hurricane activity with 12 of 16 named storms within the Atlantic Basin, including 6 to 9 hurricanes, of which 2 to 5 would be intense during the hurricane season.

The IEA said world oil demand is expected to increase at its slowest pace in six years during 2008 as subsidy cuts in several countries cut into oil demand. World oil demand is expected to increase by 800,000 bpd this year, down 230,000 bpd from its previous forecast. It also cut its forecast for non-OPEC supply growth to 460,000 bpd from 680,000 bpd in its previous report. It however increased its expected demand for OPEC oil for the year by 300,000 bpd to 31.6 million bpd. The IEA also reported that oil stocks in OECD countries fell 8.1 million barrels in April.

Traders stated that Saudi Arabia has increased its production by 500,000 bpd to 9.45 million bpd this quarter.

A senior Saudi oil official said a meeting of oil consuming and producing countries would be held on June 22 in Saudi Arabia's port city of Jeddah. The official said Saudi Arabia believed the price of oil was unacceptable. Separately, OPEC Secretary General Abdullah al-Bard said the list of invitees to the meeting would include executives from the private sector, including top executives from Goldman Sachs and Morgan Stanley as well as the major international oil companies. He said invitations would be sent shortly to OPEC members, energy ministers from other oil producing countries, representatives of major oil consumers, including US Energy Secretary Samuel Bodman and the EIA as well as the IEA.

Earlier, OPEC Secretary General Abdullah al-Badri appealed for calm, saying the high price of crude was unbearable and did not reflect any shortage of supply in the market. He said OPEC has spare crude capacity of 3 million bpd. He also said he supported Saudi Arabia's idea of holding a meeting between consumers and producers to discuss high oil prices. He stated that he hoped measures could

be taken to curb speculation in the market. Meanwhile, Kuwait's Oil Minister Mohammad al-Olaim said Kuwait supported Saudi Arabia's call for a meeting. Iran also welcomed a proposal by Saudi Arabia for a meeting between oil producers and consumers. Iran's OPEC governor, Mohammad Ali Khatibi said insufficient investment in the producing countries' oil industry, including exploration, was among reasons for the increase in oil prices. The UAE Energy Minister Mohammed al-Hamli called the recent price spikes "crazy" and added that the rally was unrelated to supply and demand fundamentals.

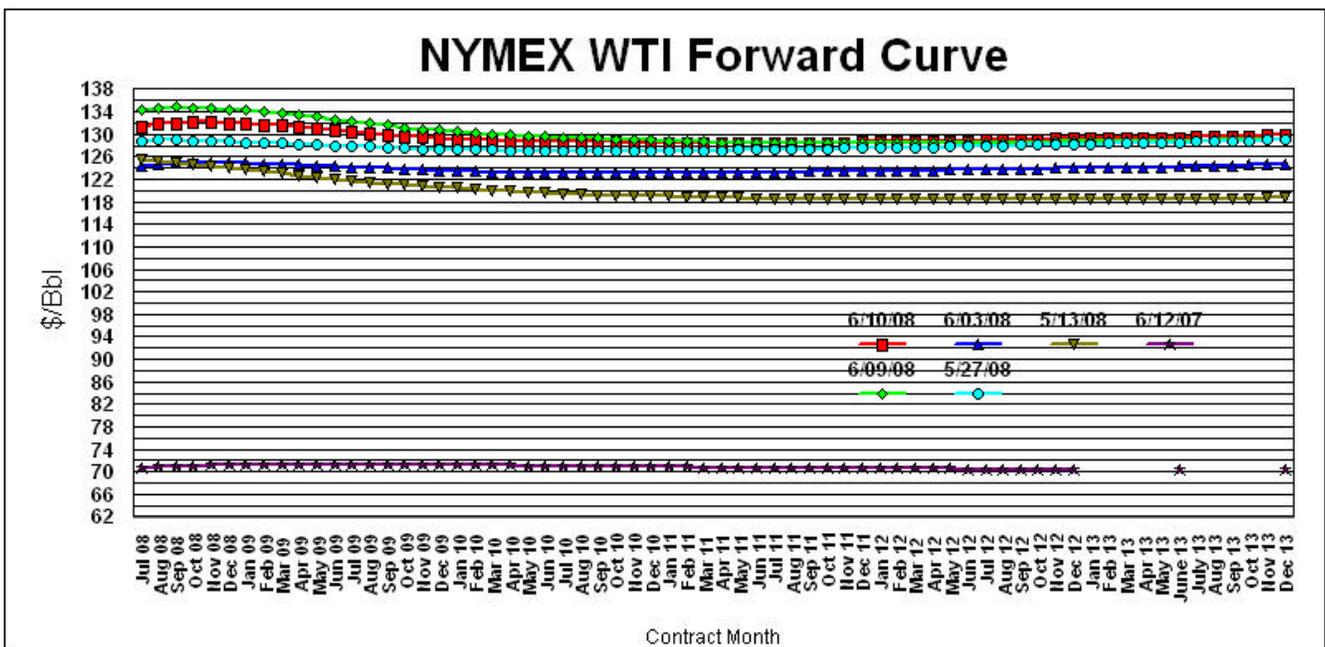
US Treasury Secretary Henry Paulson said that he did not think speculators were playing a major role in driving up oil prices. He also welcomed Saudi Arabia's call to hold a meeting between producing and consuming countries. Separately, he urged China to let its yuan rise to control inflation and said it should cut energy price controls to ease fuel and power shortages. He said it was critical for China to adopt a more flexible currency regime if it expects to protect its economy from runaway inflation. He also stated that China should stop subsidizing gasoline and other fuels because it would lead to higher demand and an eventual shortage.

A French Finance Ministry official said oil prices were at the top of the agenda for the Group of Eight meeting later this week.

The EU and the US threatened Iran with further sanctions unless it suspends its nuclear program. The measures, announced after US President George W. Bush held talks in Slovenia, would include steps to ensure Iranian banks cannot support proliferation and terrorism. President Bush said a nuclear armed Iran would be dangerous to peace and added that Iran could either face isolation or have a better relationship if it suspended its nuclear program. Meanwhile, EU foreign policy chief Javier Solana is expected to visit Iran on Sunday with a new offer of economic and political incentives.

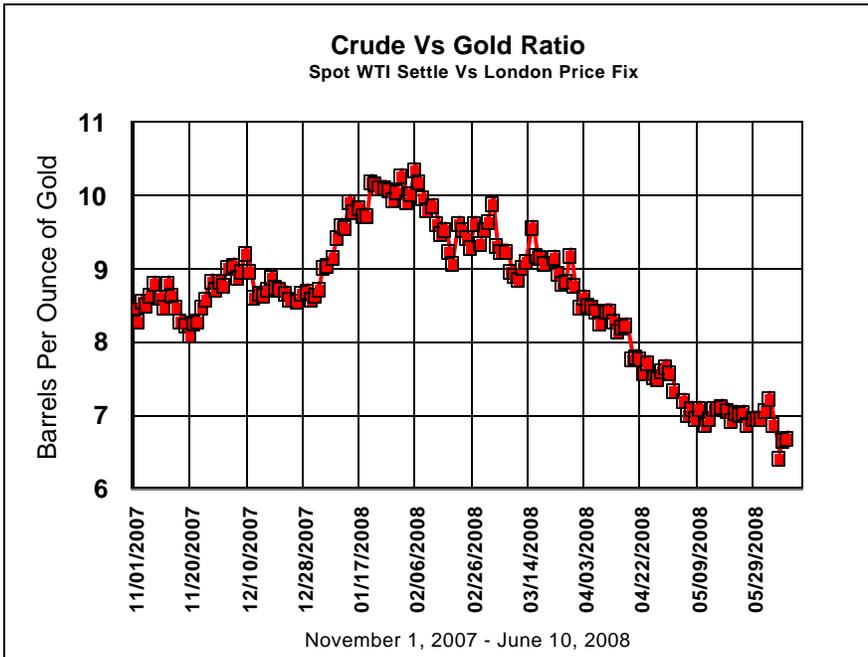
An Iranian daily reported that Iran was withdrawing assets from European banks. Iran's deputy foreign minister in charge of economic affairs, Mohsen Talaie said Iran was converting some of its foreign exchange assets into gold and equities. He said Iran was determined to transfer foreign assets and change their composition to try to neutralize the impact of international sanctions.

Iran's Defense Minister, Mostafa Mohammad Najjar warned Israel of a very painful response if it



launched a military strike over Iran's nuclear program. On Friday, Israeli Transport Minister Shaul Mofaz said an attack on Iran looked unavoidable. Meanwhile, Israeli Prime Minister Ehud Olmert asked ministers at the weekly cabinet meeting on Tuesday to refrain from discussing sensitive matter publicly.

Turkish warplanes attacked northern Iraq on Monday. They bombed a mountainous area that is home to rebel Kurdish separatists.



Chevron Corp and Nigeria's Pengassan is expected to meet on Tuesday in an attempt to avert a strike. The union has demanded the removal of Chevron's Nigerian subsidiary head, Fred Nelson. A strike may halt about 350,000 barrels of crude and 14 million cubic feet of natural gas of daily production.

A contractor working for Canada's Addax Petroleum was killed on Tuesday during an attempted robbery on an oil supply vessel in southern Nigeria. The company said its production facilities were not targeted in the attack.

The Unite union said UK oil tanker drivers and their employers are scheduled to begin two days of pay negotiations on Wednesday ahead of a planned strike. If the talks fall through, the tanker drivers plan to start a four day strike Friday morning.

Spain's Interior Ministry's traffic division said traffic to and from Madrid, Barcelona, Seville, Alicante and other cities were backed up behind trucks moving slowly on Tuesday, the second day of a nationwide strike over rising fuel costs. Some gasoline stations in Madrid and the northeastern Catalonia region have run out of fuel supplies. The government was meeting for a second day of talks Tuesday with the truckers' representatives. Spanish fishermen have also been on strike since May 30 to protest rising fuel costs.

According to the MasterCard Advisors, US gasoline demand fell by 3.8% on the year to 9.086 million bpd in the week ending June 6. It was up 0.5% on the week. Meanwhile, the average retail price of gasoline increased 3 cents to \$3.97/gallon.

Refinery News

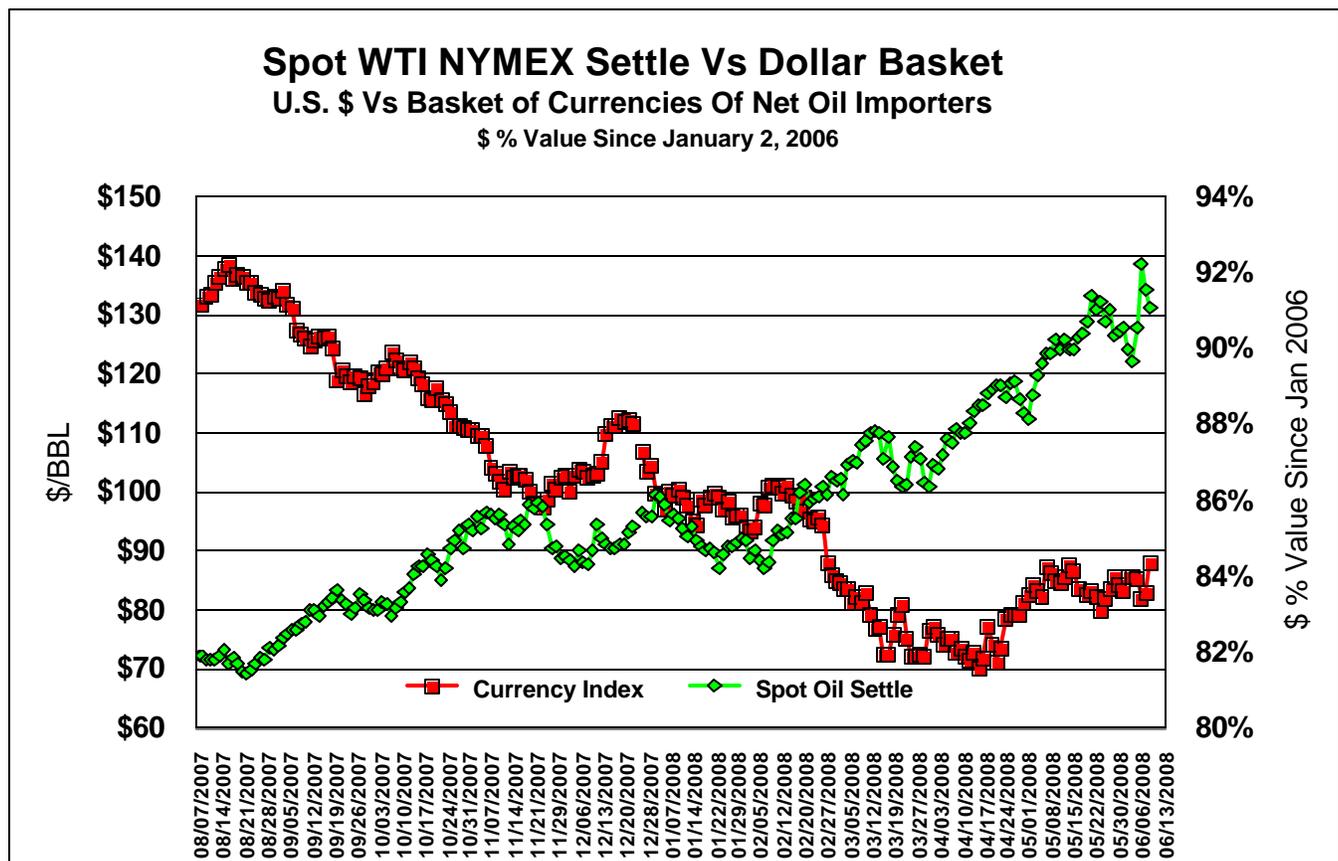
Delek US Holdings Inc said its 55,000 bpd refinery in Tyler, Texas resumed normal operations after a power failure briefly shut several process units. The power failure occurred as a result of a transformer failure.

Neste Oil said it expects a coking problem at its diesel production line in the Porvoo refinery to last through June, delaying a resumption of full diesel production. The diesel unit was restarted in late May

following a fire in April. The company said it needed to dissolve the carbon coke residues before normal production can resume. The problems at Porvoo and at other refineries in northern Europe have left the region's diesel market short of supply in recent months.

PetroChina shut its main fuel pipeline in western China on Tuesday as a precaution, as torrents from a quake lake formed by the May 12 earthquake threatened to damage the pipeline. PetroChina however said the temporary closure would not impact fuel supply in the region, which holds refined product stocks to last up to 20 days. The company said the pipeline should resume operations once inspections are completed but did not say how long it would take to complete the checks.

Star Petroleum Refining Co is scheduled to undergo an annual maintenance shutdown for 40 days starting in November. The shutdown is expected to lead to a rise in imports of liquefied petroleum gas



this year.

Petrobras is scheduled to build two new oil refineries in Ceara and Maranhao states in northeastern Brazil. The new refineries are expected to start operations in 2013 or 2014.

US ethanol capacity has increased by 40% on the year to 8.8 billion gallons/year. However some plans for new distilleries have been delayed amid rising consumption costs and tight credit markets. The US has 154 distilleries as of Tuesday, up 3 from late May. If all the new plans and expansions come on line total US capacity would be about 13.7 million gallons/year.

Production News

The North Sea Statfjord crude oil system is scheduled to load about 276,000 bpd in July, up from 256,500 bpd in June. The North Sea Oseberg crude system is scheduled to load about 213,000 bpd in July, up from 200,000 bpd in June.

Italy's Eni said it started production at its Oooguruk offshore field. The field has 90 million barrels of recoverable oil and would produce a maximum of 20,000 bpd of oil at its production peak in 2011.

India's Reliance Industries Ltd said it aimed to begin oil production in July-August from its D-6 block in the Krishna Godavari basin off India's east coast.

Thailand's crude oil imports this year are estimated to increase by 15% to 918,000 bpd. Meanwhile, Thailand's imports of refined oil products are likely to fall by 59% to 6,500 bpd.

Ecuador's central bank reported that the country's oil export revenue totaled \$3.73 billion between January and April, more than double the \$1.83 billion reported last year. It exported 44.23 million barrels in the first four months of the year, up 13% on the year from 39.13 million barrels last year.

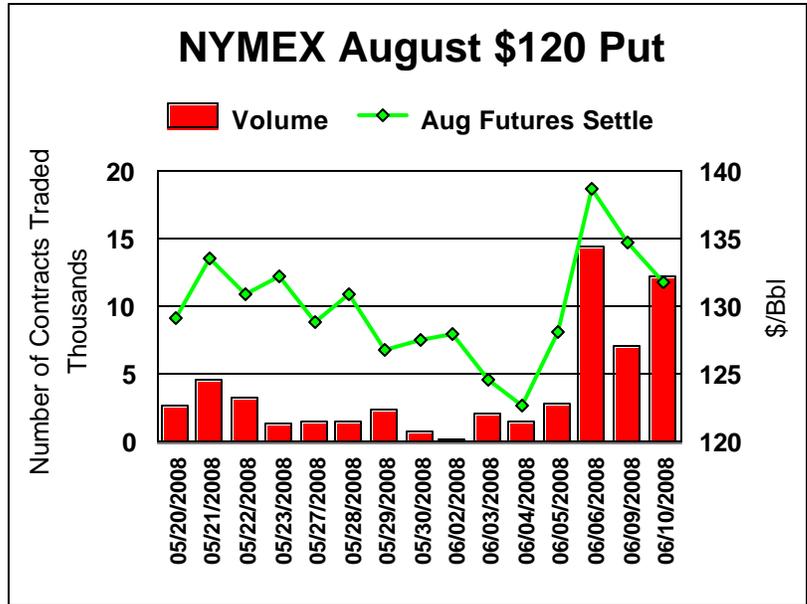
OPEC's news agency reported that OPEC's basket of crudes increased further to \$130.87/barrel on Monday, up from Friday's \$126.11/barrel level.

NYMEX Petroleum Oprions Most Active Strikes for June 10, 2008									
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV	
LC	12	8	P	100	11/17/2008	2.48	3,750	44.75	
LC	7	8	C	137	06/17/2008	1.52	825	48.88	
LC	7	8	C	140	06/17/2008	0.97	700	50.68	
LC	12	8	P	110	11/17/2008	4.56	650	44.20	
LC	7	8	P	120	06/17/2008	0.48	600	53.40	
LC	7	8	P	131	06/17/2008	3.41	500	50.56	
LC	12	8	C	150	11/17/2008	7.32	500	34.81	
LO	8	8	P	120	07/17/2008	2.9	12,306	46.27	
LO	8	8	P	110	07/17/2008	1.1	9,888	48.64	
LO	7	8	P	130	06/17/2008	2.93	5,608	49.21	
LO	7	8	P	120	06/17/2008	0.48	4,027	52.76	
LO	7	8	P	125	06/17/2008	1.27	3,772	50.52	
LO	8	8	P	130	07/17/2008	6.57	3,595	45.24	
LO	10	8	P	120	09/17/2008	5.65	3,510	41.28	
LO	12	8	C	145	11/17/2008	8.64	2,876	39.79	
LO	7	8	C	106	06/17/2008	25.32	2,855	68.98	
LO	7	8	P	132	06/17/2008	3.93	2,649	49.24	
LO	7	8	P	90	06/17/2008	0.01	2,520	96.44	
LO	7	8	C	140	06/17/2008	0.97	2,512	51.46	
LO	8	8	P	101	07/17/2008	0.38	2,075	50.73	
LO	12	8	C	68	11/17/2008	64.07	2,000	78.38	
LO	12	8	C	132	11/17/2008	13.27	1,905	39.42	
LO	12	8	P	132	11/17/2008	13.2	1,905	39.41	
LO	12	8	P	110	11/17/2008	4.57	1,859	40.48	
LO	7	8	P	115	06/17/2008	0.15	1,729	54.71	
LO	8	8	C	150	07/17/2008	2.36	1,650	47.93	
LO	12	8	P	100	11/17/2008	2.48	1,571	41.58	
OB	7	8	C	3.5	06/25/2008	0.0556	460	45.76	
OB	9	8	P	3.3	08/26/2008	0.2507	255	41.84	
OB	12	8	C	3.9	11/21/2008	0.1351	250	44.00	
OB	12	8	C	4	11/21/2008	0.1229	170	44.78	
OB	8	8	P	3.1	07/28/2008	0.1091	150	42.62	
OB	9	8	P	3	08/26/2008	0.118	150	41.55	
OH	12	8	C	4.32	11/21/2008	0.2941	412	43.41	
OH	7	8	P	3.4	06/25/2008	0.0156	400	44.37	
OH	12	8	C	4.26	11/21/2008	0.3084	340	42.96	
OH	12	8	C	4.28	11/21/2008	0.3035	253	43.11	
OH	12	8	C	4.34	11/21/2008	0.2896	241	43.58	
OH	7	8	P	3.7	06/25/2008	0.086	202	44.49	
OH	7	8	C	4	06/25/2008	0.0702	200	46.05	
OH	7	8	P	3.5	06/25/2008	0.0301	200	44.45	

Market Commentary:

As the dollar posted its biggest two-day gain against the euro since 2005, energy prices retreated for the second day in a row. Federal Reserve chairman, Bernard Bernanke's statements that economic risks are fading helped the dollar gain its strength. Demand for oil was also reduced by the IEA from

86.84 million barrels a day to 86.77 million barrels per day. Once the July crude oil contract traded back into the ascending channel on the spot continuation chart, prices fell another \$2.00. Slow stochastics and RSI's are still trending in neutral territory however, the stochastics appear to be getting ready to cross to the downside. With slight builds expected across the board in the DOE/API stats, we would look for a test of the \$124.25 support level. The July08/August08 crude oil spread has finally broken through the -.45 support level and traded as low as -.56 on the day. We would continue to look for this spread to come under pressure, with tests of the -64 and -95 support level basis the continuation chart for the front month spread. Heating oil, although under pressure, has not yet traded back within the upward channel on the spot continuation chart. With demand for diesel running high and exports from developing countries put on hold, this product should remain strong relative to the crude oil and gasoline. We believe that heating will continue to work higher with intermittent periods of consolidation. The fundamentals are supporting this market and do not appear to be letting up any time soon. Prices may still get as low as \$3.5450 and still remain bullish. The July heating oil crack spread continues to trend sideways between the range of \$28.55 and \$26.96. We would sell any failure to break above \$28.55 and buy and failure to dip below \$26.96 for quick in and out trading. Should this spread break



above the \$28.55, we would be buyers of the July08 heating oil and sellers of the July08 crude oil. Should this spread trade below the \$26.95 level, we would be sellers of the heating oil and



buyers of the crude oil. Total open interest for crude oil is 1,430,509 up 3,487,231, July08 282,411 down 30,686, August08 197,024 up 21,764, December 08 186,045 up 1,802. Total open interest for

heating oil is 213,960 down 3,441 July08, 57,661 down 6,871, August08, 31,839 up 1,386. Total open interest for gasoline, 250,445 up 3,928, July 73,856 down 3,835, August08, 38,612 up 2,588.

July Crude Support	July Crude Resistance
127.80, 124.25, 122.54, 120.65, 119.36, 109.60, 98.60, 85.40	141.00, 147.54, 150.00
Heating oil support	Heating oil resistance
3.8500, 3.7885, 3.6800, 3.5450, 3.5100, 3.3500, 3.1680, 3.0980	4.0338, 4.0475, 4.0640
Gasoline support	Gasoline resistance
3.3075, 3.1760, 3.0920, 3.0730, 3.0400, 3.0250, 2.9255	3.63.45, 3.755, 3.8655