



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JUNE 12, 2008

OPEC's President Chakib Khelil said OPEC would not increase its production at the upcoming meeting of oil producers and consumers on June 22. He said OPEC would not consider output target changes until its next meeting in September. He said there was no need to increase its output because current supply was exceeding demand by 500,000 bpd. Meanwhile, Venezuela's Oil Minister Rafael Ramirez expressed similar sentiments. He said the meeting would not yield an agreement to change oil production levels. Separately, Venezuela's President Hugo

Market Watch

Trade associations said pre-buy programs traditionally offered by heating oil dealers in May and June to lock in prices for next winter have not been offered oil prices continue to rally. Heating oil futures continue to rally to new high, a sign of further increases at the retail level that some experts say could bring prices over \$5/gallon. The New York Oil Heating Association said pre-buy programs may be offered if the market sees a correction.

A US congressional source said the US Commodity Futures Trading Commission and UK Financial Service Authority were working on a deal to impose position limits on WTI contracts traded on ICE.

Mexico's President Felipe Calderon said plans to allow more private investment into the state-run oil sector could increase economic growth by 1% a year. He said the government's target was for GDP to grow by 5% a year by the time his six year mandate ends.

US Agriculture Secretary Ed Schafer said the increased use of corn based ethanol was not a major cause for higher food prices in the US and added that he did not expect any significant change in the country's renewable fuels policy.

Morgan Stanley has booked 65,000 tons of Europe bound jet fuel from India for loading in early July.

BP Plc chairman Peter Sutherland said the world would not return to an era of cheap oil. However he added that he did not believe oil could reach \$250/barrel.

The US Commerce Department stated that US retail sales increased by 1% in May, double the expected increase, a sign consumers were using their stimulus payments and that the economy may not be as weak as previously feared. Separately, the Labor Department reported that the number of US workers filing new claims for unemployment benefits increased by an unexpectedly large amount last week. Initial claims for jobless benefits increased by 25,000 to 384,000 in the week ending June 7.

The Intercontinental Exchange announced that physical delivery against the expired June gas oil futures contract was 50 lots or 5,000 tons, down from 37,900 tons delivered in May.

Continental Airlines Inc said it would stop flights from its hubs to more than 40 domestic and international destinations as of September 3 amid high oil prices. It is the latest carrier to announce large cutbacks as they struggle with unprecedented oil prices. UAL Corp's United Airlines previously announced plans to cut jobs and flights following a similar move by AMR Corp's American Airlines.

May Calendar Averages

CL – 131.05

HO – 379.66

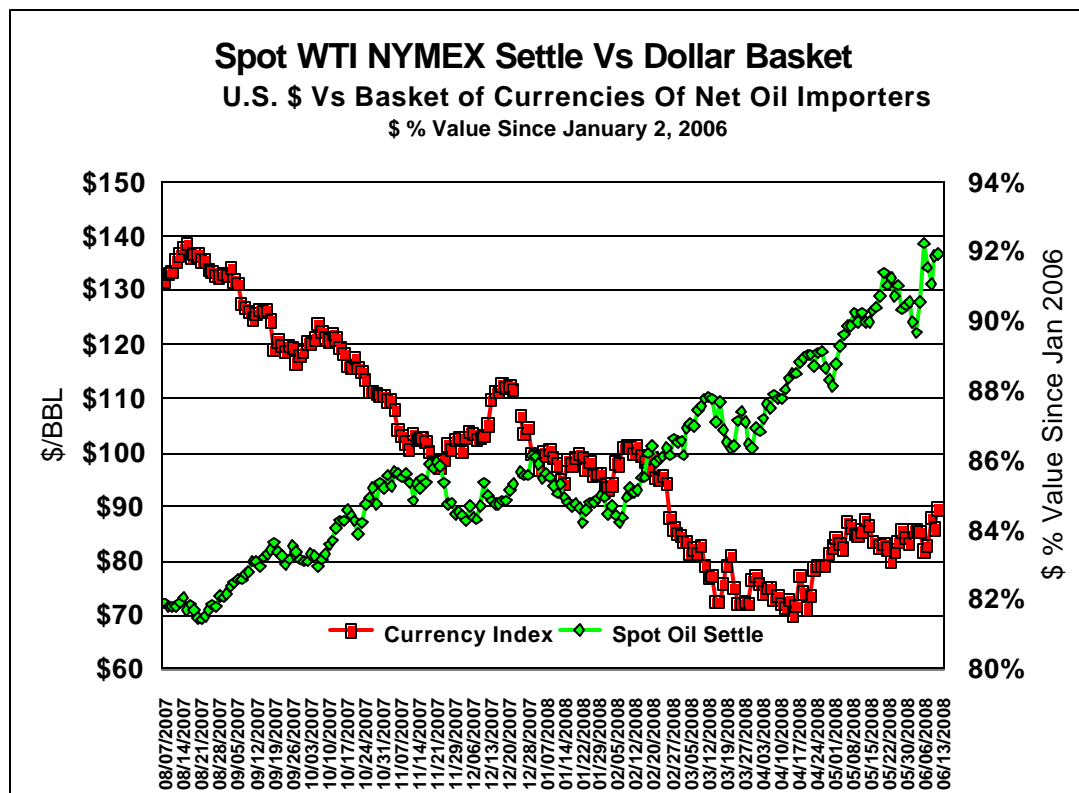
RB – 339.18

Chavez later said oil prices were higher than they should be but warned they could see a further rally. He warned oil prices could reach \$200/barrel.

Iraq's Oil Minister Hussain al-Shahristani said an increase in oil production by Saudi Arabia or other OPEC members would not ease high world oil prices because prices were supported by speculation.

Iran's OPEC governor Mohammad Ali Khatibi reiterated his call Thursday for more investment from producer countries, ahead of the oil summit in Saudi Arabia. He said the best outcome of the meeting could be more cooperation between producers and consumers to stabilize the market. Iran's Oil Minister Gholam Hossein Nozari said the world market was saturated and that OPEC was meeting demand.

The chairman of Libya's National Oil Corp, Shokri Ghanem said world oil supply was currently



sufficient however future supply was more of a concern as output nears a peak. In regards to high oil prices, he said speculation was playing an important role but it was not the only factor. He added that the erosion of the dollar, geopolitics, refinery bottlenecks, an increase in demand and concern that oil supplies may be approaching a

peak was supporting prices.

Britain's Prime Minister Gordon Brown confirmed that he would attend the oil summit on June 22. He also said he did not expect short term output increases from an oil summit in Saudi Arabia later this month. Meanwhile, Japan's Energy Minister Akira Amari is expected to join the June 22 meeting of oil producers and consumers. Separately, a White House official said the US was evaluating what would be accomplished at the summit. He said there were expectations that were generated and added that it was important that those expectations were met because it would have an effect on oil prices and the market.

Italy's Economy Minister Giulio Tremonti said Italy would propose measures to curb speculation in oil prices at a meeting of the G8 economic powers in Japan at the end of this week. He said he would

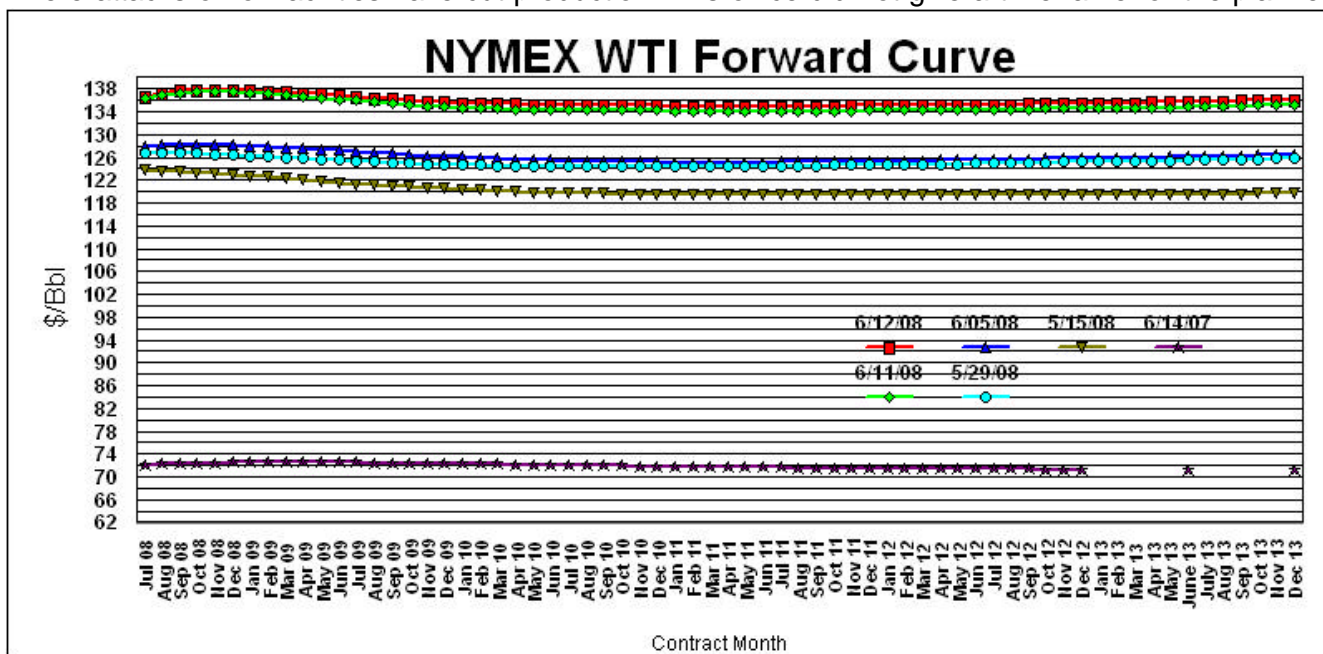
suggest increasing the amount of deposit required to trade on oil futures. High oil prices would be the main issue discussed by finance ministers of the US, Japan, Germany, Britain, France, Italy, Canada and Russia when they meet on Friday and Saturday.

The EIA reported that OPEC's net oil export revenue could average \$3.2 billion/day this year as oil prices remain strong. It said OPEC's oil revenue is expected to increase 75% to \$1.178 trillion this year.

According to Oil Movements, OPEC crude shipments are expected to increase by 390,000 bpd to 24.85 million bpd in the four weeks ending June 28. The majority of increase is expected to come from Middle East OPEC producers, whose shipments are expected to increase by 250,000 bpd to 17.88 million bpd.

Nigeria's senior oil workers' union, Pengassan, said that talks to avert a strike at the local unit of Chevron were not going well and renewed its strike threat. It said talks, which restarted on Tuesday with the aim of reaching a deal within a week were not progressing well. The union has been pushing for the transfer of the expatriate managing director from Nigeria.

Nigeria's vice president Goodluck Jonathan was drawing up plans for a summit on the Niger Delta, where attacks on oil facilities have cut production. His office did not give a timeframe for the planned



meeting. The committee would include governors, international oil firms, civil society groups and national security agencies.

India's transporter union, the All India Motor Transport Congress, has called for an indefinite strike starting July 2 to protest against recent increases in diesel prices, road tolls and high taxes. It said the strike would take 4 million trucks off roads next month, weaken diesel demand and possibly impact supply of goods and commodities.

Spain's government called on striking truck drivers on Thursday to return to work, warning they had no

NYMEX Petroleum Options Most Active Strikes for June 12, 2008								
Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	10	8	P	115	09/17/2008	3.51	2,100	47.69
LC	10	8	P	100	09/17/2008	1.21	2,000	49.33
LC	7	8	C	140	06/17/2008	1.89	1,200	49.67
LC	7	8	C	141	06/17/2008	1.59	1,000	49.96
LC	12	8	P	118	11/17/2008	5.84	850	45.17
LC	12	8	P	135	11/17/2008	12.64	850	45.95
LC	12	8	P	90	11/17/2008	0.89	750	45.77
LC	6	9	P	100	05/14/2009	4.71	500	44.54
LO	8	8	P	110	07/17/2008	0.8	7,209	52.85
LO	12	8	C	160	11/17/2008	7.28	6,951	41.77
LO	12	8	P	112	11/17/2008	4.23	6,271	41.68
LO	12	9	C	200	11/17/2009	6.87	5,300	37.26
LO	8	8	P	130	07/17/2008	4.77	4,722	48.24
LO	7	8	C	140	06/17/2008	1.89	4,716	50.57
LO	7	8	P	130	06/17/2008	0.92	4,252	51.94
LO	7	8	P	125	06/17/2008	0.29	4,171	54.03
LO	7	8	C	84	06/17/2008	52.74	3,650	173.07
LO	12	9	C	133	11/17/2009	22.13	3,650	36.75
LO	7	8	C	85	06/17/2008	51.74	3,650	168.84
LO	8	8	P	120	07/17/2008	2.12	3,613	50.42
LO	7	8	P	120	06/17/2008	0.07	3,479	55.68
LO	8	8	C	165	07/17/2008	1.61	3,463	52.84
LO	7	8	C	135	06/17/2008	4.14	3,182	50.44
LO	10	8	P	120	09/17/2008	4.73	2,556	44.11
LO	7	8	C	104	06/17/2008	32.74	2,000	97.09
LO	9	8	C	92	08/15/2008	45.84	1,875	62.95
LO	7	8	C	77	06/17/2008	59.74	1,650	204.10
LO	7	8	C	80	06/17/2008	56.74	1,650	190.45
LO	12	9	P	100	11/17/2009	6.73	1,650	37.37
LO	9	8	P	120	08/15/2008	3.58	1,635	47.09
LO	12	8	C	65	11/17/2008	72.91	1,600	89.35
LO	7	8	C	102	06/17/2008	34.74	1,550	103.99
LO	8	8	C	145	07/17/2008	5.19	1,526	48.80
LO	10	8	C	110	09/17/2008	30.26	1,500	48.33
LO	12	8	C	68	11/17/2008	69.91	1,500	83.85
OB	9	8	C	3.34	08/26/2008	0.3477	310	43.95
OB	9	8	P	3.36	08/26/2008	0.206	200	43.68
OB	9	8	C	3.36	08/26/2008	0.3369	200	43.93
OB	9	8	P	3.1	08/26/2008	0.107	155	43.53
OB	10	8	C	3.34	09/25/2008	0.2986	155	42.47
OB	10	8	C	3.26	09/25/2008	0.3417	150	43.30
OB	10	8	P	3.26	09/25/2008	0.2573	150	43.10
OH	9	8	C	4.15	08/26/2008	0.2494	250	44.09
OH	8	8	C	3.5	07/28/2008	0.5365	235	45.45
OH	7	8	P	3.5	06/25/2008	0.015	220	48.14
OH	7	8	P	3.6	06/25/2008	0.0283	200	48.07
OH	8	8	P	3.12	07/28/2008	0.0154	200	44.53

chance of prevailing in a strike that has led to shortages and panic buying of food and fuel. Prime Minister Jose Luis Rodriguez Zapatero said Spain was gradually returning to normal and promised zero tolerance of violence or other disturbances caused by protesters. The government signed an agreement on Wednesday with non-striking unions. It called for tax relief and other measures to cushion the effects of higher fuel prices. However it did not establish minimum rates for truckers' hauling services. Meanwhile, Portuguese truckers ended their strike late Wednesday after voting to accept a government package of measures to offset high fuel prices, including lower highway tolls and tax breaks.

An Iranian Foreign Ministry spokesman, Mohammad Ali Hosseini said US President George W. Bush's "spiteful attitude" would not affect Iran's nuclear ambitions. He said the desperate doings of the US leader could only strengthen Iran's will to pursue its nuclear program.

Refinery News

PDVSA has reduced operations at a delayed coker unit at its 640,000 bpd Amuay refinery.

Hess Corp said operations were restored at its 70,000 bpd refinery in Port Reading, New Jersey following a brief power outage on Wednesday.

Pasadena Refining Systems

Inc said in a filing with the Texas Commission on Environmental Quality that it planned to restart a fluid catalytic cracking unit at its Pasadena, Texas refinery late Wednesday after a brief outage earlier in the day.

Valero Energy Corp said a fluid catalytic cracking unit at its 210,000 bpd Delaware City, Delaware refinery was operating normally despite a scrubber problem. It said the 82,000 bpd fluid catalytic cracking unit was not shut and added that there was no impact to production.

Suncor Energy Inc said it would proceed with a C\$120 million or \$118 million expansion of its St. Clair ethanol plant in Sarnia, Ontario, increasing production of the biofuel to meet new blending requirements in Ontario. It said the expansion would double the capacity of the plant to 400 million liters/year. Construction is expected to start immediately and the expansion is seen completed by late next year. Suncor Energy also stated that it was in the planning stages of building a commercial demonstration facility to develop cellulosic ethanol in Colorado.

Bulgaria's 140,000 bpd Neftochim Burgas has been operating at a reduced rate since Saturday following a fire at its fluid catalytic cracking unit. Operations are expected to return to normal on Friday, when repair work on a furnace is expected to be completed.

France's Port of Marseille said French port workers were blocking the Fos-Lavera port for 48 hours starting on Thursday. A total of 43 ships were waiting at sea or blocked at the port, including 17 oil tankers. Meanwhile, France's CGT union said French port workers are scheduled to hold a 48 hour strike on June 17 and June 18, continuing a series of protests against the privatization of loading at state-run ports. The strike would coincide with the government presentation of the port reform at the National Assembly next week.

Shell is scheduled to ship a second 30,000 ton prompt gas oil parcel into Australia, after an explosion at a gas plant off Western Australia last week left many industrial users short of the fuel. Shell's latest diesel cargo takes the total diesel shipments to Australia to four cargoes or 120,000 tons.

Taiwan's Formosa Petrochemical Corp said it would not export 60,000 tons of spot diesel in the second half of July due to an unplanned shutdown at its 50,000 bpd hydrotreater next week. The hydrotreating unit at the 540,000 bpd Mailiao refinery would be shut for nine days from early next week for checks and has already started reducing production over the past two days.

A senior official at PetroChina said increased demand and relatively slow growth in supply have caused more diesel shortages across China. He said even though PetroChina sold 35.34 million tons of refined products in the local market in the first five months of the year, up 8.6% on the year, it was still not enough to meet domestic diesel demand. Separately CNPC, the parent of PetroChina, said it would import 600,000 tons of refined oil products in June while it increased its crude processing by 6% on the month.

Traders said China's fuel oil imports for May increased slightly to 2.2 million tons from 2.13 million tons in April. Imports for June are forecast to fall by about 15-20% versus May levels, as outright prices show no sign of easing. China purchased a total of 8.59 million tons of fuel oil between January and May.

Indonesia's Pertamina is expected to buy up to 3 million barrels of sweet crude for August arrival. It is up from 1.2 million barrels scheduled for July and the highest since April, when it purchased 3.2 million barrels.

Gasoline stocks in independent storage in the Amsterdam-Rotterdam-Antwerp terminal fell by 38,000 tons on the week but increased by 257,000 tons on the year to 913,000 tons in the week ending June 12. Gas oil stocks built by 90,000 tons on the week but fell by 535,000 tons on the year to 1.38 million barrels while fuel oil stocks built by 20,000 tons on the week and by 239,000 tons on the year to 749,000 tons. Naphtha stocks fell by 8,000 tons on the week but increased by 81,000 tons on the year to 120,000 tons and jet fuel stocks built by 28,000 tons on the week and fell by 132,000 tons on the year to 236,000 tons.

Singapore's International Enterprise reported that the country's residual fuel stocks increased by 2.963 million barrels to 23.863 million barrels in the week ending June 12 due to weak demand. It reported that Singapore's light distillate stocks fell by 740,000 barrels to 9.152 million barrels while distillate stocks fell by 1.628 million barrels to 8.141 million barrels on the week.

Russia's Transneftproduct warned Hungarian energy company MOL Nyrt it could not guarantee the security of diesel flows after July 1 due to a dispute between Russia and Ukraine. Hungary receives 90,000 metric tons of 0.2% sulfur diesel a year from Transneftproduct.

Production News

Nigeria's President Umaru Yar'Adua said the country aimed to increase its oil production to 4 million bpd by 2010 from its current production level of 2 million bpd. Separately, he also stated that Nigerian National Petroleum Corp would take over operations in the Ogoni district of southern Nigeria from a Royal Dutch Shell joint venture. He said the removal of Shell would calm down unrest by local residents of Ogoniland. However Shell has not produced oil in Ogoniland since 1993 following protests by local people demanding a greater share of oil wealth and the clean up of oil pollution.

Saudi Arabia notified its customers in Asia that it would supply full contracted term volumes in July. A source also stated that Saudi Arabia would keep its July crude supplies to Europe unchanged from June.

A two day strike by workers at ConocoPhillips' Bantry Bay oil terminals in southwestern Ireland has not interrupted operations at the facility. Also operations at the company's 71,000 bpd Whitegate refinery had not been disrupted.

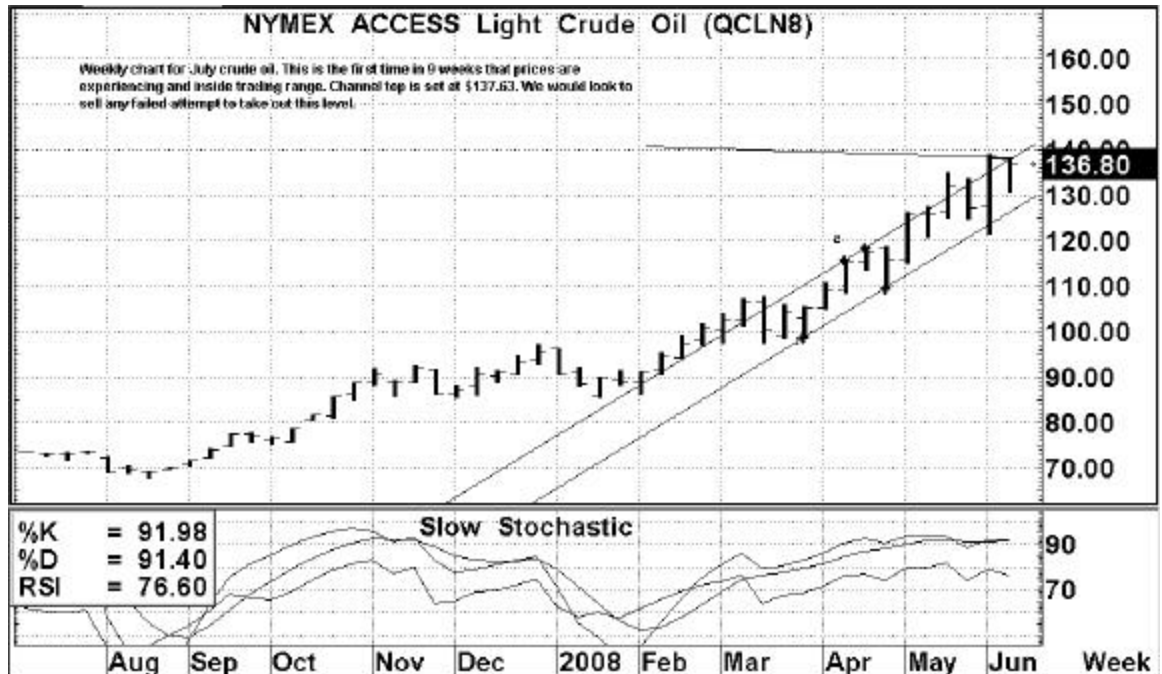
Sources stated that oil production from India's Panna-Mukta fields, halted by an explosion on a platform, is likely to resume next week while gas output may take longer to resume. Initial output at the field would be less than 40,000 bpd as work on gas processing systems on the platform would take longer to complete.

Brazil's Petrobras said it planned to have its Tupi oil field fully operational by 2015, with output of at least 500,000 bpd by 2020. It has estimated its recoverable reserves at the subsalt Tupi field at between 5 billion and 8 billion barrels.

An Iraqi oil official said Iraq increased the July official selling price for its Basra Light and Kirkuk crude to buyers in the US. The price of its Basra Light crude bound for the US was increased by \$2.40 on the month to a discount of \$7.70 to the second month WTI contract while the price of its Kirkuk crude was increased by \$2.60 to a discount of \$6.35 to first month WTI. The price of its Basra crude bound for Europe was cut by 75 cents to a discount of \$9.25 to BFO while the price of its Kirkuk crude was cut by 25 cents to BFO minus \$7.90. Meanwhile, the price of its Basra Light crude bound for Asia was increased by 5 cents to a discount of \$3 to the Oman/Dubai average.

Market Commentary:

A strong dollar and better than expected retail sales put pressure on prices as the economic outlook began to take on a greenish hue. Retail sales for May were up 1%, twice as much as expected. This gave investors



hope that the Federal Reserve would raise interest rates, causing investors to exit the market. In an effort to revitalize oil production in Nigeria, the Nigerian National Petroleum state oil company, has said that it would take over operations in the Ogoni district of southern Nigeria from Royal Dutch Shell. Approximately 20% of Nigeria's oil production has been shut in since 2006, due to violence by militants. The July crude oil still remains inside the ascending channel based upon a weekly chart. Slow stochastics and RSI's for this chart are still in over bought territory, indicating that this market is due for a correction to the downside. The channel for this week comes in at \$137.63 and \$126.03. Should prices stay within this range for the week, it will be the first time in nine weeks that the market was unable to break out of the previous week. In the past when this happened, the market resumed its bullish trend the following week, however slow stochastics and RSI's were not as high as they are now and some of the fundamentals were more supportive. Based on this we would look to sell any failed attempt to trade above the top of this channel. Upon examination of the July08/August08 crude oil spread, it is quite possible that the weakness on this spread could be coming to an end. Reason being, the index rolls have technically come to an end and if this market moves lower, length is most likely in the August contract. Any length that will be terminated will come more from the August contract, thereby putting it under pressure and artificially giving strength to the July basis spread value. Slow stochastics and RSI's for this spread are awfully low, indicating an over sold market. Gasoline continued its move higher, trading and settling above the pennant formation on the daily chart. We would look for continued higher prices on this product, with an attempt to reach the \$3.6180 breakout target. Due to our supportiveness for this market and our not so supportiveness for crude oil, we would look for gasoline cracks to strengthen and for the July gasoline crack to test its recent high of \$16.50. Heating oil experienced an inside trading range, settling .0321 lower on the day. Although we saw a lower move today, we cannot be over excited about it. This appears to be a minor pause in the market prior to moving higher. Based on this we would look to buy dips in this market and would exit should the July contract trade below \$3.8000. Total open interest for crude oil is 1,426,071 up 7,332, July08 223,786 down 14,355, August08 246,353 up 25,347, December 08 187,917 up 360. Total open interest for heating oil is 217,755 up 3,321 July08, 49,304 down 2,809, August08, 38,506 up 3,830. Total open interest for gasoline, 254,516 up 6,030, July 66,13 down 197, August08, 45,297 up 3,303.

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
3.8000, 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, 309.20, 3.0730, 3.0400, 3.0250, 2.9255	3.63.45, 3.755, 34655