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ENERGY MARKET REPORT FOR JUNE 13, 2007

Iran's President Mahmoud Ahmadinejad shrugged off the West's criticism of Iran's nuclear program and added that the possible new sanctions would not harm Iran. He said the previous two rounds of sanctions imposed by the UN Security Council had no negative impact on the country and reiterated that Iran would not give in its right to pursue peaceful nuclear technology under any circumstances.

Meanwhile diplomats stated that the UN's IAEA believed Iran could be running 8,000 centrifuges enriching uranium by year end. Despite Iran's progress in shifting from a small

Market Watch

Gasoline spot arbitrage flows from Europe to the US have been rising sharply this month. Shipping brokers said between 42 and 48 gasoline cargoes had so far been booked for loading in Europe between June 1 and June 25, amounting to 1.5-1.8 million tons of gasoline. It is up from an estimated total of 1.3-1.5 million tons in May.

The US energy industry has cut its production of heating oil in favor of cleaner, higher profit fuels such as diesel, a move that could see the country relying more heavily on imports next winter. Analysts said the move has led to a sharp fall in heating oil stocks but they added that it was unlikely the US would face a crunch due to the wide availability of foreign shipments.

The White House said President George W. Bush would likely veto a pending US Senate energy bill that would seek to outlaw gasoline price gouging. The White House warned that it would also recommend the President to veto the bill if a provision is added that would allow the US to sue members of OPEC for setting the price of oil and oil products above competitive levels. The White House said it was concerned that foreign nations could take retaliatory action and lead to a reduction in oil available to US refiners. Meanwhile, the US House of Representatives Natural Resources Committee passed a broad energy bill that includes provisions that repeal laws designed to accelerate the oil and gas permitting process.

Former Federal Reserve Chairman Alan Greenspan said he saw a potential fiscal crisis for Mexico if oil production continued to fall and prices stop rising.

US State Department Deputy Assistant Secretary Matthew Bryza said the US was holding talks with Iraq and Turkey to restart Iraqi gas production and exports to Europe. He said Turkey, Iraq and the US planned to continue talks on developing Iraq's energy sector. He said Iraq could be linked up to the Baku-Erzurum pipeline. Channeling Iraqi gas through the pipeline would add a new source of gas to Europe's supply mix and weaken the dominance of Russian gas monopoly Gazprom.

Platts announced that it planned to introduce assessments for lower sulphur gas oil barges and cargoes in Europe starting in October. It said it planned to introduce assessments for 0.1% sulphur gasoil from October 1. New EU rules from January 2008 would cut in half the maximum sulphur content in gas oil to 0.1%.

IntercontinentalExchange announced that total trading volume since the launch of its Middle East Sour Crude futures contract surpassed 50,000 contracts on Tuesday. Open interest as of the close of business Tuesday was 4,524 contracts. Total accumulated volume in ICE Middle East Sour crude futures from the May 21 launch date through June 12 stood at 52,224 contracts. Average daily volume since the launch is over 3,000 contracts.

DOE Stocks

Crude – up 100,000 barrels
Distillate – up 300,000 barrels
Gasoline – unchanged
Refinery runs – down 0.4%, at 89.2%

nuclear fuel research program towards an industry in the past few months, it remained unclear whether Iran could spin so many centrifuges in unison indefinitely.

Separately, Britain, France and Germany told the IAEA's board of governors in a joint statement that Iran would face further sanctions if Iran refused to change course. Britain's

IAEA ambassador John MacGregor said a package of trade and industrial benefits as well as a suspension of sanctions, remained on offer if Iran first suspended its program.

OPEC's President Mohammed al-Hamli said crude oil supply to the world markets was sufficient and added that the increase in oil prices was due to political tensions and refining industry bottlenecks. He reiterated that OPEC wanted market stability. His comments came a day after the IEA said there was a need for more OPEC oil to meet stronger than expected demand.

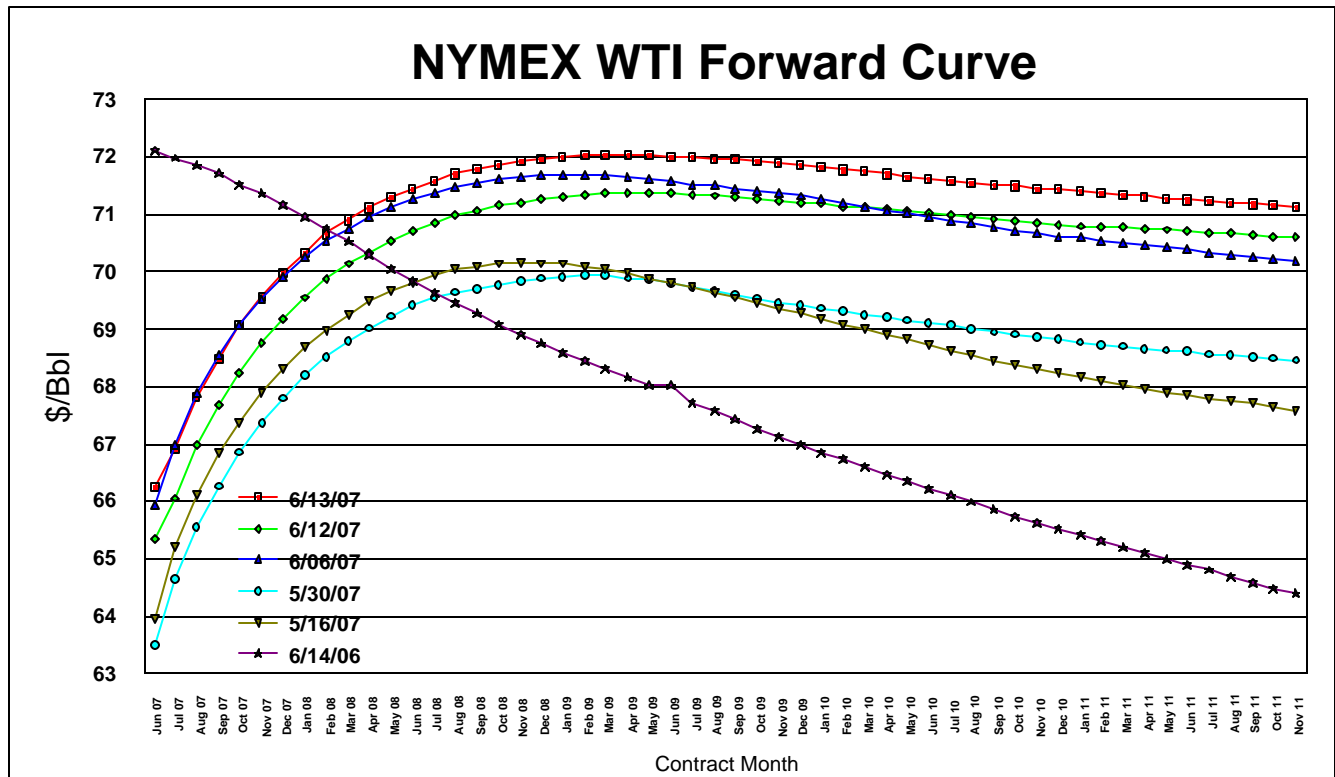
US Energy Secretary Sam Bodman said OPEC should weigh recent projections for higher crude demand this year and increase its output if appropriate. He also stated that high prices was mostly due to refining capacity restraints in the US and elsewhere but added that he was worried about lagging US output.

Refinery News

Valero Energy Corp shut a 26,000 bpd fluid catalytic cracking unit at its 90,000 bpd refinery in Ardmore, Oklahoma for unplanned maintenance. The unit is expected to be down for a week. Valero anticipates loses of about 26,000 bpd of gasoline and 7,300 bpd of diesel.

Citgo Petroleum Corp shut a naphtha accumulator in the East Plant at its 156,000 bpd refinery in Corpus Christi, Texas on Tuesday after a flange broke.

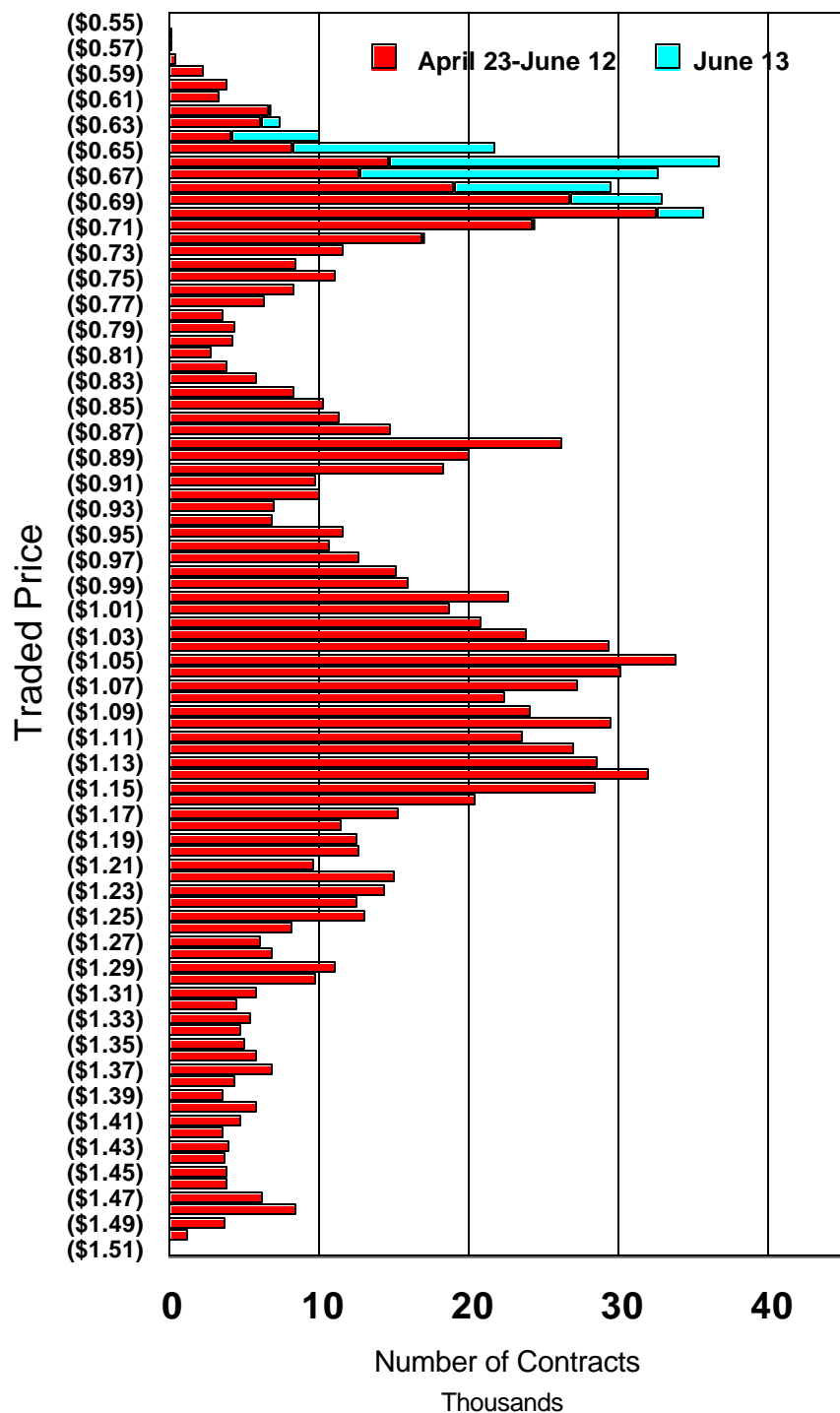
Hovensa LLC is expected to cut its rates on a 190,000 bpd crude distillation unit at its 500,000 bpd



NYMEX WTI: July August Spread

Price Vs Volume for April 23 - June 13, 2007

Trade Weighted Avg: 6/13 -.665 6/12 -.69



refinery. Rates on the No. 6 unit would be reduced in mid-July as the heat exchangers to the unit are cleaned.

Reliance Industries Ltd's Jamnagar refinery was operating normally following reports that a delayed coker unit was shut. Earlier, trader sources stated that it shut a 160,000 bpd delayed coker unit. They said throughput at the 660,000 bpd refinery would be reduced by about 20%.

Indonesia's Pertamina said it would likely import 4.5 million barrels of crude in July, up from 4 million barrels in June.

Production News

The July loading program for North Sea Gullfaks scheduled the loading of 11.12 million barrels, up from 10.26 million barrels in June.

The Shetland Island Council reported that Brent crude liftings fell to 172,058 tons in the week ending June 12, down from 487,138 tons in the previous week.

Venezuela's PDVSA said Venezuela would take back a total of 26 oil drills and related equipment in the next few months that had been leased to outside companies. A PDVSA official said the move would consolidate the government's hold on the oil industry. The process is expected to take a few months.

Kazakhstan's State Statistics

Agency reported that the country raised its oil and gas condensate production by 8.2% on year to

28.07 million tons in January-May. Its oil production along increased by 5.4% on the year to 22.858 million tons.

Russia's Lukoil has won the right to explore three blocks in the Turkmen section of the Caspian Sea. It was not clear whether the blocks in the Caspian Sea contain oil or gas.

According to Germany's MWV, total sales of oil products in Germany fell by 16.6% on the year in May to 5.91 million metric tons. It reported that gasoline sales fell by 3.8% to 1.91 million tons while diesel sales fell by 4.6% to 2.43 million tons. It reported that heating gasoil fell by 44.4% to 1.1 million tons while high sulfur fuel oil fell by 18.2% to 470,000 tons.

The Petroleum Association of Japan reported that Japan's refineries increased overall production in the week ending June 9. Refiners ran their facilities at an average of 73.8% of total capacity of 4.83 million bpd, up 6% on the week. The increased refinery use pushed down crude stocks 0.8% or 820,000 barrels to 106.41 million barrels. It reported that gasoline stocks totaled 13.19 million barrels, up 250,000 barrels on the week. It was the first increase in four weeks. Japan's kerosene stocks built by 910,000 barrels to 14.68 million barrels while its naphtha stocks increased by 240,000 barrels to 11.33 million barrels.

Ecuador's Central Bank reported that the country's average oil production fell by 8% to 501,983 bpd in the first four months of the year from 545,967 bpd last year. It reported that Petroecuador's production averaged 255,025 bpd in the first four months while private companies' oil production averaged 246,958 bpd.

Petroecuador approved the development of the Panacocha oilfield that holds about 65 million barrels of crude in proven reserves. The Panacocha oilfield is a key project for Petroecuador to recover its output, which has fallen in recent months to about 170,000 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$65.39/barrel on Tuesday, up from \$65.04/barrel on Monday.

Market Commentary

Unexpected draws in Padd 1 gasoline stocks gave strength to prices across the board. Traders were attributing the run-up due to the fact that gasoline imports are not making their way into the New York harbor. The July crude contract traded above the consolidation area between 64.25 and 66.15 up to 66.48, only to retreat back to the top of this pattern. We would like to see a settlement above 65.97 at week's end

in order to allow for further upside movement and given the recent price action, this is a good possibility. Resistance in the July contract is

| Technical levels | | |
|------------------------------------|--|--|
| | Levels | Explanation |
| CL 66.26, up 91 cents | Resistance 66.72, 67.32, 68.15 66.48 | Previous highs Wednesday's high |
| | Support 66.15, 65.58, 64.91 64.87, 64.75, 64.50, 64.25 | Wednesday's low Previous low |
| | Resistance 197.70, 199.15 197.18 | Previous highs Wednesday's high |
| HO 196.20, up 4.81 cents | Support 195.65, 194.10, 192.25, 190.42 189.73, 188.92, 187.32 | Wednesday's low Previous lows |
| | Resistance 218.58, 223.00 217.50 | Previous highs Wednesday's high |
| RB 215.53, up 2.03 cents | Support 215.00, 213.90, 210.16 209.76, 207.80 | Wednesday's low Friday's low, Previous lows |

set at **66.72**, 67.32, and **68.15**. Support is set at **66.15**, 65.58, 64.75, 64.50 and 64.25. This is the first time that the July7/Aug7/Sept7 butterfly has traded $-.20$ since March 21st. Prior to its expiration the June7/July7/Aug7 fly traded out to $-.45$. We would look for this front month fly to test the $-.45$. We would like to sell Aug, buy July and Sept. The RBOB market settled in positive territory in light of supportive inventory reports. The market, which breached its support, posted a low of 210.19 early in the session but quickly bounced off that level following the release of the DOE report. The market extended its gains to 4 cents as it rallied to a high of 217.50. The gasoline market later retraced some of its gains ahead of the close and settled up 2.03 cents at 215.53. Meanwhile, the heating oil market settled up 4.81 cents at 196.20 after the market bounced off its low of 190.42 and rallied over 5.7 cents to a high of 197.18 in light of the inventory reports. The market was well supported amid the concerns over the declining production of heating oil ahead of next winter. The product markets will likely retrace some more of its sharp gains. The RBOB market is seen finding resistance at 217.50 followed by 218.58 and 223.00. Meanwhile support is seen at 215.00, 213.90 and 210.16 followed by 209.76 and 207.80.