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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 15, 2007

Palestinian
Finance Minister
Salam Fayyad
was confirmed
as the new
Palestinian
Prime Minister.
He replaced
Ismail Haniyeh
of Hamas, who
was fired by
Palestinian
President
Mahmoud
Abbas after
Hamas took
control of Gaza

by force. The new Prime Minister called for unity among Palestinians and urged people to remain calm as fighters from his Hamas movement consolidated their hold in Gaza. He promised to restore security the territory. Meanwhile, Hamas' exiled chief Khalad Mashaal said Hamas recognized Mahmoud Abbas as the Palestinian President and said it was willing to work with him for the good of the national interest of the Palestinians. Arab foreign ministers were in an emergency meeting on the split in the Palestinian territories and the militant Hamas' takeover of Gaza. Separately, UN Secretary General Ban Ki-moon renewed support for Palestinian President Mahmoud Abbas and called for restoration of calm.

According to a draft audit report for the International Advisory and Monitoring Board found that a system to track extraction, production and sale of the oil lacked proper controls that has led to the mismanagement of funds. It said previously expressed concerns over the lack of monitoring and financial management of Iraq's oil had not been addressed.

Refinery News

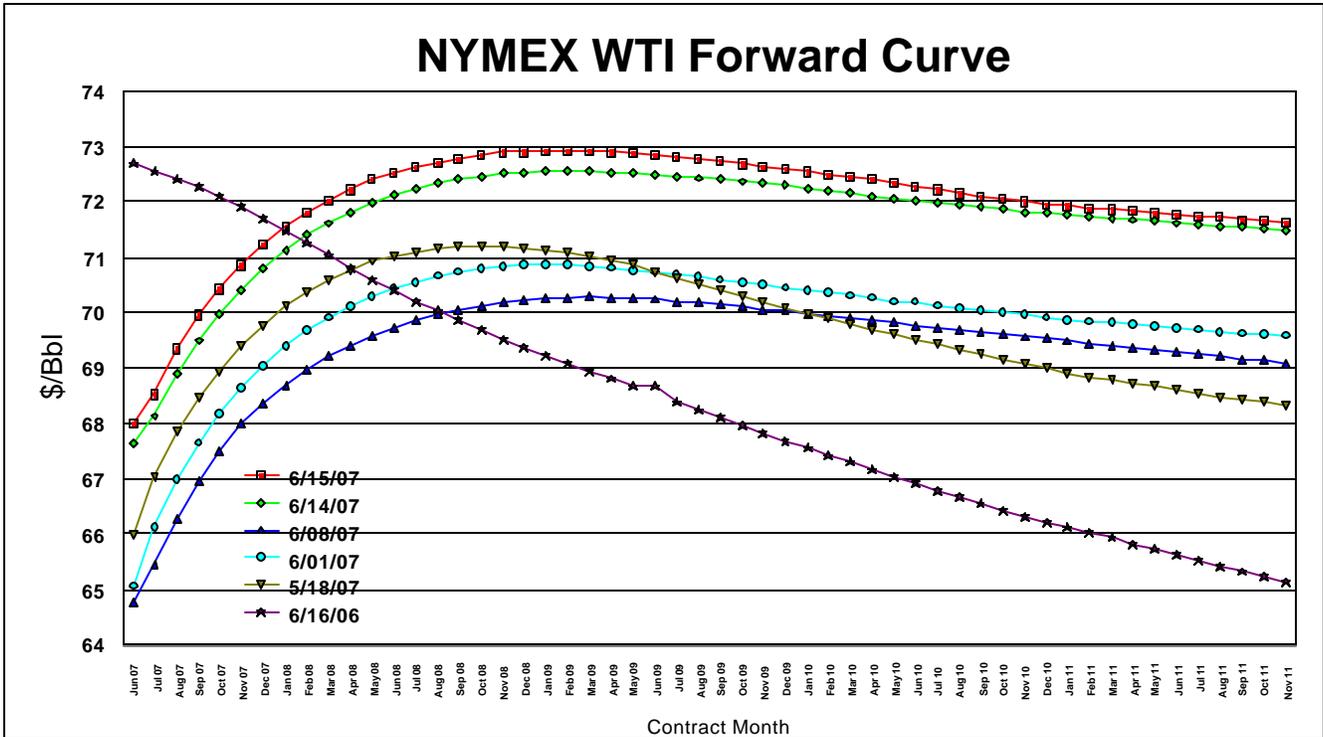
Valero Energy Corp shut a 12,000 bpd hydrocracking unit in the East Plant of its Corpus Christi, Texas refinery on Thursday. The hydrocracker was shut due to the loss of a filter seal. The shutdown could last through Friday afternoon.

Market Watch

Saudi Arabia has booked a ULCC and two VLCC to carry 7 million barrels of crude to the US in June. The spot charters were booked to load in mid to late June and discharge in the US Gulf.

The NYMEX announced that it was exploring a sale for \$14.3 billion. NYMEX executives have met with counterparts at NYSE Euronext, Deutsche Boerse AG and Chicago Mercantile Exchange Holdings Inc. This is amid the mergers between exchanges as they seek to cut costs and broaden their product range.

Goldman Sachs said in its quarterly earnings statement that its value at risk increased by 15% to \$92 million. It said it shifted away from commodities and towards stocks, currencies and interest rates. Value at risk allocated to commodities fell to \$24 million in the three months ended in May, down from \$30 million in the three months ending in February.



Flint Hills Resources said it was shutting down a coker unit at its 288,000 bpd refinery in Corpus Christi, Texas for maintenance on Friday. The maintenance outage is seen lasting four days. A report filed with the Texas Commission on Environmental Quality did not indicate the reason for the repairs or whether the shutdown would have any impact on production.

Total said the main blower at its 240,000 bpd Port Arthur, Texas refinery tripped due to lightning on Thursday afternoon. It was restarted about 4 hours later.

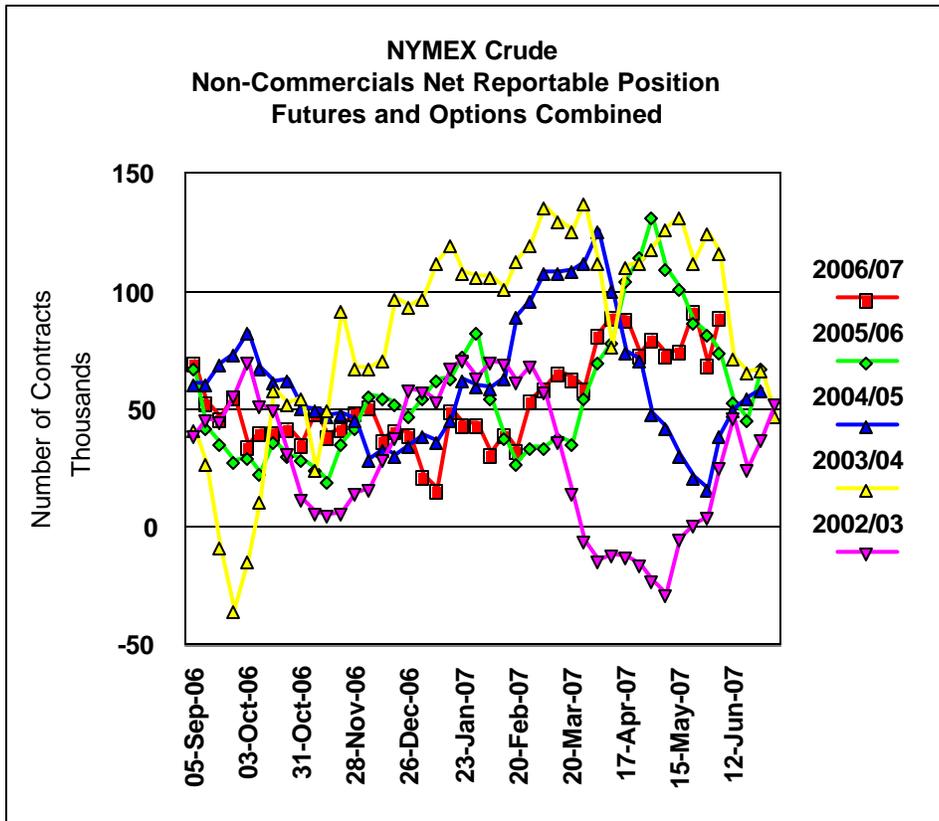
Alon USA said that a 22,000 bpd diesel hydrotreater unit would be shut at its Big Spring, Texas refinery for a few hours after a storm briefly caused a power outage. It is not expected to have any impact on production.

BP PLC's Whiting refinery may be able to increase the amount of crude oil being processed there and increase its gasoline production by the end of June. The refinery may make light use of one of the two crude units that have been undergoing maintenance since April. It would increase gasoline production by 20,000 bpd. A source stated that reports of a problem with the sole functioning crude unit were incorrect.

Shell Oil said an internal floating roof tank has been out of service for inspection and repair and is expected to start up on May 17.

Enbridge Energy Partners LP said it was seeking commitments for 80% of the proposed 45,000 bpd capacity expansion on the North Dakota crude oil pipeline system before it would proceed with the project. The proposed project would increase the total capacity of the North Dakota system to 155,000 bpd.

PDVSA has indefinitely delayed the restart of a crude unit at its 640,000 bpd Amuay refinery as rain has delayed the completion of repairs to the unit. The unit has been down since March for planned maintenance.



Sources stated that South Korea's SK Corp would shutdown its No. 5 260,000 bpd crude distillation unit for unplanned maintenance at the end of July. The shutdown would last three or four days.

Production News

BP said operations at its Prudhoe Bay oilfield in Alaska was normal, dismissing rumors that production was down due to an operational problem with the Trans Alaska pipeline.

According to the Renewable Fuels Association, US ethanol production capacity has increased about 2.3% in less than a month to more

than 6.28 billion gallons per year and is set to reach 8 billion gallons/year by the end of the year. It said the US has 121 ethanol distilleries, up two in less than a month, with 75 plants under construction and 7 undergoing expansion. If all the new plants and expansions come on line in 2008 or later, total capacity would be above 12.5 billion gallons/year.

Royal Dutch Shell has tightened security for staff in Nigeria's Niger Delta on Friday as a precaution after the release of a former militia leader. Shell told its non-essential staff to stay home and restricted the movement of others because of uncertainty over how Thursday's court decision to free Mujahid Dokubo-Asari on bail would play out in the Niger Delta. Meanwhile, the former militia leader pledged to continue his struggle for local control of oil wealth but not in a criminal way. Separately, the Movement for the Emancipation of the Niger Delta said it was encouraged by the former militia leader's release. A coalition of militia groups, the Joint Revolutionary Council said it was ending attacks it has waged on the oil industry. However gunmen on Friday kidnapped two Lebanese construction workers in the Niger Delta, increasing the number of hostages to 22.

A PDVSA official said Venezuela's oil industry was not affected by a blackout that hit the western portion of the country for several hours on Thursday. Storms hit an electricity plant that affected the country's electricity grid but the planned protocol was immediately implemented. By dawn on Friday electricity had largely been restored.

A.P. Moeller-Maersk said Danish Underground Consortium's oil production from the Danish part of the North Sea fell by 4.6% on the month in May to 265,5000 bpd. It is down from last year's level of 301,500 bpd. The year to date total oil production stood at 41.3 million barrels.

Kazakhstan's President Nursultan Nazarbayev said the country planned to extend its Chinese oil pipeline all the way to the Caspian Sea to give China direct access to energy supplies. The Atasu-Alashankou pipeline could send China 5 million tons of Kazakh oil a year or 100,000 bpd and could be expanded to supply four times that amount.

Russia's Lukoil said it planned to quadruple its oil and gas condensate production in Kazakhstan in the next 10 years from 5 million tons to 20 million tons or 100,000 bpd to 400,000 bpd.

According to China's General Administration of Customs, China's gasoline exports continued to increase in May by 81.4% on the year to 480,000 tons. For the January-May period, exports of gasoline increased by 64.3% on the year to 2.74 million tons. It reported that kerosene exports stood at 360,000 tons, up 26.5% on the year. It also reported that China imported 2.45 million tons of fuel oil in May. Its fuel oil imports in January-May fell by 0.5% on the year to 11 million tons.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$66.74/barrel on Thursday from \$65.56/barrel on Wednesday.

Market Commentary

The July crude oil contract managed to settle over the weekly channel after eleven weeks. Technically speaking this market is now out of its pattern of consolidation and should continue higher next week. We would like to buy dips in the July down to 67.66 with stops set below 67.40. Our objective for this move would be 68.65 with possible stretches to 69.59. Resistance is set at 68.47, 68.65, 69.03 and 69.59. Support is set at 67.66, 67.42, 66.95, 66.68 and 66.15. The July crude contract is due to expire on the 20th of June, but there should still be time to sell the July/Aug/Sept fly, selling the body and buying the wings. This fly is trading at -.28, and as mentioned earlier we would look for moves to -.45. As for the Dec07/Dec08 spread, it has been trading with in a 1.00 range from -2.55 to -1.59 since the beginning of May and appears to be losing strength. We would look for a test of the -1.59 level again and as a result would like to sell the Dec08 and buy the Dec07. Should this spread penetrate -1.55, we would look to add to our position. Meanwhile, the RBOB market continued to trend higher in light of some refinery problems. The market bounced off a low of 222.00 and extended its gains to over 5.4 cents as it rallied to a high of 227.96 early in the session. The market however retraced little more than 38% of its early gains and settled in a sideways trading pattern during the remainder of the session as

the market remained supported ahead of the weekend. The market settled up 3.54 cents at 226.01. The heating oil market also settled down 55 points at 201.06 after

Technical levels		
	Levels	Explanation
CL 68.00, up 35 cents	Resistance 68.47, 68.65, 69.03, 69.59 68.29	Friday's high
	Support 67.66, 67.42, 67.24 66.95, 66.68, 66.15	Friday's low
HO 201.06, down 55 points	Resistance 206.75 202.68	Previous high Friday's high
	Support 201.00, 200.40, 200.00 197.42, 195.80, 195.71, 194.18	Friday's low 38% retracement(188.92 and 202.68), Previous low, 50%, 62%
RB 226.01, up 3.54 cents	Resistance 231.90, 232.97, 234.19 227.96	Double top, Previous highs Friday's high
	Support 225.35, 222.00 221.16, 219.06, 216.96, 215.00	Friday's low 38% retracement (210.16 and 227.96), 50%, 62%, Previous low

the market bounced off a low of 200.00 and rallied to a high of 202.68 early in the day. Similar to the RBOB market, the heating oil market erased some of its gains and traded mostly sideways ahead of the close. The product markets will likely retrace some more of its gains on Monday, however as its losses are still seen limited. The RBOB market is seen finding support at 225.35 followed by its low of 222.00. More distant support is seen at 221.16, 219.06, 216.96 and 215.00. Resistance is seen at 227.96 followed by 231.90, 232.97 and 234.19.

The Commitment of Traders report showed that non-commercials in the crude market continued to increase their net long position by 9,556 contracts to 64,471 contracts in the week ending June 12. The combined futures and options report showed that non-commercials in the crude market increased their net long positions by 10,906 contracts on the week to 99,321 contracts, the highest net long position held since last August. Given the market's move in recent days and the increase in open interest, the non-commercials have likely continued to add to their net long positions. The non-commercials in the RBOB market increased their net long position slightly by 352 contracts to 32,708 contracts while non-commercials in the heating oil cut their net long position by 8,798 contracts to 8,358 contracts on the week.