



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 16, 2008

UN Secretary General Ban Ki-Moon said after meeting with Saudi Arabia's Oil Minister Ali al-Naimi that Saudi Arabia would increase its production to 9.7 million bpd in July from its current production of 9.45 million bpd. Saudi Arabia's King Abdullah said oil prices

were abnormally high and was willing to do all that was possible to bring prices to their appropriate levels. However refiners in Asia said that they were not likely to buy more Saudi crude at current prices. The extra 250,000 bpd would come on top of the 300,000 bpd it promised to pump this month, most of which appeared to head West as margins for simple refiners in Asia fell to their deepest losses in over 10 years. Saudi Arabia said the oil producer-consumer meeting it has called represented its intention to play a positive role for a stable oil market and global economy. Separately, market participants said Saudi Aramco has held steady its July crude oil allocations for European buyers. Last week, Aramco also informed Asian customers it would supply full term contract volumes.

Market Watch

Federal Reserve chairman Ben Bernanke is not expected to increase interest rates because he is more worried about increasing oil prices slowing global growth than he is about rising inflation. The Washington Post said there was a difference in outlook on the world economy between Fed chairman Ben Bernanke and European Central Bank President Jean-Claude Trichet, who has hinted that the ECB would raise rates to fight inflation.

Increasing food and fuel prices increased euro zone inflation to a new record high of 3.7% year on year in May.

While executives, elected leaders and economists disagree on the probability that oil would rally to \$250/barrel as predicted by Gazprom's chief executive Alexei Miller, there is consensus that the price would impact everyday life. Analysts believe that food prices would double, companies would go bankrupt, the US, Japan and Europe would fall into deep recession and gasoline prices would surge to \$7/gallon.

US Energy Secretary Sam Bodman said he could not confirm talks of an increase in Saudi Arabia's oil production to 9.7 million bpd in July. He however stood firm in his view that rising oil prices reflect increasing worldwide demand. Meanwhile the White House said it did not expect the Saudi hosted meeting this weekend to result in any commitments to increase production. White House spokesman Tony Fratto welcomed the announcement by UN Secretary General Ban Ki-Moon that Saudi Arabia told him it would

June Calendar Averages

CL – 131.72

HO – 380.30

RB – 340.24

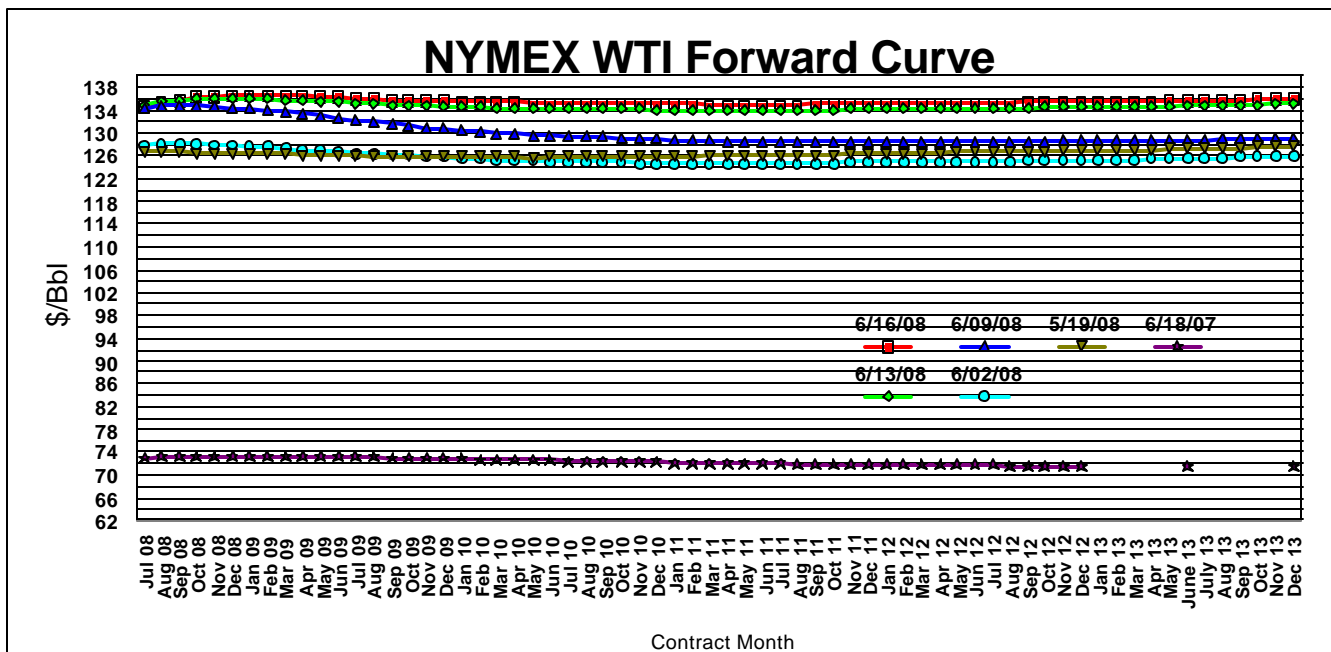
increase its production in July.

Following talks, the energy ministers of the UK and the UAE, Malcolm Wicks and Mohammad al-Hamli said they hoped a Saudi hosted oil meeting on June 22 would help halt the surge in crude prices.

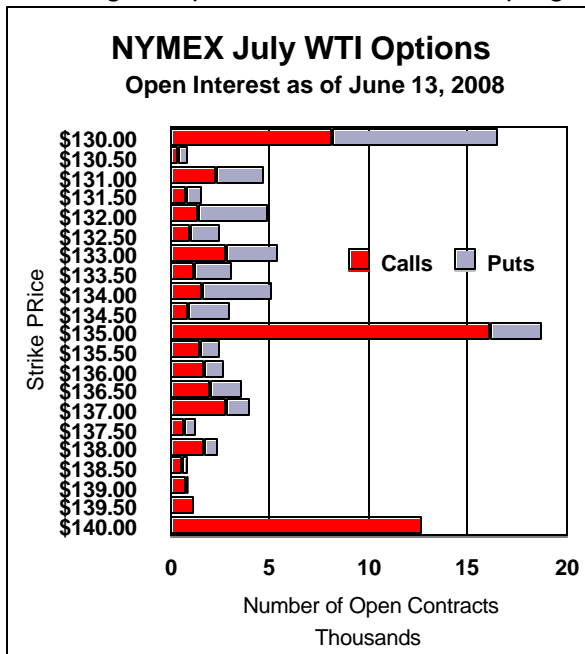
Protests against rising fuel prices which have triggered fears of political instability and a world economic downturn expanded in Europe and Asia on Monday. On Monday, French truckers began blocking roads in the latest protest to pressure the government to help them cope with the rise in fuel costs. In South Korea, construction workers joined striking truckers in the latest blow to new President Lee Myung-bak, who said inflationary pressures were creating the largest world economic crisis in 30 years. A major Thai truckers group, which threatened to block the country's capital, Bangkok, this week agreed to postpone the protest after the government promised to help the transport sector deal with the increasing fuel cost. Meanwhile, in Colombia freight drivers were also due to stage a nationwide strike on Monday.

The G8 meeting warned that increasing commodity prices may cut into growth but failed to offer any plan to curb the increase in oil prices or quell increasing protests. They reiterated their call of the past four years for producers to pump more crude and consumers to use it more efficiently. They said record fuel and food costs threatened to spur inflation. The G8 ministers also indicated they were less worried that tight credit posed an obstacle to growth than they were when they met in April. During the meeting, US Treasury Secretary Henry Paulson warned that the oil market's rally could prolong the US economic downturn. Britain's Energy Minister Malcolm Wicks said high oil prices were impacting those countries least able to afford it. He added that an imbalance in demand and supply, which is partly behind the price spike could last for years. France's Economy Minister Christine Lagarde said France asked the IMF and the IEA to investigate the functioning of the market. She said the world needed more clarity on the market mechanisms behind rising oil prices. Germany's Economy Minister Michael Glos said the world economy could be under threat if oil prices remained too high for too long.

Iran's deputy foreign minister in charge of economic affairs, Mohsen Talaie said Iran has withdrawn about \$75 billion from Europe to prevent the assets from being blocked under threatened new sanctions over Iran's nuclear program. He said part of Iran's assets in European banks have been converted to gold and shares and another part has been transferred to banks in Asia. On Saturday, Iran ruled out suspending its uranium enrichment despite the offer by the five permanent members of the UN Security Council and Germany to help in developing a civilian nuclear program if it stopped activities the US and others suspect are designed to make nuclear weapons. However European



Union foreign policy chief Javier Solana and Iranian officials agreed to continue with efforts aimed at resolving a dispute over Iran's nuclear program.



Britain's Prime Minister Gordon Brown, in a press conference following a meeting with US President George W. Bush, warned that Europe was prepared to agree to intensify sanctions against Iran if it failed to respond appropriately to offers of partnership and dialogue. He said the Iranians did not have to choose a path of confrontation and Britain would do everything possible to maintain dialogue with Iran. President Bush said Iran's demand for nuclear power for civilian purposes was justifiable but could be met by Russia's offer to supply them with fuel. He said pressure was necessary to solve the problem diplomatically but added that all options were on the table. Later European Union foreign ministers said they agreed on a new round of sanctions against Iran's financial, oil and gas sectors.

Iran's Hojjatollah Ghanimifard said the government planned to ask parliament for \$7 billion to pay for fuel

imports during the Iranian year that ends in March 2009. He however warned that the amount needed during the Iranian year may be increase further if international prices continue to rise.

The EIA reported that the US average retail price of gasoline increased by 4.3 cents to \$4.082/gallon in the week ending June 16th. It also reported that the US average retail price of diesel was unchanged at \$4.692/gallon on the week.

Refinery News

ConocoPhillips said a fluid catalytic cracking unit at its 247,000 bpd Alliance refinery in Belle Chase, Louisiana was restarted. The unit was shut for unplanned work in early June.

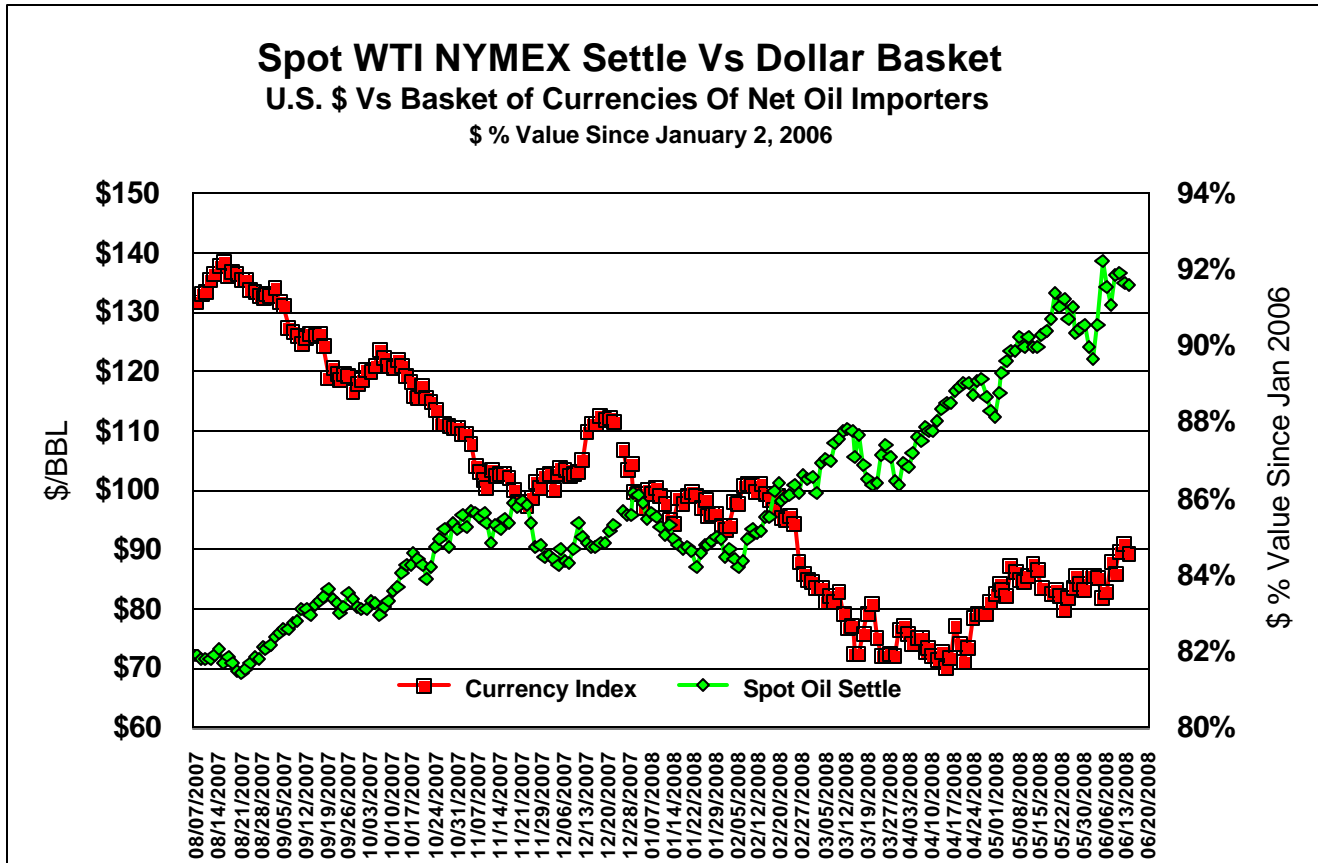
VeraSun Energy Corp said it was delaying the opening of two Midwest ethanol distilleries, each with a capacity of 110 million gallons/year, until market conditions improved. The plants were to be built in Welcome, Minnesota and Hartley, Iowa.

Lithuania's Mazeikiu Nafta oil complex was shut down after electricity supply problems developed on Monday. It said investigations were underway to establish the reasons for the outage in the refinery complex's electricity supply.

The port authority said a five day strike at France's oil port of Fos-Lavera near Marseille on Monday blocked 35 oil tankers.

China's refinery production in May fell on the year for the first time in five years to 27.78 million tons or 6.54 million bpd, turning China into a net gasoline importer for the first time. China's gasoline production fell by 6.4% on the year to 4.799 million tons. China pumped 16.18 million tons of crude in May, up 1.8% on the year. Sinopec and PetroChina increased their fuel imports and cut back domestic refinery runs after tax cuts by China made buying gasoline and diesel from international markets a better bargain than producing it domestically. China imported 338,572 tons of gasoline

while exports were 160,000 tons. Diesel imports of 700,000 tons were the third highest on record while fuel oil imports reached a ten month high of 2.86 million tons.



South Korea's Hyundai Oilbank Corp said it was experiencing delays in delivering crude oil products from its refinery due to a massive strike by the country's truck drivers. South Korean truckers have been on strike since last week after talks on higher pay and cheaper diesel prices broke down.

South Korea said it may ease regulations on gasoline imports as part of a drive to cushion the impact of increasing crude oil prices. Under current regulations, a minimum oxygen content of 0.5% is required for all gasoline used domestically, with a maximum content limit of 2.3%.

German residential heating oil stocks fell to 44% of capacity on June 1, the lowest level in over 20 years as consumers delay refilling their tanks due to record high prices. It is down from 45% on May 1 and 53% on the year.

Production News

Norway's StatoilHydro said it shutdown 150,000 bpd of oil production due to a fire at the Oseberg A platform this weekend. It has restarted some production going through the field center and aims to resume the rest as soon as the damages on the involved parts of the facility have been repaired. It said it restarted production at its Veslefrikk and Brage field in the North Sea.

Chevron said the Agbami offshore oilfield in Nigeria is on track to produce its first oil in June. The field is expected to reach its peak output of 250,000 bpd within a year of start up.

NYMEX Petroleum Options Most Active Strikes for June 16, 2008

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	10	8	P	135	09/17/2008	11.02	2,350	47.81
LC	10	8	C	135	09/17/2008	12.22	2,350	37.54
LC	12	8	P	120	11/17/2008	6.82	950	45.81
LC	7	8	C	135	06/17/2008	1.31	600	52.70
LC	1	9	P	115	12/16/2008	6.09	600	45.80
LC	10	8	P	125	09/17/2008	6.54	500	46.98
LC	10	8	C	150	09/17/2008	6.83	500	40.12
LC	12	8	P	105	11/17/2008	2.99	500	46.23
LC	9	8	C	165	08/15/2008	2.49	500	46.35
LO	8	8	P	130	07/17/2008	5.06	8,310	48.43
LO	8	8	P	120	07/17/2008	2.14	6,002	50.23
LO	7	8	C	140	06/17/2008	0.14	5,419	53.47
LO	12	8	C	80	11/17/2008	56.7	5,200	64.37
LO	8	8	C	200	07/17/2008	0.12	5,184	59.57
LO	7	8	C	160	06/17/2008	0.01	3,700	122.28
LO	10	8	P	60	09/17/2008	0.01	3,000	54.56
LO	7	8	C	125	06/17/2008	9.62	2,803	59.75
LO	8	8	P	115	07/17/2008	1.31	2,802	51.48
LO	12	8	C	85	11/17/2008	51.9	2,600	58.73
LO	12	8	C	75	11/17/2008	61.59	2,600	71.16
LO	7	8	P	135	06/17/2008	1.7	2,539	53.19
LO	8	8	P	110	07/17/2008	0.76	2,219	52.70
LO	8	8	P	105	07/17/2008	0.4	2,057	53.48
LO	7	8	P	131	06/17/2008	0.32	1,850	53.07
LO	12	8	P	130	11/17/2008	10.77	1,850	41.23
LO	7	8	C	135	06/17/2008	1.31	1,723	53.19
LO	7	8	P	130	06/17/2008	0.19	1,719	53.54
LO	7	8	C	145	06/17/2008	0.01	1,575	58.06
LO	8	8	P	100	07/17/2008	0.21	1,573	54.97
LO	8	8	C	140	07/17/2008	5.62	1,560	48.57
LO	9	8	P	95	08/15/2008	0.4	1,550	51.21
LO	12	8	C	140	11/17/2008	12.69	1,501	41.32
LO	12	11	P	90	11/16/2011	6.91	1,500	31.65
OB	12	8	P	3.2	11/21/2008	0.3001	550	40.36
OB	7	8	C	3.5	06/25/2008	0.0759	362	47.95
OB	9	8	P	3.31	08/26/2008	0.2096	300	44.47
OH	7	8	C	3.6	06/25/2008	0.2561	170	45.76
OH	7	8	C	4.3	06/25/2008	0.0083	160	48.30

Iraq's Oil Ministry said it was inviting international companies to submit bids to drill two exploration wells in the southern oil fields. It said one well needed to be drilled in each of South Rumaila and Luhais oil fields. Separately, Iraq's Oil Exploration Co said it opened a tender to drill two deep exploration wells at large oilfields in the south of the country.

PT Pertamina said it is expected to start crude production at Indonesia's Cepu oil blocks in December this year at 8,000 bpd, lower than initially targeted due to problems with locals over access to land.

Kazakhstan's State Statistics Committee said the country's crude oil exports fell by 0.1% to 19.92 million tons in January-April 2008. Its oil products exports increased by 5.6% to 1.224 million tons.

Angola's August crude oil plan has scheduled the loading of nine Girassol cargoes, eight Kissanje cargoes, seven Nembe, six Cabinda, eight Dalia, eight Hungo, three Mondo, three Saxi, one Xikomba, six

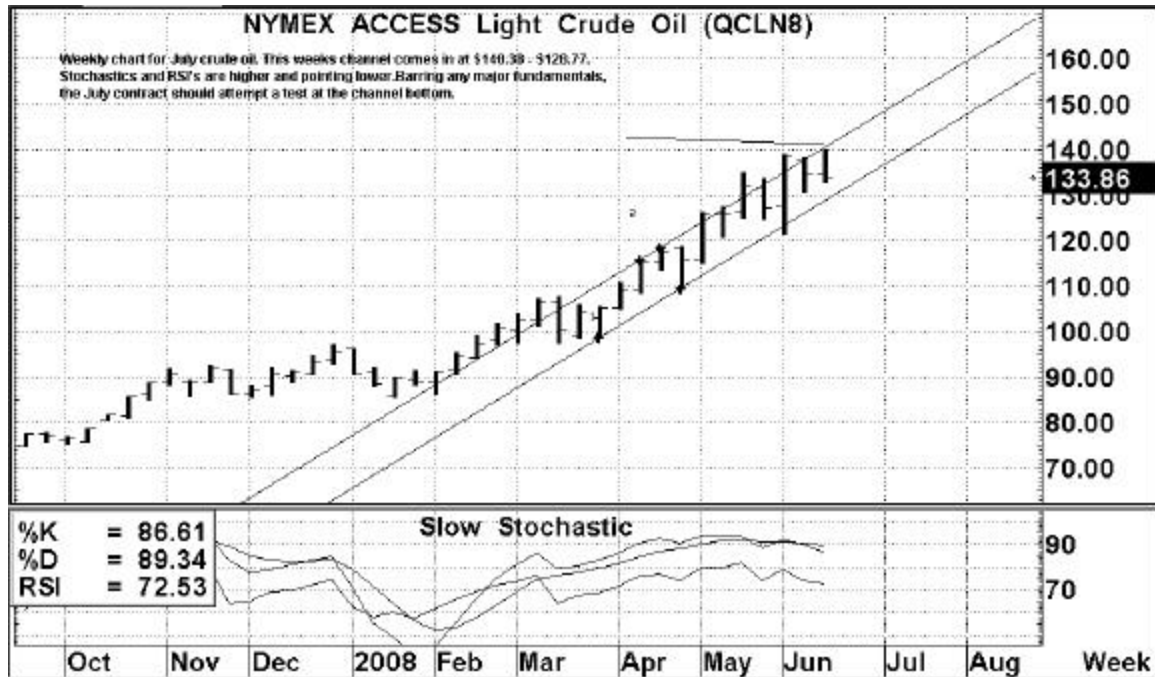
Plutonio and two Kiuto cargoes. Most grades are set to load in 950,000 barrel cargoes while the Plutonio is expected to load in 1 million barrel cargoes. Also one Kiuto cargo is expected to consist of 985,000 barrels.

Chevron Corp signed a letter of intent with Transneft to consider the possibility of joint participation in projects associated with the designing, construction and use of the pipeline infrastructure in Russia and abroad.

OPEC's news agency reported that OPEC's basket of crudes increased to \$130.52/barrel on Friday from \$129.77/barrel on Thursday. OPEC's basket of crudes also increased by \$8.29/barrel to \$129.74/barrel in the week ending June 13.

Market Commentary:

A fire over the weekend at StatoilHydro's 150,000 barrels per day Osberg oil and gas field, pushed crude oil to another record high. This record high was short lived as the Saudis made a statement that they will up production by 200,000 barrels per day beginning next month.



The July crude oil contract experienced an outside trading session, breaking out of both the top and bottom of the pennant formation on a daily chart. Basis a weekly chart, depicted in this wire, the July crude oil held the top of the channel set at \$140.37. Both the slow stochastics and RSI's on this chart are still in overbought territory but are pointing downward. The channel low comes in at \$128.77 and barring any major surprises in the API/DOE reports on Wednesday, we would look for a test at the channel low. The July08/August08 spread did not perform as we had hoped it would and in fact settled .12 cents weaker on the day. Our train of thought was that the August would experience more pressure due to lengths exiting their positions in that contract. At this point, we cannot discount our original objective of -.95 cents, but as the July nears its expiration, we would look for this spread to slightly firm up. The spot month crude oil fell, as did the basket of currencies, which has been stuck in a range of 83% - 85% since the beginning of May. Typically, these two measurements move in opposite directions, however, this was not the case as the dollar also showed signs of weakness against the euro. This can be viewed as a sign that the price of crude oil, is way over valued and may sustain further pressure. Gasoline also achieved a new record high, topping out at \$3.5762. It did, however sell-off, but held the bottom of the pennant formation on the spot continuation chart. Technically, this market can rebound, as slow stochastics and RSI's are still trending in neutral territory. We would look for a period of sideways activity and therefore would look to buy and sell this product at the listed support and resistance numbers. Heating was the only market today, not to experience a new record high, indicating underlying weakness in this product. As with the gasoline, heating oil should also experience further sideways activity, but with greater potential for further down side movement. At this point in time we would be more inclined to sell any failed attempts to trade above \$3.9500. Total open interest for crude oil is 1,394,229 down 9,102, July08 172,409 down 18,996, August08 272,396 up 8,856, December 08 187,355 up 3,262. Total open interest for heating

oil is 215,968 down 2,039 July08, 43,341 down 3,438, August08, 40,730 up 1,008. Total open interest for gasoline, 255,305 down 4,676, July 59,025 down 3,557, August08, 51,119 up 293.

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
3.4200, 3.3690, 3.3075, 3.1760, 3.09.20, 3.0730, 3.0400, 3.0250, 2.9255	3.63.45, 3.755, 3.4655