



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 18, 2007

Italy's Eni said 27 people including 11 soldiers were being held hostage at one of its oilfield stations in Nigeria on Monday after the facility was overrun by militants a day earlier. The 40,000 bpd Ogbainbiri flow station was one of two oil plants in the Niger Delta invaded by armed men on Sunday.

Market Watch

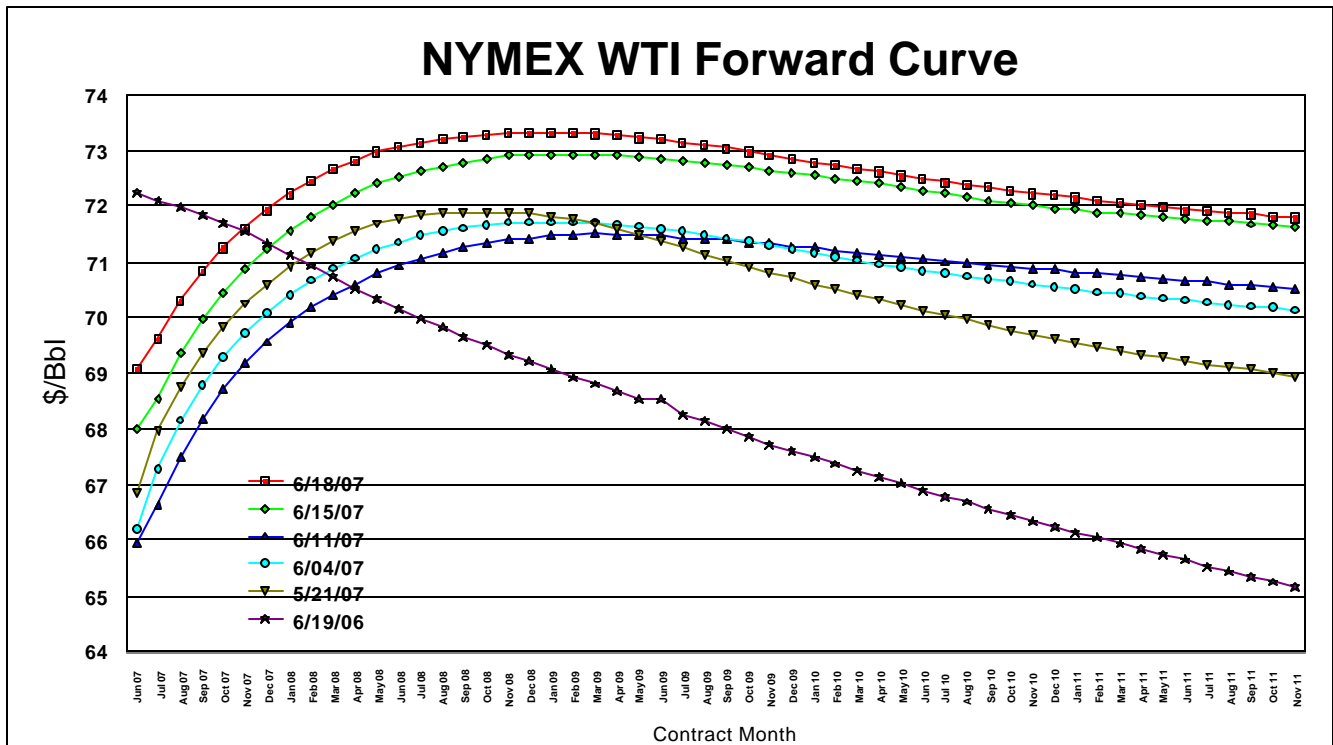
An official from an Iranian group representing pump stations said some Iranians were stocking up on gasoline amid uncertainty over when a delayed rationing plan would take effect. The first phase of gasoline rationing started Thursday, limiting fuel that drivers of government cars could buy. However ordinary Iranians still do not know when the full plan would be implemented and what their quota of subsidized fuel would be.

An Iraqi union leader said a proposed law regulating Iraq's oil industry would foster US control over Iraq's oil reserves. He said the proposed law amounted to a raid by the international oil cartel and said Iraqi oil unions would take strong measures to oppose it, including strikes if necessary. He said the proposed law favored foreign oil companies at the expense of Iraqi workers and would not guarantee enough of a share of the revenues to the Iraqi state.

The Iranian ambassador to the UN complained that the UN Security Council had done nothing to stop Israel's unlawful and dangerous threats against Iran. He protested a recent statement made by Israeli Deputy Prime Minister Shaul Mofaz that Israel has not ruled out military action against Iran to disable its nuclear program.

However youths who invaded the second facility, a flow station operated by Chevron at Abiteye had left on Monday. Industry sources stated that about 80,000 bpd of oil production was lost, adding to about 670,000 barrels already shut due to militant attacks in Nigeria. Eni said it was working with local officials to resolve the crisis. The invasion was apparently in response to the killing of eight people by troops guarding Ogbainbiri last week. Meanwhile Chevron said it would resume 42,000 bpd of production at the flow station invaded on Sunday when it was safe to do so. The militant occupation of the flow stations came as freed militant leader Mujahid Dokubo-Asari urged his followers not to take hostages.

The Nigeria Labor Congress and Trade Union Congress called for an indefinite general strike to protest a government price increase on gasoline and privatization of two refineries. The strike is scheduled to begin Wednesday. Talks between the Nigeria Labor Congress and the new government broke down over the 15% increase in fuel prices and a value added tax increase from 5% to 10%. The



unions said the strike would continue until the increase is repealed. A union leader said all Nigerian oil industry employees should refrain from helping load fuel for overseas transport.

Iran's Foreign Minister Manouchehr Mottaki said Iran was considering a request from Iraq for another round of talks between the US and Iranian officials and added that a decision may take more than two weeks. He however said Iran did not see a clear plan on the side the US to exit the current situation in Iraq. Iran has denied any role in stirring up the violence in Iraq and has called for the immediate release of five Iranians seized by US forces in January.

Refinery News

ExxonMobil Corp restarted a 193,000 bpd crude distillation unit at its 563,000 bpd Baytown, Texas refinery following the completion of maintenance. The unit was shut March 15. The restart was cited as part of the reason for weaker conventional gasoline values in the Gulf Coast spot market on Monday.

Tesoro Corp's 100,000 bpd refinery in Wilmington, California began restarting units shortly after a power outage on Saturday night.

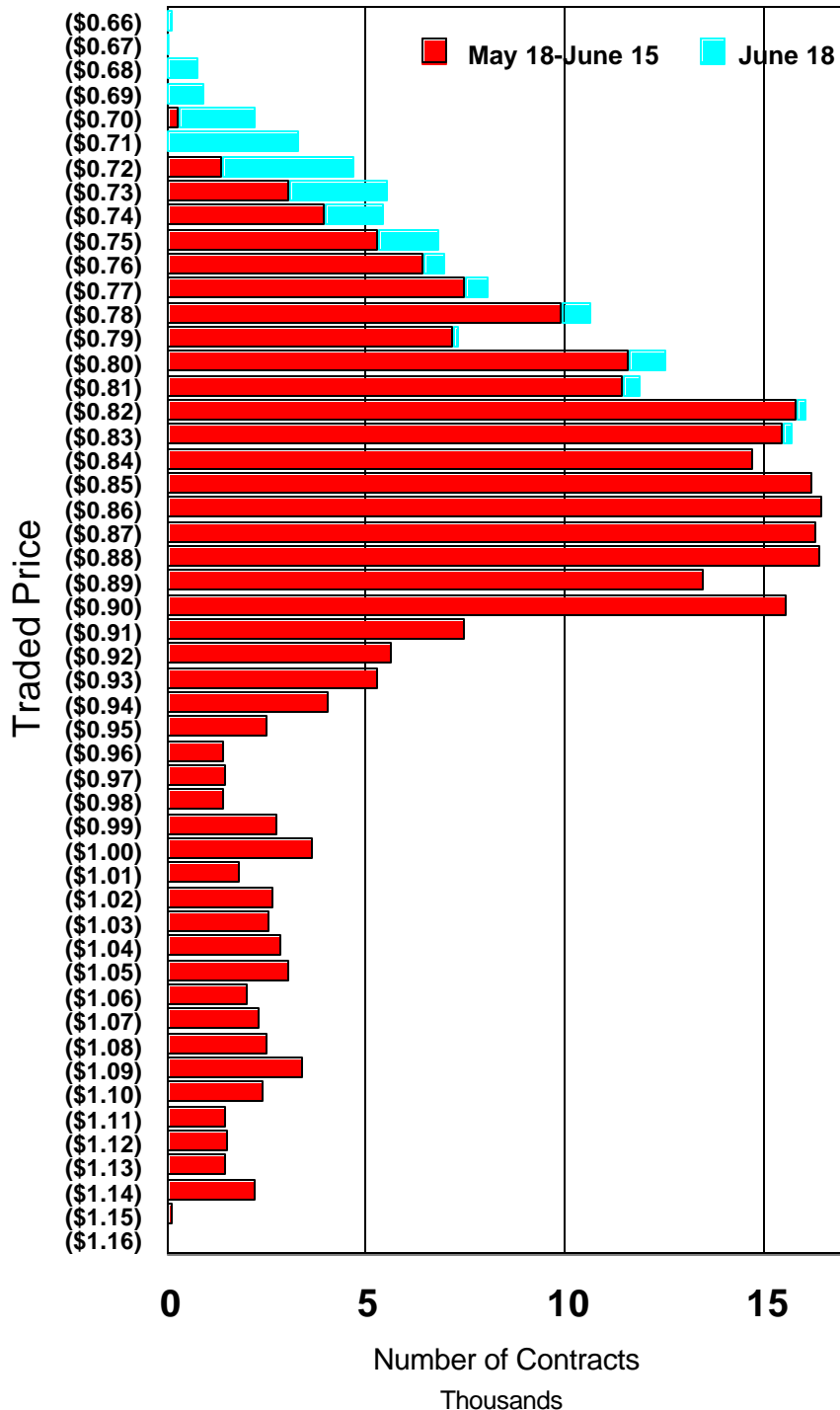
Output at Valero Energy Corp's Ardmore, Oklahoma refinery is expected to return to normal by the end of the day on Monday, following about a week of unplanned maintenance. The outage reduced gasoline production by about 26,000 bpd and diesel production by about 7,300 bpd. Separately, Valero Energy Corp said there was no impact to production from unplanned work at the fluid catalytic cracking unit at its McKee, Texas refinery. The unit was shut in late May for a problem with catalyst circulation.

Delek US Holdings Inc's 58,000 bpd Tyler, Texas refinery recovered from a brief power outage on Saturday that upset sulfur recovery operations. The brief power interruption was caused by thunderstorms passing through the area. Its Sulfur Recovery Unit No.2 and SCOT units were returned to normal operations early Saturday afternoon.

NYMEX WTI: August September Spread

Price Vs Volume for May 18 - June 18, 2007

Trade Weighted Avg: 6/18 -.73 6/15 -.78 6/14 -.786 6/13 -.886 6/12 -.899



Total Petrochemicals USA began work early Monday morning on parts of Units 812 at its 232,000 bpd refinery in Port Arthur, Texas. The work is expected to last a week.

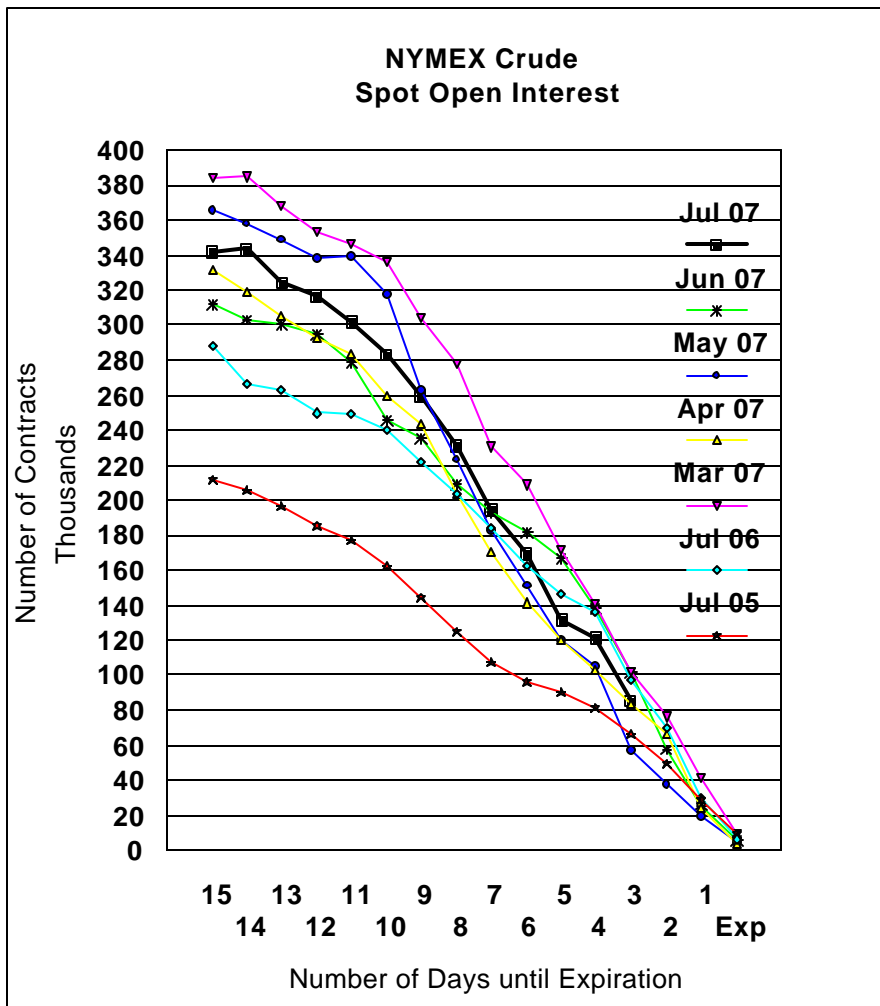
Citgo said its 70,000 bpd refinery in Lemont, Illinois was operating at normal rates despite market talk of problems over the weekend with an alkylation unit which led to a cut in the operation of the fluid catalytic cracking unit.

Refinery margins in most regions across the US fell last week despite a lower than expected build in stocks, with only the Northeast region showing stronger margins. Northeast margins increased by 94 cents to \$13.16/barrel in the week ending June 15. Refining margins in the Midwest fell by \$2.75 to \$23.24/barrel while margins in the Gulf Coast fell by \$1.64/barrel to \$22.15/barrel. Margins in the West Coast also fell by \$2.03/barrel to \$24.99/barrel.

Saudi Aramco said it was considering the construction of a new refinery which could start production in 2012. The new refinery at Ras Tanura would have a refining capacity of 400,000 bpd.

Kuwait National Petroleum Co launched a tender for its new 615,000 bpd al-Zour oil refinery. In May, Kuwait doubled the planned budget to \$12 billion for the plant. It

said it planned to complete construction of the refinery by the end of 2011, a year later than planned.



South Korea refiners are expected to cut their overall exports of fuel oil in July to 150,000 tons due to nuclear plant and refinery maintenance. Its exports are down from 300,000 tons in June.

Production News

An Iraqi oil official said Iraq increased its crude oil contract sales to Asia by cutting volume to the US and Europe. Iraq's State Oil Marketing Organization awarded a new Basra Light supply deal to Vietnam's Petrovietnam, which would lift 65,000 bpd. SOMO has committed to sell 1.66 million bpd of Basra Light in the second half of 2007.

Workers at Brazil's Petrobras may go on a five day strike starting July 5. The council of the federation of Brazilian oil worker unions unanimously approved a strike that would affect Brazil's oil production. Petrobras workers would be asked to decide about the strike

in assemblies from June 18-27.

According to a provisional loading program, Angola is expected to ship one less Girassol cargo in August than in July. The loading program showed a total of 50 cargoes.

The first group of tanks at China's third strategic oil reserve base of Huangdao has been tested with a small volume of oil after being completed well ahead of schedule earlier in June. A port source said construction of a new berth capable of discharging oil super tankers up to 300,000 deadweight tons at the Qingdao port was almost complete and could take in crude carriers if needed.

South Korea and Japan signed an agreement for joint oil stockpiling in the future in an effort to prepare for possible oil shortages in the region. Under the agreement, South Korea would be given first rights to purchase the crude stored by Japan.

Norway's Petroleum Directorate said it was concerned about the low level of drilling activity on the Norwegian shelf and may alter its licensing rounds to ensure more exploration for untapped oil and gas deposits.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$67.39/barrel on Friday from \$66.74/barrel on Thursday. OPEC also reported that its basket of crudes fell by 25 cents/barrel to an average \$66.02/barrel in the week ending June 15.

Market Commentary

Once again this technically constructive market was aided by the release of bullish news. With news of weekend attacks on Nigerian oil plants, the energy complex traded higher in both crude oil and products. With July going off the board this Wednesday, we would like to focus our attention on the August contract. We still hold our bullish stance in the market and therefore would like to buy any dip in prices. The initial upside objective for the August contract is 71.10, bottom of a gap between 71.10 and 72.97. Support is listed at 69.20, 68.75, 68.30, 67.75 and 67.25. Resistance is set at 70.00, 70.68 71.10, 71.90 and 72.38. As mentioned in Friday's wire we wanted to sell the Dec08 crude and buy the Dec07. This spread is moving quickly in the direction we thought it would and should continue to do so, attempting to test the -.155 level. Open interest in the crude fell by a total of 11,604 lots, with open interest in the July contract falling by 35,665 lots as traders continue to liquidate their positions ahead of its expiration on Wednesday. Meanwhile, open interest in the August contract built by 14,453 lots. Unlike the crude market, which breached Friday's high, the RBOB market posted an inside trading day after it failed to breach its previous trading range amid reports that several refiners were restarting their units. The market posted a low of 222.50 early in the session and rallied to a high of 227.85 amid the rally in the

crude market. The RBOB market however erased some of its gains and settled in a sideways trading range ahead of the close. It settled up

Technical levels		
	Levels	Explanation
CL 69.09, up \$1.09	Resistance 70.00, 70.68, 71.10, 71.90, 72.38, 72.97	Previous highs Monday's high(August)
	Support 69.20, 68.75, 68.30, 67.96 67.75, 67.25	Monday's low Previous low
HO 203.42, up 2.36 cents	Resistance 206.75 204.27	Previous high Monday's high
	Support 201.90, 200.40, 199.49 198.41, 196.60, 195.71, 194.78	Monday's low 38% retracement(188.92 and 202.68), 50%, Previous low, 62%
RB 226.43, up 42 points	Resistance 231.90, 232.97, 234.19 227.85, 227.96	Double top, Previous highs Monday's high, Friday's high
	Support 225.57, 223.75, 222.50 222.00, 221.16, 219.06, 216.96, 215.00	Monday's low Previous low, 38% (210.16 and 227.96), 50%, 62%, Previous low

42 points at 226.43. The heating oil market settled up 2.36 cents at 203.42 after it posted an outside trading day. The market also bounced off a low of 199.49 and rallied to a high of 204.27 amid the strength in the crude market. The market later retraced some of its gains ahead of the close. The product markets are seen remaining supported after the markets held some support during today's session. The RBOB market is seen finding support at 225.57, 223.75 and 222.50. More distant support is seen at 222.00 followed by 221.16, 219.06, 216.95 and 215.00. Meanwhile resistance is seen at 227.85, 227.96 followed by 231.90, 232.97 and 234.19.