



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 21, 2007

Ship agents and oil company officials said loading of oil tankers at Nigerian export terminals continued normally on the second day of a general strike. Oil unions had threatened to withdraw staff from loading terminals on

Market Watch

The chairman and chief executive of Chevron Corp David O'Reilly said gasoline would still be a major fuel source for Americans 25 years from now. He said he did not support excessively high gasoline prices at \$4 or \$5, as a way to force consumers to conserve and use alternative fuels.

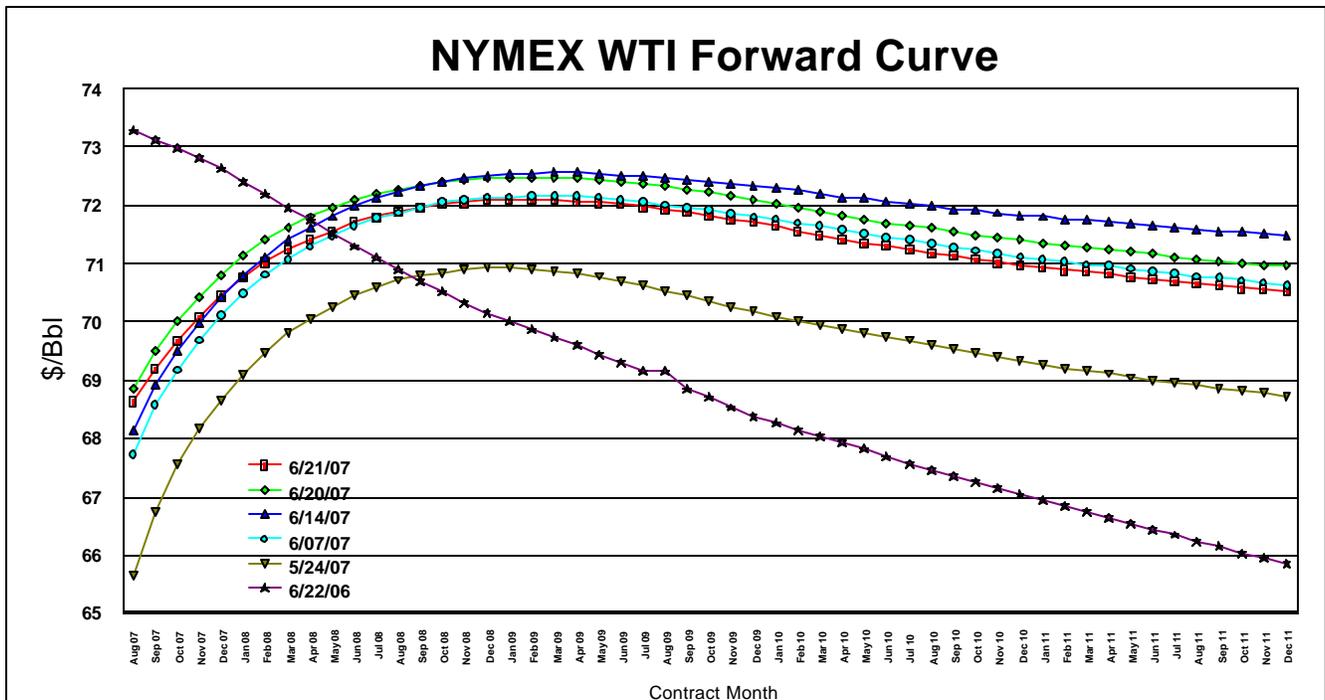
The US House Ways and Means Committee passed a \$15.3 billion tax package Wednesday that would extend long term renewable energy tax credits and provide incentives for energy efficiency. The measure would extend renewable energy production tax credits to 2012, costing about \$6.6 billion over 10 years and extend a 30% tax credit for solar energy and fuel cell investment for eight years to 2016, costing about \$563 million.

Thursday to stop exports and exert more pressure on the government to reverse an increase in fuel prices. The unions have allowed essential operations in the oil industry to continue. Total SA said crude oil production and loading from its facilities had not been affected by the strike. Separately, the Nigerian government said it was meeting with labor unions on Thursday.

Separately, Nigerian troops dislodged militants who were occupying Eni's Ogbainbiri flow station in the Niger Delta on Thursday. Nigerian troops killed 12 suspected militants and freed a number of hostages in the raid. Eni said 16 Nigerian oil workers and 11 soldiers were being held hostage at the flow station since Sunday, however the army said they found only 11 oil workers there. Agip was forced by the invasion to reduce oil output by 37,000 bpd and declare force majeure on exports from its Brass terminal.

OPEC's Secretary General Abdullah al-Badri said the oil world oil markets remain well supplied with crude and any increase in OPEC's production would only add to oil stocks. He said OPEC wanted to see oil prices that were reasonable for consumers and producers alike. Meanwhile, Iran's OPEC governor, Hossein Kazempour Ardebili said OPEC was more than meeting demand for its oil and added that cutting its production has not drained stocks in consumer nations.

At a meeting between EU and OPEC officials, they agreed on the importance of secure future demand for oil to help energy investment plans and said they would probe the impact of biofuels later this year



or early next year. Europe's Energy Commissioner Andris Piebalgs said there was currently no shortage of crude oil on world markets. Meanwhile, Germany's Economy Minister Michael Glos said an oil price over \$60 hindered economic growth.

According to Oil Movements, OPEC's exports are expected to increase to 24.13 million bpd in the four weeks ending July 9, up from 24.01 million bpd in the four weeks ending June 9. Shipments from the Middle East are expected to increase to 17.28 million bpd from 17.1 million bpd.

Iraq's central government and the Kurdistan regional authority need three to four weeks to resolve their dispute on how to control the Iraqi oil and natural gas sector under the draft oil law. Earlier, the government reached an agreement with the Kurdistan regional government on the distribution of oil revenues, resolving only part of their differences. Their dispute is mainly over who should control untapped Iraqi oil fields which have estimated proven oil reserves that could reach 115 billion barrels.

Iran's Deputy Foreign Minister for Asia, Mehdi Safari dismissed claims by the US that its government was arming Taliban rebels in Afghanistan. US government officials said they had proof that weapons from Iran were reaching the Taliban.

Refinery News

Flint Hills Resources began restarting a cogeneration unit at its 288,000 bpd refinery in Corpus Christi, Texas on Thursday following a four day planned shutdown. The restart could last through June 24.

BP Plc shut a 60,000 bpd reformer unit at its Texas City, Texas refinery for planned maintenance last week. The unit is expected to be down for another two weeks.

Valero Energy Corp shut one of five ship loading docks at its 80,000 bpd Krotz Springs, Louisiana due to a diesel spill of 500 gallons. Meanwhile, Valero Energy restarted a 60,000 bpd crude unit on Wednesday at its McKee refinery in Sunray, Texas. The refinery had been operating at reduced capacity since restarting in mid-April after a two month shutdown due to a fire on February 16. Valero also stated that it suffered a problem with a coker unit at its 325,00 bpd refinery in Port Arthur, Texas.

Saudi Aramco has delayed the restart of its 325,000 bpd hydrocracker unit by about three weeks due to technical snags following routine maintenance at the Ras Tanura refinery at the end of April. The hydrocracker has failed to restart with the rest of the 550,000 bpd complex, which resumed operations three to four weeks ago.

Japan Energy Corp is expected restart its 110,000 bpd No. 3 crude distillation unit at its Mizushima refinery on Friday after a one day unplanned shutdown.

Production News

A senior Iraqi oil official said Iraq was planning to issue a tender to sell 3 million barrels of crude from its Kirkuk field in northern Iraq. He said about 3.2 million barrels of Kirkuk crude had accumulated at the Turkish Mediterranean port of Ceyhan.

ExxonMobil's CEO Rex Tillerson said Angola's decision to join OPEC has not affected ExxonMobil Corp's plans to develop reserves in the country. Angola officials said they intend to increase the country's oil production by 25% to 2 million bpd next year. OPEC Secretary General Abdalla Salem el-Badri has previously stated that Angola would have a quota assigned either this year or in early 2008.

Pemex reported that Mexico's crude oil production fell to 3.11 million bpd in May from 3.182 million bpd in April. Its crude exports increased to 1.759 million bpd in May from 1.679 million bpd in April.

Gasoline and naphtha stocks in independent Amsterdam-Rotterdam-Antwerp storage tanks fall over the past week as European production outweighed exports. Inventories of gasoline in ARA storage tanks increased by 126,000 tons to 782,000 tons while naphtha stocks increased by 85,000 tons to 124,000 tons in the week ending June 14. Gas oil stocks fell by 28,000 tons to 1.887 million tons while fuel oil stocks fell by 148,000 tons to 362,000 tons. Jet fuel stocks in ARA storage tanks fell by 9,000 tons to 359,000 tons.

According to Singapore's International Enterprise, the country's residual fuel stocks fell by 951,000 barrels to 11.681 million barrels in the week ending June 21. It also reported that its light distillate stocks fell by 392,000 barrels to 9.111 million barrels while middle distillate stocks built by 83,000 barrels to 7.867 million barrels on the week.

China's State Media reported that PetroChina planned to expand its crude oil storage capacity in several provinces to increase its ability to cope with potential supply shocks. PetroChina's Dalian subsidiary is expected to increase its storage capacity by six times by next year.

Japan's Ministry of Finance reported that the country imported 17.496 million kiloliters or 3.55 million bpd of crude oil in May, down 3.9% on the year.

India's domestic oil product sales in May fell by 0.9% on the year to 10.79 million tons. Its diesel sales in May increased by 1.2% on the year to 4.12 million tons. Meanwhile, its crude imports in May increased by 14.4% to 10.35 million tons. India exported 3.32 million metric tons of oil products in May, up 58% on year.

Brazil's Petrobras said its overall domestic and international oil and gas production fell by 1% in May to 2.27 million barrels of oil equivalent. It said its oil output from its domestic fields fell 1% to 1.761 million bpd in May from 1.779 million bpd in April. By year end, the company expects its Brazilian oil production to surpass the 2 million bpd level.

OPEC's news agency reported that OPEC's basket of crudes fell to \$67.78/barrel on Wednesday, down from Tuesday's \$68.23/barrel level.

Market Commentary

Pressured by bearish fundamentals today, the crude oil market sold off, bottoming out at 68.28. We stated yesterday that the stock scenario looked bearish but that we intended to be buyers. Today's activity provided us with just this opportunity, making it possible to buy and sell against listed support and resistance numbers. For tomorrow, we would like to do the same and look for an unchanged to higher settlement. Support is set at 68.24, 67.66, 67.40, 67.16 and 66.40. Resistance is set at 69.20, 69.45, 70.00, 70.45, 71.10 and 72.39. Meanwhile, the RBOB market settled in positive territory after the market bounced off its low and remained supported ahead of the close. The market, which posted a high of 227.55 early in the day, erased its gains and sold off to a low of 220.32 amid the losses in the crude market. The markets were pressured amid expectations that the strike in Nigeria would not impact oil shipments in light of the talks between Nigeria's government and the labor unions. However the RBOB market bounced off its low and retraced more than 62% of its earlier move. It settled up 1.86 cents at 224.67. Similar to the crude market, the heating oil market settled in negative territory after the market sold off sharply and remained pressured ahead of the close. The market, which posted a high of 206.85, traded to a low of 201.98 and settled in a two cent trading range ahead of the close. It settled down 92 points at 202.47. We would look for the markets to continue to hold support ahead of the weekend. The RBOB market is seen finding support at 224.00, 221.65 and its low of 220.32. More distant support is seen at 217.43 and 215.00. Meanwhile, resistance is seen at 225.40, 226.00, 227.55, 227.85, 227.96 and 231.90.

Technical Levels		
	Levels	Explanation
CL Resistance 68.86, down 68 cents Support	70.00, 70.45, 71.10, 71.90, 72.39 69.20, 69.45, 69.88	Thursday's high
	68.28 68.24, 67.65, 67.40, 67.16, 66.40	Thursday's low Previous lows
HO Resistance 202.47, down 92 points Support	207.53 204.00, 205.10, 206.85	Basis trendline Thursday's high
	201.98 200.00, 199.25, 197.89, 195.77, 195.71	Thursday's low 38% (188.92 and 206.85), Wednesday's low, 50%, 63%, Previous low
RB Resistance 224.67, up 1.86 cents Support	227.85, 227.96, 231.90 225.40, 226.00, 227.55	Previous highs, Double top Thursday's high
	224.00, 221.65, 220.32 217.43, 215.00	Thursday's low Wednesday's low, Previous low