



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 22, 2007

Nigerian labor leaders held informal talks with government negotiators on Friday and said a resolution to Nigeria's general strike was possible before Monday. Earlier, Nigeria's government and labor unions declared a deadlock after a round of talks late Thursday failed to end the work stoppage. The government said it would no longer stand for public disruptions

Market Watch

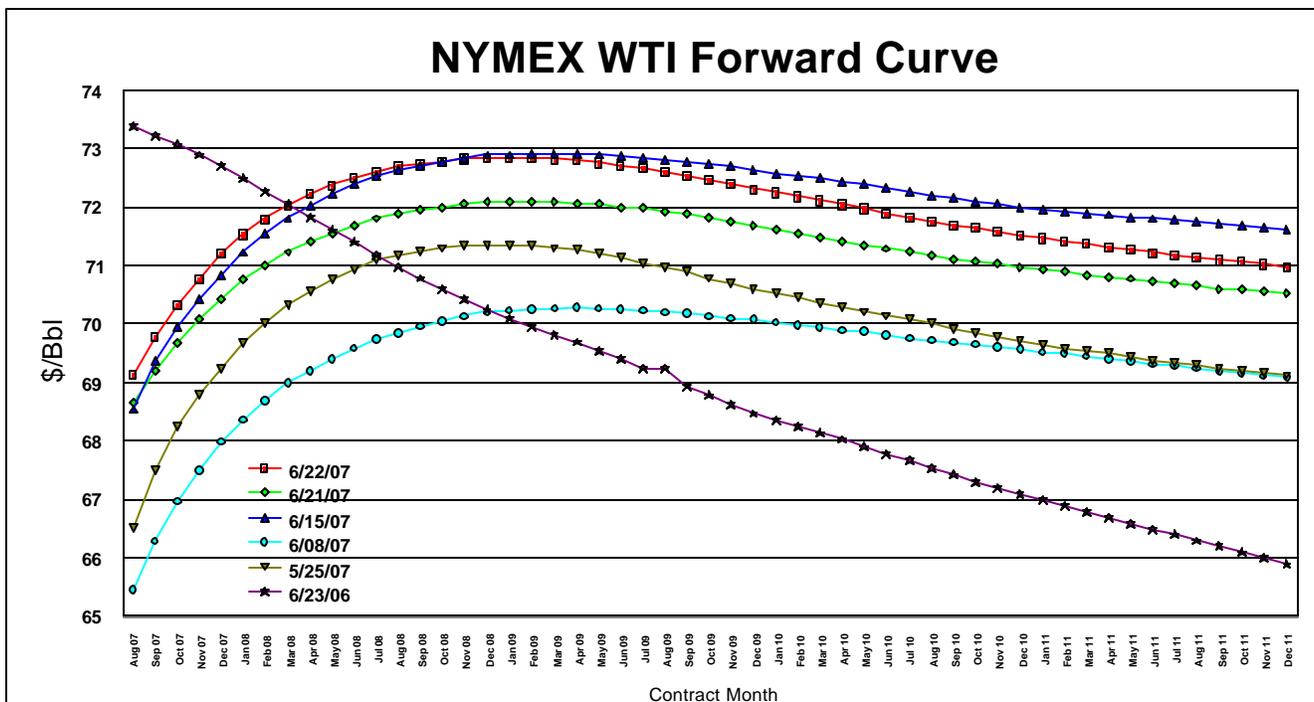
The US Senate approved a proposal on Thursday that would force sharp increases in auto fuel standards and impose other measures to make vehicles more efficient and cut dependence on imported oil. The Senate approved a compromise amendment that would require an improvement in the average efficiency of the new US vehicle fleet from 25 miles per gallon now to 35 mpg by 2020, about a 4% annual increase. The Consumer Federation of America said the bill would cut oil imports by 15% and reduce tailpipe emissions by 1 billion tons.

ExxonMobil Corp's CEO Rex Tillerson said he expected negotiations over Venezuela's planned takeover of majority stakes in projects in the Orinoco Belt to surpass the June 26 deadline set by the government. He said the company continued to negotiate with the government over receiving compensation and value for the interests that it would transfer under the migrating contracts.

According to a Reuters survey, analysts raised their average Brent price forecast for this year to \$62.98/barrel from a previous estimate of \$62.32/barrel. Meanwhile, the average price of WTI is estimated at \$62.78, up from a previous estimate of \$62.55/barrel.

by union members. The labor unions had declined the government's offer to arrange a joint committee to look broadly at fuel price controls to see if the current arrangements are sustainable. The unions said they were firm on their demand the government roll back a recent price increase on fuel. They threatened to interrupt power and water supplies unless the government reversed its fuel price increase. Meanwhile, shipping agents said tankers were loading crude at Nigeria's Bonny and Qua Iboe oil export terminals despite the ongoing strike. Separately, rebels in northern Niger killed 15 government soldiers in an attack on a Saharan military outpost on Friday. The Niger Movement for Justice said the attacks on military targets were a reprisal for the killing of three Tuareg elders by government soldiers this month.

The Iranian Interior Ministry denied that Interior Minister Mostafa Pourmohammadi gave details on the amount of enriched uranium Iran had produced and the number of centrifuges it was operating. Earlier the semiofficial ISNA news agency quoted Iran's Interior Minister as saying Iran produced 100 kilograms or 220 pounds of enriched uranium. He said the country now had 3,000 centrifuges actively



enriching uranium. He said more than 150 metric tons of primary materials of uranium gas have been stored in the Iranian nuclear facilities.

Separately, the head of the IAEA said Iran was ready to answer questions on past nuclear activities within the next few months after meeting with Iran's top nuclear negotiator Ali Larijani. However the Iranian negotiator suggested the offer was conditional on an end of UN Security Council involvement in Iran's nuclear program.

Refinery News

Murphy Oil's Meraux, Louisiana refinery is expected to resume normal operations by June 23 or 24 after experiencing problems since last week.

Japan Energy Corp restarted a 110,000 bpd No. 3 crude distillation unit at its Mizushima refinery on Friday after a one day unplanned shutdown. It was shutdown for security checks after a compressor at its 24,000 bpd catalytic reforming unit was found to be blocked.

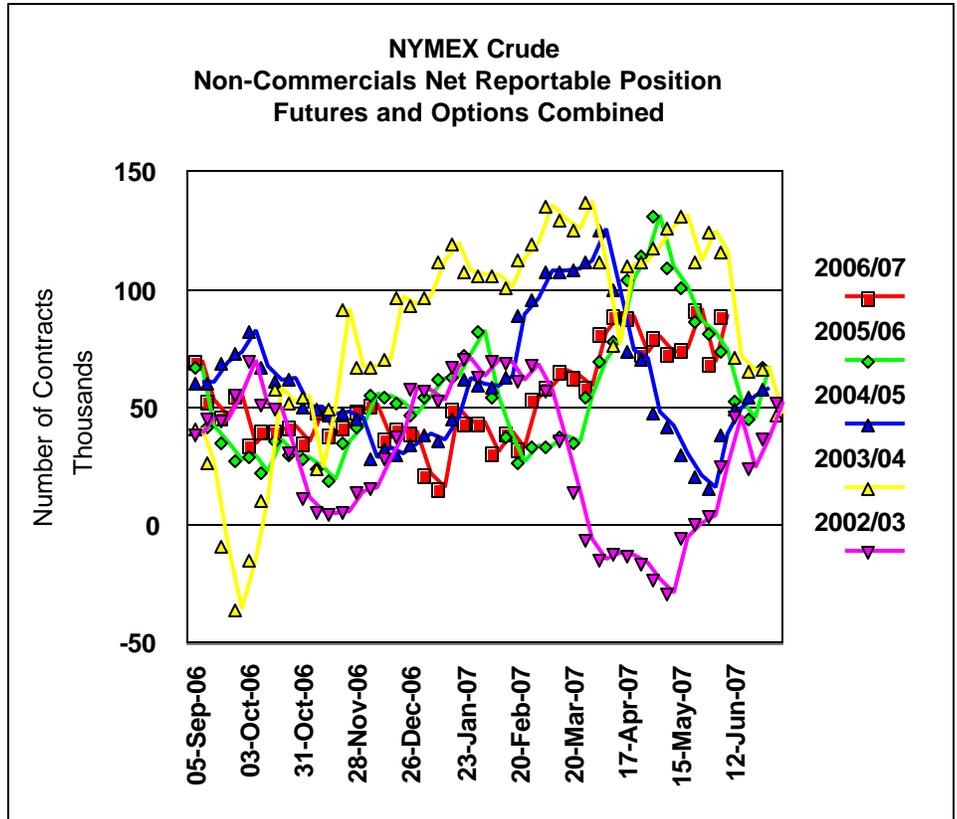
Sinopec Corp started pumping crude oil via a new pipeline to its Beijing plant. The pipeline has an annual capacity of transporting 20 million tons. The line is designed to send 10 million tons of crude to the Beijing refinery and a further 10 million tons to its Tianjin plant each year.

China's implied oil demand growth accelerated in May to 7.3%, the fastest pace in nine months. According to Reuters' calculations, China's implied demand in May was 7.04 million bpd and 6.86 million bpd in the first five months, up 5% on the year. Its demand for gasoline in May increased by 8.3% on the year while demand for kerosene increased by 17.5% in May and diesel demand increased by 9%.

Separately, China's General Administration of Customs stated that China's gasoline exports in May increased by 81.6% on the year to 480,692 tons. It reported that China's diesel exports increased by 56.7% in May to 123,984 tons while imports increased by 27.6% to 19,770 tons. China's crude oil imports increased by 4.7% in May to 12.97 million tons.

Production News

PDVSA reported that Venezuela has certified 28.65 billion barrels of oil reserves at the Carabobo 3 block of the Orinoco river basin. PDVSA said it expected to extract about 20% of the oil in the area, giving the company 5.7 billion barrels in recoverable reserves.



OPEC's news agency reported that OPEC's basket of cruces fell to \$67.58/barrel on Thursday from Wednesday's \$67.65/barrel.

Market Commentary

The market was news sensitive today, dipping on a statement by the Nigerian labor leader that the strike could end this weekend. However the market remained technically strong. The Nigerian situation, not over as of yet, demand and seasonally low refinery runs helped support the market. The overall outlook appears bullish for next week and as a result we would like to buy dips in the August crude contract. We still like the 67.40 area as a floor for this market and would remain bullish with settlements

above this number. Support is set at 67.66, 67.40, 67.16 and 66.40. Resistance is set at 69.59, 70.00, 70.45, 71.10, 71.90 and 72.39. Unlike the

Technical levels		
	Levels	Explanation
CL	Resistance 69.14, up 49 cents	70.00, 70.45, 71.10, 71.90, 72.39 69.50 Friday's high
	Support	68.17 67.65, 67.40, 67.16, 66.40 Friday's low Previous lows
HO	Resistance 203.80, up 1.33 cents	206.85, 207.53 204.90 Previous high, Basis trendline Friday's high
	Support	202.75, 200.16 200.00, 199.25, 197.89, 195.77, 195.71 38% (188.92 and 206.85), Wednesday's low, 50%, 63%, Previous low
RB	Resistance 228.66, up 3.99 cents	231.90, 232.97, 234.19 229.04 Double top, Previous highs Friday's high
	Support	227.25, 225.40, 223.00 220.32, 217.43, 215.00 Friday's low Previous lows

crude market, the RBOB market traded off a low of 223.00 early in the session before it bounced off that level and never looked back. The market remained supported by the concerns over the low refinery capacity utilization, despite the recent builds in inventories. The market breached its resistance level as it extended its gains to over 4.3 cents and posted a high of 229.04 late in the session. The market settled up 3.99 cents at 228.66. The heating oil market also settled up 1.33 cents at 203.80 after it traded to a high of 204.90 and settled in a sideways trading pattern ahead of the weekend. The product markets are still remaining supported after the markets ended near their highs. The RBOB market is seen finding support at 227.25, 225.40, 223.00 followed by more distant support at 220.32, 217.43 and 215.00. Meanwhile resistance is seen at 229.04, 231.90, 232.97 and 234.19.

The Commitment of Traders report showed that non-commercials in the crude market increased their net long position by 2,950 contracts in the week ending June 19. The combined futures and option report showed that non-commercials increased their net long positions by 7,040 contracts to 106,361 contracts on the week. Given the market's move in recent days, non-commercials have continued to add to their net long positions. Non-commercials in the RBOB market also increased their net long position by 8,493 contracts to 41,201 contracts while non-commercials in the heating oil market increased their net long positions by 11,278 contracts.