



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 24, 2008

During a meeting between EU and OPEC officials, OPEC officials reiterated that the market remains well supplied, with supply exceeding demand and blamed speculators for the rise in prices. OPEC President Chakib Khelil reiterated that there was no shortage of oil available in the market and the recent record oil prices were due to other factors, including the fall in the US dollar value. OPEC's Secretary

Market Watch

Canadian New Democratic Party Leader Jack Layton, the head of one of three opposition blocs in Parliament, called for an end to preferential US access to the country's energy supplies. He said Canada should renegotiate the North American Free Trade Agreement to repeal provisions that guarantee a secure supply of energy to the US. He said this would allow supplies to be redirected to Canadian consumers if there is an energy crunch.

US Treasury Secretary Henry Paulson said that the world economy was being strained by costly energy but said US economic fundamentals were sound. He believed that most of the slump in US housing prices would be over by the year end and that growth should be stronger by then. He also reiterated the Bush administration's position that tight supply and strong demand were the factors behind the high oil prices, rather than speculation. He said it was vital that more investment flow into oil exploration and production to increase output.

Germany's Economy Minister Michael Glos said the high price of oil poses a threat to the world economy.

Indonesian police used water cannons to disperse about 500 activists protesting against an increase in fuel prices of almost 30% last month. The government said it has no choice but to progressively cut fuel subsidies that cost billions of dollars a year and have become impossible to fund as world oil prices continue to soar.

A Russian government official said Russian oil export duties will increase by at least 23% from August to \$490-\$495/ton from the current \$398/ton following a rally in oil prices. Duties on exports of light refined products will increase to \$345/ton from \$280.50/ton while duties on heavy products will increase to \$185/ton from \$151/ton.

General Abdalla el-Badri said an increase in supply from Saudi Arabia will not be matched by additions from other members of OPEC. However the EU's Energy Commissioner Andris Piebalgs said he was not convinced speculators are to blame and called for OPEC to scrap its production quotas. The two sides agreed to complete a joint study on the impacts of financial markets on oil prices

June Calendar Averages

CL - 132.94

HO - 380.06

RB - 341.30

and volatility and also study the impacts of biofuels on the oil refining industry. Meanwhile, OPEC said world demand for its crude is uncertain going out to 2030 because of its view that non-OPEC supply will continue to increase and renewable energy sources will displace oil demand.

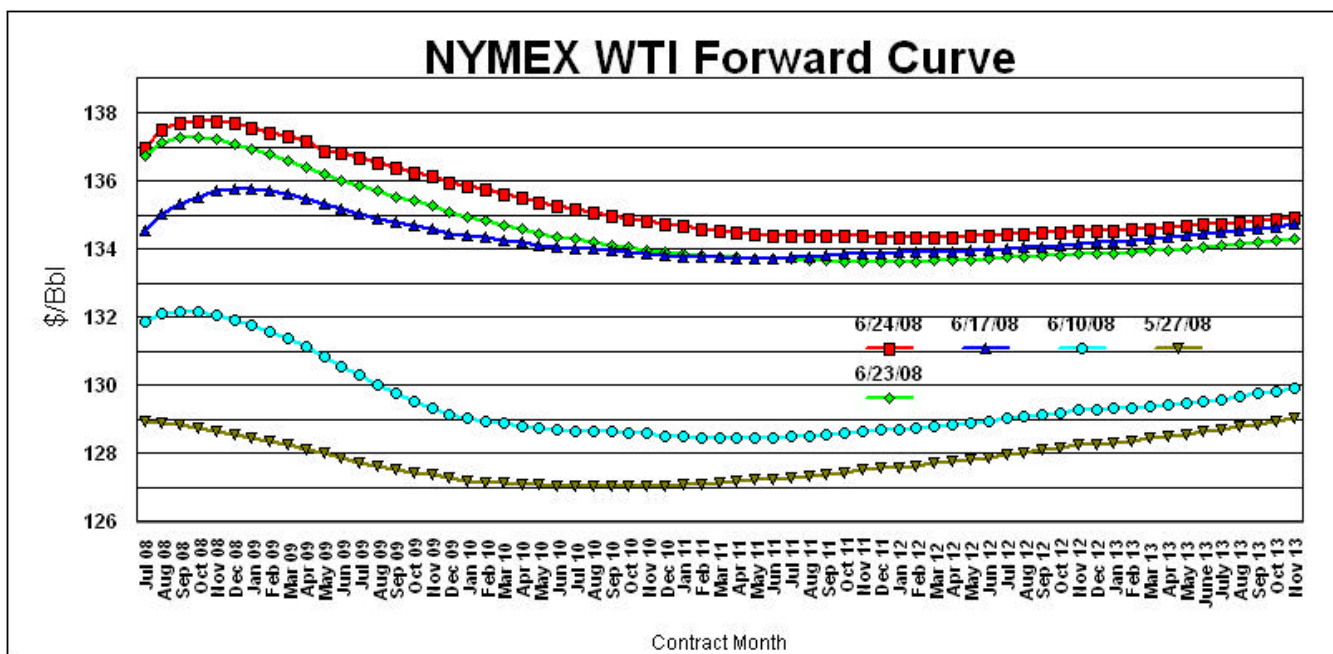
Iran's Oil Minister Gholamhossein Nozari said the oil market had sufficient crude and any additional output would increase inventories rather than lower prices.

Talks between Nigeria's senior oil workers' union, Pengassan, and Chevron will resume on Thursday to avert a strike that could further cut Nigeria's oil production. Some union members on Monday began a partial strike, obstructing administrative workers from getting to their offices in Lagos. However oilfield operations were not impacted. Three party talks between the union, Chevron and the government are planned for Thursday and Friday in the Nigerian capital Abuja.

Nigeria will seek a 90 day truce in the Niger Delta before holding a peace summit in the region.

Iran said that new sanctions imposed against the country by the European Union over its nuclear program could hurt diplomatic efforts to resolve the issue. The sanction agreed by the 27 nation EU on Monday target businesses and individuals the West alleges are linked to Iran's nuclear and ballistic programs. The latest sanctions include an asset freeze on Iran's largest state bank, Bank Melli, and visa bans on senior officials including Defense Minister Mostafa Mohammad Najjar and the head of Iran's Atomic Energy Organization, Gholamreza Aghazadeh. Iran's Foreign Ministry spokesman Mohammad Ali Hosseini condemned the move by the EU as illegal and made clear it would not slow Iran's nuclear activities. He said the EU sanctions would strengthen the determination of Iranians to establish their obvious rights and will not help to create an appropriate atmosphere to resolve the issue. Separately, a senior Iranian nuclear official denied rumors of a strike on the country's nuclear sites. He said no attack against Iran's nuclear facilities has taken place. The New York Times reported on Friday that Israel carried out a large military exercise, apparently a rehearsal for a potential bombing of Iran's nuclear facilities. Iran's Defense Minister on Sunday accused Israel of psychological warfare and said Iran would give a devastating response to any attack on the country.

According to MasterCard Advisors LLC, US gasoline demand increased by 1.5% or 142,000 bpd on the week to 9.447 million bpd. In the latest four weeks, demand was down 3.6% from a year earlier. On a nationwide average, retail prices for regular gasoline increased by 0.7% or 3 cents/gallon to



\$4.07/gallon.

Refinery News

Total Petrochemicals USA will shutdown unit 812 at its 232,000 bpd Port Arthur, Texas refinery on Tuesday for planned work. The shutdown will end on or before July 1.

Valero Energy Corp said a 20,000 bpd fluid catalytic cracking unit in the East Plant of its 340,000 bpd Corpus Christi, Texas refining complex was back to normal after repairs to the unit's regenerator.

France's CGT union said port workers at France's oil port of Fos-Lavera near Marseille will stage a 24 hour strike on Thursday to protest against a bill aiming to privatize the loading activities of ports. Members of France's parliament are expected to pass a controversial bill on Tuesday, which aims to modernize state-owned ports and make them more competitive.

Petroplus Holdings AG will begin routine maintenance at its 117,000 bpd Teesside refinery in England on Wednesday. The planned maintenance is set to end on July 18.

Pemex plans to carry out 24 days of repair work on an alkylation unit at the Salina Cruz refinery starting October 25.

Sinopec's oil products pipeline in southern Hunan province began pumping fuel last week, almost half a year later than expected. The pipeline transported 32,000 tons of diesel from Sinopec's Changling refinery.

Indonesia is importing 12.82 million barrels of oil products for July, down from 13.03 million barrels purchased for June due to lower gasoline requirements. Pertamina will import 3.6 million barrels of gasoline for July compared with 4.2 million barrels purchased for June and 5.5 million barrels purchased for May. Pertamina will purchase an extra 1.2 million barrels of diesel in addition to the current plan to purchase 5.6 million barrels.

Preliminary crude export plans for Nigerian exports in August indicate the country is planning to ship seven cargoes of Escravos crude. Nigeria's loading plans also show six 950,000 barrel cargoes of Bonny Light crude plus two partial cargoes. Seven cargoes of Forcados crude will also load in addition to ten whole cargoes and one half cargo of Qua Iboe.

Production News

Chevron Corp confirmed it declared force majeure at its Escravos oil facility in Nigeria because of production losses that will delay some cargo shipments. This follows an attack on a pipeline operated by Chevron that cut output by 120,000 bpd at Escravos last week. Chevron said the Escravos terminal was still operating.

Royal Dutch Shell said it has resumed production at its Bonga offshore oilfield after it was attacked by militants last week. A spokesman however did not state whether the field is producing full capacity.

Norway's StatoilHydro said it has reopened the rest of the Oseberg field in the North Sea after a fire on the A platform nine days ago.

Suncor Energy reported that production at its oil sands operations is expected to increase over the next several days as the planned maintenance shutdown of one of its two oil sands upgrader, with a capacity of 125,000 bpd, is completed.

Iraq's Oil Ministry said it has finished negotiations with oil majors on six short term oil service contracts and hopes to sign the deals during the next month. Officials had previously said the deals would be announced on June 30.

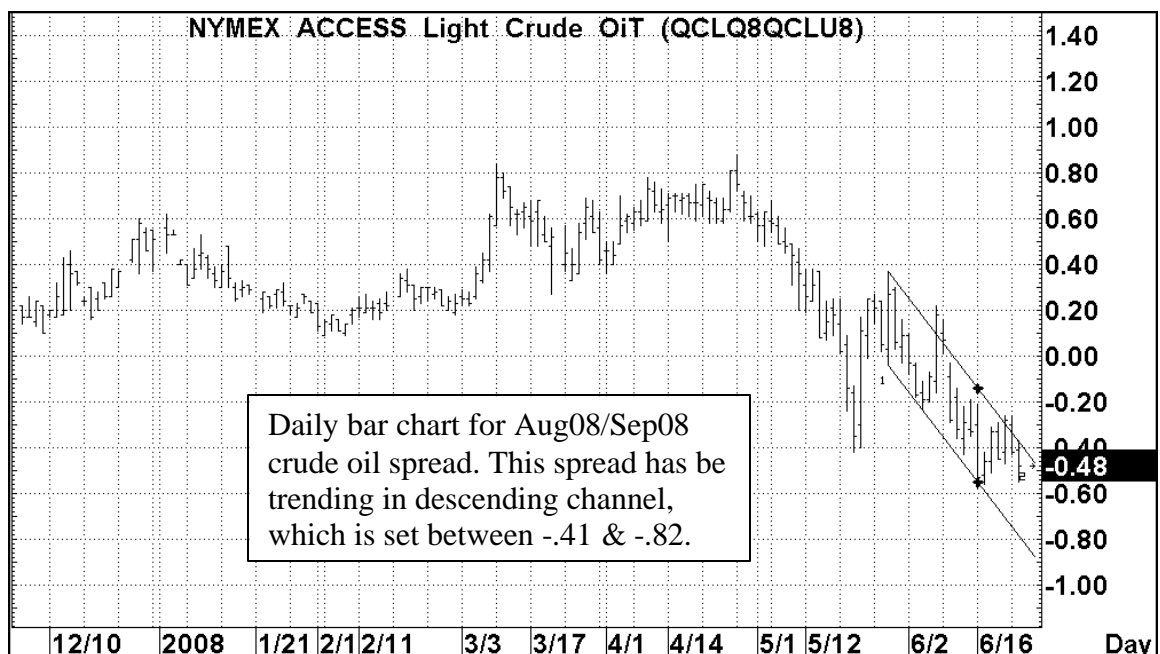
Kuwait's news agency, KUNA reported that Kuwait's Oil Minister Mohammad al-Olaim said the country will increase its oil production by 300,000 bpd starting in mid-2009. He said Kuwait is capable of increasing its oil production but wondered if the market needed such an increase. He said speculation, refining capacity strain and the weakness of the US dollar were behind the high price, not any lack of supply.

OPEC's news agency reported that OPEC's basket of crudes increased to \$130.70/barrel on Monday, up from Friday's \$128.56/barrel level.

Market Commentary

The energy markets experienced another lackluster day, unable to gather any new fundamentals to react to. Once again there is little change on the forward curve, except for the front end, which pulled further away from the deferred. As mentioned in yesterday's wire, we would look for further weakness at the front of this curve. The August08/September08 crude oil spread came under pressure, settling at -.62 or .12 cents lower than yesterday. This spread continues to trend within the descending channel on a daily bar chart. This channel is set between -.41 and -.82 for tomorrow. We would expect further weakness and for this spread to test the bottom of this channel some time this week. That's barring any major fundamentals. Gasoline continues to trade sideways in a period of consolidation and traded within yesterday's trading range. This can be viewed as a sign that prices are getting ready to make a move and at this point in time, appears to be going higher. Slow stochastics and RSI's are still in neutral territory, with the stochastics looking to get ready to cross to the upside. With tomorrow's API/DOE expectations calling for a slight build of 200,000 barrels, we would not look for much off of that number, however would focus on the demand factor. This figure will have more of an impact on prices at this point in time, as everyone is focused on the economic outlook. The July heating oil also experienced an inside trading range, under light volume conditions. This coincides with a period of consolidation, prior to a market making its next move. Slow stochastics and RSI's are in somewhat oversold territory and appear to be getting ready to cross to the upside. Tomorrow's API/DOE numbers are calling for a build of 1.5 million barrels, but again we will be focusing on the demand factor and

also how diesel demand is fairing abroad. This has been the significant driving factor in this market. For now, we would continue to be cautious buyers of this market. Open interest for



crude oil is 1,305,450 up 1,509, August08 326,883 up 5663, Septmeber08 149,774 up 6,455 and December 08 174,333 down 5,771. Total open interest for heating oil is 221,625 up 86, July08, 24,688 down 3,130, August08, 52,793 up 2,116. Total open interest for gasoline, 265,794 up 1,798, July 33,664 down 4,182, August08, 70,739 up 4,553.

August Crude Support	July Crude Resistance
131.30, 127.76, 126.77, 122.05, 120.60, 114.85, 108.95, 98.20, 85.40	137.35, 141.00, 143.29, 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, 4.1200
Gasoline support	Gasoline resistance
3.3400, 3.3250, 3.3000, 3.1760, 309.20, 3.0730, 3.0400, 3.0250, 2.9255	3.63.45, 3.755, 34655