ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta,
Zachariah Yurch & Karen Palladino
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JUNE 26, 2007

Market Watch

According to the AAA, an estimated 41.1 million Americans will travel during the Fourth of July holiday week, up 0.8% on the year. It said US gasoline prices averaged $2.98/gallon, up 14 cents on the year.

OPEC said it expected demand for its crude to be almost 1 million bpd below 2005 levels within three years, largely because of growth in natural gas liquids production from non-OPEC producers.

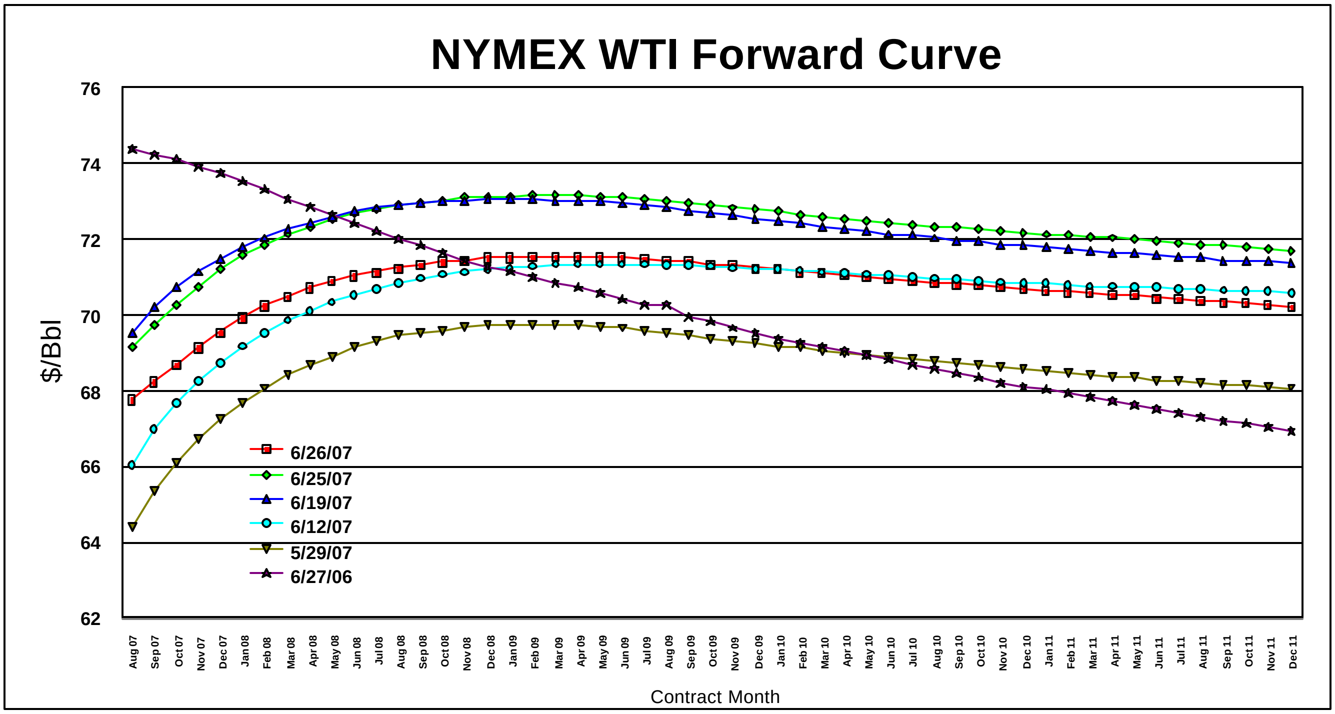
The Foreign Affairs Committee approved a bill that would toughen US sanctions on Iran and on companies that invest in the country. The bill is part of a concerted congressional effort to tighten an economic stranglehold on Iran to deter it from a nuclear fuel enrichment program.

Contrary to reports stating that Iran would begin rationing its subsidized gasoline starting next week, Iran's Oil Ministry announced that it would introduce gasoline rationing on Wednesday. It said private cars would get 100 liters of gasoline per month. It stated that for the time being, private drivers would be able to buy their daily allocation up to four months in advance, adding that this period could be extended later.

Traders and shipping agents stated that about 330,000 tons of Russian gas oil was bound for the US in the coming weeks. At least five cargoes, each with at least 55,000 tons of 0.2% sulfur gas oil have been fixed to make the transatlantic trip in the second half of the June or early next month. This is while Europe is faced with an oversupply of the product after a mild winter cut heating fuel demand, leaving end user storage tanks well supplied at a time when consumers usually start replenishing stocks. A switch in the EU to 0.1% sulfur heating oil starting in January 2008 has also exacerbated the slack demand.

OPEC's President Mohammed al-Hamli said crude oil prices were high but not because of fundamentals. He also stated that inventories were also high. He added that OPEC did not plan to call a meeting before its next scheduled meeting in September.

ConocoPhillips has decided to leave Venezuela entirely after it failed to reach an agreement with the government over projects in the Orinoco belt. Separately, ExxonMobil said it was disappointed it failed to reach a nationalization deal on Tuesday to keep its in Venezuela but confirmed it would negotiate with the government over its exit. Venezuela's President Hugo Chavez set Tuesday as the deadline for oil majors to accept terms for the government to take a majority stake in four heavy crude upgrading projects. A PDVSA official said Venezuela should finalize compensation deals with ExxonMobil and ConocoPhillips within two



months. PDVSA said it has taken an average stake of 78% in four extra heavy oil projects in Venezuela's Orinoco belt.

Meanwhile Total signed a nationalization agreement with the Venezuelan government that lowered its stake in the 180,000 bpd Sincor heavy crude field to 30.3% from 47%. It said negotiations led to satisfying conditions concerning the compensation and the governance of the future mixed company.

Venezuela's Energy Minister Rafael Ramirez said Venezuela may stop making its OPEC oil output cuts in the nationalized Orinoco Belt.

US Energy Secretary Sam Bodman said he was concerned that supplies of oil from Venezuela could fall after ExxonMobil and ConocoPhillips decided to exit the oil projects in Venezuela. Meanwhile, the US State Department said Venezuela needed to fairly compensate the oil companies that were impacted financially by the government takeover.

Maritime sources stated that a British proposal to target Iran's national shipping lines under a draft UN sanctions resolution could temporarily cut Iran's ability to export oil to world markets. The draft suggests denying rights of passage to Iranian merchant ships in foreign waters. If adopted, the proposal could have a short term effect on Iran's ability to supply oil to world markets, even though US and European officials insist it is not meant to target Iran's oil.

US Secretary of State Condoleeza Rice said there was no breakthrough in the European Union's weekend talks with Iran about its nuclear program. EU foreign policy chief Javier Solana said his talks with Iran's top nuclear negotiator on Saturday had been constructive and that they may meet again in about three weeks.

Refinery News

Alon USA Energy Inc said its No. 1 SCOT unit at its 70,000 bpd Big Spring, Texas refinery was shutdown again due to an acid gas swing. Alon first reported on Sunday that the unit tripped offline.

Alon also stated that it was shutting down a 22,000 bpd reformer unit at its Big Spring refinery on Tuesday for repairs. The work is expected to last 36 hours.

Delek US Holdings Inc's 58,000 bpd refinery in Tyler, Texas shut its sulfur recovery units 1 and 2 temporarily on Monday due to a power problem.

Production News

Royal Dutch Shell said equipment at its Forcados oilfield in Nigeria is in need of repair before output can resume. On Monday, Shell said it planned to restart exports from the terminal next month, using oil that is in storage. Separately, Shell said it was unlikely to go back into Nigeria's Western Delta this year despite the area contributing about 500,000 bpd to the company's crude oil production. It said escalating violence in the Delta has shut in production for 1.5 years so far and production is unlikely to begin in 2007.

Chevron Corp said it has restored the 42,000 bpd crude oil production lost at the Abiteye flowstation in southern Nigeria. The facility was forced to halt output the weekend of May 12 following a protest by local youths.

Foreign crude continued flowing into China's strategic oil storage tanks in Ningbo over the past two months while a second government owned site has yet to receive its second tanker. An estimated 8 million barrels or 1.1 million tons of crude were discharged over May and June into the facility. According to Reuters data, overall imports to Ningbo stood at 28.6 million barrels in June. The steady flow of oil into storage, once again showed that at least some oil was also being discharged, underscoring China's reluctance to build up costly oil stocks that would sit idle. In Aoshan, the site of Japan's second strategic facility, port sources said there were no scheduled discharge operations into government tanks in June, following the late May arrival of a crude cargo from the Middle East.

Mexico's Energy Ministry reported that crude production at its Cantarell offshore field fell in May to 1.579 million bpd, down from 1.592 million bpd in April. Output over the first five months of the year averaged 3.153 million bpd.

Ecuador's central bank reported that the country's oil export revenues totaled $488.13 million in April, down 29% from the $687.56 million reported in the same period of 2006. In terms of volume, Ecuador exported 9.32 million barrels in April, down 26% on the year.

OPEC's news agency reported that OPEC's basket of crudes fell further to $67.28/barrel on Monday from $67.35/barrel on Friday.

Market Commentary

The crude oil market experienced what appeared to be signal fund selling today, with the funds selling into weakness in the market. Once the August broke through 68.80, the selling frenzy began with prices continuing another dollar to the downside, before retracing 50% from the initial low of 67.78. Even with the sell-off today, the 67.40 support number still held, and at this point we would look for a new round of selling to come into the market with a break through this level. This technical move coupled with a revision downward of the demand number for gasoline in April, could easily bring prices back to the 64.45 level. Support is set at 67.87, 67.60, 67.40, 67.16, 66.40 and 65.57. Resistance is set at 68.05, 68.42, 68.65, 68.80, 69.15, 69.59 and 70.00. The Dec07/Dec08 came into what could be perceived as weakness, but on the sell off of this spread it was more a function of lack of buying rather than selling pressure. All in all, the selling pressure appears to have been more prevalent in the deferred months upon examination of the spreads. Aug/Sept posted a modest loss of 9 cents with the Sept/Oct spread posting a loss of 24 cents. Meanwhile the product markets also ended the session in negative territory in follow through selling seen in the crude market. The product markets were also pressured as they positioned themselves ahead of Wednesday's release of the weekly inventory reports, which are expected to show builds across the board. The RBOB market traded to posted its high of 229.50 in overnight trading on Globex before it continued to retrace its previous gains at the start of the outcry session. The market retraced almost 62% of its move from a low of 223.70 to its high of 229.50 as it traded to a low of 223.70 late in the session. It settled down 5.56 cents at 224.69. The heating oil market also settled down 4.91 at 199.33 after the market sold off to a low of 199.15 late in the session. The product markets are likely to remain pressured ahead of the weekly inventory reports. However if the report fails to show an increase in refinery operations the market is seen retracing its losses even if the re ports show the expected builds in product stocks. The RBOB market is seen finding support at its low of 223.70 followed by 223.18, 223.00, 220.32, 217.43 and 215.00. Resistance is however seen at 225.00, 226.75, 227.55, 228.60 and its high of 229.50. More distant resistance is seen at 232.97 and 234.19.

Technical levels

		Levels	Explanation
		69.19, 69.59, 70.00	Tuesday's high, Previous highs
	Resistance	68.05, 68.42, 68.65, 68.80	
CL	69.18, up 4 cents		
	Support	67.87, 67.60-.55	Double bottom
		67.40, 67.16, 66.40, 65.57	Previous lows
		204.10, 206.06, 206.85	Tuesday's high, Previous highs
	Resistance	201.80, 202.20, 203.40	
HO	204.24, up 44 points		
	Support	199.15	Tuesday's low
		197.89, 195.77,195.71	50%(188.92 and 206.85), 63%, Previous low
		229.50, 232.97, 234.19	Tuesday's high, Previous highs
	Resistance	225.00, 226.75, 227.55, 228.60	
RB	230.25, up 1.59 cents		
	Support	223.70	Tuesday's low
		223.18, 223.00, 220.32, 217.43, 215.00	62% retracement (217.43 and 232.47), Previous lows