



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 28, 2007

According to Petrologistics, OPEC is expected to produce 30.3 million bpd in June from 30.5 million bpd in May. Production in Saudi Arabia was seen down 100,000 bpd at 8.65 million bpd. Iran's production was seen steady at about 3.9 million bpd in June while production in Nigeria was expected to increase by 50,000 bpd to 2.02 million bpd.

Oil Movements reported that OPEC's oil exports are

expected to increase by 30,000 bpd in the four weeks ending July 14 to 24.21 million bpd. Shipments from the Middle East are expected to fall by 60,000- bpd in the four week period to 17.38 million bpd.

Market Watch

China is scheduled to begin filling its third and fourth oil reserves bases as early as the end of the year. China is scheduled to fill the Huangdao base by the end of 2007 while the fourth base is targeted to be filled in the first half of 2008. Both bases would be able to stockpile more than 21 million barrels or 3 million tons of oil. Tanks in the four bases would have a total storage capacity of about 100 million barrels of crude, equivalent to some 33 days of imports at current rates.

Venezuela's President Hugo Chavez appeared to shrug off a decision by ExxonMobil and ConocoPhillips to leave oil projects in the Orinoco river belt.

China's Sinopec Group has signed a memorandum of understanding to take a stake in Orinoco projects. Sinopec would be the second Chinese state oil company, after China National Petroleum Corp to participate in the Orinoco oil project.

Brazil's Petrobras and Venezuela's PDVSA said they would invest \$2 billion in the development of Venezuela's Carabobo 3 block in the Orinoco heavy oil belt. Petrobras would take a 40% stake in the project, while PDVSA would have a 60% stake. The two companies expected to start production from the field in 2009.

A bill was introduced by Reps. Mark S. Kirk and Robert E. Andrews that would reduce Iran's imports of gasoline. Under the proposed legislation, any company that provided Iran with gasoline or helped it import gasoline after the end of the year could lose its access to US customers through sanctions. On Wednesday, the House Foreign Affairs Committee approved legislation designed to strike at investments in Iran.

Refinery News

ExxonMobil Corp said its hydrocracker 1 at its 563,000 bpd refinery in Baytown, Texas was still down. The unit was shut on Saturday. However it dismissed recent media reports which stated that because of the work on the hydrocracker, other units such as the 110,000 bpd fluid catalytic cracking unit or its 126,000 bpd reformer unit would be partially shut until the repairs are completed.

Valero Energy Corp is on schedule to operate a 150,000 bpd crude unit at its McKee refinery in Sunray, Texas by the end of June. The refinery was shut February 17 due to a fire and has been ramping up gradually since mid-April. The volume of crude in storage at Cushing tightened on Thursday, reflecting the McKee refinery's ramp up.

The first of two shut in crude units at BP's oil refinery in Whiting, Indiana is expected to reach full rates within two to three weeks. The first crude unit was originally scheduled to restart at the end of June or in early July. The second unit is still on scheduled to restart in late summer.

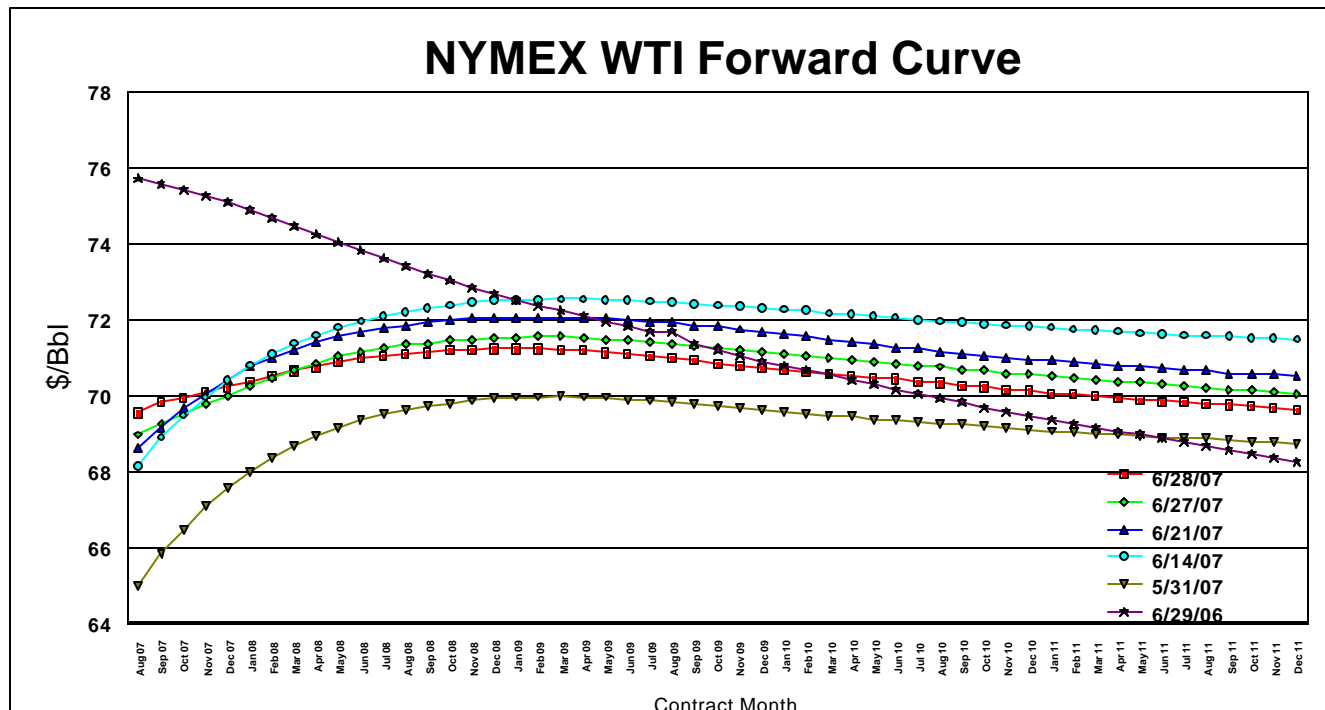
Murphy Oil restarted a 39,000 bpd fluid catalytic cracking unit at its 120,000 bpd refinery in Meraux, Louisiana this week after it was shut for unplanned maintenance about a week ago.

Enbridge Inc said a series of tornadoes that ripped through southern Manitoba last week cut power to parts of its largest oil pipeline to the US Midwest, reducing shipments on the line for four days. Enbridge said power was cut to its 730,000 bpd Line 4 after a series of tornadoes hit Elie, Manitoba.

According to the California Energy Commission, crude oil intake by the state's 21 refineries fell by 2.8% on the week to 11.45 million barrels while total gasoline inventory increased by 11.5% to 7.8 million barrels in the week ending June 22. Production of gasoline that meets California's strict environmental standards increased by 3.3% to 7.2 million barrels while production of gasoline for shipment to states other than California fell by 18.6% to 1 million barrels.

One of PetroChina's Daqing refineries is expected to shutdown its crude refining unit in mid-August for six weeks of maintenance.

CPC Corp is scheduled to shut a 30,000 bpd desulphurizer at its Kaohsiung refinery from July 2 to August 17 for regular maintenance. The shutdown would coincide with a current turnaround at a 100,000 bpd crude unit, which is down from 45 days since early June and would restart by the end of



next month.

Indonesia's 120,000 bpd Dumai refinery is expected to shutdown for 30 days of planned maintenance from late October or early November.

India's Ministry of Petroleum and Natural Gas reported that Indian refiners processed 13.33 million tons or 3.15 million bpd of crude oil in May, up 14.9% on the year.

Production News

Crude production from Eni SpA's Okpoho and Okono fields in Nigeria resumed its normal production of 65,000 bpd. Production from the fields was shut in after a militant group attacked an offshore production ship on May 3.

Brazil's Oil Workers' Federation said oil workers across Brazil have voted to go on a five day strike in July that could threaten the production of 1.8 million bpd. Petrobras workers may go on strike starting July 5 to pressure the company to present a proposal for a new plan on how positions and salaries within the company are distributed. The remaining union section is expected to decide on the strike on Friday.

Russia's oil exports are expected to increase to 3.03 million bpd in July from 3 million bpd in June. A final export schedule by Transneft showed that loadings at Russia's Baltic Sea port of Primorsk fell to 1.565 million bpd from 1.592 million bpd. Loadings at the Black Sea port of Novorossiisk are expected to increase by 92,700 bpd to 869,670 bpd from 776,980 bpd in June. Oil exports from the port of Gdansk is expected to fall by 57,000 bpd to 115,400 bpd.

Singapore's International Enterprise reported that the country's residual fuel stocks built by 1.18 million barrels to 12.861 million barrels in the week ending June 27. Singapore's light distillate stocks increased by 634,000 barrels to 9.745 million barrels while its middle distillate stocks increased by 84,000 barrels to 7.951 million barrels on the week.

Pemex said it would start injecting nitrogen into the Ku-Maloob-Zaap offshore oil complex next month in an effort to increase production in the area. The project is located in the Sound of Campeche in the Gulf of Mexico. Pemex said it hoped to increase production in the area to compensate for the declining production at the Cantarell field.

OPEC's news agency reported that OPEC's basket of crudes fell to \$67.28/barrel on Wednesday from \$67.43/barrel on Tuesday.

Market Commentary

Crude oil posted its highest level in nine months, topping out the session at 70.50. There continues to be a draw on stockpiles out of Cushing, easing the overstocked situation in that area. With the upcoming 4th of July holiday, and typical summer demand for gasoline, these draws should continue, further boosting prices. The near term upside target is 71.10 and then an attempt to fill the gap on the spot continuation chart between 71.90 and 72.38. Resistance comes in at 70.45, 71.10, 71.90 and 72.38, with support at 69.50, 69.35, 69.10, 68.90, 68.33, 67.87 and 67.40. Aug07/Sept07 posted gains of as much as 51 cents only to finish the day at unchanged. The WTI continues to post gains against the Brent, recovery from its lowest discount in three months of -5.10. The aforementioned supply situation, along with the easing of concerns over Nigerian supplies and Iran, should continue to lend strength to the WTI against the Brent. The front end of the curve appears to be flattening, with the back end coming under pressure. The Dec07/Dec08 posted gains of .53, and is at its strongest level since April. With the current bullish sentiment, we would look for further strength out of this

spread. Meanwhile the product markets ended the session mixed, with the RBOB market settling up 1.21 cents at 226.67 and the heating oil market settling down 63 points at 201.83. The RBOB market traded off a low of 225.47 and rallied to a high of 228.36 early in the session. The market remained well supported in light of the unexpected draws in gasoline stocks reported by the DOE on Wednesday. It was also supported amid reports of some refinery problems. The RBOB market later traded to 226.00 and settled in a sideways trading pattern ahead of the close. Unlike the RBOB market, the heating oil market rallied to a high of 204.53 by mid-day and later retraced its gains ahead of the close. The market retraced little more than 38% of its move from a low of 197.50 to a high of 204.53 as it posted a low of 201.60 late in the session. The product markets are seen remaining supported ahead of the July contract's expiration at the close on Friday. The RBOB market is seen finding support at 226.75, 225.47 followed by 224.59, 223.69, 220.81, 220.32 and 217.43. Resistance

is seen at 228.36 followed by 229.50, 232.97 and 234.19.

Technical levels		
	Levels	Explanation
CL 69.57, up 60 cents	Resistance 71.10, 71.90, 72.38 70.45, 70.50	Thursday's high
	Support 69.50, 69.35, 69.10, 68.90 68.33, 67.87, 67.40	Thursday's low
HO 201.83, down 63 points	Resistance 204.10, 206.06, 206.85 203.05, 204.53	Previous highs Thursday's high
	Support 201.60, 201.02, 200.19 197.50, 195.77, 195.71	Thursday's low, Retracements Previous low, 62% (188.92 and 206.85), Previous low
RB 226.67, up 1.21 cents	Resistance 229.50, 232.97, 234.19 228.36	Previous highs Thursday's high
	Support 226.75, 225.47 224.59, 223.69, 220.81, 220.32, 217.43	Thursday's low Retracements, Wednesday's low, Previous lows