



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JUNE 30, 2008

Iran's Revolutionary Guards said Iran would impose controls on shipping in the Persian Gulf and Strait of Hormuz oil route if Iran was attacked and warned regional states of reprisals if they took part. Revolutionary Guards commander in chief Mohammad Ali Jafari said any military action may be able to delay Iran's nuclear activities but added that the delay would be short. He warned neighbors not to let their territory to be used. Meanwhile Kuwait and Iraq have both said they would not let their land be used for a strike on Iran. The head of Kuwait Petroleum Corp said Kuwait was developing precautionary plans

to ensure oil exports in case Iran closes the Strait of Hormuz. Separately, a spokesman for the Fifth Fleet said the US would not allow Iran to shut the Strait of Hormuz. On Sunday, Iran's Foreign

Market Watch

Goldman Sachs said supply and demand, rather than speculators, are responsible for the oil market's rally. It said concerns that the gains in prices are part of a speculative bubble are unwarranted.

US Treasury Secretary Henry Paulson said no quick fixes exist for the problems caused by the high world oil price but added that the markets and consumers will adapt.

The chief executive of Royal Dutch Shell Plc, BP Plc and Spain's Repsol YPF said market fundamentals and tight supplies rather than speculators were the reason oil has continued to increase. Shell chief executive Jeroen van der Veer said worries that supply would not meet demand in the future was driving oil prices although he acknowledged some investors were also betting on the trend. Also, ExxonMobil's chief executive, Rex Tillerson said oil supply is limited by government restrictions. He said reaching a peak in world oil production is limited only by difficulties made by governments in accessing the reserves.

Royal Dutch Shell Plc said it is considering investing in the sustainable production of sugarcane-based ethanol in Brazil.

Indonesia's Energy Minister Purnomo Yusgiantoro said the country has no plans to raise subsidized fuel prices again this year despite rising oil prices after prices were increased in May.

Colombia's Mines and Energy Hernan Martinez said the country plans to increase taxes on oil production but added the exact formula has not yet been defined.

The US Geological Survey said the Arctic holds 100 billion barrels of oil in unexplored fields. A geologist said the disputed ownership of the Arctic is the biggest barrier to the development of the oil resources, not a lack of technology. Canada, Denmark, Norway, Russia and the US dispute the sovereignty of the region's waters.

June Calendar Averages

CL – 134.02

HO – 381.20

RB – 342.52

Minister Manoucher Mottaki said he did not believe Israel was in a position to attack Iran over its nuclear program.

An official at the National Iranian Oil Co said Iran has increased its oil production to 4.23 million bpd, the highest level since its 1979 Islamic revolution, and plans to increase its production further. The managing director of NIOC, Seifollah Jashnsaz, has previously stated that Iran would seek to increase its oil production to 4.3 million bpd by next March from 4.2 million bpd.

A senior Iranian oil official, Hojjatollah Ghanimifard said he expected crude prices to increase to \$150/barrel in the near future with the onset of higher demand in the summer.

Saudi Arabia's Oil Minister Ali al-Naimi reiterated that the country stood ready to pump more crude if customers demand warranted an increase. He said Saudi Arabia could pump far more than the country has ever produced if market conditions demanded.

Qatar's Oil Minister Abdullah al-Attiyah said he did not expect OPEC oil exporters to cut supplies despite a surplus in the crude market.

Iran's President Mahmoud Ahmadinejad said he was target of an "x-ray radiation plot" during his trip to Rome for the UN food summit earlier this month. The official IRNA news agency quoted Iran's ambassador to Italy, Abolfazl Zohrehvand, as saying the plot was to use extreme radiation in the place where the president was due to stay.

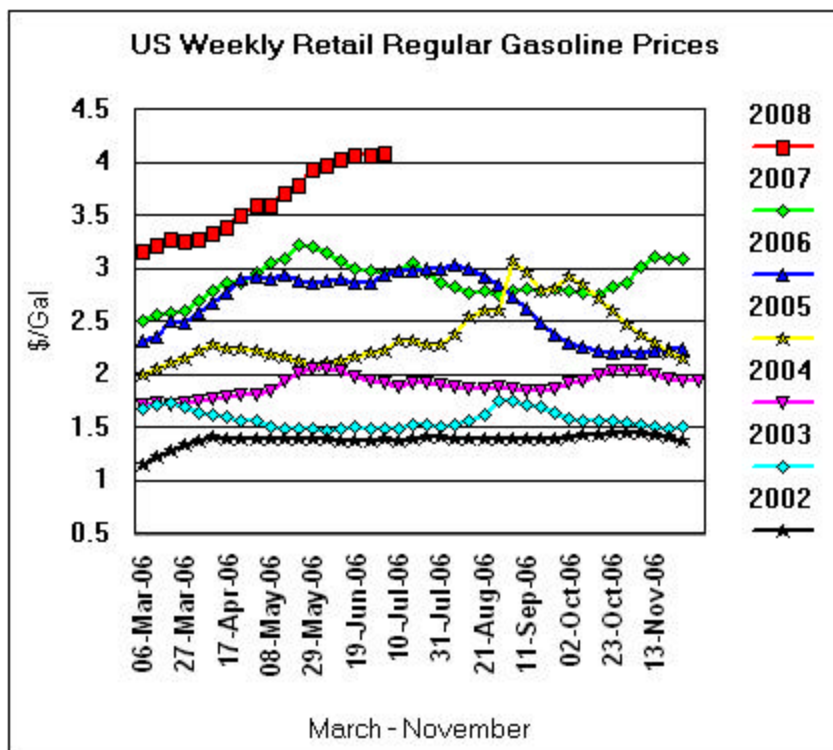
The EIA said US oil demand fell by 3.9% or 811,000 bpd to 19.789 million bpd in April, the lowest level in the month since 2002. Gasoline demand averaged 9.117 million bpd in April, down 1.25% or 115,000 bpd while distillate demand fell by 2.5% or 104,000 bpd on the year to 4.108 million bpd.

The EIA reported the US average retail price of gasoline increased by 1.6 cents to \$4.095/gallon in the week ending June 30th. It also reported that the US average retail price of diesel fell by 0.3 cents to \$4.645/gallon on the week.

Refinery News

Kuwait's KNPC said three workers were injured at a limited fire at its Mina Abdullah refinery on Sunday but added that its exports were not affected. A spokesman said the fire was extinguished and the refinery was operating at full capacity.

Shell has been floating a 650,000 barrel cargo of Australian Northwest Shelf condensate off Singapore for about a week, likely due to maintenance of some units at its refinery.



Japan's Cosmo Oil Corp said it would delay the restart of its No. 2 130,000 bpd crude distillation unit at its Chiba refinery to early July due to a problem with underwater piping used to transport crude. The piping problem is causing a slight delay in crude deliveries to the refinery as VLCC bound for the refinery now have to offload at a nearby sea berth instead.

Japan Energy Corp said it plans to increase its crude oil processing volumes for the July-September quarter by 7% from the same period last year to help feed a new condensate splitter. It plans to refine 5.99 million kiloliters of crude oil including condensate in the third quarter or 409,500 bpd.

South Korea's S-Oil Corp has cut crude runs by 50,000 bpd to 60,000 bpd from 560,000 bpd earlier in June. The refiner is expected to keep July crude runs at current levels of about 500,000-510,000 bpd.

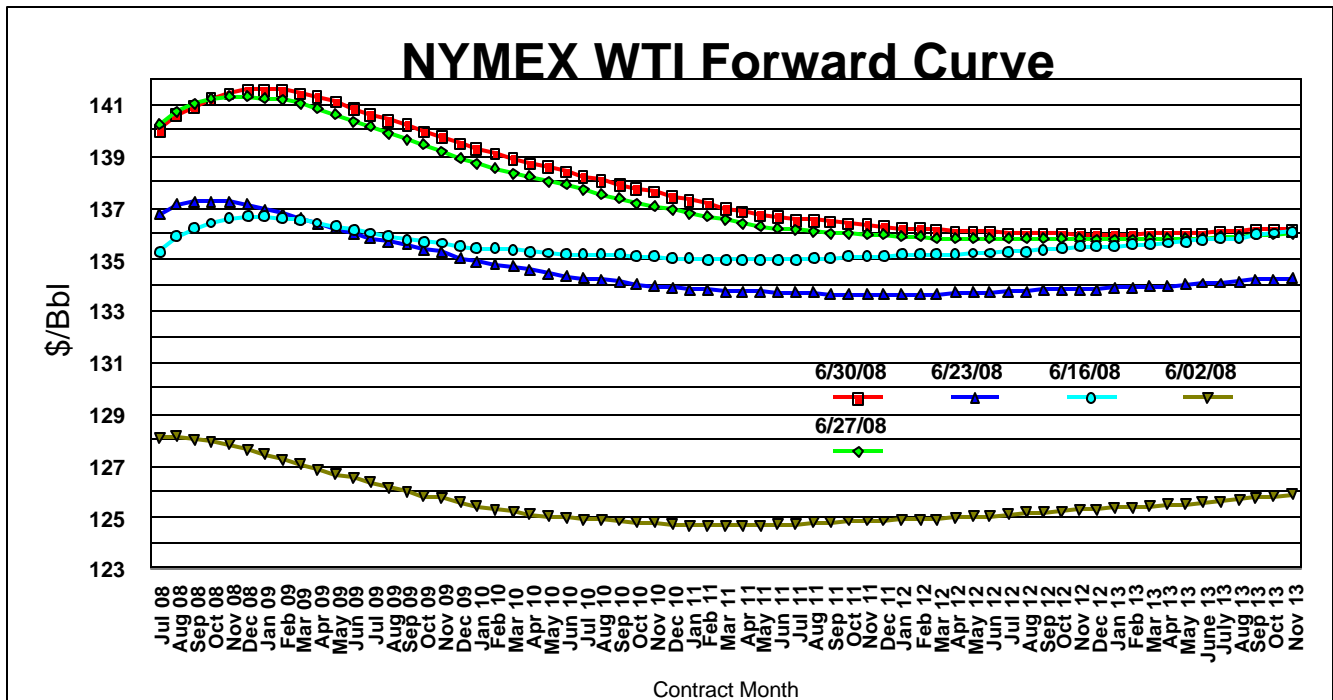
South Korea's Hyundai Oilbank said it will keep its crude runs steady at about 300,000 bpd in July. Hyundai will export 60,000 tons of gasoil in July after a halt in June and lift jet fuel exports to 100,000 tons from 60,000 tons in June.

South Korea's S-Oil Corp will export 120,000 tons of spot gas oil next month, steady from June shipments.

Sinopec's Jinling refinery plans to increase its crude processing in July by about 80% from June to 235,500 bpd following delayed maintenance.

According to an export schedule, Russia will cut its oil exports through its main sea ports by 50,000 bpd in July to 2.9 million bpd due to pipeline repairs at its main Baltic Sea port of Primorsk. Oil exports through Russia's Black Sea port of Novorossiisk will increase by 274,000 tons to 3.959 million tons in July. Shipments through Primorsk will fall by 171,000 tons to 6.1 million tons.

PetroChina is holding off diesel imports for July as uncertainty whether China would extend a tax incentive increased after China's government decided to increase gasoline and diesel prices by about 18%. Meanwhile, Sinopec has booked 200,000 tons of diesel for July, about half its purchase for June.



Japan's Ministry of Economy, Trade and Industry said the country's crude oil imports in May increased 16.3% on the year to 4.119 million bpd. It reported that domestic sales of oil products increased 0.4% on the year to 3.316 million bpd despite a 5.5% fall in gasoline sales to 938,000 bpd. It reported that Japan's oil product imports fell by 15.4% on the year to 512,308 million bpd while its exports increased by 24.3% to 585,703 bpd. Japan's METI reported that refinery output increased by 6% to 3.448 million bpd. Its crude inventory at the end of May stood at 105.797 million barrels, up from 97.766 million barrels in April.

India's domestic oil product sales increased by 4.1% on the year in May to 11.67 million tons, the slowest pace of growth in 2008, as sales of transport fuels increased. Sales of diesel increased by 16.6% to 4.8 million tons while petrol increased by 15.1% to 1.05 million tons. India's crude oil imports fell by 2.3% to 10.12 million tons or 2.4 million bpd in May compared to the same month last year.

Production News

A Nigerian security source said an explosion at an oil flowstation in Nigeria run by Italy's Agip killed one person and injured several others on Saturday in what appeared to be an industrial accident. Production appeared not to have been affected.

Royal Dutch Shell said it expects production in Nigeria's Bonga field to reach full capacity within days. Shell shutdown the field on June 19 after militants attacked the production vessel aft the field. Separately, Shell said there were no attacks on its oil flow stations in Nigeria over the weekend following local media reports of clashes with militants near its facilities at Bonny. Several Nigerian newspapers reported an attack by suspected militants on a houseboat owned by Shell over the weekend. However Nigeria's Oil Minister Odein Ajumogobia confirmed reports that the Bonny Light crude oil facility had been attacked over the weekend.

StatoilHydro ASA said the Oseberg Delta and Theta Cook satellite fields have come on stream, adding 18,000 bpd of oil equivalent of production to the Oseberg field complex. In the fall, well No. 2 on Oseberg Delta will come on line, adding another 7,000 bpd in production. Separately, it stated that Canadian oil sand deposits require crude prices of at least \$70/barrel to cover capital and operating expenses and provide an acceptable rate of return.

Iraq's Oil Minister Hussain al-Shahristani said Iraq hopes to sign long term contracts for the development of its oilfields in June 2009. He said foreign energy firms that win long term oil development contracts in Iraq must have an Iraqi partner and added that the Iraqi partner would need to have a minimum stake of 25% in such deals. He said he hoped the contracts could increase Iraq's output by 1.5 million bpd on those fields. Iraq's Oil Ministry announced that six oilfield areas would be open to foreign firms for long term development contracts.

Kazakhstan plans to tender new onshore and offshore oil and gas blocks in 2009 after a tax reform takes effect. The government has stated that it had six prospective offshore oil blocks that could be offered to foreign investors.

OPEC's news agency reported that OPEC's basket of crudes increased sharply to \$135.31/barrel on Friday from \$130.31 on Thursday.

Libya has cut the July official selling price of Essider crude to dated BFOE minus \$1.05/barrel.

Market Commentary

Early in the session the energy markets were higher, gathering strength from a weak U.S. dollar and geopolitical tensions concerning Iran. The commander of the Iranian Revolutionary Guard had said that if Iran were to be attacked, it would strike back by sending missiles into Israel. The rally off of this news lacked follow through once floor trading got underway, giving back all of the sessions gains. In the past, we would have expected this week to be a low volume week ahead of the 4th of July holiday and for this market to experience lackluster trading. Things have changed, however, with this market enticing more and more investor play, the market is a tougher call. For now we will examine the technical aspects of this market. Despite trading above the \$140.42 congestion top two sessions in a row, the August08 crude oil contract was unable to settle above this top on both occasions. Each successive move higher was made on lighter volume than the previous move, with the August08/September 08 spread remaining weak. The spread is an indication that there is not a perception of an immediate shortage of supply. Shorter - term technicals are supportive of this market, with longer - term technicals indicating lower movement. Based on this, we would rather sell against resistance than buy support for the remainder of the week. Based on a spot continuation chart for the front month spread and index rolls to begin on the 8th of July, we would look for the August/September spread to come under pressure with an initial objective of -.70 and ultimately for a test at -.95. Therefore, we would look to sell the August08 contract and buy the September 08 contract, looking for further weakness. As with the crude oil, the August08 gasoline failed to settle above the congestion top of \$3.5679 on two breakouts at that level. With demand taking a hit lately, due to the recent high prices, we do not anticipate extended gains. Slow stochastics on the weekly chart for August08 gasoline have crossed to the down side in overbought territory, with rsi's trending sideways, also in overbought territory. Based on this and the aforementioned curtailment in demand, we would look to use the congestion top of \$3.5679 as a selling point. The August08 gasoline crack is approaching key support at \$7.0664. Should this crack spread fall to take out this level, we would look to buy the August08 gasoline and sell the August08 crude oil, based solely on a technical play. Should this spread penetrate this level, we would then sell the August08 gasoline and buy the August 08 crude oil, looking for a test of the \$5.4072 low from March 17,2008. Heating oil has not been able to breakout of the area of congestion, nor has it been able to achieve new record highs. This area of congestion is set between \$4.0359 and \$3.7104. At this point in time, heating oil has enjoyed unseasonable highs due to increased overseas demand. This demand has begun to slow down both abroad and domestically due to the high prices. For the remainder of the week, we would look for this area of congestion to hold, and for the August08 heating oil to drift into the lower part of the congestion area, with possible tests at the \$3.7104 low. Open interest for crude oil is 1,301,612 up 4,638, August08 313,090 up 2,936, September08 144,461 down 354 and December 08 179,046 down 744. Total open interest for heating oil is 223,970 down 5,294, July08, 6,378 down 7,101, August08, 66,279 down 232. Total open interest for gasoline, 260,583 down 423, July 15,764 down 4,577, August08, 78,291 up 2,823.

August Crude Support	July Crude Resistance
138.60, 133.70, 131.95, 127.76,126.77, 122.05, 120.60, 114.85, 108.95, 98.20, 85.40	141.17, 143.25, 150.00
Heating oil support	Heating oil resistance
3.8215, 3.6800, 3.5450, 3.5100, 3.3500, 3.1680, 3.0980	4.0338, 4.0475, 4.0640, 4.1200
Gasoline support	Gasoline resistance
3.4500, 3.3400, 3.3250, 3.3000, 3.1760 309.20, 3.0730, 3.0400, 3.0250, 2.9255	3.63.45, 3.755, 34655