



ENERGY RISK MANAGEMENT

Howard Rennell & Pat Shigueta
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 6, 2006

Venezuela's Oil Minister Rafael Ramirez said recent gains in world oil prices could be temporary and OPEC should take steps to defend prices at its next meeting on January 31.

Refinery News

Shell said it is still working to restore normal operations at its 412,000 bpd Pernis refinery, a

day after production was scaled back due to utility failure. Shell's chemical plants at Pernis were still shut for precautionary reasons in the wake of the refinery problem.

Lithuania's Mazeikiu Nafta is operating at 50% of capacity due to scheduled maintenance. The 140,000 bpd refinery is expected to complete maintenance work by the end of next week.

China's 12 major plants will process a total of 2.295 million bpd of crude this month, up 2.5% on the month.

China's Jinxi Petrochemical Corp plans to cut its January crude runs by 8% on the month to 129,500 bpd.

Indonesia's Pertamina is expected to shut down an 83,000 bpd residual cracking unit at its Balongan refinery for 20 days in February.

SK Corp plans to shut its 110,000 bpd No. 2 crude distillation unit for about 30 days between mid-April and mid-May. It also plans to shut the 240,000 bpd No. 4 crude distillation unit for about 30 days of maintenance between mid-June and mid-July.

Production News

According to Reuters, OPEC's oil production in December fell to its lowest level since May. It reported that OPEC's production fell by 180,000 bpd to 29.81 million bpd. Production by the 10 OPEC members fell by 50,000 bpd to 28.23 million bpd. It said Saudi Arabia cut its production by 150,000 bpd to about 9.4 million bpd.

Market Watch

According to a Deutsche Bank analyst, Adam Sieminski, the strong demand, high geopolitical risk and tight spare capacity that characterized the oil market in 2005 are expected to continue in 2006. He said the possibility of extreme weather and greater competition in the exploration for new oil reserves all indicate that prices continue to rise in the first half of the year.

Shell Petroleum Development Co of Nigeria said it lifted the force majeure on oil exports from its Bonny Terminal.

An analyst stated that stocks of gas oil and gasoline increased sharply over the past week in independent Amsterdam-Rotterdam-Antwerp storage tanks as inflows outstripped demand amid milder temperatures in Europe. Gas oil stocks increased by 75,000 tons to 1.92 million tons in the week ending January 6th. Gasoline stocks also increased by 95,000 tons to 805,000 tons on the week while fuel oil stocks increased by 10,000 tons to 550,000 tons. Naphtha stocks fell by 15,000 tons to 60,000 tons while jet fuel stocks built by 25,000 tons to 390,000 tons.

Statoil ASA said oil production started on the West Azeri platform on Azerbaijan's Azeri-Chirag-Gunashli field in the Caspian Sea. The company said total output from West Azeri is estimated to be about 70,000 bpd this year.

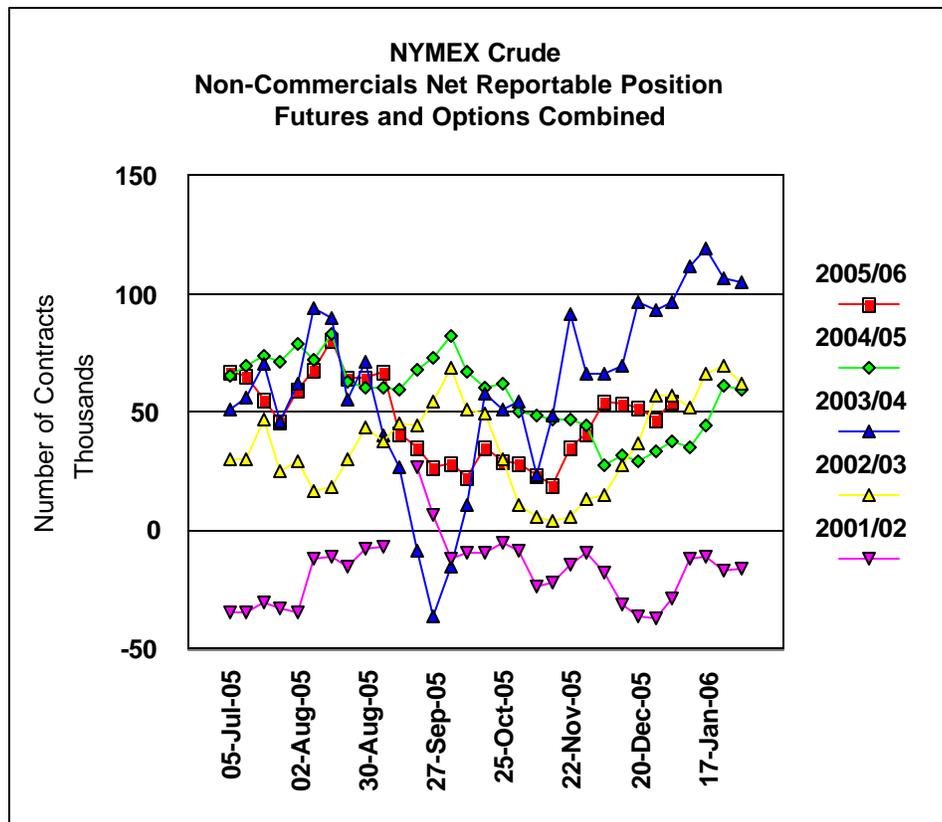
OPEC's news agency reported that OPEC's basket of crudes increased to \$56.61/barrel on Thursday, up from Wednesday's \$56.38/barrel.

Japanese government officials said Japan and China were far apart over how to explore and develop oil and gas resources in disputed areas of the East China Sea. They made the remarks after a Chinese Foreign Ministry official said that China and Japan had agreed to jointly develop resources there. Japan and China have been at odds for decades over the areas in the East China Sea.

PetroChina produced a total of 105 million metric tons of crude in 2005, up 5-10% on the year. The increase is largely due to higher production from a domestic oil field.

India's cabinet approved a proposal to build a 5 million ton or 37 million barrel reserve at a cost of

112.67 billion rupees or \$2.5 billion. It plans to build the strategic crude oil reserve by 2015.



Pemex said gasoline sales in Mexico increased by 5.6% on the year to 672,000 bpd. It also reported that it produced an average of 3.3 million bpd of crude in the first 11 months of 2005.

Market Commentary

The oil market bounced back into positive territory and breached its recent trading range ahead of the weekend. The market opened up 61 cents at a low of 63.40 and quickly breached the 64.00 level. The crude market traded to a high of 64.15, where it

held some resistance before it retraced its gains and tested its low. The market, which failed to breach its low, bounced off that level and rallied to a high of 64.45. While it retraced some of its up move, it ultimately was able to sustain its gains on the close. It settled up \$1.42 at 64.21. Volume in the crude market was good with over 215,000 lots booked on the day. The product markets also settled in positive territory, with the gasoline market settling up 2.85 at 181.55 and the heating oil market settling up 1.25 cents at 180.06. The gasoline market quickly traded to an early high of 181.50 before it retraced its gains and sold off to a low of 178.50. The market however bounced off its low and rallied to a high of 181.90 late in the session. The market later attempted to retrace its gains but quickly found support and traded back to its high on the close. Meanwhile, the heating oil market posted an inside trading day. The market failed to test its previous high of 181.75 as it posted a high of 181.50 early in the session. Its gains were limited amid the weather forecasts still showing above normal temperatures for most of the country. It later settled in a sideways trading pattern after it posted an intraday low of 179.00. Volumes in the product markets were lighter today with 45,000 lots booked in the gasoline and 39,000 lots booked in the heating oil market.

According to the latest Commitment of Traders report, non-commercials in the crude market cut their net short position by 9,851 contracts to 14,403 contracts in the week ending January 3^d. The combined futures and options report showed that non-commercials in the crude market increased their net long positions by 7,654 contracts to 54,310 contracts. This was amid the large increase in open interest as funds returned to the market at the start of the year. Given the continued increase in open interest, it is likely that they have continued to increase their long position. Meanwhile non-commercials in the gasoline market increased their net long positions by 8,619 contracts to 28,424 contracts while non-commercials in the heating oil market increased their net long position by 4,354 contracts to 7,322 contracts on the week.

Barring any bullish news over the weekend, the market is seen retracing Friday's gains. Technically, the market is starting to look over bought. It is seen finding resistance at its high of 64.45 followed by a gap from 65.10 to 65.60. More distant resistance is seen at 66.90. Meanwhile, support is seen at 64.00

followed by 63.40. More distant support is seen at 62.60, 62.50 and its gap from 61.75 to 61.25.

Technical Analysis		
	Levels	Explanation
CL 64.21, up \$1.42	Resistance 64.21, up \$1.42	65.10 to 65.60, 66.90 64.45
	Support	64.00, 63.40 62.60, 62.50, 61.75 to 61.25
HO 180.06, up 1.25 cents	Resistance	182.40, 185.50, 188.50 181.50, 181.75
	Support	179.00, 177.10 175.65, 173.33, 171.25
HU 181.55, up 2.85 cents	Resistance	182.05, 183.50, 183.90 181.90
	Support	179.70, 178.50, 175.50 173.00, 171.28, 168.13