



ENERGY RISK MANAGEMENT

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

www.e-windham.com

ENERGY MARKET REPORT FOR JANUARY 23, 2006

Saudi Arabia's Oil Minister Ali al-Naimi said he does not see any reason for OPEC to cut its output policy at its January 31 meeting. He said there is no fundamental reason for crude oil prices to be at current high levels given that there are enough supplies to meet oil demand. Saudi Arabia's Oil Minister blamed political tensions for the higher prices. He said prices within a range from \$40-\$60/barrel would reflect market fundamentals. He also added that Saudi Arabia is prepared to increase its crude supplies to alleviate any shortages. He said Saudi Arabia's current output is 9.5 million bpd but if necessary it has the capacity to deliver up to 11 million bpd.

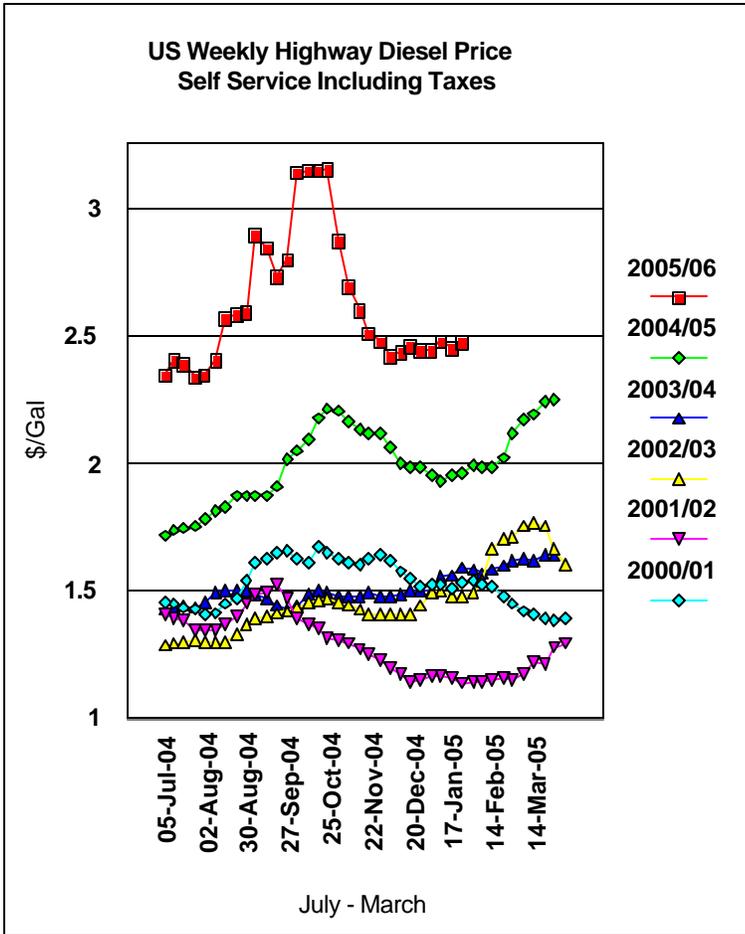
Market Watch

Saudi Arabia and China signed several deals on Monday, including one on energy and possibly a refinery, during King Abdullah's first official visit to China. Saudi Arabia's Foreign Minister Prince Saud al-Faisal said the energy deal set a framework for investment but actual investment would have to come from companies.

Kuwait's succession crisis deepened on Monday amid a confrontation between the ailing new emir and parliament over his ability to rule. The new emir, Sheikh Saad al-Abdullah al-Sabah is ailing but removing him would breach a long tradition of alternating power between the family's rival branches. There are no political differences at stake and any new ruler would maintain Kuwait's oil policy and pro-western stance. However the crisis has forced parliament to delay indefinitely its regular sessions, including debate on an \$8.5 billion plan to increase oil production. The problem intensified when the government, led by Prime Minister Sheikh Sabah al-Ahmad al-Sabah, asked parliament to vote on Sheikh Saad's ability to rule. Later on Monday, Kuwait's ailing emir, Sheikh Saad al-Abdullah al-Sabah resigned following an agreement within the ruling family. His resignation paves the way for Kuwait's Prime Minister Sheikh Sabah al-Ahmad al-Sabah to become the country's new emir.

Meanwhile, Nigeria's Oil Minister Edmund Daukoru said he saw no compelling reason OPEC should cut its output next week. Separately, Algeria's Oil Minister Chakib Khelil said world oil prices are unlikely to fall below \$50/barrel for the next six months as a robust world economy keeps demand high.

Iran's top nuclear negotiator is expected to travel to Russia on Tuesday for high level meetings regarding the country's nuclear program. Iran's Foreign Minister Manouchehr Mottaki said Iran did not fear western threats over its nuclear program and promised to pursue uranium enrichment if taken to the UN Security Council for possible sanctions. Iran's senior envoy to the International Atomic Energy Agency, Ali Asghar Soltaniyeh, also warned that it would immediately proceed with developing a full scale uranium enrichment program if it was referred to the UN Security Council. Earlier on Monday,



Russia's Foreign Minister Sergey Lavrov met with Iran's Deputy Foreign Minister Mehdi Safari and encouraged Iran to adopt a position that would help ease tensions over its nuclear program. In Washington, Secretary of State Condoleezza Rice said the time has come to refer Iran to the UN Security Council. However she would not speculate what action the UN Security Council would take. Meanwhile, Iran's central bank has not implemented any measures in preparation for UN action because it does not believe sanctions would be imposed. Deputy Governor Mohammad Jafar Mojarad said Iran is not repatriating its foreign exchange assets.

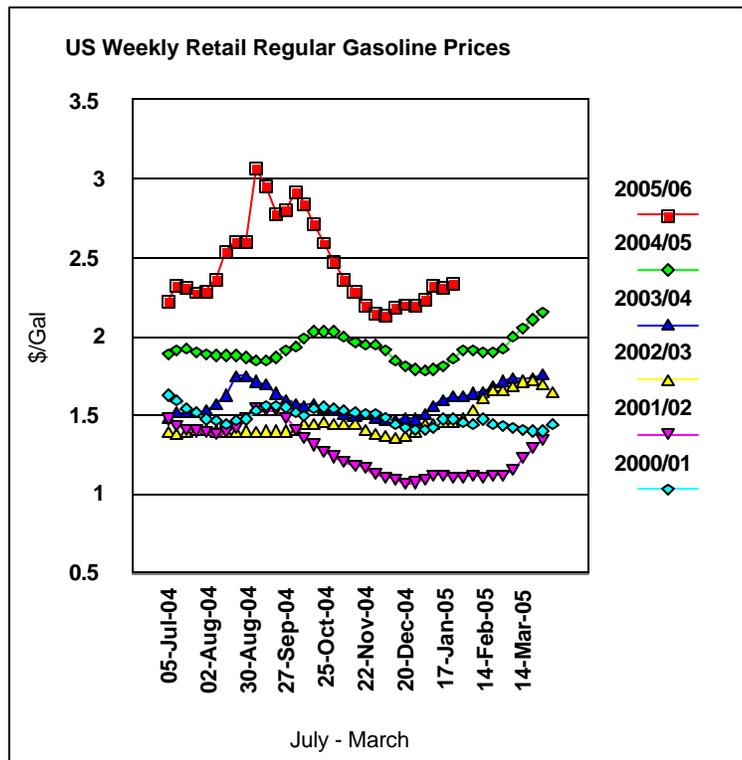
Former Central Intelligence Agency Director Jim Woolsey said Iran would suffer more than the world's oil consumers if it cut its oil exports to retaliate against any international action. However the former CIA director joined Sen. Jon Kyl in calling for the Bush administration to do what it could to prompt regime change in Iran, including the use of smart sanctions such as banning gasoline sales to the

country and freezing the international assets of the country's leaders.

According to the EIA, US crude oil imports in November averaged 10.265 million bpd in November, up 341,000 barrels or 3.4% higher than its previous estimate. It reported that Canada supplied 1.776 million bpd in November.

The EIA reported that the US average retail price of diesel increased by 2.3 cents/gallon to \$2.472/gallon in the week ending January 23rd. It also reported that the average retail price of gasoline increased by 1.6 cents/gallon to \$2.336/gallon on the week.

According to the Lundberg Survey, retail gasoline prices increased another 3 cents to \$2.36/gallon in the week ending Friday, January 20. This followed a 9 cent increase earlier in the month.



Refinery News

Deer Park Refining plans to restart a catalytic gasoline hydrotreater polishing reactor at its Deer Park, Texas refinery this week. According to a report filed with the Texas Commission on Environmental Quality said emissions associated with the unit's restart would last from Monday until Saturday. The report did not say whether production at the refinery had been affected by the unit's outage during the work.

ExxonMobil is expected to shut a hydrogen generation unit at its Baytown, Texas refinery.

Production News

Multinational oil companies, including ChevronTexaco, ENI group and Total, said there were no disruptions to their oil operations over the weekend. However Shell Petroleum Development Co of Nigeria said the force majeure it declared on 115,000 bpd was still in force, while its oil wells remained closed. Separately, an attack on an Agip oil platform was probably motivated by a local dispute over the distribution of money and not related to the wider campaign of sabotage. It said no damage was sustained and no hydrocarbons production was lost as a result of the attack. Meanwhile, the Movement for the Emancipation of the Niger Delta threatened to launch rocket attacks on crude installations in the Niger Delta. The militants holding four foreign oil workers said the hostages would not be released. Nigeria's Punch newspaper however reported that the Nigerian government may have authorized the use of military force. It said the decision came after talks between the government and militants failed. The militants have been demanding the release of two leaders.

Euroilstock said European refinery output fell by 164,000 bpd to 13.38 million bpd in December. It reported that gasoline production increased by 6,000 bpd to 3.449 million bpd on the month while distillate production fell by 96,000 bpd to 6.177 million bpd. Fuel oil production increased by 12,000 bpd to 1.839 million bpd while naphtha production fell by 63,000 bpd to 1.022 million bpd. It reported that refinery crude intake fell by 91,000 bpd to 12.669 million bpd while plant utilization eased to 96.71% from 97.4% in November.

Crude oil exports from Russia's Black Sea port of Novorossiisk fell last week as stormy weather forced the closure of the terminal for several days. Crude shipments in the week ending January 21 fell to 722,000 tons of Urals, down from 1.091 million tons reported the previous week. The terminal was shut on Sunday, a day after it reopened. Shipments from the CPC terminal fell to 440,000 tons, down from 483,000 tons the previous week and well below the average in December of about 590,000 tons a week.

Azerbaijan's SOCAR has tendered to sell an 80,000 ton or 586,000 barrel Azeri light crude cargo that is scheduled to load at the Georgian Black Sea port of Batumi on February 21-23.

Turkey closed its Bosphorus waterway to all transit traffic amid a blizzard. The snowstorm did not affect traffic in the Dardanelles Strait however it was closed to southbound traffic due to work to free a grounded vessel. A shipping agent said 37 tankers were waiting for passage at the Dardanelles and 2 were waiting at the Bosphorus waterway.

China's General Administration of Customs reported that the country's exports of crude oil in 2005 increased by 46.9% on the year to 8.07 million tons. Meanwhile it reported that China's products imports fell by 17% on the year to 31.43 million tons. China's light diesel imports fell by 80.6% on the year to 530,000 tons. It reported that products exports increased by 22.2% to 14 million tons. Its gasoline exports stood at 5.6 million tons, up 3.5% on the year.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.13/barrel to \$60.39 on Thursday, up from \$59.26/barrel reported on Thursday.

South Korea's Korea National Oil Corp released some government held kerosene stocks to meet a winter surge in heating fuel demand. The volume of the kerosene release was not available. However several sources said KNOOC had released most of the supplies in December. Freezing weather increased South Korea's year on year oil demand in December by 3% to its highest level in two years. Demand for oil products in South Korea increased to 2.4 million bpd in December, up 240,000 bpd on the month.

Indonesia's Pertamina has sharply reduced its February fuel imports to 6.61 million barrels, down from January's imports of 10.96 million barrels.

Market Commentary

The oil market opened down 68 cents at 67.80 in follow through selling seen on Access in light of the comments made by Saudi Arabia's Oil Minister Ali al-Naimi. Saudi Arabia's Oil Minister said a cut in OPEC's production was unlikely at its January 31 meeting and added that Saudi Arabia would increase its production if needed. The market was also pressured as traders took profits following last week's rally. The market, which posted an inside trading day, traded to 68.35 and settled in a sideways trading pattern as it posted a low of 67.70. However the market bounced off its low and rallied to a high of 68.65 late in the session amid the concerns over the situation in Iran and Nigeria. The oil market later retraced some of its gains and settled down 38 cents at 68.10. Volume in the crude market was lighter today with 149,000 lots booked on the day. Similarly, the heating oil market posted an inside trading day after it failed to test its previous range. The market opened at its low of 183.25 and settled in a sideways trading pattern as it traded to 185.50. However the market breached that level and rallied to a high of 187.25 only to give up its gains and trade back towards its low ahead of the close. The market was pressured amid the lack of supportive weather forecasts and the sharp losses seen in the natural gas market. Meanwhile, the gasoline market gapped lower from 179.00 to 178.10. It however backfilled its opening gap within the first hour of trading as it traded above the 180.00 level and traded sideways. The market later rallied to a high of 181.30 before it retraced some of its gains late in the session. Volumes in the product markets were also lighter with 37,000 lots booked in each the heating oil and gasoline markets.

The crude market is seen trading in a range following today's session. Similar to today's session, the market on Tuesday is seen finding support amid the continuing problems in Iran and Nigeria. The market's losses in light of comments made by Saudi Arabia were limited by the concerns over Iran and Nigeria. It is seen finding support at 67.70, 67.50 to 67.30. More distant support is seen at 65.80 and 65.75.

Meanwhile resistance is seen at 68.65, 69.15, 69.90 and 70.70.

Technical Analysis		
	Levels	Explanation
CL 68.10, down 38 cents	Resistance 69.90, 70.70	Previous highs
	Support 68.65, 69.15	Monday's high, Friday's high
HO 184.09, down 2.63 points	Resistance 189.80, 190.00, 191.00-193.50	Monday's low
	Support 187.25, 189.20	Gap (January 20th), Previous lows
HU 179.32, down 238 cents	Resistance 183.25	Previous highs, Gap (October 31st)
	Support 182.10 to 180.10, 177.50	Monday's high, Friday's high
HU 179.32, down 238 cents	Resistance 184.70	Monday's low
	Support 180.00, 181.30	Gap (January 20th), 50% retracement (165.80 and 189.20)
HU 179.32, down 238 cents	Resistance 178.10 to 178.00	Previous high
	Support 172.55	Monday's high
		Remaining gap (January 20th)
		Previous low