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Windham Group



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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 13, 2006

According to diplomats, Iran has started small scale enrichment of uranium, in defiance of a vote reporting Iran to the UN Security Council. Iran also announced that talks scheduled this week on a Russian proposal to enrich its uranium in Russia have been postponed indefinitely. However Russia said it was prepared to go ahead with the talks on Thursday as planned. Reacting to the news Iran had resumed small scale enrichment, a European diplomat said the move makes it more difficult to resume negotiations. Meanwhile, diplomats and nuclear experts have estimated Iran would need between two and more than 10 years to perfect technology needed to create a nuclear arsenal, if it indeed wants one. On Sunday, Iran had reaffirmed its commitment to the Nuclear Nonproliferation Treaty and urged a negotiated solution to

Market Watch

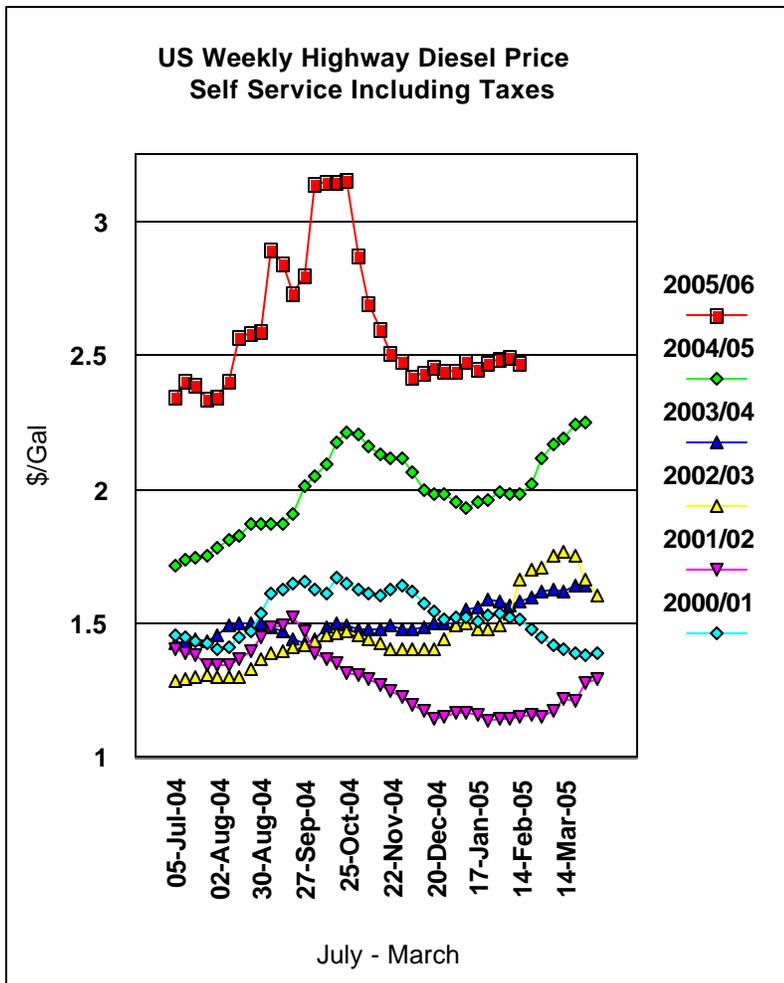
The US National Weather Service reported that US demand for heating fuels is expected to be about 4.4% below normal this week as temperatures in most of the main heating regions of the country hold at seasonal levels. Demand for heating oil in the week ending February 18 is expected to be about 7.8% below normal. In the Northeast, demand for heating oil is expected to be about 10% below normal compared with 7.2% below normal last week.

Finance Ministers from the Group of Eight were still concerned that high oil prices could slow the world economy, even though it has performed strongly despite the rally in oil prices. They also fear a global bird flu pandemic, which they believe could impact economic growth and the financial markets. The finance ministers reiterated their call for improved transparency in the reporting of oil reserves, production and consumption and urged an increase in investment in oil exploration, production, transportation and refining capacity.

The American Trucking Associations reported that its seasonally adjusted truck tonnage index fell by 3.1% in December, its first contraction in four months. In the final quarter of 2005, truck tonnage increased at a seasonally adjusted annualized rate of 3% from the previous quarter to 114.8. For all of 2005, the seasonally adjusted index grew by 2% from the previous year, down from its growth rate of 5.7%.

Italy is expected to tap its strategic gas reserves on Tuesday or Wednesday to due to the cold temperatures and the lower supplies from Russia. The reserves total about 5.1 billion cubic meters of gas. Italy's Eni said that supplies of Russian gas to Italy were expected to be 16.2 % short of demand for the fifth consecutive day. Italy is suffering the most from a Russian gas export squeeze that has eased in most other European countries.

Platts said it is launching new assessments for fuel oil in Europe. It proposed to introduce a 1.5% sulfur fuel oil barge assessment basis Rotterdam from April 3. Also a low sulfur bunker fuel assessment is expected to be published on Platts Bunkerwire from May 22.



\$2.284/gallon on the week.

Refinery News

A catalytic cracking unit at Citgo's 165,000 bpd refinery in Corpus Christi, Texas was shut down for unplanned work. There is no estimate on how long the unit would be down.

A crude oil processing unit was shut at Exxon Mobil Corp's 150,000 bpd refinery in Torrance, California on Monday following a fire on Saturday. A small fire on Thursday shut the coking unit at the refinery. It did not say if the coker was still shut on Monday.

Alon USA plans to perform maintenance at a sulfur recovery unit at its 70,000 bpd Big Springs, Texas refinery on February 21. It is expected to shut a sulfur recovery unit for repairs.

European refiners are adding several new hydrocrackers this year to produce more diesel for transport, however the extra capacity is not expected to halt Europe's increasing dependence on imports. Between the fourth quarter of 2005 and the fourth quarter of 2006, more than 200,000 bpd of hydrocracking capacity would have been added to Europe's refineries. Merrill Lynch said it expects Europe's structural shortage of distillate to increase to about 575,000 bpd by 2010 from 400,000 bpd in 2005, despite the addition of more hydrocrackers and other upgrading units in the next few years.

international concerns that it is seeking to develop atomic weapons. This followed statements by Iran's President Mahmoud Ahmadinejad that it would withdraw from the treaty.

Separately, German officials were seeking to play down comments by the Social Democratic Party's chairman appearing to rule out support for military action against Iran.

Libya's OPEC governor Hammouda El-Aswad said the country sees no need to cut oil production at its next OPEC meeting on March 8.

According to the Lundberg Survey, the average price of gasoline in the US fell about 3 cents over the past three weeks to \$2.30/gallon. The price however is still about 39 cents/gallon above a year ago.

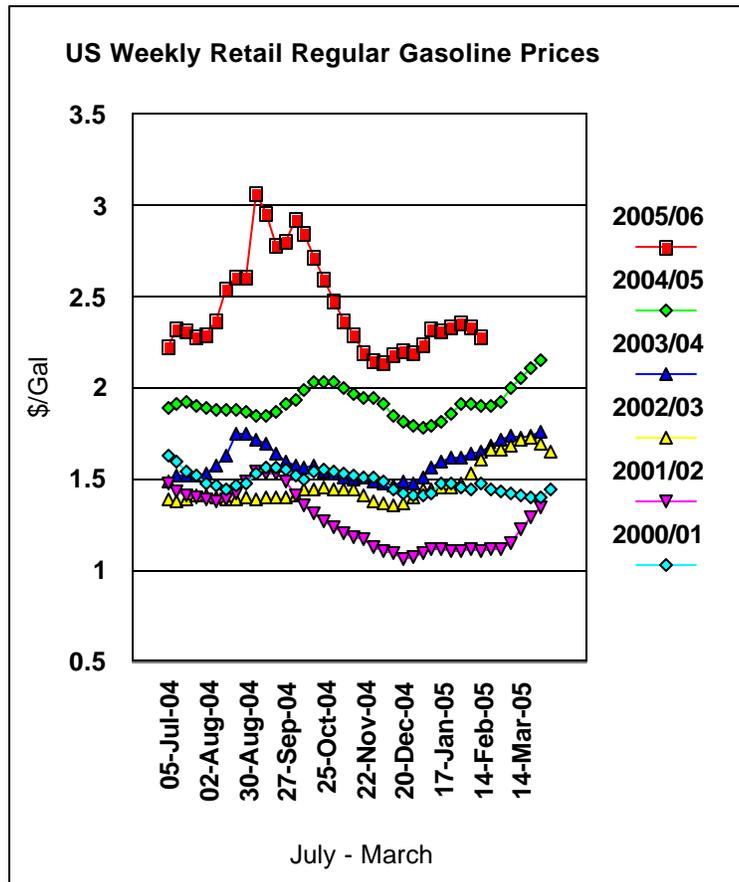
The EIA reported that the US average retail price of diesel fell by 2.3 cents/gallon to \$2.476/gallon in the week ending February 13th. It also reported that the US average retail price of gasoline fell by 5.8 cents to

Repairs to a pipeline feeding Nigeria's 125,000 bpd Warri refinery is expected to take another 5-6 weeks, much longer than originally forecast. Nigerian National Petroleum Corp had earlier expected the refinery to resume by the middle of February.

Production News

A heavy fuel oil spill at a New Jersey Chevron facility closed vessel traffic in the southern end of a waterway between New Jersey and the New York borough of Staten Island. The spill in the Arthur Kill facility happened during a transfer of about 1.5 million gallons of heavy fuel oil from a barge to the facility in Perth Amboy, New Jersey.

Saudi Arabia is expected to keep its crude oil supply to Asia in March steady on the month at full contracted volumes. Asian refiners said Saudi Arabia is expected to increase the supplies of Arab Light from its April allocation, which would be released next month, due to new production from the Haradh oilfield. Most US buyers of Saudi crude oil are expected to lift similar volumes of Saudi crude oil in April as they are scheduled to lift in March. US lifters are buying about 75%-80% of their contract volumes. A source later stated that Saudi Arabia increased supplies to at least one major oil company for March, making good on its pledge to pump as much as necessary.



Iraqi crude oil exports from its southern oil terminal resumed late Friday after poor weather forced terminal officials to suspend berthing operations last week. Rough seas and high swells forced port authorities at Basra to suspend berthing operations of Thursday but vessels at the terminal continued to load at about 72,000-76,000 barrels per hour.

According to preliminary customs figures, China's oil product imports in January fell by 21.8% on the year to 2.62 million tons.

Reuters reported that South Korea's gas oil exports in March fell to 595,000 tons from 720,000 tons in February.

Sudan is producing 500,000 bpd of crude oil and expects to increase its output by 150,000 bpd to 650,000 bpd this year.

Market Commentary

The crude market opened 14 cents lower at 61.70 as it continued to trend lower despite the fact that the market technically looks oversold. The market was pressured amid forecasts for milder temperatures later this week following the record breaking snowstorm this past weekend. The market posted a high of 61.85 before it settled in a sideways trading range as it held some support at 61.40.

The market later breached that level and sold off to a low of 60.85 later in the session. It retraced some of its losses and settled down 60 cents at 61.24, the lowest settlement price since late December. Volume in the crude market was good with over 205,000 lots booked on the day. Meanwhile, the heating oil market remained in positive territory for most of the session. The market opened up 1.04 cents at 165.30 and posted a high of 166.60 by mid-day as it held support at its previous low. The market however failed to test its previous high and sold off to a low of 163.50 ahead of the close. The heating oil market settled down 40 points at 163.86. The gasoline market led the losses as it settled sharply lower at 143.12, down 3.09 cents. The market opened higher at 146.50 and quickly posted a high of 147.80. However the market retraced its gains and traded to 145.50, where it held some support. The gasoline market later breached that level on further selling and posted a low of 142.00 on the close. Volumes in the product markets were good with 43,000 lots booked in the heating oil and 59,000 lots booked in the gasoline market.

Despite the fact that the market looks oversold, the crude market may remain pressured amid the expectations of milder temperatures later in the week. The market may also remain pressured as traders expect the weekly petroleum stock reports to show builds in crude and gasoline stocks. The market is seen finding support at 60.85 followed by 60.40, 59.95 and 59.30. However resistance is

Technical Analysis		
	Levels	Explanation
CL 61.24, down 60 cents	Resistance 61.85, 62.95	Monday's high, Previous high
	Support 61.50	
HO 163.86, down 40 points	Resistance 166.60, 168.25 164.50, 165.40	Monday's high, Previous high
	Support 60.85 60.40, 59.95, 59.30	
HU 143.12, down 3.09 cents	Resistance 147.80, 152.50 145.00, 146.00	Monday's high, Previous high
	Support 163.50 160.79	
	142.00	Monday's low
	138.67	Basis trendline

seen at 61.50 followed by 61.85 and 62.95.