



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 17, 2006

OPEC's President Edmund Daukoru said it was too early to say whether OPEC should cut its production at its March 8th meeting. This followed statements made by Venezuela's Energy Minister Rafael Ramirez that Venezuela believed OPEC was overproducing by 1 million bpd and should consider cutting its production.

Insurgents blew up the main pipeline feeding crude oil from the northern fields of Kirkuk to a refinery in Dora. It was unclear how long it would take to repair the pipeline, which provides oil for use in the generation of electricity in Baghdad.

Market Watch

Iran's embassy in Paris said Iran is ready to ask its parliament to ratify an accord allowing UN inspectors to resume inspections of its nuclear facilities on certain conditions. Meanwhile, Russian Defense Minister Sergey Ivanov said talks with an Iranian delegation next week on a Russian uranium enrichment offer would be difficult. He said the situation surrounding the Iranian nuclear program is quite difficult. Russia's proposal has been supported by the US and the European Union as a way to provide international insight of Iran's nuclear activities and ease international suspicions that Iran aims to use its nuclear program to produce weapons.

Iranian Foreign Minister Manushehr Mottaki called for the immediate withdrawal of UK forces from the southern Iraqi city of Basra, saying their presence has damaged security. The top Iranian diplomat also said Iran had a legitimate right to possess nuclear technology.

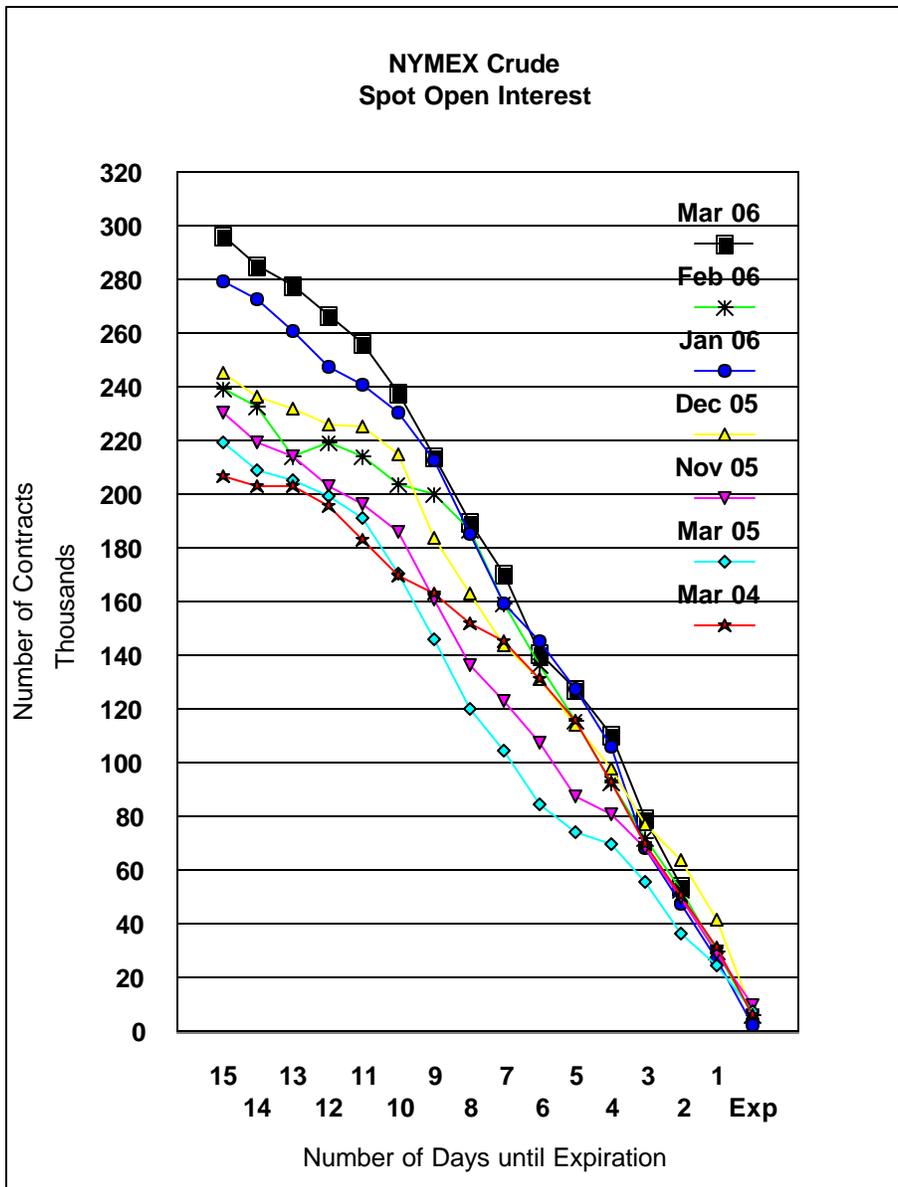
Venezuela's President Hugo Chavez said he would welcome the creation of a private Venezuelan oil company to help bring more capital to the country's petroleum industry.

Venezuela's oil activity fell in the fourth quarter of 2005 by 0.8% due to a sharp decline in refining activity. Venezuela's central bank said crude extraction increased 1.4% during the same period.

Refinery News

Exxon Mobil Corp is scheduled to restart a flexicoker unit at its 557,000 bpd refinery in Baytown, Texas on February 26 following a turnaround. The unit was shut on January 12 for six weeks of routine work. The unit's return to normal operations is expected to take about 48 hours.

According to a report filed with the Texas Commission on Environmental Quality, ConocoPhillips plans to restart a fluid catalytic cracking unit at its Borger, Texas refinery during the week ending March 19. The unit is expected to return to normal operating rates within 48 hours.



Production News

A militant commander from the Movement for the Emancipation of the Niger Delta said it is declaring war on all foreign oil interests. It has given oil companies and their employees until midnight on Friday to leave the region. He said militants wanted to take total control of the area to get their fair share of the oil wealth in the region. In response, oil company and union officials said the ultimatum would not disrupt operations by the companies. They said they were taking precautions and had sufficient security measures to address the threat by the militants. Meanwhile, the Movement for the Emancipation of the Niger Delta said the military launched a second helicopter attack on Friday against ethnic Ijaw communities. They said they attempted to shoot the helicopter down. The group accused the military of a similar attack on land targets on Wednesday and threatened to shoot down aircraft unless military flight were halted. A Navy source said Wednesday's attack was

directed against oil barges suspected of being used for oil theft.

Royal Dutch Shell put out a fire at an oil wellhead in Nigeria's southern delta. Company sources stated the cause looked more likely to have been an accident than sabotage. The fire forced Shell to shut in a platform and cut output by 37,800 bpd on Thursday.

Russian Economic Development and Trade Minister German Gref said Russia's oil production is unlikely to increase more than 2% on the year in 2006. Its output in 2005 increased by 2.5% on the year to 470.506 million tons.

An Indonesian official said the country is expected to increase its crude imports via long term contracts for the rest of the year to at least 6.4 million barrels a month, cutting its need for spot market purchases.

Canada's Nexen expects its oil and natural gas production after royalties to increase by more than 50% in 2007. It said new projects being brought onstream in Alberta and the UK North Sea in 2006 and 2007 provide the extra output. Nexen, which produced 242,000 barrels of oil equivalent/day in 2005 expects to produce between 220,000 and 240,000 boe/d in 2006.

OPEC's news agency reported that OPEC's basket of crudes fell by 83 cents/barrel to \$53.62/barrel on Thursday from \$54.45/barrel on Wednesday.

Market Commentary

The crude market gapped sharply higher from 58.80 to 59.60 as the market continued to retrace its recent losses ahead of the long holiday weekend. The market was also well supported amid the threats of militant attacks on Nigeria's oil facilities. Nigerian militants said they were declaring war on all foreign oil interests in the Niger Delta and gave oil companies until midnight on Friday to leave the region. The market backfilled some of its gap as it traded to a low of 59.00 within the first hour of trading. However, the crude market bounced off its low and rallied to a high of 60.00 as traders covered their short positions ahead of the close. The March crude contract, which expires on Tuesday, settled up \$1.42 at 59.88. Volume in the crude market was good with over 234,000 lots booked on the day. The product markets also settled sharply higher, with the gasoline market once again leading the markets higher. The gasoline market settled up 9.02 cents at 150.26. The market gapped higher on the opening from 143.90 to 145.50 as it continued to retrace its recent losses. The market partially backfilled its gap as it posted a low of 145.00. However it quickly bounced of its low and never looked back. It rallied to a high of 151.00 ahead of the close. The heating oil market also gapped higher from 164.00 to 165.50 on the opening as it continued to retrace its losses. The market partially backfilled its gap as it traded to 164.50. However, the market bounced off that level and posted its intraday high of 166.80. The market settled in a sideways trading pattern, before it breached its support and backfilled its gap as it posted a low of 164.00. The heating oil market later erased its losses ahead of the close and settled up 3.21 cents at 165.74. Volume in the product markets were good with over 40,000 lots booked in the gasoline market and over 35,000 lots booked in the heating oil market.

The oil market on Tuesday will be driven by any news over the long holiday weekend. The two wildcards in the market are the possibility of disruptions in Nigeria's oil facilities after militants gave oil companies an ultimatum to leave the Niger Delta by Friday night and the potential for problems with Iran over its nuclear program. If there are no further developments over the weekend, the market is likely to retrace some of its sharp gains. The market is seen finding support at 59.40 followed by its gap from 59.00 to 58.80. More distant support is seen at

| Technical Analysis | | | |
|--------------------|--|--------------------------------|--|
| | | Levels | Explanation |
| CL | Resistance | 60.70 to 60.85, 61.85 | Remaining gap (February 14th), Previous high Double top |
| | 59.88, up \$1.42 Support | 60.00 | |
| HO | Resistance | 59.40, 59.00 to 58.80 | Remaining gap(February 17th) Previous lows |
| | 165.74, up 3.21 cents Support | 57.55, 57.50, 57.30, 56.90 | |
| HU | Resistance | 168.25, 169.80, 170.90, 172.04 | Previous highs, 38% (192.00 and 159.70) Friday's high |
| | 150.26, up 9.02 cents Support | 166.80 | |
| HU | Resistance | 164.00 | Friday's low Previous low |
| | 152.50, 156.50, 156.90 Support | 159.70 | |
| HU | Resistance | 152.50, 156.50, 156.90 | Previous highs, 38% (136.75 and 189.50) Friday's high |
| | 150.26, up 9.02 cents Support | 151.00 | |
| HU | Resistance | 146.50, 145.00 to 143.90 | Remaining gap(February 17th) Previous lows |
| | 150.26, up 9.02 cents Support | 138.50, 138.25 | |

57.55, 57.50, 57.30 and 56.90. Meanwhile resistance is seen at 60.00 followed by its gap from 60.70 to 60.85 and 61.85.