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ENERGY MARKET REPORT FOR MARCH 27, 2006

Nigerian militants Monday freed three foreign oil workers that had been held hostage for the past five weeks, following negotiations with regional governmental officials. The militant group, the Movement for the Emancipation of the Niger Delta, said the hostage release did not signify an end to the attacks. In fact over the weekend the group claimed responsibility for killing three soldiers in a remote area close to a major natural gas plant. The group claimed that hostage keeping was a distraction for the group as it ties down their fighters to this "irrelevant enterprise." The group said it will concentrate their attacks now solely on oil facilities and workers found there. Some 630,000 b/d of crude production in Nigeria remains shut in due to the recent civil unrest there. While the

Market Watch

The NYMEX reported that it is considering offering a new distillate contract that would be based on ultra low sulfur diesel (ULSD). The exchange said that no decision has been made as to specifications.

An economist at Economist Intelligence Unit estimated that Saudi Arabia saw \$154 billion from oil sales in 2005, a record and nearly double the average earnings of the previous five years. The economist is estimating a further increase this year to \$160 billion.

The Russian oil ministry reported today that Russian domestic fuel oil prices fell some 8% in early March, following cold temperatures there finally subsiding.

China raised its nationwide retail and ex-refinery gasoline and diesel prices over the weekend by 3-5%, the first increase in eight months. This is a smaller increase than most independent refiners had been expecting. Meanwhile the government announced it was imposing a windfall profit tax on domestic crude oil sales effective immediately, but did not reveal the size of the tax or how it would be applied.

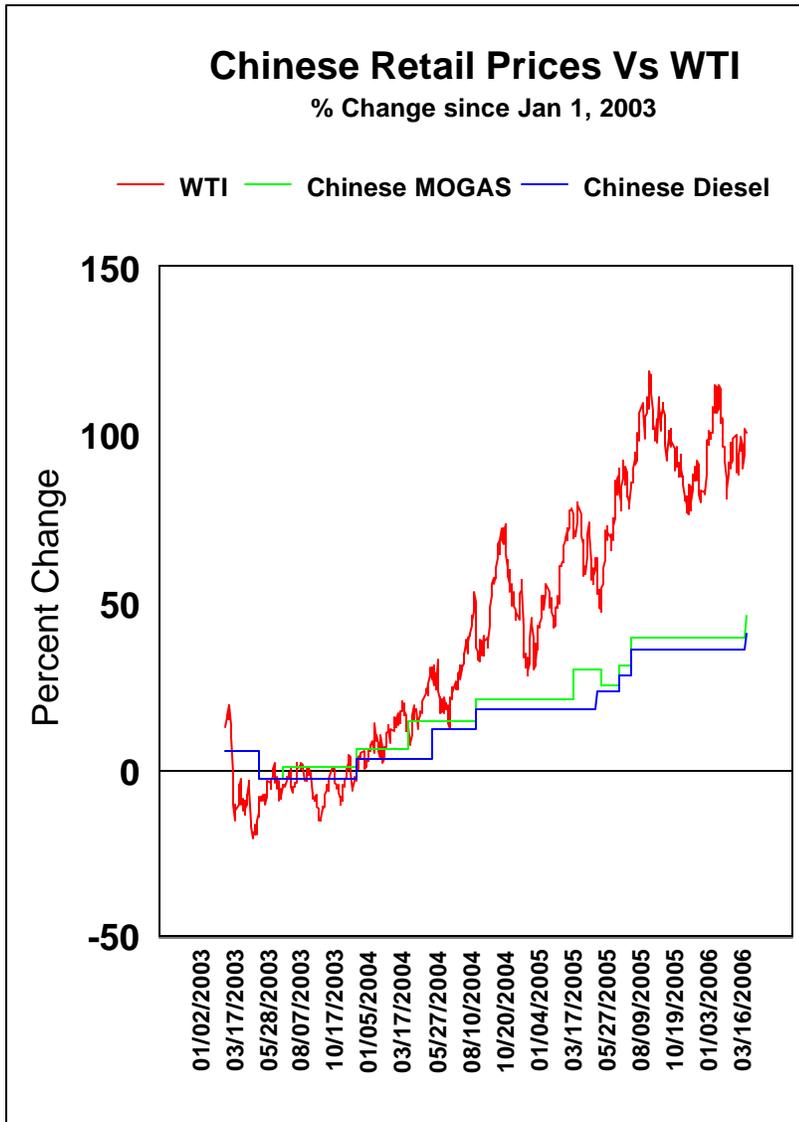
China's central bank forecasted annual growth for China in 2006 to gradually slow from a 9.2% growth rate in the first quarter to 8.7% in the fourth quarter.

Tokyo Electric Power said today that it expects to run its nuclear power plants at 75% of capacity for its 2006 fiscal year starting April 1st. This would be up 8% from 2005 levels. As a result the company expects to only need to buy 5 million kilolitres of crude and fuel oil for the upcoming year down 30.6% from 2005.

Iranian officials warned that the country will have to ration its highly subsidized gasoline from September onward if it cannot rein in its expanding demand for gasoline.

The EIA said today that due to budget constraints it will be forced to scrap two of its crude oil price reports which track individual foreign and domestic crude purchases. The agency said the funds saved will be allocated towards helping it expand natural gas market coverage as well as greenhouse gas emissions.

Nigerian government is in talks with Western oil companies about when shut in production will return to the market, no precise date has been announced. Government officials last week had said that the bulk of the shut in production would return within two weeks following the release of the hostages. Most of the attacks by militants have been on Shell facilities, which account for 70% of the Nigerian production shut in. Shell today said only that it would not restore shut in production until it was safe enough for its workers in the various production areas. Nigeria officials last week estimated that the Nigerian government has lost \$1 billion in lost oil revenues due to the recent disruptions in oil production.



The head of the UN nuclear watchdog group, IAEA, urged Iran on Monday to halt all uranium enrichment work to help revive collapsed nuclear talks between Tehran and the European Union. Meanwhile despite a flurry of behind the scenes diplomatic activity between UN Security Council members over the weekend, the Council still remains deadlocked on the wording of a "presidential statement" in regards to the Iranian nuclear situation. Currently the five permanent members of the Security Council and Germany are expected to meet in Berlin on Thursday to discuss the matter further, in hopes of breaking the deadlock.

China reported that crude oil imports in that nation were up 7.9% in February versus a year earlier, while light diesel imports were up 39.3% from 2005. Fuel oil imports were also up but increased by only 1.4%. Overall apparent demand for oil in February was up 4.4% versus 2005, the strongest leap since October, helped in part by people restocking in front of the planned price increase.

CME said today that it plans to launch an energy product line in June of this year and that it may look to lure away

key officials from both NYMEX and ICE to support these efforts.

The EIA said today that they feel that the high U.S. gasoline inventories should help to cushion the impact of refiners switching from MTBE to ethanol, but supply disruptions are still possible this summer, given the difficulties in shipping ethanol to key blending spots and thus crimping finished gasoline supplies in some parts of the country. The EIA again warned that U.S. ethanol producers will not be able to make enough ethanol to meet demand for most of this year and thus more imports will be needed.

Iraq's ruling Shi'ite Islamist Alliance bloc called on U.S. forces to return control of security to the Iraqi government, following U.S and Iraqi forces raid on a mosque complex on Sunday that resulted in the deaths of sixteen Iraqis and arrests of others. Meanwhile the head of the Supreme Council for the Islamic Revolution in Iraq, a top Shi'ite leader in Iraq said Monday he did not believe the violence in Iraq will stop even if and when a government is formed.

Refinery News

Company officials at the 495,000 b/d Hovensa oil refinery in St. Croix reported today that repairs to the 140,000 b/d FCC unit there are taking longer than expected. The unit, which went off line on March 14th, had been expected to be back in service originally this past weekend.

Reuters estimated that global refining margins were mostly steady last week, with U.S. levels down, while a tighter gasoil market supported European margins. Refining margins on the USG were at \$11.11 per cracked barrel of Brent, down \$1.14 per barrel from the prior week.

Neste Oil's FCC unit at its 200,000 b/d Porvoo refinery reportedly is back up and is running normally after a five-day shutdown due to a technical problem. An alkylation unit at the refinery was still down though and will probably take several weeks for that unit to return to service.

The Lundberg Survey reported that the average cost for a gallon on unleaded gasoline in the U.S. stood at \$2.499 per gallon on March 24th, up nearly 15 cents from two weeks earlier. The survey warned that new specifications for gasoline could result in further price hikes even if crude oil prices do not move higher.

Japanese refinery, Kyushu Oil said its 155,000 b/d refinery in southern Japan was operating normally following a 5.5 magnitude quake in the area.

Showa Shell said today that it has restarted its 60,000 b/d RFCC unit at its Yokkaichi plant this weekend following a shutdown that began on March 17th, when a fire struck the unit.

Idemitsu Kosan said today that it would refine 2.2 million kilolitres or 461,000 b/d of crude in April, down 19% from the same month a year ago. Runs in March were estimated at 601,000 b/d.

LG Chem and Lotte Daesan Petrochemical announced that they will restart their two naphtha crackers on Tuesday, following a power outage that knock the units out of service since Friday.

ExxonMobil's Baytown refinery is scheduled to go down around May 5th for four weeks of planned maintenance work.

The catcracker at Motiva's 230,000 b/d Convent, LA refinery reportedly went down for unplanned repairs over the weekend. A refinery spokesman said it was a scheduled turnaround on the 92,000 b/d unit and it would probably be offline for a month.

PDVSA said Monday that its exports from the 940,000 b/d Amuay-Cardon refining complex had not been delayed by an explosion last Tuesday during maintenance on a hydrogen compressor. The hydrogen unit had been expected to be back on line over the weekend.

Production News

OPEC reported that its reference crude basket price rose to \$58.05 on Friday up 91 cents from Thursday.

Iraqi crude oil production during the first three weeks of March averaged around 2.0-2.1 mbd, while exports stood at 1.5 mbd. In February Iraqi crude production averaged 1.915 mbd, up some 290,000 b/d from January levels. Officials reported that there has been some 16 oil infrastructure related attacks in 2006 versus 99 incidents in 2005.

Oil tankers transiting through the Panama Canal are expected to face delays of up to 4-5 days, due to the grounding last week of a clean products tanker in the Bas Obispo Reach of the Canal. Russian officials reported today that oil output in the first two months of 2006 reached 76 million metric tons, up 1.6% over 2005 levels.

Market Commentary

The oil markets opened lower this morning as news of the release of Nigerian oil worker hostages seemed to take the wind out of the sails for the bullish move from last week. But despite a quick retest of the lows in the crude oil market from Friday in the first 30 minutes of trading, news of delays in the repairs to the FCC unit at the St Croix refinery helped to push gasoline prices back into positive territory and keep it there for the remainder of the day. Volume though seemed modest at best in the products and very limited in the crude oil market. The gasoline market saw 38,000 contracts traded, with heating oil posting 33,000 lots booked on the day. The crude oil market, which posted an inside trading session saw just 121,000 lots changing hands.

Despite other rumors of refinery problems on the west coast, the gasoline market took all the bullish news in relative stride and posted just minor gains on the day in our mind. It seems the moderating weather finally moving into the heating oil consumption areas in the U.S. coupled with still more than ample inventory levels should provide a modest amount of selling pressure on the market overall for the next day or two. But with the return of the Iranian situation back to the forefront of media attention later in the week, the bulls may look for a point to add to positions. We continue to look for this market to remain mired in a basic \$61.50 - \$65.40 sideways trading pattern in the crude oil. The May heating crack we feel should slowly erode as well looking for the \$10.00 level to be its initial target over the next week.

Technical Analysis		
	Levels	Explanation
CL Resistance 64.16, down \$0.10 Support	\$65.64, \$65.55 \$64.45 & \$64.75 \$63.40-\$64.45 \$ 61.25, \$ 61.00 & \$60.25	Trendline resistance, March 16th high Monday & Friday's high Friday's and Monday's Low and 20-day moving average Lows from March 21, March 8 and February 15
HO Resistance 178.11, down 1.13 cents Support	184.34 183.10, 181.40, \$180.25 176.75-176.60 & 175.82 172.50, 167.25-167.00, 162.55	Trendline resistance Highs from March 15th, March 24th & March 27th Trendline support and Monday's low, 20 day MA March 21st low, Mid march lows, Feb 16th low
HU Resistance 182.88, up 0.56 cents Support	199.50 ^185.00, 185.20, 188.00 180.00, 176.37, 173-172.60 169.18	Jan 20th high Previous highs Monday's low, Trendline support, lows of March 22-23 62% retracement of up move from March 7-15th