



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR JUNE 23, 2006

Iran has again rejected halting its uranium enrichment as a precondition for talks, saying negotiations without any stipulations was the only way to ease the standoff over its nuclear program. Deputy head of Iran's National Security Council, Javad Vaeidi said Iran was not considering a halt to its nuclear fuel program even after any negotiations with major powers. He also stated that Iran was asking for more time to look over a proposal of incentives. He said the Iranian government would continue to work with the UN's IAEA and the Europeans and called for a guarantee that Iran's rights to develop its nuclear technology for peaceful purposes would be safeguarded.

Market Watch

US Energy Secretary Samuel Bodman said he was concerned about this week's increase in ethanol prices. However he said lifting the US duty on Brazilian ethanol imports would not increase supplies that much to help bring prices lower.

Merrill Lynch launched a new commodity index with a more downstream focus. The Merrill Lynch Commodity Index extra is a liquidity based weighted index of 18 commodities. The index consists of more downstream products such as gasoline and heating oil. The new index would also employ a different regime to roll contracts forwards. Merrill Lynch also stated that they would spread the buying and selling of index constituents over a longer period of time.

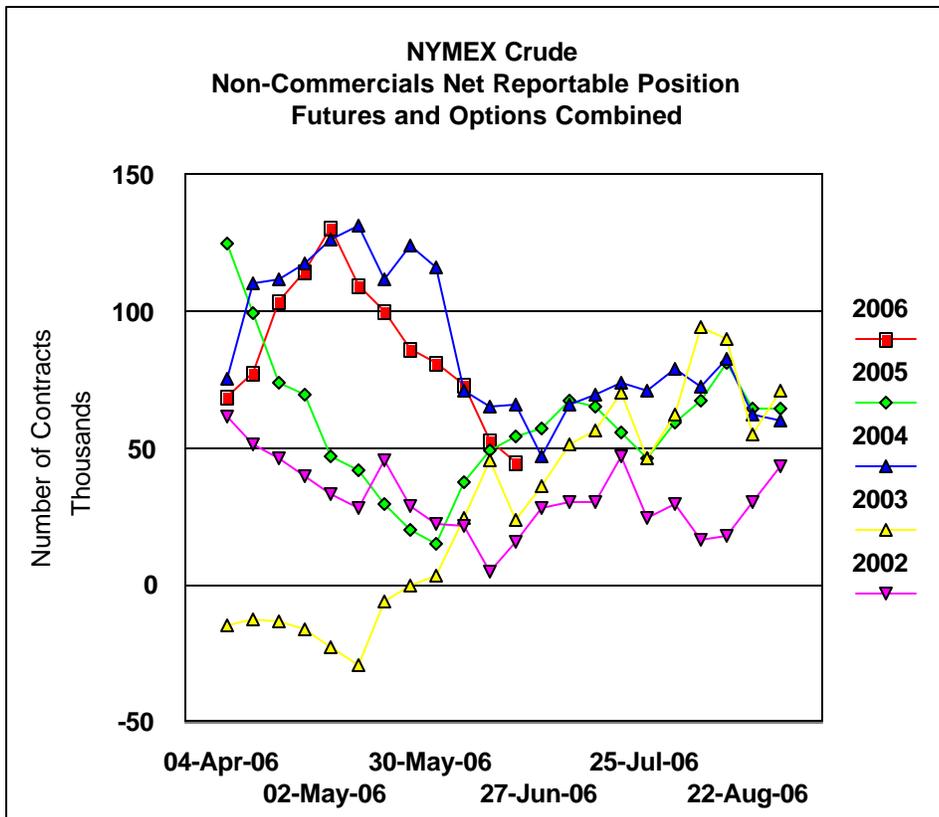
Anadarko Petroleum Corp said it was buying Kerr-McGee Corp and Western Gas Resources Inc for a combined price of \$21.1 billion in cash and the assumption of \$2.2 billion in debt. It said it was creating a combined company with industry leading positions in the deepwater Gulf of Mexico and the Rockies.

South Korea's Foreign Minister Ban Ki-moon is seeking to visit China next week to discuss concerns North Korea may test fire a long range missile.

OPEC officials played down a suggestion by Indonesia that it would host an OPEC meeting in November. A spokesman at OPEC's Vienna headquarters said Indonesia had not made any formal request to hold an OPEC meeting later this year. OPEC is scheduled to hold its next meeting in Vienna on September 11.

Refinery News

As of Friday morning, 29 ships were waiting to exit or enter the Calcasieu Ship Channel following the closure of the waterway on Wednesday to clean up an oil spill. The US Coast Guard said 14 ships were waiting to enter and 15 were waiting to depart. The clean up and marine traffic halt is expected to last three days to a week. The US Coast Guard reported that the closure was expanded into part of the Intercoastal Waterway. ConocoPhillip's 250,000 bpd Westlake refinery, Citgo's 425,000 bpd, Calcasieu Refining's 85,000 bpd refinery and Pelican Refining's 15,000 bpd have curtailed their production after their main supply route was blocked. Meanwhile, the DOE said it has not approved



any loans of oil from the SPR to the Louisiana refiners impacted by the closure of the Calcasieu Ship Channel.

According to a report filed with the Texas Commission on Environmental Quality, a wet gas compressor associated with the fluid catalytic cracking unit at Alon's Big Spring, Texas refinery was down for several hours early Friday after it was struck by lightning. The catcracker was operating at 14,000 bpd, down from 21,000 bpd.

BP Plc returned a fluid catalytic cracking unit to full production at its

460,000 bpd refinery in Texas City, Texas on Thursday after briefly reducing feed to the unit for maintenance. The maintenance work on the 125,000 bpd unit was done in 24 hours and it resumed full operation by Friday afternoon.

Total Petrochemical restarted a cogeneration unit at its 234,000 bpd refinery in Port Arthur, Texas.

Suncor Energy said construction on what it called Canada's largest ethanol plant was almost finished. It said it was set to start commissioning the C\$120 million or \$107 million St. Clair ethanol plant near Sarnia, Ontario, which is expected to produce 200 million liters or 53 million gallons of ethanol annually. It is expected to reach full production by the end of next month.

A fluid catalytic cracking unit at Royal Dutch Shell's 420,000 bpd Pernis refinery in the Netherlands is expected to resume full operations within days. The unit has been down since April for maintenance.

Iran's Oil Minister Kazem Vaziri-Hamaneh said Iran would halt its gasoline imports from September 23 and begin rationing gasoline supplies to motorists due to budget constraints. Iran's budget for the year ending March 2007 cut the amount to be spent on imports to \$2.5 billion from \$4 billion.

Indonesia's 120,000 bpd Dumai refinery was operating at 60% due to a technical upset earlier this week, with platforming units shut completely.

Production News

The Norwegian Oil Industry Association said the oil service strike that started on Wednesday in Norway would have a large economic impact on the companies hit by the strike action. Although oil and gas production was minimally affected, it said a long strike would reduce output and delay expected new production from several fields across the Norwegian Continental Shelf.

Petrologistics estimated OPEC production in June would increase by 300,000 bpd on the month to 29.7 million bpd. It estimated that Saudi Arabia's production increased to just under 9.1 million bpd in June, up from 9 million bpd in May while Iran's production increased by 200,000 bpd to 3.8 million bpd. Meanwhile, Iraq's production in June is estimated at 1.9 million bpd, down 50,000 bpd on the month.

Norway's Statoil said it has decided to optimize the Statfjord late life project by postponing the depressurization of the Brent reservoir on the Statfjord field from 2007 to 2008. The company said the optimization would increase the oil production by more than 7 million new barrels from the Brent reservoir.

Russia's Economic Development and Trade Ministry reported that the country's oil and gas condensate production increased by 2.5% on the year to 196 million tons in January-May.

According to a Reuters survey, analysts estimated that WTI crude in 2006 would average \$65.94 and fall to an average \$61.35/barrel in 2007.

OPEC's news agency reported that OPEC's basket of crudes increased sharply to \$64.36/barrel on Thursday from \$62.87/barrel on Wednesday.

Market Commentary

The oil market opened down 34 cents at a low of 70.50 after the market erased some of Thursday's gains in overnight trading on Access. The market however bounced off its low and posted a high of 71.30 within the first hour of trading as traders remained reluctant to continue selling the market ahead of the weekend. The market later settled in a sideways trading pattern for the remainder of the session amid the light volume. It traded in a range from 70.85 to 71.25 and settled up just 3 cents at 70.87. Volume in the crude market was light with only 115,000 lots booked on the day. The gasoline market also opened down 80 points at 211.00, not quite as low as the market was trading in overnight trading and quickly retraced its losses. The market rallied to a high of 214.50 before it settled in a 2.5 cent trading range during the remainder of the session. The market held its resistance in light of the news that BP resumed full operations on a fluid catalytic cracking unit at its Texas City, Texas refinery. The gasoline market settled up 96 points at 212.76. Meanwhile the heating oil market settled down 92 points at 196.26 after it retraced its earlier gains. The market opened at its low of 195.70 and quickly traded to a high of 198.50 amid the strength in the gasoline market. Similar to the rest of the complex it settled in a sideways trading pattern before a late bout of selling pushed it back towards its low ahead of the close. Volumes in the product markets were light with 30,000 lots booked in the gasoline and 35,000

lots booked in the heating oil market.

The latest Commitment of Traders report showed that non-commercials in the crude market

Technical Analysis		
	Levels	Explanation
CL Resistance 70.87, up 3 cents Support	71.84, 72.55, 72.80 71.30	38% retracement (76.85 and 68.75), Previous high, 50% retracement Friday's high
	70.50, 70.05 68.80, 68.75, 68.60, 68.10	Friday's low, Thursday's low Wednesday's low, Previous lows
HO Resistance 196.26, down 92 points Support	200.40, 203.16, 205.90 198.50 to 198.60	50% and 62% retracement (212.10 and 188.70), Previous high Remaining gap (June 13th)
	195.70 193.10, 189.10	Friday's low Thursday's low, Previous low
HU Resistance 212.76, up 96 points Support	216.00, 218.75 214.50	Double top, Previous high Friday's high
	212.00, 211.00 208.00, 204.50	Friday's low Thursday's low

continued to cut their net long positions. Non-commercials in the crude market cut their net long position by 10,806 contracts to 26,746 contracts in the week ending June 20th. The combined futures and options report also showed that non-commercials in the crude market cut their net long by 8,110 contracts to 44,669 contracts on the week before the market bounced off its support. Meanwhile, non-commercials in the heating oil market increased their net long position by 1,387 contracts to 7,547 contracts while non-commercials in the gasoline market cut their net long positions by 3,704 contracts to 7,029 contracts on the week.

The crude market on Monday will be driven by weekend headlines following Friday's quiet trading session. If the market does retrace some of its recent gains, the market's losses will be limited as traders remain concerned over the situation with Iran's nuclear program, the ongoing strike in Norway as well as the closure of the Calcasieu Ship Channel. The market is seen finding support at its lows of 70.50, 70.05 followed by 68.80-68.75, 68.60 and 68.10. Meanwhile resistance is seen at 71.30 followed by 71.84, 72.55 and 72.80.