



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 27, 2006

OPEC's President Edmund Daukoru said oil prices are likely to be around \$58/barrel in 2006 or between \$50 and \$60/barrel.

Saudi Arabia's Oil Minister, Ali al-Naimi, said oil prices are unlikely to fall in the near term due to factors beyond the market's control. He said even though supply and demand are balanced, prices are not expected to fall due to several issues, such as concern about the security of Nigerian crude supplies and Iran's dispute with the international community over its nuclear program. Meanwhile, Saudi Arabia and India decided to develop a

Market Watch

European Union Monetary Affairs Commissioner Joaquin Almunia said that it was essential for the Group of Eight nations to discuss energy security at its meeting in February. Meanwhile, the US Deputy Treasury Secretary Robert Kimmit also stated that energy security would be an important issue at the Group of Eight summit. He stated that Russia should abide by the rules of the marketplace on energy issues, in response to accusations that Russia has been using energy for political ends.

The President of ExxonMobil Exploration Co expects oil prices to fall as the current bullish cycle slows.

The Commerce Department said GDP expanded at a weak 1.1% annual rate in the October-December period. It was the weakest growth rate for any three months since 0.2% was reported in the fourth quarter of 2004. It also reported that consumer spending grew at 1.1%, the weakest since a 1% gain in the second quarter of 2001. In 2005, GDP expanded by 3.5%, slowing from 4.2% growth in 2004.

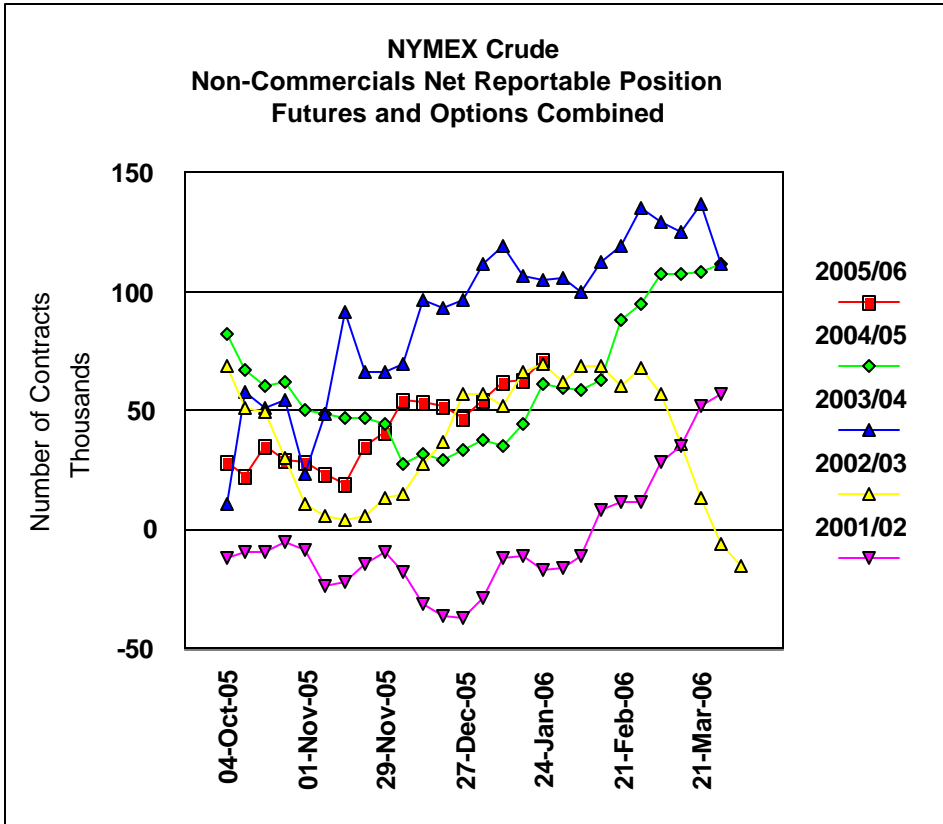
The American Trucking Associations' advanced seasonally adjusted Truck Tonnage Index fell 3% in December. The decline, which followed a 2.3% gain in November, was the first fall since August and represents the largest monthly contraction of 2005. On a seasonally adjusted basis, the tonnage index fell to 113.3 from 116.9 in November. Despite the monthly decline, the index stands 0.6% higher than a year earlier while for the entire year of 2005, the index increased 2% compared with 2004. The ATA stated that the weakness in the automotive sector likely impacted December's tonnage index.

According to shipping firms, the sharp falls in Rhine water levels in Germany this week are causing shipping delays. Water levels at Cologne in the Ruhr and at the key point of Kaub have fallen below levels at which vessels could sail fully laden, restricting navigation to south Germany, France and Switzerland.

Turkish union Petrol-Is said it would present new evidence to Turkey's top administrative court to try to reverse the takeover of Tupras by Koc Holding and Royal Dutch Shell. The company was handed over to the consortium, which bid \$4.14 billion last year for the refiner.

Citgo is scheduled to ship 5 million gallons of discounted Venezuelan heating oil for distribution to low income families in the Philadelphia area in February.

Chevron Corp is close to making a decision on a \$2 billion Brazilian offshore oil project in the company's latest step to expand operations. It will make a final decision on developing the Frade project in the Campos basin by the end of April. The field will have a capacity of 120,000 bpd.



strategic energy partnership. The Delhi Declaration, signed by Saudi Arabia's King Abdullah and India's Prime Minister Manmohan Singh, endorses increased volumes of crude oil supplies to India, Saudi investment in oil refining, marketing and storage in India and setting up of India-Saudi ventures for gas based fertilizer plants in Saudi Arabia.

Nigeria's President Olusegun Obasanjo refused to confirm that a deal has been struck for the release of four hostages taken from a Royal Dutch Shell platform. However he said he believed the hostages

would soon be released. Meanwhile, the militants believed to be holding the four hostages said they did not plan to release them anytime soon. They added that more hostages could be taken soon. The Movement for the Emancipation of the Niger Delta is demanding more local control over the region's large oil wealth, the release of two ethnic Ijaw leaders and compensation to delta villages for decades of oil pollution.

The US insisted that Iran should be formally referred to the UN Security Council. The Bush administration said it had little patience for Iran, despite the efforts made by Russia and China to resolve the standoff.

Iraq's crude oil exports from the Basra terminal resumed on Friday after it was halted for five days due to bad weather and logistics.

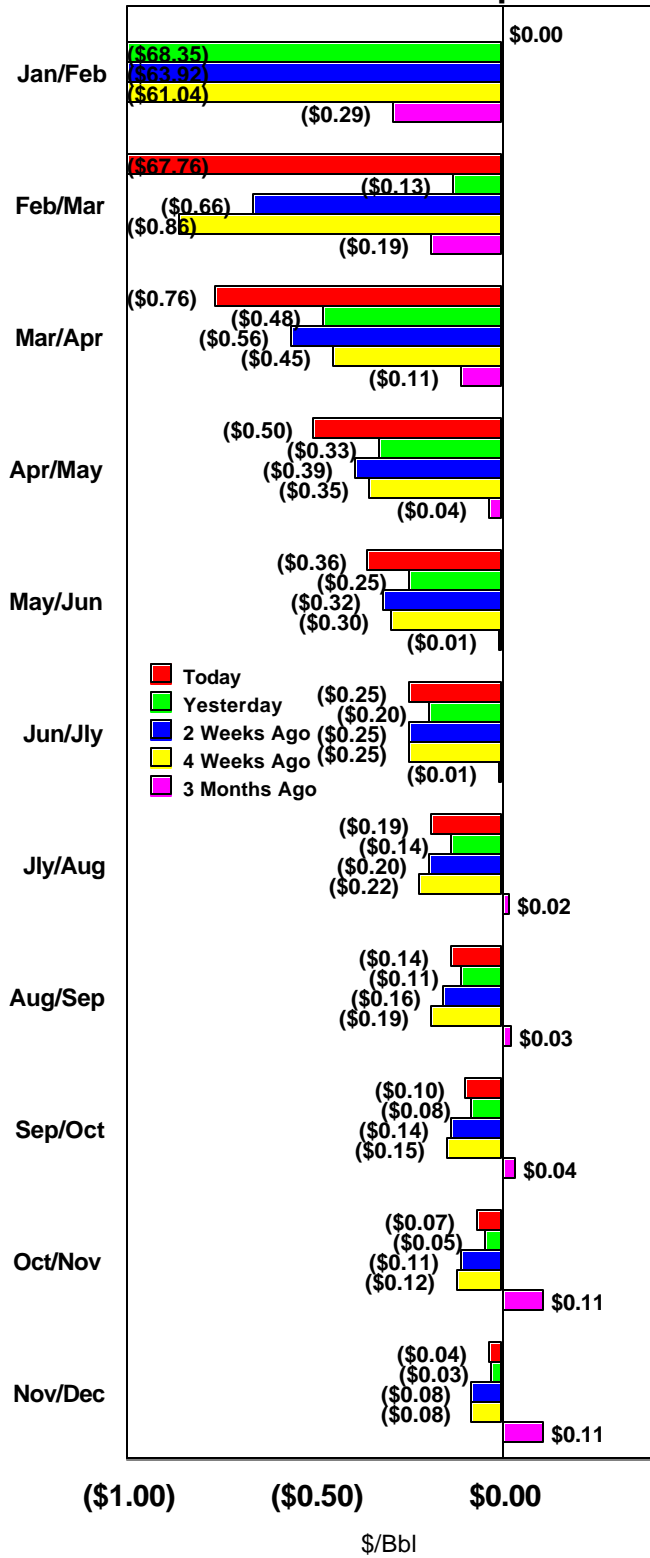
Refinery News

Western Refining plans to restart its El Paso, Texas refinery on February 5 following a maintenance turnaround. The south plant has been shut since January 22 for seasonal maintenance.

Gasoline production at Shell's 412,000 bpd Pernis refinery was cut following the closure of a fluid catalytic cracking unit due to a steam leak. The unit was shut on January 16. Shell said it was working hard to restart the unit as soon as possible.

ExxonMobil said it was experiencing no disruptions to the supply of natural gas to its Antwerp refinery in Belgium. This follows reports that the supply had been cut off by provider Distrigas. A spokesman at Distrigas also confirmed that supply to the plant was continuing, though he noted that Distrigas has asked ExxonMobil to reduce its consumption due to its interruptible contract, under which the company can be asked to consume less.

NYMEX WTI Crude Spreads



Neste Oil is scheduled to shutdown its 50,000 bpd Naantali refinery in Finland for seasonal maintenance from September 4 to October 2.

Production News

Chevron Corp said its preliminary estimate for reserve replacement was 175% of the oil and natural gas it produced in 2005, with most of that coming from its acquisition of Unocal Corp. The contribution to reserve replacement from the company's existing assets, excluding the Unocal acquisition, was very low due to the absence of new projects coming on line, along with the effects of higher oil and gas prices.

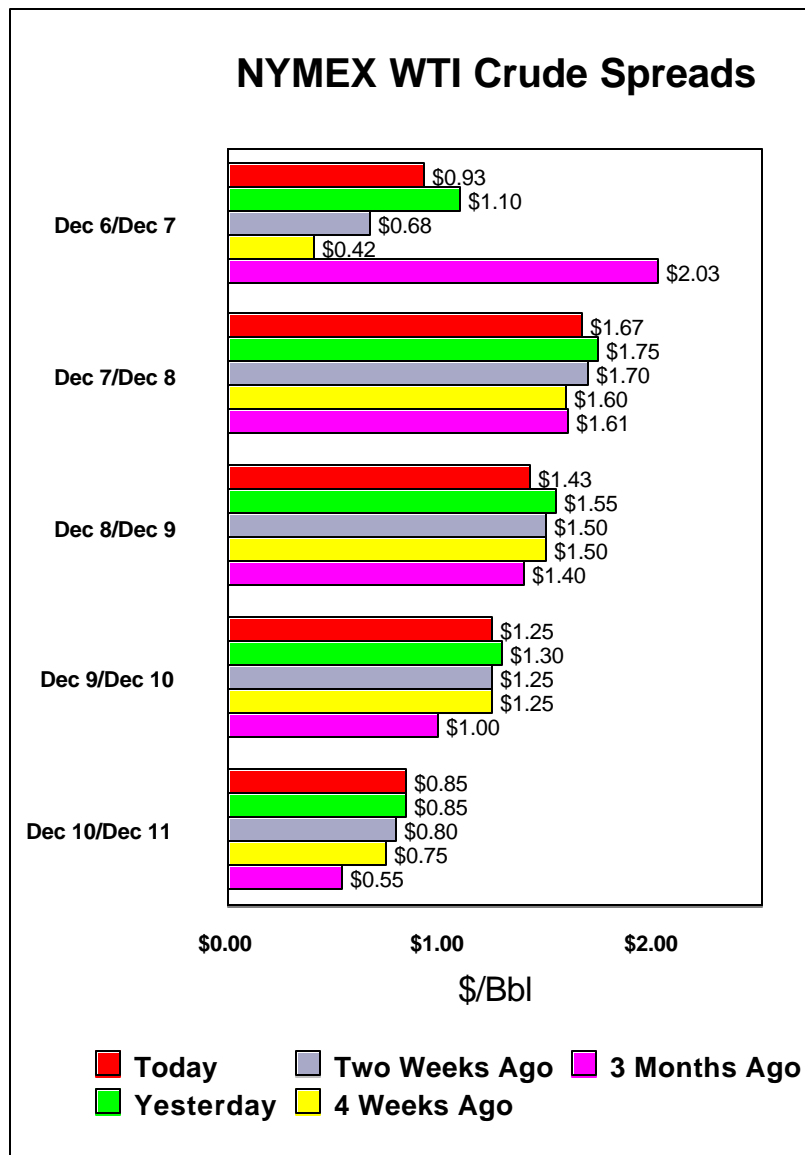
Russia has cut its fuel exports and gas supplies were still running below demand on Friday as much as Europe and parts of the former Soviet Union battled energy shortages in extreme cold. Supplies through Ukraine, the transit route for 80% of Russia's gas exports, are still well below normal. Russia's TNK-BP said production at some Siberian oilfields has been cut by up to 4% and could cut total Russian oil production by up to 1% due to the cold weather. Oil workers have been unable to carry out routine work on fields due to the extreme cold temperatures. Output reduction has been sporadic since January 6 when severe cold weather first affected operations. Meanwhile, Lukoil stated that it would cut its fuel exports in February by over 25%.

According to Petrologistics, OPEC's crude production in January is expected to total 29.6 million bpd, unchanged on the month. However the ten OPEC members cut their production by 200,000 bpd to 27.9 million bpd due to problems in Nigeria and a fall in Iraq's production. Nigeria is expected to supply 2.3 million bpd of oil to the market while Iraq's supplies are estimated at 1.65 million bpd for January. Meanwhile Saudi Arabia's production is estimated at 9.5 million bpd, up 150,000 bpd from a revised December figure.

Turkey reopened the Bosphorus Strait to tanker traffic following a three day closure due to heavy snowfall.

Statoil's Visund oil and gas field may be shut for up to six months following a major gas leak at the North Sea platform earlier this month. Statoil, along with police and the Norwegian Petroleum Safety Authority investigators, are attempting to determine the exact cause of the January 19 leak that forced

the shut in of 35,000 bpd of oil and 5 million cubic meter/day of natural gas.



Norway's Union for Administrative, Leaders and Technical Personnel said Norway's labor court ruled unanimously to give the small union the power to negotiate employment terms with industry organizations. It had threatened to strike starting June 1 if it did not receive a favorable court ruling. The head of the union said that with the union empowered by the ruling, industry organizations would have to begin forced arbitration. However it stated that if talks failed, it would consider a strike to halt production at Norsk Hydro's Oseberg field, which has a capacity of just under 200,000 bpd. It said it was prepared to issue a strike threat if a deal was not struck within four days.

Russia's Lukoil said it would cut fuel oil exports by 25% in February to meet local demand, which has sharply increased due to extreme cold weather in January. It said it would cut exports by about 118,000 tons in February from 435,000 tons in January.

Market Commentary

The oil market ended the session near its high after it gapped higher on the opening from 66.90 to 67.25 amid the continuing crisis in Iran and Nigeria. The market was supported amid the news that the US insisted that Iran should be formally referred to the UN Security Council. The market's gains however were somewhat limited. It partially backfilled its gap as it sold off to a low of 66.95. The market erased its early gains amid the losses seen in the product and natural gas markets. The oil market later bounced off its low and rallied to a high of 67.95 late in the session amid the strength in the rest of the energy complex. The oil market settled up \$1.50 at 67.76 in light of the geopolitical tensions. Volume in the crude market was lighter today with 198,000 lots booked on the day. The heating oil market also gapped higher on the opening from 179.60 to 180.75 in light of a change in the weather forecast, calling for colder temperatures in the next 11-14 days. The market traded mostly sideways before it breached its support and backfilled its gap as it sold off to a low of

179.40. The market traded lower as the natural gas was pressured ahead of the February contract's expiration. The heating oil market however bounced off its low and posted a high of 181.90 before settling in a sideways trading pattern ahead of the close. It settled up 2.89 cents at 180.69. The gasoline market also settled sharply higher at 173.64, up 5.21 cents. It gapped higher from 170.40 to 172.00 in follow through strength seen in overnight trading but fully backfilled the gap as it sold off to a low of 170.00. The market later retraced its losses and rallied to a high of 181.50 ahead of the close. Volumes in the product markets were good with 52,000 lots booked in the heating oil and 43,000 lots booked in the gasoline market.

The crude market on Monday will be driven by any further developments on the Iranian and Nigerian situation over the weekend. It's gains however may be limited by the expectations that OPEC will not change its production quotas during its meeting on Tuesday, January 31. The market is seen finding resistance at its high of 67.95 followed by 68.10, 68.65 and 69.15. Meanwhile support is seen at 67.45 followed by

its gap from 66.95 to 66.90. More distant support is seen at 65.55 and 65.45.

The Commitment of Traders report showed that non-commercials

Technical Analysis		
	Levels	Explanation
CL 67.76, up \$1.50	Resistance 68.10, 68.65, 69.15	Previous highs
	Support 67.45, 66.95 to 66.90	Friday's high
HO 180.69, up 2.89 cents	Resistance 182.85, 184.35, 185.25	Remaining gap
	Support 179.40	Previous lows
HU 173.64, up 5.21 cents	Resistance 176.50, 174.00 to 172.50	50% and 62% (189.20 and 176.50), Previous high
	Support 176.56, 178.00	Friday's high
	Resistance 174.30	Friday's low
	Support 172.70, 170.00	Previous low, Remaining gap
	Resistance 165.50, 163.40	62% retracement(184.70 and 163.40), Previous high
	Support 174.30	Friday's high
	Resistance 172.70, 170.00	Friday's low
	Support 165.50, 163.40	Previous lows

switched from a net short position of 1,676 contracts to a net long position of 5,541 contracts in the week ending January 24th. The combined futures and options report also showed that non-commercials increased their net long positions by 8,928 contracts to 71,795 contracts on the week. It is the highest net long position held by non-commercials since mid-August. Meanwhile, non-commercials in the heating oil market also increased their net long positions by 4,188 contracts to 9,944 contracts on the week while non-commercials in the gasoline market cut their net long positions slightly, by 301 contracts to 33,430 contracts.