



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 5, 2006

US Energy Secretary Samuel Bodman said he was confident OPEC would continue to meet the needs of the world oil market.

According to Oil Movements, OPEC's exports increased by 240,000 bpd to 25.24 million bpd in the four weeks ending January 21.

Market Watch

Lloyd's Casualty Reporting said two LPG tankers collided in the northwestern French port of Donges on Wednesday causing 60 tons of ship fuel to spill in to the sea. It said there were no reports of delays at the port that has seven oil tanker berths supplying the second largest refinery in France.

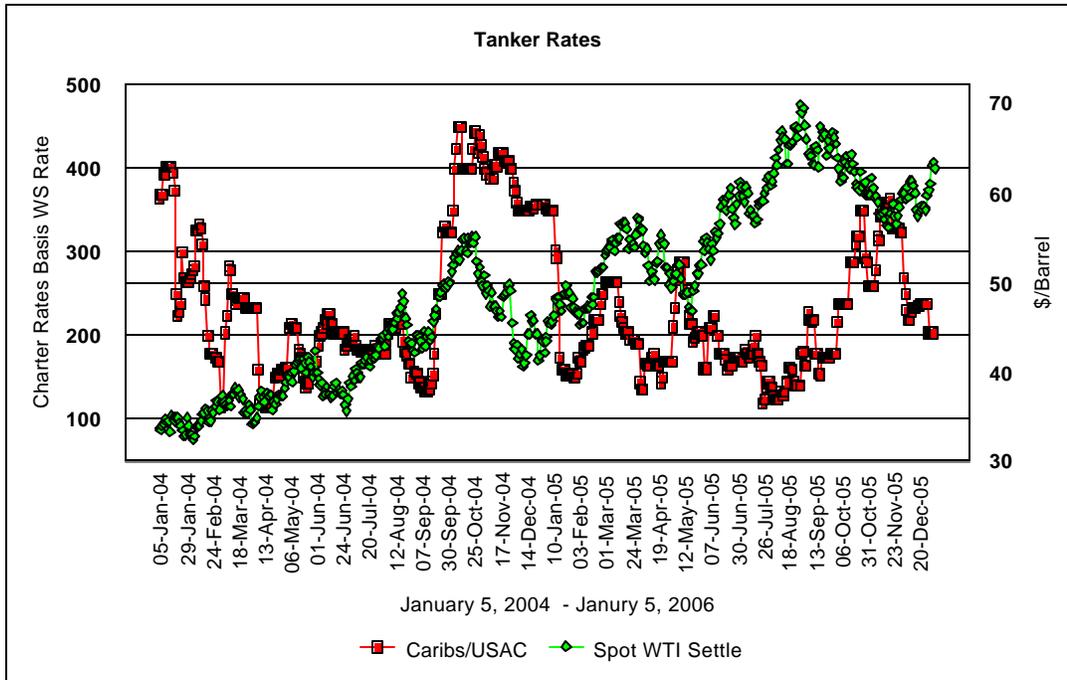
The EIA reported that US oil demand in 2005 fell by 60,000 bpd or 0.3% to 20.668 million bpd. Oil demand in December was up 1.8% on the year to 21.619 million bpd. Gasoline demand set a record high of 9.137 million bpd, up 0.3% from a year ago with December demand 1% above a year ago at 9.3 million bpd. It reported that distillate demand increased by 1.3% on the year to 4.111 million bpd while demand in December was up 4.1% on the year at 4.346 million bpd. The EIA also reported that commercial crude oil stocks ended the year at 321.6 million barrels, up 12.5% on the year. Gasoline stocks stood at 204.3 million barrels at the end of the year, down 5.9% on the year while distillate stocks stood at 128.9 million barrels, up 2.22% on the year.

The DOE reported that US inventories of propane totaled 57.584 million barrels in the week ending December 30, down 3.779 million barrels. It reported that inventories in the East Coast increased by 55,000 barrels to 4.144 million barrels, while inventories in the Midwest fell by 484,000 barrels to 18.537 million barrels and inventories in the Gulf Coast fell by 3.003 million barrels to 33.092 million barrels.

Refinery News

Shell said it shut its chemical plant at its 418,000 bpd Pernis refinery in Rotterdam following a utility failure. A Shell spokeswoman said the refinery was working to return to normal operations. European traders said the refinery had stopped loading gasoline and had withdrawn barge offers, while excess supplies from Shell's German refineries may be redirected from European markets into Shell's own system.

ConocoPhillip's Alliance refinery in Belle Chase, Louisiana is recovering from hurricane damage more slowly than expected. Damage sustained by the 247,000 bpd required repairs that have delayed a full restart by about two months. The company said that while the restart process has started, partial operation is expected in late January and full operations seen around the end of the first quarter.



Suncor Energy Inc completed maintenance at its Commerce City refinery and is ramping up operations to full capacity. Production at the refinery was reduced to about 65,000 bpd due to a fire, which damaged one of the facility's crude units.

Iraq shut its Baiji refinery after it resumed production

because of deteriorating security. The pumping of crude oil from Kirkuk to the refinery was also suspended because storage was at capacity. The refinery had just resumed operations on Sunday after it was shut for 10 days from December 24 after insurgents threatened fuel tanker drivers.

China's West Pacific Petrochemical Corp plans to increase its January crude processing rate by 6% on the month to 169,550 bpd.

Production News

Colonial Pipeline extended the allocation for the fourth cycle on its main distillate line between Collins, Mississippi and Greensboro, North Carolina.

The MMS reported that production in the US Gulf of Mexico still shut in stood at 403,861 bpd as of Thursday. It is down from 410,618 bpd reported last week.

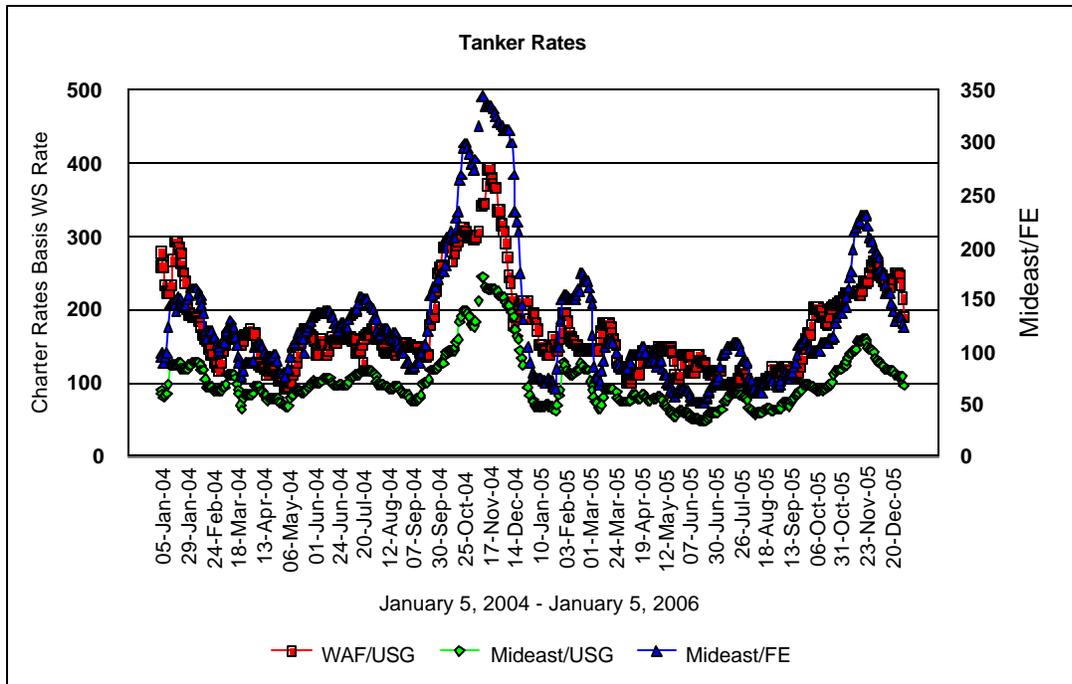
Louisiana's Department of Natural Resources reported that restored crude oil production in hurricane stricken areas of Louisiana remained at 60.9% of normal on Thursday, unchanged from Wednesday. It said output was 123,630 bpd, unchanged from Wednesday.

ConocoPhillips said its crude output at the Ursa field is at 80% of capacity seen before Hurricane Katrina. It said its Green Canyon field, remains shut in for hurricane related repairs, with about 1,000 bpd of output remaining offline.

Russia's main Black Sea export terminal of Novorossiisk was shut on Thursday due to strong winds and high sea swells. The port would likely remain closed at least through Friday.

The Azerbaijan International Operating Co said it started production at another section of one of Azerbaijan's largest offshore oil fields. It said oil from one of three wells at the West Azeri platform reached the Sangachal oil terminal on Wednesday.

Delays for oil tankers transiting the Turkish Straits increased to 24 days for a round trip voyage to the Black Sea following the closure of the Bosphorus waterway on Wednesday due to fog. A local shipping agent said that oil tankers faced delays of 12 days to pass north through the Dardanelles



and Bosphorus and 12 days south again. Delays are up from 20 days earlier in the week.

Nigeria's central bank reported that Nigeria's oil production increased to 2.5 million bpd in November from 2.47 million bpd the previous month.

A Commerce Ministry official stated that China has cut its 2006 export quotas for oil products by 25% to 9 million tons. However the tighter rules do not cover export processing deals that account for a large portion of shipments abroad.

Singapore's International Enterprise reported that the country's middle distillate stocks fell by 684,000 barrels to 7.581 million barrels in the week ending January 4. It reported that light distillate stocks increased by 218,000 barrels to 8.629 million barrels while residual fuel stocks fell by 163,000 barrels to 10.627 million barrels on the week.

Indonesia's crude oil production fell to 936,000 bpd in December from 943,400 bpd in November.

Japan will begin lowering tariffs on oil products, including gasoline and distillates, by as much as 46% over six years from April amid record high profits for refiners. The Japanese government will cut its tax on imported gasoline to 1,240 yen or \$10.68/kl in the fiscal year starting April from 1,384 yen and eventually to 934 yen in fiscal 2011/12. Tariffs on gas oil or diesel will be cut by about 46% to 750 yen/kl in 2011/12. Meanwhile the tax on imported kerosene will be lowered to 346 yen/kl from 564 yen/kl over the same period.

OPEC's news agency reported that OPEC's basket of crudes increased to \$56.38/barrel on Wednesday, up from Tuesday's \$55.60.

The Chinese government has approved a plan to build an oil terminal in Qingdao that can accommodate a vessel of up to 300,000 deadweight tons. The terminal is expected to have an annual crude oil shipment capacity of 18 million deadweight tons.

Ecuador's oil export revenues totaled \$4.84 billion between January and November, up 33% from the \$3.63 billion reported last year. It exported 118.67 million barrels in the first 11 months of the year, down from 118.89 million barrels reported last year.

Royal Dutch Shell has started production at a new unit at its Nigerian liquefied natural gas project and a second is due to start soon. The units are trains four and five at the Nigerian Liquefied Natural Gas plant on Bonny Island.

Market Commentary

The crude market opened down 24 cents at 63.18 and traded mostly sideways from 63.15-63.45 ahead of the release of the weekly petroleum stock reports. However the market quickly sold off in light of the mostly bearish reports, showing larger than expected build in product stocks. The oil market sold off to a low of 62.60. However despite the bearish reports, the market remained buoyed as it failed to test its previous low. The market looked set to post an inside trading day before it rallied to a high of 63.70. It however retraced its gains in sympathy with a sell off in the natural gas market. The crude market settled down 63 cents at 62.79. Volume in the crude market was good with over 222,000 lots booked on the day. Open interest in the crude continued to build by another 19,835 contracts as of Wednesday. Open interest in the crude market continued to increase as funds added to their positions. Meanwhile, the product markets ended mixed with the heating oil market settling down 2.96 cents at 178.81 and the gasoline market settling up 25 points at 178.70. The heating oil market rallied to a high of 181.75 but quickly sold off to a low of 177.10 following the release of the reports. The market however retraced its losses and settled in a sideways trading pattern from 181.00 to 178.00. The gasoline market also posted an intraday low of 175.50 following the release of the DOE and API reports, showing the larger than expected builds in product stocks. It however bounced off that level and rallied to a high of 181.50 late in the session. It later retraced some of its gains and traded back towards the 178.00 level ahead of the close. Volumes in the product markets were good with 55,000 lots booked in the heating oil market and 51,000 lots booked in the gasoline market.

The oil market, which has been unable to breach its recent range is seen retracing more of its recent uptrend. The market is seen finding resistance at its highs of 63.70 and 63.80 followed by its gap from

63.85 to 63.90 followed by more distant resistance at 64.30 and 65.10. Meanwhile support is seen at its double bottom of 62.60-62.50 and its gap from 61.75 to 61.25.

Technical Analysis		
	Levels	Explanation
CL 62.79, down 63 cents	Resistance 63.85 to 63.90, 64.30, 65.10 63.70, 63.80	Remaining gap (October 13th), Previous highs Thursday's high, Tuesday's high
	Support 62.60, 62.50 61.75 to 61.25	Double bottom Gap (January 3rd)
HO 178.81, down 2.96 cents	Resistance 182.40, 185.50, 188.50 181.75	Previous highs Thursday's high
	Support 177.10 175.65, 173.33, 171.25	Thursday's low 50% and 62% (165.80 and 185.50), Previous low
HU 178.70, up 25 points	Resistance 182.05, 183.50, 183.90 181.50	Previous highs Thursday's high
	Support 178.00, 175.50 173.00, 171.28, 168.13	Thursday's low Double bottom, 38% and 50% (154.75 and 179.30)