



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JANUARY 30, 2006

Saudi Arabia's Oil Minister Ali al-Naimi said OPEC members have all agreed to maintain the group's output ceiling at 28 million bpd. He said he saw no reason for OPEC to adjust its output. This followed comments made by OPEC's Ministerial Monitoring Committee that it saw no reason for the group to cut its crude production ceiling at its meeting on Tuesday. Earlier, OPEC's President Edmund Daukoru said there was no reason for OPEC to cut its production level. He said an output cut would push prices even higher. Libya's Oil Minister Fathi bin Shatwan also expressed similar sentiment, stating that OPEC does not need to cut its production. He said the group needs to continue watching oil prices heading into the second quarter. The UAE's Oil Minister Mohammed al-Hamili said OPEC is likely to keep its crude production

unchanged when it meets on Tuesday. Algeria's Oil Minister Chakib Khelil also said that OPEC would maintain its current production quota. Qatar's Oil Minister Abdullah bin Hamad al-Attiyah said OPEC does not need to cut its oil production but may need to cut production when it meets in March. He said

Market Watch

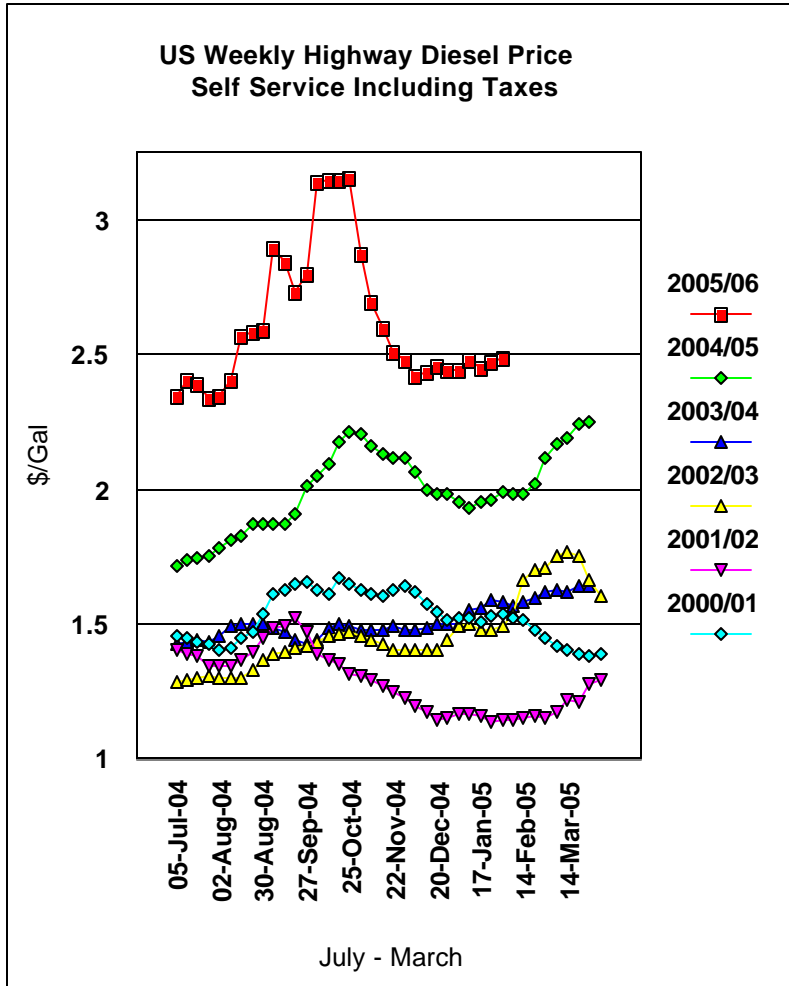
The US National Weather Service stated that US demand for heating fuels is expected to be about 32% below normal this week with most of the main heating regions experiencing above normal temperatures. Demand for heating oil in the week ending February 4 is expected to be about 31% below normal. In the Northeast, heating oil demand is expected to be 30% below normal

According to a Reuters survey, the price of US light crude futures is expected to average \$58.59/barrel in 2006, up from the 2005 average of \$56.70/barrel. Brent crude is expected to average \$56.34/barrel in 2006. US oil prices in 2010 are expected to average \$42.35 while Brent crude is expected to average \$38.43/barrel.

NYMEX President James Newsome said he had a problem with IntercontinentalExchange issuing its own futures contract. His complaint to the CFTC concerned potential regulatory problems. The electronic ICE plans to challenge NYMEX's crude futures contract with one of its own next month.

Lyondell Chemical Co is still considering whether to continue producing MTBE. Many of the country's oil refiners say they plan to stop using the additive during the second quarter of 2006 due to a change in federal law. The company has several options available for its MTBE units. The product can be exported or the units could be converted to produce another octane-boosting additive from the same feedstock. The conversion could be completed quickly, if Lyondell decided to pursue it. Another possibility would be to produce another additive, ETBE.

Iraq's Prime Minister appointed Hashem al-Hashimi as acting oil minister following the resignation of Ibrahim Bahr al-Uloum last week.



OPEC research indicates a 1.5 million bpd oversupply of crude oil is likely in the second quarter. Meanwhile, Venezuela has stated that it wants to ensure OPEC is prepared to move swiftly to cut oil production in the event of a reversal in prices. Venezuela's Oil Minister Rafael Ramirez said the market is oversupplied by 2 million bpd and added that OPEC would not cut its production ceiling at its meeting. He said OPEC members are in agreement that OPEC needs to be ready to cut its output at its next meeting in March. Also, Iran cited an increase in excess supply as a reason for a cut in production.

Officials from the UK, Germany, and France met with Iran's deputy nuclear negotiator Javad Vaedi for talks called by Iran to try to stall a deeper crisis over its nuclear program. However EU foreign policy chief, Javier Solana said the EU would maintain its stance against Iran's desire to restore its program, which the EU and US fear could be used to develop nuclear weapons. He said a possible way out of the crisis is for Iran to agree to a

Russian compromise proposal, under which Russia would process uranium on Iran's behalf. Meanwhile US Secretary of State Condoleezza Rice will join officials from the UK, France, Germany, Russia and China on Monday evening in an attempt to break the diplomatic deadlock over Iran's nuclear program. The 35 nation board of the IAEA is scheduled to meet on Thursday to discuss the Security Council referral. The US Secretary of State said negotiations with Iran are needed to deal its resumed nuclear program. She said the international community agreed that Iran should not have the means of developing a nuclear weapon and criticized the country for its response to Russian attempts to mediate the standoff. She also stated that Iran's referral to the UN would not end nuclear talks.

Separately, analysts warned that oil prices could reach \$90/barrel if Iran blocks its oil supplies as world leaders demand action against Iran over its nuclear ambitions. Iran's President, Mahmoud Ahmadinejad threatened to respond to any punitive action by cutting its 2.6 million bpd of crude production. An analyst said that with little spare capacity in the market, prices are much more vulnerable to political shock.

The EIA reported that the average retail price of diesel increased by 1.7 cents/gallon to \$2.489/gallon in the week ending January 30th. It also reported that the average retail price of gasoline increased by 2.1 cents/gallon to \$2.357/gallon on the week.

Refinery News

Marathon's crude units at its 245,000 bpd Garyville, Louisiana refinery failed on restart following turnaround maintenance. Planned maintenance was being performed on the delayed coker and reformer unit in January.

According to a filing with the Texas Commission on Environmental Quality, a catalytic cracking unit at Deer Park Refining LP's refinery is scheduled to operate at minimum rates during February. It is undergoing maintenance between January 27 and February 27.

BP has cut crude runs at its 420,00 bpd in Whiting, Indiana by 10-15% due to poor margins. Traders said talk of cuts at the refinery helped increase Chicago gasoline differentials. Chicago cash gasoline was pegged at about 9 cents under the NYMEX gasoline futures contract, up from 30 cents under the NYMEX earlier this month.

Valero Energy reduced crude shipments via Capline Pipeline System ahead of the 30 day turnaround at its 190,000 bpd Memphis refinery in February.

Alon plans to do work on several parts of the No. 2 sulfur recovery unit at its 70,000 bpd Big Spring, Texas on February 8. Additional projects are scheduled to start in early February at the refinery. Its light distillate hydrotreater unit, gas oil hydrotreater are scheduled to undergo maintenance starting February 3.

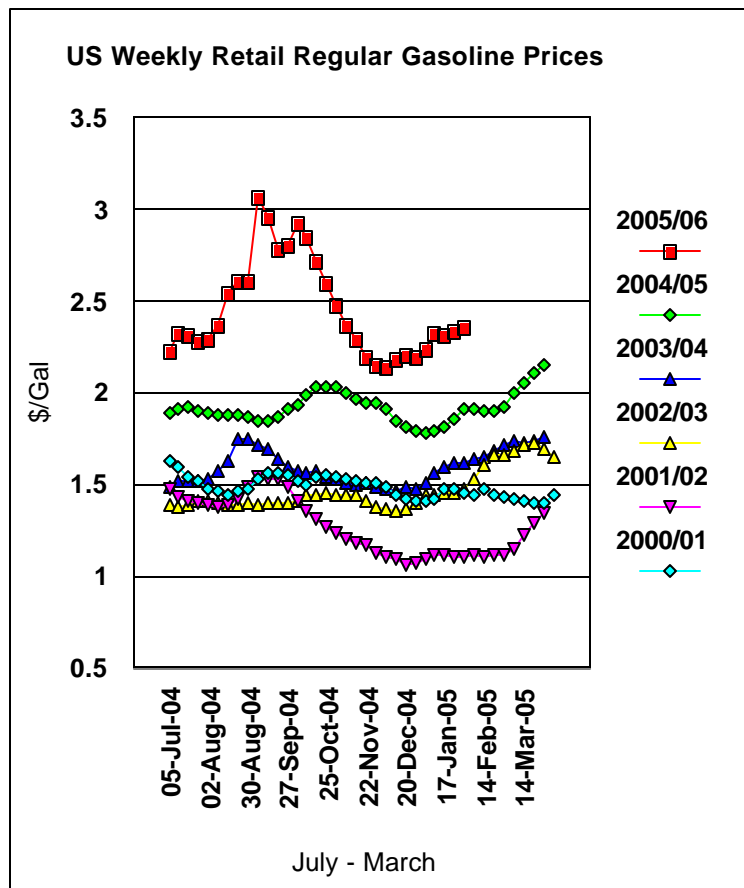
PDVSA's 320,000 bpd La Isla refinery closed its 19,000 bpd platformer unit for scheduled maintenance on Monday. The maintenance will not affect gasoline exports.

Spain's Repsol plans to shut part of its 220,000 bpd Petronor refinery in Bilbao for maintenance in September. It is expected to shut the smaller of two crude distillation units. The work is expected to cut capacity by 90,000 bpd.

Production News

Royal Dutch Shell PLC's Nigeria unit has resumed production at its Niger Delta EA field, which normally produces 115,000 bpd following a two week shutdown. Production at the field was restarted on Saturday and is in start up mode and ramping up. However Shell said the force majeure remained on its 106,000 bpd Trans-Ramos pipeline, which was attacked over two weeks ago. It also said there was no change in status for the 330 workers evacuated from four installations deemed vulnerable following unrest in the Niger Delta. Meanwhile, Nigerian militants released four foreign oil workers on Monday that were held captive for over two weeks.

Russia resumed its natural gas deliveries to Georgia after finishing repairs to a major



pipeline damaged by mysterious blasts on January 22. However the Tbilisi government accused Russia of taking its time to fix the pipeline to punish Georgia for its pro-Western policies.

Ukrainian President Viktor Yushchenko blamed local officials in Alchevsk for mismanagement that left ten of thousands of residents without heat during last week's record breaking cold spell. The shutdown occurred January 22 when one of the main pipes pumping hot water from a central boiler into apartment houses, schools and other municipal buildings froze and broke down. He called for an investigation and pledged that his government would do whatever it took to restore the heating supply.

Russia's Transneft's final export schedule showed Primorsk would load 4.816 million tons or 1.26 million bpd compared with 1.206 million bpd in January. It has not allocated any crude for Lithuania's Baltic Sea port of Butinge because it is not known when it will resume shipments. It has been closed for most of January due to an accident. The schedule also showed that Russia's main Black Sea port of Novorossiisk would cut loadings by about 50,000 bpd to 873,000 bpd in February. Shipments would also be cut at Ukraine's Black Sea port of Yuzhny to 240,000 tons or 63,000 bpd from 480,000 tons in January. The port of Gdansk is scheduled to load 600,000 tons in February, down from 740,000 tons in January while Ukraine's port of Odessa is scheduled to load 681,000 tons, up from 600,000 tons in January. The port of Tuapse is expected to ship 436,000 tons in February, up from 430,000 tons in January.

ExxonMobil Corp's fourth quarter profit increased by 27% on the year to \$10.71 billion due to high oil and gas prices and refining margins. On an oil equivalent basis production fell by 1%, partly because of hurricanes Katrina and Rita. For the full year, ExxonMobil earned \$36.13 billion, up 43% from \$25 billion reported the previous year. Total 2005 revenue was \$371 billion, up from \$298 billion.

OPEC's news agency reported that OPEC's basket of crudes increased by 92 cents/barrel to \$60.22/barrel on Friday. It reported that OPEC's basket of crudes increased by \$1.69/barrel to \$60.12/barrel in the week ending January 26.

Market Commentary

The oil complex settled sharply higher amid several reports of refinery problems. The crude market opened 26 cents lower at 67.50 and traded to a low of 67.25 in follow through selling seen on Access in light of reports that Royal Dutch Shell resumed production at its 115,000 bpd EA field after a two week shutdown and the hostages held by militants were released. The market was also pressured amid the likelihood that OPEC would maintain its output ceiling at 28 million bpd during its meeting on Tuesday.

The oil market however bounced off its low amid the strength in the product markets as reports of refinery problems surfaced. The crude market

Technical Analysis		
	Levels	Explanation
CL 68.35, up 59 cents	Resistance 68.65, 69.15	Previous highs
	Support 68.45	Monday's high
HO 183.38, up 2.69 cents	Resistance 67.85	Monday's low, Previous low
	Support 67.25, 66.95	
HU 177.49, up 3.85 cents	Resistance 185.25, 187.25, 189.20	Previous highs
	Support 185.10	Monday's high
	Resistance 183.00, 182.00	Monday's low, Previous lows
	Support 180.25, 179.40, 176.50	
	Resistance 181.30, 184.70	Previous highs
	Support 178.75	Monday's high
	Resistance 175.00	Monday's low, Previous low
	Support 173.10, 170.00	

erased its losses and rallied to a high of 68.45 ahead of the close. It settled near its high, up 59 cents at 68.35, the highest settlement since January 20th. Volume in the crude was good with 165,000 lots booked on the day. The heating oil market opened slightly higher at 180.75 and quickly posted a low of 180.25. However the market bounced off its low and rallied to a high of 185.10 in afternoon trading as it followed in the natural gas market's footsteps. The market was supported amid the weather forecasts showing below normal temperatures for the next 8-14 days. Accuweather also forecast that during February 10-20, the northeast would experience the coldest weather in six years. The heating oil market later gave up some of its gains and settled up 2.69 cents at 183.38. The gasoline market opened at its intraday low of 173.10 and quickly rallied amid the refinery news. A catalytic cracking unit at Deer Park Refining LP's refinery is scheduled to operate at minimum rates during February due to maintenance while BP has cut crude runs at its 420,00 bpd in Whiting, Indiana by 10-15% due to poor margins. Traders said talk of cuts at the refinery helped increase Chicago gasoline differentials. The gasoline market traded above 176.00 and settled in a 3 cent trading range. However the market later breached its resistance and rallied to a high of 178.75 late in the session. It settled up 3.85 cents at 177.49. Volumes in the product markets were good with 51,000 lots booked in the heating oil market and 52,000 lots booked in the gasoline market.

The oil market on Tuesday may retrace some of its gains early in the session as OPEC is expected to agree to leave its output ceiling unchanged at 28 million bpd during its meeting. However if the February product contracts continue to find support and go out strong, the oil market is seen following the markets higher. The market may also be supported by the weather forecasts showing the eastern half of the country below normal during the next 8-14 days. The crude market is seen finding resistance at its high of 68.45 followed by 68.65 and 69.15. However support is seen at 67.85 followed by 67.25 and 66.95.