



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 2, 2006

The UN's IAEA Director General Mohamed ElBaradei said the dispute with Iran was at a critical phase. However US and European Unions leaders, in a nod to Russian, Chinese and developing world desires not to provoke Iran, said Security Council involvement did not mean an end to diplomacy or that Iran would

eventually face punitive sanctions. The IAEA board left Thursday's meeting without reaching consensus on referring Iran to the UN Security Council. Meanwhile, Iran's chief nuclear negotiator, Ali Larijani, warned the head of the IAEA that Iran would severely curtail the agency's inspections of Iran's nuclear program and resume uranium enrichment if it were referred to the UN Security Council.

Separately, US intelligence chief John Negroponte said the US does not believe Iran has a nuclear weapon but the danger of Iran acquiring one is an immediate concern. Speaking to the Senate intelligence committee, he said that al-Qaeda was still plotting and preparing for attacks on the US. He said the group would attempt high impact attacks as long as its central command structure is functioning and affiliated groups are capable of furthering its interests.

Insurgents blew up an Iraqi oil pumping station feeding one of two export pipelines to Turkey. An Iraqi oil official said they attacked a new process plant near the west of Kirkuk, which feeds the second export pipeline to Turkey.

Separately, an Iraqi oil official said Iraqi crude oil exports fell to 1.09 million bpd in January due to bad weather, power cuts and logistical problems with loadings in the Persian Gulf. The fall in exports has forced Iraq's SOMO to defer 17.3 million barrels of crude from January to February. These barrels are in addition to the 32 million barrels already scheduled to load in February.

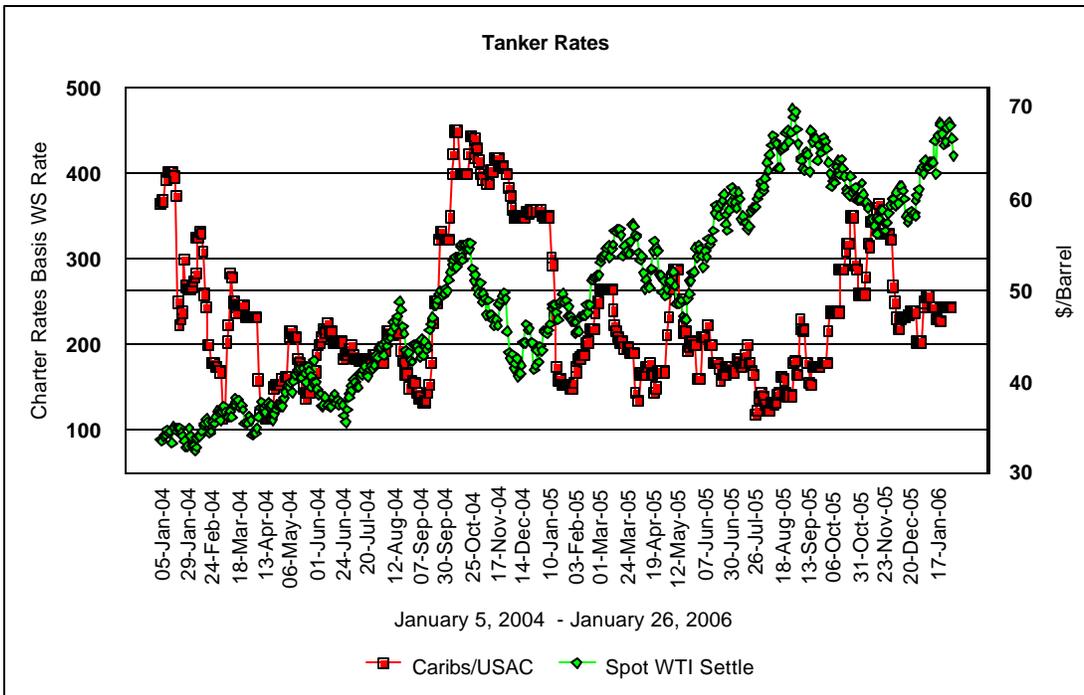
According to Oil Movements, OPEC's seaborne exports of crude are expected to increase by 290,000 bpd to 25.22 million bpd in the four week period ending February 18.

Refinery News

Market Watch

US Senators from Florida introduced legislation that would permanently prohibit oil and natural gas drilling in the eastern Gulf of Mexico. The bill would create a buffer, preventing exploration and production within 260 miles off Tampa Bay, Florida.

THE US CFTC said the IntercontinentalExchange could proceed with its plan to list a WTI crude futures contract on its London based ICE futures exchange on Friday. Earlier, the NYMEX said the CFTC was reconsidering its decision to allow the IntercontinentalExchange to list US crude futures on a London based platform.



ConocoPhillips' 230,000 bpd oil refinery in Westlake, Louisiana is operating normally following a fire on Wednesday night. The refinery did not shut down as a result of Wednesday's fire in the lubricants facilities.

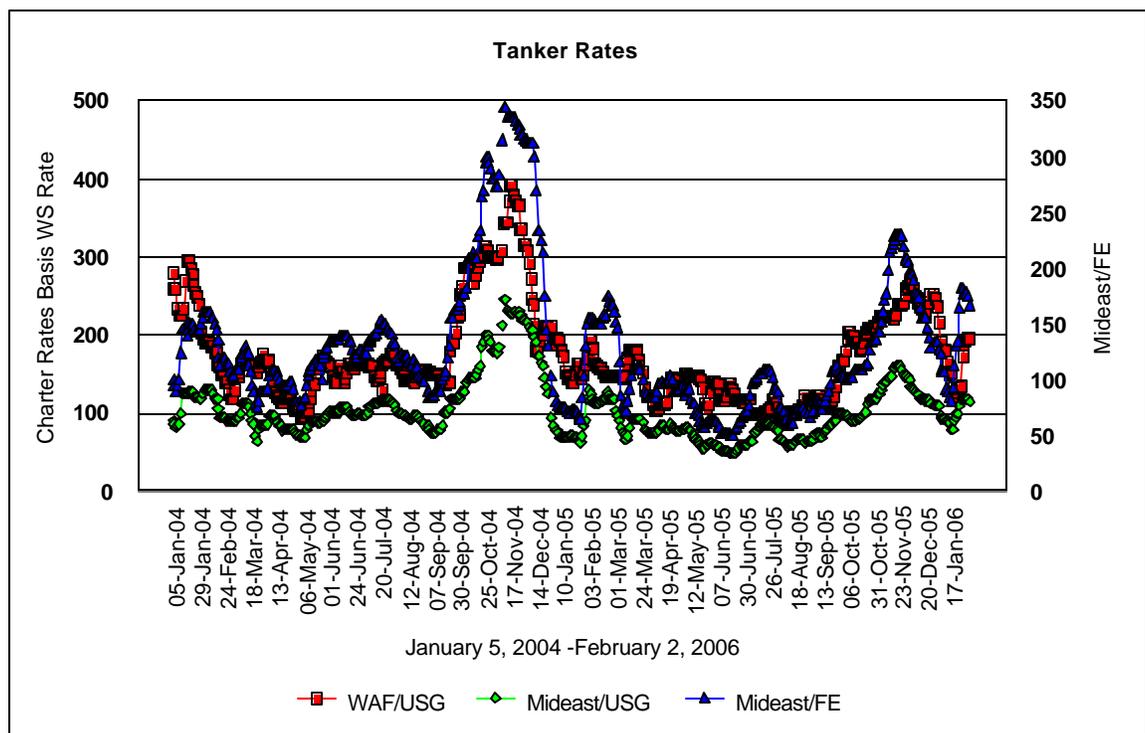
Murphy Oil Corp said it could pay up to

\$50 million on repairs related to flood damage at its Meraux, Louisiana refinery due to caps on insurance. Murphy estimates repair costs at Meraux could be as high as \$200 million.

Production News

The Shetland Island Council reported that Brent crude loadings from Sullom Voe totaled 394,788 tons in the week ending January 31st, down from 398,460 tons in the previous week.

Norway's Statoil said the Visund oil and gas field in the North Sea is likely to remain shut until at least the end of March after a gas leak at the platform halted production last month. The loss of output totals about 35,000 bpd of oil and about 5 million cubic



meters/day of gas.

Russia's TsDU-TEK agency reported that Russia produced an average of 9.4 million bpd of crude oil and condensate in January, down 250,000 bpd or 2.6% from December. Russia produced 39.89 million tons of oil in the month.

Russia's oil production fell to 39.89 million tons or 9.43 million bpd in January, down 2.3% on the month while exports via Transneft's pipeline system fell by 5.8% to 18.16 million tons or 4.29 million bpd. The seaborne crude oil exports supplied to ports by Transneft fell to 10.485 million tons or 2.48 million bpd in January, down 7.7% on the month.

The Caspian Pipeline Consortium said its crude shipments fell to 2.4 million tons or 599,115 bpd in January compared with 2.6 million tons or 657,675 bpd in December. Russia's crude oil production fell last month as extremely cold weather hit production, while high crude export duties discouraged oil producers from exporting.

Venezuela's PDVSA has shipped 2 million barrels of crude to India as part an effort to diversify its export market.

OPEC's news agency reported that OPEC's basket of crudes increased by 37 cents to \$60.77/barrel on Wednesday from \$60.40/barrel on Tuesday.

Turkey's Council of State, the top administrative court, suspended the \$4 billion sale of oil refiner Tupras following a union's legal challenge. The move by the council appeared to deal a fresh blow to Turkey's International Monetary Fund backed privatization program. However government sources belied the court decision would not reverse the privatization.

India's domestic sales of refined oil products fell by 0.8% year on year to 9.86 million tons in December.

Market Commentary

The energy complex continued to sell off following Wednesday's sharp losses. The crude market gapped lower from 66.30 to 66.20, which it quickly backfilled as it posted a high of 66.40. However the market continued to trade lower in follow through selling seen in overnight trading. The crude market settled in a sideways trading range from 65.25 to 66.00 and after failing to breach the 66.00 level on several

attempts, it found further selling ahead of the close. The market backfilled its previous gap down to 64.75 as it extended its losses to over \$2.00 and posted a low of

Technical Analysis		
	Levels	Explanation
CL Resistance 64.68, down \$1.88 Support	66.40, 66.70, 67.24, 69.00 65.15, 66.00	Thursday's high, 50%, 62% (64.40 and 69.00), Previous high
	64.40 63.90, 63.25, 62.50 to 62.00	Thursday's low Previous low, Remaining gap
HO Resistance 177.08, down 5.32 cents Support	182.20, 189.00 178.50, 181.50	Thursday's high, Wednesday's high
	176.70 to 175.50 172.75, 172.50	Remaining gap (January 17th) Previous lows
HU Resistance 166.56, down 6.32 cents Support	174.70, 177.53, 180.35 169.50, 171.50 to 172.50	38%, 50% and 62% (165.55 and 189.50) Remaining gap (February 2nd)
	165.55 165.50, 160.10	Thursday's low Previous lows

64.40 on the close. The crude market settled down \$1.88 at 64.68. Volume in the crude market was good with over 249,000 lots booked on the day. The market was pressured as concerns over the Iranian situation eased. The losses came as the IAEA board ended the meeting without reaching consensus on referring Iran to the UN Security Council. IAEA officials said they would urge the UN body not to take any action against Iran until March. US officials also said the US was not immediately seeking sanctions or other punitive measures against Iran. The product markets also sold off sharply, with the heating oil market settling down 5.32 cents at 177.08 and the gasoline market settling down 6.32 cents at 166.56. The heating oil market also gapped lower on the opening from 181.90 to 180.50, which it backfilled as it posted a high of 182.20. However the market sold off its high and settled in a sideways range from 179.30 to its high, before further selling pushed the market down 5.7 cents to a low of 176.70 ahead of the close. This was amid the continuing sell off in the natural gas market following the release of the EIA natural gas storage report showing a draw of 88 bcf. Meanwhile, the gasoline market gapped lower from 172.50 to 171.10 on the opening and continued to lead the markets lower. The market extended its losses to over 7 cents as it traded to a low of 165.55 ahead of the close. Volumes in the product markets were good with 52,000 lots booked in the heating oil and 60,000 lots booked in the gasoline market.

The oil market on Friday is seen retracing some of its sharp losses ahead of the weekend. However it would not be surprising if the market continued on its downtrend in the absence of any bullish developments over the next few days. Its stochastics still have room to the downside. The market is seen finding support at its low of 64.40 followed by 63.90, 63.25 and its gap from 62.50 to 62.00. However resistance is seen at 65.15, 66.00 and its high of 66.40. More distant upside is seen at 66.70, 67.24 and 69.00.