



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 9, 2006

Iran's Vice President, Esfandiar Rahim Mashaei, said Iran's nuclear program has peaceful aims and will not be abandoned even under threats of military action. During a visit to Indonesia, he said Iran opposes nuclear weapons and their use. Indonesia's Vice President Jusuf Kalla called for talks to resolve the issue and noted how other countries in the world such as North Korea have the capability to develop nuclear weapons.

According to Oil Movements, OPEC's crude exports are expected to increase by 180,000 bpd to 25.32 million bpd in the four weeks ending February 2. The increase was mainly due to westbound shipments.

Iraq is losing millions of dollars to smugglers who are shipping oil and fuel to Iran and other Gulf states as some government officials turn a blind eye. The losses are compounded by mismanagement and turf

Market Watch

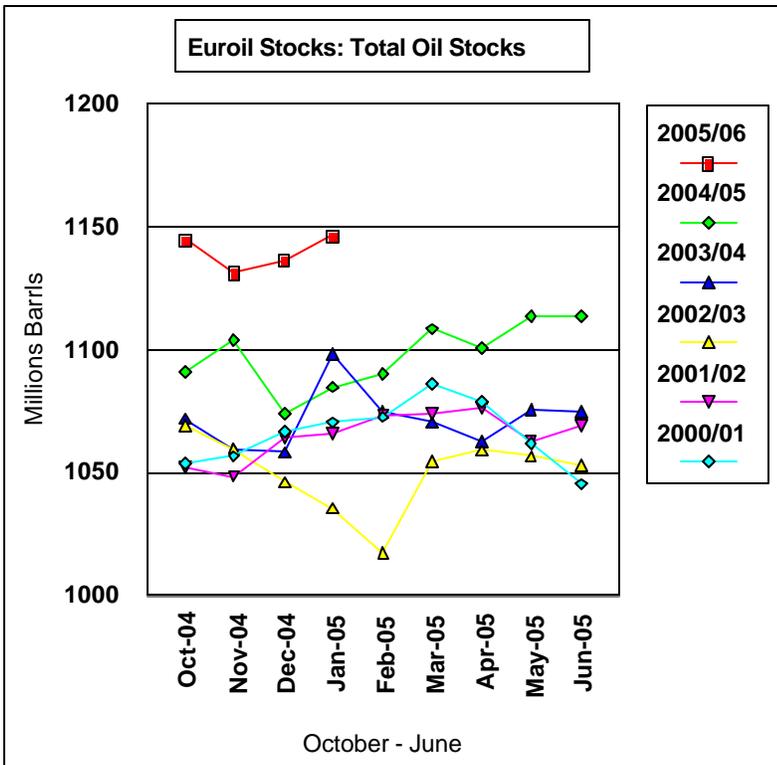
The executive director of the IEA, Claude Mandil, said he welcomed any initiative to prompt Russia to ratify the Energy Charter Treaty, creating a framework for the energy sector. During the G-8 meeting, France's Finance Minister Thierry Breton is expected to put forward proposals, which would offer financial assistance to Russia if it agrees to diversify its energy exports. The initiative would encourage the Russian government to loosen its hold on the country's energy sector, enabling European gas consumers to choose their own energy supplier. He said there is currently no shortage of Russian oil companies able to offer alternative gas supplies to western Europe as opposed to Gazprom.

Partners in the Fort Hills oil sands project UTS Energy, PetroCanada and miner Teck Cominco paid C\$60 million to purchase more land to extend the life of the development. The group has no estimate yet of the new lands' resources of tar like bitumen. The main Fort Hills lease has an estimated 2.8 billion barrels. Regulatory approvals are in place for a 190,000 bpd project at Fort Hills. The first 100,000 bpd phase is expected to start up around the end of the decade.

Enbridge Inc plans to spend \$165 million to increase the size of its Southern Access pipeline, giving it room to expand the line for new oil expected to flow from Alberta's oil sands over the next ten years. Enbridge is increasing the diameter of the planned line from Superior, Wisconsin to Chicago, Illinois to 36 inches from 30 inches. Increasing the diameter will allow the company to double the capacity of Southern Access to 800,000 bpd after 2009 when the line is complete. Meanwhile, TransCanada Corp is also planning a new line to carry oil to refineries in the US Midwest. The Keystone pipeline could also be complete by 2009.

NYMEX President James Newsome said the exchange could realistically proceed with an initial public offering in September or October. On Tuesday, the NYMEX board approved a deal with General Atlantic LLC, under which the private equity group would buy a 10% stake in the exchange for \$160 million and invest an additional \$10 million if NYMEX meets certain conditions such as completing an IPO by the end of 2006.

Credit Suisse and Glencore have joined forces to sell oil derivatives. Credit Suisse which has already moved into power and gas trading and the deal could grant it access to Glencore's clientele of energy producers and consumers. They are setting up a trading operation at Glencore's Stamford, Connecticut office with staff from their current operations as well as new hires.



battles in the Oil Ministry. A senior oil industry official accused officials of indirectly sanctioning smuggling, fearing a crackdown could trigger an open confrontation between rival Shi'ite groups involved in smuggling, fearing a crackdown could trigger an open confrontation between rival Shi'ite groups involved in smuggling and add to Iraq's instability.

According to Euroilstock, total oil and product stocks increased by 10 million barrels on the month to 1.146 billion barrels in January. It reported that crude stocks increased by 8.39 million barrels to 482.09 million barrels while gasoline inventories increased by 760,000 barrels to 145.18 million barrels in January. Middle distillate fell by 680,000 barrels on the month to 381.9 million barrels. However stocks are

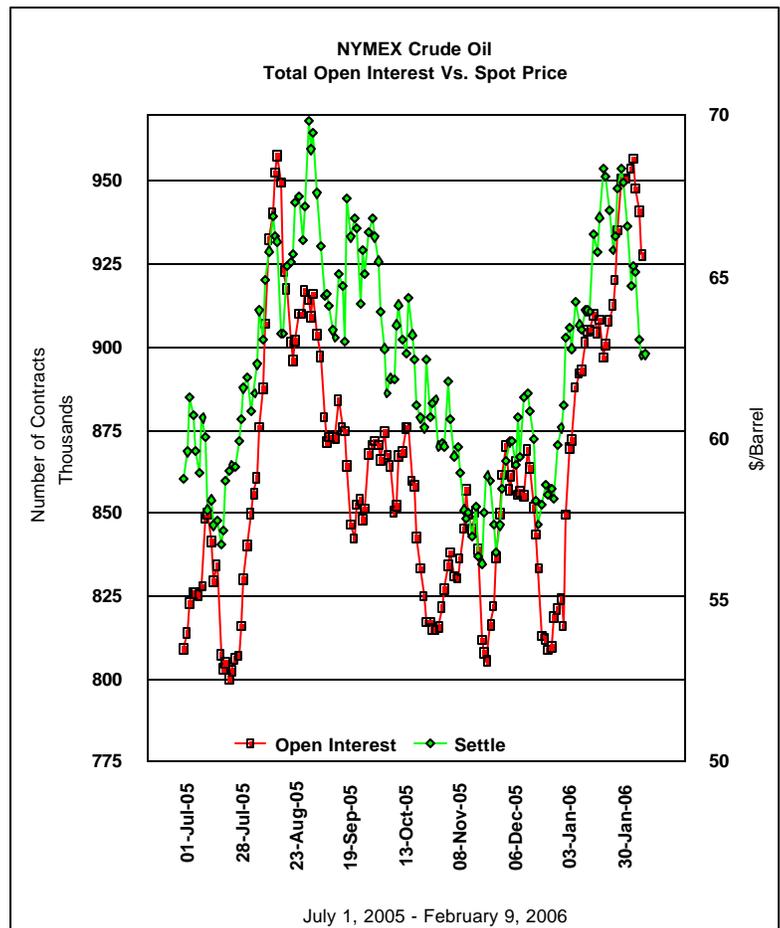
20.09 million barrels over last year's level. Fuel oil inventories increased by 650,000 barrels to 112.19 million barrels while naphtha inventories increased by 880,000 barrels to 25.08 million barrels in January.

Refinery News

Western Refining experienced a problem in the sulfur recovery unit at its El Paso, Texas refinery after restarting the plant following scheduled maintenance. According to a report filed with the Texas Commission on Environmental Quality, the problem at the South Plant sulfur recovery unit is associated with an electrical instrumentation problem.

Preem Petroleum said it completed a project to install a 58,000 bpd hydrocracker at its 210,000 bpd Lysekil refinery. The unit is expected to increase its annual output of ultra low sulfur diesel by more than 3 million tons.

A fire at ExxonMobil's 154,000 bpd Port Jerome refinery in France has shut its crude distillation unit. The firm is using stocks of refined oil products to continue



supplying its customers.

China's eleven major refineries are scheduled to process a total of 2.094 million bpd of crude this month, down 2% from January levels.

Astra Oil has agreed to buy US Oil & Refining Co's 38,000 bpd Tacoma, Washington refinery and associated facilities.

Production News

Repair work on a damaged crude oil pipeline owned by Shell Petroleum Development Co of Nigeria started two days ago. The completion of the repairs will depend on the workers' ability to get full access to the damaged facility. Separately, the Movement for the Emancipation of the Niger Delta said it believed the government intended to assassinate two jailed leaders of the Ijaw ethnic group and threatened attacks would resume shortly. The group said it would resume its attacks on oil installations starting in the second week in February.

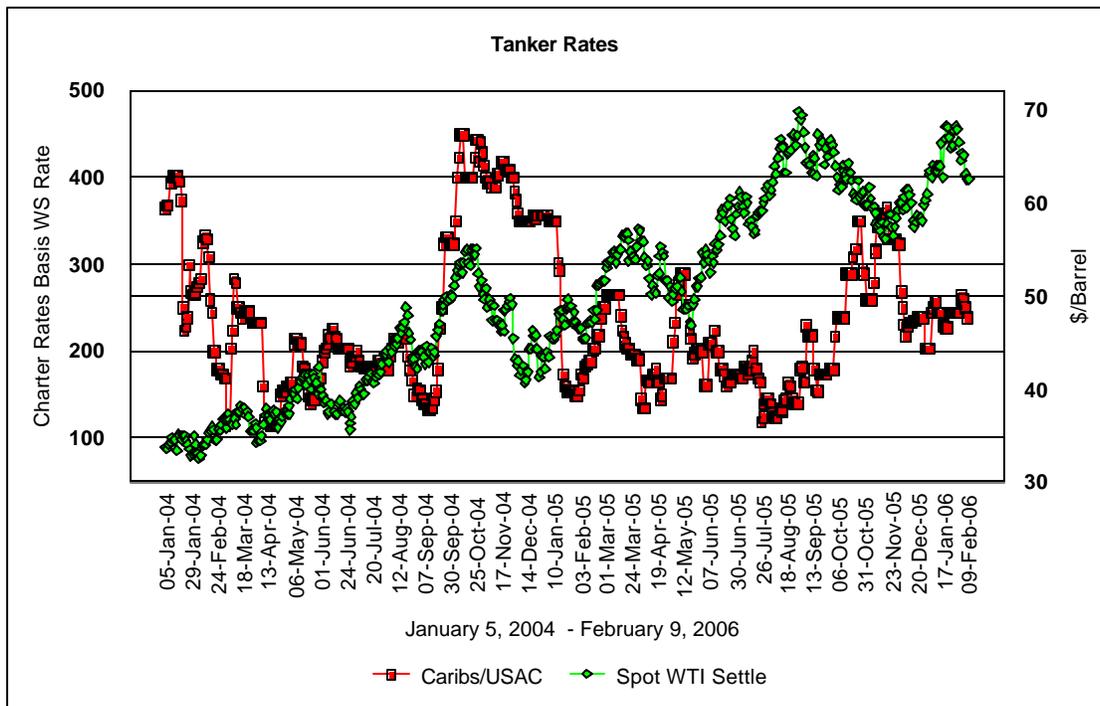
Iraq's oil exports from its southern oil terminal were halted on Thursday after terminal authorities suspended tug boat operations due to bad weather. Rough seas and high swells forced port authorities at Basra to suspend berthing operations.

Danish Underground Consortium's oil output from its fields in the Danish part of the North Sea fell 9% year on year in January to 292,500 bpd.

Norway's North Sea Statfjord crude system is expected to export 9.41 million barrels in March, up from 8.55 million bpd in February. The North Sea Ekofisk crude system is scheduled to load 17.4 million barrels, up from 16.15 million barrels in February.

The West Flank, a small oilfield linked to the North Sea Oseberg field, has started production from one of three planned wells. The field is expected to produce 25,000 bpd of oil.

Norway's Statoil shut in production of oil and condensate at



its Kvitebjorn field and will shut oil and gas output at the Heidrun field next week for repairs. It shut in 20 million cubic meters of gas and about 60,000 bpd of condensate at the Kvitebjorn field on

Wednesday and is expected to shut just over 3 million cubic meters of gas production and about 140,000 bpd of condensate at its Heidrun field next week.

Lithuania's Butinge crude oil terminal has completed repairs and resumed operations after being shut for more than a month. Loadings were halted after an oil tanker caused damage to moorings at the port. Transneft said it would be ready to resume pipeline shipments to Butinge as soon as the port clears its storage tanks, which have been full since the accident.

Russia's main Black Sea port of Novorossiisk reopened after being shut due to a gale warning.

Petroecuador is preparing to lift its declaration of force majeure on oil exports by midday Thursday.

Ecuador's central bank reported that the country's oil export revenue totaled \$5.397 billion last year, up from \$3.899 billion reported in 2004. It exported 131.6 million barrels in all of 2005, up 2% from 129.41 million barrels shipped a year earlier.

Ukraine's Fuel and Energy Ministry reported that oil transit via Ukraine in January increased by 8% on the year to 2.755 million tons. In 2005, oil transit via Ukraine fell by 4% on the year to 31.376 million tons.

Iraq's SOMO has increased the March official selling price of Basra Light crude to Europe to Dated Brent minus \$7.15/barrel, compared with Dated Brent minus \$8.20/barrel in February. The March official selling price for Basra Light to Asia was set at the average Oman/Dubai minus \$2.15/barrel. Meanwhile, the official selling price for Basra Light to the US was set the WTI minus \$10.60/barrel compared with \$10.50/barrel in February.

Kuwait Petroleum Corp has posted its crude oil official selling price at \$2.10/barrel below the average of Oman and Dubai assessments for March loadings to Asia. It is up 20 cents on the month.

OPEC's news agency reported that OPEC's basket of crudes fell to \$57.38/barrel on Wednesday from \$58.35/barrel on Thursday.

Market Commentary

The oil market opened 15 cents higher at 62.70 and quickly sold off to a low of 62.34 in sympathy with the rest of the energy complex. The sell off was triggered by the bearish

Technical Analysis		
	Levels	Explanation
CL 62.62, up 7 cents	Resistance 64.45 to 64.90 63.10, 63.70	Remaining gap (February 7th) Thursday's high
	Support 62.34, 62.30 to 62.00 60.58, 60.40	Thursday's low, Remaining gap Basis trendline, Previous low
HO 166.47, down 9 points	Resistance 174.04, 174.50 to 175.80 169.80, 170.90	38% (189.00 and 164.80), Remaining gap Thursday's high, Previous high
	Support 164.80 162.31	Thursday's low Basis trendline
HU 151.43, down 3.38 cents	Resistance 156.50, 158.80 153.00	Thursday's high, Previous high
	Support 151.00 149.31	Thursday's low Basis trendline

EIA natural gas storage report, which showed a draw of 38 bcf compared with an average expected

draw of 58 bcf. The crude market however just as quickly bounced off its low and rallied to a high of 63.70 after it failed to test its previous low and backfill its gap from 62.30 to 62.00. The market later retraced its gains and sold off ahead of the close as its early short covering rally lost momentum. It traded just below 62.50 on the close and settled up 7 cents at 62.62. Volume in the crude market was excellent with over 276,000 lots booked on the day. Open interest in the crude market fell by 13,311 contracts, with open interest in the March contract down 23,900 contracts on the day amid the sell off. The heating oil market continued to trend lower early in the session in follow through selling seen late Wednesday. The market was further pressured to a low of 164.70 amid the sell off in the natural gas market following the release of the EIA natural gas storage report. The market however bounced off that level and rallied to a high of 169.80. In a choppy trading session, the market erased its gains and sold off more than 3 cents from its high ahead of the close. The heating oil market settled down 9 points at 166.47. The gasoline market settled sharply lower at 151.43, down 3.38 cents after it gapped lower from 154.50 to 153.50 on the opening. The market backfilled its gap as it rallied to a high of 156.50. However it once again found some selling pressure, which pushed it to a low of 151.00 ahead of the close. Volumes in the product markets were good with over 69,000 lots booked in the heating oil market and 68,000 lots booked in the gasoline market.

The oil market on Friday is seen retracing some of its losses after it held good support and failed to test its previous low on the sell off. The market, which is looking oversold, is seen holding its support ahead of the weekend. The market may also be supported amid the weather forecasts calling for colder temperatures. Support is seen at its low of 62.34 and its gap from 62.30 to 62.00. However more distant support is seen at 60.58 followed by 60.40. Meanwhile, resistance is seen at 63.10 and 63.70. More distant resistance is seen at 64.45 to 64.90.