The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 10, 2006

IEA said this morning that weather related disruptions across the globe deepened the impact of supply disruptions from Nigeria and Iraq in January, cutting total global oil supplies by 450,000 b/d. But the agency reduced its overall global demand growth outlook for 2006 by 20,000 b/d and now looks for demand gains of 1.78 mbd, as it sees consumers in Southeast Asia begin to feel more of the pain of higher oil prices, as governments there have been cutting price subsidies. But the agency continues to see strong economic growth rates in China and the U.S. to keep overall global demand for oil strong. The agency did note though that Chinese demand in December for oil was revised downward to only a 3% growth rate, but officials still expect demand in 2006 to rebound to an annual growth rate of 5.8%. U.S. demand is expected to grow 1.7% in 2006 after a growth rate of just 0.2% in 2005.

Refinery News

Total's 160,000 b/d Flanders refinery was shut today due to a fire in a unit supply power to the plant. Operators were expected to review the situation over the weekend.

Shell Oil reported today that it has restarted the catalytic cracker at its 420,000 b/d Pernis refinery in the Netherlands. The unit had been taken offline due to a steam leak some three weeks ago.

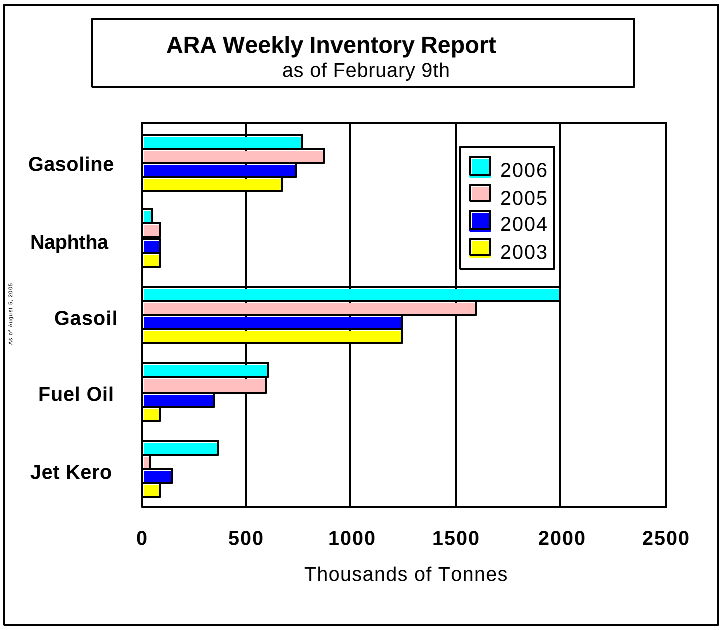
Market Watch

The February IPE gasoil contract saw only 596 contracts go into delivery today, down from the 801 contracts that went into delivery last month. Statoil, Petrotrade and AIC were believed to to be sellers with Hess, BP, AOT, Fina and Frisol on the buy side.

NYMEX announced today that it has obtained regulatory clearances to offer the use of its NYMEX ACCESS trading and Clearport clearing and trading platforms in 11 additional countries. In addition the exchange said next week it will expand the available months for trading in its WTI contract to 70 consecutive months, from March 2006 to December 20011.

Venezuelan-U.S. relations continue to be strained. The Venezuelan president Thursday called U.S. President Bush a "nut case". He also went on to say that Britain should return the Falkland Islands to Argentina. But the Venezuelan ambassador to the U.S. said his country would continue to supply oil to the U.S., despite the recent escalating diplomatic crisis that has included the expulsions of diplomats on both sides.

Despite diplomatic pressure from western ministers at this week's G-8 meeting in Moscow, to open the Russian energy sector to more foreign investment and loosen the monopoly of the Russian energy company, Gazprom, Russian officials clearly stated that there is and there will continue to be a monopoly for Gazprom in its handling of natural gas exports from Russia.



Chinese officials said today that Chinese refiners will need to increase its crude runs by 5% from 2005 levels if it is to guarantee meeting growing demand for oil products this year in China. Refiners are expected to increase refining capacity by 17 million tones should meet this demand as long as exports do not continue at high levels.

ARA gasoil stocks this week grew by 15,000 tonnes, as Baltic exports remained brisk and low Rhine water levels kept inland demand limited. Gasoline stocks were down 65,000 tonnes.

Reuters reported that it estimates that South Korean refineries plan to cut March fuel oil exports by 34% from February volumes, as they reduce crude processing runs due to poor refining margins. Most of these exports had been destined for China. In addition domestic consumption of fuel oil is also expected to ease as domestic power plants scale back on their usage of fuel as power demand has moderated.

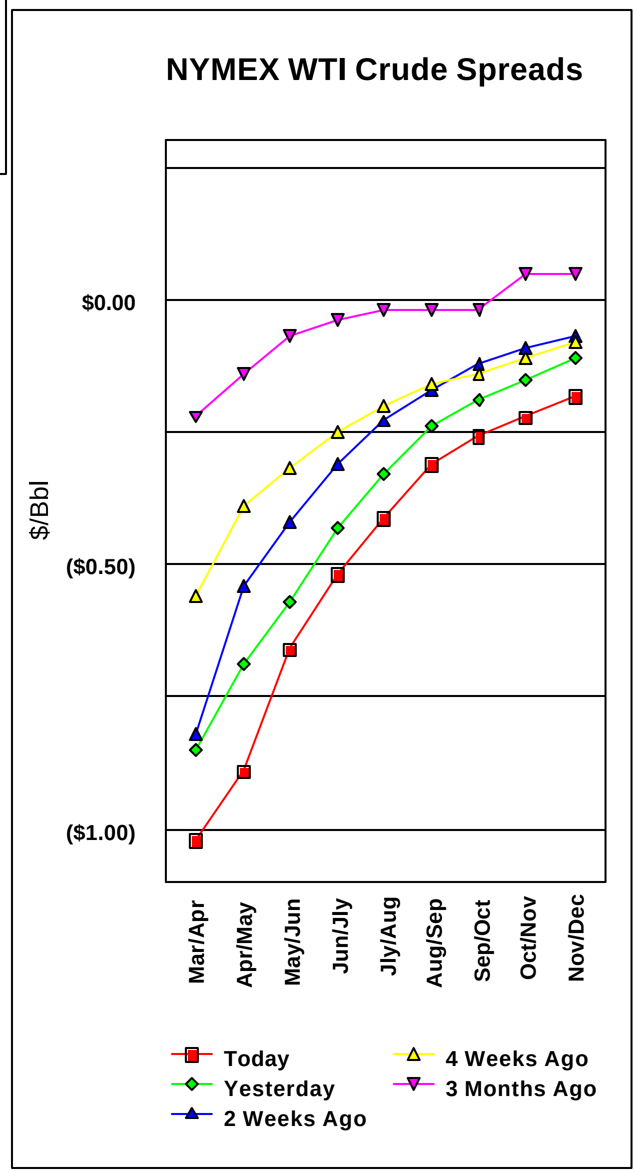
Production News

Russian crude oil exports to China via rail was up 42.8% year on year in January but was still below its annual target of 200,000 b/d.

Norway's oil production in January was estimated at 2.58 mbd up some 70,000 b/d from December levels.

Colonial Pipeline announced today that it will not need to allocate the 10th cycle on its main distillate line, thus ending a proration which has been in affect since the middle of December.

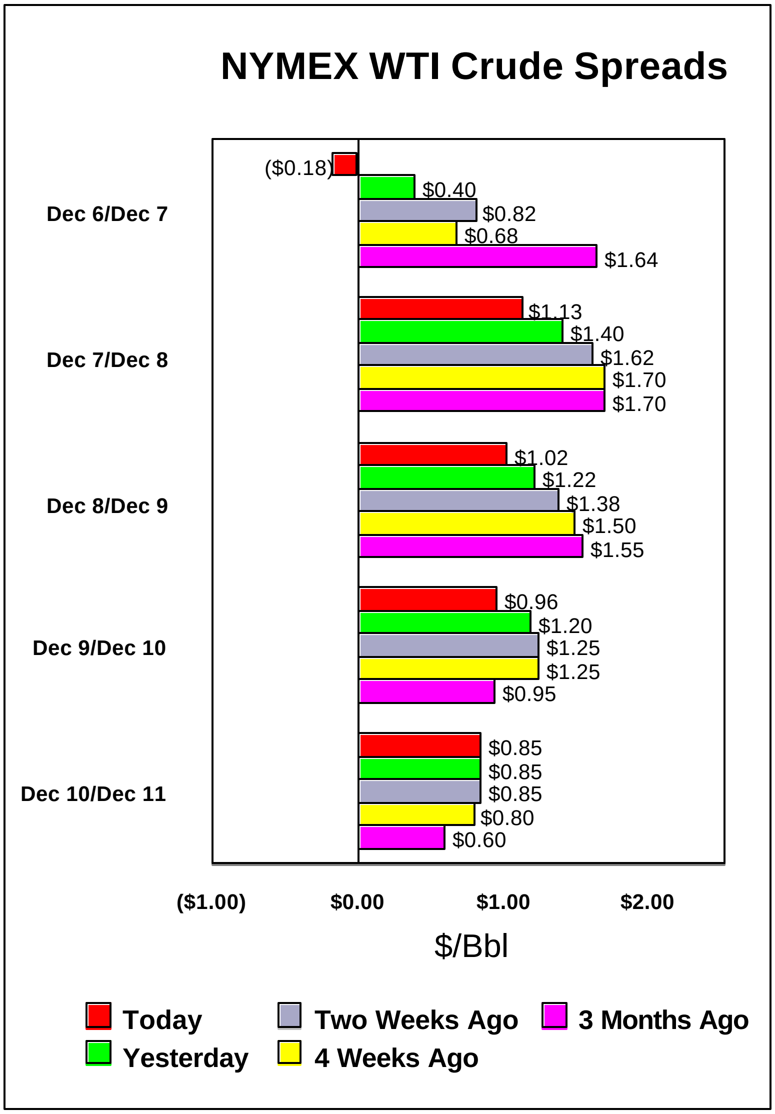
German oil product sales in January 2006 totaled 6.72 million tones, some 4% higher than the same month a year ago. Gasoline sales were off 4% while light heating oil sales were up 17% and diesel sales up 2.6%. Fuel oil sales were off 14.7%.

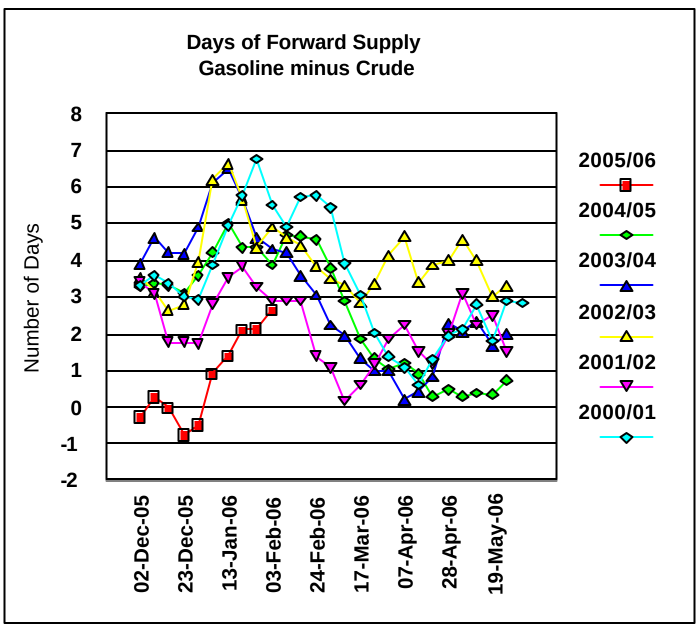


Iraqi crude oil exports from it s southern oil terminals remained halted for the second day in a row as berthing operations remained disrupted due to poor weather conditions. It is unclear when the terminal, which had been shipping some 1.1 mbd of crude recently, will resume operations. Four vessels are currently berthed there and another 8 are waiting to load.

Sibneft said today that oil production from its mature oil fields is set to rapidly decline over the next five years, although overall production growth should be maintained by developing new fields. Output from the company's core production base, will see production fall by 350,000 b/d by 2010, from a production level of 660,000 b/d last year. Company production this year is expected to decline by 20,000 b/d.

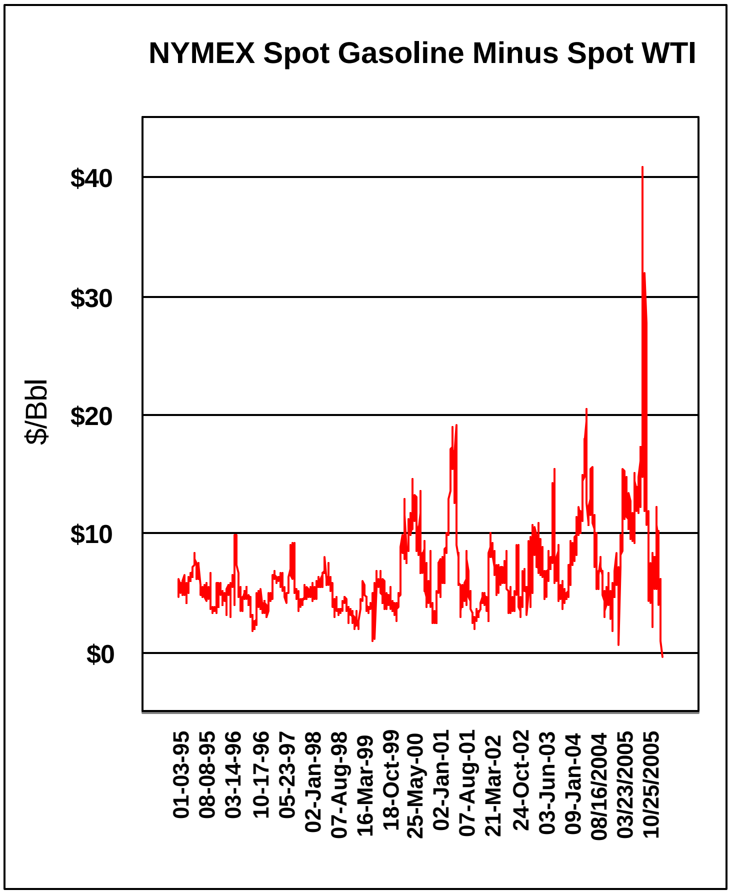
Occidental Petroleum and BP announced today that they are looking at developing options for sequestering carbon dioxide in their California oil fields. The CO2 would be captured as a byproduct from the 500 Mw hydrogen-fired power project proposed to be built in Carson, California. The captured CO2 would be sequestered in California's mature oil fields, thus enhancing oil recovery from those fields.





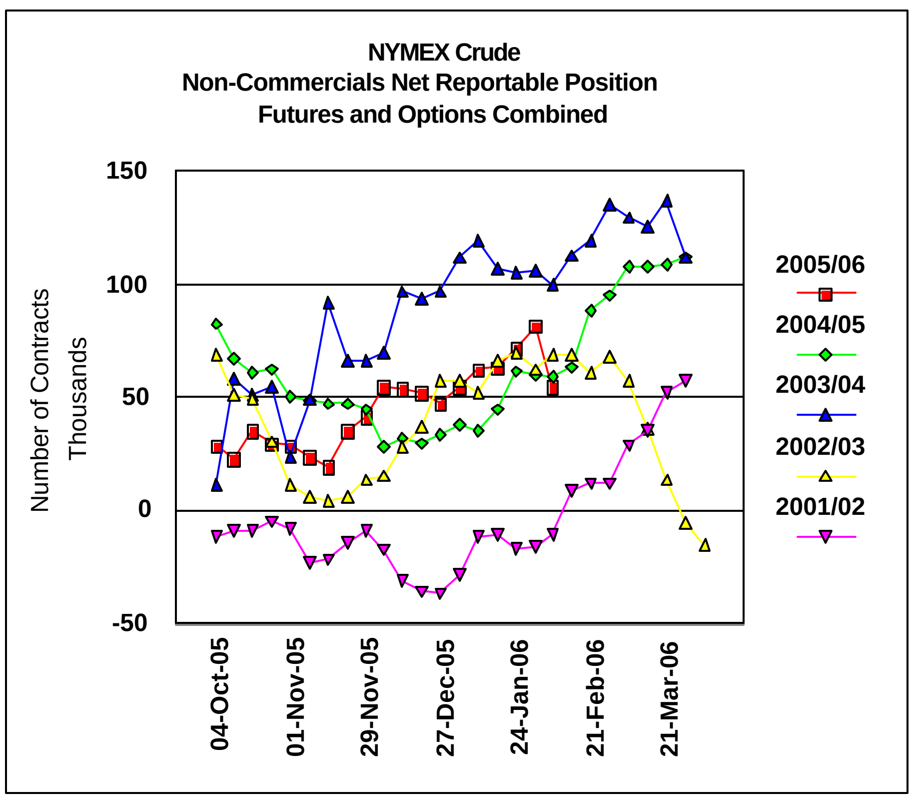
Market Commentary

The oil markets opened higher this morning driven by early support in heating oil, given the approach of stronger heating demand over the next couple of weeks as well as the approach of a weekend blizzard for the Mid-Atlantic and New England States. But this bullish bounce was short lived, and the bears quickly re-emerged and once again began challenging yesterday's lows, led by the gasoline market, which once again was under pressure. The March gasoline market which this afternoon settled lower for the fifth consecutive trading session and the sixth time out of the last seven trading days, posted its lowest settlement since May 31st of last year. Just in the last week the



gasoline market has seen values erode by over 18 cents per gallon, as well as seen its discount to heating widen by over 6 cents per gallon, and its premium of over $3.95 per barrel to March crude, move to a 43 cent per barrel discount! This is the first time that the spot gasoline contract on the NYMEX has moved to a discount to the spot crude oil contract. While the April gas crack settled at $5.41 per barrel tonight, this spread has seen over a $4.60 per barrel contraction in just the last week. Last year the April gas crack did not settle below $7.96 after the start of the year, while the lowest the April gas crack in the past six years has settled over its final 3 months of trading was $5.95 per barrel back in 2000. The sensibility of this current pricing is even further questioned by the fact that gasoline inventories relative to crude stocks in terms of days of forward supply is at it lowest (smallest gasoline stocks relative to crude) at this time of year. As a result despite all the questions of this gasoline contract being a MTBE contract that is becoming a dinosaur in the NYH region, we still feel that gasoline has reached an extreme oversold condition and is worth becoming a scale down buyer of the crack spread. Further supporting our belief is that given the jump in open interest yesterday of 2,271 contracts and 5400 contracts in the past week makes us believe that this recent sell off has been driven by new shorts entering this market.

The release this afternoon of the Commitment of Traders Report for the period ending February 7th, showed that non-commercial players over the period decreased their net short position by over 27,000 contracts on a combined futures and options basis. This was the largest weekly decline sine June of 2004 when crude oil prices saw a $5.00 plus



decline in a two-week period. The heating oil market saw non-commercials decrease their net combined futures and options position by 18,593 contracts while in gasoline the group saw a decline of only 2145 lots.