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ENERGY MARKET REPORT FOR FEBRUARY 14, 2006

The IEA's executive director, Claude Mandil said its member governments could coordinate a release of their strategic oil reserves that would offset a shutdown of Iranian crude production for up to 18 months. He said there is 4 billion barrels in strategic stocks. Separately, the head of the IEA said the downward revision in the

agency's near term world oil demand growth forecasts issued last week may mean that oil demand is slightly less than expected due to high prices.

Market Watch

Saudi Arabia's Vela International Marine has booked a Very Large Crude Carrier to carry 285,000 tons of crude to the US Gulf on March 19, after increasing supply to at least one oil major on Monday. Saudi Arabia booked 14.4 million barrels in February, the largest spot volume to US shores since last August.

According to a consultancy, IHS Energy, growth in crude production would be more than enough to meet increasing world demand for oil this decade. It expects Africa to supply 30% of the growth in world oil output by 2010, the majority from major fields in proven basins and 25% of world liquefied natural gas capacity.

Citgo Petroleum Corp is expected to sell 1.15 million gallons of heating oil to low income residents of Delaware on Tuesday. Citgo has stated that it plans to provide a total of 55 million gallons of discounted heating oil to low income communities.

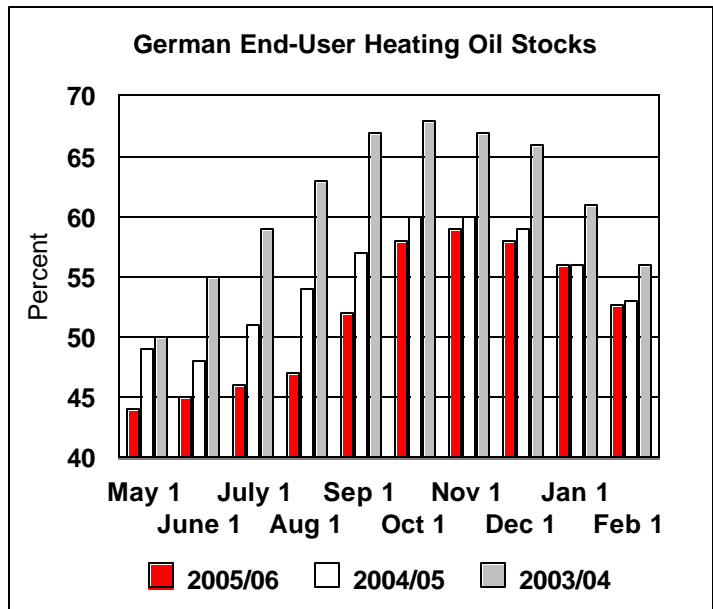
The Saudi ambassador to the US said Saudi Arabia is in talks with Iran, in response to questions about the growing diplomatic dispute over Iran's nuclear program. He declined to describe the nature of the talks with Iran or to say whether they include a Russian proposal to move Iranian uranium enrichment to Russia. Meanwhile, a senior Iranian nuclear negotiator said Iran would resume negotiations with Russia over a plan to enrich uranium in Russia. Iran had stated on Monday that negotiations with Russia, due to resume Thursday, had been indefinitely postponed. Iran's Deputy secretary of the Supreme National Council, Javad Vaeidi, reiterated that Iran has resumed small scale enrichment of uranium. He said the enrichment of uranium resumed last week at Iran's main enrichment plant in Natanz but added that Iran has not resumed large scale enrichment, as required for producing fuel for nuclear reactors.

Refinery News

According to a report filed with the Texas Commission on Environmental Quality, a suspected loss of power at a wet gas compressor at Valero Energy's 250,000 bpd Port Arthur, Texas refinery may have altered operations at an associated delayed coking unit. Efforts were underway at the refinery to restore power to the compressor and bring the unit back on line.

Pasadena Refining System Inc started shutting its 52,000 bpd fluid catalytic cracking unit and an associated sulfur plant at its 100,000 bpd refinery in Pasadena, Texas on Tuesday for a maintenance overhaul. The maintenance shutdown is expected to last up to three weeks.

A fall in US refining profit margins has raised worries among energy exports that the country's fuel producers would further cut their production, adding to already heavy cuts due to seasonal maintenance. A sharp cut in production could impact the country's gasoline supplies at a time when pump prices are about 40 cents higher than last year. On average, US refiners are losing more than \$2/barrel following a 25% fall in gasoline futures prices over the past two weeks to about \$1.38/gallon. At least two refineries in the Midwest started cutting runs in January due to falling margins.



A report by energy consultants Wood Mackenzie said it expected just 8 million bpd of additional capacity to appear from current plans to expand existing refineries or build new ones, despite those projects appearing to promise an extra 18 million bpd over the next 10 years. Fresh capacity of 8 million bpd would fall significantly short of 15.7 million bpd in world oil demand over the period.

Bahrain Petroleum Co is scheduled to partially shut its 254,000 bpd Sitra refinery for maintenance in the first quarter of 2006.

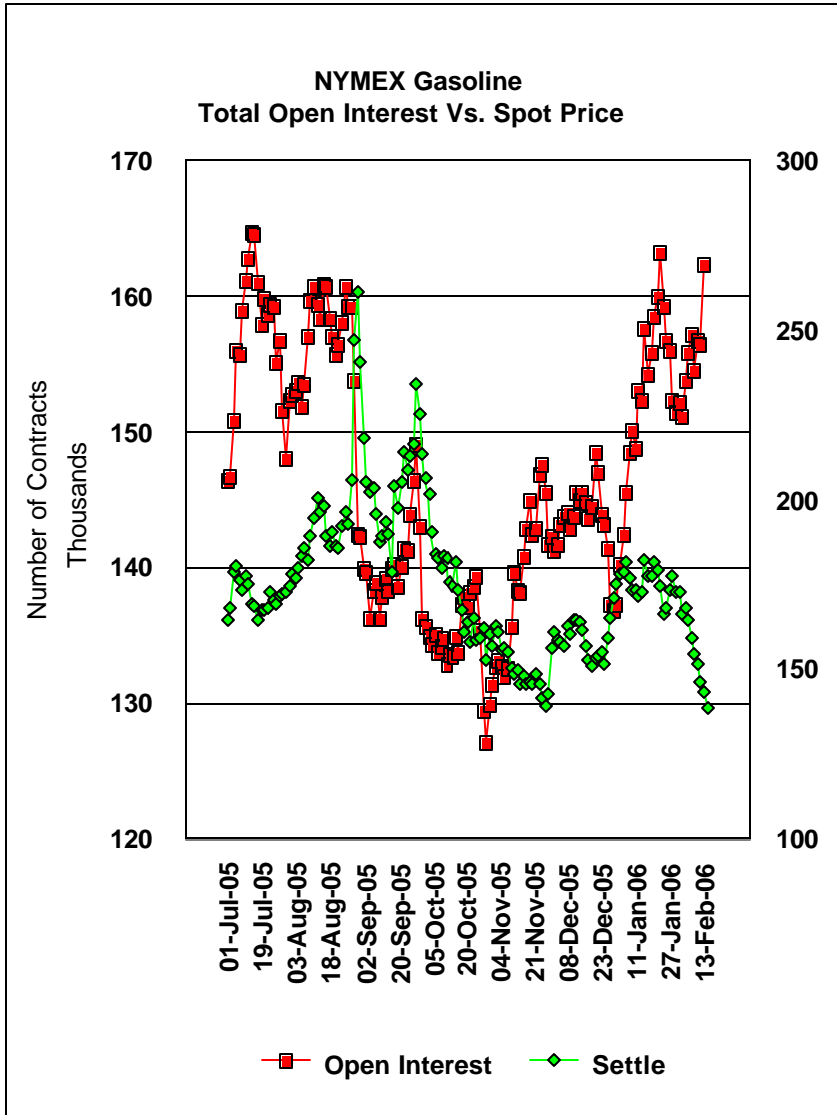
South Korea's SK Corp said it is planning 13 days of maintenance at its 260,000 bpd crude distillation unit in addition to works scheduled at two other units. The refiner is scheduled to shut the No. 5 crude distillation unit from August 21 to September 2 at its 840,000 bpd refinery in Ulsan. It also plans to shut its 110,000 bpd No. 2 CDU for 36 days from April 9 to May 14 and the 240,000 bpd No. 4 crude distillation unit for 34 days from June 19 to July 22.

Production News

Saudi Arabia's Oil Minister Ali al-Naimi reiterated the country would double its refinery capacity to meet increasing demand for petrol. It is increasing crude production capacity and doubling petroleum refinery capacity to 6 million bpd during the next five years to meet increasing demand.

A small gas leak at Statoil ASA's 30,000 bpd Statfjord platform early Tuesday forced the shutdown of production at the field as well as the linked 130,000 bpd Snorre A platform.

Iran's Oil Minister Seyed Kazem Vaziri-Hamaneh said he was hopeful changes would be implemented to the country's buyback contracts. He did not elaborate on what kind of changes were expected or if they were more favorable to foreign investors than in the past. However, an Iranian oil ministry source said the length of time in which foreign companies can operate in Iran may be extended. The source also said the changes would address issues such as the upkeep of projects which would have been awarded under buybacks.



Shell's Bonga oilfield in Nigeria has performed better than expected since starting production on November 28. It has reached a production level of 220,000 bpd, just below full capacity. The field is intended to produce an average of 225,000 bpd. Meanwhile repairs are underway at Shell's 106,000 bpd Trans-Ramos pipeline and should be completed before the end of the week. However no decision has yet been taken on when to restaff the four production platforms, which provide crude to the pipeline.

According to traders, German consumer stocks of heating oil fell to 52.7% as of February 1 compared with 56% as of January 1.

Azerbaijan's Energy Minister Natic Aliyev said the first cargo of crude from the BP led Baku-Tbilisi-Ceyhan pipeline is scheduled to load from the Turkish port of Ceyhan in May, missing its first quarter target.

Total made its fifth oil discovery in the offshore Angolan ultra-deepwater block 32. The well was tested at a rate of 5,347 bpd.

India's state run oil companies' January product sales increased by 0.3% on the year to 6.36 million metric tons. A senior Petroleum Ministry official said India's diesel sales increased by 1% on the year in January to 3.04 million tons while gasoline sales fell to 670,000 tons from 680,000 tons last year. The official also stated that kerosene sales increased to 770,000 tons in January from 750,000 tons a year earlier while jet fuel sales increased to 320,000 tons from 270,000 tons last year.

Russia's Rosneft said it plans to increase crude production by about two-thirds over the next few years. Its refinery and oil terminal capacity is also expected to be significantly increased. Rosneft aims to increase total oil production to 2.5 million bpd from about 1.5 million bpd by investing in new production licenses in Russia.

Indonesia is seeking 1 million barrels of oil products for March via tender, up nearly 20% from February. Indonesia's Pertamina requested 600,000 barrels of 0.5% sulfur gas oil for delivery into Situbondo on March 1-3 and 400,000 barrels of gasoline for March. It is not seeking fuel oil and jet kerosene in the latest tender.

OPEC's news agency reported that OPEC's basket of crudes fell by 71 cents/barrel to \$55.92/barrel on Monday.

Market Commentary

The oil market gapped lower from 60.85 to 60.50 on the opening and ended sharply lower in a sell off triggered by the forecasts that the weekly petroleum stocks reports would show builds in crude and gasoline stocks. The crude market partially backfilled its gap as it posted a high of 60.70. The market later continued to trend lower amid the losses seen in the gasoline market and breached the 60.00 level. It posted a low of 59.90 before it retraced some of its losses. However the market breached its low once again and tumbled to a low of 59.50 on the close. It settled down \$1.67 at 59.57, the lowest settlement since late December. Volume in the crude market was excellent with over 271,000 lots booked on the day. Meanwhile the gasoline market settled down 4.63 cents at 138.49 following its sell off amid the expectation that gasoline stocks built by 1.5 million barrels on the week. The market gapped lower from 142.00 to 139.25, which it partially backfilled as it traded to a high of 140.50. The market however continued to sell off. It extended its losses to over 4.6 cents as it posted a low of 136.75 later in the afternoon. The market later retraced some of its losses ahead of the close. Volume in the gasoline market was excellent with over 71,000 lots booked on the day. Open interest in the gasoline market built by a total of 5,906 contracts as new shorts continued to push the market lower. The market has also been pressured ahead of Colonial's decision to move RBOB gasoline rather than MTBE. The heating oil market also gapped lower from 163.50 to 161.40. It sold off to a low of 160.75 later in the session before it partially backfilled its opening gap as it posted a high of 162.80. The market settled down 2.86 cents at 161.00. Volume in the heating oil market was good with 44,000 lots booked on the day.

The crude market on Wednesday will be driven by the DOE and API reports, which are expected to show builds in crude and gasoline stocks. Even though the market are

| Technical Analysis | | |
|--------------------------------------|------------------------------------------------------------|---------------------------------------------------------------|
| | Levels | Explanation |
| CL 59.57, down \$1.67 | Resistance 61.85, 62.95 60.50, 60.70 to 60.85 | Monday's high, Previous high Remaining gap (February 14th) |
| | Support 59.50 58.90, 57.95 | Tuesday's low Previous lows |
| HO 161.00, down 2.86 cents | Resistance 166.60, 168.25 162.80 to 163.50 | Monday's high, Previous high Remaining gap (February 14th) |
| | Support 160.75 151.17 | Tuesday's low Basis trendline |
| HU 138.49, down 4.63 cents | Resistance 147.80 140.50 to 142.00 | Monday's high Remaining gap (February 14th) |
| | Support 136.75 133.35 | Tuesday's low Basis trendline |

oversold, the market will continue to trend lower if the reports do show builds in stocks. The crude market will also be pressured by the continued weakness in the gasoline market. Technically, the oil market is seen finding support at its low of 59.50 followed by 58.90 and 57.95. Resistance is however seen at 60.50 followed by its gap from 60.70 to 60.85. More distant resistance is seen at 61.85 and 62.95.