



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR FEBRUARY 16, 2006

Venezuela's Energy Minister Rafael Ramirez said OPEC is overproducing by 1 million bpd and should consider cutting its output by 500,000 bpd to 1 million bpd.

The head of the EIA, Guy Caruso, said OPEC should not cut its oil production during the second quarter because US refiners will need OPEC's crude as refiners increase their production of gasoline for the summer driving season. He said that while inventories are currently high, inventories of gasoline could fall in the coming months as refiners shut down processing units for seasonal maintenance work.

French Foreign Minister Philippe Douste-Blazy said that Iran's nuclear

Market Watch

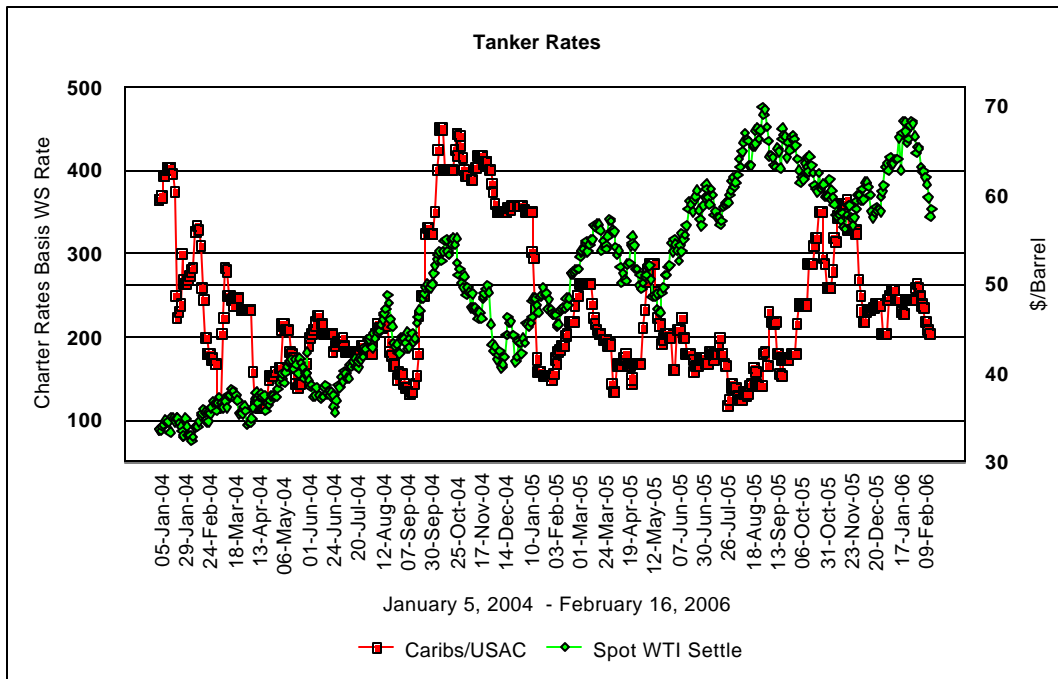
Royal Dutch Shell is in talks with the Iraqi Oil Ministry to explore options for a contract to help the country double production. Shell has been working on technical studies on the Maysan oil field in the south and the Kirkuk field in the north as well as helping draw up a natural gas master plan. The Maysan field currently contributes 50,000 bpd to the country's total estimated production of about 1.5 million bpd-1.9 million bpd. However Shell has detailed plans to increase the field's output to about 100,000 bpd.

According to a report by the International Crisis Group, the primary role oil appears to play in insurgent military strategy is as a lever to undermine local normalization under the elected government. It stated that while militant groups deny any intent of depriving the population of water or electricity, restraint does not apply to oil installations. Among the recommendations the report makes to the US in its campaign against the insurgency is to make clear that it accepts that the oil resources of the country belong to the Iraqi people.

Alaska's Governor Frank Murkowski wants to tax oil companies' net profits at a rate of 25% as part of a new Alaska production tax. An oil and gas consultant estimated that the government's net profits tax would bring the state about \$1.5 billion average the production tax system currently in place.

Venezuela's Energy Minister Rafael Ramirez said oil firms that are being forced to migrate 32 operating contracts to mixed companies with PDVSA would not be able to continue booking reserves with the US Securities and Exchange Commission. Separately, Venezuela's Energy Minister said the country has asked four oil upgrading projects in the Orinoco extra heavy crude belt to pay royalties in the form of heavy crude oil supplies. The upgrading ventures currently pay cash royalties on about 600,000 bpd of synthetic crude that is derived from the Orinoco heavy oil. He said companies would make the in-kind payments to the energy ministry, which would then transfer the oil to PDVSA after charging a processing fee.

The NYMEX said it would expand the months that it lists crude oil calendar spread options contracts, starting on February 17. It said there would be a calendar spread option for each underlying crude oil futures spread. It said it would list spread options starting with the March-April 2006 spreads through the November-December 2006 spreads.



program is a cover for clandestine military activity. His comments are likely to increase pressure on Iran amid the dispute over its nuclear activities, which Iran insists are purely civilian but which European and US leaders fear are aimed at building nuclear weapons. France's Foreign Minister said the UN Security Council would

decide what action to take on Iran once the head of the IAEA, Mohamed ElBaradei, submits a report in March.

According to Oil Movements, OPEC's exports are expected to fall by 80,000 bpd to 25.15 million bpd in the four weeks ending March 4 due to the recent fall in oil prices. The head of Oil Movements, Roy Mason said he expected further falls in shipments in the coming weeks as the end of the winter approaches in the US and Europe.

US Energy Secretary Sam Bodman said oil prices remain extremely expensive despite a 15% fall since late January triggered by increasing inventories. Oil prices remain almost double what they were two years ago. The Energy Secretary also stated that he believed OPEC made the right decision to maintain production during its meeting in January.

Refinery News

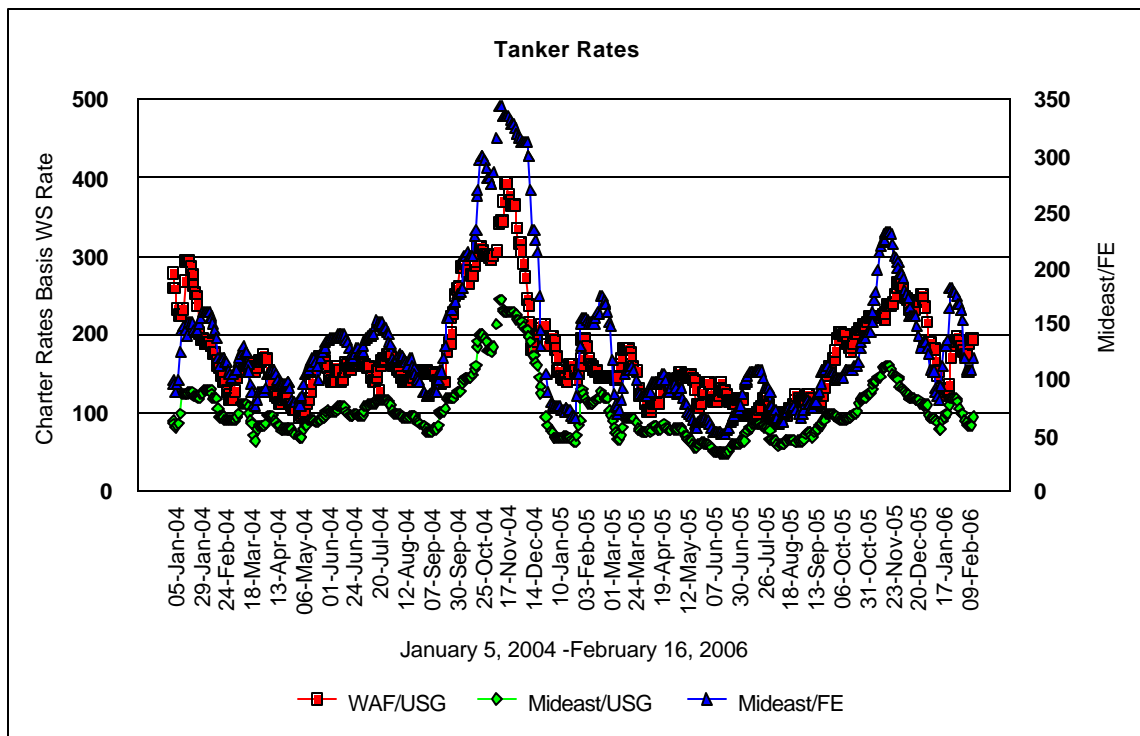
According to a filing with the Texas Commission on Environmental Quality, ConocoPhillips is scheduled to shut a sulfur recovery unit at its 146,000 bpd Borger, Texas refinery on February 24 for maintenance. The work is scheduled to end on March 4. It is also scheduled to shut a 60,000 bpd fluid catalytic cracking unit at its 146,000 bpd refinery in Borger, Texas for maintenance starting March 7. Traders said the unit would be down for three to four weeks. However in a filing made with Texas state regulators, ConocoPhillips said the unit would resume operations on March 19.

Total's 160,000 bpd Mardyck refinery in northern France is expected to resume operations next week. The plant was shut following a fire in a power unit on February 10. A company spokesman said loadings by truck, pipe and ship from the refinery resumed on Thursday.

Saudi Aramco Mobil Refinery Co shut its 400,000 bpd refinery in Yanbu for complete maintenance on February 14. The maintenance is expected to last about four weeks.

South Korea's S-Oil Corp plans to keep its March crude runs steady from February at 556,000 bpd.

The head of downstream at Russia's TNK-BP said Russia should focus on crude oil exports rather than build new



export refineries which could oversupply the market with unwanted product. He said some of Russia's 22 existing refineries could not compete and would be shutdown.

Production News

Royal Dutch Shell shut a 37,800 bpd flowstation following a fire on Thursday at an oil wellhead in the Cawthorne channel area. Separately, it said that repairs have been completed on the Trans-Ramos crude oil pipeline attacked in mid-January by militants that shut in 106,000 bpd of production.

Iraq has reopened a fourth loading jetty at its main oil export terminal on the Gulf after undergoing maintenance for about six months. The jetty would allow operators to cut 5 hours off the 2-3 days it usually takes to load a supertanker, helping clear a backlog of vessels waiting to load at Basra, which has caused delays of more than a week. Loading operations at Jetty 1 are expected to commence later on Thursday, although agents stated that the flow rate at the terminal would remain at about 75,000 barrels/hour.

The average daily loading rate of the nine main North Sea crude systems is scheduled to increase by 2% in March. March crude loadings totaled 2.866 million bpd, up from 2.809 million bpd in February. Meanwhile, the March loading plan for North Sea Troll oil system increased by 20,000 bpd from February to 270,000 bpd in March. The North Sea Gullfaks system is scheduled to load 359,000 bpd in March, down from 366,000 bpd in February.

According to analysts, Canadian crude production could increase by 10% to 2.7 million bpd this year as oil sands output increases to meet US demand for energy supplies from outside the Middle East. The Canadian Association of Petroleum Producers forecast output would reach 3.9 million bpd in 2015.

Russia's Transneft is expected to load 5.4 million tons or 1.28 million bpd of oil in March at the Baltic Sea port of Primorsk. The Black Sea port of Novorossiisk is expected to ship about 3.9 million tons of crude or 922,000 bpd in March.

Kazakhstan's State Statistics Agency reported that its crude oil and gas condensate production fell by 2.3% on the year to 5.1 million tons or 1.25 million bpd in January. It reported that Kazakhstan's crude oil production increased by 1.3% on the year to 4.349 million tons.

Polish Prime Minister Kazimierz Marcinkiewicz said that work on a Polish-Ukrainian pipeline from the Black Sea to the Baltic would speed up after management changes in Polish companies linked to the project. Work on the extension of Ukraine's Odessa-Brody pipeline and on reversing the flow to bring Caspian oil to Poland has slowed down due to difficulties in finding commercial investors.

Singapore's International Enterprise reported that the country's light distillate stocks increased by 971,000 barrels to 9.782 million barrels in the week ending February 15. It reported that middle distillate stocks fell by 166,000 barrels to 7.318 million barrels while residual fuel stocks increased by 821,000 barrels to 13.11 million barrels on the week.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$54.45/barrel on Wednesday, down from Tuesday's \$55.30/barrel.

Supplies of Russian gas to Italy are expected to be 9.5% short of demand on Thursday, slightly better than a shortfall of 10.8% on Wednesday. Italy's Eni said demand for February 16 was expected to total 74 million cubic meters, unchanged from Wednesday's level while supplies are expected to total 7 million cubic meters below that.

Iran and China may sign an agreement as early as March to jointly develop the Yadavaran oil field in southern Iran. The Yadavaran oil field has a potential to produce 300,000 bpd. As part of the deal, China also plans to buy 10 million metric tons of liquefied natural gas annually for 25 years from Iran, starting in 2010.

Market Commentary

The oil market settled in positive territory for the first time in four sessions as it posted a recovery in prices ahead of the close. The market opened 55 cents higher at 58.20 in follow through strength seen in overnight trading as it erased Wednesday's losses. The market held good support above the 58.00 level and traded to 58.60 early in the session where it found some resistance. The market later erased its gains and sold off to a low of 57.55 in afternoon trading. However, the crude market bounced off its low and posted recovery in prices ahead of the close as it posted a high of 58.80. It settled up 81 cents at 58.46. Volume in the crude market was good with over 247,000 lots booked on the day. Open interest in the crude market fell by a total of 16,215 contracts, with open interest in the March contract falling by 31,102 contracts amid the sharp sell off. The gasoline market posted an inside trading day as it failed to find the momentum to breach its previous trading range. The market opened up more than 2.3 cents at 140.80 and quickly posted its high of 143.90. It however erased some of its gains and posted a low of 138.50, holding good support at its previous low of 138.25. The market later bounced off its low after failing to breach its support and traded back towards the 142.00 level. Unlike the gasoline market, the heating oil market posted an outside trading day. The heating oil market opened 1.5 cents higher at 162.25 and rallied to a high of 164.00. However it too retraced its early gains and sold off to a low of 159.70. The market later bounced off its low ahead of the close and traded back above the 163.00 level. It settled up 1.78 cents at 162.53. Volumes in the product markets were good with over 53,000 lots booked in the gasoline market and 64,000 lots booked in the

heating oil market. The RBOB gasoline contract saw a total of 3,884 contracts booked, out of which 3380 contracts traded via spreads.

The oil market on Friday may continue to retrace its losses ahead of the long holiday weekend as the market remains concerned over some wildcards in the market. The market's losses will likely be limited ahead of the weekend as traders remain concerned over the potential for problems with Iran over its nuclear program. The market's stochastics also look ready to cross back to the upside. The market is

seen finding support at 58.10 followed by 57.55, 57.50, 57.30 and 56.90. Meanwhile resistance is seen at 58.80 followed by 60.00 and its gap from 60.70 to 60.85.

Technical Analysis		
	Levels	Explanation
CL 58.46, up 81 cents	Resistance 60.00, 60.70 to 60.85 58.80	Previous high, Remaining gap (February 14th) Thursday's high
	Support 58.10, 57.55 57.50, 57.30, 56.90	Thursday's low Previous lows
HO 162.53, up 1.78 cents	Resistance 166.60, 168.25, 169.80 164.00	Previous highs Thursday's high
	Support 162.00, 159.70 158.75, 156.00	Thursday's low Previous lows
HU 141.24, up 2.76 cents	Resistance 144.50, 147.80 142.00, 143.90	Previous highs Thursday's high
	Support 138.50, 138.25 138.15, 137.70, 136.75	Thursday's low, Wednesday's low Previous lows