

**W** The  
Windham Group



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

**(212) 624-1132 (888) 885-6100**

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR FEBRUARY 21, 2006**

---

Militant attacks Saturday and Monday on Nigerian oil facilities forced Royal Dutch Shell to extend a force majeure on oil exports from the EA and Forcados oil fields indefinitely. Meanwhile, Nigeria bought six cargoes of gasoline on European spot markets to cover lost barrels following its recent militant attacks. Separately, Nigeria's Pengassan and Nupeng unions said

they had no immediate plans to strike or pull their members out of the Niger Delta region. The unions said Nigeria's federal, state and local governments should open a dialogue with the militants to resolve the crisis that has shut in 455,000 bpd of crude production. Union leaders said a strike would only escalate the crisis in the Niger Delta region.

Russian and Iranian officials ended two days of talks on a Russian proposal to enrich uranium for Iran. Russia's Foreign Minister Sergey Lavrov declined to say the talks were a failure, despite indications that they made no progress. Meanwhile, China urged Iran to halt its uranium enrichment activities and end the international dispute through diplomacy.

The EIA reported that the US average retail price of diesel fuel fell by 2.1 cents/gallon to \$2.455/gallon in the week ending February 21. It also reported that the US average retail price of gasoline fell by 4.4 cents/gallon to \$2.24/gallon on the week.

#### **Refinery News**

Alon shut a crude unit at its 70,000 bpd Big Spring, Texas refinery for maintenance on Sunday. There was no impact on production as the unit returned to operation later on Sunday.

#### **Market Watch**

US Energy Secretary Samuel Bodman said US oil prices would be high and volatile for at least the next year or two. He said the US would have to get used to paying more for energy at least for the near term until Bush administration policies to increase alternative energy usage go into effect.

Italy's Eni said it saw no shortfall in Russian gas supplies. It said it received a full supply of the requested 74 cubic meters on Tuesday.

Brazil's Petrobras said the change to new contracts in Venezuela, in which PDVSA has a majority stake, is not expected to alter its output level in the country. Petrobras in August agreed to convert its current contracts in Venezuela and in return Venezuela agreed to extend Petrobras' existing operation contracts for 25 years and is in talks with Petrobras over a series of other joint projects.

ExxonMobil shut a fluid catalytic cracking unit at its Baytown, Texas refinery on Sunday. The unit was shut following an emissions event caused by an instrumentation snag.

Valero Energy Corp reported an emissions event at its 340,000 bpd Corpus Christi, Texas refinery following an amine regenerator problem. Separately, Valero briefly reduced the charge to a delayed coking unit at its 250,000 bpd refinery in Port Arthur, Texas on Sunday.

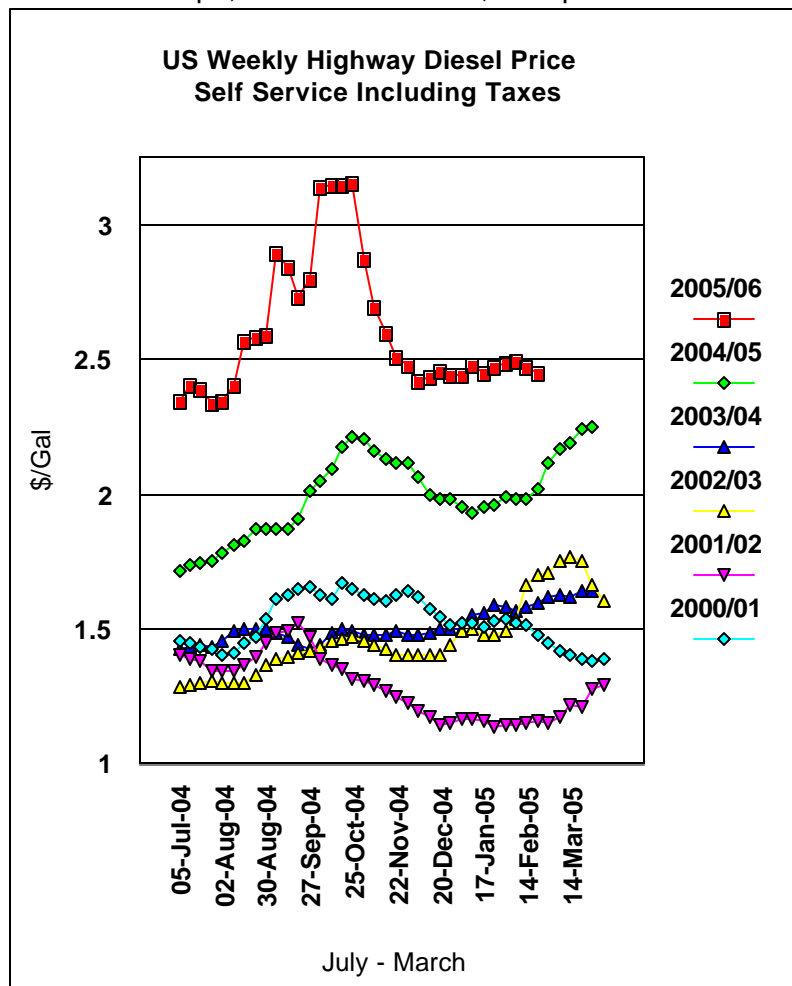
Kuwait is restarting its 40,000 bpd hydrocracker at its Shuaiba refinery following a two day emergency shutdown to repair a sub unit. The hydrocracker was shutdown after a problem in one of the hydrogen units while another was under routine maintenance.

Chevron's refinery in Cape Town is expected to resume full production by the end of the week after it was shut due to a power failure on Sunday.

**Production News**

The Houston Ship Channel was closed on Monday night and is expected to remain closed until Tuesday afternoon due to heavy fog.

Euroilstock reported that total refinery output in Europe fell by 4.8% or 653,000 bpd in January to 12.86 million bpd. It reported that middle distillate production fell by 4.2% or 267,000 bpd to 6.03 million bpd while gasoline production fell by 8.8% or 315,000 bpd to 3.26 million bpd. Refinery intake totaled 12.08 million bpd, down 4.3% or 546,000 bpd on the month.



An Iraqi oil official said Iraq resumed its southern oil exports on Tuesday at a rate of 1.44 million bpd after a two day suspension. Its oil exports were halted due to bad weather conditions.

Turkey's Bosphorus Strait was closed to tanker traffic on Tuesday after a gas tanker drifted off course due to a rudder fault. A shipping agent said that out of eight tankers scheduled to pass through the strait on Tuesday, six have passed through and one transit was cancelled due to the afternoon closure. It said 11 tankers were waiting to pass through the straits. Earlier on Tuesday, Turkey reopened its Dardanelles strait after closing it during the morning to all transit traffic due to fog.

Ecuador's Petroecuador said it would keep its declaration of force majeure on oil exports in place until Wednesday, despite restarting operations at the Sote pipeline late Monday evening. The company declared force majeure and suspended

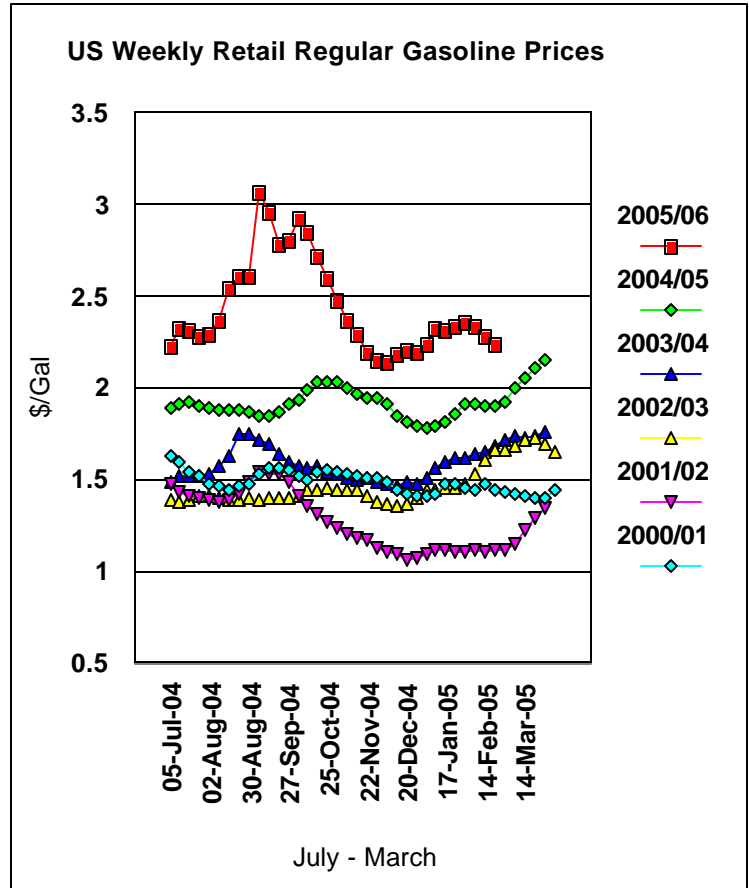
its crude exports after a violent protest in Napo province forced it to shutdown its oil pipeline.

Azerbaijan is scheduled to export 3 million tons or 60,000 bpd of crude via Russia's Black Sea port of Novorossisk in 2006.

The first tanker containing Azeri oil transported through the Baku-Tbilisi-Ceyhan pipeline is scheduled to leave Turkey at the end of May. Once fully operational, 500,000 bpd of oil will be exported via the BTC pipeline from the Kazakh Kashagan field in the Caspian Sea.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.09/barrel to \$55.46/barrel on Monday.

According to traders, China is cutting gasoline exports for March due to stronger domestic demand. Gasoline exports for March are estimated at 250,000 to 300,000 tons, down from 325,00 to 350,000 tons in February.



**Market Commentary**

The March crude contract gapped sharply higher on the opening from 60.00 to 61.30 ahead of its expiration at the close. The market was well supported following the news over the weekend of militant attacks on Nigeria's oil infrastructure. The market quickly rallied to a high of 61.50 before it retraced its losses and posted a low of 60.50. The March crude contract erased its gains and traded to its low. The market which failed to test its low, bounced off that level and once again posted a dollar range as it traded back towards its 61.50 level ahead of the close. The March crude contract expired up 1.22 cents at 61.10. The April crude contract settled up \$1.45 at 62.74 after it gapped higher from 61.45 to 62.40. The contract partially backfilled its gap as it posted a low of 61.90. However it bounced off that level and rallied to a high of 62.95 on the close.

Technical Analysis		
	Levels	Explanation
<b>CL</b> 62.74, up \$1.45	<b>Resistance</b> 63.24, 63.95, 64.49	38% (69.78 and 59.20), Previous low, 50% retracement Tuesday's high
	<b>Support</b> 62.50, 61.90 to 61.45 60.70 to 60.50	
<b>HO</b> 166.64, up 90 points	<b>Resistance</b> 169.80, 170.90, 172.04	Previous highs, 38% (192.00 and 159.70) Tuesday's high
	<b>Support</b> 168.00, 169.00 166.00 164.00, 159.70	
<b>HU</b> 147.57, down 2.69 cents	<b>Resistance</b> 156.50, 156.90	Previous high, 38% (136.75 and 189.50) Tuesday's high
	<b>Support</b> 148.00, 153.00 144.50 to 143.90 138.50, 138.25	

good with over 189,000 lots booked on the day. The heating oil market also settled up 90 points at 166.64. The market gapped higher on the opening

in follow through strength seen in overnight trading and rallied to an early high of 169.00. However, it retraced its gains and backfilled its gap as it posted a low of 166.00 ahead of the close. Meanwhile, the gasoline market settled down 2.69 cents at 147.57 after posting an outside trading day. The market gapped higher from 151.00 to 152.00 and quickly rallied to a high of 153.00. The market however backfilled its gap and sold off to a low 144.50 on crack selling and paper selling. It later bounced off its low and retraced some of its losses ahead of the close. Volumes in the product markets were good with 49,000 lots booked in the heating oil and gasoline stocks. Volume in the RBOB contract totaled 1,960 contracts, with 1,570 contracts traded via spreads.

The crude market is seen remaining supported amid the news of the continued problems in Nigeria and the continued concerns over Iran's uranium enrichment dispute with western countries. Technically, the oil market is seen trading higher after it settled near its high and stochastics are still trending higher. The market is seen finding support at 62.50 and its gap from 61.90 to 61.45. More distant support is seen at its previous gap from 60.70 to 60.50. Meanwhile, resistance is seen at 62.95, 63.24, 63.95 and 64.49.