



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR FEBRUARY 23, 2006

The head of Russia's atomic energy agency, Sergei Kiriyenko, is scheduled to travel to Iran on Thursday for further talks on Russia's proposal to enrich uranium for Iran in Russian territory. He held out

Market Watch

The US appealed to Sunnis and Shi'ites to step back from the brink of civil war following sectarian violence, which left 130 people dead and left several mosques damaged or in ruins. President George W. Bush stepped in and appealed to end the violence. He praised Iraqi leaders' public efforts to maintain calm while the UN envoy also stepped in, asking Iraqi leaders to join him in a meeting to discuss confidence building measures to ensure the situation remains under control.

the possibility of economic rewards if the issue was resolved. Meanwhile, China joined Russia in diplomatic efforts to ease the crisis over Iran's nuclear program. The Chinese Foreign Ministry said Vice Foreign Minister Lu Guozeng is expected to start three days of talks in Iran on Friday on defusing the standoff between Iran and the US and its European Union allies. China's Foreign Minister Li Zhaoxing appealed to the West to be patient and flexible in the hope that Iran and the three EU powers would resume talks.

Oil Movements reported that OPEC's seaborne exports of crude are expected to increase by 270,000 bpd in the four week period ending March 11 to 25.02 million bpd.

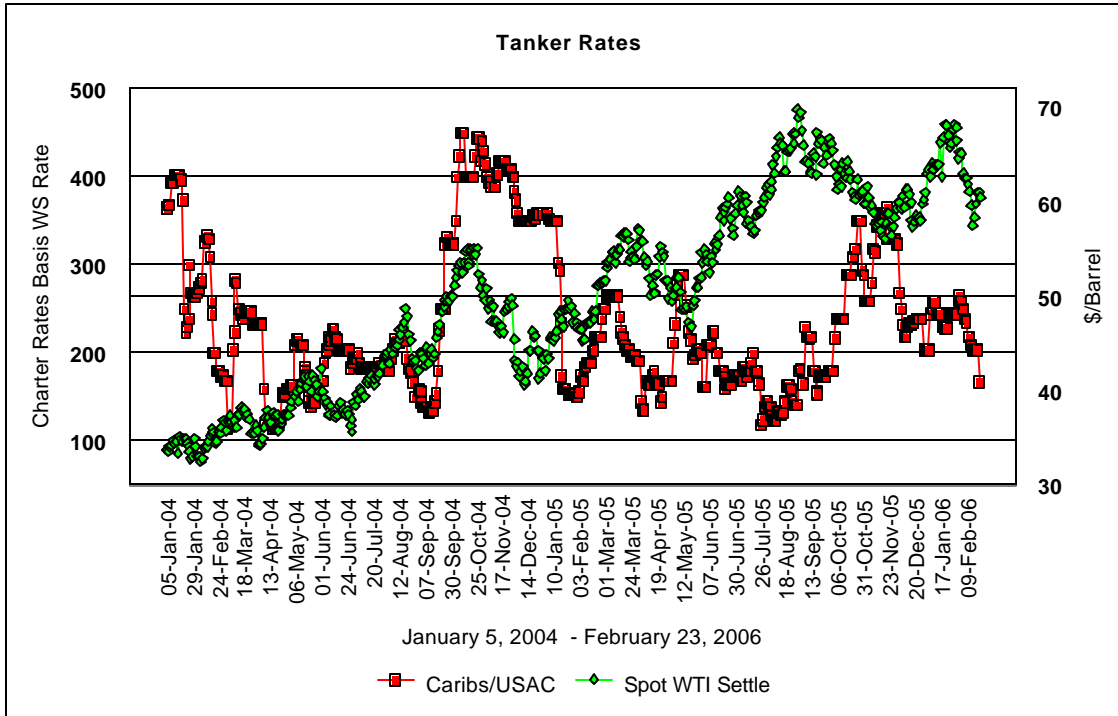
The EIA reported that US inventories of propane fell by 3.096 million barrels to 40.446 million barrels in the week ending February 17. It reported that East Coast propane inventories fell by 252,000 barrels to 4.286 million barrels while inventories in the Midwest increased by 53,000 barrels to 14.502 million barrels and inventories in the Gulf Coast fell by 2.792 million barrels to 20.584 million barrels.

Refinery News

Frontier Oil Corp shut its 46,000 bpd Cheyenne, Wyoming refinery last weekend due to cold weather. It said heavy winds caused the refinery's steam generation facility to shutdown. However the refinery has been partially restarted.

ConocoPhillips' 197,000 bpd refinery in Ponca City, Oklahoma is expected to return to normal production from planned maintenance in mid-March.

Indonesia's President urged Iran to invest in an oil refinery in Indonesia and is expected to send its oil minister to Iran for further talks. Iran signed a memorandum of understanding with Indonesia in March last year to help build a 300,000 bpd refinery that would cost about \$2.5 billion.



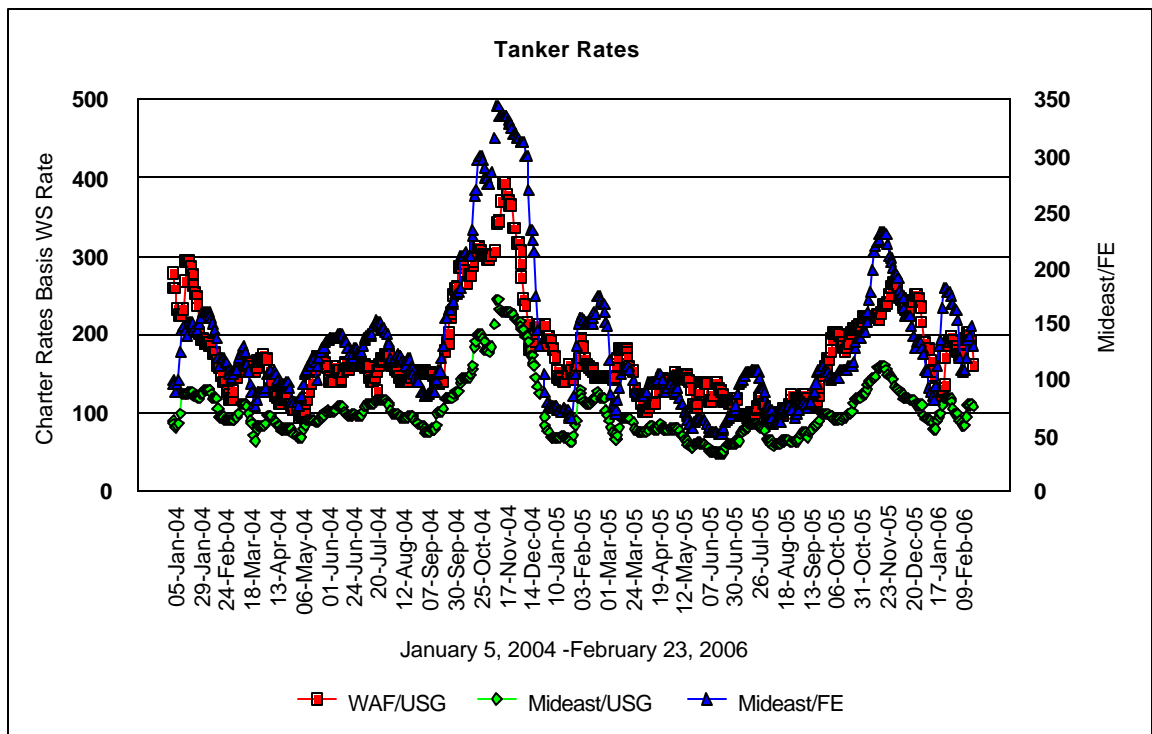
Production News

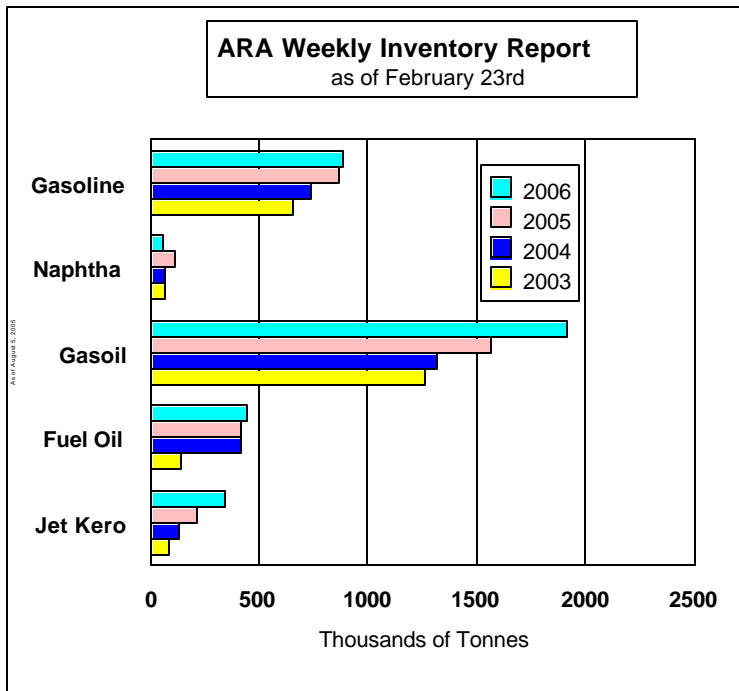
Royal Dutch Shell said it halted 455,000 bpd of crude production for the fifth consecutive day following attacks by militants against an export terminal and an oil pipeline. Shell has no estimate when production will resume from the western

Niger Delta or the EA offshore field. A spokesman for the Movement for the Emancipation of the Niger Delta said the group intends to shut down more than 30% of Nigeria's oil export capacity this month. The militants said the group has no plans to meet with government negotiators about the hostages. Meanwhile, Delta state governor James Ibori, who is leading the efforts to negotiate the hostages' release said progress is being made.

The Power Holding Co of Nigeria said the country's electricity supply fell further late Wednesday due

to the loss of gas supply to power plants. It said it lost 850 megawatts of generating capacity due to attacks on a gas pipeline last weekend. The attacks cut gas supply to power plants in Afam, Egbim and Delta state.





Ecuador's Interior Minister Alfredo Castillo said the country's military forces took over the Sardina pumping station on Ecuador's OCP heavy crude oil pipeline, which was seized by protesters late Tuesday. He said the government and protesters reached a preliminary agreement to negotiate. However he added that the government was maintaining a state of emergency declared late Tuesday. About 24 pipeline workers held hostage by protesters escaped as soldiers and police ended demonstrations that interrupted the flow of crude through the OCP pipeline. The OCP pipeline is not expected to resume pumping before Sunday.

According to Petrologistics, OPEC produced 29.8 million bpd in February, up 200,000 bpd on the month with Iraq and the UAE each increasing its output by

about 100,000 bpd. Petrologistics pegged total Iraqi oil production at 1.6 million bpd so far in February, up from 1.5 million bpd in January. Saudi Arabia's oil production is estimated at 9.4 million bpd, up 50,000 bpd on the month.

An analyst reported that gasoline stocks held in independent storage tanks in the Amsterdam-Rotterdam-Antwerp hub increased by 60,000 tons to 895,000 tons in the week ending February 23. Gasoline stocks have increased in anticipation of potentially severe US shortages this summer as the country prepares to phase out MTBE while it also cuts sulphur limits. Meanwhile gas oil stocks fell by 15,000 tons to 1.93 million tons while fuel oil stocks fell by 45,000 tons to 455,000 tons. Naphtha stocks fell by 5,000 tons to 65,000 tons and jet fuel stocks fell by 20,000 tons to 350,000 tons on the week.

Singapore's International Enterprise reported that the country's middle distillate stocks increased by 245,000 barrels to 7.563 million barrels in the week ending February 22. It reported that light distillate stocks fell by 165,000 barrels to 9.617 million barrels while residual fuel stocks increased by 244,000 barrels to 13.354 million barrels.

China's National Bureau of Statistics reported that the country produced 180.84 million metric tons in January-December 2005, up 3.9% on the year. Its gasoline production totaled 54.05 million tons, up 3.2% on the year while its kerosene production totaled 9.89 million tons, up 2.6% and its diesel production totaled 110.62 million tons, up 9.5% on the year. Separately, customs data showed that China's net imports of oil products, excluding liquefied petroleum gas, fell 23% on the month in January to 1.67 million tons. Its imports fell by 17% to 2.62 million tons while exports fell by 4% to 950,000 tons.

Japan's Ministry of Finance reported that the country's crude oil imports in January increased by 2% on the year to 21.119 million kiloliters or 4.28 million bpd. It reported that its oil product imports totaled 2.443 million kl or 496,000 bpd in January, down 14.2% on the year.

Separately, the Petroleum Association of Japan reported that Japan's commercial oil inventories increased to 15.04 million kiloliters or 94.6 million barrels in the week ending February 18 from 14.09 million kl in the previous week. Japanese refiners ran at about 91.9% of capacity on the week, down from 92% the previous week.

The Korea National Oil Corp reported that South Korean domestic oil product demand fell in January from a year ago, allowing refiners to rebuild depleted fuel stocks. Fuel demand in South Korea fell by 1.6% on the year to 2.29 million bpd in January.

Qatar Petroleum sold 810,000-870,000 tons of gasoline to ENOC through a tender for April-December lifting.

OPEC's news agency reported that OPEC's basket of crudes fell by 35 cents/barrel to \$55.72/barrel on Wednesday, down from \$56.07/barrel reported on Tuesday.

Italy's Eni said supplies of Russian gas to Italy are expected to be 2.7% short of demand on Thursday compared with a full supply on Wednesday. The shortfall however is expected to be covered by operating stocks.

Market Commentary

The oil market opened lower amid the expectations that the weekly petroleum stock reports would show builds in crude and gasoline inventories once again. The April crude contract opened down 26 cents at 60.75 and quickly sold off to 60.40 following the release of the DOE and API reports. However as the DOE report showed a build of 1.1 million barrels in crude stocks and the API showed an unexpected draw in crude stocks, the market bounced of its low and posted a high of 61.15. The market later sold off to a low of 59.70 and settled in a sideways trading pattern before some late short covering pushed the market back above the 60.00 level. It settled down 47 cents at 60.54. Volume in the crude market was good with 248,000 lots booked on the day. The product markets however settled in positive territory, with the gasoline market settling up 3.89 cents at 151.34 and the heating oil market settling up 1.05 cents at 166.26. The gasoline market opened relatively unchanged at 147.50 and posted a low of 147.00 early in the session. However as the DOE report showed a small build in gasoline stocks and the API reported a draw of 1.881 million barrels, the market bounced off its low and rallied to a high of 151.95. The gasoline market later retraced its gains and held good support at 148.50. The market bounced off that level and traded back towards its high on the close. The heating oil market also bounced off its early low of 165.00 and traded to a high of 167.40 following the release of the

the reports showing draws in distillate stocks. The market however retraced its gains and sold off to a double bottom of 164.00. It later bounced off

Technical Analysis		
	Levels	Explanation
CL 60.54, down 47 cents	Resistance 62.12, 62.95, 63.95 60.75, 61.15	Previous highs Thursday's high
	Support 60.00, 59.70 59.30, 59.20	Thursday's low Previous lows
HO 166.26, up 1.05 cents	Resistance 169.00, 169.80, 170.90 166.50, 167.40	Previous highs Thursday's high
	Support 164.00 159.70	Double bottom Previous low
HU 151.34, up 3.89 cents	Resistance 153.00, 156.50, 158.80 151.95	Previous highs Thursday's high
	Support 150.00, 148.50 147.00, 143.40	Thursday's low, Previous low

that level and traded to 166.50 on the close. Volumes in the product markets were good with 49,000 lots booked in the gasoline market and 56,000 lots booked in the heating oil market. Volume in the RBOB contract stood at 1,841 contracts, with 1,836 contracts traded via spreads.

The oil complex is expected to continue retracing its losses ahead of the weekend. The market will remain supported in light of the wild cards in the markets such as the situation in Iran and Nigeria as well as the increasing violence in Iraq following the sectarian violence. The market is seen finding support at 60.00 followed by its low of 59.70. More distant support is seen at 59.30 and 59.20. Meanwhile resistance is seen at 60.75, 61.15 followed by 62.12 and 62.95. More distant resistance is seen at 63.95.