

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 MARCH 6, 2006

The head of the IAEA said he hoped a deal to defuse a standoff over Iran's nuclear ambitions could be reached within a week or so. The head of the IAEA, Mohamed ElBaradei cited diplomacy involving Russia and EU powers in which Iran has offered not to pursue industrial-scale uranium enrichment for up to two years. However Iran's insistence on doing research is an obstacle. IAEA sources said ElBaradei believes UN intervention could close avenues to a diplomatic deal and bolster Iranian hardliners. Meanwhile Iran threatened to start full scale uranium enrichment if members of the UN's IAEA urged UN Security Council action over Iran's nuclear program. Later a diplomat close to the Iran-EU talks said Iran may agree to extend its proposed moratorium of industrial-scale production of nuclear fuel if it is permitted to run a small scale enrichment research program. Russia plans to ask the IAEA to establish what level of small scale uranium enrichment Iran should be allowed to conduct on its own soil. However the proposal that would allow Iran to enrich some uranium domestically is expected to meet strong US resistance. The US said the path was clear to UN Security Council review of Iran's nuclear program.

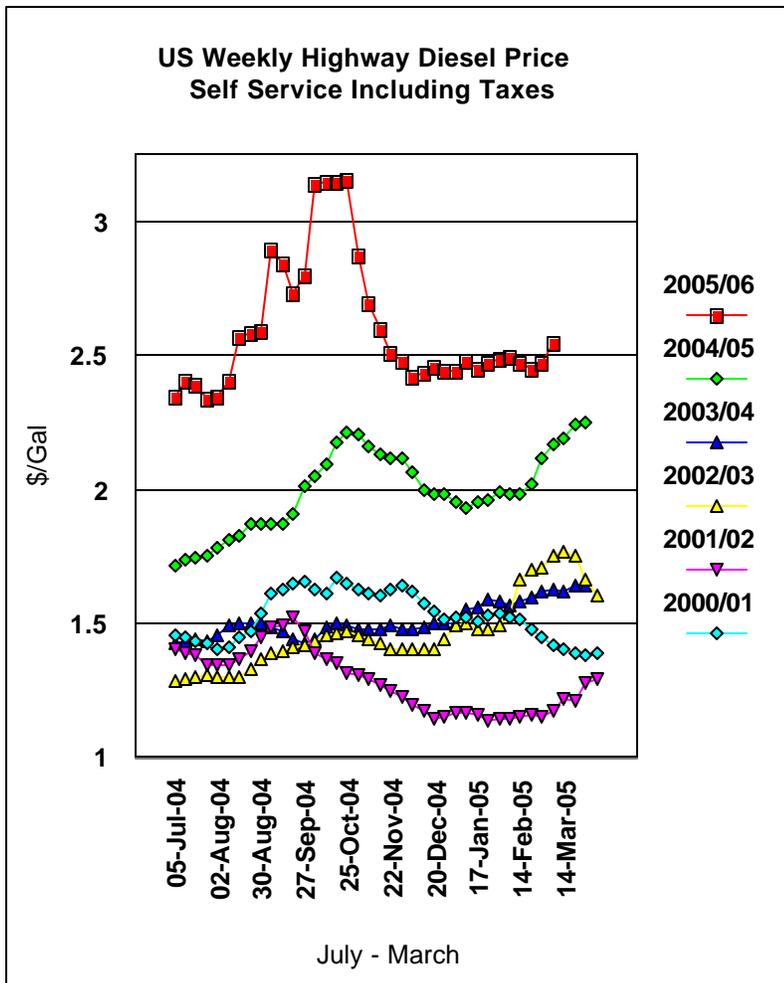
Market Watch

The Oversight Committee for the Dow Jones-AIG Commodity Index announced a change to the designated contract for unleaded gasoline for purposes of calculating the Index and related subindices. The shift from the New York Harbor Unleaded Gasoline futures contract in to the Reformulated Gasoline Blendstock for Oxygen Blending futures contract is scheduled to occur during the regularly scheduled roll of futures contracts comprising the Index and related subindices in the April 2006 roll period. The July 2006 RB futures contract will be the first contract included in the calculation of the DJ-AIGCI and the May 2006 contract will be last NYH Gasoline futures contract in the calculation.

Iraq's Oil Minister Falah al-Amery replaced the head of SOMO in a move described by some oil industry sources as a political move.

Russia's environmental watchdog, Rostekhnadzor, said it had approved a pipeline that would link oilfields in Siberia to Asian markets. The pipeline is expected to pump as much as 1.6 million bpd to China and the Pacific Coast.

Saudi Arabia, Iran and Kuwait said that OPEC was unlikely to cut its output when it meets on Wednesday, despite concerns about an oversupply in the second quarter. Saudi Arabia's Oil Minister said oil market supplies were stable but that concerns about supply disruptions in some producing countries were supporting prices. Iran's OPEC Governor Hossein Kazempour Ardebili also said he expected OPEC to maintain its output. He said OPEC would consider a cut in the production ceiling only when pressure on prices caused by political factors such as Iran's nuclear issue and unrest in Nigeria, abate. Kuwait's Oil Minister Sheikh Ahmad al-Fahd al-Sabah also blamed high prices on



geopolitics and said OPEC should keep its output steady. He said oil prices should fall in the second quarter if OPEC maintains production at current levels and there is no significant rise in international tension. Meanwhile, the UAE's Oil Minister Mohammed bin Dhaen al-Hamli said OPEC could keep its output unchanged during a meeting this week but may discuss production cuts at another meeting if needed. Algeria's Oil Minister Chakib Khelil also said OPEC should not change its quota when it meets on Wednesday. A top Iraq's oil official said OPEC was unlikely to cut its ceiling at its scheduled meeting but it would ask members to comply with their quotas. Separately, OPEC's President Edmund Daukoru said OPEC may meet informally on the sidelines of an International Energy Forum meeting in Doha, Qatar in late April. He said there is currently 2 million bpd of excess supply in the world market.

Saudi Arabia's Oil Minister Ali al-Naimi commenting on fears of another terrorist attack in Saudi Arabia, he said

all major oil facilities in the country were extremely difficult to penetrate and were protected by highly efficient security measures.

The EIA reported that the US average retail price of diesel increased by 7.4 cents/gallon to \$2.545/gallon in the week ending March 6th. It reported that the average retail price of gasoline increased by 7.6 cents/gallon to \$2.33/gallon on the week.

Refinery News

Deer Park Refining LP has cut rates on a fluid catalytic cracking unit at its 340,000 bpd Deer Park, Texas refinery for unplanned work. According to a filing with the Texas Commission for Environmental Quality, the shutdown would be done in a controlled manner starting on March 6 and would last through March 20.

Alon USA is planning to perform maintenance on a distillate hydrotreater at its Big Spring, Texas refinery in March, which would require the unit's shutdown for 24 hours or less.

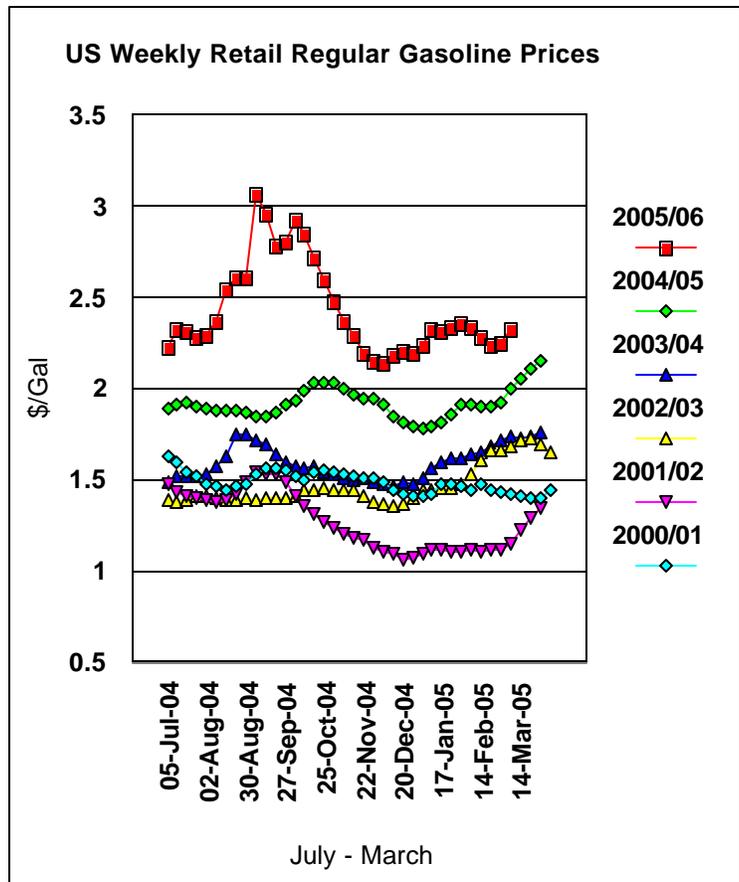
Total SA said its 160,000 bpd Flandres refinery in France has resumed full operations. The refinery was shut on February 10 following an outage at its power unit.

Formosa Petrochemical Corp suffered a small fire at its 73,000 bpd desulfuriser earlier on Monday. The unit had been shut for maintenance in mid-February and was due to restart in mid-April. It was not clear if the fire would force Formosa to extend that date.

Hyundai Oil Corp planned its April crude runs at 310,000-340,000 bpd compared with 330,000 bpd in March.

South Korea's Yeochon Naphtha Cracking Center is scheduled to shutdown its 555,000 ton per year No. 2 cracker in May for a 10 day check-up.

PetroChina is planning a one month total shutdown of its 100,000 bpd refinery for maintenance in April and May.



China's Sinopec Group may delay the start up of a \$1.2 billion refinery in southern Hainan until the third quarter of 2006. The refinery, which has an annual capacity of 8 million tons or 164,000 bpd was expected to start operations in June.

Production News

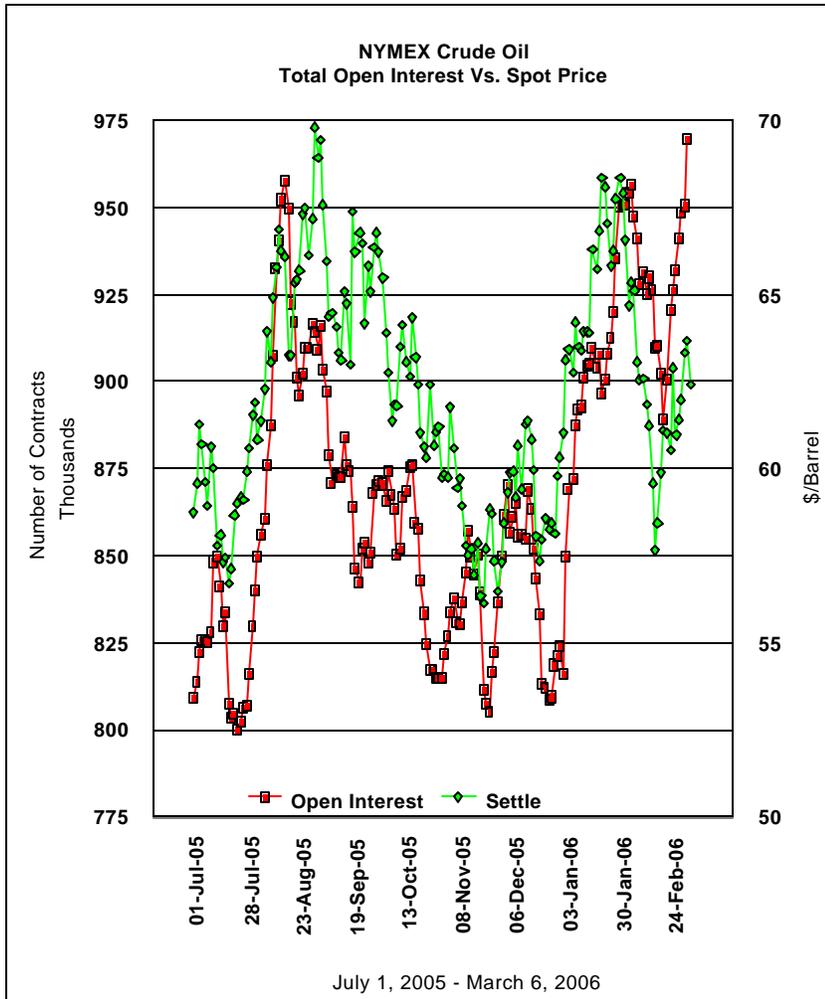
A top Iraqi oil official said Iraq's crude oil production is currently at an average of 2 million bpd. Its crude oil exports during the first four days of March averaged 1.5 million bpd, up from 1.43 million bpd in February.

Royal Dutch Shell Plc said there were two attacks against oil infrastructure in Nigeria's Western Delta last Friday. The attacks were against oil gathering points in Agge and Agoro however the flow of oil was already shut in. On Sunday, armed militants promised to cut daily oil exports from Nigeria's delta region by another 1 million bpd by the end of March.

Kuwait announced two large oil and gas finds on Monday. Kuwait's Energy Minister Sheikh Ahmad al-Fahd al-Sabah said an estimated 10-13 billion barrels of light crude was found in the north of the country, increasing its petroleum reserves by 10%.

Georgia's Black Sea port of Batumi increased crude and refined products shipments in February to 1.061 million tons, up from 532,800 tons reported last year due to new volumes of Azeri crude.

Sinopec Corp said its oil production is expected to increase at 1-2% per year from 2006 to 2010. It is also expected to process between 5% and 6% more crude oil each year during China's new five year plan ending 2010. Sinopec produced 279 million barrels of crude oil last year, up 1.7%.



The head of China's National Development and Reform Commission, Ma Kai, said China would begin filling its newly built strategic oil reserves by the end of the year. He also stated that another three reserve facilities were not expected to be in operation until 2007 or 2008.

Indonesia's crude oil production increased to 918,500 bpd in February from 916,000 bpd in January. Indonesia produced 130,000 bpd of condensate in February compared with 124,000 bpd in January. Separately, Indonesia's Pertamina expects its crude output to increase this year as it increases production at some of its fields. It expects its production at some of its oilfields in Sumatra and Java island to increase to 74,000 bpd in 2006 from 67,000 bpd in 2005.

Brazil's Petrobras increased its oil production to 1.758 million bpd in February, up from 1.751 million bpd

in January. The increase was due to increased operational efficiency at offshore platforms in Rio de Janeiro and Espirito Santo states and a good performance at onshore mature fields.

Saudi Aramco cut its April official selling prices to Northwest Europe for all of its crude grades. Its Extra Light crude was priced at the BWAVE minus \$2.70, down 50 cents on the month, its Arab Light was priced at BWAVE minus \$5.80, down 45 cents, its Arab Medium was priced at BWAVE minus \$8.05, down 40 cents and its Arab Heavy crude was priced at BWAVE minus \$10.55, down 25 cents. Meanwhile its prices to the US were also cut. Its Arab Extra Light was priced at WTI minus \$5.50, down 25 cents, its Arab Light priced at WTI minus \$8.55, down 20 cents, its Arab Medium was priced at WTI minus \$10.75, down 40 cents and its Arab Heavy was priced at WTI minus \$13.35, down 25 cents. Also, its Arab Super Light bound for Asia was priced at the Oman/Dubai average plus \$5.05, down \$1.00, its Arab Extra Light was priced at the Oman/Dubai average plus \$2.65, down 45 cents, its Arab Light was priced at the Oman/Dubai average plus 5 cents, down 35 cents, its Arab Medium was priced at the Oman/Dubai average minus \$1.80, down 5 cents and its Arab Heavy was priced at the Oman/Dubai average minus \$4.10, up 30 cents.

Qatar Petroleum has posted its official selling price for Qatar Land oil at \$60.56/barrel retroactively for February, down \$1.27/barrel from the previous month. The Qatar Marine official selling price was posted at \$58.21/barrel, down \$1.03/barrel from January.

OPEC's news agency reported that OPEC's basket of crudes increased by 98 cents/barrel to \$59.08/barrel on Friday. It also reported that OPEC's basket price increased by \$1.41/barrel to \$56.77/barrel in the week ending March 2.

Italy's Eni SpA said it expects supplies of gas from Russia to fall 3.4% below requested volumes on Monday.

Market Commentary

The energy complex settled sharply lower amid expectations that OPEC would not cut its production at its meeting on Wednesday. The market also erased Friday's gains as the head of the UN's IAEA expressed optimism that an agreement to defuse concerns over Iran's nuclear activities could be reached within a week or so, making UN Security Council action unnecessary. The crude market opened down 47 cents at 63.20 in follow through selling seen in overnight trading. The market quickly posted an intraday high of 63.50 before it continued to erase Friday's gains. The oil market extended its losses to over \$1.80 as it posted a low of 61.80. However it retraced some of its losses and traded back towards the 62.50 level on the close. It settled down \$1.26 at 62.41. Volume in the crude was good with over 213,000 lots booked on the day. Total open interest in the crude market built by 19,166 lots to a record level of 969,939 lots amid the rally on Friday. Open interest in the April contract fell by 2,879 lots while open interest in the May and June contract increased by 10,644 contracts and 3,152 contracts, respectively. The gasoline market, which led the products lower, settled down 8.71 cents at 165.60. The market was pressured despite the reports of a problem with a fluid catalytic cracking unit at the Deer Park, Texas refinery. The gasoline market seemed to have sold off sharply in light of the announcement that the Dow Jones-AIG Commodity Index would stop using the gasoline futures contract next month and switch to the RBOB contract. There was concern that more funds were bailing out of the contract. The gasoline market extended its losses to over 9.3 cents as it posted a low of 165.00 ahead of the close. Meanwhile, the heating oil market was pressured by the weakness in the gasoline market and settled down 5.51 cents at 175.77. It posted a high of 179.50 on the opening and quickly sold off. The market extended its losses to over 5.7 cents as it posted a low of 175.55 ahead of the close. Volumes in the product markets were good with over 46,000 lots booked in the gasoline market and 41,000 lots booked in the heating oil market.

The oil market is seen trading in its recent trading range as the market awaits further developments in talks over the Iran's nuclear ambitions and the OPEC meeting on Wednesday. If an agreement is reached on Iran's nuclear program, the market is seen giving up more of its recent gains. The market is seen

finding support at its low of 61.80, 61.50 and 60.30. Meanwhile, resistance is seen at 62.50, 63.10 followed by 63.50. More distant resistance is seen at 63.75 and 63.95.

Technical Analysis		
	Levels	Explanation
CL	Resistance 63.50, 63.75, 63.95 62.50, 63.10	Monday's high, Previous highs
	Support 61.80 61.50, 60.30	Monday's low Previous lows
HO	Resistance 179.50, 182.00 176.80, 178.00	Monday's high, Previous high
	Support 175.55 172.75, 168.00	Monday's low Previous lows
HU	Resistance 170.50, 174.75 166.90, 168.50	Monday's high, Previous high
	Support 165.00 164.25 to 163.40, 158.50	Monday's low Gap (March 2nd), Previous low