ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta & Zachariah Yurch
(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR MARCH 24, 2006

Energy analysts stated that the invasion of Iraq has weakened the US' energy security and contributed to the recent rally in oil prices. There was an expectation that after the invasion, Iraq's production would be close to 5 million bpd. However its production is closer to 1.7 million bpd and it is lower than the 2.5 million bpd produced before the invasion. Plans to develop Iraq's oil infrastructure have been scrapped because of persistent insurgent attacks. The analysts also stated that the production shortfall has

Market Watch

A US Senate panel scheduled a hearing next week to discuss oil companies' plans to phase out MTBE in gasoline ahead of the summer driving season. The focus of the hearing would be a report released by the EIA, in which it raised concerns that the phaseout of MTBE could lead to regional gasoline price spikes and supply shortages this summer.

The Bush administration has released $1 billion in emergency funds to help low income families pay rising home energy bills. The additional funds increase the total amount of many already made available for the Low Income Home Energy Assistance Program during the 2006 budget year to $3.1 billion, including $600 million in emergency contingency funding.

The NYMEX said it would change its unleaded gasoline contract in May to allow for flexibility in the amount of gasoline additive MTBE that would be allowed. The current contract, which will no longer be traded after the end of 2006, will be amended from the current specification. The exchangfe stated that effective May 5tg, fo deliveries against the May gasoline contract, the minimum 2% oxygen requirement for MTBE in reformulated gasoline will be eliminated, in compliance with Federal EPA standards. Thereafter, there will be no mandatory requirement for MTBE as an oxygen additive in RFG, and the use of MTBE will become optional.

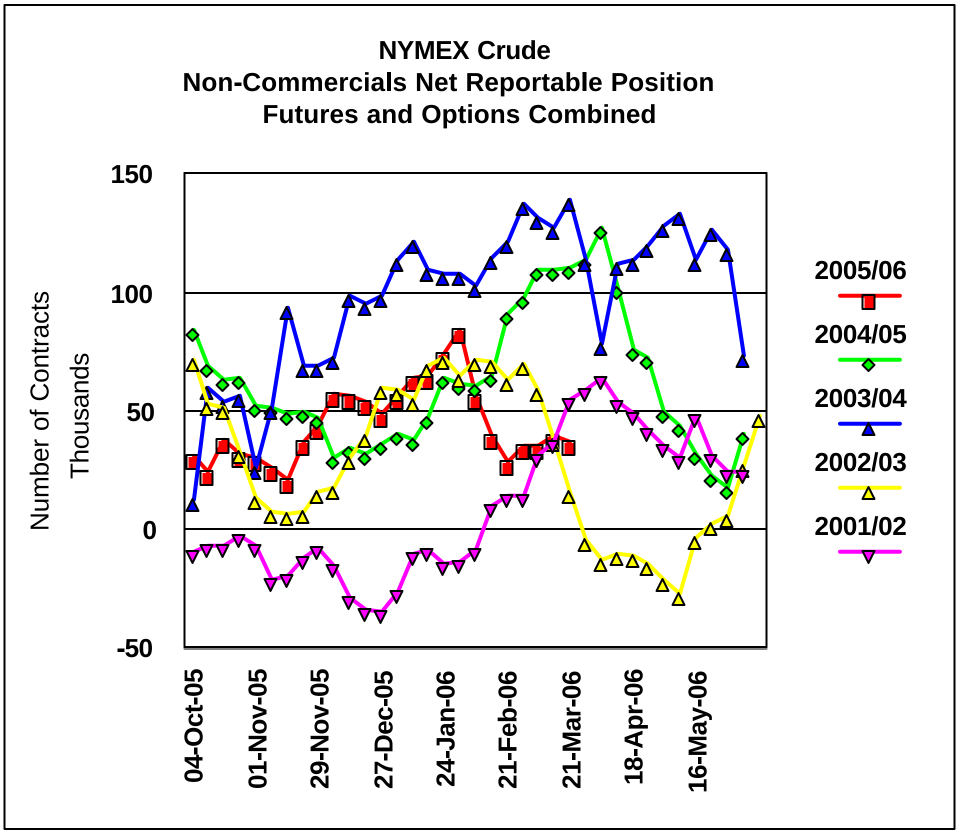
According to a survey by trade publication EuroHedge, hedge funds' returns were lower in February. EuroHedge's composite index of hedge fund returns increased 0.91% in February below January's 2.42%, which was the highest since February 2000. Managed futures funds lost 1.63% in February after gains of 2.29% in January.

BP is leading Asia's latest attempt to develop a gasoline swaps market to improve the region's hedging options. Asian gasoline traders have never had a forward gasoline derivatives or futures market they can use to manage forward prices, leaving them with significant risks on arbitrage deals. Past efforts to create a gasoline swaps market in Asia have failed to draw much activity but conditions now may be more favorable as Asia expands its refinery capacity while US capacity remains limited, likely to lead to a rise in arbitrage sales.

Venezuela's Seniat tax agency reported that a Venezuelan court placed a $46.3 million injunction on Itay's Eni SpA for failing to pay its tax debts on time. The injunctions would be levied on payments to ENI from PDVSA.

hampered Iraq's anticipated economic revival. An analyst at the Center for Global Energy Studies said the failure to rehabilitate Iraq's oil industry resulted from a lack of coherent US strategy.

An army spokesman said militants in Nigeria's Bayelsa state abducted three soldiers who ventured into a remote area near a major natural gas plant on Thursday. It was not immediately clear whether there was any connection between the militant kidnapping of the foreign oil workers and the abduction of the three soldiers.



Refinery News

Royal Dutch Shell is scheduled to shut its fluid catalytic cracking unit at its 420,000 bpd Pernis refinery for maintenance in the beginning of April. The maintenance is expected to last about 6-8 weeks.

ConocoPhillips said it planned to perform maintenance at its 306,000 bpd refinery in Wood River, Illinois in May. It was unclear what units would be affected.

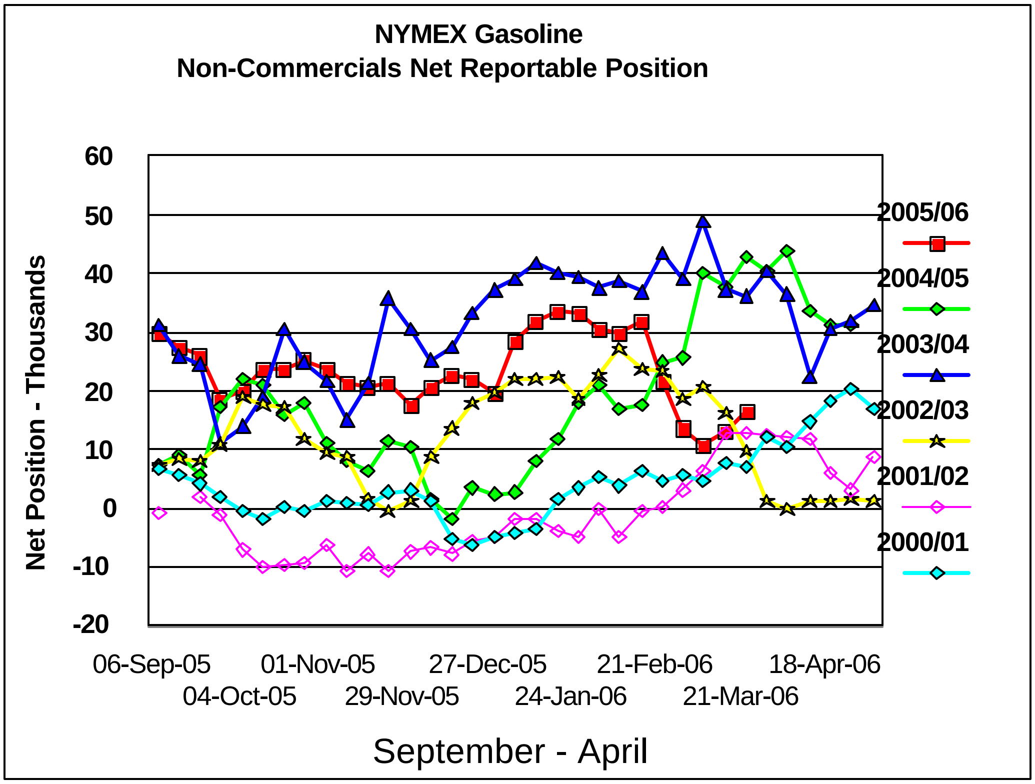
ExxonMobil said its 240,000 bpd Port Jerome Gravenchon refinery in France was partially shut for maintenance from March 3 to mid-April. A spokeswoman said the units undergoing maintenance were fuel and lubricant processing units.

Separately, ExxonMobil also shut a crude distillation unit at its 326,000 bpd Fawley refinery for maintenance in March. Traders said the unit may be due for restart in a week.

Japanese oil companies have planned large scale investments at their refineries to increase their gasoline, kerosene and other oil product output while reducing their procurement costs. Japan Energy Corp has earmarked more than Y100 million to spend on its refineries over three years, starting in 2006. Meanwhile, Fuji Oil Co has earmarked Y30 billion to spend on cracking equipment. While reducing its production of heavy oil, the firm plans to increase production of gasoline and petrochemical products. Cosmo Oil plans to invest Y5 billion to install more equipment to reduce sulfur from gasoline at its Kagawa Prefecture refinery next summer. It has earmarked Y40 billion for investment through fiscal 2007. Taiyo Oil Co intends to spend Y40 billion to Y50 billion to install cracking units at its refinery in Ehime Prefecture.

China National Petroleum Corp plans to invest more than 180 billion yuan or $22.42 billion into increasing its refining capacity by 2010. It aims to increase annual refining capacity by 5% a year to 170 million tons or 2.14 million bpd.

Hindustan Petroleum Corp will continue to build its refinery in Bhatinda despite BP's decision to pull out from the project. BP announced on Thursday that it would not proceed with plans agreed five months ago to form a joint venture to build a $3 billion refinery with HPCL. Separately, Hindustan Petroleum said it planned to spend $1 billion over three to five years to buy foreign oil assets.



Production News

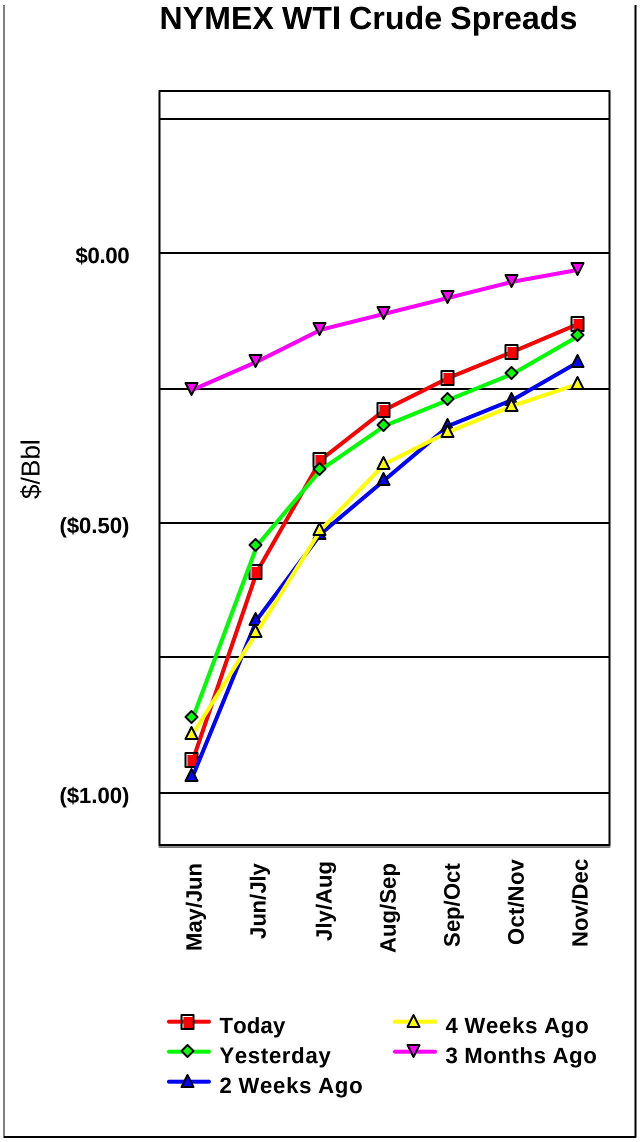
An analyst stated that gas oil stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area fell for a sixth week as the tight spot market encouraged traders to dip into inventories. Stocks of gas oil fell by 85,000 tons from the previous week to 1.545 million tons in the week ending March 23rd. Meanwhile gasoline stocks increased by 45,000 tons to 940,000 tons while naphtha stocks increased by 5,000 tons to 65,000 tons. Fuel oil stocks increased by 110,000 tons to 495,000 tons while jet fuel stocks fell by 65,000 tons to 365,000 tons on the week.

Petrologistics reported that former Soviet Union fuel oil exports in March are expected to increase after falling in February. Fuel oil shipments in February from FSU ports in the Baltic, Black Sea and Far East fell by 195,000 bpd from the previous month to 725,000 bpd. Meanwhile gas oil exports are expected to hold steady. Gas oil exports in February increased to 1.025 million bpd, up 45,000 bpd on the month.

A Russian regulatory body, Rostekhnadzor, said it rejected plans by Transneft to build an oil terminal near a nature reserve. It said the planned Eastern Siberia-Pacific Ocean pipeline should not lead to a terminal in the protected Perevoznaya Bay area. It requested that Transneft draft new plans for the terminal and resubmit them for approval.

Russia's Tatneft said it revised its proven oil and gas condensate reserves as of January 1, 2005 to 5.801 billion barrels from the 5.963 billion barrels reported last June.

CNOOC Ltd called off talks with Chevron over buying liquefied natural gas from Chevron's Gorgon project in Australia. CNOOC's Senior Vice President Cao Yunshi did not say why discussions had terminated but sources said last year that talks between CNOOC and Chevron had stalled over pricing. Chevron has a 50% stake in the project with the balance split between Exxon Mobil and Royal



Dutch Shell. Separately, CNOOC also stated that negotiations between its parent and Indonesia on buying liquefied natural gas were still in progress, despite reports both had agreed to raise the price.

Ecuador's central bank stated that the country's oil product export revenue in January totaled $26.21 million, down 39% on the year. It exported 556,000 barrels in January, down 63% from 1.49 million barrels reported last year.

OPEC reported that its basket of crudes increased sharply to $57.14/barrel on Thursday, up from $56.70/barrel on Wednesday.

Azerbaijan's SOCAR signed a $750 million syndicated loan agreement on Friday and said it would pay the money back in 3-5 years by selling oil to Glencore and Select Energy. SOCAR is borrowing the money to refinance its 10% stake in the Azeri-Chirag-Guneshli offshore oil project.

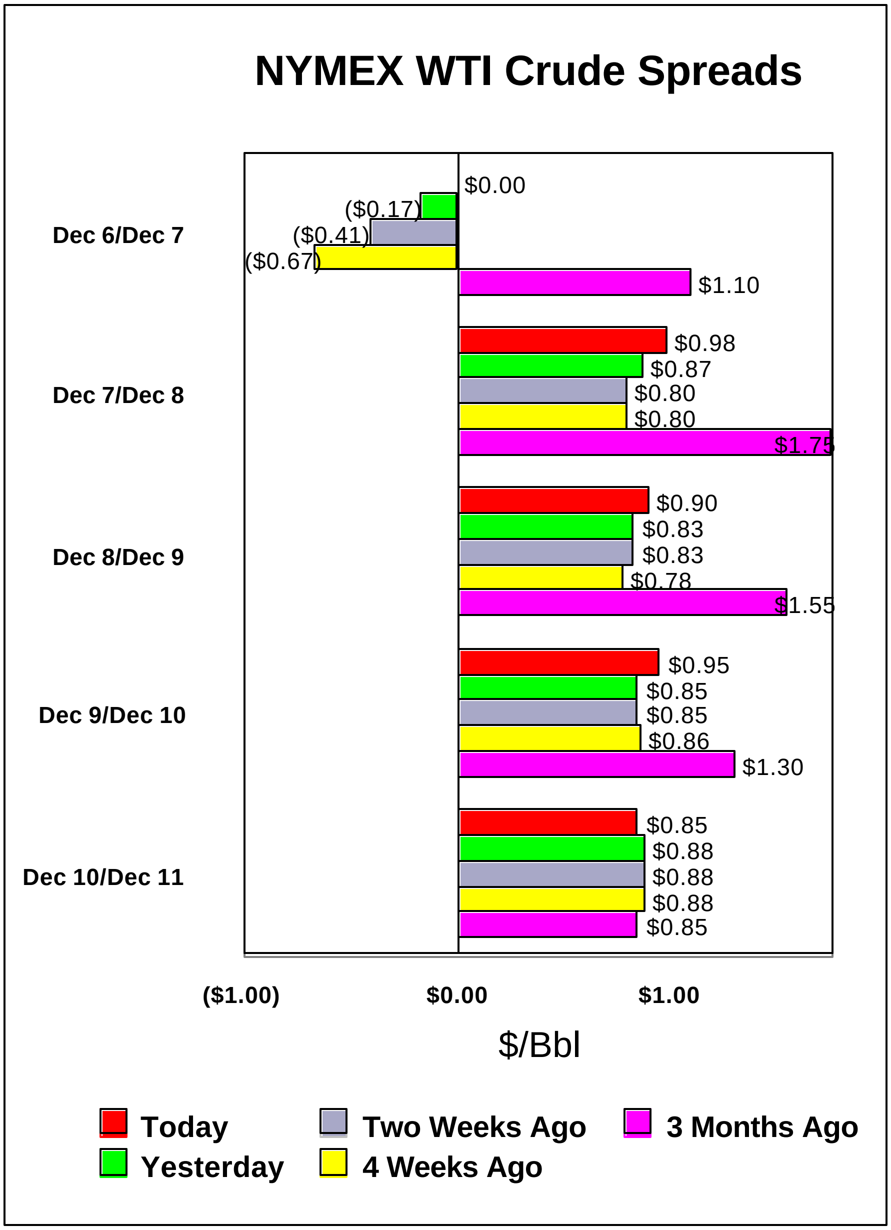
Market Commentary

The oil markets gapped higher this morning driven by the strength in the gasoline market and further bullish news coming out of Nigeria concerning civil unrest there would further limit crude oil exports. While prices drifted lower late in the morning on some light profit taking in front of the weekend, the extent of the sell off was very limited once the gap from the morning's opening was backfilled. As a result prices drifted back up following lunch and settled near the morning's opening values, and as a result the oil markets were able to end the week near last Friday's levels and thus erase nearly all of the early week's losses. Volumes on the day were

Technical Analysis

		Levels	**Explanation**
		$65.63, $65.55	Trendline resistance, March 16th high
	Resistance	$64.75	Friday's high
CL	64.26, up $0.35		
	Support	$63.40	Firday's Low and 20-day moving average
		$ 61.25,$ 61.00 & $60.25	Lows from March 21, March 8 and February 15
		184.19	Trendline resistance
	Resistance	183.10,18140	Highs from March 15th and March 24th
HO	179.24, up 0.60 cents		
	Support	172.50, 170.69	Low from March 21st and trend line support
		167.25-167.00, 162.55	Mid march lows, Feb 16th low
		199.50	Jan 20th high
	Resistance	185.20, 188.00	Previous highs
HU	182.32, up 0.71 cents		
	Support	180.00, 173.00 & 172.69	Previous lows
		169.18	62% retracement of up move from March 7-15th

relatively moderate with 163,000 lots posted in the crude oil market, with 33,000 and 36,000 lots posted respectively in the heating oil and gasoline markets.



This market recently does not like to go home short over a weekend, and today was another example of refinery uncertainty coupled with production problems again in Nigeria coming to the forefront and making the bears run for cover. But come Monday if there is not anyfresh news on either fron we would look for early next week again to see some sellers return and push values back down into the lower half of the month long sideways trading pattern in the crude oil market. As a result we would look to be a seller of May crude on any initial test of the congestion and resistance around the $65.00 level, looking for continued adequate inventories to allow prices to at least challenge the $63.00 level.

Tonight's Commitment of Traders Report showed that non-commercials continue to hold a net long position of over 35,000 contracts in the combined futures and options market. This group has basically seen one of its more stable position periods in over 14-15 months. The report also showed that while non-commercials have overall continued to wind down their gross reportable position in the gasoline market (HU) for the fifth week in a row, the market has seen this sector increase its net long position for the second straight week, and thus helped to added in stabilizing this market and pushing it higher during this period.