The Windham Group

Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 29, 2006

Despite Nigerian President's Obasanjo's offer yesterday to convene an April 5th meeting seeking to resolve the crisis gripping the Niger Delta, militants from the region reportedly have said they will not attend the meeting, and told news reporters tht they would continue attacks of oil facilities. The militants said the meeting is a government ploy to buy more time while exploitation of resources continues. Meanwhile western oil companies operating in the area are calling for sustainable peace in Nigeria's Niger Delta. Shell said today that it was "…trying to assess the damage done to our facilities, repair them and clean up the place." But the company said that its assessment can only be achieved if the security situation improves. Nigeria's oil minister though did report that Shell's EA shallow water field should resume production within the next week of 120,000 b/d. But he noted the remaining 500,000 plus barrels may take up to a month to return to service.

Wednesday afternoon, the five permanent members of the United Nations Security Council, announced they had reached agreement on the text of their response on how to curb Iran's nuclear ambitions. The full 15 member of the Security Council late in the day also unanimously approved the text as well. Earlier in the day the Russian Foreign Minister said that Russia would

Market Watch

The Chinese electricity utility association called on the Chinese government to raise domestic electricity prices to offset a possible increase in thermal coal prices. Currently Chinese electricity prices are around $6.25 per kWh.

Saudi Arabia reported this morning that it had arrested 40 suspected militants, including eight who were directly linked to al Qaeda's attack on the the Abqaiq processing facility last month. The arrests were made in several areas of the country.

China Aviation Administration Corp said today that as of April 1st it would revise its jet fuel pricing system for domestic flights to allow prices to float more freely in line with global crude oil costs. It also said that that the gross margin for sales of jet fuel for international flights by domestic airlines would evolve into a market-based system in two years time. China over the weekend raised its jet fuel prices for the first time in eight months.

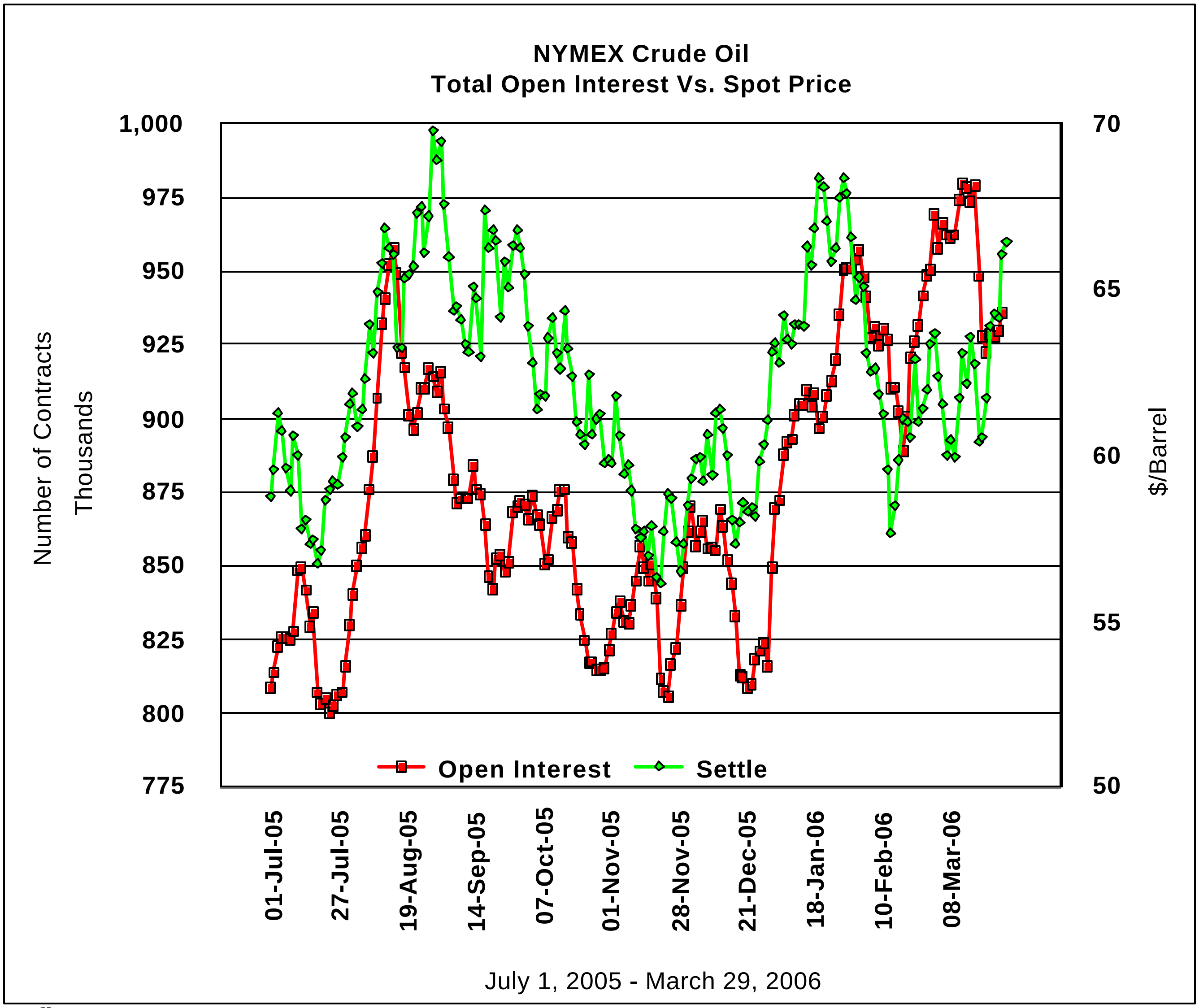
The Arab League Secretary General today called on Arab leaders to move toward a goal of "entering the nuclear club" and making use of atomic energy for peaceful purposes.

French energy operations returned to normal Wednesday after a one day strike over proposed labor laws had slightly cut oil and electricity production on Tuesday.

A Chinese government economist said today that the recent price hike by China of wholesale and retail oil products is not expected to translate into higher domestic inflation this year, since oil and total energy consumption account for such a small portion of China's total consumption. The government is looking for a CPI to rise just by 2-3% in 2006. The major risk facing the Chinese economy was seen as overcapacity.

not support a coercive solution to the Iranian nuclear problem. In addition the foreign ministers from the five permanent members of the Security Council and Germany are schedule to meet Thursday in Berlin, to further discuss the issue. Meanwhile the Iranians offered an alternative proposal to resolve the standoff late Tuesday, in which it would seek to create an international nuclear fuel center on its territory with the participation of other countries and in the framework of an international consortium.

Algeria's oil minister today said geopolitical factors will keep international oil prices strong even though the market has no supply problem and stocks are high. He expected global demand to grow this summer.



Refinery News

The head of the EIA said today that he expected virtually all U.S. refiners would soon stop using MTBE before the peak driving season starts. He told congressional members that any problems in the switch over to ethanol would be short lived, with effects limited to the summer driving season. He noted that demand for ethanol is expected to jump 50% to 130,000 –180,000 b/d, once the oil industry completes its switch over to ethanol from MTBE. Ethanol supplies should be tight in the first half of 2006, but will catch up later this year as new plants come on-line and more imports from Brazil and other foreign producers arrive. The government official also hinted that Congress should examine a relaxation of tariffs on ethanol imports, which currently are subject to a 53 cents a gallon duty. He noted that imports of ethanol were down this year due to a higher tariff. Gasoline marketers trade association repeated this call for removal of the tariffs as well. The EIA predicts that retail pump prices this summer will average $2.50 per gallon versus $2.38 seen last year. One U.S Senator today that he may make another attempt to introduce legislation to extend liability protection to MTBE makers, but currently he has no legislation prepared.

DOE Stocks
Crude – up 2.1 million barrels
Distillate – down 2.5 million barrels
Gasoline – down 5.4 million barrels
Refinery runs – up 0.3%, at 87%

Ethanol production in the U.S. in January reached 288,000 b/d, up some 8,000 b/d from December levels. The president of the Renewable Fuels Association said today, that "our industry is adding capacity at a phenomenal rate and will be able to adequately supply ethanol to the markets that need it. The trade association said that there are currently 97 ethanol plants nationwide that have the capacity to produce 4.5 billion gallons annually (293,542 b/d). There are 33 new ethanol plants under construction and 9 expansions under construction as well. These new plants should add more than 2 billion gallons or 130, 460 b/d of supply. The group also claimed that while supplies may be tight this summer, there is no need for U.S. refiners to be granted waivers to the clean-burning gasoline regulations for this summer.

Despite rumors continuing to circulate in the market that there may be problems with a hydrotreater at PDVSA's 300,000 b/d Cardon refinery, Reuters late Tuesday reported that according its source there were no problems with the units there. This supports comments that have been coming from PDVSA officials as well, since an explosion at an Amuay hydrogen plant last week.

Nippon Oil said today that it would process some 1.05 million barrels per day in April. While this is down just slightly from March levels of 1.06 million barrels, it would be 9% higher than April 2005 levels. In March the company had lowered its refining levels due to high inventory levels of kerosene. The company also announced today that it has agreed to renew its crude processing contract with China Oil for another year. The deal will see Nippon Oil process some 40,000 b/d of crude oil that China Oil brings into Nippon Oil's refineries., up some 10,000 b/d from the current deal.

Company officials at Sinopec's Maoming refinery said that they plan to operate the refinery at 287,000 b/d in April, unchanged from March and the fourth consecutive month that the refinery will run at full capacity.

China's new 160,000 b/d Hainan refinery is expected to receive its first crude oil cargo in late April as it gets ready to begin operations in May. Sinopec has yet to decide marketing plans for the refinery output. Possible markets include the nearby Guangdong province and or export markets such as those in Southeast Asia.

Japan Energy said on Wednesday that it would refine 4.55 million kilolitres (314,500 b/d) of crude in the April-June period, basically in line with refining levels a year ago. It expected to increase refining levels though in the July September period to 5.75 million kl, up some 9% from year earlier levels. The company saw refining levels in the January – March period at 7.48 million kl.

Production News

Iraqi oil exports from its southern oil terminals remained suspended Wednesday due to poor weather conditions. There remain though only three tankers waiting to berth. Operations were suspended Tuesday evening.

The advance of Cyclone Glenda in Western Australia, which was downgraded to a Category four storm today still has forced the closure of over 150,000 b/d of crude oil production, as well as the shutdown of the North West Shelf LNG project at Karrath.

EIA reported today in its weekly oil report that crude oil stocks at Cushing, OK stood at 25.3 million barrels the highest level ever recorded since the agency began tracking stocks there back in April 2004.

Saudi Aramaco said Wednesday that it has lowered the contract price for its propane in April by $95 a tonne to $435 a tonne. This would be the second consecutive monthly decline in propane prices following a record-selling price of $622 being set for February of this year.

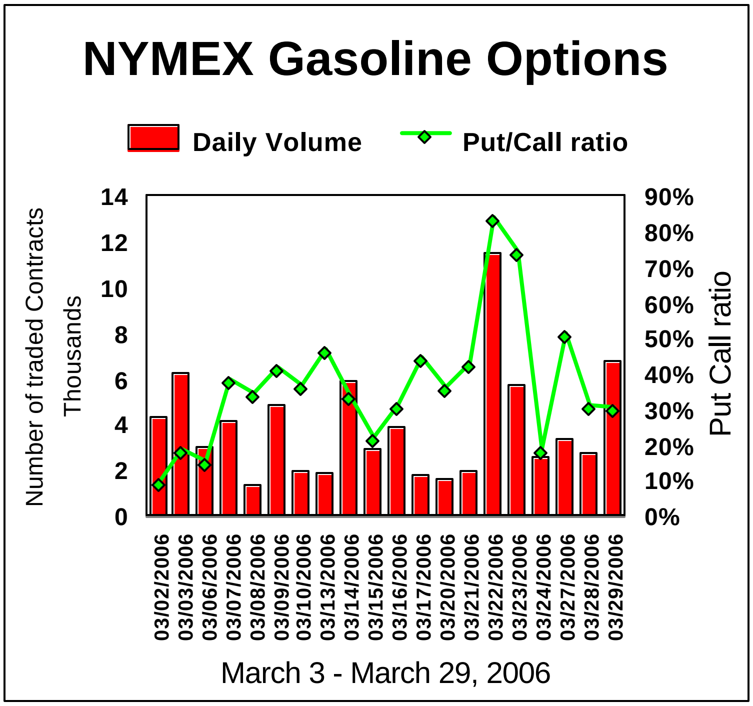
		Technical Analysis	
		Levels	**Explanation**
		$67.85, $69.00 & $70.10	Highs from Feb 6th and Feb 1st.
	Resistance	$66.70	Today's high
CL	66.45, up $0.38		
	Support	$65.65-$65.45,$64.95-$64.45	Intraday congestion area, and Gap from Tuesday
		$63.98 and $63.33, $6155	50% and 62% of the past two week rally, trendline support
		191.60 & 192.30	highs from Feb 1st and January 20th
	Resistance	185.60 & 188.11	Today's high and trendline
HO	185.20, up 2.43 cents		
	Support	182.30, 180.60 & 180.25	Today's low, 38% retracement, and Tuesday's low
		179.05, 177.50 and 17712	50% and 62% retracement of the two week rally, trendline support
		197.60 & 199.50	Jan30th and Jan 20th highs
	Resistance	196.00	Today's high
HU	195.42, up 6.97 cents		
	Support	189.95-189.00, 187.06	wednesday's Gap, 38% retracement of the past week bull move
		184.30, 182.17, 181.54	50% retracement and 62% retracement

Market Commentary

While the crude oil and heating oil markets opened basically unchanged this morning the gasoline market gapped higher as continuing refinery hiccups seemed to support prompt gasoline markets around the country. The release of the inventory numbers just added fuel to the gasoline prices strength as the unexpectedly large drawdown in gasoline stocks sent prices surging higher. While some late morning profit taking allowed gasoline prices to retrace much of its post inventory report gains. But after lunch the bulls returned driving prices higher yet again and making new highs for the day. Crude oil was finally able to back fill the gap that existed in the daily charts since February 7th, before a second wave of profit taking kicked in just before the close. Volume was excellent in the crude today with over 224,000 contracts booked on the day. Products saw over 40,000 lots booked in both the heating oil and gasoline contracts.

The NYMEX reported at midday that open interest in the crude oil market grew by 6381 contracts, its largest gain since March 13th. The three times in the past month when the NYMEX has seen daily net price gains of over $1.80 per barrel it has been matched by substantial open interest gains of over 6,000 contracts. This trade action in our mind again confirms the movement of new commodity fund longs into this market.

May $70 calls which saw over 10,400 lots traded on Tuesday between 30 and 60 cents were active again today but not at the same pace as yesterday, as 3,621 lots were booked on the day between 48-65 cents. The option settled tonight at 70 cents but with an implied volatility some 0.63% lower than yesterday. Once again $100 calls have begun to attract interest with the December 2010 $100 call trading 2000 times at $3.00 and the December 2007 $100 call posting 1000 lots on the day as part of a $70-$100 call spread. Gasoline options saw their second most active session this month as 6,786 lots were traded on the day. The August $2.10 call was the most active gasoline option on the day as it traded at 10 cents over 700 times.



We continue to feel that this market is overbought, but it appears that prices are unable to work significantly lower until the commodity fund-buying spree runs its course. It may take until after Friday when the April products go off the board to see the bear's possible return to this market. But if the May gas cracks reach back up to $15.00 we feel that could warrant another shot at selling this market.