

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 MAY 11, 2006

Italy's Foreign Ministry confirmed that an Italian was among three workers, employees of Italian oil contractor Saipem, who were kidnapped in Nigeria. The three workers were abducted from a car under police escort in the southern city of Port Harcourt. The abduction reportedly was sparked by a dispute between the company and the community where it is working and that efforts were under way to secure their release. A local police official predicted that the situation would be straightened out by Friday. The main militant group in the region declined involvement or knowledge of the kidnapping.

The Bush administration is facing pressure both in the US and overseas to talk directly with Iran about its nuclear program in the wake of the letter sent this week to President George W. Bush by Iran's President Mahmoud Ahmadinejad. Senator Chuck Hagel, former Secretary of State Madeleine Albright, former National Security Adviser Samuel Berger and former Middle East negotiator Dennis Ross all have published sharply worded opinion articles questioning the administration's

Market Watch

The New York Board of Trade late Wednesday said it would relaunch its sugar-based ethanol contract, which has been inactive for the last several months. The exchange plans to restart trading in the November contract. Trading had been suspended since no exports were seen coming out of Brazil, the world's largest sugar exporter and major manufacturer of ethanol from sugar.

NYMEX announced today that its board of directors approved to launch side by side trading of its energy futures contracts on CME's Globex starting on June 11th for trade date June 12th. The NYMEX will offer cash-settled energy futures contracts for all listed months. But it still has not detailed how many listed months it will make available. The exchange also promised that it would launch physically delivered contracts on Globex in no more than 6 months later. The NYMEX miNY futures contracts will also switch to Globex on that date as well.

ICE stated that physical delivery against the expired May IPE gas oil contract fell to 1,034 lots or 103,400 tons, down from 181,000 tons in April. The May contract ended at \$644/ton when it expired on Thursday.

ARA stocks of gasoil during the ending May 11th rose by 95,000 tonnes due in part to limited demand coupled with strong import flows from FSU nations.

The NPRA told Congress today that U.S. refiners were not conspiring to keep gasoline prices high and were not overcharging consumers for motor fuel. The industry group warned that market interference by legislators would lead to market inefficiencies and unnecessary costs. The FTC is still scheduled to send a report to Congress by next week on the agency's latest probe of high gasoline prices and possibly refinery constraints.

Goldman Sachs said today it may raise its year end U.S. crude price forecast above \$70 because of stronger than expected global growth.

stance. The administration has dismissed the letter from Iran's President, stating that it was not a serious diplomatic overture. Secretary of State Condoleezza Rice said it was a kind of philosophical and religious attack on US policies. However former Secretary of State said the letter should be viewed as an opportunity both for a dialogue with Iran to influence world opinion. Critics of the administration's approach have stated that diplomacy has failed so far because of Iran has little incentive. The failure of the US to negotiate with Iran is only hardening suspicions that President Bush secretly intends a military strike.

The head of the International Atomic Energy Agency said today that he was pleased that the U.N. Security Council was holding off from sanctions against Iran as Europeans work on a package of benefits to induce Iran to cooperate. Diplomats have said that EIBaradei has privately told Western leaders they may have to accept a limited Iranian enrichment program under IAEA monitoring as it was a matter of national pride and to insist on scrapping its nuclear ambitions may only bolster Iranian hardliners. He again said Iran poses no "imminent threat." He again said he hoped that both sides will "move away from the war of words, I hope the pitch will go down, I hope people will adopt a cool-headed approach."

Refinery News

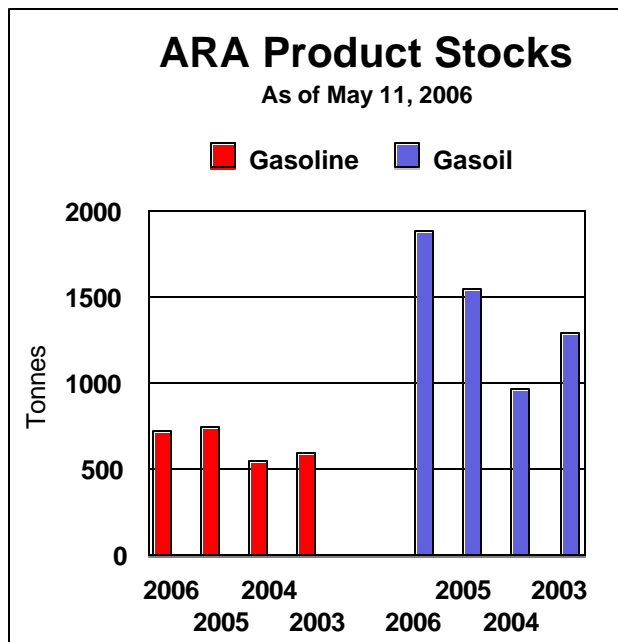
Alon USA will begin the initial start up of its ULSD at its 70,000 b/d Big Springs, Texas refinery late Thursday Afternoon.

Chevron reportedly was forced to shut down a crude unit at its 243,000 b/d Richmond, CA refinery on Wednesday. The loss of the unit triggered intermittent flaring at the facility.

Chevron Corp has taken a stake in a Texas company building a large biodiesel plant in the US. The biodiesel production and distribution facility in Galveston, Texas is scheduled for completion by the end of the year and would have the potential to produce 100 million gallons of biodiesel per year.

Valero Energy Corp said work at its 190,000 bpd refinery in St. Charles, Louisiana would not affect production.

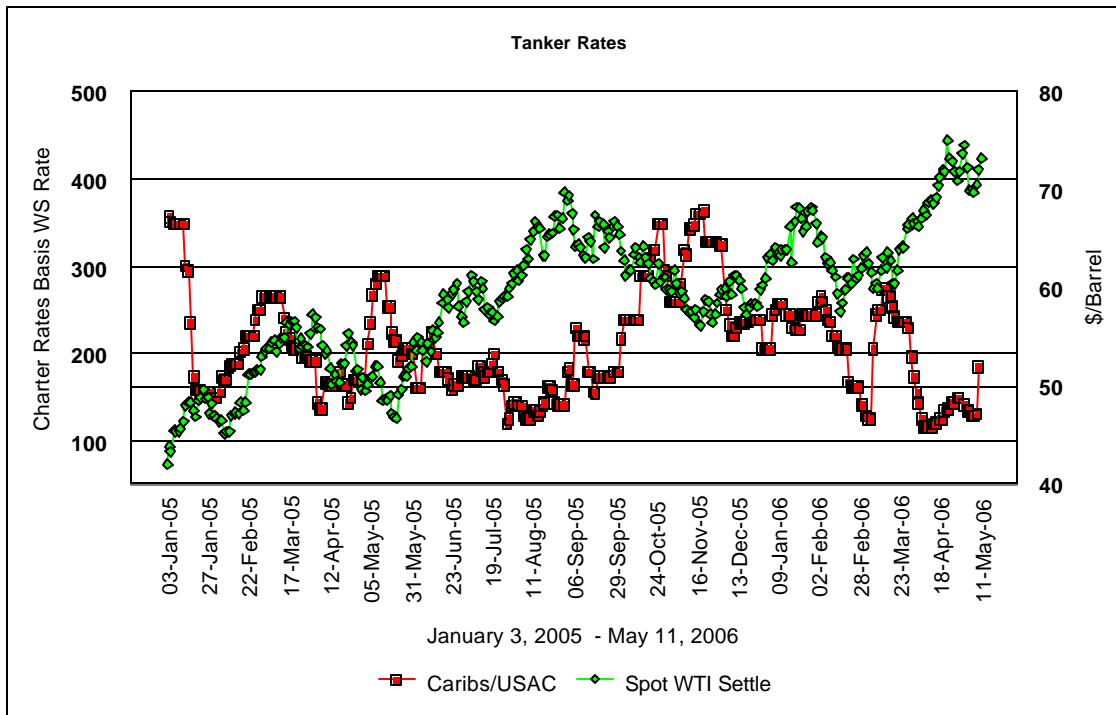
Indonesia signed a memorandum of understanding with the national Iranian Oil Company to build a 300,000 b/d refinery in Indonesia.



The ethanol debate on Capital Hill continued today with the House Energy and Commerce Committee Chairman saying that lifting the tariff was no-brainer. He noted that given that the U.S. is now the largest producer of ethanol, why was the tariff still needed. He noted that the price of ethanol on the spot market was higher than gasoline. As a result he noted that committee members were reviewing halving or eliminating the current tariff.

Production News

According to Oil Movements, OPEC's crude oil exports are expected to increase by 520,000 bpd to 24.78 million bpd in the four weeks to May 27. It said oil was still moving west in anticipation of the increase in demand for gasoline typically seen in the peak summer driving season.



Kuwait Oil Co is expected to issue a report that addresses questions raised earlier this year that Kuwait's stated crude oil reserves are just half the size the country says it has. In January, Petroleum Intelligence Weekly reported that Kuwait's remaining

proven and non-proven oil reserves are about 48 billion barrels, not the 100 billion barrels officially stated by Kuwait.

Iran's oil minister said today that OPEC will keep its current production ceiling when they meet again On June 1st.

Venezuela's President Hugo Chavez said he expected world oil prices to increase in the next few months. He said they would continue rising as world geopolitical tensions in Iran and Iraq. Once again he claimed the U.S. was preparing plans to invade Venezuela.

Market Commentary

The oil market gapped higher this morning from 72.25 to 73.50 amid the growing instability in Nigeria. The market was well supported by the news of the kidnapping of two foreign oil workers in Nigeria, triggering further fears that oil companies operating in Nigeria may shut in production or pull out of the country. The market quickly traded to a high of 73.85. However the market, which failed to test its previous highs, erased its gains and partially backfilled its gap as it traded to a low of 72.35. The market however bounced off its low and settled in a sideways trading range ahead of the close. It settled up \$1.19 at 73.32, as it remained supported by concerns over the situation in Nigeria while the Iranian situation remained unchanged. Volume in the crude market was excellent with 290,000 lots booked on the day. Meanwhile, the gasoline market settled up 5.02 cents at 221.96 after it gapped higher from 217.50 to 221.00. The market quickly traded to 222.50. However the market erased its gains and backfilled its gap as it sold off to a low of 214.60. The market later bounced off its low and traded back towards its high ahead of the close amid the strength in the crude market. The heating oil market also gapped higher from 206.80 to 210.00 amid the continued strength in the oil market. The heating oil market traded to a high of 210.80 but erased its gains and partially backfilled its gap as it traded to a low of 207.00. The market later retraced its losses and traded back towards the 210.00 level. It settled up 3.17 cents at 209.64. Volumes in the product markets were good with 48,000 lots booked in the gasoline and 64,000 lots booked in the heating oil market.

The crude market may retrace some of today's sharp gains following the late news that the kidnapped foreign oil workers in Nigeria were released. The market's losses will however remain limited ahead of the weekend. Technically, the market is still trending higher after its stochastics crossed up earlier in the week. The market is seen finding support at 73.00 and its gap from 72.35 to 72.25. More distant support is seen at 71.50 followed by 70.00 and 69.65. Meanwhile resistance is seen at 73.85 followed by 74.55, 74.90 and 75.35.

| Technical Analysis | | |
|------------------------------------|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| | Levels | Explanation |
| CL 73.32, up \$1.19 | Resistance 74.55, 74.90, 75.35 | Previous highs |
| | Support 73.00, 72.35 to 72.25 71.50, 70.00, 69.65 | Thursday's high Remaining gap (May 11th) Previous low |
| HO 209.64, up 3.17 cents | Resistance 213.50, 215.00 | Previous high, Basis trendline |
| | Support 207.00 to 206.80 197.50, 196.20 to 195.75 | Thursday's high Remaining gap (May 11th) Previous low, Remaining gap (May 9th) |
| HU 221.96, up 5.02 cents | Resistance 223.00, 225.50 | Previous highs |
| | Support 222.50 220.00, 214.60 213.00, 206.50, 201.60 | Thursday's high Thursday's low Previous low |