



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR JUNE 22, 2006

UN Secretary General Kofi Annan said that Iran's Foreign Minister Manouchehr Mottaki told him Iran was seriously considering the incentives proposal. However he did not think that Iran would respond before the G-8 meeting. The US however said it would like to hear Iran's response to the incentive package ahead of the mid-July G-8 meeting. Iran on Wednesday stated that it would give its response on August 22.

Meanwhile China also urged Iran to respond to the incentives. Separately, Japan's Foreign Minister Taro Aso said Japan would take part if the international community imposed sanctions on Iran over its nuclear program. He said he urged Iranian officials to seriously consider the package of incentives, saying the offer was supported by the Group of Eight and other industrialized nations.

The IEA stated that crude oil, coal and natural gas would continue to supply most of the world's energy in the next four decades. It said carbon emission would more than double by 2050 if current trends continue. However greater use of technologies could slow the increased rate of energy use and amount of pollution.

According to Oil Movements, OPEC's oil exports are expected to increase by 40,000 bpd to 24.98 million bpd in the four weeks ending July 8. It said Gulf exports were up about 500,000 bpd in the four weeks at 17.81 million bpd. It also stated that the incremental supply was heading to Asia.

Refinery News

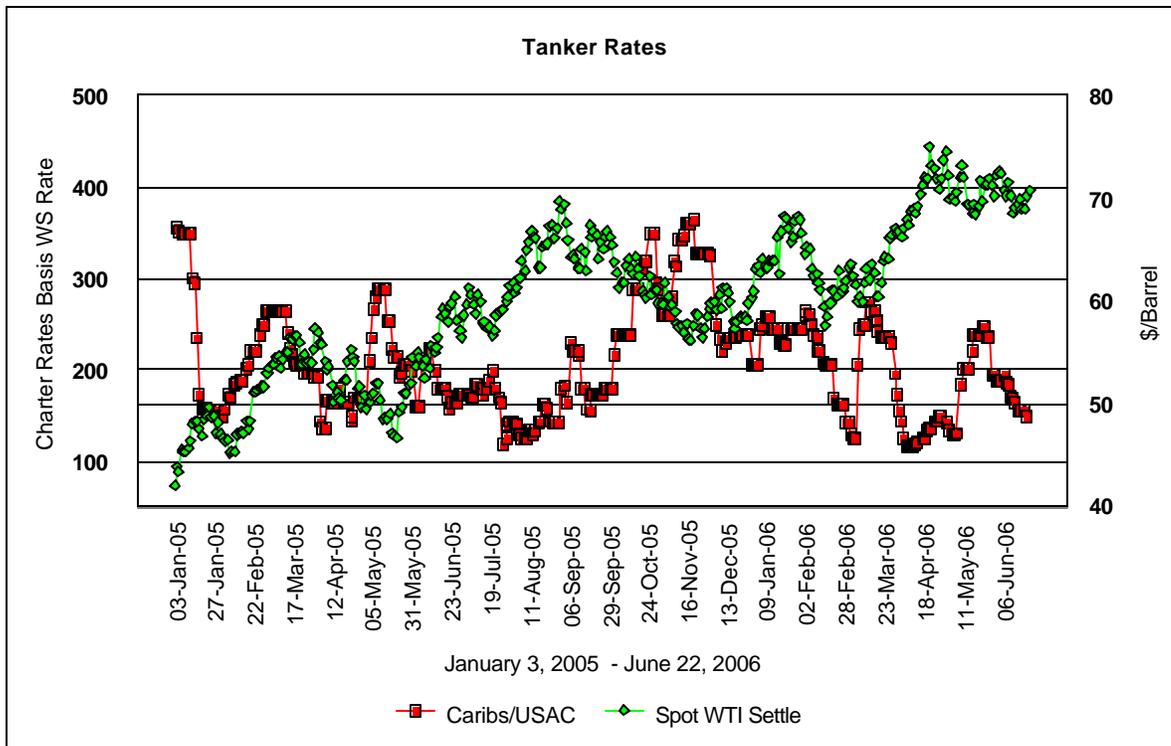
Louisiana's Calcasieu Shipping Channel, closed since early Wednesday, is expected to be closed for up to a week while an oil spill is cleaned up near Citgo Petroleum Corp's Lake Charles, La refinery.

Market Watch

China's Foreign Ministry said the country was concerned about a potential missile test by North Korea and urged greater action by all parties to resolve the issue. The missile crisis stems from intelligence reports that have stated that North Korea was possibly fueling a Taepodong-2 missile with a range experts estimate could make it capable of reaching parts of the US. Meanwhile military and intelligence agencies of the US and its allies were spying on North Korea to learn whether it was preparing to test fire a long range missile that may be capable of reaching the western US. The intelligence was being collected from satellites, spy planes, radar on ships and land based listening posts. Japan has dispatched ships and planes to monitor North Korea. South Korea's Defense Minister said a North Korean missile launch was not imminent.

Venezuela's Foreign Minister Ali Rodriguez denied that President Hugo Chavez was using oil to gain political influence in the Western hemisphere. He said the accusations were hypocritical.

The closure has been blocking all ships serving several of the area's refineries, including Citgo's refinery, Conoco Phillips' West Lake refinery, Calcasieu Refining's



facility and Pelican Refining Co's refinery. The closure of the shipping channel has trapped four vessels in the refinery port of Lake Charles, Louisiana. Another three ships were waiting for the channel to reopen before they could dock. Citgo's 425,000 bpd refinery has slightly reduced its runs following the oil spill. Calcasieu Refining's refinery in Lake Charles, Louisiana is operating at about 50% of its 85,000 bpd capacity. Meanwhile, US Energy Secretary Samuel Bodman said the DOE was ready to loan oil to the Louisiana refiners impacted by the supply interruptions following the spill that closed the Calcasieu Ship Channel.

A fluid catalytic cracking unit at Exxon Mobil Corp's 560,000 bpd Baytown, Texas refinery tripped Tuesday during a restart following a similar malfunction days earlier.

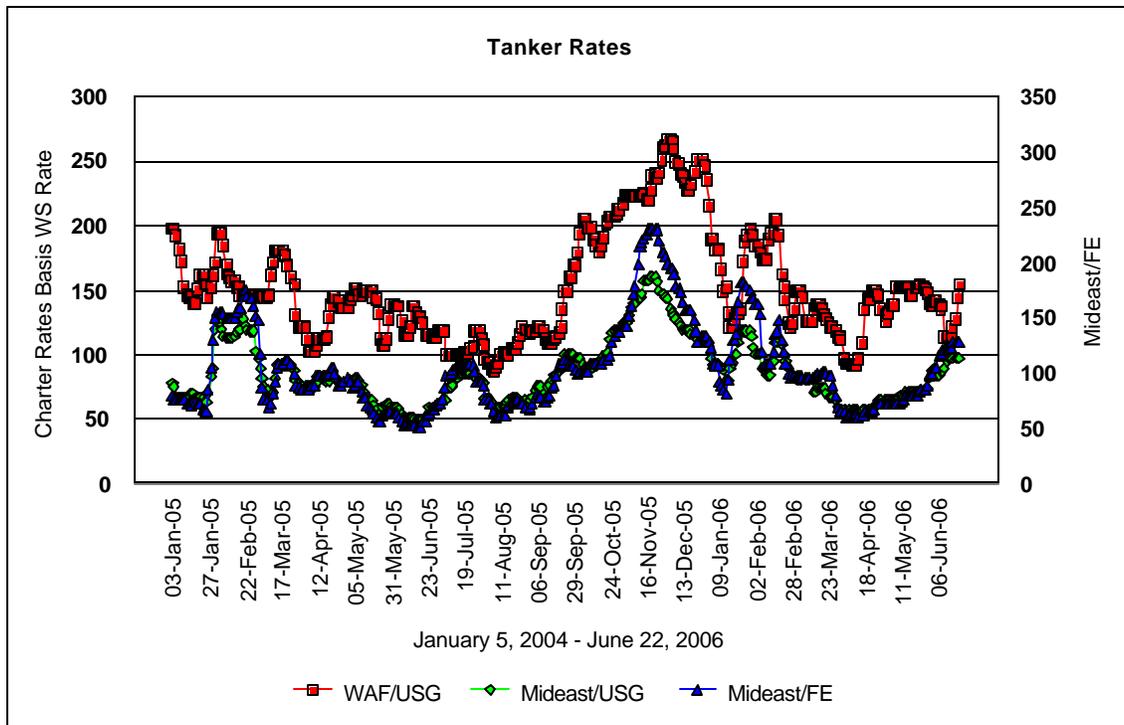
Royal Dutch Shell PLC said its crude distillation unit at its 142,000 bpd Petit Couronne is expected to remain down for weeks following a fire that broke out on Monday.

The National Iranian Oil Refining and Distribution Co said Iran's Abadan refinery would partially shutdown for maintenance in November. The 450,000 bpd refinery is expected to shut a 60,000 bpd crude distillation unit for maintenance. The company is also planning a 30-40 day turnaround of its crude unit at the 232,000 bpd Bandar Abbas refinery in January 2007. The refinery is expected to be expanded to 480,000 bpd over the coming years.

Indian Oil Corp plans to expand the capacity of its 6 million ton a year Haldia refinery to 7.5 million tons a year by April 2009.

PetroChina is likely to skip gasoline exports for the second consecutive month in July as China's government limits overseas shipments to meet strong domestic summer demand. Total gasoline exports from China were expected to remain low at about 180,000 tons in July, with Sinopec exporting 60,000 tons and WEPEC exporting 120,000 tons.

China, India and other Asian countries purchased 1.1 million bpd of West African crude in July, the smallest amount since last August's 1.01 million bpd. It was also down from June's level of 1.11 million bpd.



Singapore's

International Enterprise reported that its residual fuel stocks fell by 99,000 barrels to 12.471 million barrels in the week ending June 21. It reported that Singapore's light distillate stocks fell by 303,000 barrels to 7.146 million barrels while its middle distillate stocks fell by 212,000 barrels to 6.513 million barrels.

Japan's Ministry of Finance reported that Japan's crude oil imports in May fell by over 1 million bpd to 18.214 million kiloliters or 3.7 million bpd as refiners cut their imports from Saudi Arabia and other suppliers due to heavy seasonal maintenance.

Russian companies could be forced to halt its river shipments of oil products to the Baltic Sea if funds are not spent on improving river canals and waterways. The network linking the Volga River to the Baltic Sea provides an export route for fuel oil and vacuum gasoil from refineries in central Russia to the Port of St. Petersburg for re-export to northern Europe. A top shipper said that the Volgo-Balt's viability was under threat as the canal's depth fell from 4 meters to 3.7 meters, forcing 5,000 ton vessels to take 600 tons less than their maximum load and cutting trade by 10-12%. River shipments of oil products amount to 4-6 million tons a year.

South Korea's government plans to nearly double the volume of strategic petroleum reserves and fill up almost all of its oil storage tanks within the next two years. As of end-April, the government held about 72.5 million barrels of crude oil and petroleum products or about 62% of the country's current storage capacity.

Saudi Aramco is in talks with Sinopec to gain access to China's wholesale oil products market, which the government is expected to open to foreign investment at the end of this year. In exchange, Sinopec is seeking to build a refinery in Saudi Arabia with annual processing capacity of up to 12 million tons.

Tokyo Electric Power Co issued a tender to purchase 21,000 kiloliters or 132,100 barrels of low sulfur fuel oil for July delivery, down 30% on the month. The lower volume coincides with TEPCO's aim to restart the No. 3 nuclear power generator at its Fukushima-Daiichi plant in early July.

Production News

The chief negotiator for the Norwegian Oil Industry Association, Jan Hodneland said the oil service strike that started on Wednesday would likely last weeks and possibly months. He stated that even though the strike currently involved 87 well service employees and had little immediate impact on production, the labor conflict over wages could have a long term impact on production and exploration. The OLF was considering whether to escalate the conflict to a full lockout. He expected that the Norwegian Oil and Petrochemical Workers Union would soon escalate their action to include more members. Meanwhile, Norsk Hydro ASA said drilling at their Snoehvit, Ekofisk, Oseberg, Statfjord, Snorre, Gullfaks and Visund fields would be affected. Statoil also stated that the strike could delay planned exploration in the Barents Sea this summer. Norwegian rig owners said the strike could halt a large part of drilling operations and support already high oil prices. The Norwegian Shipowners' Association said in a statement that three rigs had already been taken out of operation and added that 10-12 drilling projects could be stopped in the course of the next week or two.

Nigeria cut its July official selling price for Bonny Light and Qua Iboe crude to a premium of \$1 over North Sea dated BFO sweet crude, down 75 cents from June.

Market Commentary

The oil market opened 12 cents higher at 70.45 as it remained supported by the prospect of a prolonged dispute between Iran and the West. Iran said it would respond to the incentive proposal on August 22, a month after the US, Britain, Germany, France, Russia and China were expecting. The US stated that it would like Iran to respond ahead of the mid-July G-8 meeting. The crude market posted a low of 70.05 but quickly bounced off that level and rallied to 70.85 as the product markets traded higher on news that Louisiana's Calcasieu Shipping Channel was closed since early Wednesday due to an oil spill. The market later settled in a sideways trading session before it rallied to a high of 71.04 ahead of the close. The market was further supported by the strength in the products in light of reports stating that refineries were cutting their runs and the Calcasieu Shipping Channel would remain shut for up to a week. The crude market settled up 51 cents at 70.84. Volume in the crude market was lighter with 170,000 lots booked on the day. The product markets ended the session sharply higher following the reports on the Calcasieu Shipping Channel. The gasoline market posted a low of 204.50 early in the session but quickly bounced off that level. The market traded to 209.50 before further buying pushed the market to a high of 212.00 ahead of the close in light of reports that some refineries cut their runs due to the closure of the shipping channel. It settled up 5.20 cents at 211.80. The heating oil market also bounced off an early low

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Technical Analysis		
	Levels	Explanation
CL 70.84, up 51 cents	Resistance 71.84, 72.55, 72.80	38% retracement (76.85 and 68.75), Previous high, 50% retracement Thursday's high
	Support 71.04	
	Support 70.50, 70.05 68.80, 68.75, 68.60, 68.10	
HO 197.18, up 3.47 cents	Resistance 200.40, 203.16	50% and 62% retracement (212.10 and 188.70) Remaining gap (June 13th)
	Support 197.50 to 198.60	
	Support 196.00, 195.00 193.10, 189.10	
HU 211.80, up 5.2 cents	Resistance 216.00, 218.75	Double top, Previous high Thursday's high
	Support 212.00	
	Support 208.00, 204.50 199.00	

of 193.10 and never looked back amid the supportive news. The market rallied to a high of 197.50 ahead of the close and settled up 3.47 cents at 197.18. Volumes in the product markets were light with 31,000 lots booked in the gasoline market and 41,000 lots booked in the heating oil market.

The crude market is seen remaining supported ahead of the weekend in light of the supportive news. Even if the market does retrace some of its gains, its losses will be limited. The market is seen finding support at 70.50 followed by its low of 70.05. More distant support is seen at its previous lows of 68.80, 68.75, 68.60 and 68.10. Meanwhile resistance is seen at 71.04 followed by 71.84, 72.55 and 72.80.