



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 29, 2005

An Iraqi oil official said that Iraq has reduced its oil production in the south by 11% due to a halt in exports. The South Oil Co reduced its output to 1.6 million bpd from 1.8 million bpd since Wednesday, as tankers were unable to leave the country's two oil export terminals amid the bad weather conditions. Its oil storage facilities in the south were filled to maximum capacity of 5 million barrels.

The DOE reported that US inventories of propane totaled 61.363 million barrels in the week December 24, down 3.583 million barrels on the week. It reported that inventories in the East Coast fell by 774,000 barrels to 4.089 million barrels while inventories in the Midwest fell by 1.378 million barrels and inventories in the Gulf Coast fell by 1.22 million barrels to 36.095 million barrels.

The EIA reported that the average retail heating oil price fell by half a cent over the last week to \$2.43/gallon as warmer temperatures in many parts of the country cut back on heating fuel demand. The price of heating oil is however still up 46 cents on the year.

Refinery News

Iraq has shutdown its Baiji refinery after insurgents threatened to kill drivers and blow up trucks that distribute its oil products across the country. A senior official from the 140,000 bpd refinery confirmed the closure, saying the facility was shutdown since December 24.

Market Watch

PIRA Energy Group said US gasoline prices must rise at a higher rate than crude oil in 2006 to prompt refiners to produce enough gasoline to meet demand. High prices would also cap consumer demand for gasoline, easing the strain on supply. PIRA expects gasoline cracks to increase, gasoline prices to rise substantially relative to distillate and gasoline retail prices to be some 15-20% higher than last year during the first half of 2006 to restrain demand growth.

According to a Japanese newspaper, Japan's INPEX Corp is likely to begin development of Iran's Azadegan oil field next year despite US concerns over Iran's nuclear program. The Asahi newspaper reported that INPEX is likely to begin development after Iran removes land mines from the area, which is expected to be completed by next spring. It hopes to begin production in 2008. It hopes to produce 150,000 bpd in 2009 and to increase its production to 260,000 bpd in 2013. The Azadegan field is estimated to have about 26 billion barrels in reserves.

The NYMEX announced that margin requirements on its unleaded gasoline futures contract and NY harbor gasoline calendar swap would fall from \$6,075 to \$5,400 at the close of business on Friday.

China's Maoming refinery plans to increase its crude throughput in January by 6% to 1.17 million tons or 275,500 bpd. Total crude runs in 2005 by Maoming are estimated at 12.6 million tons or 252,000 bpd.

Meanwhile, China's Zhenhai Refining & Chemical Co plans to process crude at a record level of 365,000 bpd in January to meet rising demand. Its rate would be up 6% on the month.

Production News

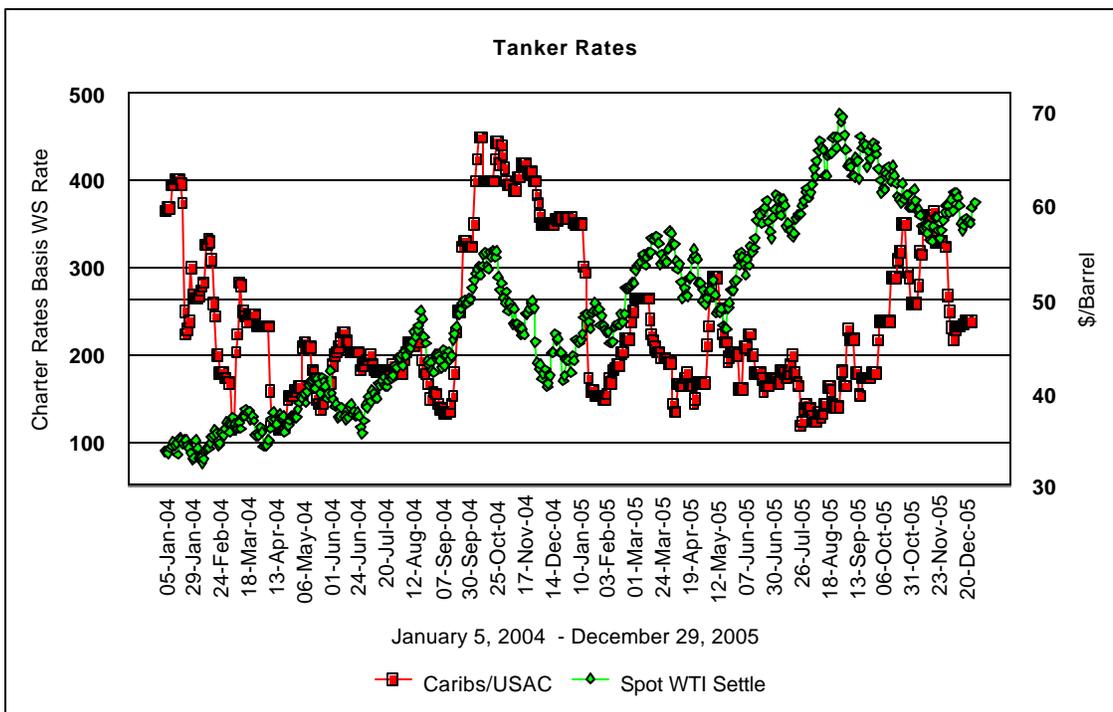
Colonial Pipeline Co once again restricted the amount of distillate products it will accept from each of its shippers into its distillate mainline due to continued over-nomination. The allocation was announced late Wednesday and represents the 7th consecutive restriction placed on distillate shipments between Collins, Mississippi and Greensboro, North Carolina.

The MMS reported that a total of 410,618 bpd of crude production remained shut in as of Thursday. The cumulative shut in oil production for the period starting August 26 to December 29 reached 108.776 million barrels. Its next report will be released on Thursday, January 5th.

The Nigerian National Petroleum Corp said that fires along two pipelines in the southern Nigerian state of Delta were most likely caused by an attack rather than attempted oil theft. A company spokesman said the situation at the Delta pipelines was under control and added that there was no disruption to supply of petroleum products from the Warri refinery to northern Nigeria or of crude oil to the Kaduna refinery in the north.

PDVSA said that oil production in Venezuela's western region stood at about 1 million bpd during the year. Total production in the region reached 1.005 million bpd in 2005 without taking into account the additional production from the 22 operating agreements with private companies. Fourth quarter production for the region increased by 100,000 bpd.

Russia's Black Sea port of Novorossiisk was open on Thursday despite bad weather conditions. Berthing and crude oil loadings continued at the oil terminal.

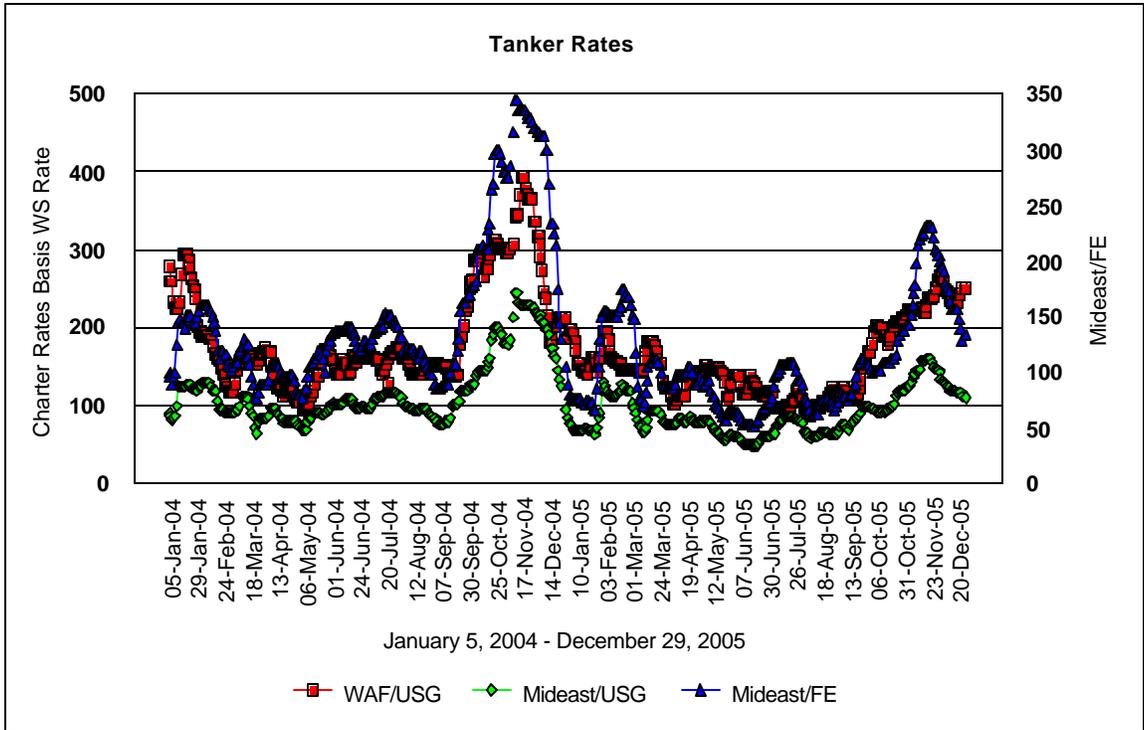


Russia's Rosneft said it expects its oil production in 2005 to reach 74.6 million tons or 1.5 million bpd. It forecast oil production would increase further to 1.6 million bpd in 2006. The majority of Rosneft's oil production would come from Yuganskneftegaz, former

production unit of Yukos, which is expected to produce 1.1 million bpd, up 8.3% on the year.

Traders stated that the February loading plan for Nigeria's Bonga oil system was estimated at 170,000 bpd, up from 107,300 bpd the previous

month. Shell's Bonga offshore oil and gas field started production from the first time in late November, offering its first cargoes for January loading.



Singapore's International Enterprise reported that the country's residual fuel stocks fell by 588,000 barrels to 10.79 million barrels in the week ending December 28th. It reported that light distillate stocks increased by 651,000 barrels to 8.411 million barrels while middle distillate stocks increased by 289,000 barrels to 8.265 million barrels on the week.

OPEC's news agency reported that OPEC's basket of crudes increased to \$51.73/barrel on Wednesday, up from \$51.14/barrel reported on Tuesday.

Market Commentary

The oil complex ended the last full session of the year in positive territory as it continued to trend higher. The crude market opened in negative territory but quickly erased its losses and never looked back. It remained supported amid the strength in the product markets, especially the gasoline market. The oil market opened at its low of 59.40 and breached the 60.00 level in light of the DOE and API reports showing larger than expected draws in product stocks. The market breached its resistance at 60.45 as it rallied to a high of 60.85 late in the session. It retraced some of its gains and settled up 50 cents at 60.32. Volume in the crude market remained light with 110,000 lots booked on the day. The gasoline market led the gains in the complex as it bounced off its low of 159.10 on the opening and never looked back. The market traded to an early high of 162.00 in light of the weekly petroleum stock reports. The market, which was able to hold onto its gains, extended its gains to over 7 cents and posted a high of 166.50 ahead of the close. It settled up 6.13 cents at 165.24. The market seemed to have been supported amid statements made by PIRA, which stated that US gasoline prices must rise at a higher rate than crude oil in 2006 to prompt refiners to produce enough gasoline to meet demand. It said relatively high prices would be required to balance gasoline supply and demand next year as refiners struggle to meet more restrictive low sulfur gasoline requirements. The heating oil market also posted a low of 168.05 early in the session and never looked back. The market backfilled its previous gap and rallied to a high of 172.00 late in the session. It settled up 2.04 cents at 170.29. Volumes in

the product markets were good with 50,000 lots booked in the gasoline and 45,000 lots booked in the heating oil market.

The crude market during Friday's shortened trading session is seen remaining supported ahead of the long weekend. The oil complex will be driven by the strength in the gasoline market in light of the statements made by PIRA. The crude market is seen finding support at 60.00 followed by 59.75 and its low of 59.45. More distant support is seen at its gap from 58.35 to 58.20 and 57.30. Meanwhile

Technical Analysis		
	Levels	Explanation
CL Resistance 60.32, up 50 cents Support	62.30, 62.70, 62.85 60.85 to 61.00	Previous highs Remaining gap
	60.00, 59.75 59.40, 58.35 to 58.20, 57.30	Thursday's low, Previous gap Previous low
HO Resistance 170.29, up 2.04 cents Support	172.10, 177.25 172.00	Previous highs Thursday's high
	170.00, 168.05 164.50, 163.00	Thursday's low Previous lows
HU Resistance 165.24, up 6.13 cents Support	167.00, 167.10, 168.00, 170.00 166.50	Previous highs Thursday's high
	164.00, 162.00 159.10	Thursday's low

resistance is seen at its remaining gap from 60.85 to 61.00 followed by 62.30, 62.70 and 62.85.

Please note the NYMEX will close early on Friday, December 30th at 1pm and will remain closed on Monday, January 2nd for the New Year's holiday. We will publish our next report on January 3rd.

Happy New Year!