



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 10, 2006

Oil prices remained supported by uncertainty about the return of about 500,000 bpd of Nigerian oil production. Royal Dutch Shell said it has yet to resume production at Nigeria's EA field. It however said that an assessment of the site before any restart could begin as early as this week. Meanwhile, Nigerian militants fighting for control of resources in the Niger Delta have said they are mobilizing to attack facilities belonging to the local unit of Exxon Mobil.

US President George W. Bush said that force was not necessarily required to stop Iran from obtaining a nuclear weapon. He dismissed reports of plans for military attacks against Iran as speculation. He said the US' goal was to keep Iranians from having the capability or the knowledge to build a nuclear weapon. Several reports over the weekend said the administration was studying options for military strikes and an account in

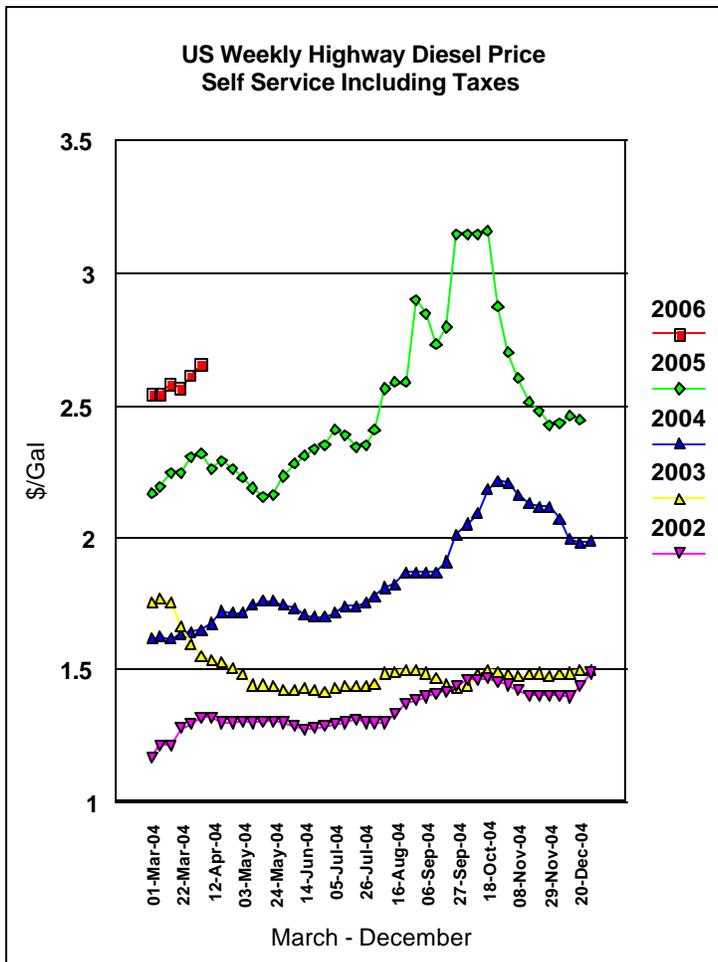
Market Watch

The NYMEX and CME announced a 10 year partnership that would list the NYMEX's energy products on the CME's Globex electronic trading platform. The CME would become the exclusive technology services provider for NYMEX energy futures and options contracts. They also announced the launch of a multi-year market maker program to complement the existing NYMEX liquidity providers. The CME would select CME members and member firms as market makers to continue to build liquidity in NYMEX's electronic products. Initial trading of NYMEX energy products on CME Globex would include 24 hour access of trading of NYMEX contracts in both standard sized and NYMEX miNY configurations. The NYMEX miNY products would be cash-settled and NYMEX is expected to determine soon whether the standard sized products on the CME would be cash settled or physically delivered. The products include crude oil, natural gas, heating oil and unleaded gasoline. After-hours trading is expected to transition to CME's Globex system in the third quarter. All NYMEX contracts traded on the CME Globex would continue to be cleared by the NYMEX Clearing House.

As gasoline prices continue increasing toward its record of \$3.07/gallon, the percent of people who disapprove of President George W. Bush's handling of energy issues has never been higher. Higher gasoline prices may deepen losses for makers of sport utility vehicles. Tesoro chief executive Bruce Smith said there is a good chance there is going to be problems as refiners attempt to meet peak US demand this summer.

Venezuela's President Hugo Chavez threatened to expel the US ambassador to the country after accusing him of provoking a recent demonstration. President Chavez said the US ambassador was partially responsible for the incident because he failed to advise the local authorities or the foreign ministry of his travel plans. The US ambassador was visiting a low income neighborhood in Caracas to donate baseball equipment to underprivileged children. The US Under Secretary of State has warned Venezuelan Ambassador Bernardo Alvarez of severe diplomatic consequences if another incident occurs.

According to Bush administration officials, Venezuela's President Hugo Chavez is seeking to deepen ties with Iran, with discussions on holding joint military exercises and obtaining uranium. Its efforts to deepen its ties with Iran have been a concern for the Pentagon and State Department. The State Department is also concerned about the overtures Venezuela is making toward Hamas.



The New Yorker magazine raised the possibility of using nuclear bombs against Iran's underground nuclear sites.

European foreign ministers on Monday are scheduled to review options for possible restrictive measures against Iran if it continues to defy calls to halt sensitive nuclear activity. Among possible measures envisaged are travel bans on Iranian officials, an end to export credit guarantees for European companies doing business with Iran and restrictions on young Iranians studying sensitive technologies in Europe.

The EIA reported that the US average retail price of diesel increased by 3.7 cents/gallon to \$2.654/gallon in the week ending April 10th. The average retail price of gasoline increased 9.5 cents to \$2.683/gallon on the week.

The Lundberg Survey reported that retail gasoline prices increased an average of about 17 cents/gallon to \$2.69/gallon in the two weeks ending April 7th.

US Ambassador to Iraq, Zalmay Khalilzad said planned talks with Iranian officials over

Iraq related issues would be delayed until a government is formed. The completion of Iraq's new government could take weeks. Efforts to form a cabinet representative of all Iraqi factions have been stalled because of mounting opposition to Prime Minister Ibrahim al-Jafari. The Shiite alliance named a three member panel to gauge support for Jafari, in what some lawmakers described as a last ditch effort to prevent the block from fracturing. The panel is expected to report its findings to the Shiite alliance Monday, which could then hold a new vote to choose a nominee or turn the question over to the new legislature.

Refinery News

Citgo Petroleum Corp shut its fluid catalytic cracking unit No. 2 at its 165,000 bpd refinery in Corpus Christi, Texas due to a leak on lower regenerator on Saturday.

Operations on ConocoPhillip's fluid catalytic cracking unit at its 238,000 bpd Bayway refinery in Linden, NJ are expected to return to normal by Tuesday. The 145,000 bpd unit was shut at the end of February for five weeks of planned maintenance. Meanwhile, ConocoPhillips' entire 180,000 bpd Trainer, Pa refinery was shut at the end of March for six weeks of planned maintenance and is expected to restart sometime during the second week of May. Separately, ConocoPhillips said one person was killed and four injured at its Wilmington, California refinery. Five contract workers fell into an empty naphtha storage tank at the refinery when the floating roof collapsed.

Delek is planning to shutdown a sulfur recovery unit furnace at its Tyler, Texas refinery on Monday. It is expected to complete the maintenance and return the unit to service later on Monday.

Total said it shut two sulfur units at its Port Arthur, Texas refinery on Saturday due to power problems.

The head of Citgo, Felix Rodriguez said Venezuela could still supply crude to the Lyondell Citgo refinery in Houston that is being sold.

Participants at a biofuels panel at the World Economic Forum said California and Minnesota are keen to increasing their purchases of Brazil's ethanol. However there may be little chance that the US government would move to omit the ethanol import tariff. Analysts and traders forecast that the US would be hit by an ethanol crunch in the coming months due to the phase out of gasoline additive, MTBE. The US has duties of \$.54/gallon on direct ethanol imports as well as a 2.5% valorum tax.

ExxonMobil's unit in Japan, TonenGeneral Sekiyu, said it shut a 156,000 bpd crude distillation unit and a 340,000 bpd catalytic reformer at its Sakai refinery following a fire on Monday. The company did not know when the crude distillation unit would resume operations. The unit was scheduled to undergo maintenance for about two weeks in mid-May.

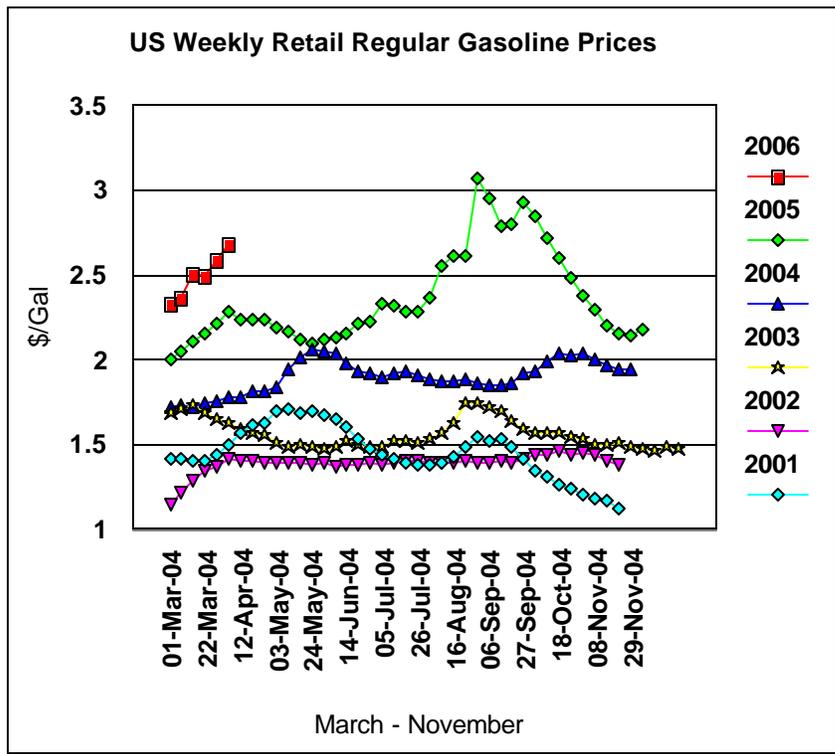
South Korea's GS Caltex Corp said it restarted its 650,000 bpd refinery in Yosu following a brief shutdown on Friday.

A plan by Kuwait to build a \$5 billion refinery in the southern Chinese province of Guangdong was officially approved by China's top economic planner. The National Development and Reform Commission approved the 300,000 bpd project. The refinery would double Guangzhou's refining capacity to 30 million tons a year.

Production News

Saudi Arabia is scheduled to keep its May supplies steady to world systems and refiners in Europe and Asia compared with April volumes. Last month, world oil majors were receiving about 80% of their contracted volumes while European refiners were receiving about 70-75%. Earlier, industry sources said Saudi Arabia was supplying full term crude volumes to its Asian customers, unchanged from its April supply.

An Iraqi oil official said Iraq's oil exports in the first 10 days of April increased by 13.9% to 1.64 million bpd compared with March. The official said the increase in exports was partly due to improvements in weather conditions at Iraq's southern export terminal of Basra. The official said production from the country's southern oil fields was about 1.8 million bpd during the first 10 days of April while production in the country's northern oil fields was about 300,000 bpd. Separately, Iraq pumped 118,000 barrels of Kirkuk



crude through Iraq's northern oil pipeline for several hours between Sunday and Monday.

The Petroleum Intelligence Weekly said demand is starting to crumble, partly under the weight of high prices. Global year on year oil demand growth is losing more steam than anticipated even a few weeks ago and was basically flat in February and March. Unexpected downward demand revisions in the US, down 250,000 bpd in January, down 300,000 in Japan and down 150,000 bpd in Germany was the source of the downward revision. Most market participants believe that even without growth in the consumption, prices should remain high. Geopolitical production are expected to keep the focus on tight spare world output capacity and product markets would be tight regardless of demand trends because of fuel specifications and refining constraints.

The PIW reported that following months of gains, world supply growth fell in March by about 465,000 bpd as Nigerian disruptions combined with some maintenance closures and the effects of an oil spill on Alaska's North Slope. Accounting for the majority of the fall, Nigeria lost 420,000 bpd on average in March compared to February. Iraqi exports and domestic use were off by just over 100,000 bpd in March. In addition there were indications that some Mideast Gulf producers seem to have started to quietly ease their production in the face of increasing inventories. Total OPEC crude production stood at 29.66 million bpd, down 645,000 bpd from the previous month. Meanwhile, Russia indicated a 114,000 bpd gain in its production while Kazakhstan saw a 63,000 bpd increase in its production. In North America, the post hurricane recovery in oil output that had been fueling much of the non-OPEC supply gains in recent months sputtered out.

The UK North Sea Forties crude system is scheduled to load 530,000 bpd in May, down 18,000 bpd on the month. The Statfjord crude system is scheduled to export 275,800 bpd in May, up from 171,000 bpd in April. The May loading program for Ekofisk crude is scheduled to export 17.95 million barrels, up from 17.3 million barrels in April. Norway's Oseberg crude system is scheduled to load 239,000 bpd in May, down from 248,000 bpd in April.

Norway's DNO plans to start producing oil in Iraq next year, a move that would make it the first Western firm to do so since the 2003 US led invasion. Data gathered so far showed oil in five reservoirs in the Tawke area in the Kurdish north of Iraq, although DNO chief executive Helge Eide said it was too early to say how big the field is.

Germany's BAFA said the country's crude oil imports increased by 1.1% to 111.4 million tons in the 12 months ending February. It said the oil import bill increased by 11.9 billion euros or \$14.43 billion to 37.4 billion euros.

Russia's Oil Ministry would like to take control over the state agency that decides the volumes and route of oil shipments from the country. A source in the Oil Ministry gave no reason for moving the Energy Agency under the control of Energy Minister Viktor Khristenko, however a local news agency linked it to a desire to bring the agency's work closer to government policy.

According to the China's Congressional Budget Office, increasing energy demand in China could increase world crude oil prices by as much as \$14/barrel over the next five years. It said if all the crude oil prices increases reach consumers, US gasoline and diesel prices could increase by up to 33 cents/gallon.

Kuwait Petroleum Corp posted its official selling price for crude oil bound to Asia at \$2.65/barrel below the average of Oman and Dubai assessments for May.

Market Commentary

The oil market gapped higher from 67.60 to 68.10 on the rising tension over Iran's nuclear program. Over the weekend, there were reports stating that the US was studying options for strikes against Iran as part of a broader strategy of coercive diplomacy. The US said its priority was to seek a diplomatic solution to the dispute with Iran but it did not deny a report in New Yorker magazine that it had stepped up military planning. The market traded to 68.30 early in the session before it partially backfilled its gap as it sold off to a low of 67.75. The oil market however bounced off its low and never looked back. It extended its gains to over \$1.50 as it rallied to a high of 68.95 ahead of the close amid reports that militants threatened to attack ExxonMobil's oil facilities in Nigeria. The May crude contract settled up \$1.35 at 68.74. Volume in the crude was good with over 238,000 lots booked on the day. The product markets also settled sharply higher, with the heating oil market surprisingly leading the complex higher. The heating oil market settled up 6.28 cents at 194.54 after it gapped higher on the opening from 188.80 to 189.80. The market partially backfilled its gap as it traded to a low of 189.40 early in the session. The market however bounced off that level and rallied over 6.7 cents as it breached its previous highs. It posted a high of 195.00 ahead of the close. Meanwhile, the gasoline market gapped higher from 198.90 to 199.80 in follow through buying seen on Access. The market partially backfilled its gap as it traded to a low of 199.45 before it rallied to a high of 202.30 ahead of the close. Volumes in the product markets were good with 47,000 lots booked in the heating oil market and 44,000 lots booked in the gasoline market.

The crude market may retrace some of its sharp gains. However the market is still seen targeting the 70.00 level in light of the continuing geopolitical problems. The market will remain supported amid the increasing tension over Iran's nuclear program and the continued threats to Nigeria's oil infrastructure by militants. The market is seen finding resistance at 68.95 followed by more distant resistance at 70.10 and 70.18. Meanwhile, support is seen at 68.50, 68.00 and its gap from 67.75 to 67.60. More distant

support is seen at 66.65 and 66.23.

Technical Analysis		
	Levels	Explanation
CL 68.74, down \$1.35	Resistance 70.10, 70.18	Previous high, Basis trendline
	Support 68.50, 68.00	Monday's high
	Support 67.75 to 67.60, 66.65, 66.23	Remaining gap (April 10th), Previous lows
HO 194.54, up 6.28 cents	Resistance 195.44	Basis trendline
	Support 195.00	Monday's high
	Support 192.00, 190.00 189.40 to 188.80, 185.75, 185.60	Remaining gap (April 10th), Previous lows
HU 200.92, up 3.24 cents	Resistance 203.20	Basis trendline
	Support 202.30	Monday's high
	Support 200.00, 199.45 to 198.90 195.20, 191.00, 185.00, 184.90	Opening gap (April 10th) Previous lows