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ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 11, 2006

Iran's President Mahmoud Ahmadinejad said Iran successfully enriched uranium for the first time. However he insisted that Iran did not aim to develop nuclear weapons. He formally declared that Iran joined other countries that possess nuclear technology. He said Iran is determined to have full nuclear cycle. Iran's nuclear chief, Vice President Gholamreza Aghazadeh said Iran produced 110 metric tons of uranium gas. He said Iran had successfully enriched uranium to a low level needed to produce nuclear fuel and would expand its program to 3,000 centrifuges by the end of the year. The announcement could mark a serious set back to UN Security Council effort to have Iran suspend enrichment work. The head of the IAEA, Mohamed ElBaradei, is expected to visit Iran later this week to seek full

Iranian cooperation with the Council and IAEA inquiries. Meanwhile, Russia said it hoped a visit to Iran by the head of the IAEA could help bring about a diplomatic solution to the dispute over Iran's nuclear program. China's Foreign Ministry also stated that it hoped a visit by the head of the IAEA to

Market Watch

An amendment to Nigeria's constitution that could extend President Olusegun Obasanjo's hold on power for a third term was presented to lawmakers on Tuesday. The proposal has fueled violence in Nigeria ahead of the elections next year and raised fears among civil society groups that it could be sliding back towards dictatorship. Nigeria's constitution allows two terms of four years for the president and state governors, but powerful allies of Obasanjo are campaigning to extend it to three terms in the face of massive opposition across the country.

According to the latest monthly survey on the economy by Bloomberg News, GDP is expected to increase by an average of 3.4% this year. A month ago, economists forecast a 3.3% gain would follow the 3.5% increase in 2005. The consumer price index would likely increase 3% this year, up from the previous forecast of 2.9%.

Venezuela's Deputy Energy and Oil Minister Bernard Mommer said the country may impose higher taxes on international oil companies operating in the country.

The vice president of communications for DaimlerChrysler's Chrysler Group accused oil companies of greed and indifference to the environment. The remarks are bound to fuel tensions between oil companies and the auto industry.

The American Trucking Associations' seasonally adjusted truck tonnage index fell for the first time in six months, down 3.6% in February. The index had increased a total of 3.3% during the September 2005-January 2006 period. The seasonally adjusted index stands at 113.7, its lowest level since March of last year. The non-seasonally adjusted index also fell by 5.6% after increasing by 1.4% in January.

Iran could help bring about a diplomatic solution to the dispute over Iran's nuclear program. Separately, UK Foreign Minister Jack Straw said the UN sanctions may be needed if diplomacy failed to end the standoff.

US Secretary of Defense, Donald Rumsfeld said he would engage in speculation about a possible US attack on Iran, although he noted that the Bush administration is concerned about Iran's nuclear ambitions. He declined to comment on Iran's claim that it had enriched uranium for the first time.

The EIA stated in its Short Term Energy Outlook that continued world oil demand growth, combined with modest increases in spare oil production capacity and geopolitical instability are expected to keep crude oil prices high through 2006. The price of WTI crude is estimated to average \$65/barrel in 2006 and \$61/barrel in 2007. Retail regular gasoline prices are projected to average \$2.50/gallon in 2006 and \$2.40/gallon in 2007. Summer gasoline prices are expected to average \$2.62/gallon, up 25 cents on the year. The EIA stated that 2006 is likely to bring an even tighter world petroleum market than 2005. Consumption growth is expected to outpace production growth in 2006 by 400,000 bpd compared to 100,000 bpd greater consumption growth than production growth in 2005. Also, while world oil stocks built by 500,000 bpd in 2005, a stock build of just 100,000 bpd is expected in 2006. OPEC crude production is expected to remain flat in 2006 compared to 2005 instead of increasing along with non-OPEC production to meet demand growth. Non-OPEC production is expected to grow by 800,000 bpd in 2006 to 51 million bpd. It estimated that world consumption growth is forecast at 1.6 million bpd compared with 1.1 million bpd in 2005. This would leave average total world consumption in 2006 about 100,000 bpd below average world production. World consumption growth is expected to increase further to 1.7 million bpd in 2007. Total world demand in 2006 is estimated at 85.2 million bpd while in 2007 world demand is estimated at 87 million bpd, unchanged from the previous forecast. In regards to US consumption, the EIA reported that total US petroleum demand is estimated at 20.92 million bpd in 2006 and 21.4 million bpd in 2007, down 30,000 bpd and 20,000 bpd, respectively. Gasoline demand is estimated at 9.26 million bpd, down 20,000 bpd from its previous estimate while demand in 2007 is forecast at 9.42 million bpd, down 20,000 bpd from last month's forecast. Gasoline demand this summer is forecast to average 9.4 million bpd, up 1.5% on the year. US refineries are expected to produce more gasoline to meet demand, with production up 217,000 bpd during the April-August period compared to last year and 480,000 bpd higher in September when hurricanes disrupted operations last year. The EIA said foreign supplies of gasoline may be harder to obtain due to new US low sulfur requirements and the phasing out of MTBE in favor of ethanol. It also reported that distillate demand in 2006 is estimated at 4.17 million bpd while demand in 2007 is estimated at 4.32 million bpd.

The head of the EIA, Guy Caruso, said US retail gasoline prices should increase another 10-15 cents from the current national average of \$2.68/gallon and peak in May. However he stated that gasoline prices would not reach the record \$3.07/gallon seen last year.

Refinery News

Construction of an ethanol plant is scheduled to start next year in west central Illinois. The plant would be capable of producing 100 million gallons of corn derived fuel a year when it is finished by 2008. Big River Resources LLC would then take over operations at the entire facility.

Italy's Saras started a major planned turnaround at its 310,000 bpd Sarroch refinery in Sardinia, taking down several units through to mid-May.

Three desulphurization units at ExxonMobil's TonenGeneral Sekiyu's Sakai refinery remained shut following a fire on Monday. The local fire department has also issued a suspension order for the

Refinery Update

April:

BP Plc's 460,000 bpd Texas City, Texas refinery is restarting production this week, more than six months after the refinery was shut due to Hurricane Rita. Sources stated that barring any problems with the restart, the refinery should be producing gasoline no later than Saturday. The refinery is expected to reach full production this summer as the company continues to slowly resume operations at the Texas City refinery.

Citgo Petroleum shut its fluid catalytic cracking unit no. 2 at its 157,000 bpd Corpus Christi, Texas refinery for unplanned maintenance due to a leak. Its restart timing is unknown. Also, a sulfur recovery unit is expected to restart in mid-April.

ConocoPhillips' 190,000 bpd refinery in Trainer, Pennsylvania is undergoing maintenance from April 1-May 15. The restart of a 99,000 bpd fluid catalytic cracking unit at its 253,000 bpd Belle Chase, Louisiana refinery failed. The next restart attempt is seen 2-4 weeks away.

Valero's 50,000 bpd fluid catalytic cracking unit at its Paulsboro, NJ refinery is undergoing maintenance. It is seen lasting 32 days. Valero's 30,000 bpd hydrocracking unit at its McKee, Texas refinery is scheduled to shutdown in April for 26 days.

Alon's 70,000 bpd crude distillation unit and 50,000 bpd fluid catalytic cracking unit are scheduled to undergo maintenance starting April 21 until May 21. Alon's hydrotreating unit at its 70,000 bpd Big Spring, Texas refinery is scheduled to shutdown for 20 days of planned maintenance starting April 20. No finished diesel is expected to be produced and gasoline production is expected to be reduced to 2/3 of normal capacity.

Delek's 55,000 bpd Tyler, Texas refinery fluid catalytic cracking unit is expected to reduce operations between April 9 and 13 for inspection and possible repairs of a boiler. The refinery is expected to shut a sulfur recovery unit furnace on April 10 for 15 hours of maintenance.

Motiva's 80,000 bpd fluid catalytic cracking unit at its Convent, Louisiana refinery has been undergoing maintenance since March 26. It is expected to restart on April 27. Also, its delayed coking unit at its Port Arthur, Texas refinery remains shut since February 14.

Murphy's 120,000 bpd refinery in Meraux, Louisiana, which has been shut since August 29 due to a hurricane, is expected to restart in early April.

Total's distillate hydrotreater at its Port Arthur, Texas refinery was shut on April 5 and is scheduled to restart on April 15.

Exxon Mobil's 245,000 bpd Joliet, Illinois refinery is expected to shutdown for 30 days of planned maintenance scheduled to begin April 20.

Shell's 67,000 bpd fluid catalytic cracking unit was shut on March 27 and remains down following a chemical leak.

May:

Valero's Quebec refinery is expected to undergo maintenance in May. Its 63,000 bpd fluid catalytic cracking unit is expected to shutdown for 32 days while its 165,000 crude distillation unit and its 30,000 bpd continuous catalytic reformer are expected to shutdown for 21 days.

Citgo's 165,000 bpd Corpus Christi, Texas refinery is expected to shutdown for overhaul in May.

ExxonMobil's 90,000 bpd fluid catalytic cracking unit at its Baytown, Texas refinery is scheduled to undergo maintenance from May 5-June 6.

156,000 bpd crude distillation unit at the refinery.

Production News

According to Euroilstock, total petroleum stocks stood at 1.137 billion barrels in March. It is down from its revised February stock level of 1.147 billion barrels. However if February's stock level was not revised higher, total petroleum stocks would have increased by 2.245 million barrels. Euroilstock reported that crude stocks increased to 482.38 million barrels in March, up from a revised February level of 477.2 million barrels. Gasoline stocks fell by 4 million barrels to 143.48 million barrels from a revised level of 147.48 million barrels in February while distillate stocks fell by 7.5 million barrels to 379.05 million barrels from a revised February level of 386.55 million barrels.

Saudi Arabia's Crown Prince Sultan bin Abdul Aziz al-Saud said the country plans to increase its crude oil production capacity to 12.5 million bpd from about 9.5 million bpd. He said the country is keen on stabilizing the market in order to support the development of the world economy.

Indonesia's Mines and Energy Ministry reported that the country's crude oil exports fell by 14.1% to 314,400 bpd in March from 366,000 bpd in February while imports were down by 21.8% to 130,300 bpd.

OPEC's news agency reported that OPEC's basket of crudes increased to \$62.65/barrel on Monday from \$61.80/barrel on Friday.

Japan's Tokyo Electric Power Co cut its consumption of oil and liquefied natural gas for thermal power generation in March. TEPCO in March used 367,000 kiloliters or 74,500 bpd of fuel oil, down 26% on the year. It also consumed 184,000 kiloliters or 37,300 bpd of low sulfur crude in March, down 42% on the year. Total oil consumption in March fell 32% to 551,000 kl or 111,800 bpd from 816,000 kl a year earlier. Its LNG consumption in March stood at 1.26 million tons, down 11% from 1.42 million tons reported last year.

China is expected to have 5 million cubic meters of commercial storage capacity by 2011 as the country prepares to open up its markets with Titan Petrochemicals Group Ltd holding stakes in three projects. The tanks, whose combined capacity would exceed the 3.6 million cubic meters or 27 million barrels of current commercial storage in Singapore, will start operations around August in southern China's Nansha and Fujian provinces.

Petroecuador exported 16.52 million barrels of crude oil in the first three months of the year, up 19% from 13.86 million barrels. Its export revenues between January and March totaled \$786.52 million, up 68% from \$469.48 million reported last year.

Russia's OAO Yukos halted talks with the Lithuanian government over the sale of its 53.7% stake in Mazeikiu Nafta AB. Yukos had agreed in principle to sell the stake in the refiner to the government for \$1.4 billion.

India's Oil Minister Murli Deora said the country expects oil companies including world majors to invest up to \$7 billion to explore oil and gas in the country under the sixth round of its New Exploration Licensing Policy. India invited bids for 55 oil and gas exploration blocks in February.

Market Commentary

The oil market gapped higher once again from 68.95 to 69.00 amid the mounting tension over Iran's nuclear program. The market rallied to a high of 69.25 early in the session amid the expectations that Iran would announce later in the day that it had successfully enriched uranium, an announcement that

would cause further setbacks to the UN Security Council's efforts to have Iran halt its nuclear program. The crude market however backfilled its gap and retraced its gains as it sold off to a low of 68.00. The market later bounced off its low and rallied back towards its high ahead of the close. The crude market settled up 24 cents at 68.98. The market was well supported amid the announcement that Iran had successfully enriched uranium and was determined to continue its nuclear program. Volume in the crude market was excellent with over 273,000 lots booked on the day. The product markets also saw sharp rebounds from their earlier losses. The gasoline market traded to 203.50 on the opening but quickly found some profit taking that pushed it to a low of 199.05. The market however bounced off its low and rebounded to a high of 206.00 ahead of the close. The market may have been supported amid the expectations that the DOE report would show a draw of over 2 million barrels in gasoline stocks on Wednesday. The market settled up 4.52 cents at 205.44. The heating oil market also settled up 1.01 cents at 195.55 after the market rallied to a high of 195.80 ahead of the close. The market, which erased some of its recent gains, bounced off a low of 191.50 amid the expectations of draws in distillate stocks. Volumes in the product markets were good with over 46,000 lots booked in the gasoline and 50,000 lots booked in the heating oil market.

The oil market on Wednesday is seen trading higher in light of the Iranian situation that has continued to keep the market on edge. The market is also seen supported by weekly petroleum stock reports which are expected to show builds in crude stocks of about 1.5 million barrels and draws of 2.2 million barrels in gasoline stocks and draws of about 1 million barrels in distillate stocks. Even if the reports fail to show supportive draws in product stocks, the market's losses will be limited amid the geopolitical problems. The market is seen finding resistance at 69.25 followed by more distant resistance at 70.10 and 70.54.

Meanwhile support is seen at 68.50 and its low of 68.00. More distant support is seen at its gap from 67.75 to 67.60, 66.65 and 66.23.

Technical Analysis		
	Levels	Explanation
CL 68.98, up 24 cents	Resistance 70.10, 70.54	Previous high, Basis trendline
	Support 69.25	Tuesday's high
	Support 68.50, 68.00 67.75 to 67.60, 66.65, 66.23	Tuesday's low Remaining gap (April 10th), Previous lows
HO 195.55, up 1.01 cents	Resistance 196.25 195.80	Basis trendline Tuesday's high
	Support 194.00, 192.00 191.50, 189.40 to 188.80	Tuesday's low, Remaining gap (April 10th)
	Support 207.00, 213.50 206.00	Basis trendline & previous high, Previous high Tuesday's high
HU 205.44, up 4.52 cents	Support 202.00 199.05 to 198.90, 195.20	Remaining gap, Previous low