



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 17, 2006

Iran's former President Akbar Hashemi Rafsanjani said the country would continue to enrich uranium. Meanwhile, he sought to allay fears in the Gulf region, saying the nuclear program was bound by the nuclear Non-Proliferation Treaty and would be supervised by the IAEA. Iran's top nuclear official, Ali Larijani, said demands to halt the program were irrational. Separately, The New York Times reported that Iran was working on a P-2 centrifuge, a uranium enrichment machine that could advance the development of a nuclear weapon. The Institute for Science and International Security said Iran has built a new tunnel entrance at a uranium processing plant in Isfahan and reinforced its Natanz underground uranium enrichment plant. 32

US Senators said the US needs to pursue direct

Market Watch

Nigeria's government has moved more troops into the Niger Delta to protect oil and gas installations in the region. This followed warnings from the Niger Delta People's Volunteer Force that it was mobilizing its forces to renew armed struggle against the state. Separately, top leaders of Pengassan would decide at a meeting on April 27 whether to call on its members who work for Exxon Mobil to go on strike over unpaid staff housing allowances. An Exxon spokesman said the dispute concerned only the downstream division and any strike would unlikely to affect crude oil production.

Chad's government has pushed back until the end of April a deadline for halting oil production in a dispute with the World Bank over frozen Chad oil royalties. Chad has threatened to halt its oil production unless the World Bank released the funds or a US led oil consortium operating in the country paid out at least \$100 million. A Chad government statement said it would relax the deadline, because it had accepted a US government offer to mediate in the dispute. Chad's President Idriss Deby dragged oil into the crisis by announcing the deadline for either the World Bank to unfreeze the royalty payments or for the US led oil consortium to pay. Meanwhile, Chad last week threatened to expel 200,000 refugees who fled Sudan's Darfur region. Chad's President said he would not expel the refugees.

Intercontinental Exchange Inc said its ICE futures electronic exchange would begin trading gasoline and heating oil futures on April 21. The gasoline future contract would cover reformulated gasoline blendstock for oxygenate blending while the heating oil futures would be the equivalent of ICE future's gasoil contract. Both contracts would be settled financially. The exchange would also introduce contracts based on the differential in price of the US oil, heating oil and gasoline contracts, known as crack spread contracts. It would also offer a crack spread contract that follows the difference in price between Brent futures and the IPE gas oil contract.

The CBOT issued delivery notices against 52 April ethanol contracts.

Sunoco Logistics Partners LP said it would purchase a 50% stake in a refined products terminal in Syracuse, New York from an affiliate of ExxonMobil Corp. The deal is expected to close within the next 60 days.

China's economy grew by more than 10% in the first quarter due to accelerating exports and resurgent bank lending based on above target rises in money supply. The 10.2% rise in GDP and a renewed increase in capital inflows in the first three months of the year would maintain the pressure on China to allow a faster appreciation of its currency.

talks with Iran about its nuclear program before considering a military option.

Qatar's Oil Minister Abdullah al-Attiyah said oil prices are too high and added that OPEC could not do anything to lower the prices. He also stated that OPEC would likely maintain its current oil production unchanged for the rest of the year if world demand remains steady. He also stated that OPEC would hold talks on the market this week on the sidelines of the International Energy Forum which starts on April 22. Meanwhile, Indonesia's OPEC governor, Maizar Rahman said the country would propose at the next OPEC meeting that members increase their production. He said he expected current high oil prices to be temporary as it was sparked by geopolitical issues. He said it would take OPEC time to increase its production since members were already producing at their maximum capacity.

Separately, a senior OPEC delegate said world oil markets are expected to remain well balanced for the remainder of 2006 and added that there is enough crude supplies to meet any unexpected shortage in the market or increase in demand. The delegate said OPEC was unlikely to change its current production levels this year. He said oil prices were being supported by concern over US gasoline stocks and geopolitical factors.

The AAA reported on Sunday that the US average price of gasoline increased by 18.1 cents/gallon to \$2.761/gallon in the past two weeks.

The EIA reported that the US average retail price of gasoline increased by 10 cents/gallon to \$2.783/gallon in the week ending April 17th. It also reported that the US average retail price of diesel increased by 11.1 cents/gallon to \$2.765/gallon on the week.

Refinery News

A 54,000 bpd catalytic reformer unit at Venezuela's Cardon refinery was offline due to a furnace explosion over the weekend following attempts to restart operations. Its gasoline production remained halted. A source familiar with operations at the refinery later stated that a fire started at an alkylation unit amid restart procedures. He did not say when the unit would be repaired, but the incident is expected to slow restart operations at the refinery.

According to a report filed with the Texas Commission on Environmental Quality, at least one gasoline producing unit at BP's 460,000 bpd Texas City, Texas refinery resumed operations for the first time in about seven months.

ConocoPhillips reported an equipment malfunction at its 146,000 bpd Borger, Texas refinery. According to a report filed with the Texas Commission on Environmental Quality, boilers in Area C of the refinery failed.

A fluid catalytic cracking unit at Valero Energy Corp's 250,000 bpd refinery in Port Arthur, Texas flared on Friday. According to a filing with the Texas Commission on Environmental Quality, issues with the process control system caused the flaring.

Flint Hills Resources LP is shutting a sulfur recovery unit at its Corpus Christi, Texas refinery on Monday for planned maintenance. The April 17-27 shutdown and work on sulfur recovery unit No. 1 coincides with a West Plant crude unit turnaround.

The Texas Natural Resource Conservation Commission reported Alon's Big Spring refinery in Texas is scheduled to undergo maintenance on its crude unit's vent gas compressor.

Japan's Cosmo Oil Co said it shut a 130,000 bpd crude distillation unit and related systems at its Chiba refinery following a fire on Sunday. The operations of the No. 2 vacuum distillation unit, two desulphurisers and a system to produce hydrogen have been suspended at the plant. A company spokesman did not know the possible impact of the outages on product shipments or when the company could restart the CDU and related units.

Nippon Oil Corp said it would shut its 127,000 bpd refinery in Marifu later in April for scheduled maintenance. A company spokesman said it would close the refinery on April 26 and remain closed for about 45 days.

Indonesia's Pertamina shut a vacuum unit at its 120,000 bpd Dumai refinery last week due to pump failure.

S-Oil Corp plans to shut down its 52,000 bpd residual fuel unit from June 12 to July 13. The turnaround would force the refiner to cut crude runs at its 580,000 bpd Onsan refinery to about 480,000 bpd in June. Separately, S-Oil Corp said its board had approved a \$3.74 billion project to build a 480,000 bpd refinery. The project would increase S-Oil's total capacity by 83%. The plan also included a 75,000 bpd residue fluid catalytic cracker and a 75,000 bpd hydrocracker. The project is subject to the municipal government's approval.

Production News

A Venezuelan newspaper reported that Venezuela may offer the private companies from which it recovered 27,721 sq. kilometers of land in March a chance at minority stakes to develop the area. PDVSA compensated the companies for the land with \$900 million in investment bonds. Oil majors, including Chevron Corp, Petrobras and Royal Dutch Shell lost oil acreage under contract changes to recover undeveloped land.

Ukraine's Odessa-Brody oil pipeline shipped 1.1 million tons or 89,600 bpd of crude in the first quarter of 2006. TNK-BP confirmed that it planned to increase oil shipments to 6 million tons this year from 5.8 million tons in 2005.

South Korea said it may consider mandatory measures to cut energy use and release oil reserves if the situation in Iran deteriorated to help cushion the impact of rising oil prices. As of the end of February, South Korea held 149.5 million barrels of oil reserves, enough to cover 111 days of net imports.

According to customs data, China's net imports of oil products increased by 40.1% on the month in March to 1.92 million tons.

PetroChina Co. said its total oil and gas output in the first quarter increased by 6.3% on the year to 267.7 million barrels of oil equivalent. In the first quarter, PetroChina's crude oil output totaled 207.7 million barrels, up from 207.6 million barrels reported last year.

China's southern Huangpu port has imported just under 500,000 tons of fuel oil for the first half of April, in line with forecasts for below average imports of less than 900,000 tons for the whole month. The low volume of imports was due to strong outright prices for the month.

Petrobras' oil production in Brazil fell to 1.746 million bpd in March from 1.758 million bpd in February. Its international oil production increased slightly to 159,400 bpd in March from 158,700 bpd in February. The company's combined domestic and overseas oil production fell to 1.906 million bpd in March from 1.917 million bpd in February.

Market Commentary

The oil market opened 13 cents higher at 69.45 in follow through strength seen on Access trading, when the market rallied to a high of 70.00. The market was well supported amid fears over Iran's nuclear program as Iranian officials continued to state that the country would continue to enrich uranium. The market retraced some of its gains and posted a low of 69.30. The crude market however bounced off its low and extended its gains to 68 cents as it rallied to the 70.00 level. The market gravitated to that level amid the large amount of open interest in the 70.00 calls ahead of option expiration at the close. The market later breached its resistance at 70.00 and rallied to a high of 70.45 ahead of the close. The crude market settled up \$1.08 at 70.40. Volume in the crude was good with 193,000 lots booked on the day. The gasoline market opened relatively unchanged at 210.80 despite the earlier strength seen on Access. The market posted a low of 209.70 and quickly bounced off that level. The market retraced its early losses and never looked back. It led the energy complex higher as it rallied to a high of 217.70 ahead of the close. It extended its gains to over 6.9 cents amid the news of refinery problems, including PDVSA's Cardon refinery. It settled up 6.18 cents at 216.97. The heating oil market opened down 95 points at 198.25 and quickly posted a low of 197.50. The market later bounced off that level and rallied to 200.00 where it seemed to find some resistance. The market however breached that level and continued to find further buying, which pushed it to a high of 202.50 ahead of the close. The market settled up 3.98 cents at 202.29. Volumes in the product markets were good with 40,000 lots booked in the gasoline market and 42,000 lots booked in the heating oil market.

The oil market, which looks overbought, is seen retracing some of its gains. However its losses will remain limited amid the geopolitical problems that have been supporting the market. The market will also position itself ahead of the weekly petroleum stock reports. The market crude market is seen finding support at 70.00, 69.50 and its low of 69.30. Meanwhile further support is seen at 67.95 and its gap from 67.75 to 67.60. Resistance is however seen at 70.45, 70.85 and 71.62.

Technical Analysis		
	Levels	Explanation
CL Resistance 70.40, up \$1.08 Support	70.85, 71.62 70.45	Previous highs, Basis trendline Monday's high
	70.00, 69.50 69.30, 67.95, 67.75 to 67.60	Monday's low, Previous low, Remaining gap
HO Resistance 202.29, up 3.98 cents Support	203.00, 209.00 202.50	Previous highs Monday's high
	200.00 197.50, 196.00	Monday's low, Previous low
HU Resistance 216.97, up 6.18 cents Support	213.50, 218.00 217.70	Previous highs Monday's high
	215.50, 211.50 209.70, 205.35, 204.85	Monday's low, Previous lows