



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 24, 2006

Iran's Oil Minister Kazem Vaziri said Iran would not disrupt its oil exports. He said its oil would not be used as a weapon in its nuclear dispute with the West. He also quashed speculation that Iran would redirect exports to customers that were sympathetic to its cause. He said Iran would continue to meet its obligations to all of its customers. Iran's oil production stood at 4.1 million bpd. In Russia, a senior Iranian diplomat played down a report that Iran had a basic agreement with Russia to enrich uranium in Russia and said no new deal had been struck. Meanwhile, Iranian Foreign Ministry spokesman Hamid Reza Asefi said Iran's decision to enrich uranium was irreversible. He said Iran is prepared for all possible situations and has planned for them. Separately, the head of

Market Watch

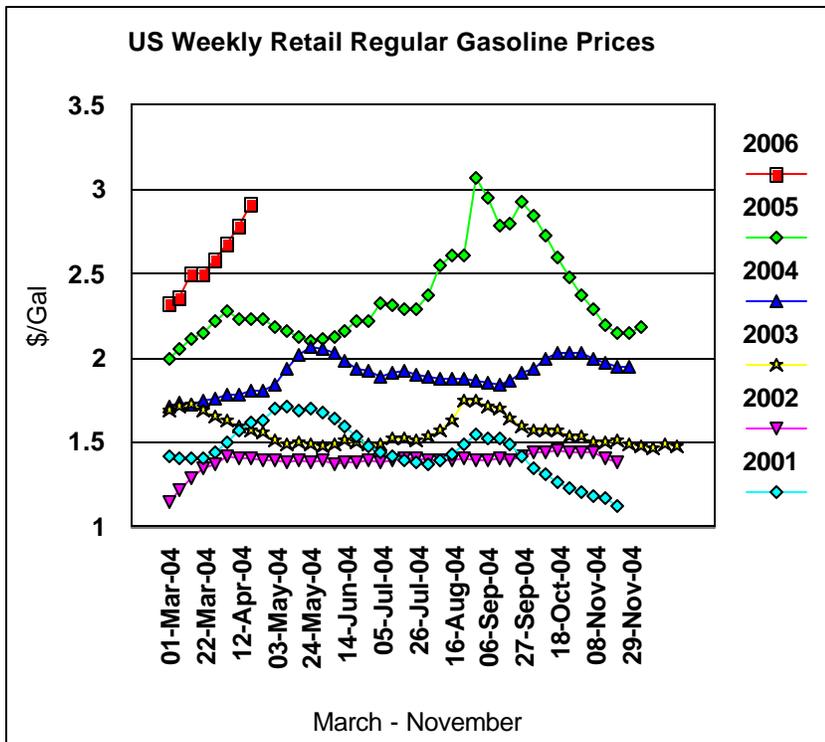
US Energy Secretary Sam Bodman said there was little will in Washington to increase taxes on gasoline. He also stated that high oil prices were causing great dislocation in the US and the rest of the world but there was little producers could do to increase capacity. He said \$70/barrel was very disruptive to consuming and producing countries.

The DOE announced it was considering an increase of the SPR by about 45% to 1 billion barrels, either through direct purchase or through transfer of oil produced under federal leases. It also said it would allow energy companies to delay returning oil they borrow from the SPR, which would result in more barrels coming into the reserve as interest at a future time. It estimates that acquiring more than 300 million barrels of crude to increase the SPR to 1 billion barrels would take 15 years. The DOE said when buying oil, it would strive to avoid incurring excessive cost or appreciably affecting the price of petroleum products to consumers by analyzing market activity for crude and related commodities and prices of oil for delivery in future months as well as the perceived availability of near term and forward supplies.

The Washington Times reported that a leading Republican senator said the government should consider a tax on oil companies if they make excessive profits amid rising gasoline prices. Sen. Arlen Specter said a windfall tax and measures to stem concentration of market power among a few select oil companies could offer eventual relief to consumers hurting at the gas pump. He is also supporting legislation that would strengthen antitrust laws on oil company mergers after his committee held a hearing last month examining the increasing consolidation of the oil industry.

Colonial Pipeline has withdrawn from federal review its plan to place restrictions on shipments of gasoline that contain MTBE. Colonial said the withdrawal was effective Wednesday. It offered no reason for withdrawing the proposal. Colonial has asked the FERC in February to endorse its plan to be more selective about the shipments of gasoline with MTBE. However the FERC in March rejected Colonial's request. FERC found that Colonial could not move any earlier than October 27.

The United States Oil Fund is likely to draw new investors to the oil market, from speculators to large mutual funds. A share of the new oil fund, which trades on the American Stock Exchange and is designed to track the WTI price, is priced at \$72. Trading in USOF, started on April 10 with about 4 million shares. It averaged some 1.5 million shares daily during its first seven trading days as its assets grew to more than \$50 million.



Iranian parliament's national security and foreign relations committee is expected to defend his country's decision to resume its nuclear program during a visit to the UK. He is scheduled to hold talks with parliamentary groups and opposition lawmakers.

French Industry Minister Francois Loos said if economic sanctions are imposed on Iran over its disputed nuclear program, he hoped they would not impact Total SA. He said France continues to hope for a diplomatic solution to the impasse over Iran's nuclear program.

Russian news agencies quoted a Kremlin source as saying that Russia was opposed to Iran gaining the knowledge that would allow it to develop nuclear weapons.

Iran's President Mahmoud Ahmadinejad said there was no need for US-Iran talks because a permanent Iraqi government was in place.

OPEC said major world economies should remain resilient in the face of high oil prices in 2006 as overall financial conditions remain supportive. It said high oil prices have taken less than 1% off GDP since 2002. The impact on Organization of Economic Cooperation and Development countries should remain limited. However high oil prices are expected to have a more mixed effect on emerging economies.

Venezuela's Oil Minister Rafael Ramirez said OPEC ministers agreed to leave its 28 million bpd output ceiling unchanged following informal consultations during a summit of energy producers and consumers in Doha. OPEC ministers blamed the high oil prices on a lack of world refining capacity and geopolitical risk, saying there was no point in offering more crude to the market. Meanwhile, Saudi Arabia's Oil Minister Ali al-Naimi said OPEC was powerless to defuse the tensions causing oil prices to rally. He said the price of oil would remain high until the tension abates. He also stated that Saudi Arabia would offer more oil if there was an increase in demand. Separately, Kuwait's Energy Minister Sheikh Ahmed al-Sabah said oil prices at about \$75/barrel are about \$15 over priced due to geopolitical issues. He said he believed prices should be in the \$55-\$60/barrel range.

Saudi Arabia's Oil Minister Ali Naimi is scheduled to visit Washington to discuss world oil markets with US Energy Secretary Sam Bodman and other administration officials next week. Analysts stated that surging oil prices should make the meeting more tense than last year's visit. US Energy Secretary Sam Bodman would have to explain why the US wanted Saudi Arabia to spend \$50 billion to produce new oil that the US did not want following President Bush's State of the Union address. Saudi Arabia's Oil Minister is expected to give his US counterpart an update on Saudi expansion plans and discuss Saudi Arabia's proposal to expand a joint venture refinery in the US Gulf Coast.

The EIA reported that the US average retail price of gasoline increased by 13.1 cents/gallon to \$2.914/gallon in the week ending April 2⁴th. It also stated that the US average retail price of diesel increased by 11.1 cents/gallon to \$2.876/gallon on the week.

Refinery News

Valero Energy Corp restarted a catalytic reforming unit at its Port Arthur, Texas refinery on Sunday. A report filed with the Texas Commission on Environmental Quality did not indicate how long the unit would remain shut.

Citgo Petroleum Corp shut an aromatics unit at its Corpus Christi, Texas refinery on Saturday for two weeks of emergency repairs. The shutdown is seen lasting between April 22 and May 6.

The Aurora Cooperative and Aventine Renewable Energy Holdings Inc based in Illinois said they would build a 220,000 gallon per year ethanol plant.

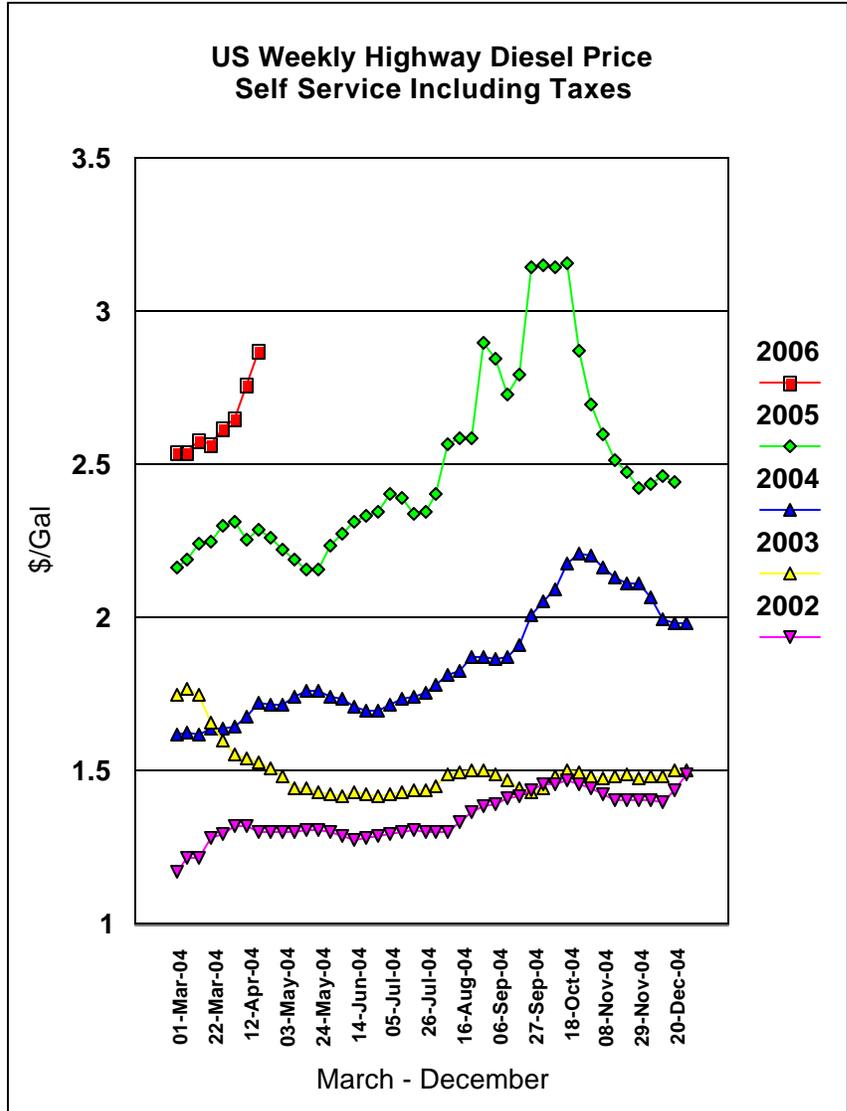
Kuwait's Oil Minister Sheikh Ahmad al-Sabah said he would visit China in June to gauge progress on a proposed refinery and petrochemical project.

China's state planning authority, the National Development and Reform Commission has approved the project. The 300,000 bpd refinery would refine 200,000 bpd Kuwaiti crude. Separately, Kuwait Petroleum Corp said it would not offer any spot gas oil cargoes for the rest of the year as extended refinery maintenance limits supplies.

Indonesia's Pertamina invited Saudi Aramco to jointly build a crude oil refinery in Indonesia. Saudi Aramco said it would study the benefits of the project before deciding on Pertamina's offer.

Production News

Nigeria's Oil Minister Edmund Daukoru said it is hard to judge when Nigeria's oil production shut in by militant attacks would resume. He said the oil companies have to win the acceptance of those living in the impoverished Niger Delta. Last week, militants rejected offers of new infrastructure and jobs and threatened more violence. They also warned oil workers to stay away from facilities closed by the violence.



ExxonMobil Corp dropped one cargo from the loading schedule for Nigeria's Yoho crude oil in April following cuts in production. The Yoho field, which pumps about 150,000 bpd, was operating normally on Monday.

Iraqi firefighters were attempting to put out a fire at a domestic crude oil gathering center in northern Iraq. The fire was burning between the northern oil center of Kirkuk and Baiji. An Iraqi oil official said the fire started on Sunday.

Iraq's Oil Ministry said it hoped to raise oil exports to 1.8 million bpd by the end of 2006, from its current level of 1.5 million bpd. Oil Minister spokesman Assam Jihad said the plan included drilling new wells, developing existing fields and replacing extraction stations.

Saudi Aramco has not decided yet on establishing a strategic oil reserve in China. Saudi Aramco said it was currently looking into the economic benefits of setting up a reserve in China or another country.

Russia's planned oil pipeline to Asia would help cut deliveries to Europe. The head of Russia's Transneft said that building a pipeline to Asia would help diversify Russian oil flows and cut discounts on Russia's Urals crude blend in European markets. The pipeline would ship 600,000 bpd at the first stage, mainly to China, with supplies increasing to 1.6 million bpd at the second stage, when a terminal is built on the Russian Pacific coast.

Lukoil stated that its crude production increased by 4.5% on the year in the first quarter to 1.87 million bpd. It also reported that it refined 12.06 million tons of crude at its own refineries in the first quarter, up 13.6% on the year.

Russia's Rosneft said it believed it could increase its production to 2 million bpd by 2010 and 3 million bpd by 2015.

Finnish refinery Neste Oil, which purchases most of its oil from Russia, said it expected Russia to meet oil production targets in the long term with the help of new fields.

Vice Minister of China's National Development and Reform Commission, Zhang Guobao said China was seeking to keep its crude oil imports this year unchanged from a year earlier. He said China also aimed to cut its energy consumption per unit of GDP by 4% this year.

Indonesia plans to increase its oil production by 300,000-400,000 bpd in the next four years.

Indonesia's President Susilo Bambang Yudhoyono is expected to seek more supplies of crude oil from Saudi Arabia and LNG from Qatar during his first official meeting to the Middle East this week.

Thailand is unlikely to import ethanol in the coming months as domestic firms increase production to meet increasing demand. Late last year, the government started a campaign to promote ethanol-blended gasoline to reduce its import bill. However Thailand has imported 38 million liters of ethanol since last October to meet rising demand for the blended fuel. The number of ethanol plants is expected to increase to 13 by the end of 2007.

South Korea has reached an initial pact with Algeria on tripling its joint oil stockpiling to 6 million barrels this year. The deal with Algeria is aimed at helping South Korea secure wider sources of crude supply and reduce its reliance on the Middle East. South Korea also has joint stockpile deals with Norway's Statoil for 11.3 million barrels and Chinaoil for 2.7 million barrels.

China's wholesale diesel and gasoline prices increased to new highs on rising seasonal and holiday demand. Sinopec Corp was quoting wholesale diesel at 5,200-5,350 yuan per ton in eastern provinces. With world crude benchmarks trading near record highs, China's government would be under renewed pressure to increase China's pump prices following a smaller than expected increase last month.

OPEC's news agency reported that OPEC's basket of crudes fell by 16 cents/barrel to \$66.84/barrel on Friday.

Market Commentary

The oil market opened 92 cents lower at 74.25 as the market retraced some of Friday's gains in a mostly technically driven sell off. The market may have been prompted to take some profits amid Iran's assurances over the weekend that it would not use oil as a weapon in its dispute over its nuclear program while a foreign ministry spokesman said its nuclear program was irreversible. The market also sold off despite the comments made by OPEC officials that OPEC is powerless to curb the rally in oil prices. The market posted a high of 74.45 early in the session and continued to retrace Friday's gains on profit taking. It traded to 73.75 and held some support at that level. However further selling ahead of the close pushed the market to its low of 72.95, down \$2.22 on the day. It later erased some of its losses and settled down \$1.84 at 73.33. Volume in the crude market was good with over 239,000 lots booked on the day. The product markets also settled sharply lower on profit taking, with the gasoline market settling down 6.45 cents at 217.39 and the heating oil market settling down 4.45 cents at 203.17. The gasoline market posted an inside trading day as it failed to breach its previous trading range. The market posted a high of 223.00 early in the session before it continued to retrace its previous gains. The gasoline market traded to a low of 217.00 ahead of the close despite the concerns over tight summer gasoline supplies. The heating oil market opened down 1.97 cents at 205.65 and traded mostly sideways within a range from 206.80 to 205.00 for most of the session. However further selling pushed the market to its low of 203.00 ahead of the close on profit taking. Volumes in the product markets were good with 38,000 lots booked in the gasoline and 35,000 lots booked in the heating oil market.

The crude market on Tuesday will likely retrace today's sharp losses after it found some support just below the 73.00. Despite the market's sell off, it is seen remaining concerned over Iran's nuclear program and the gasoline supplies. The market is seen finding some support at its low of 72.95 followed by 72.70 and 72.65. Meanwhile, resistance is seen at 73.50 followed by its high of 74.45 and 75.35.

Technical Analysis		
	Levels	Explanation
CL 73.33, down \$1.84	Resistance	75.35 Previous high
		73.50, 74.45 Monday's high
	Support	72.95 Monday's low
	72.70, 72.65, 71.71 Double bottom, Previous low	
HO 203.17, down 4.45 cents	Resistance	209.20 Previous high
		204.00, 206.80 Monday's high
	Support	203.00 Monday's low
	201.50, 201.40, 197.50 Previous lows	
HU 217.39, down 6.45 cents	Resistance	223.00, 225.50 Monday's high, Previous high
		218.00, 220.00
	Support	217.00 Monday's low
	216.00, 209.70 Friday's low, Previous low	