



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 26, 2006

Talks between IAEA director Mohamed ElBaradei and Iran's nuclear energy chief, Gholamreza Aghazadeh ended on Wednesday after 90 minutes without public comments from either side. Earlier, Iran's Oil Minister Kazem Vaziri reiterated that the Iran would not cut its oil exports in response to international pressure over its nuclear program. Meanwhile, Iran's President Mahmoud Ahmadinejad said Iran has asked the UN's IAEA

to explain why Iran should abide by international atomic protocols when it gets so little in return. Iran's Supreme Leader Ayatollah Ali Khamenei said a US attack on Iran would harm US interests throughout the world, adding that Iran would respond with double the intensity.

The API stated that it did not expect any widespread gasoline supply disruptions during the summer. However API's President Red Caveney said there could be some local supply disruptions. He said the overall transition oil refiners were making to ethanol from MTBE was going well.

The DOE reported that US inventories of propane totaled 32.88 million barrels in the week ending April 21, up 2.407 million barrels on the week. It reported that propane inventories in the East Coast increased by 266,000 barrels to 3.3 million barrels while inventories in the Midwest increased by 726,000 barrels to 13.301 million barrels and inventories in the Gulf Coast increased by 1.365 million barrels to 15.655 million barrels on the week.

DOE Stocks

Crude – down 200,000 barrels
Distillate – up 1 million barrels
Gasoline – down 1.9 million barrels
Refinery runs – up 2.32%, at 88.2%

Market Watch

The US DOE said it would not buy replacement oil for the SPR until prices are lower. This follows President George W. Bush's order to delay deliveries and purchases of oil for the reserve until the fall.

Leaders of the Nigeria's Ijaw tribe said direct talks with President Olusegun Obasanjo would help end the militant attacks that have shut in oil production. Ijaw leaders, who rejected multi-party talks called by Nigeria's President, were drawing up an agenda for such a meeting. However some Ijaw activists expressed their doubts the president would agree to such talks.

According to a risk manager, major oil consumers in Japan who hedge their fuel costs no longer expect crude prices to fall below \$50/barrel but are also unprepared to buy at \$70 for fear prices may be peaking. He stated that it may take three to six months of sustained \$70/barrel oil prices before consumers, mainly airlines, are ready to buy again.

Refinery News

Murphy Oil Corp has pushed back to May the restart of its 125,000 bpd Meraux, Louisiana refinery. The refinery would begin to load crude in mid-May and resume normal

operations about three weeks later. It has delayed the restart from mid-April, mainly due to an equipment order that was delayed.

PDVSA was seeking to purchase gasoline blending components in the wake of refinery problems. PDVSA is still facing operational problems at the 300,000 bpd Cardon refinery, which was closed in mid-April following a power outage. Meanwhile, PDVSA said it would build a heavy oil upgrading refinery in Venezuela's Orinoco River basin. It aims to upgrade 800,000 bpd of heavy crude into lighter crude.

ConocoPhillips chief executive Jim Mulva said he expects the company's worldwide refinery utilization to average in the mid-90% range in the second quarter. It is up from an average 85% in the first quarter.

Archer Daniels Midland Co is increasing the capacity of a biodiesel plant under construction in North Dakota to 85 million gallons a year. It originally announced that the plant would produce 50 million gallons of biodiesel a year using canola oil.

Royal Dutch Shell experienced technical problems at its 233,000 bpd Stanlow refinery in the UK this week. It shut a catalytic cracker at the refinery after problems started on Monday.

Iran signed a deal to upgrade a 450,000 bpd refinery at the southern part of Abadan. The upgrade would lift its gasoline production to 6 million liters/day in three years.

Production News

ExxonMobil's staff in Nigeria returned to work on Wednesday. Its workers were told to remain home on Tuesday as a precautionary measure following threats by ethnic militants. It stated that there was no impact on production or crude loading.

Separately, ExxonMobil said it was still talking with Chad's government to try to resolve an oil revenues dispute that could shut off the central African country's oil output at the end of the month. It said the country's 170,000 bpd oil production was at normal levels despite recent attacks in the country. Chad's government said it would halt its oil production at the end of April unless the World Bank unblocks frozen production royalties or the ExxonMobil led consortium operating in the country pays at least \$100 million to circumvent the freeze.

The Shetland Islands Council reported that Brent liftings from Sullom Voe fell to 346,760 tons in the week ending April 25 from 349,966 tons in the previous week.

Russia's President Vladimir Putin called for a planned oil pipeline to be moved further from Lake Baikal. He said the route should be moved more than 40 km north of the lake.

The start of Russia's fuel oil shipment season by river to export ports has been halted for the past week due to a back tax dispute between the state and the Volgotanker. The company said it was not able to begin shipping agreed volumes of fuel oil to Russia's southern ports, while the start of shipments to northern ports from May was also threatened.

Royal Dutch Shell is expected to resume drilling at its Urdaneta field in Venezuela in July after completing a contract overhaul with PDVSA. The field is producing about 45,000 bpd of crude and is expected to reach 60,000 bpd in a few years.

The Petroleum Association of Japan reported that Japan's commercial crude oil inventories increased by 1.56% or 270,000 kiloliters on the week to 17.51 million kl or 110.13 million barrels in the week ending April 22. It reported that the country's gasoline stocks fell by 4.02% or 93,000 kl to 2.21 million kl or 13.9 million barrels while its kerosene stocks stood at 1.69 million kl or 10.63 million barrels, down 4.81% on the week. The average operating rate of Japanese refineries was 82% in the week ending April 22.

Ecuador's central bank reported that its oil product export revenue in February totaled \$8.98 million, down 67% on the year. Ecuador exported a total of 207,000 barrels in February, down 78% from 925,000 barrels last year.

Nigeria is expected to give China four oil drilling licenses in exchange for a commitment to invest \$4 billion in infrastructure in a deal to be signed during a visit by China's President Hu Jintao. The deal involves China buying a controlling stake in Nigeria's 110,000 bpd Kaduna refinery and building a railroad and power stations. In exchange, Nigeria would offer first right of refusal to China National Petroleum Corp on four oil exploration blocks in a licensing round due to be held in Nigeria on May 19.

OPEC's news agency reported that OPEC's basket of crudes fell to \$66.27/barrel on Tuesday from \$67.37/barrel on Monday.

Market Commentary

The oil market settled in negative territory for the third consecutive trading session after it posted an inside trading day. The market was pressured in light of the weekly petroleum stock reports showing further improvement in refinery runs. The crude market opened down 18 cents at 72.70 and quickly fell to 72.10 following the release of the DOE and API reports. The market just as quickly bounced off its early low and posted an intraday high of 73.05 as it failed to find further upside momentum. However as the market remained pressured by the reports, the market erased its gains once again and sold off ahead of the close. The market posted a low of 71.85 and settled down 95 cents at 71.93. Volume in the crude market was good with over 206,000 lots booked on the day. The product markets ended the session mixed, with the gasoline market settling up 44 points at 213.35 and the heating oil market settling down 3.52 cents at 202.29. The gasoline market, also posted an inside trading day as it failed to breach Tuesday's trading range. The market posted a low of 211.30 after it failed to sustain its gains as it traded to a high of 215.00 earlier in the session. The market later settled in a sideways trading pattern and settled in positive territory amid the draw reported in gasoline stocks. Unlike the crude and gasoline market, the heating oil market posted an outside trading day. It quickly posted a high of 206.60 before it sold off in light of the 1 million barrel distillate stock build reported by the DOE. The market traded to a low of 201.50 ahead of the close. Volume in the product markets were good with 44,000

lots booked in the gasoline market and 55,000 lots booked in the heating oil market.

The crude market, which has settled in

Technical Analysis		
	Levels	Explanation
CL 71.93, down 95 cents	Resistance 73.90, 74.45, 75.35	Previous highs
	Support 72.50, 73.05	Wednesday's high
	Support 71.85	Wednesday's low
HO 202.29, down 3.52 cents	Resistance 71.75, 71.71, 70.80, 70.40	Previous lows, 38% retracement (62.40 and 75.35)
	Resistance 206.80, 209.20	Previous highs
	Support 203.25, 205.00, 206.60	Wednesday's high
HU 213.35, up 44 points	Support 201.50	Double bottom
	Resistance 217.25, 223.00, 225.50	Previous high
	Support 214.25, 215.00	Wednesday's high
HU 213.35, up 44 points	Support 211.30, 207.00	Wednesday's low, Tuesday's low
	Resistance 214.25, 215.00	Wednesday's high
	Support 205.35, 204.85	Previous lows

negative territory once again, is likely to continue to trade lower as concerns over supplies seemed to have eased following President Bush's initiatives and the weekly petroleum stock reports showing an improvement in refinery runs. However its losses will remain limited as the market remains concerned over several geopolitical risks. The market is seen find support at 71.85, 71.75 and 71.71. More distant support is seen at 70.80 and 70.40. Meanwhile resistance is seen at 72.50, 73.05 and 73.90. More distant upside is seen at 74.45 and 75.35.