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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 27, 2006

Iran's President Mahmoud Ahmadinejad warned the US and its European allies that they would regret their decision if they violate Iran's rights. He said no one could make Iran give up its nuclear technology. Iran has rejected the UN Security Council's deadline on Friday to cease its uranium enrichment. The head of the UN's IAEA is scheduled to report on Friday Iran's implementation of the Security Council's demands. US Secretary of State Condoleezza Rice said the credibility of the UN Security Council is at stake as it decides how to deal with Iran's likely rejection of the UN's deadline to bring its nuclear program in line with international demands. Meanwhile, China continued to state that a diplomatic solution was in the interest of all parties. However analysts stated that China would be reluctant to scuttle a Security

Market Watch

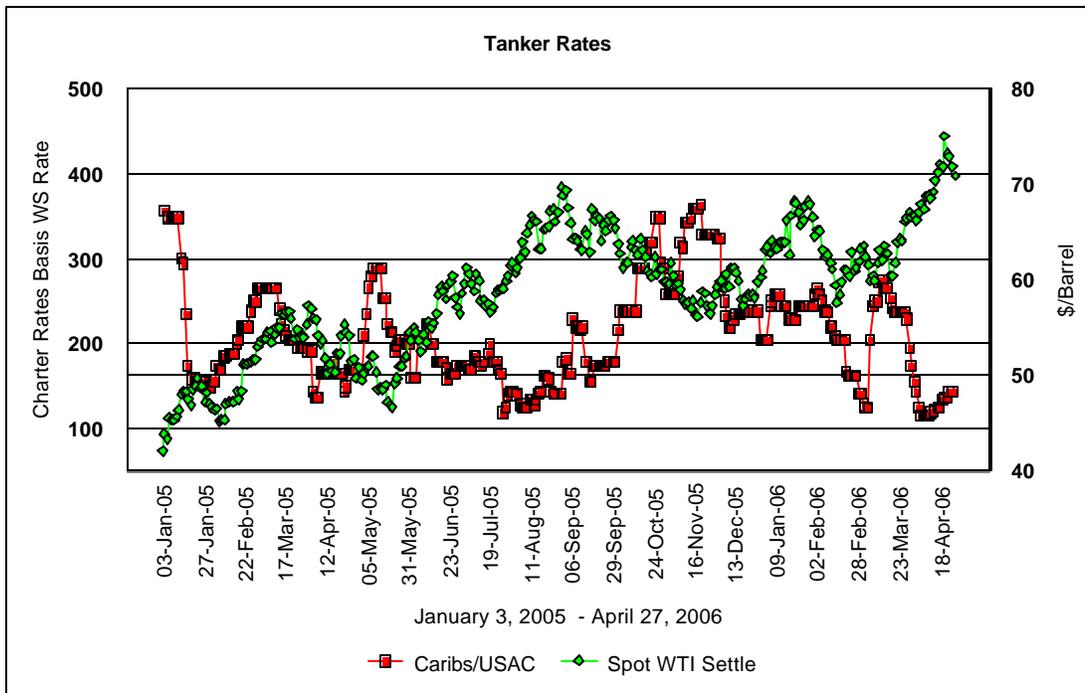
Iran's Deputy Oil Minister Mohammad Reza Nematzadeh said Iran may ration gasoline to less than a gallon a day as early as September to curb imports as surging world prices bankrupt the government's price subsidy program. The decision followed a parliamentary vote that cut its annual budget for gasoline imports for public and private use by 40% to \$2.5 billion. He said the rationing may begin before September if the budget is depleted beforehand due to rising oil prices. Iran imports more than a third of the gasoline it consumes due to waste, lack of refining capacity and smuggling.

According to a Reuters survey, analysts estimated that the price of WTI would average \$63.84/barrel, up over \$3 from a previous forecast of \$60.77/barrel. It also reported that analysts estimated the average crude price in 2007 at \$58/barrel.

The US CFTC said high crude oil and gasoline prices at the NYMEX were reflecting tight fuel supply and strong demand conditions, suggesting there was no market manipulation. A CFTC member said the CFTC was on alert and would continue to conduct very close surveillance of energy futures markets. He said any improper conduct would not be tolerated and added that the CFTC would continue pursuing aggressive enforcement actions against those that break the rules.

China raised its interest rates for the first time in 18 months on Thursday to slow a boom in credit and investment that risks destabilizing the country's economy. It increased its benchmark one-year lending rate to 5.85% from 5.58%. Annual gross domestic product growth increased to 10.2% from 9.9% in the fourth quarter of 2005. Annual fixed asset investment growth increased to 27.7% from 25.7% in all of 2005 while banks extended 1.26 trillion yuan in new loans in the first quarter, more than 50% of the central bank's target for the whole year.

The Singapore Exchange has deferred its official launch for its over the counter clearing facility for oil and freight to May 16 from the initial launch planned for May 5. The SGX would clear oil derivatives, wet and tanker forward and dry bulk forward freight.



Council resolution on Iran. Separately, Russia's President Vladimir Putin said the UN's IAEA should continue to play a central role in resolving the Iranian nuclear issue.

The IEA's chief economist Fatih Birol said the IEA does not expect prices to fall

from current levels in the next one or two years.

The EIA reported that total oil demand in February averaged 20.316 million bpd, down from 20.65 million bpd a year ago and well below its earlier estimate of 20.714 million bpd. It said US gasoline demand in February stood at 8.836 million bpd, up from 8.798 million bpd reported last year but well below the preliminary level of 9.028 million bpd. Meanwhile distillate demand was pegged at 4.318 million bpd, up 2.7% on the year. In regards to crude imports, the EIA reported that total imports stood at 9.896 million bpd in February, up from its preliminary estimate of 9.86 million bpd. Mexico shipped its highest monthly volume of crude to the US in February. Imports from Mexico stood at 1.774 million bpd, up 4.3% on the month and up 19.2% on the year. Canada shipped 1.71 million bpd while Saudi Arabia shipped 1.418 million bpd.

According to Oil Movements, OPEC's oil exports fell by 100,000 bpd to 24.56 million bpd in the week ending May 13 from 24.66 million bpd in the four week period ending April 15. It also reported that Saudi spot exports increased to a three year high of 600,000 bpd in the four weeks ending May 13.

The Senate Judiciary Committee voted unanimously to allow the Justice Department to prosecute OPEC members of price fixing in violation of antitrust laws. Committee members however acknowledged that the action was little more than a gesture.

US senators said the government should continue to support ethanol, biodiesel, and other renewable fuel production. Democratic and Republican senators supported extending the federal tax credits and the import tariffs that are set to expire in the next few years. US ethanol production has been supported by the tax credits and import tariffs. US refineries are expected to produce about 4.5 billion gallons of ethanol this year, however Agriculture Committee chairman Senator Saxby Chambliss said if the federal tax credit of 51 cents/gallon was eliminated, ethanol production would fall to about 1.5 billion gallons/year. The tax credit is set through 2010 while a 54 cent/gallon tariff is set through 2007.

According to PricewaterhouseCoopers, a majority of US manufacturers were absorbing the high energy costs as they were unable to pass the rising expenses on to customers. Its survey found that

67% of US industrial manufacturers were absorbing some or all of the expense associated with the higher energy costs and 63% expected the cost of energy to continue to increase over the next 12 months.

Refinery News

ExxonMobil Corp's Baytown, Texas refinery suffered a brief fire at an electrical substation Tuesday night. The fire had no impact on its production. Separately, ExxonMobil's 240,000 bpd Port Jerome Gravenchon refinery in Normandy, France is restarting from a partial maintenance shutdown. The refinery, which started its maintenance shutdown on March 3, is expected to resume full operations by the end of the week.

Citgo Petroleum Corp said its 165,000 bpd Corpus Christi, Texas refinery was operating at normal rates after a fluid catalytic cracking unit was shut for unplanned repairs on April 10 due to a leak.

Alon USA Energy announced that the Mesa Pipeline system in Texas was no longer in jeopardy of an imminent shut in. The company, which relies upon Mesa for 90% of the crude processed at its 70,000 bpd Big Spring, Texas refinery, said the pipeline would continue to operate until December 31, 2009. Plains Pipeline LP, one of the pipeline's operators, previously stated that the pipeline was no longer profitable and threatened to discontinue its operations.

US Coast Guard spokesman said a tanker filled with about 308,800 barrels of crude ran aground in southwest Puerto Rico early Thursday. The tanker was heading to the US Caribbean territory from Cartagena, Colombia.

Royal Dutch Shell is continuing as planned its turnaround maintenance program at its 412,000 bpd Pernis refinery which started at the end of March.

Algeria's Sonatrach shut its 335,000 bpd Skikda refinery due to technical problems.

PetroChina's 200,000 bpd Lanzhou refinery will shutdown for up to three week of maintenance starting in mid-May. The turnaround would cut the refinery's crude throughput by 50% next month to about 106,000 bpd compared to full operations in April.

Nippon Oil Corp said it would increase its crude refining volume by 14% on the year in May due to lighter maintenance shutdown schedules. Nippon Oil would process 4.5 million kiloliters of 913,000 bpd of crude in May.

ExxonMobil Corp said its net income surged 6.9% to a first quarter record of \$8.4 billion due to high oil prices. Its oil and natural gas production increased by 5.1% in the first quarter. It was the first increase in its production since the third quarter of 2004. ExxonMobil said it planned to start pumping oil and gas from eight new projects this year. It said twenty new projects are scheduled to start production in the next three years.

The focus on US gasoline has tightened European gas oil supply as refiners have increased their gasoline production at the expense of distillates, including diesel. Tightening gasoline supplies and rising retail prices have helped to push crude futures to record levels and open the arbitrage to the US, prompting an increase in shipments from Europe. About 300,000 tons of diesel fuel is bound for the US from Europe after low stocks and firm demand helped open the arbitrage window. While European inventories are up on the year, the recent flows out of the region have tightened the market.

Production News

Refinery Update

April:

Citgo Petroleum shut an aromatics unit at its 157,000 bpd Corpus Christi, Texas refinery on April 22 for two weeks of emergency repairs.

ConocoPhillips' 190,000 bpd refinery in Trainer, Pennsylvania is undergoing maintenance from April 1-May 15. ConocoPhillips' 253,000 bpd Belle Chase, Louisiana returned to normal rates last week after gradual restart through the first quarter. The refinery was shut ahead of Hurricane Katrina.

Valero's 50,000 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. Also, Valero's catalytic reforming unit at its 295,000 Port Arthur, Texas refinery was restarted on April 23. There was no indication how long the unit was shut.

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 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.

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

Exxon Mobil's 245,000 bpd Joliet, Illinois refinery was scheduled to shutdown for 30 days of planned maintenance starting April 20. ExxonMobil's 501,00 bpd Baton Rouge, Louisiana refinery is expected to resume operations on its No. 10 crude unit, one of three coker units and one of two fluid catalytic cracking units following the completion of maintenance. The maintenance turnaround started on March 23. Its 563,000 bpd Baytown, Texas refinery suffered a brief fire late April 26th at substation No. 5, which services lubrication oils production plant. There was no impact to production.

Flint Hills' sulfur recovery unit 2 in the East Plant of its Corpus Christi, Texas refinery underwent repairs on April 24-26. Its West Plant sulfur recovery unit 1 was shut on April 17 for work. It is expected to resume operations on April 27th. Also, its West Plant crude unit is seen restarting on May 10 after it was shut on April 20 for maintenance.

Lyondell-Citgo's 270,000 bpd Houston, Texas refinery reduced its runs due to a leak in its 110,000 bpd fluid catalytic cracking unit on April 20. Its magnaformer unit was shut on April 19 for 20-24 days of turnaround maintenance.

May:

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 mid-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.

Iraq resumed its southern oil exports from the Basra oil facility late on Wednesday after terminal

operators were forced to suspend operations late on Tuesday due to poor weather conditions.

ExxonMobil said its operations in Nigeria were normal but were in a state of high alert amid threats of militant attacks at its facilities.

Chad and the World Bank reached an agreement resolving a dispute over how Chad would use its revenues from a World Bank oil program. Chad withdrew its threat to halt its oil production at the end of this month after it reached an agreement with the World Bank. The World Bank agreed to resume \$124 million in suspended loans to Chad and to release oil revenues held in an escrow account in return for guarantees that a share of petroleum profits would go to the country's poor residents.

Apache Corp said 14,400 bpd of oil production and 40 mmcf/d of natural gas production remained offline in the US Gulf Coast region. Its liquid output from the region averaged 35,439 bpd during the first quarter.

Total SA plans maintenance at its 200,000 bpd Girassol oilfield offshore Angola from mid-May until late June. A 950,000 barrel cargo of crude from Girassol is scheduled to load in June, down from three in May.

Gas oil inventories in the independent Amsterdam-Rotterdam-Antwerp storage tanks increased by 170,000 tons to 1.745 million tons in the week ending April 27. Gas oil stocks were also up 345,000 tons on the year. Gasoline stocks however fell by 20,000 tons to 790,000 tons on the week. Naphtha stocks also fell by 10,000 tons on the week to 30,000 tons while fuel oil stocks fell by 45,000 tons to 435,000 tons and jet fuel stocks fell by 25,000 tons to 335,000 tons.

Oil exports from Russia's Black Sea port of Novorossiisk is expected to increase to 3.8 million tons or 899,000 bpd from 3.425 million tons in April. Meanwhile exports from the Baltic Sea port of Primorsk is expected to increase to 5.723 million tons, up from about 5.56 million tons in April.

According to traders, China is cutting its diesel imports in May. However strong domestic demand has forced it to increase aviation fuel purchases and cut gasoline exports to 260,000 tons in May from 290,000 tons in April. China has been purchasing aviation fuel at sharply above average levels since April, extending an import spree that has increased first quarter purchases by 84%. This has allowed refiners to reduce production of jet fuel and maximize diesel production and avoid importing the product.

Indonesia purchased 7.37 million barrels of oil products for May, down about 3% from its April imports and half its average last year amid high prices.

Singapore's International Enterprise stated that the country's middle distillate stocks fell by 629,000 barrels to 5.795 million barrels in the week ending April 26. It reported that light distillate stocks increased by 418,000 barrels to 8.215 million barrels while residual fuel stocks increased by 387,000 barrels to 12.087 million barrels.

India's Oil and Natural Gas Corp said that its foreign oil and gas production would increase to 8.5-9 million tons by 2010.

OPEC's news agency reported that OPEC's basket of crudes increased to \$66.94/barrel on Wednesday from \$66.27/barrel on Tuesday.

Market Commentary

