ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR MARCH 31, 2006

Despite weeks of negotiations between Security Council members on a statement regarding actions toward Iran on its nuclear program, the Russian Foreign Minister yesterday said he saw no evidence that Iran's program had a military component ot that it posed a threat. The head of the IAEA also said that the Iranian nuclear program was not "an imminent threat and that times had come to "lower the pitch" of debate. Meanwhile Iran's foreign minister said Friday that Tehran would not use oil as a weapon in its disagreement over its nuclear program, but again stressed that Iran would not give up its right to develop nuclear energy for civilian use, which he said was enshrined in the nuclear Non-Proliferation treaty. But another Iranian official threatened that if Iran sees sanctions that would stop its oil flow, others in the region would be prevented from exporting oil as well. President Bush again Friday said that Iran would pose a serious threat to world security if it had a nuclear weapon.

Iran meanwhile began its weeklong military exercises in the Persian Gulf today. Military officials reported that it has successfully test-fired a cruise style missile that has "near stealth" capabilities.

Japan's crude oil imports in February rose 11.2% from year earlier levels and stood at 21.28 million kl. Japan's commercial crude stocks were pegged at 15.68 million kl, some 9.8% less than year ago levels at the end of February. Kerosene stocks fell 4.8% in February to 2.76 million kl.

Market Watch

The NYMEX and CME were reported to be once again deeply involved in talks in which NYMEX would list its key energy contracts on the CME's Globex system., and thus take advantage of the CME's superior electronic order entry technology, especially as the NYMEX races to offer side by side electronic and open outcry trading. Reportedly the deal would have NYMEX pay the CME an undisclosed fee every time a NYMEX contract trades on Globex. In addition such an agreement would put an end to the CME plans to launch its own energy contracts once its non-compete clause ends on June 17th. In addition market observers see the agreement as the first step toward a possible merger between the two exchanges.

A bus carrying Iraqi oil refinery workers to their job this morning at the Baiji refinery, some 120 miles north of Baghdad, was forced off the road by militants and some eight workers were reported to have been shot to death.

A strong earthquake struck western Iran Friday, but no major oil facilities were located in the stricken area.

Norway's largest private industry union noted today that it had made little progress in its contract talks with manufactures and that a strike by its 38,000 members was a looming possibility Saturday morning. While oil production was not expected to be directly impacted, it may affect ongoing repairs on production platforms that undergoing maintenance work currently.

Indonesia reportedly has purchased 7.58 million barrels of oil products for April delivery, some 6% higher than March purchases. In April gasoline and gasoil showed the biggest gains on the month.

Refinery News

Officials at the Hovensa St Croix said that gasoline production at the facility continued to be curtailed as work crews continued to try to resolve a problem that occurred nearly three weeks ago.

The French trade union FCE-CFDT on Friday called for its French workers at the oil company Total to strike on April 4th to protest against the government's new youth job contract.

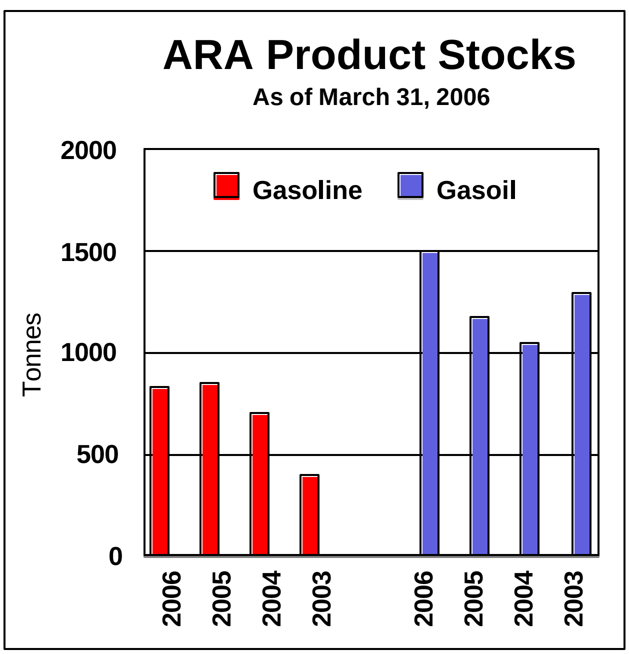
Nippon Oil's Sendai refinery reportedly was operating normally despite a reported leak of kerosene from a pipeline at the 145,000 b/d facility on Friday morning.

Sinopec's 226,000 b/d Gaoqiao refinery will return from its 20 day march maintenance program and is expected to run at 207,000 b/d, versus the 120,000 b/d rate it recoded in March.

Suncor Energy said today that its 90,000 b/d refinery near Denver was running at 70% of capacity as it ramped up from its recent maintenance work that started back on February 3rd. The refinery restarted last week and still has one crude unit still offline, but expected back in service in 7-10 days.

ARA stocks on the week ending March 31st saw a general declines in gasoline, naphtha, gasoil and fuel oil. Only jet fuel saw a modest gain on the week. Gasoline stocks were off 110,000 tonnes on the week, while gasoil fell 40,000 tonnes while fuel oil dropped an impressive 235,000 tones or 47.5%.

The Russian Energy Minister warned that there could be a crisis in the Russian oil-refining industry given its inability to keep pace with growing demand for refined products. He called on the government to take certain measures to improve the situation, which include supporting infrastructure projects and changing taxes, tariffs and excise duties.



Production News

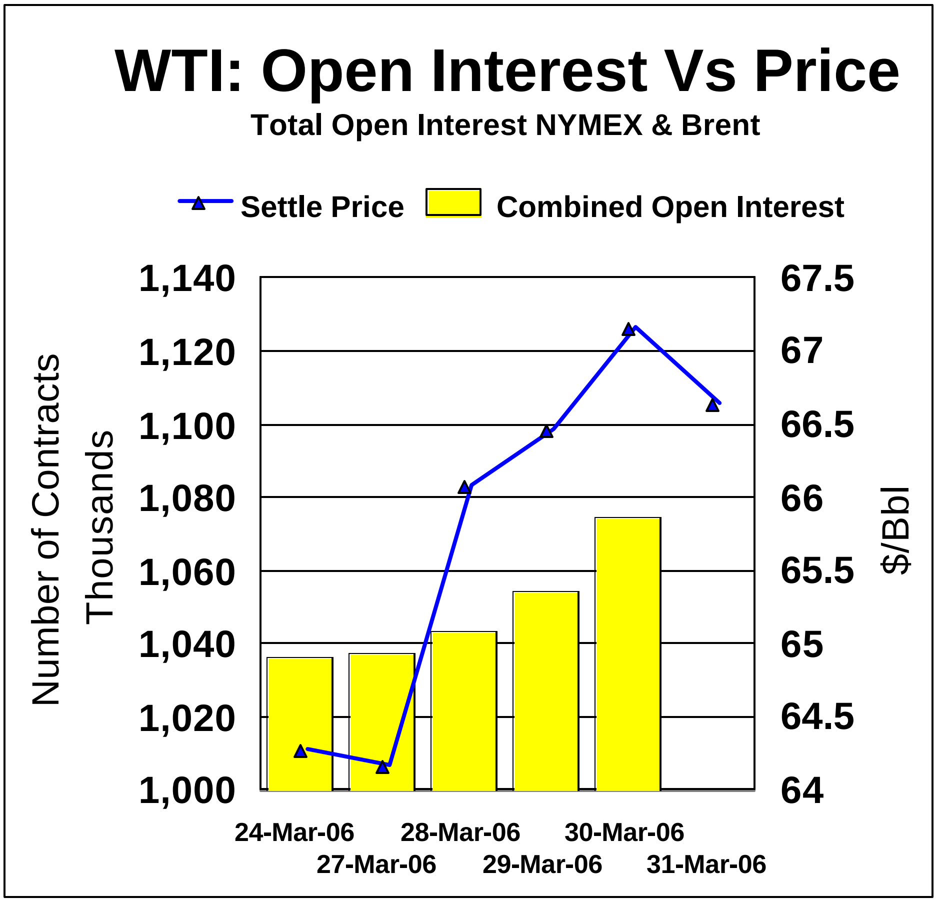
Australian oil and gas producer Woodside Petroleum said Friday that it had restarted production at a natural gas platform and would restart several oil fields shortly. The company noted that it did not suffer any significant damage to its offshore facilities by the passage of Tropical Cyclone Glenda. Oil producer Santos Ltd also said it expected to re-start production at its Mutineer-Exeter oil field.

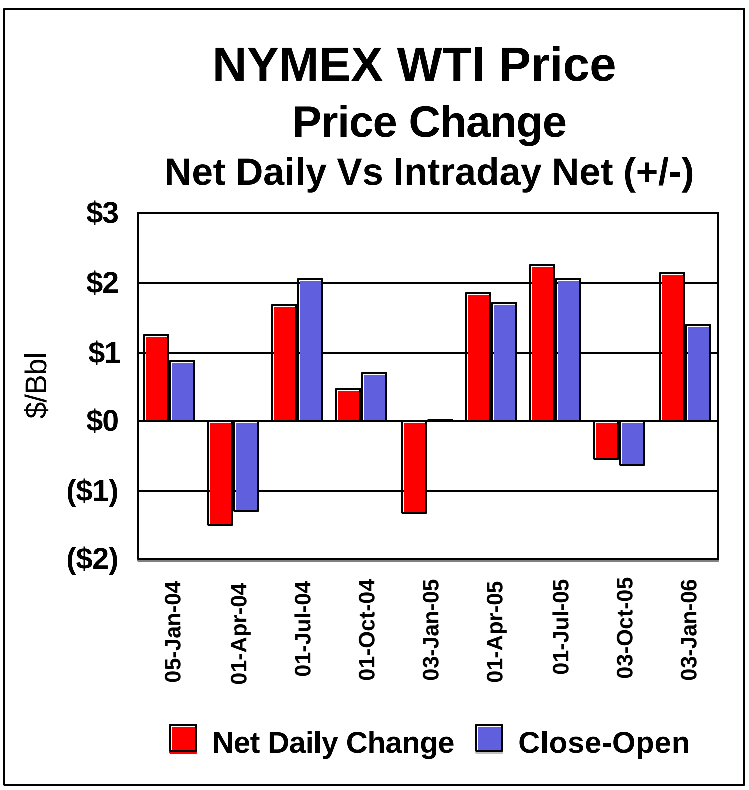
ExxonMobil reported that it has completed maintenance to a heavy crude upgrading facility at its Cerro Negro project in Venezuela. The company also said it has restarted extra heavy oil production once again and the facility which had been shut since early March will again be producing 108,000 b/d of synthetic crude. This facility normally supplies the Chalmette refinery.

PEMEX reported that it expects its crude oil production levels will remain flat in 2006 and 2007 due to declining production from the Cantarell oil field.

Market Commentary

The last day of the month and the last trading day of the first quarter seemed to bring with it some profit taking. The oil markets opened lower this morning for the first time in the last four trading sessions, as the absence of fresh bullish stories seemed to be a signal for some as an opportune time to take profits to finish the month and the quarter. The selling for the first part of the morning was brisk and crude oil prices fell back until it found support in an area of congestion posted during yesterday morning's trading. The markets though found buyers will to return at this price level, possibly as some bulls were "bargain hunting" and the new buying helped the markets all post new highs for the day late in the session. Final volumes on the day were excellent with 222,000 futures traded in the NYMEX WTI contract, with more than half the volume coming after lunchtime, with the heating oil and gasoline markets each trading over 43,000 lots a piece.





Open interest reports released at mid day showed that new buyers continued to flock to these markets, especially in crude oil on Thursday, and the pace of this new buying on Thursday was the greatest for the week, as some 20,000 new positions were added from Wednesday to the market in the WTI contracts on a combined basis between the NYMEX and ICE, and some 37,914 contract gain from last Friday.

It is interesting that since the start of this bull move in commodities and especially oil, the first day to start the quarter has seen higher prices recorded on a settlement basis from the prior trading session 6 out of 9 times, averaging a daily net gain of just over 70 cents per barrel. If one bought the market on the opening of each new quarter, one would see 7 of those 9 trading sessions post gains by the time of the close. The average gain of those seven trading sessions is over $1.26 per barrel, with the average of the two losing sessions being 95.5 cents. As a result it seems to be an interesting bet to buy the opening on Monday given the belief that more commodity fund may flow into this market on the buy side to start the 2Q06.

Technical Analysis		
	Levels	**Explanation**
	$67.85, $69.00 & $70.10	Highs from Feb 6th and Feb 1st.
Resistance	$67.16 & $67.30	Trnedline resisytance & Thursday's High
CL 66.63, down $0.52		
Support	$64.95-$64.45	Gap from March 28th
	64.74, $64.08 & $63.41	38%, 50% & 62% retracements from 3/21-3/30 rally
	$1.9250 $ $1.9275	highs from Feb 1st and January 20th
Resistance	188.24	Trendline resistance
HO 1867.33, down 1.60 cents		
Support	182.15, 181.00-18020	38% retracemeent, Gap from March 28th
	180.37 & 178.58, 177.04	50% and 62% retracement of the two week rally, trendline support
	193.44, 199.60, 199.75	Trendline resistance, and highs from jan 30th and 20th.
Resistance	190.50, 192.00 & 19250	Highs from this week
HU 188.43, down 2.58 cents		
Support	184.59, 183.50-183.00	38% retracement, Gap from Wednesday
	182.15, 179.71, and 177.49	50% retracement and 62% retracement, trendline support