



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 3, 2006

OPEC President and Nigeria's Oil Minister, Edmund Daukoru expects OPEC to maintain its output at near maximum levels with the oil price at about \$67/barrel. He said oil prices around high \$50s to lower \$60s/barrel would not harm world economic growth.

Separately, Nigeria's Minister of State for Petroleum Edmund Daukoru said Royal Dutch Shell resumed production at its EA field. Shell closed the offshore field, which normally produces about 115,000 bpd in January after militants kidnapped four workers. Nigeria's Oil Minister said 550,000 bpd of crude production remained shut in. More naval patrols in Nigeria's southern delta region have failed to persuade Royal Dutch Shell to return to its abandoned oilfields as militants continue to clash sporadically with troops. He said he hoped that perceptions of security would improve after a meeting Wednesday to which the government has invited a large number of delta interest groups.

Venezuela's Energy Minister Rafael Ramirez said it was too early to determine whether OPEC should cut its production at

Market Watch

Venezuela's President Hugo Chavez said he is seeking a deal with consumer countries to lock in a crude oil price of \$50/barrel and in turn allow Venezuela to count its deposits of heavy crude oil as part of official reserves. The increase in its reserve would allow Venezuela to demand a large increase in its production allowance within OPEC.

Societe Generale said oil prices at \$70/barrel and above is seen as a point where the IEA could intervene and take action to lower prices.

According to a new study by consultants Wood Mackenzie and Deutsche Bank said world oil production would grow higher in sulfur content by the end of the decade, increasing the price premium for sweet barrels and intensifying the need for refining investment. The sulfur content in world oil has increased by about 0.02% to about 1.22% since 2000 and would increase to above 1.23% by 2010.

Goldman Sachs said commodities are becoming a true alternative asset class where investors get better relative returns for their risk than equities. Between 1970 and 2005, when Canadian and Australian equities and stock indexes such as the S&P 500 were posting average losses of 16%-20%, the Goldman Sachs Commodity Index Total Returns increased 17% in gains compared with 5% returns shown by cash and bonds.

Iran test fired a new torpedo in the Strait of Hormuz off its southern coast. The test comes in the middle of Gulf wargames that started on Friday. The Pentagon said it is possible Iran has produced missiles capable of evading radar and sonar as Iran has stated in recent days.

German navigation authorities said shipping between east and west Europe on the river Danube remained halted due to high water levels. Rhine shipping however was normal on Monday.

FERC said it would hold a conference on May 3 to review tariff changes previously requested by Colonial Pipeline for shipping reformulated gasoline that contains MTBE. The conference is scheduled to take place two days before the EPA repeals that federal oxygenate requirement for reformulated gasoline. Colonial said it would continue to ship MTBE blended reformulated gasoline on a case by case basis this spring, delaying a plan to eliminate MTBE from its system.

OPEC's upcoming meeting in Qatar.

Iran's Deputy Oil Minister Mohammad Hadi Nejad-Hosseinian said world oil prices would hold between \$50 and \$60/barrel on March 2007. He said prices are unlikely to fall significantly in the next two or three years.

The EIA reported that the US average retail price of diesel increased by 5.2 cents/gallon to \$2.617/gallon in the week ending April 3. It also reported that the average retail price of gasoline increased 9 cents/gallon to \$2.588/gallon on the week.

The Department of Energy's latest report on SPR shipments showed that it deferred 300,000 barrels to April from March. It reported that as of April 3, the SPR contained a total of 686.3 million barrels of crude.

Refinery News

Motiva restarted its 90,000 bpd fluid catalytic cracking unit at its 235,000 bpd Port Arthur, Texas refinery a week later than expected. The refinery encountered problems with restart on March 29. Separately, its 92,000 bpd fluid catalytic cracking unit at its 230,000 bpd Convent, Louisiana refinery was shut for a 32 day turnaround on March 26.

BP delayed the restart of some units at its 460,000 bpd Texas City refinery from late March to mid-April.

ConocoPhillips is expected to begin restarting its Bayway refinery in Linden, NJ on April 2 or 3 with normal operations expected on April 7. ConocoPhillips is planning work on its 306,000 bpd refinery in Wood River, Illinois in May.

Suncor Energy said its Commerce City, Colorado refinery was at 70% after maintenance and that a crude unit should return to operation within a week to 10 days.

ExxonMobil has scheduled maintenance on a 90,000 bpd fluid catalytic cracking unit at its Baytown, Texas refinery from May 5 to June 6.

A unit at Saudi Arabia's 400,000 bpd Samref refinery at Yanbu failed to restart as planned after maintenance. An industry source declined to say which unit was affected but said it was related to processing vacuum gas oil.

The restart of BP's Texas City, Texas refinery may exacerbate already sharply higher US gasoline prices amid a heavier than usual maintenance season and major gasoline specification changes. The restart is scheduled to proceed in three stages over the rest of the year. BP is expected to begin loading feedstock into units this weekend and would bring 155,000 bpd of 460,000 bpd of capacity back into service over the next few weeks. The refinery is expected to continue restarting in 155,000 bpd phases, with all 460,000 bpd of capacity restored by the end of the year.

Production News

An Iraqi oil official said Iraq's March crude oil exports increased by 10,000 bpd or 0.7% on the month to 1.44 million barrels. The official said oil production from Iraq's southern oil fields stood at 1.75 million bpd in March while production from Iraq's northern fields remained down 27% at 290,000 bpd. Iraq's State Marketing Organization is scheduled to defer 9 million bpd of crude oil loadings in April from March.

Niger Delta Co, one of the operators of marginal fields in Nigeria has started production. Nigeria's Oil Minister, Edmund Daukoru did not say how much Niger Delta Co is producing. He added that many other operators of marginal fields were preparing to commence full operations.

Russia's Energy Ministry stated that Russia's oil production in March increased to 40.454 million tons or 9.57 million bpd, up about 12% on the month. It reported that total exports via pipeline monopoly, Transneft, fell to 4.5 million bpd.

Russia's Natural Resources Ministry stated that Total was developing its Siberian Kharyaga oilfield too slowly and the state was receiving less profits than anticipated. The ministry's statement did not say what measures it wanted to take against Total and added that a complaint had been filed to the Energy Ministry, which oversees the implementation of the production sharing agreement.

Venezuela has assumed control of two oilfields operated by Total and Eni after they failed to reach an agreement with the government to transfer to new joint ventures with PDVSA. Most oil companies on Friday signed accords with President Hugo Chavez, agreeing to convert their operating agreements into mixed companies. In response, Eni said PDVSA had violated its contract rights and said it would seek reparations and possible legal action.

Petrobras' chief executive, Sergio Gabrielli, said Petrobras signed new oil production contracts in Venezuela. According to the new contracts, Petrobras would have a 40% stake in Venezuelan fields that it operates while PDVSA would have a 60% stake.

Statoil said it was not forced to sell its 27% stake in the 10,000 bpd Lake Maracaibo field to Venezuela's PDVSA. Market participants raised

Technical Analysis		
	Levels	Explanation
CL 66.74, up 11 cents	Resistance	70.10
		67.90
	Support	66.55
		65.60, 65.36, 64.95 to 64.45
		Previous high
		Monday's high
		Monday's low
		Previous low, 38% retracement (61.25 and 67.90), Gap (March 28th)
HO 186.22, down 11 points	Resistance	192.33, 192.75
		188.50, 189.40
	Support	185.80
		183.60, 183.06, 182.00
		Basis trendline, Previous high
		Monday's high
		Monday's low
		Previous low, 38% retracement (172.80 and 189.40), Previous low
HU 186.32, down 2.11 cents	Resistance	192.50, 194.89
		188.00, 191.85
	Support	184.90
		183.70, 182.10, 179.65, 177.49
		Previous high, Basis trendline
		Monday's high
		Monday's low
		Previous low, 50% retracement and 62% (171.70 and 192.50), trendline

questions over the sale of the oil field after Venezuela this weekend took back nearly 110,000 bpd of privately run oil production.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$61.17/barrel on Friday, up from \$60.64/barrel on Thursday.

Oman's Oil Ministry said the country increased the official selling price for its crude sold in March to \$58.18/barrel, up 12 cents on the month.

Abu Dhabi National Oil Co posted its official selling price of its Murban crude oil respectively at \$60.85/barrel for March term supplies.

Market Commentary

The oil market gapped higher from 66.90 to 67.10, in follow though buying seen in overnight trading following Friday's late profit taking. As expected, the market traded higher on the first day of the second quarter as funds returned to the market. The market settled in a sideways trading pattern after it rallied to a high of 67.90 early in the session. However the market breached its support and backfilled its gap as it sold off to a low of 66.55 ahead of the close. The market settled up 11 cents at 66.74. Volume was good with 163,000 lots booked on the day. Meanwhile, the gasoline market settled in negative territory, down 2.11 cents at 186.32. The gasoline market opened up 82 points at 189.25 and quickly rallied to its high of 191.85 on the opening. The market however gave up some of its gains and settled in a sideways trading pattern from 189.50 to 187.60. The market later breached its support and found some further selling. It posted a low of 184.90 late in the session before it retraced some of its late losses ahead of the close. The heating oil market gapped higher from 187.00 to 188.10 and traded to a high of 189.40 early in the session. The market later retraced its gains and backfilled its gap as it sold off to a low of 185.80 ahead of the close. It settled down 11 points at 186.22. Volumes in the product markets were light with 31,000 lots booked in the gasoline market and 36,000 lots booked in the heating oil market.

The crude market may continue to trade lower after the market surprisingly failed to retain much of its early gains. The market is seen finding support at its low of 66.55 followed by 65.60 and 65.36. More distant support is seen at its gap from 64.95 to 64.45. Meanwhile resistance is seen at 67.90 followed by 70.10.