



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 4, 2006

The White House's coordinator on environmental issues said he was not aware of any plans by the Bush administration to ease federal environmental rules to help oil refiners make the switch from using the fuel additive MTBE to ethanol when making gasoline. The EPA is scheduled to repeal the federal oxygenate requirement for reformulated gasoline, which is expected to cause major oil companies to transition from the water polluting fuel additive MTBE to ethanol. The official also stated that the administration is on track to implement this summer requirements that refiners make diesel fuel with a lower sulfur content of 15 parts per million from 500 ppm.

OPEC President Edmund Daukoru said the oil market is well supplied but stopped short of calling for an output cut. Separately, OPEC's Secretary General said it is too soon to talk about cutting OPEC's production as oil prices remained strong. He said OPEC ministers would evaluate market conditions and take appropriate actions.

Market Watch

According to a trader at Louis Dreyfus, world ethanol supplies are expected to remain tight despite rising production. Even though US ethanol production is expected to grow by 26% in 2006, demand is seen growing even faster. In 2006, the US would have annual capacity of 16.2 billion liters and Brazil 15.8 billion liters. In addition to the heavy reliance on fuel in the US, the popularity of flex fuel vehicles in Brazil is expected to keep internal demand high.

Gasoline supplies in the Dallas, Texas area was returning to normal from last week's shortage as the region switches to ethanol based gasoline from MTBE based gasoline.

The European Commission reprimanded Belgium and Cyprus for not holding adequate levels of oil supplies. The commission said the oil stocks that every European Union country is meant to keep are extremely important for the EU's security of supply.

Western oil companies have experienced isolated but unsuccessful attacks on facilities as militants begin to take the battle against foreign firms far offshore. An executive at a major western oil company said the company was taking measures to protect its facilities in Nigeria's deepwaters.

The Colorado State University hurricane forecasting team led by Dr. William Grey said it expected 17 named storms to form in the Atlantic basin this hurricane season. Nine of the storms are expected to strengthen into hurricanes. The forecasters said five of the hurricanes were likely to be major storms, reaching at least Category 3. However they stated that there were likely fewer major storms making landfall in the US compared to 2005. It said the eastern Louisiana gulf coast region, which holds 1.6 million bpd of the country's refining capacity, faces a 30% threat of one or more intense hurricanes during this year's season.

Iran plans to open an oil bourse on the Gulf island of Kish before March 2007. It would be a small pilot operation trading only two or three petrochemical products. Adviser to Iran's Oil Minister and the head of the bourse project, Mohammad Javad Asemipour, said the Iranian bourse was not meant to challenge the IPE and NYMEX exchanges but was simply intended to increase liquidity in Gulf energy trading.

Iran's ISNA news agency reported that inspectors from the UN's IAEA are scheduled to arrive in Iran on Friday to visit nuclear sites, including the Natanz uranium enrichment facility. Iran's Foreign Minister Manouchehr Mottaki said it is prepared to negotiate on the large scale enrichment of uranium. However he stated that it would not abandon its right to enrich uranium.

Separately, Iran successfully tested a flying boat in the wargame. The Defense Ministry was not immediately able to give a clear description of the new vessel but said it was not a form of hovercraft. Iran also stated that it tested a second new radar avoiding missile, the latest weapon to be unveiled during war games in the Gulf.

Refinery News

The restart of ConocoPhillips' fluid catalytic cracking unit at its 247,000 bpd Alliance refinery in Belle Chase, Louisiana failed due to an unspecified problem. The next restart attempt may take as much as two weeks.

Murphy Oil's 120,000 bpd refinery in Meraux, Louisiana is expected to resume operations by the middle of April after it was shut following Hurricane Katrina.

Deer Park Refining LP plans to work on a section of a fluid catalytic cracking unit that may put the unit at risk of shutdown this week.

Delek US Holdings Inc plans to shut a sulfur recovery unit at its 60,000 bpd Tyler, Texas refinery for work on April 10. It is also planning to shut a boiler in the plant's fluid catalytic cracking unit for state inspection.

Frontier Oil Corp signed a transportation agreement on a crude oil pipeline that would relieve bottlenecks and allow expansions at its refinery in Wyoming. The pipeline would be designed to transport 55,000 bpd of heavy crude and would be expandable to 90,000 bpd. It is expected to open in the second quarter of 2007 following Frontier's planned expansion of its coker at Cheyenne from 10,000 bpd to 13,500 bpd. Frontier agreed to a 10 year commitment to ship 35,000 bpd on the pipeline and would lease about 300,000 barrels of storage capacity in the Rocky Mountain tank farm.

Hovensa LLC resumed operation of the fluid catalytic cracker at its 495,000 bpd refinery in St. Croix on Sunday. The unit was down since March 11, when it was taken out of service for emergency work.

Total restarted an atmospheric residual desulfurization unit and a crude desulfurization unit at its 360,000 bpd Antwerp refinery which were shut for maintenance.

Hyundai Oilbank Corp is planning to operate at 330,000 bpd in May, down from 340,000 bpd in April.

Production News

Unions and companies in France stated that a 24 hour strike on Tuesday against a youth hire and fire law has caused a cut in oil refining and electricity production. Total's output at three of its six refineries in France were cut due to the strike while 3,600 megawatts of France's power generation capacity was cut. Total has cut production at its 328,000 bpd Gonfreville refinery, its 160,000 bpd Flandres refinery and its 119,000 bpd Feyzin refinery. Separately, Total said it planned to quit its onshore oil production in Nigeria.

A BP operated gathering center on Alaska's North Slope that was shut in due to a crude leak was restarted and production is expected to slowly return to the region in coming weeks. BP had shut in a total of 100,000 bpd of production due to the spill.

Woodside Petroleum Ltd restarted production at its Cossack oil field off the coast of Western Australia after closing it following a cyclone. Production at the 100,000 bpd oil field in the Indian Ocean was suspended last week.

PDVSA said the La Ceiba oil field in western Venezuela would have initial production of up to 40,000 bpd after reservoir studies and partnership talks are completed. On Tuesday, Exxon Mobil Corp said it did not know when production would resume. Last month Venezuela ordered Exxon Mobil to halt test production of 6,000 bpd at one well to conduct technical studies on the size and commercial value of the field.

Russia's Gazprom said it expected long term growth in its oil production, which could increase 40% in a few years to 1 million bpd.

Georgia's Black Sea port of Batumi increased crude and refined products shipments in March 2006 to 1.205 million tons due to new volumes of Azeri crude. It is up from 744,400 tons reported last year and 1.061 million tons reported in February.

According to a finance ministry notice, China's windfall tax on oil production would apply only to crude pumped within the country's land and sea borders. All companies engaged in exploring and selling oil in Chinese territory and within its sea borders would be subject to taxes ranging from 20-40% on any oil sold for more than \$40/barrel.

South Korea is shipping 120,000 tons of gas oil to Africa this month, unchanged on the month, relieving Asia of excess high sulfur cargoes.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$61.82/barrel on Monday, up from \$61.17/barrel on Friday.

Total won a tender for 200,000 tons of Azeri diesel fuel. An official at Azerbaijan's SOCAR said the diesel would be loaded at the Georgian Black Sea ports of Poti and Batumi during the second quarter of 2006.

Brazil's Petrobras said its new FPSO Capixaba platform would start producing from the Golfinho field off the southeastern state of Espirito Santo in May. In course of the year, the rig would ramp up its production to reach a production peak of 100,000 bpd and 3.5 million cubic meters/day of natural gas.

Saudi Aramco set the price of its Arab Light crude bound for Europe at BWAVE minus \$6.40, down 60 cents while its Arab Medium was set at BWAVE minus \$8.65, down 60 cents on the month. Meanwhile, Arab Light crude bound for the US was set at WTI minus \$7.25, up \$1.30 on the month while Arab Heavy crude was set at WTI minus \$12.55, up 80 cents on the month.

Market Commentary

The oil market gapped lower this morning from 66.55 to 66.17 as it continued to trade lower after failing to retain its gains during Monday's session. The market partially backfilled its gap as it traded to 66.40 before it sold off and posted a double bottom at 65.60. The market however bounced off its low and posted a high of 66.50 late in the session. The market, which failed to fully backfill its gap retraced some of its gains ahead of the close and settled down 51 cents at 66.23. Volume in the crude market was better today with 208,000 lots booked on the day. Meanwhile the gasoline market, which settled in positive territory, posted an inside trading day after failing to breach its previous trading range. The gasoline market opened down 1.12 cents at 185.20 and quickly posted a low of 185.00. The market

later traded to 188.00 and settled in a sideways trading pattern for most of the day. However the market later breached its resistance and rallied to a high of 191.45 before it retraced some of its sharp gains ahead of the close. It settled up 3.23 cents at 189.55. The heating oil market also gapped lower from 185.80 to 185.00, which it quickly backfilled as it traded to an early high of 186.10. The market however sold off to a low of 183.90 before it once again retraced its losses and posted a high of 186.30. It settled down 64 points at 185.58. Volumes in the product markets were better with 42,000 lots booked in the gasoline market and 35,000 lots booked in the heating oil market.

The oil market will seek further direction from the weekly petroleum stock reports as it awaits the outcome of the IAEA inspection of Iran's nuclear sites scheduled for Friday. The ongoing dispute over Iran's nuclear program is among the geopolitical problems that continue to drive the market. Meanwhile, the DOE and API reports are expected to show builds in crude stocks of about 1 million barrels and draws in each gasoline and distillate stocks of more than 1.5 million barrels. The market is seen finding support at its double bottom of 65.60 followed by 65.36, 64.95 and 64.45. Meanwhile, resistance is

seen at its gap from 66.50 to 66.55 followed by more distant resistance at 67.90 and 70.10.

Technical Analysis		
	Levels	Explanation
CL 66.23, down 51 cents	Resistance 67.90, 70.10 66.50 to 66.55	Previous highs Remaining gap (April 4th)
	Support 65.60 65.36, 64.95 to 64.45	Double bottom 38% retracement (61.25 and 67.90), Gap (March 28th)
HO 185.58, down 64 points	Resistance 189.40, 192.75, 193.60 186.30	Previous highs, basis trendline Tuesday's high
	Support 183.90 183.60, 182.00	Tuesday's low Previous lows
HU 189.55, up 3.23 cents	Resistance 192.50 191.45, 191.85	Previous high Tuesday's high, Monday's high
	Support 185.00, 184.90 183.70, 182.10, 179.65	Double bottom Previous low, 50% retracement and 62%(171.70 and 192.50)