



## ***ENERGY RISK MANAGEMENT***

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### **ENERGY MARKET REPORT FOR APRIL 5, 2006**

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Nigeria's Oil Minister Edmund Daukoru expects production to be restored at the EA field on Thursday, leaving 420,000 bpd of production still shut in. He said the managing director of Shell assured him that the 420,000 bpd of shut in production would come back in about 30 days. Meanwhile, industry sources said Royal Dutch Shell and other oil companies have no plans to return staff to abandoned oilfields in Nigeria until there is a truce with militants. The sources stated that the meeting between the government and delta groups scheduled for later on Wednesday was unlikely to achieve anything because key militant members would be absent.

Nigeria's President Olusegun Obasanjo set up a committee on Wednesday with a two week deadline to draw up an action plan to deal with a crisis in the Niger Delta.

#### Market Watch

Iran said it successfully test fired a top secret missile, the third within this week. The tests come during war games held by the elite Revolutionary Guards.

Saudi Arabia's Crown Prince Sultan bin Abdul-Aziz arrived in Japan on Wednesday for talks that are expected to focus on a continued stable supply of oil for Japan.

A hedge fund manager stated that crude oil prices are set to increase above the \$80/barrel level in the next few months. He said energy had much further to run in the current bull market.

High water levels continue to block shipping between east and west Europe on the Danube and Elbe rivers in Germany. Meanwhile, Rhine shipping was not disrupted by high waters on Wednesday.

Venezuela's superintendent of the Seniat tax service said Chevron is expected to pay \$74.9 million in taxes, interest and fines to the Venezuelan government.

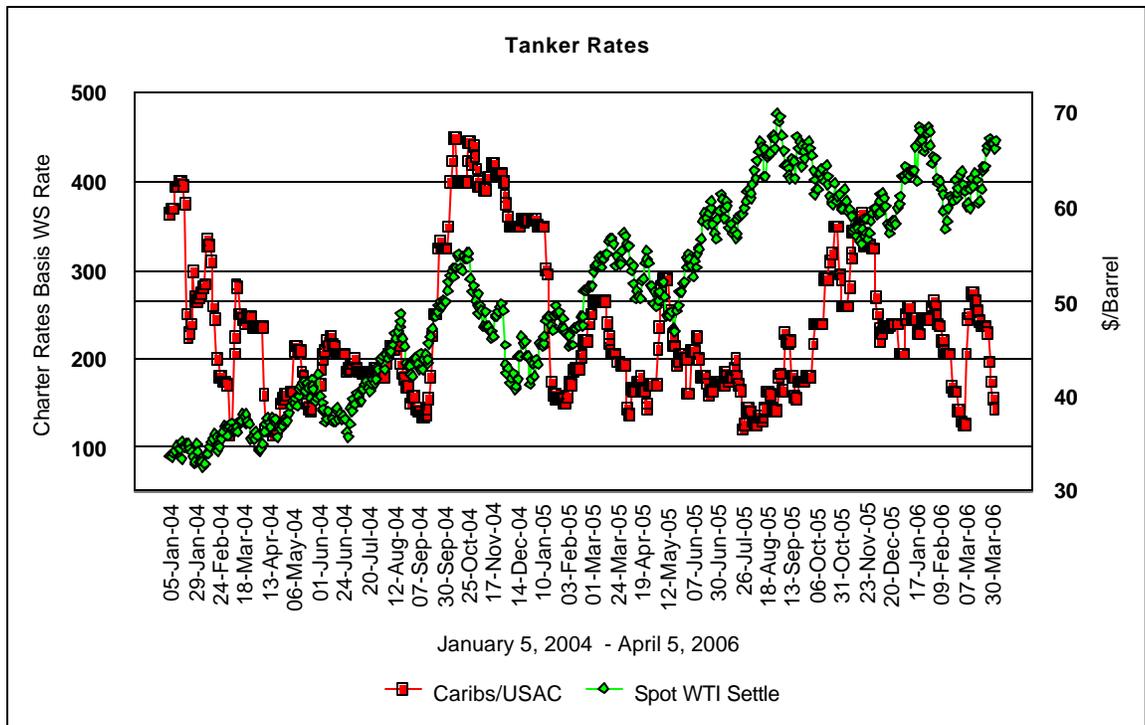
The NYMEX announced that all of its NYMEX miNY futures contracts set monthly volume records in March. Total NYMEX miNY futures set a monthly record of 1,267,622 contracts traded, exceeding the 1,032,580 contracts traded in February.

#### DOE Stocks

**Crude** – up 2.1 million barrels  
**Distillate** – down 2.6 million barrels  
**Gasoline** – down 4.4 million barrels  
**Refinery runs** – down 1.26%, at 85.9%

An OPEC delegate said OPEC does not need to change its production policy when ministers meet on June 1 because the oil market is still tight due to production shut ins in Nigeria, anticipated problems with US supplies in the summer and oil prices which are expected to hold at current levels.

The DOE reported that US inventories of propane totaled 28.964 million barrels in the week ending March 31, down 255,000 barrels on the week. It stated that inventories in the East Coast fell by 184,000 barrels to



2.559 million barrels while inventories in the Midwest fell by 15,000 barrels to 11.208 million barrels and inventories in the Gulf Coast fell by 3,000 barrels to 14.522 million barrels on the week.

### Refinery News

Traders said the gasoline supply was returning to normal in Dallas and Fort Worth, Texas following a shortage caused by the area's switch to ethanol based fuel from an MTBE based fuel. Traders said the shortage originated with Flint Hills Resources, which was in the process of switching its tanks for ethanol based RBOB.

Exxon Mobil Corp reduced runs at the gofiner unit at its Baytown, Texas refinery for three hours on Tuesday. The unit was run at a lower rate following a packing leak on a valve.

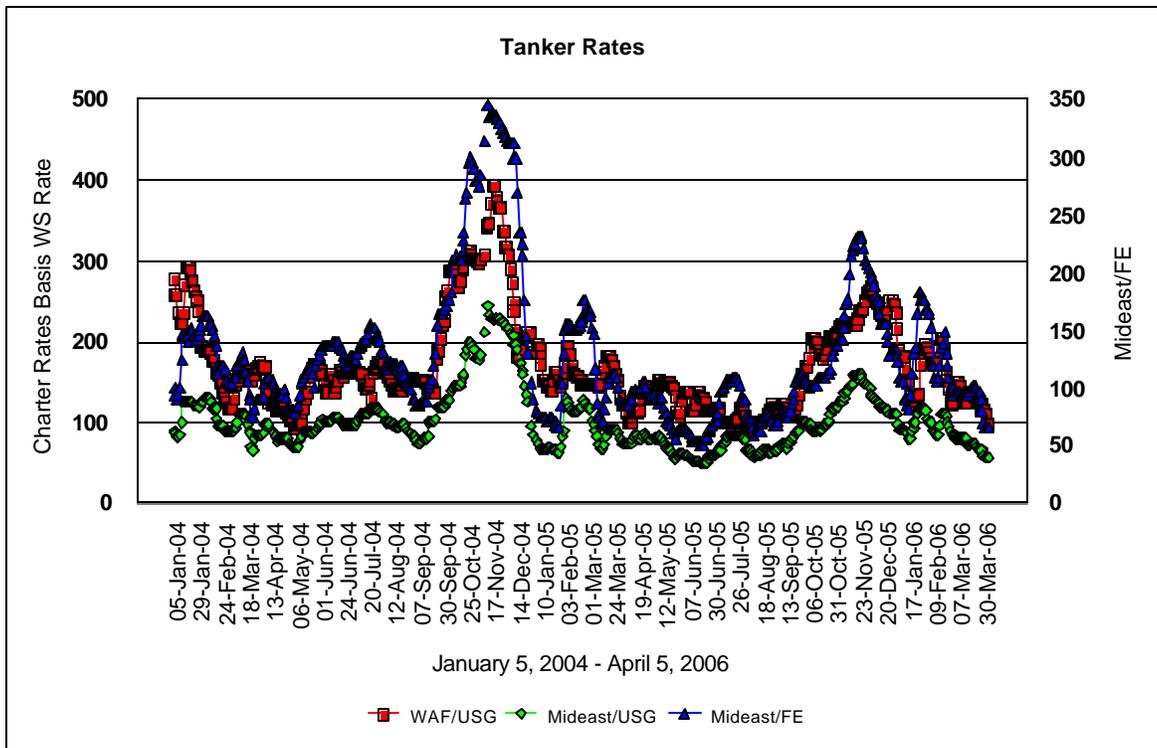
Jefferson County voted to give Total Petrochemicals USA a tax break on a \$1 billion upgrade to increase the yields of higher value products out of low grade crudes at its Port Arthur, Texas refinery. Total plans to make a final decision on the coker project as early as May. Jefferson County would grant Total a 100% refund for five years of property taxes paid on the coking unit it plans to build at the refinery between 2007 and 2009.

Shell confirmed that its 412,000 bpd Pernis refinery in Rotterdam was undergoing a turnaround maintenance program. It started at the end of March.

### Production News

The MMS reported that total shut in production stood at 340,438 bpd in the two weeks ending April 5. The shut in oil production is equivalent to 22.7% of the daily oil production in the Gulf of Mexico.

According to a Reuters survey, OPEC's oil production fell by 180,000 bpd in March to 29.55 million bpd. Production from the ten OPEC members bound by quotas fell by 150,000 bpd in March to 27.81 million bpd. The fall in production was led by a fall in Nigeria's production. Nigeria's production



averaged 2.04 million bpd, down 240,000 bpd on the month. Iraq's production fell by 30,000 bpd to 1.74 million bpd.

An Iraqi port agent said congestion at the anchorage of Iraq's southern Basra oil export

facility has eased after the terminal reopened late last week following a brief bout of bad weather. The terminal was closed for two days last week, causing a build up in the number of tankers waiting to berth and extending the time required to load from 2-3 days to 5-6 days. Separately, shipping sources stated that Iraqi oil exports in March fell by 30,000 bpd on the month to 1.34 million bpd in March. Bad weather at the Basra oil terminal in the country's south temporarily halted exports toward the end of the month.

The Shetland Island Council reported that Brent crude liftings from Sullom Voe increased to 386,513 tons in the week ending April 4 from 265,148 tons reported in the previous week.

Russia's Tatneft produced about 514,000 bpd in March, down from 515,000 bpd in February.

Former Soviet Union gas oil exports in March from the Baltic ports increased 99,000 tons from the previous month to 1.41 million tons. Meanwhile exports from the Black Sea fell by 156,000 tons to 994,000 tons.

Petersburg Oil Terminal plans to load 854,000 tons of refined products in April, up from 822,000 tons in March. In January-March the terminal exported 2.3 million tons of oil products, of which 1.5 million tons was fuel oil and 0.8 million tons was gas oil. It plans to export about 11 million tons of refined products in 2006.

Yukos' chairman, Viktor Gerashchenko said Lithuania is delaying its takeover of the Mazeikiu refinery from Yukos to avoid angering the Kremlin and keep Russian oil flowing. Last Friday, Yukos said it failed to agree on the sale of Mazeikiu with the Lithuanian government, which earlier expressed frustration at Yukos' inability to reach a deal. Talks are expected to resume this week.

Indonesia's crude oil production increased to 929,100 bpd in March, up from 918,500 bpd in February. It produced 122,800 bpd of condensate in March compared with 130,000 bpd in February.

An Oil Ministry official in Sudan said the country's oil production is more than 300,000 bpd and is expected to increase to 500,000 bpd on April 10 with the opening of a new pipeline. The pipeline had been delayed by faulty foundation work. It was due to come on line in August last year.

The Petroleum Association of Japan reported that the country's commercial crude stocks increased by 6.75% on the week to 17.75 million kiloliters or 111.64 million barrels in the week ending April 1. It reported that gasoline stocks increased to 2.25 million kl or 14.15 million barrels on the week from 2.21 million kl. Kerosene stocks stood at 2.04 million kl or 12.83 million barrels on the week, down from 2.13 million kl the previous week. The average operating rate of Japanese oil refineries increased to 91.1% in the week ending April 1 from 90.7% in the previous week.

OPEC's news agency reported that OPEC's basket of crudes fell to \$61.01/barrel on Tuesday, down from Monday's \$61.82/barrel.

Qatar has cut its March retroactive official selling price for Qatar Land crude by 21 cents/barrel on the month to \$60.35. This came as Qatar Petroleum cut Qatar Land's premium to the benchmark Oman official selling price to a \$2.17 premium for March compared with \$2.50 for February.

BP Plc said its production of oil and gas fell in the first quarter of 2006 to 4.025 million barrels of oil equivalent per day from 4.1 million boe/d reported a year ago.

Saudi Aramco is cutting total committed naphtha term exports for contracts this year by 1 million to 1.05 million tons/year, partly due to a need to maximize gasoline and gas oil production.

### Market Commentary

The oil market opened slightly higher at 66.30 and quickly posted a low of 66.23 ahead of the release of the weekly petroleum stock reports. However the market bounced of its low in light of the supportive reports, which showed larger than expected draws in product stocks. The market traded to 66.90 and settled in a sideways trading range as its gains were limited by the crude stock builds of 2.1 million barrels and 4.165 million barrels reported by the DOE and API, respectively. The market later rallied to a high of 67.25 ahead of the close as the complex was led higher by the strength in the gasoline market. The crude market settled up 84 cents at 67.07. Volume in the crude market was good with over 208,000 lots booked on the day. The gasoline market, which led the complex higher, settled up 5.16 cents at 194.71. The market opened at its low of 191.00 and quickly extended its gains to over 5.4 cents as it traded to 195.00 amid the larger than expected draws in gasoline stocks. The market later retraced its gains and settled in a sideways trading pattern before further buying ahead of the close

pushed the market to a high of 195.30. The heating oil market posted its low of 185.60 early in the session before it rallied to

Technical Analysis		
	Levels	Explanation
CL 67.07, up 84 cents	<b>Resistance</b> 67.90, 70.10 67.25	Previous highs Wednesday's high
	<b>Support</b> 67.00, 66.50, 66.23 65.60, 65.36, 64.95 to 64.45	Wednesday's low Double bottom, 38% retracement (61.25 and 67.90), Gap (March 28th)
	<b>Resistance</b> 189.40, 192.75 187.80	Previous highs Wednesday's high
HO 186.88, up 1.3 cents	<b>Support</b> 186.10, 185.60 183.90, 183.60, 182.00	Wednesday's low Previous lows
	<b>Resistance</b> 196.33, 198.75, 199.60 195.30	Basis resistance line, Previous highs Wednesday's high
HU 194.71, up 5.16 cents	<b>Support</b> 192.80, 191.00 185.00, 184.90, 183.70	Wednesday's low Previous lows

187.80 in light of the draws reported in distillate stocks. The heating oil market also traded mostly sideways before it rallied to a high of 187.80 ahead of the close. It settled up 1.3 cents at 186.88. Volumes in the product markets were good with 44,000 lots booked in the gasoline market and 42,000 lots booked in the heating oil market.

The oil market is seen trading within its recent trading range. The market may initially continue to trade higher after it settled near its high and remains supported by the strength in the gasoline market. Resistance is seen at its high of 67.25 followed by its previous highs of 67.90 and 70.10. Meanwhile support is seen at 67.00, 66.50 and its low of 66.23. More distant support is seen at 65.60, 65.36 and a gap from 64.95 to 64.45.

The NYMEX option market saw crude options post over 100,000 lots traded on the day for the first time since mid-February, with puts holding a 2:1 edge over calls. But the volume traded in the puts was in far out of the money puts such as the December \$50 puts which turned out to be the most active on the day with over 11,000 lots traded. Crude option implied volatilities though were down on the day basis the settlement with the May ATM options settling with their lowest IV since the beginning of March. Gasoline options though also saw excellent trading activity with over 10,000 lots posted on the day, the highest volume day since March 22<sup>nd</sup>, and only the second time this year that trading volume has made it over 10,000 contracts. The May \$1.50 and \$1.60 puts and the June \$1.65 puts accounted for half of the day's trading interest. Unlike crude, gasoline implied volatilities in general increased yet again on the week and are at levels not seen since September and October of last year.