



## ***ENERGY RISK MANAGEMENT***

Howard Rennell, Pat Shigueta &  
Zachariah Yurch

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

**www.e-windham.com**

---

### **ENERGY MARKET REPORT FOR APRIL 6, 2006**

---

The UAE's Oil Minister Mohammed bin Dhaen al-Hamli said there is nothing OPEC can do to lower oil prices. He said oil prices were supported by robust demand. He also stated that he was concerned by the recent fall in US gasoline stocks but reiterated that customers would be well supplied with crude oil.

Saudi Arabia's Crown Prince Abdullah bin Abd al-Aziz, during a meeting with Japan's Trade Minister Toshihiro Nikai, said Saudi Arabia would make its best efforts to stabilize oil prices. He said Saudi Arabia would continue to be a stable crude supplier and promote measures to attract more investment from Japan to the Middle Eastern country.

Qatar's Oil Minister Abdullah al-Attiyah said he was confident Iran would not disrupt oil shipments. Last week, an Iranian official said if there were continued talk of sanctions on Iran, the country would not let others in the region export their crude oil.

#### **Market Watch**

Europe has booked 480,000 tons of gasoline this week for export to the US. The ships are due to load in Europe starting April 8-22 for arrival in the US between the end of April and the first week of May. European traders reported short gasoline supplies, with many refineries shut down on both sides of the Atlantic due to regular spring maintenance and refinery problems.

The NYMEX announced that it would list its energy futures contracts on the Chicago Mercantile Exchange's Globex platform. The NYMEX said the CME would become the exclusive electronic trading service provider for its energy futures and options contracts, with initial trading scheduled to start in the second quarter of 2006. The Globex system would also be the exclusive trading platform for metals currently listed on NYMEX's COMEX division, starting in the third quarter.

The US EPA is conducting a criminal investigation into BP's management of pipelines in Alaska's North Slope. The Wall Street Journal reported that the investigation, which was underway for several months was expanded to include an early March spill of an estimated 134,000-267,000 gallons of crude from a pipeline at Prudhoe Bay. A person familiar with the matter was reported as telling the newspaper that federal investigators were looking at corrosion issues on the ruptured line as well as others in the area to determine if BP committed any violations of the federal Clean Water Act.

Star Gas Partners LP, home heating oil distributor, said its unitholders approved a recapitalization proposal from Kestrel Energy Partners LLC at a special meeting. The company said it however reserved the right to consider and potentially accept superior proposals.

Oil Movements said OPEC's seaborne crude exports increased by 180,000 bpd to 24.9 million bpd in the four week ending April 22. The second consecutive weekly rise marked a cyclical demand

## **Refinery Update**

### **April:**

ConocoPhillips' 190,000 bpd refinery in Trainer, Pennsylvania is undergoing maintenance from April 1-May 15.

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.

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 is scheduled to 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.

Delek's 55,000 bpd Tyler, Texas refinery fluid catalytic cracking unit is expected to reduce operations between April 9 and 13 for inspection and possible repairs of a boiler. The refinery is expected to shut a sulfur recovery unit furnace on April 10 for 15 hours of maintenance.

Motiva's 80,000 bpd fluid catalytic cracking unit at its Convent, Louisiana refinery has been undergoing maintenance since March 26. It is expected to restart on April 25. Also, its delayed coking unit at its Port Arthur, Texas refinery remains shut since February 14.

Murphy's 120,000 bpd refinery in Meraux, Louisiana which has been shut since August 29 due to a hurricane, is expected to restart later in April.

Total's distillate hydrotreater at its Port Arthur, Texas refinery was shut on April 5 and is scheduled to restart on April 18.

Exxon Mobil's 245,000 bpd Joliet, Illinois refinery is expected to shutdown for an overhaul on April 10-May.

Shell's 67,000 bpd fluid catalytic cracking unit was shut on March 27 and remains down following a chemical leak.

The restart of BP's fluid catalytic cracking unit at its 437,000 bpd Texas City, Texas refinery was delayed by one week to mid-April.

### **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.

increase with all the extra barrels heading to Western refiners. Last week, it report that OPEC exports increased by 190,000 bpd in the four weeks ending April 15.

The US ambassador to the UN said the UN Security Council could give Iran two chances to curb its nuclear program before imposing sanctions. US ambassador, John Bolton, said if Iran defied a UN statement, which urged it to suspend its uranium enrichment activities by the end of April, then the council would likely issue a stiffer warning demanding such compliance. He said the council would then consider the next step, which may be a Chapter 7 resolution that imposes sanctions of some kind. He added that with the US facing resistance at the council, the US was considering tactics outside the UN to apply pressure. Meanwhile, the head of the IAEA, Mohammed ElBaradei urged Iran to clarify areas of its atomic program. He said there are issues that have to be clarified before the IAEA can say that all activities in Iran are exclusively for peaceful purposes.

### **Refinery News**

Royal Dutch Shell said its Pernis refinery would start producing low sulfur bunker fuel by mid-year to meet increased demand following new environmental rules.

According to a union leader in Spain, a strike would force Spain's 220,000 bpd Petronor

refinery to shutdown for four days starting on Friday. The refinery's output is 45% diesel, 22% gasoline, 21% fuel oil and 12% other products.

Lyondell Chemical Co and Citgo announced the signing of a letter of intent to jointly explore the sale of the Lyondell-Citgo Refining LP partnership which operates a refinery in Houston, Texas with a crude oil processing capacity of 268,000 bpd. The companies also announced the settlement of all disputes between Lyondell, Citgo and PDVSA, including the litigation concerning the refinery crude supply agreement.

**Production News**

Royal Dutch Shell has yet to resume production at its EA oil field in Nigeria, leaving 455,000 bpd of production offline. Nigeria's Oil Minister Edmund Daukoru said he expected production to be restored at the offshore EA field on Thursday.

Australia's Woodside Petroleum Ltd said it halted production at its Cossack-Pioneer oil field as a precaution against a cyclone. Production at the 100,000 bpd field was suspended on Wednesday as Tropical Cyclone Hubert approached.

Marathon Oil Corp estimated that its production sold during the first quarter stood at 365,000 and 370,000 barrels of oil equivalent/day.

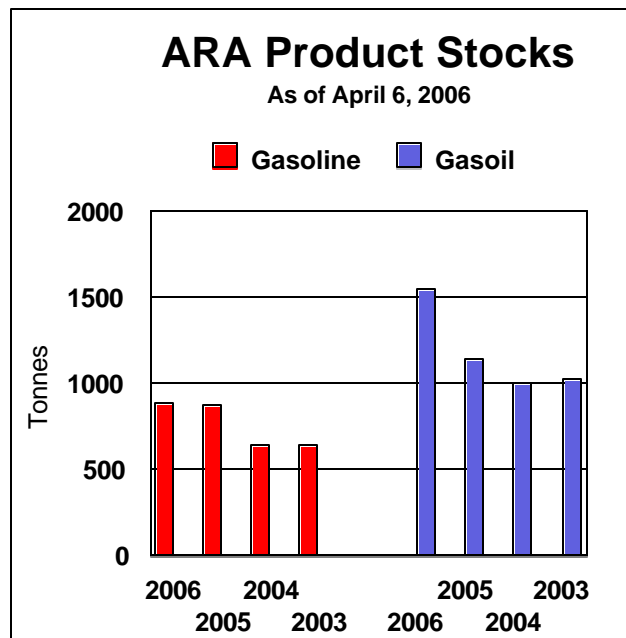
An analyst stated that gasoline stocks held in independent storage in the Amsterdam-Rotterdam-Antwerp area increased by 65,000 tons to 895,000 tons in the week ending April 6<sup>th</sup>. Gas oil stocks increased to 1.55 million tons compared with 1.5 million tons the previous week and 1.15 million tons last year. Jet fuel stocks stood at 395,000 tons, up from 375,000 last week and 175,000 tons last year while naphtha stocks increased by 5,000 tons to 70,000 tons on the week. Fuel oil stocks stood at 310,000 tons, up 50,000 tons on the week.

Fuel oil exports from the former Soviet Union via Baltic and Black Sea ports increased by 50% on the month to 4.32 million tons. Exports of gas oil were relatively unchanged in March at 3.07 million tons while gasoline flows fell to 774,000 tons, down 214,000 tons on the month.

Traders stated that higher domestic demand in China and the scrapping of the country's export tax rebate is likely to cap Chinese monthly gasoline exports at 200,000 to 250,000 tons over the next two months. Gasoline exports for April loading from China are estimated at 185,000 to 200,000 tons.

Singapore's International Enterprise said the country's middle distillate stocks increased by 1.358 million barrels to 8.565 million barrels in the week ending April 5. Meanwhile Singapore's light distillate stocks fell by 107,000 barrels to 8.247 million barrels while residual fuel stocks increased by 407,000 barrels to 10.532 million barrels on the week.

OPEC's news agency reported that OPEC's basket of crudes increased slightly to \$61.08/barrel on Wednesday, up from Tuesday's \$61.01/barrel level.



Saudi Aramco said it was implementing projects to maintain crude production at the country's Zuluf and Safaniyah oilfields. The projects include the installation of two drilling support structures at its Zuluf oilfield in December 2006 and a new wellhead production platform in central Safaniyah to support onstream start up in May 2007. The Safaniyah field has a production capacity of more than 1.2 million bpd. Three additional wellhead platforms would be installed in central Safaniyah and Zuluf fields by December 2007.

Cosmo Oil Co said it started commercial crude oil production at an offshore oil field in Qatar in mid-March and would import its share to its refineries in Japan. The field is currently producing 6,000 bpd and is expected to reach 10,000 bpd as early as during the business year starting April 2007.

### **Market Commentary**

The oil market gapped higher from 67.25 to 67.65 as it continued to trend higher amid the strength in the gasoline market following the larger than expected draws reported in gasoline stocks. The market was also supported amid comments made by UAE's Oil Minister that OPEC was powerless to lower oil prices. The oil market rallied to its high of 68.20 early in the session as the gasoline market posted its high on the opening. The crude market however retraced its gains and backfilled its gap as it traded to a low of 67.25. The market bounced off its low and traded back above the 68.00 level ahead of the close. It settled up 87 cents at 67.94. Volume in the crude was lighter today, with 193,000 lots booked on the day. The gasoline market once again continued to lead the complex higher. It gapped higher from 195.30 to 199.25 and quickly traded to its high of 200.40. The market however retraced its gains and partially backfilled its gap as it traded to a low of 196.50. It later bounced off its low and traded back towards its high ahead of the close. The market was unable to breach that level amid reports that Europe booked 480,000 tons of gasoline for export to the US. The gasoline market settled up 5.28 cents at 199.99. Similarly, the heating oil market gapped higher from 187.80 to 188.60 and rallied to a high of 189.50. The market however sold off and backfilled its gap as it traded to a low of 187.10. The market later bounced off its low and traded back towards its high ahead of the close. It settled up 2.19 cents at 189.07. Volumes in the product markets were good with 40,000 lots booked in the gasoline and 34,000 lots booked in the heating oil market.

The crude market early on Friday may retrace some of the sharp gains seen during the past few trading sessions. However the market is seen targeting the 70.00 level. The market will remain supported by the strength in the gasoline market and the ongoing geopolitical problems. The market is seen finding support at 67.25 followed by 66.23, 65.60 and its gap from 64.95 to 64.45. Meanwhile resistance is seen at 68.20 and a previous high of 70.10.

<b>Technical Analysis</b>		
	<b>Levels</b>	<b>Explanation</b>
<b>CL</b> 67.94, up 87 cents	<b>Resistance</b> 70.10	Previous high
	<b>Support</b> 68.20	Thursday's high
	<b>Support</b> 67.25 66.23, 65.60, 64.95- 64.45	Thursday's low Previous low, Double bottom, Gap (March 28th)
<b>HO</b> 189.07, up 2.19 cents	<b>Resistance</b> 191.52, 192.75 189.50	Basis trendline, Previous high Thursday's high
	<b>Support</b> 188.00, 187.10 185.60, 183.90, 183.60, 182.00	Thursday's low Previous lows
<b>HU</b> 199.99, up 5.28 cents	<b>Resistance</b> 201.29 200.40	Basis trendline Thursday's high
	<b>Support</b> 198.00 196.50 to 195.30, 191.00, 184.90	Opening gap (April 6th), Previous lows