



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 12, 2006

Iran's President Mahmoud Ahmadinejad said Iran would ignore renewed international calls to halt uranium enrichment. He said Iran would not hold talks with anyone about the country's right to enrich uranium, casting a shadow over Thursday's visit for nuclear talks by the head of the IAEA, Mohamed ElBaradei. The IAEA chief said he would urge top officials in Iran to end sensitive atomic work. He said the agency did not see Iran diverting nuclear material for weapons but added that the picture is hazy and unclear. He said he could not yet confirm if Iran had enriched uranium to 3.5%, the level used to fuel nuclear power stations. Meanwhile, China said it would send a top envoy on arms control to Iran to try to defuse the nuclear standoff. Diplomats at the Security Council said the five permanent council members and Germany would meet to discuss Iran in Moscow next week. However they stated that the council was unlikely to take action before receiving a report from the head of the IAEA.

Market Watch

Saudi Arabia booked three Very Large Crude Carriers to carry 6.2 million barrels of crude to the US in May. Vela International Marine provisionally hired the Ascona loading 285,000 tons on May 2. The Universal Prime and Ubud were also hired to load 280,000 tons each in early May.

According to traders, prices for very low spec gasoline have fallen sharply in the US Gulf Coast, aiding the flow of ultra high sulfur US barrels to West Africa. In the US Gulf Coast, some refinery and petro-chemical by products with a sulfur content that excludes them from the US gasoline pool have plunged to a differential of \$200/ton under the price of gasoline.

Even though Venezuela's President Hugo Chavez has rattled the oil markets with anti-capitalist talk, higher royalties and oilfield takeovers, major oil companies like Chevron Corp, Royal Dutch Shell and Total are still seeking opportunities in Venezuela.

The International Monetary Fund said rising oil prices were widening trade imbalances, with oil producers gaining profits while the current account gaps of fuel importers move further into the red. It said that over the past two years, higher oil prices had accounted for about one half of the deterioration in the US current account. It said with limited excess production capacity, the medium term supply/demand was likely to remain tight and oil prices would persist near current levels. It said the recycling of petrodollars through international capital markets was helping to keep interest rates low in the US and was adding to the current account deficit by encouraging consumption.

The Rhine River in south Germany was reopened to inland waterway shipping on Thursday after water levels fell. Navigation was halted on Tuesday between Maxau near Karlsruhe and Germersheim after a sudden increase in water levels.

Japan has booked to import at least three to four 30,000 ton medium ranged cargoes of gasoline reformulate for late April and May from Asia amid unexpected outages and planned maintenance.

The Economic Cycle Research Institute said its weekly leading index fell to 137.3 in the week ending April 7 from 138 the prior week. Its index fell amid slower housing activity, higher jobless claims and rising interest rates.

Separately, Russian Federal Nuclear Energy Agency chief Sergei Kiriyenko said Iran is far from being capable of industrial scale uranium enrichment. He said the enrichment facility at Natanz, equipped with 164 gas centrifuges, could not produce any significant amount of enriched uranium.

According to Oil Movements, OPEC's crude exports are expected to increase by 30,000 bpd in the four weeks ending April 29 to 24.71 million bpd compared with 24.68 million bpd in the four weeks ending April 1. It said oil in transit from OPEC producers would fall to 396 million barrels by month end, the lowest level so far this year.

Refinery News

The Texas Natural Resource Conservative Commission reported that fine dust, which could contain very small amounts of hydrocarbon, was emitted from the B-302 heater stack at coker C at BP's Texas City, Texas refinery.

Production News

Gasoline stocks in the independent Amsterdam-Rotterdam-Antwerp tanks increased by 35,000 tons to 920,000 tons in the week ending April 13th. It is also up from last year's level of 900,000 tons. Gas oil stocks fell by 20,000 tons to 1.53 million tons from 1.55 million tons the previous week. It is up from last year's level of 1.35 million tons. Meanwhile, naphtha stocks fell by 25,000 tons to 45,000 tons while fuel oil stocks increased by 40,000 tons to 350,000 tons. Jet fuel stocks also increased by 20,000 tons to 415,000 tons on the week.

Germany's MWV said the country's oil product sales in March totaled 7.01 million tons, up 5.1% on the year. It said gasoline sales fell by 9.1% on the year to 1.83 million tons while light heating oil sales increased 24.3% to 2.3 million tons. Diesel sales increased 4% to 2.36 million tons in March.

An oil project in Chad is producing at normal levels, despite escalating violence in the country's capital of N'Djamena. The Chad oil project, which averaged more than 170,000 bpd in 2005, was producing at normal levels.

Lithuania still hoped Yukos would agree to sell its stake in Lithuanian refinery Mazeikiu Nafta this week. Lithuanian negotiators and Yukos officials continued talks striving to sign an agreement before the Easter holidays. However the bankruptcy proceedings against Yukos remained the biggest obstacle. The court has declared a ban on any sales of Yukos assets outside Russia.

Traders stated that China is expected to skip importing diesel for the fourth consecutive month in May. However it is forecast to keep exports steady to April levels at about 80,000 tons.

Indonesia has purchased 1.6 million barrels of crude oil in its tender for June arrival. It is up by 1 million barrels on the month. Pertamina purchased 1 million barrels of Saharan Blend crude and 600,000 barrels of Kutubu crude.

Taiwan consumed 843,085 bpd of oil products in February, up 8.8% on the year, according to the Bureau of Energy. It said fuel oil demand increased 10.6% to 105,650 bpd as Taiwan Power Co increased output at oil fired plants and cut production at natural gas fired plants. Diesel demand also increased by 9.6% over the same period in 2005 to 89,588 bpd while gasoline demand fell by 4.1% to 178,164 bpd.

Petroecuador opened an auction on Wednesday to sell a one year supply of 156,000 bpd to private companies. Petroecuador's President Fernando Gonzalez said winning companies would have to pay

an anticipated \$25 million per each of the 13 lots as part of the contract in case the government needs the capital to finance other expenses.

OPEC's news agency reported that OPEC's basket of crudes increased to \$63.84/barrel on Wednesday from \$63.61/barrel on Tuesday.

Market Commentary

The oil market ended the session sharply higher ahead of the long holiday weekend. The market gapped lower from 68.45 to 68.15 and sold off to a low of 67.95 amid a sell off in the gasoline market, which started Thursday afternoon on Access. The crude market however bounced off its low and backfilled its gap as it moved into positive territory. The market rallied above the 69.00 level and quickly posted a high of 69.50 on late short covering as traders positioned themselves ahead of the long holiday weekend. The market settled up 70 cents at 69.32. Volume was good with over 245,000 lots booked on the day. The product markets also ended in positive territory following the early sell off. The gasoline market opened down 2.6 cents at 206.50 in follow through selling seen on Access. The market traded sold off to a low of 205.35 on profit taking. It however bounced off that level and retraced its losses as it rallied to a high of 211.00 on short covering ahead of the close. The market settled up 1.68 cents at 210.79. Meanwhile, the heating oil market also opened down 1.46 cents at 196.00. It sold off to a low of 195.00 on profit taking before it bounced off that level and rallied ahead of the close. The market rallied to a high of 199.20 on the close. It settled up 1.74 cents at 199.20. Volumes in the product markets were good with 47,000 lots booked in the gasoline market and 56,000 lots in the heating oil market.

The market on Monday will be driven by the news over the long weekend as it remains concerned over the international dispute on Iran's nuclear program. The market is still seen targeting the 70.00 level as it continues to trend higher. The market is seen finding some resistance at its highs of 69.50 and 69.60. More distance resistance is seen at 70.00 followed by 70.85 and 71.26. Meanwhile support is

seen at 68.70, 68.30 and its low of 67.95. More distant support is seen at its gap from 67.75 to 67.60.

One should note that Monday is expiration

Technical Analysis		
	Levels	Explanation
CL 69.32, up 70 cents	Resistance 70.25, 70.85, 71.26 69.50, 69.60	Previous highs, Basis trendline Thursday's high, Wednesday's high
	Support 68.70, 68.30 67.95, 67.75 to 67.60	Thursday's low, Remaining gap (April 10th)
HO 199.20, up 1.74 cents	Resistance 200.75, 201.00, 203.00 199.20	Previous highs Thursday's high
	Support 197.50, 195.00 191.50	Thursday's low Tuesday's low
HU 210.79, up 1.68 cents	Resistance 213.50, 218.00 211.00	Previous highs Thursday's high
	Support 208.50, 207.00, 205.35 204.85, 199.05	Thursday's low Wednesday's low, Tuesday's low

day for the crude oil options market. Currently there is some 13,722 open positions in the expiring May \$70 call, which today traded over 7932 times between 8-25 cents, and settling at 31 cents.