ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR APRIL 18, 2006

President George W. Bush said he was concerned about high gasoline prices. He also pledged that the US government would investigate possible price gouging. He said high crude oil prices, rising summer driving demand and a switch to new motor gasoline standards is keeping gasoline prices high. Meanwhile, top economic advisor to the US President George W. Bush and director of the National Economic Council, Allan Hubbard, said the White House is concerned about the burden high oil prices would have on families and businesses. However it is not worried that high fuel prices or wage growth would feed inflation.

US Senator Charles Schumer said the FTC should probe oil companies that may be holding back on gasoline production amid increasing prices. He noted a 15% increase in

Market Watch

Chad President Idriss Deby said the country risked falling into civil war if a presidential election was not held on May 3 as planned. Rebels fighting to end his rule over the country have vowed to disrupt the May 3 poll in which he is standing for a third term. The President also ruled out his government making any compromise in its dispute with the World Bank over oil revenues Chad had threatened to halt oil production unless the bank releases frozen oil royalties by the end of April.

Oman and the Dubai Mercantile Exchange have agreed to launch a Middle East sour crude futures contract on the new exchange this year. A joint statement from Oman and the DME said the contract launch was due in the fourth quarter of 2006 but gave no further details. It would be the first time a physically backed futures contract in cooperation with a producer in the Middle East would be listed for trading on an exchange. Meanwhile, Qatar plans to host an energy futures exchange, the International Mercantile Exchange. However the country's oil minister has said Qatari crude would not be traded and would remain under long term contract.

BP's Alaska unit said corrosion caused another pipeline leak a month after a crude oil pipeline leak. BP discovered the new leak on April 6, involving a spill of about 12,000 cubic feet or 340 cubic meters of natural gas. There was no impact to production from the latest leak at Prudhoe Bay. Pipeline corrosion was also behind an oil transit line leak that resulted in a March spill of an estimated record 200,000 gallons or 909,200 liters of crude onto snow covered tundra. The spill shutdown about 100,000 bpd of production.

The Labor Department's US producer price index increased 0.5% last month as energy prices resumed an upward trend. However prices excluding the food and energy sectors increased 0.1%.

ECB Governing Council member Jaime Caruana said record high oil prices could have second round effects on euro zone inflation. He said there was uncertainty over whether the increase in the price of oil would translate into a risk of rising prices. The ECB forecasts the euro zone's economy would steadily increase to reach its trend growth rate of about 2.1% this year, after a disappointing fourth quarter performance of 0.3%.

The NYMEX announced an increase in its margin for its unleaded gasoline, New York Harbor gasoline calendar swap and RBOB contract to $8,100 from $7,425 at the close of business on April 19. The margin on its miNY gasoline contract was increased to $4,050 from $3,713.

pump prices to $2.97/gallon in New York City over the past month. He said gasoline prices are easier to manipulate following several mergers by top oil companies. Oil industry groups said refiners have been forced to perform more maintenance this year to modify units to produce fuel that meets new government emission requirements.

US Undersecretary of State Nicholas Burns said envoys from five permanent UN Security Council members and Germany discussed imposing sanctions against Iran but failed to reach an agreement on how to proceed further as Russia and China remained opposed to sanctions. Earlier, President Mahmoud Ahmadinejad warned Iran's military would deal with any attack by cutting the hand of any aggressor. He said he wanted peace and security in the region but added the army should be equipped with the latest technology to deter any aggression. Separately, senior inspectors from the IAEA are scheduled to arrive in Iran on Friday to visit nuclear sites, including the Natanz uranium enrichment facility.

OPEC's President Edmund Daukoru said oil would retreat from its record high if Iran's opponents stopped calling for Iran to end its uranium enrichment. He said a shortage of refineries to turn crude oil into products like gasoline and heating oil was also behind the rally that has pushed priced from $20 to $72/barrel.

Qatar's Oil Minister Abdullah al-Attiyah said OPEC is powerless to lower oil prices. He said OPEC producers were investing billions of dollars to increase crude oil production capacity in line with growth in world demand. Meanwhile, Algeria's Oil Minister, Chakib Khelil said crude prices could remain high until the end of the year due to geopolitical issues and tension in the Middle East. He said price stability would be achieved by solving problems of balancing excess capacity and that producing countries and consumers would have to find a way to share the costs and risks of excess capacity. Also, an Iranian official said it was not the right time to discuss an increase in OPEC's production.

Separately, a senior OPEC delegate said OPEC believes oil prices are too high and added that the increase was not justified by market fundamentals. The delegate said there was no shortage of crude oil supply and added that Saudi Arabia and other producers had pledged in the past to keep markets well supplied.

In its monthly oil market report, OPEC warned that higher energy prices could curb global growth. OPEC cut its forecast for world oil demand growth this year to 1.43 million bpd from 1.46 million bpd reported last month. It expects world crude demand at 84.53 million bpd this year. It revised up the estimated demand for OPEC crude in the April-June period by 450,000 bpd to 27.85 million bpd. Demand for its crude in 2006 was revised up by 100,000 bpd to 28.5 million bpd. It stated that OPEC oil production fell by 200,000 bpd in March to 29.6 million bpd. OPEC said conflicting economic indicators could have an adverse impact on oil demand growth and could complicate OPEC's investment plan. On the supply side, OPEC expects production from non-OPEC producers to average 51.54 million bpd this year.

France's Finance Minister Thierry Breton said France would call for an increase in oil production at the G8 meeting this weekend in an effort to curb speculative price swings.

Refinery News

Valero Energy Corp started maintenance work in Complex 2 of its 210,000 bpd Texas City, Texas refinery on Monday. Work on its fluid catalytic cracking unit is expected to last seven days. The net reduction in gasoline production is estimated at 60,000 bpd.

Pasadena Refining shut a 52,000 bpd fluid catalytic cracking unit at its 100,000 bpd refinery in Pasadena, Texas on Sunday due to a compressor malfunction. Traders said they expected the unit to be down for two to three weeks. It also reported in a filing with the Texas Commission on Environmental Quality that it shut a coking unit following a brief fire on Tuesday.

ConocoPhillips' 139,000 bpd refinery in Wilmington, California flared on Tuesday morning after it had a sulfur unit shutdown on Monday. The premium for unleaded, ethanol blended gasoline in the LA spot market rallied 19 cents on Tuesday. Meanwhile, ConocoPhillips said its 247,000 bpd Alliance refinery in Belle Chase, Louisiana resumed normal operations. The refinery was shut by Hurricane Katrina last August.

Murphy Oil Corp said its 120,000 bpd refinery in Meraux, Louisiana remained shut on Tuesday more than seven months after Hurricane Katrina flooded the refinery.

Oil loading at Cardon and Amuay ports in Venezuela remained normal despite the refinery problems. The 300,000 bpd Cardon refinery's operating rate was reduced following an explosion and power problems over the weekend. On Monday, four vessels were loading oil and coke at Amuay Bay and five tankers were loading oil at Cardon. A total of four to five tankers were waiting to load at both ports.

World refining margins increased last week as gasoline futures outpaced crude oil prices. Profit margins at US Gulf refineries running Brent crude increased to $12.34/barrel from $11.17/barrel the previous week and $9.91/barrel over the past year. Refineries running US light crude saw margins increase by 72 cents to $13.77/barrel. In Europe, warmer weather slowed gains in fuel oil and gas oil levels, countering the impact on margins of increasing gasoline prices. Margins at complex plants increased to $4.56/barrel last week, up from $3.93 the previous week. In the Mediterranean, refinery margins at complex plants increased 8 cents to $4.77/barrel. In Asia, complex refineries saw profit margins increase by 81 cents/barrel to $7.68/barrel.

Sweden's Preem cut crude runs at its 113,000 bpd Gothenburg refinery due to weak profit margins.

Chinese refiners would have to spend up to 50 billion yuan or $6.24 billion upgrading their equipment to meet new government fuel standards by 2010. Refiners in China would need extra sulfur removing capacity of about 40 million tons of oil a year to meet controls on diesel and gasoline equivalent to the Euro III. However much of the country may make the shift before then to the cleaner fuel, which has sulfur content capped at 150 ppm for gasoline and 350 ppm for diesel. Refinery expansions would push overall annual capacity to about 400 million tons by 2010.

Taiwan's Chinese Petroleum Corp said it would shut its three naphtha reformers for maintenance over a six week period starting June 1, tightening gasoline supplies and cutting naphtha demand. It is expected to skip imports of three 55,000 tons spot cargoes of heavy or full range naphtha due to the shutdowns, which affect combined consumption capacity of 255,000 tons per year of naphtha. The shutdown is likely to further tighten Asia's gasoline market.

Taiwan's Formosa Petrochemical Corp has restarted a 70,000 bpd desulfurizing unit after a fire stalled maintenance work last month. The unit was restarted on Monday but was expected to take a few days to resume full operation.

Qatari Oil Minister Abdullah al-Attiyah said the decreased demand for Qatari sour grade, Qatar Marine, as a result of a refinery fire at Japan's Cosmo Co was temporary.

Production News

Royal Dutch Shell has yet to carry out an assessment of an offshore oilfield in Nigeria, a step required before it can restart output that was shut since February following rebel attacks. Shell's spokeswoman could not say when the assessment would take place. Separately, Nigeria's President Olusegun Obasanjo said Nigeria would build a $1.8 billion highway and create 20,000 new jobs to address a crisis in the Niger Delta. However a mediator appointed by militants, dismissed the proposals as insufficient to end the crisis. The Movement for the Emancipation of the Niger Delta has previously demanded greater local control over oil revenues, the release of two leaders and compensation for oil spills from Royal Dutch Shell.

ExxonMobil, which suspended loading of crude onto tankers at its 150,000 bpd Yoho crude oil export terminal due to a power failure on Sunday, said it was returning oil production to normal level. Loading at the terminal returned to normal levels and the company denied that any of its personnel had been evacuated from the facility.

The head of the Nigerian National Petroleum Corp, Funso Kupolokan said Nigerian imports of oil products would increase to 70 cargos this quarter after sabotage by militants halted two the country's four refineries.

Iraq halted oil exports from its southern Basra terminal as poor weather conditions forced operators to suspend berthing operations. Prior to the berthing disruption, the terminal was pumping at a rate of about 72,000-75,000 barrels per hour.

Traders stated that German consumer stocks of heating oil fell last month as cold weather lingered well into March and high prices slowed buying. Stocks in storage tanks stood at 45% of capacity as of April 1, down from 49% the previous month and from 46% last year.

Mexico's Pemex reported that its oil production stood at 3.35 million bpd in March, up from 3.31 million bpd in February. It produced 2.37 million bpd of heavy crude, 810,000 bpd of light crude and 171,000 bpd of extra light crude. It exported 161 million bpd of heavy Maya crude, 132,000 bpd of light Isthmus crude and 246,000 bpd of extra light Olmeca crude.

OPEC's news agency reported that OPEC's basket of crudes increased to $65.02/barrel on Monday from $63.82/barrel on Thursday. It also reported that OPEC's basket of crudes increased by $1.69/barrel to $63.13/barrel in the week ending April 13.

Market Commentary

The crude market gapped higher from 70.45 to 70.50 in follow through buying seen on Access. The market once again posted a new high in overnight trading of 70.88 as the market remained concerned over Iran's standoff over its nuclear program. Iran's President Mahmoud Ahmadinejad warned that Iran would cut the hand of any aggressor, insisting that Iran's military has to be equipped with modern technology. The market traded to 70.85 before it gave up its gains and sold off to a low of 70.15. However the oil market bounced off its low and never looked back. It held some resistance at its early high but it later breached that level on further buying ahead of the close. It rallied to a new high of 71.60. It settled up 95 cents at 71.35. Volume in the crude was excellent with over 279,000 lots booked on the day. Meanwhile, the gasoline market continued to lead the complex higher as it settled up 5.42 cents at 222.39. The market opened slightly higher at 217.20 and quickly rallied to an early high of 220.50. The gasoline market later retraced its gains and sold off to a low of 216.10. However the market bounced off that level and extended its gains to over 6 cents as it posted a high of 223.00 on the close. The market was well supported amid the reports of further refinery problems. It was also supported amid the expectations that the weekly petroleum stock reports would show draws in gasoline stocks. The heating oil market, which traded to a high of 203.00 early in the session, retraced its gains and sold off to a low of 201.40. However the market later bounced off that level and rallied to a high of 205.50 ahead of the close. It settled up 2.79 cents at 205.08. Volumes in the product markets were good with over 60,000 lots booked in the gasoline market and 54,000 lots booked in the heating oil market.

The crude market on Wednesday is seen trading higher. The market will remain supported amid the continuing standoff over Iran's nuclear program and the recent refinery problems. The market will also remain supported amid the expected draws reported in product stocks. The DOE report is expected to show a build of close to 2 million barrels in crude stocks and draws of 1.5 million barrels and 2 million barrels in distillate stocks and gasoline stocks, respectively. The oil market is seen finding support at 71.00, 70.50 and 70.15. More distant support is seen at 69.30, 67.95 and a gap from 67.75 to 67.60. Meanwhile resistance is seen at 71.60 and 71.98.

Technical Analysis			
		Levels	**Explanation**
		71.98	Basis trendline
	Resistance	71.60	Tuesday's high
CL	71.35, up 95 cents		
	Support	71.00, 70.50, 70.15	Tuesday's low
		69.30, 67.95, 67.75 to 67.60	Previous lows, Remaining gap
		209.00	Previous high
	Resistance	205.50	Tuesday's high
HO	205.08, up 2.79 cents		
	Support	204.00	
		201.40, 197.50, 196.00	Tuesday's low, Previous lows
		224.63, 237.00	Basis trendline, Previous high
	Resistance	223.00	Tuesday's high
HU	222.39, up 5.42 cents		
	Support	220.00, 216.10	Tuesday's low
		209.70, 205.35, 204.85	Previous lows