



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta &
Zachariah Yurch

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

www.e-windham.com

ENERGY MARKET REPORT FOR APRIL 21, 2006

US Energy Secretary Samuel Bodman warned that changes in specifications for gasoline may cause brief shortages heading into the peak demand season. He said that as US oil refiners phase out their use of MTBE in favor of ethanol, there may be supply and logistical disruptions that send prices higher.

Iran's envoy to the UN's IAEA, Ali Asghar Soltanieh, said Iran was prepared to continue full cooperation with the IAEA. He said Iran was ready to eliminate all the ambiguities with regard to its nuclear program. He however warned that any engagement by the UN Security Council would make the situation deteriorate. Meanwhile, Russia said the Iranian nuclear crisis must be solved under the direction of the UN's IAEA and called on Iran to cooperate more fully with the agency. Russian Foreign Ministry

Market Watch

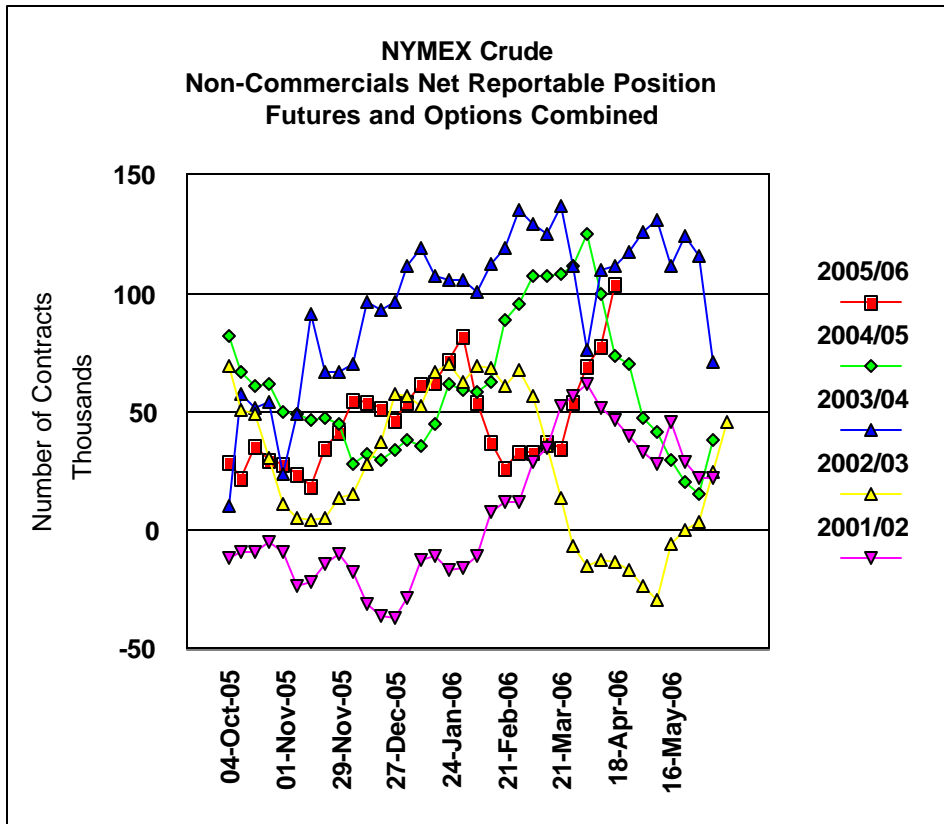
The US may fall short of trucks, rail cars and barges to move enough fuel to the market this summer. Government officials and energy analysts said that the shortfalls, caused by slow investment and increasing demand, could lead to supply disruptions in some parts of the country this summer. Gasoline prices are poised to break another record over \$3/gallon this year as crude trades over \$70/barrel. Dallas, Texas and parts of Virginia have already had gasoline supply disruptions in recent weeks due to trucking shortages. The move to ethanol is requiring a surge in rail transport as well as trucks and barges because it can not be moved by pipeline. Some refining companies have stated that the shift to ethanol requires that they hire one truck an hour at some terminals to keep the flow in line with demand for blending with gasoline. There have also been gasoline shortages as gas stations and other retail outlets clean their underground tanks in preparation for the sale of gasoline blended with ethanol.

Separately, the AAA warned that problems could continue for weeks and contribute to higher pump prices. It said the changeover to ethanol is creating supply chain bottlenecks because much work must be done at fuel terminals and service stations to handle ethanol. The AAA reported that the US average gasoline price increased by 2.5 cents on Friday to \$2.855, about 64 cents higher than a year ago level.

A senior Iraqi oil official said Iraq is ready to negotiate oilfield contracts with international majors and can sign deals before an investment law is passed by the government.

The vice chairman of China's National Development and Reform Commission said world oil prices are likely to increase further mainly due to the tensions over Iran's nuclear program.

The NYMEX announced that beginning Sunday evening, April 23, it would list five new RBOB related swap futures contracts on Clearport. The RBOB Bullet Swap, RBOB Calendar Swap, RBOB Up-Down Calendar Swap, RBOB vs. Heating Oil Swap and RBOB Crack Spread Swap would be cash settled. The contract size would be 42,000 gallons on the RBOB Calendar swaps contracts, while the contract size on the RBOB Crack Spread Swap would be 1,000 barrels. The first listed month would be the June 2006 contract month. The margin on the RBOB Bullet and Calendar Swaps would be \$8,100, while the margins on the RBOB vs. Heating Oil Swap and RBOB Crack Spread Swap would be \$3,375. The margin on the RBOB UP-Down Calendar Swap contract would be \$4,050.



spokesman Mikhail Kamynin said there could be no talk of sanctions against Iran before there is proof of the country's non-peaceful nuclear activities. The UN Security Council is awaiting a report on April 28 from the IAEA on whether Iran was meeting its demands for a halt to uranium enrichment and answers to questions about its nuclear program. The US, Britain and France want the Security Council to weigh sanctions if IAEA director Mohamed ElBaradei concludes Iran has not met UN demands.

Shell Petroleum Development Co in Niger said that security concerns in the Delta region

continued to hamper the restart of its shut in oil production. A company official said it is not in a hurry to start crude production. A total of about 455,000 bpd of Nigerian crude production remained shut. Shell also stated that the Forcados terminal and the offshore EA field remained under force majeure clause. On Wednesday, militants killed two civilians in a car bomb attack on an army barracks and threatened to stage more attacks on the military, oil installations and individuals.

Iran's President Mahmoud Ahmadinejad said the increase in oil price was good and added that Iran hoped that the oil prices would reach their real levels. He did not say what those real levels should be. Meanwhile, Iran's Oil Minister Kazem Vaziri-Hamaneh said OPEC had no intention of increasing production and that it was not clear at what level the current increase in oil prices would stop. Separately, UAE Oil Minister Mohammed al-Hamli said OPEC would not take any action to increase oil production at an informal meeting on the sidelines of the International Energy Forum. He called for more investment by all to increase oil production capacity and build more refineries.

Venezuela's President Hugo Chavez said the country would be content with crude oil at \$50/barrel. He said Venezuela does not want the price to rally to \$100 as "warlike zeal" in the US pushes prices higher.

Algeria's Oil Minister Chakib Khelil called for consumer nations to guarantee demand if they want OPEC to pump more and added that they must work to ease political tension to lower oil prices.

Britain's Finance Minister Gordon Brown said OPEC should increase its production quotas during its meeting on June 1 in order to lower oil prices. However several OPEC ministers have stated that there is little more the group can do as it is already pumping at near full capacity.

The IEA said there was little doubt about oil demand growth up until 2030 and reiterated that large investment was needed in energy in the Middle East and North Africa to meet the demand.

Libya's Oil Minister Shokri Ghanem said fears of US military action against Iran have added about \$10-\$15/barrel to the price of oil. He said a peaceful resolution would not necessarily lower oil prices. Libya is striving to bring more of its high quality oil, which could ease prices, and aims to increase production to 2 million bpd in the near future compared with its current production of 1.7 million bpd.

Iranian forces attacked Iranian Kurdish rebel positions in northern Iraq to repel an attack. There was no official work on casualties in the shelling of the rebels of the Iranian Party of Free Life of Kurdistan. News of the incident could fuel tensions in Iraq, where Sunni Arab leaders accuse Shi'ite Iran of meddling in the country's internal affairs.

Production News

Petrologistics reported that OPEC has likely increased its production by 100,000 bpd on the month in April to 29.9 million bpd after oil started flowing from a new field in Nigeria. It estimated Nigeria's production at 2.15 million bpd, up from 2.06 million bpd in March. ExxonMobil started its Erha oilfield in Nigeria in late March. It started pumping at about 50,000 bpd and was due to reach 190,000 bpd by the fourth quarter. Petrologistics also pegged Saudi Arabia's production at 9.45 million bpd, up 30,000 bpd from March.

Qatar expected to spend over \$5 billion to increase its oil production. Production is expected to increase to more than 1 million bpd by 2009 from 850,000 bpd now with extra output from the Al Shaheen field. Qatar is investing in new refining capacity, with one new refinery under construction for completion by 2008 and another under study would add between 200,000 bpd and 250,000 bpd of refining capacity by 2010.

Syncrude said a recycled water leak at its Mildred Lake operations has not affected the company's crude production. The company has been executing its stage 3 expansion at the Syncrude Fort McMurray sands mine. Output is expected to increase to 350,000 bpd in mid-2006 when the work is completed.

Gasoline stocks in independent tanks in the Amsterdam-Rotterdam-Antwerp area fell sharply this week amid rising arbitrage exports to the US. Gasoline stocks fell to 810,000 tons, down from 920,000 tons a week ago and 850,000 tons this time last year. Gas oil stocks increased by 45,000 tons to 1.575 million tons. It is also up from last year's level of 1.3 million tons. Naphtha stocks fell by 5,000 tons to 40,000 tons while fuel oil stocks increased by 130,000 tons to 480,000 tons and jet fuel stocks fell by 55,000 tons to 360,000 tons on the week.

Kazakh crude flowing through the Atasu-Alashanko pipeline opened four months ago is expected to reach China in a week. The pipeline would ultimately supply 4.5 million tons this year as part of China's move to increase supply security with more long term contracts from key suppliers. The pipeline is expected to carry 137,000 bpd of oil to Chinese refineries from May or about 2.3% of China's current total refinery production.

China's National Bureau of Statistics reported that China produced 762,300 metric tons of kerosene in March, down 18.3% on theyear. Kerosene output for the January-March period totaled 2.52 million tons, down 0.6% on the year.

South Korea is scheduled to ship 100,000 tons of jet fuel to the US West Coast from late April to mid-May as the arbitrage window opens.

Algeria's Sonatrach cut the official selling price for its Saharan Blend crude in May to dated BFO plus 10 cents. The price was 35 cents below the April official selling price of dated plus 45 cents.

OPEC's news agency reported that OPEC's basket of crudes increased by 64 cents to \$67.00/barrel on Thursday.

Market Commentary

The crude market opened 59 cents lower and quickly posted a low of 73.05 as it extended Thursday's profit taking. However the market bounced off its low and retraced its losses as traders positioned themselves ahead of the weekend. The market was supported by the uncertain geopolitical situation and the concerns over short term gasoline supplies. US Energy Secretary Samuel Bodman warned that changes in specification for gasoline may cause brief shortages. The crude market breached its previous highs and extended its gains to over \$1.60 as it traded to a high of 75.35 ahead of the close. The oil market settled up \$1.48 at another record of 75.17. Volume in the crude market was good with 170,000 lots booked on the day. Meanwhile, the gasoline market settled up 2.36 cents at 223.84 amid the concerns over supplies. The market opened down 4.48 cents at 217.00 and posted a low of 216.00 early in the session as it continued to see some further profit taking. However the market bounced off that level and never looked back amid the supportive comments made on gasoline supplies. The market extended its gains to over 4 cents as it rallied to a high of 225.50 ahead of the close. The heating oil market also saw some profit taking and traded to a low of 203.50 early in the session. However it bounced off that level amid the strength in the crude and gasoline market. It rallied to a high of 209.20 late in the session before settling up 2.26 cents higher at 207.62. Volume in the product markets were good with 38,000 lots booked in the gasoline market and 33,000 lots booked in the heating oil market.

The Commitment of Traders report showed that non-commercials increased their net long position by 38,500 contracts to 66,749 contracts in the week ending April 18th. It is the largest net long position seen since March of last year. The combined futures and options report also showed that non-commercials in the crude market increased its net long position by 26,224 contracts to 103,693 contracts on the week as the market continued to rally. The non-commercials in the gasoline market also increased their net long positions by 4,916 contracts to 19,174 contracts while non-commercials in the heating oil market cut their net long positions by 536 contracts to 12,730 contracts on the week.

The oil market may retrace some of its today's sharp gains. However, the market's losses will remain limit amid the recent comments made in regards to gasoline supplies and the uncertainties regarding the situation in Iran and Nigeria. The crude market is seen finding support at 74.00, 73.50 followed by its low of 73.05. More distant support is seen at 72.70 and 72.65. Meanwhile resistance is seen at 75.35 followed by 75.77 and the 80.00 level.

Technical Analysis			
	Levels	Explanation	
CL	Resistance 75.17, up \$1.48	75.77, 80.00 75.35	Basis trendline Friday's high
	Support	74.00, 73.50 73.05, 72.70, 72.65	Friday's low, Previous lows
	Resistance 207.62, up 2.26 cents	210.54, 213.50 209.20	Basis trendline, Previous high Friday's high
HO	Support	207.00, 205.50 203.50, 201.50, 201.40	Friday's low, Previous lows
	Resistance 223.84, up 2.36 cents	229.38, 237.00 225.50	Basis trendline, Previous high Friday's high
HU	Support	222.00, 219.00 216.00, 209.70	Friday's low, Previous low

