

## ENERGY NEWSLETTER

**Liquid Hydrocarbons**

Public outcry over perceived high gasoline prices gave reason for traders to hit the sell button. After all since mid-February front-month gasoline has traveled from \$1.40 to \$2.23 in straight-line fashion. The gasoline sell-off this week keeps in tact a \$2.00 floor until it is believed the infrastructure for ethanol distribution can be handled without spot outages continuing to emerge. Last Friday it was Philadelphia, Pa. and Wilmington, De. This week it was Houston and Dallas, Tx. that experienced a dozen or so service stations unable to keep ample supplies of the new recipe on hand. Wednesday, at a Renewable Fuels Conference in the Midwest, Bush requested the EPA to review and possibly waive recent ethanol reformulation mandates to ease the recent pump price spike. The four day 18-cent per gallon sell-off was further fueled by price gouging accusations. The Senate Finance Committee, in a bid to justify their existence, called on the Internal Revenue Service to release the tax records of the 15 largest oil companies. I guess it's a way they can review the \$5 billion in tax incentives they passed just last year.

First quarter earnings results of oil companies were on target or just below expectations. The problem is any tax incentives that have recently become part of oil company business models will be severely scrutinized and targeted in the months ahead (further justifying our legislatures existence (sick cycle isn't it)). As a result of that mess we cannot expect much in the way of ever increasing earnings reports, for the balance of this year anyway.

Through the 1980's and 1990's public outcry on any spike in petroleum prices made oil companies jump through hoops to ensure a "fair" price at the pump. This helped destroy the confidence of any long-term investor of the sector to stick around. During that same time the low retail petroleum price environment emboldened consumers to buy ever bigger and faster machines to get them to their destination. If we want ample supplies at a reasonable price we need long-term investors. Any meddling on the part of government at this point will undermine this necessary participant. Back in 2004, when the first phases of the Reformulation Fuels Standard were getting under way, prices at the pump were piercing \$2.00 per gallon. Demand for gasoline responded (in the July-September time frame) by growing at the slowest pace in ten years. Now that we put

a new handle of \$3.00 at the pump there's little doubt a repeat performance is possible or even (dare I say) an actual pullback in demand. The reason for any downtick in demand is because our vehicular structure is such, in this country, to include a lot of "FAT". To exaggerate the point the owner of a Navigator (expect T. Boone of course) will shed \$100.00 from his wallet only so many times before he fills every seat in that vehicle as a mini-bus to help himself and fellow commuters out of a similar cost squeezing bind. Either that or park it and take the train. Further necessity is the mother of invention and innovation so the coupling of trips to the post office, grocery store, and soccer field will be bunched together. If EPA waivers don't alleviate gasoline shortages the exact opposite may occur. Take the example of an individual that may spend an hour on a gasoline queue. That person will then be sure to never let their gas tank go below  $\frac{3}{4}$  of a tank. That would bloat tertiary storage... (read: Hoarding!) Well, whichever happens it sounds like an exciting summer. I took a necessary break from the usual geopolitical non-sense, you get enough of that fodder from other sources. Just to say, the two children in the playground, Iran and The U.S. are in a war of words let's keep it that way otherwise that wheels WILL fall off the cart... Later.

**Natural Gas**

A rather healthy sell-off was experienced in the natural gas market, as the spot-month NY-MEX futures came off from trading over \$8.00 per MMBtu at the start of trading this past week, to below \$7.00 and finished the week around \$6.50. This price action has pushed the market beyond the level of support at \$6.65 dating back over a month. That has been the level to decisively break in order for natural gas to trade down to \$6.00. This should occur as long as the market fundamentals continue to show healthy supply versus demand.

The general market expectation for the EIA natural gas underground storage report was an injection of 92 bcf, according to First Enercast Financial. The ICAP storage auction settled at 81 bcf. The EIA reported an injection of 80 bcf. And they posted a revision of last week's figures. Both the East and Producing region were revised up a total of 10 bcf, making last week's injection 57 bcf, instead of 47 bcf. So even though this weeks injection number was below expectation, with the upwards revision

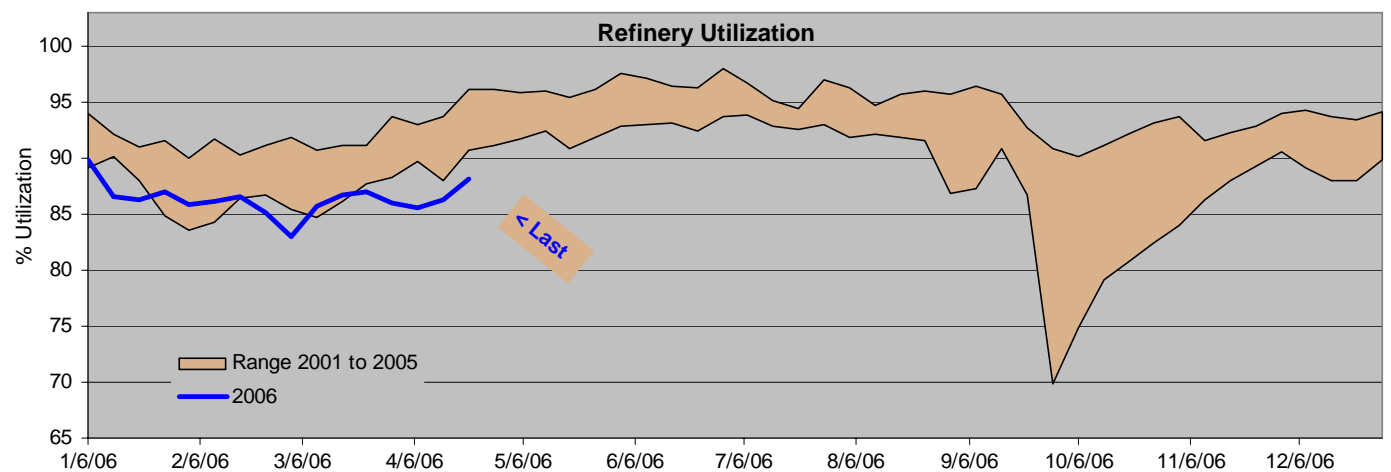
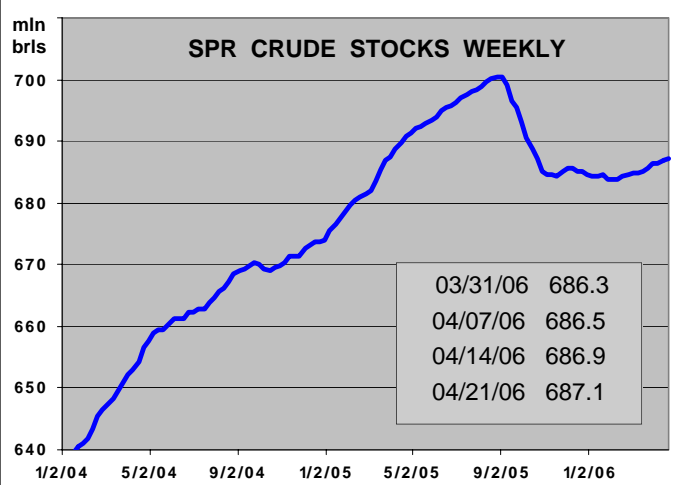
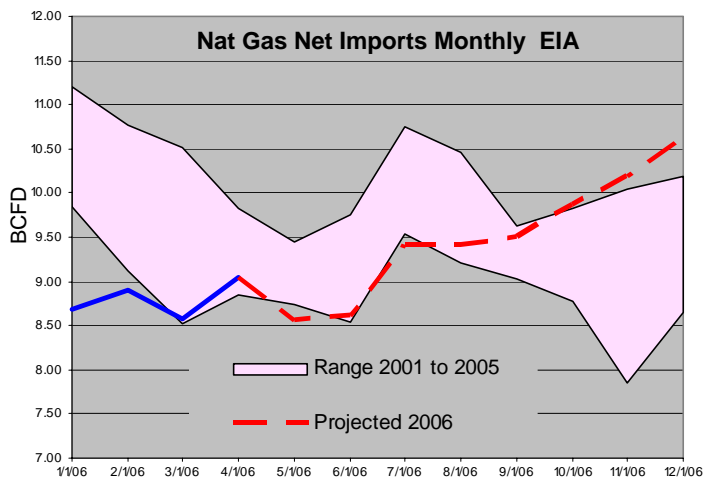
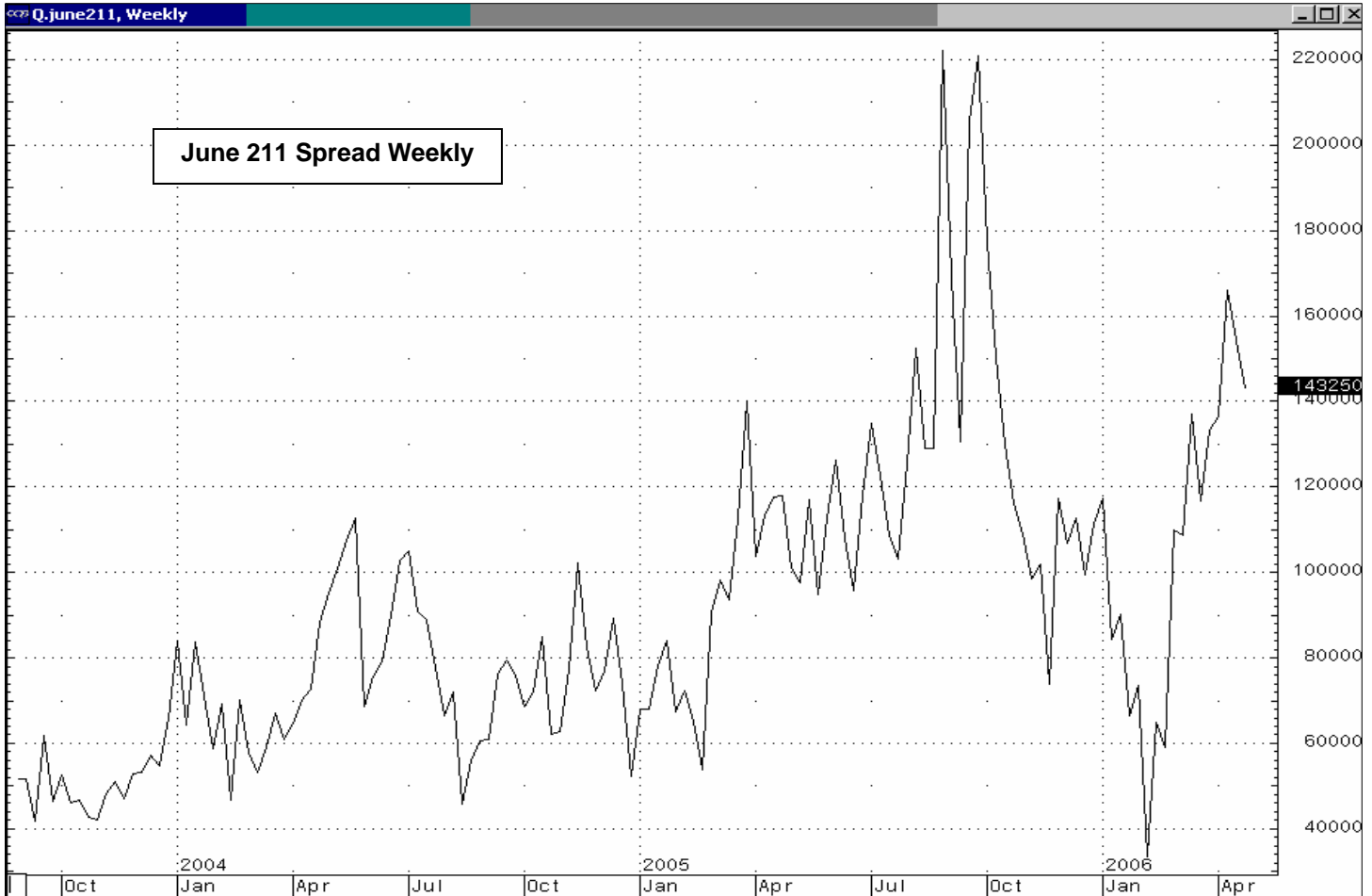
of last weeks number, the projection is basically right in line. The current amount of gas in underground storage is 1.851 tcf, which are 445 bcf higher than last year and 710 bcf above the five-year average. This overage is widening, which is weighing upon the market. So although natural gas is around \$40 per barrel equivalent versus 0.3% high pour residual fuel at \$53, marketers will have a tougher time asking more for their gas with these bearish fundamentals staring market participants in the face.

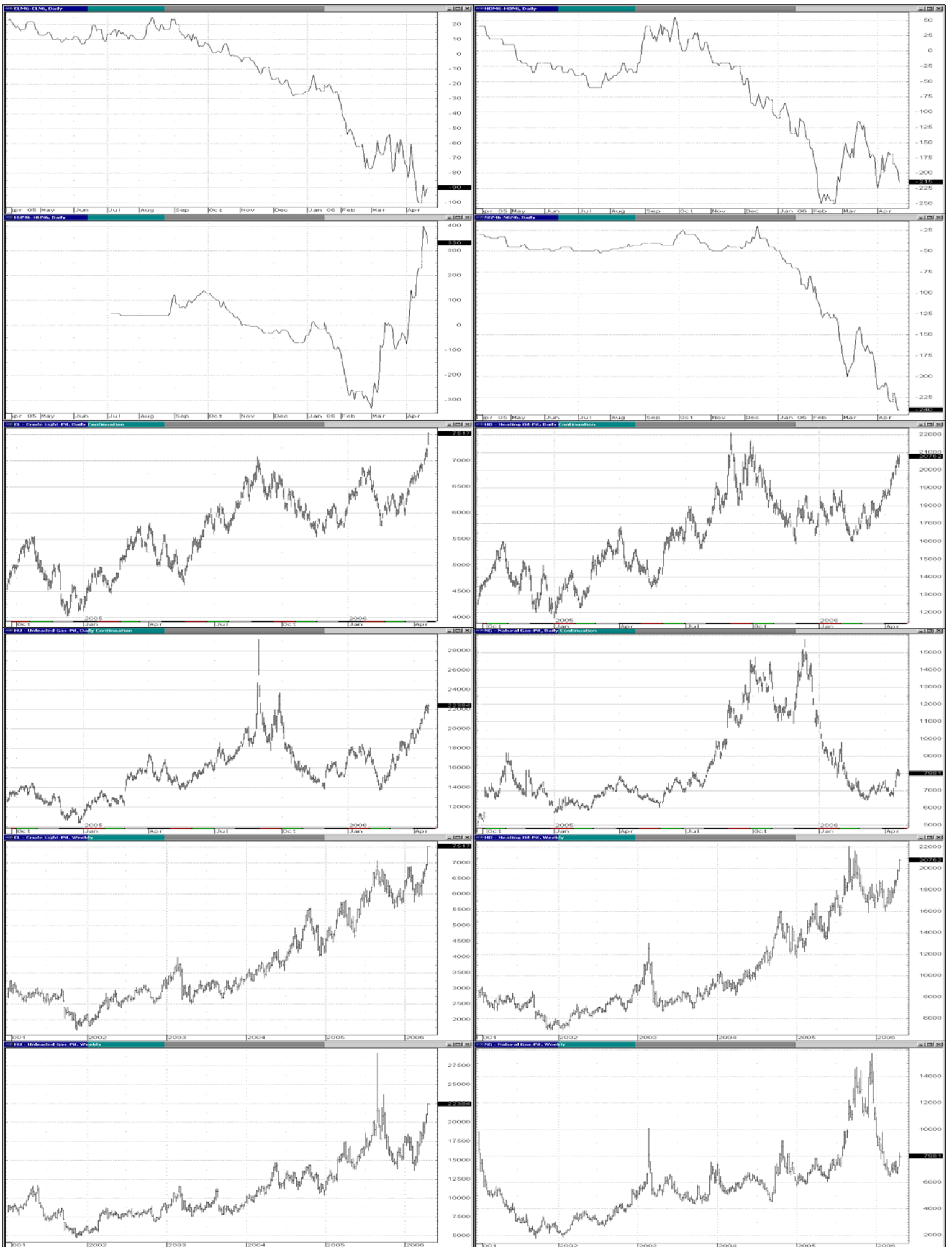
Regarding the weather, this week is forecast to be above-normal temperatures in the West, where Phoenix is projected to break 100°F next Tuesday, according to EarthSat. But it is expected to be relatively short lived, switching to cooler temperatures for the remainder of the week. The Midwest should be warmer than normal this week and about average-to-warmer in the East.

At this point, with natural gas settling below \$6.65, she will have to do that probably for a whole week to be considered decisive penetration. Below that, \$6.45 will be the level to breach decisively. After that, we'll look for natural gas to put in the low of the year around \$6.00. (end.)

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04/28/2006

BAKER HUGHES ROTARY RIG COUNT

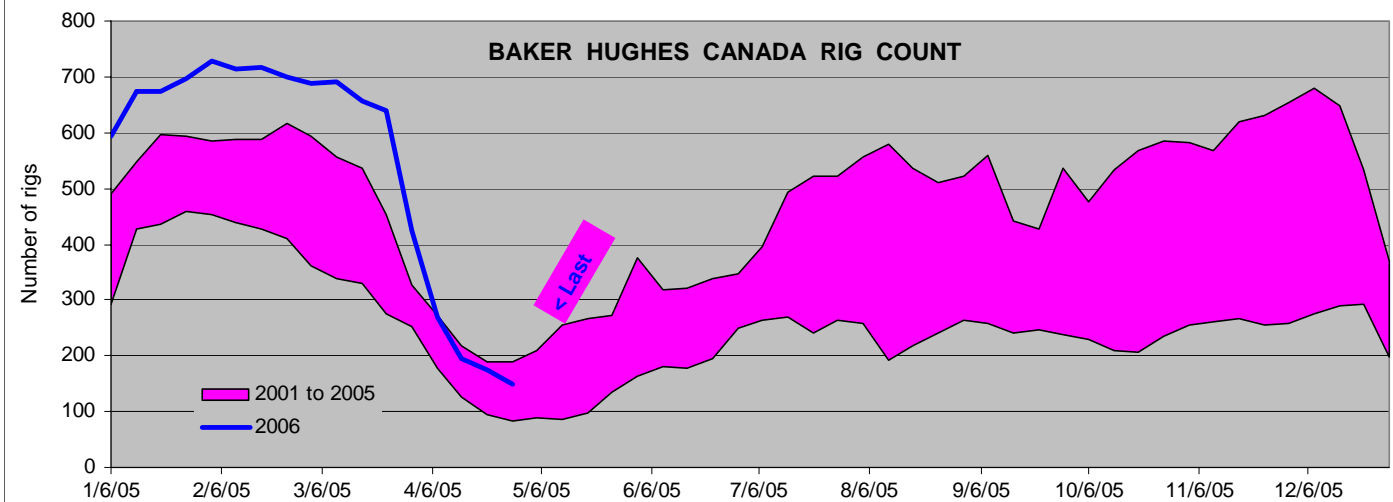
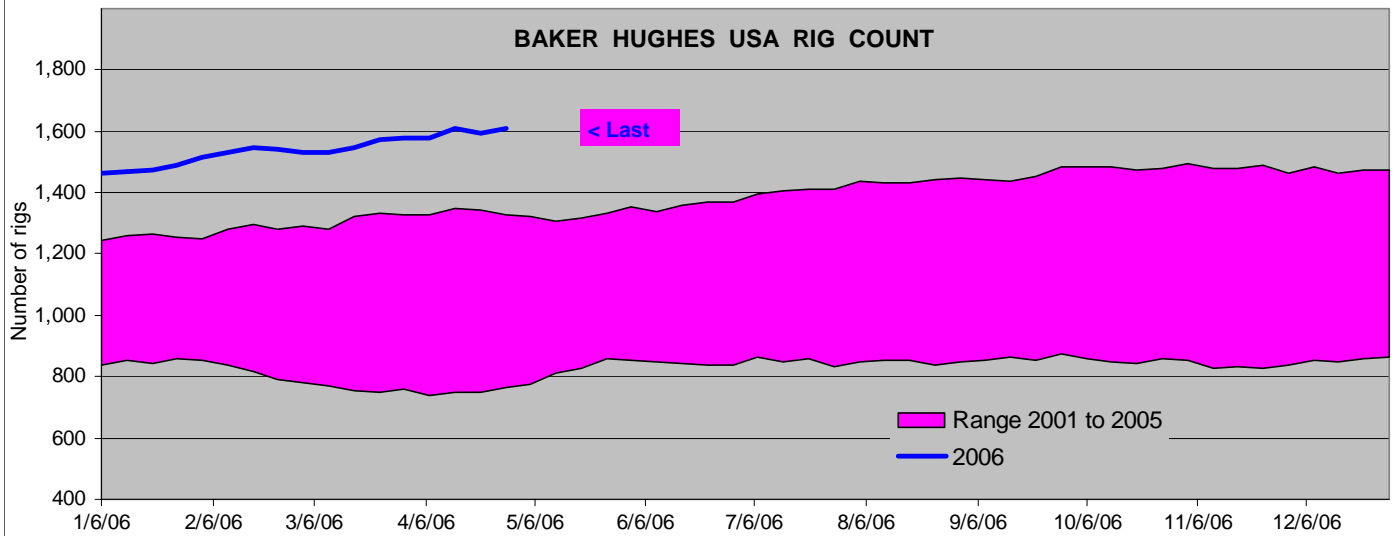
Breakout Information		This Week	+/-	Last Week	+/-	Year Ago
Land		1487	11	1476	281	1206
Inland Waters		25	3	22	-4	29
Offshore		96	3	93	6	90
United States Total		1608	17	1591	283	1325
Gulf Of Mexico		90	1	89	4	86
Canada		150	-26	176	-10	160
North America		1758	-9	1767	273	1485

Breakout Information		This Week	+/-	Last Week	+/-	Year Ago
Oil		254	-5	259	85	169
Gas		1353	22	1331	197	1156
Miscellaneous		1	0	1	1	0
Directional		397	16	381	81	316
Horizontal		259	7	252	92	167
Vertical		952	-6	958	110	842

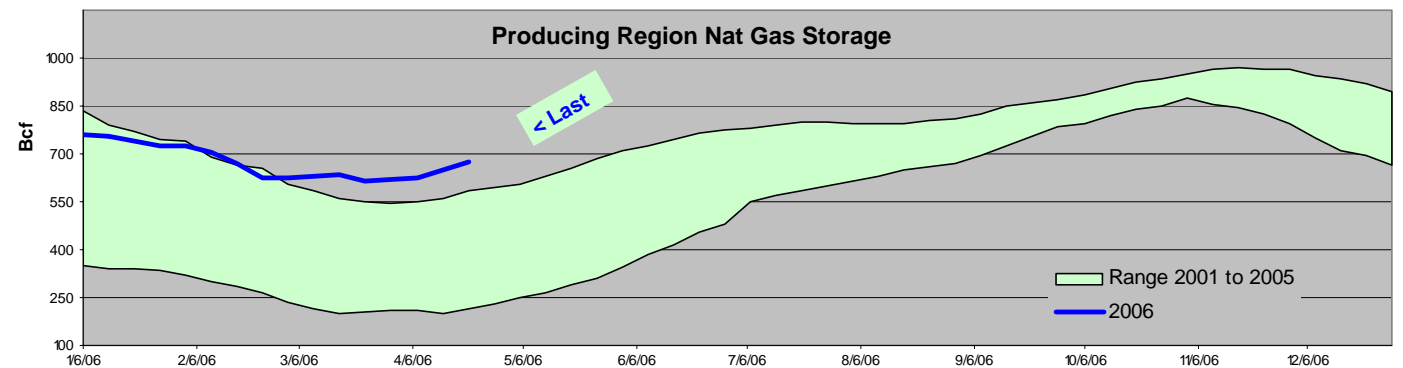
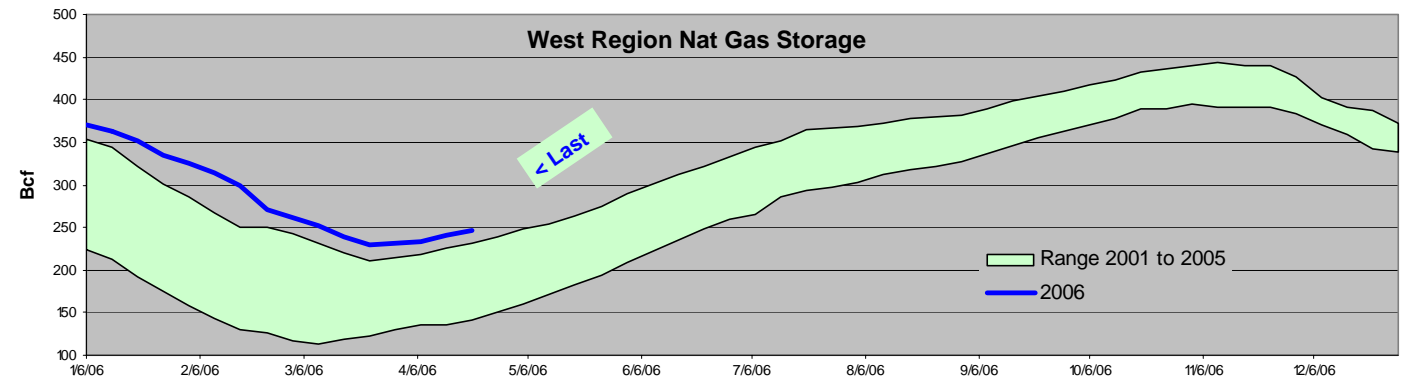
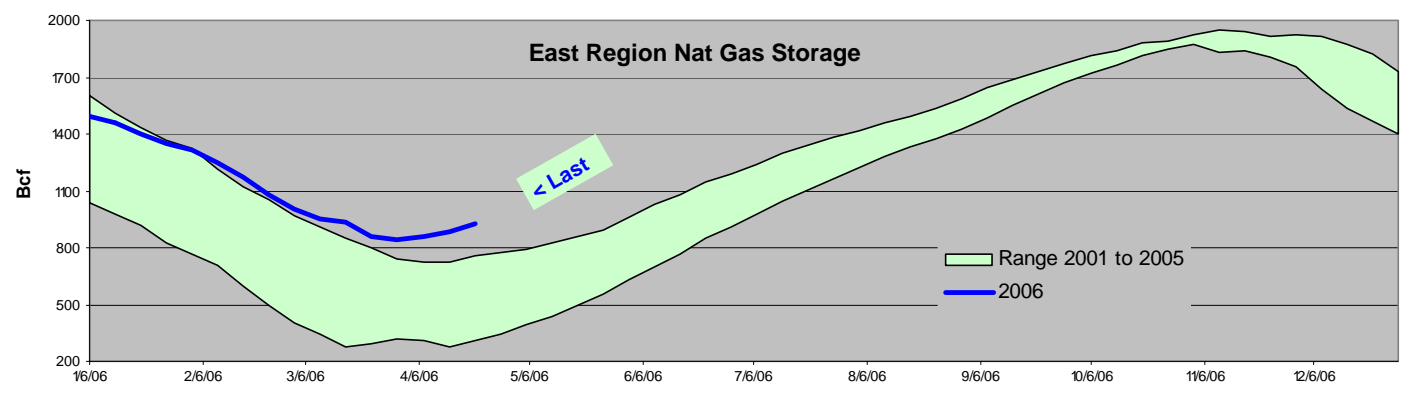
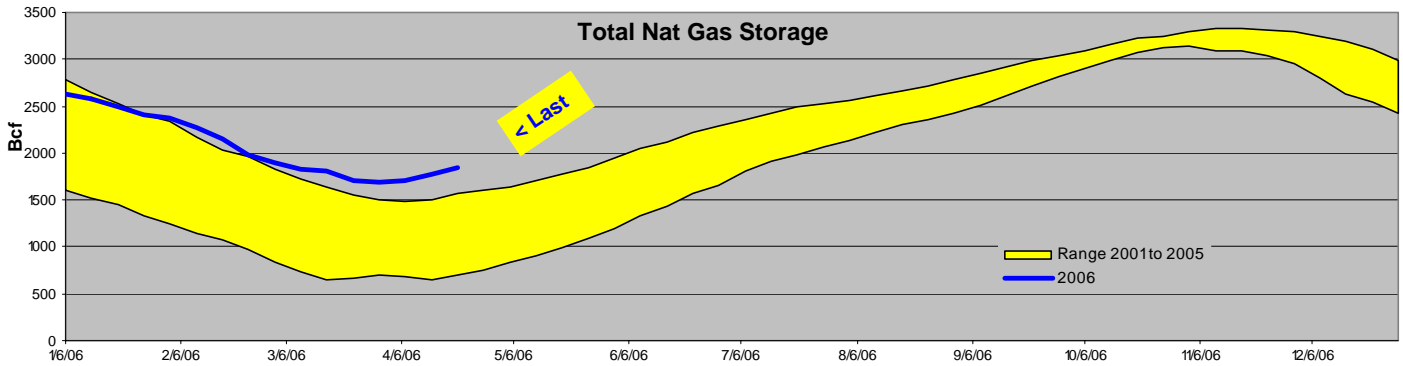
Major State Variances		This Week	+/-	Last Week	+/-	Year Ago
Alaska		7	0	7	-1	8
California		34	4	30	4	30
Colorado		82	-2	84	19	63
Louisiana		194	11	183	16	178
New Mexico		97	3	94	19	78
Oklahoma		174	-1	175	16	158
Texas		730	4	726	129	601
Wyoming		102	-1	103	34	68



# EIA GAS STORAGE DATA

In Bcf

	This Week	Last Week	Implied Change Wk to Wk	Last Year	5-Year (2001-05) Ave	5-Year Ave from This Wk %
Week Ending April 21, 2006						
<b>Consuming Region East</b>	930	881 R	+ 49	630	533	74.5
<b>Consuming Region West</b>	247	240	+ 07	221	190	30.0
<b>Producing Region</b>	674	650 R	+ 24	555	418	61.2
<b>TOTAL Lower 48</b>	<b>1,851</b>	<b>1,771 R</b>	<b>+ 80</b>	<b>1,406</b>	<b>1,141</b>	<b>62.2</b>

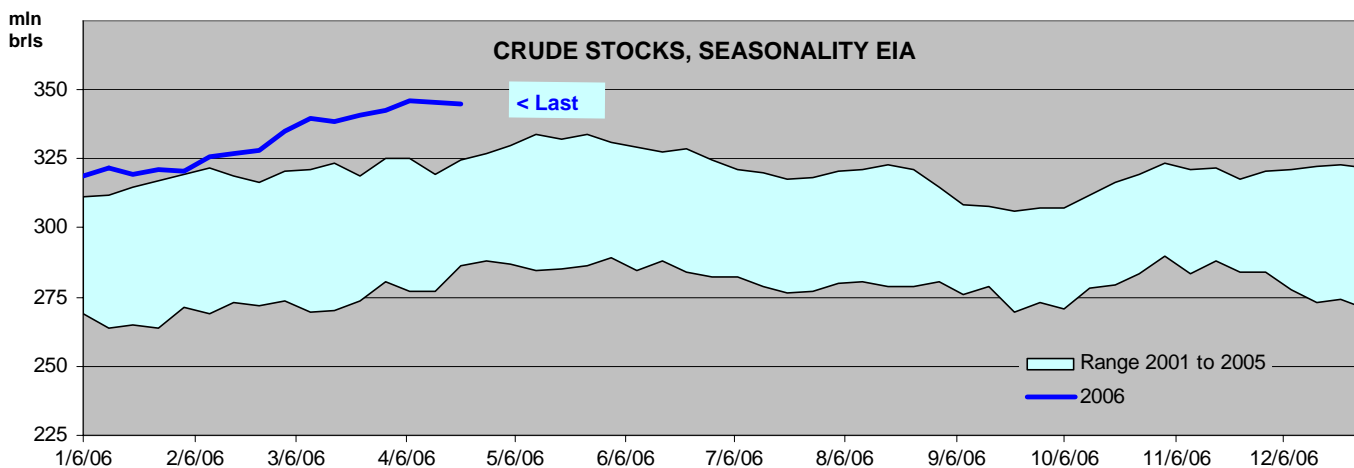
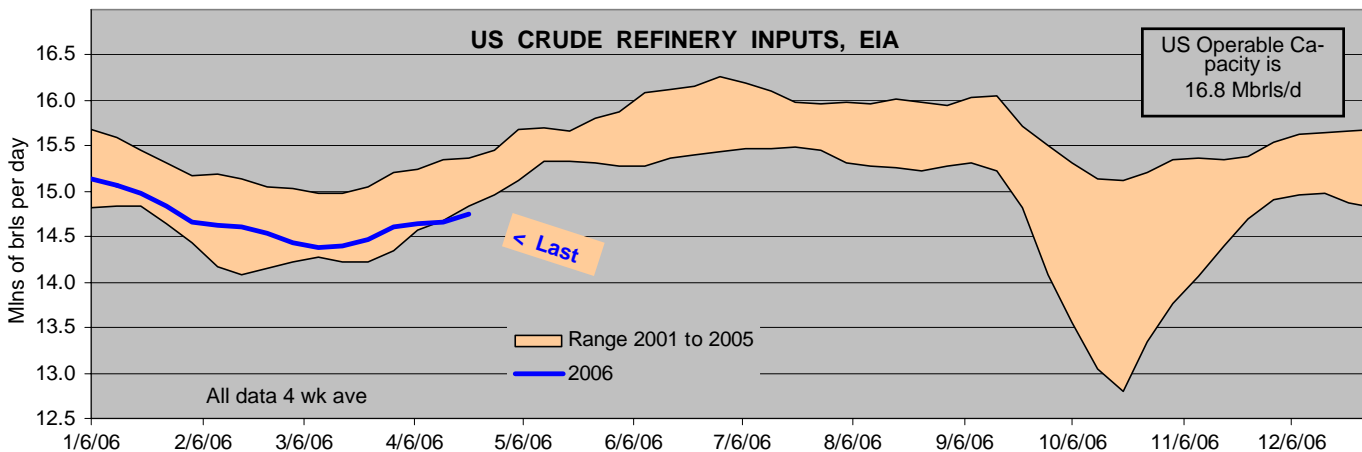
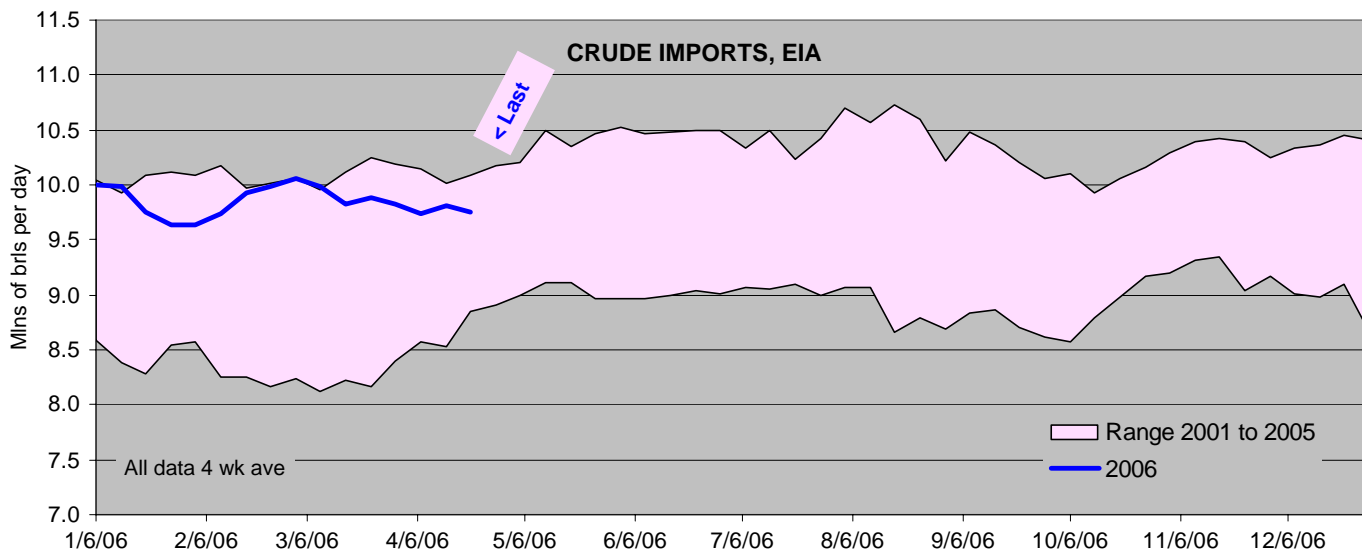


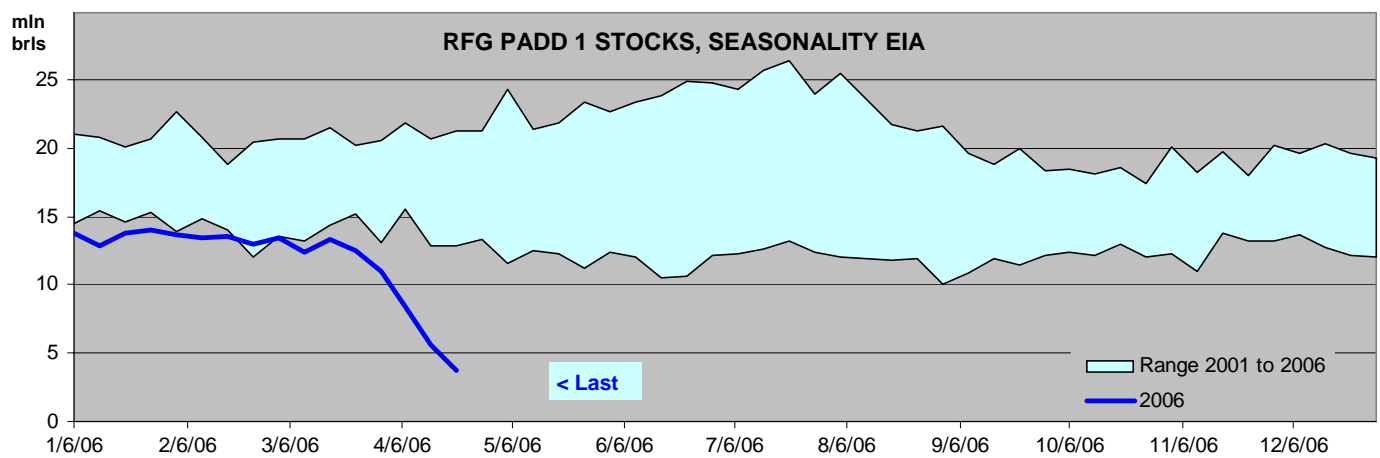
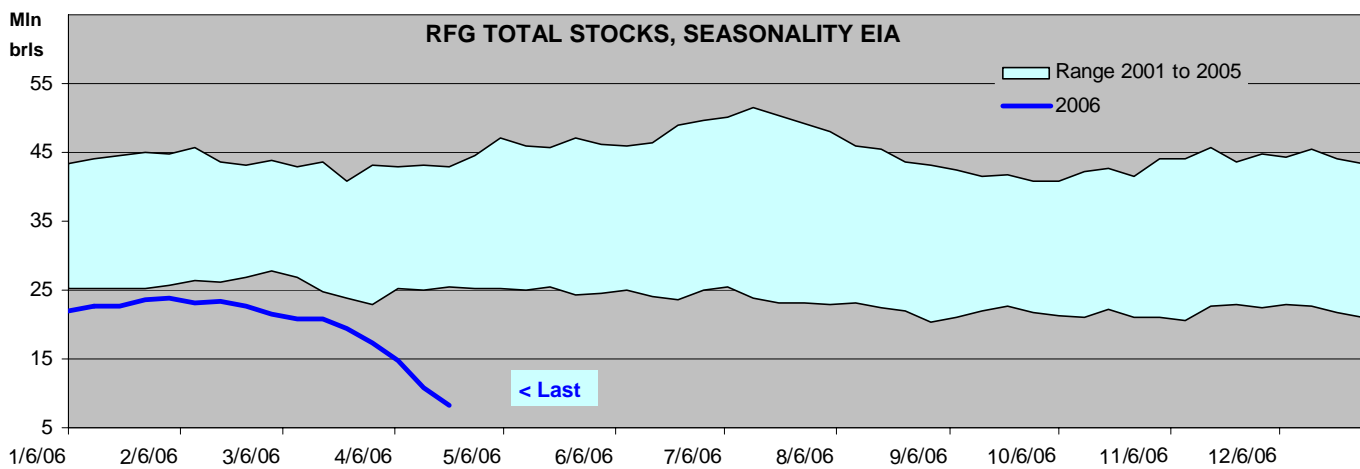
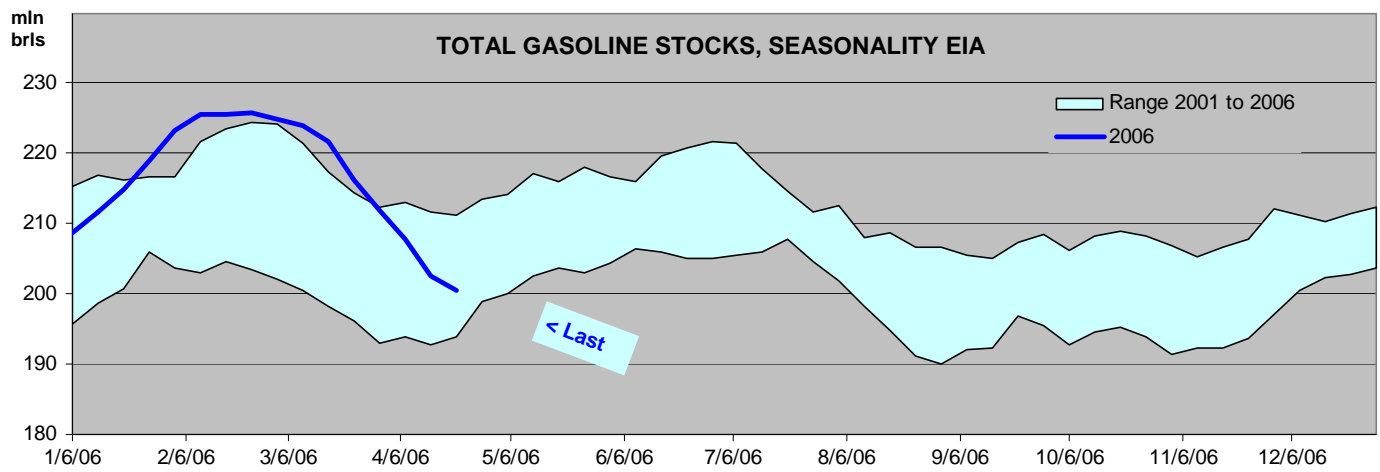
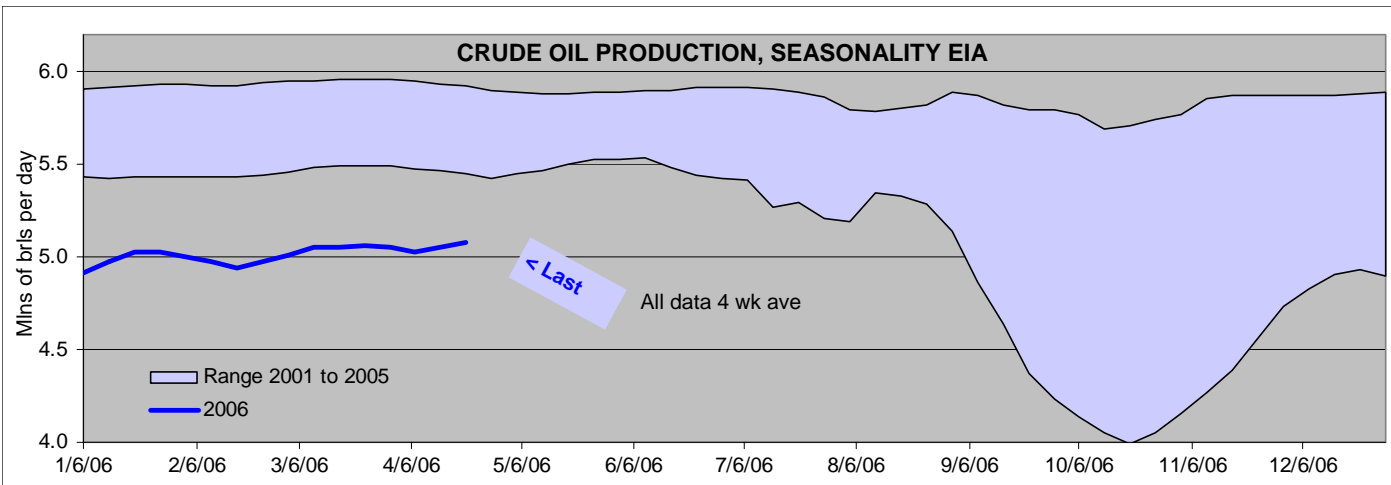
**EIA WEEKLY PETROLEUM STOCKS**

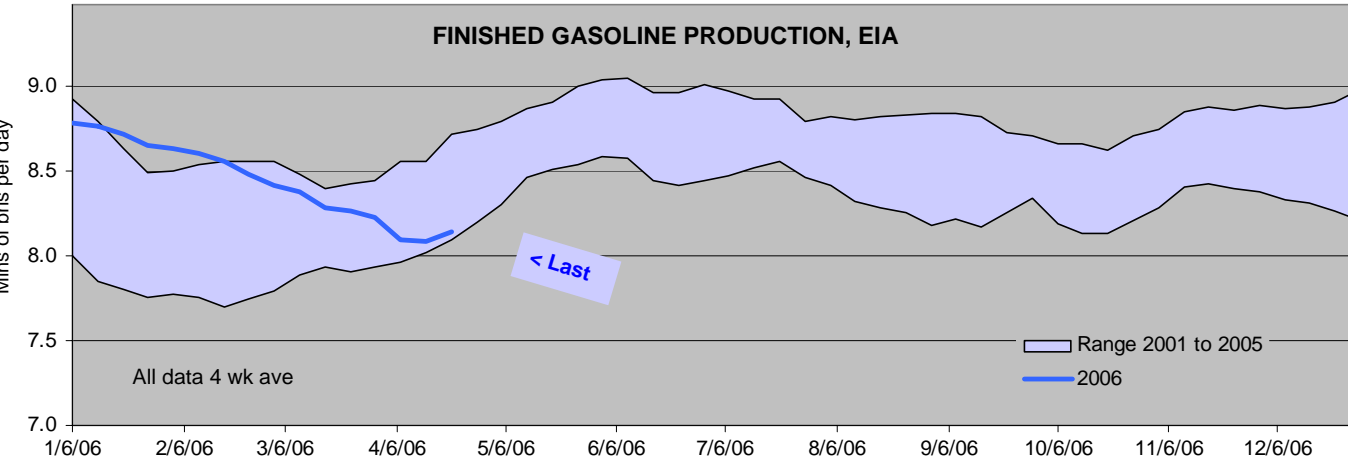
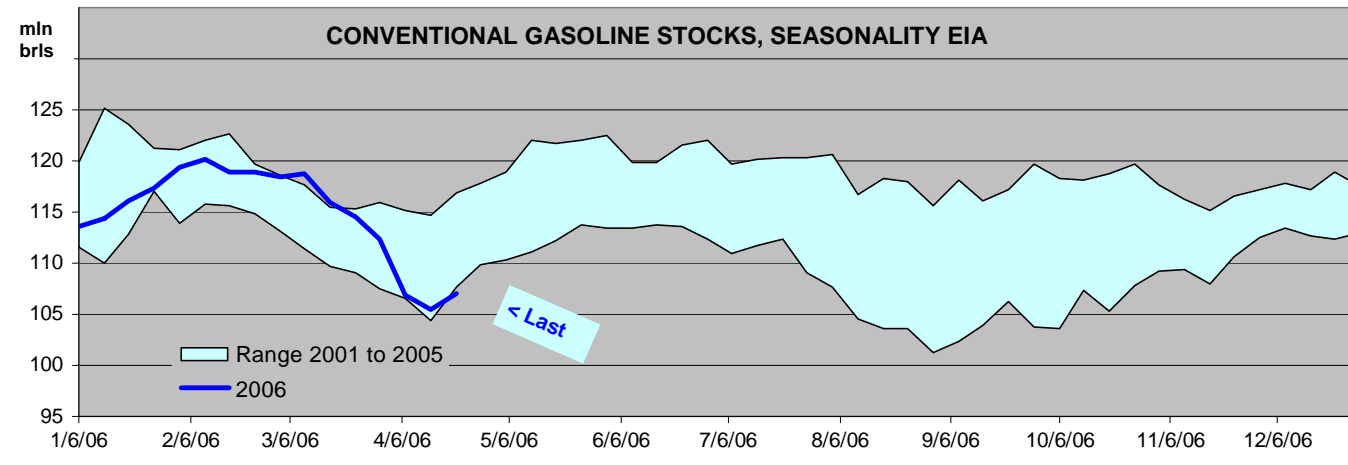
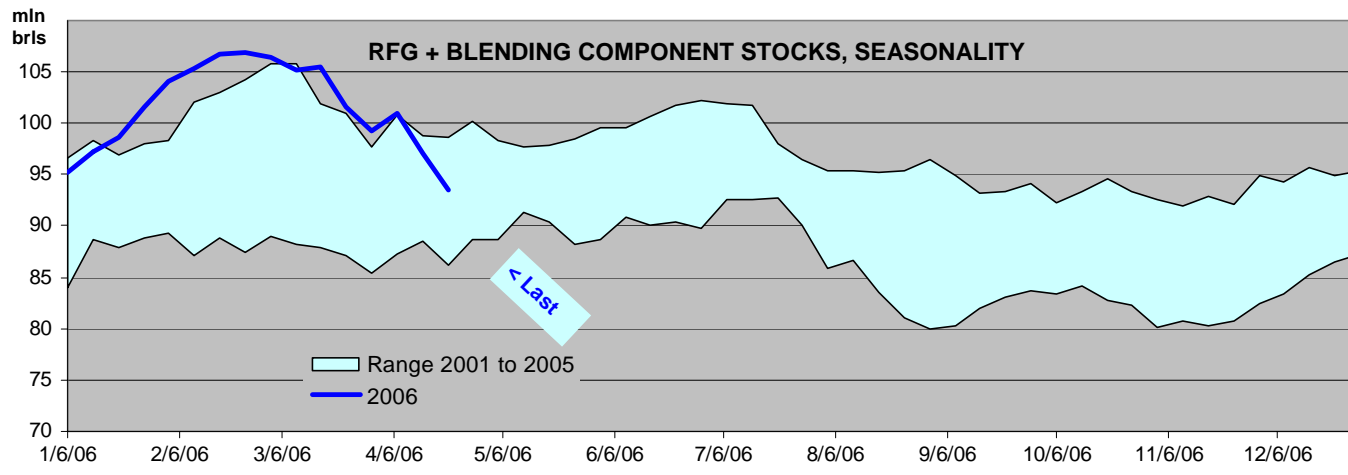
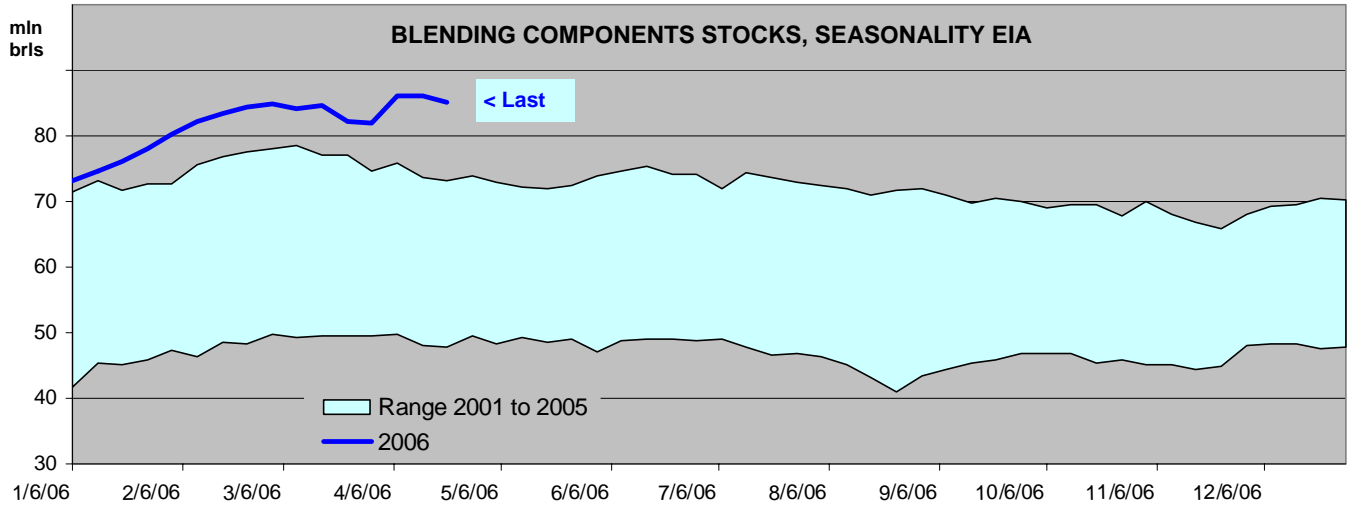
**week ending April 21, 2006**

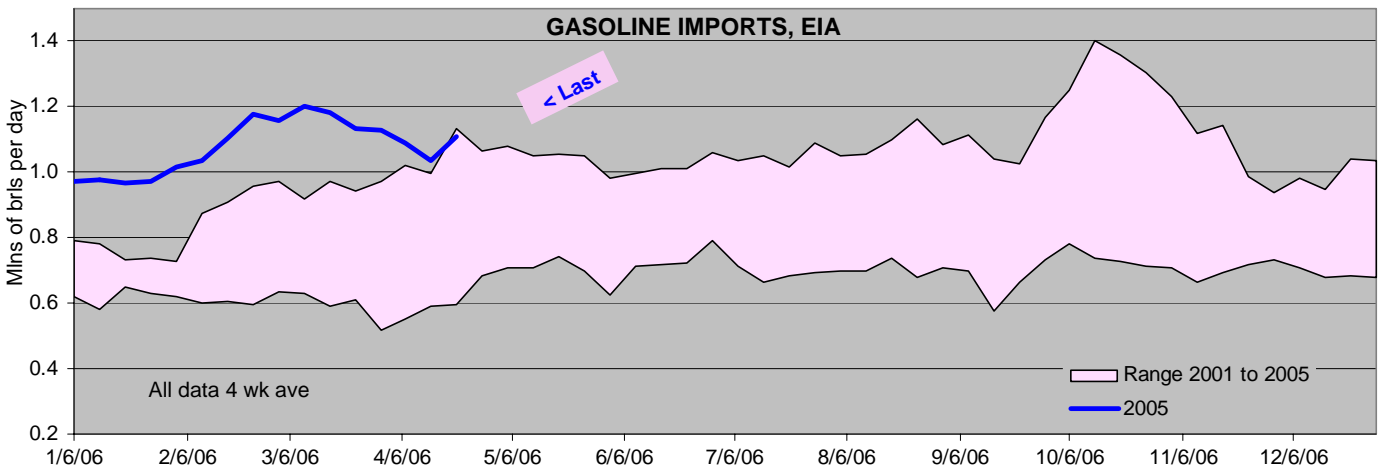
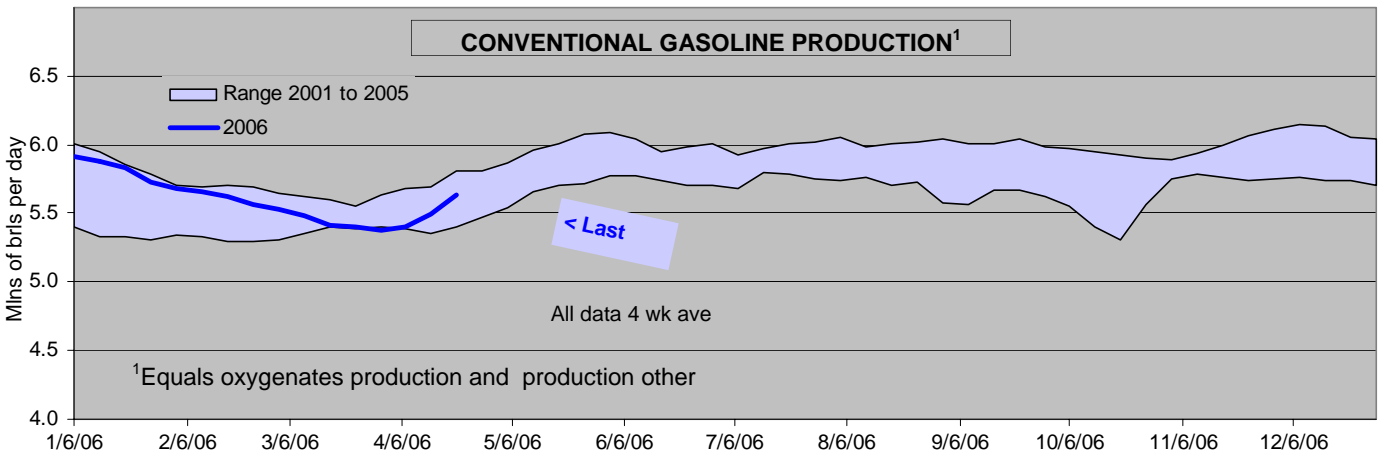
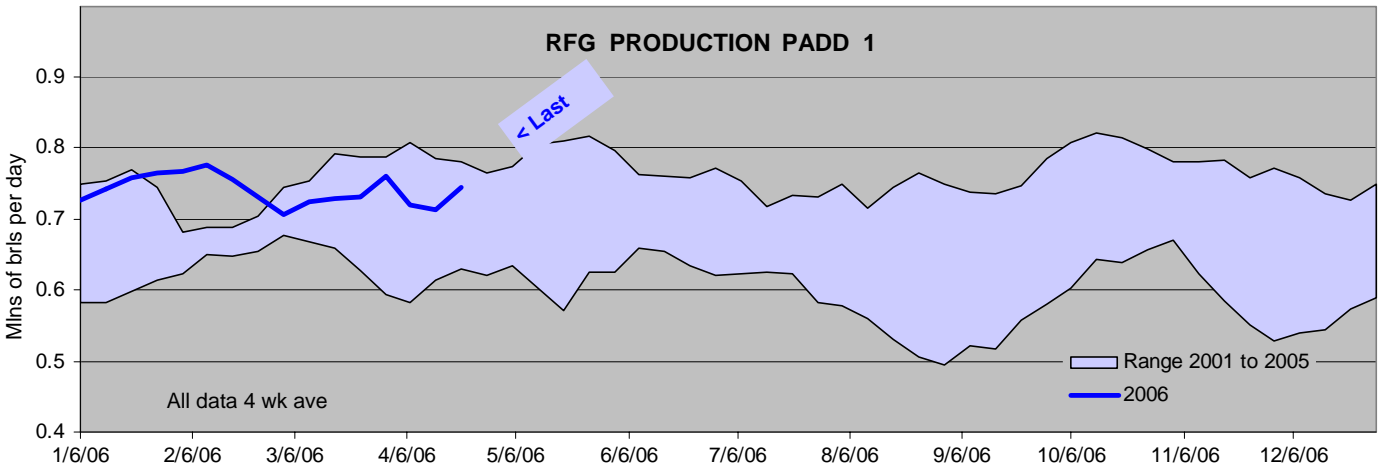
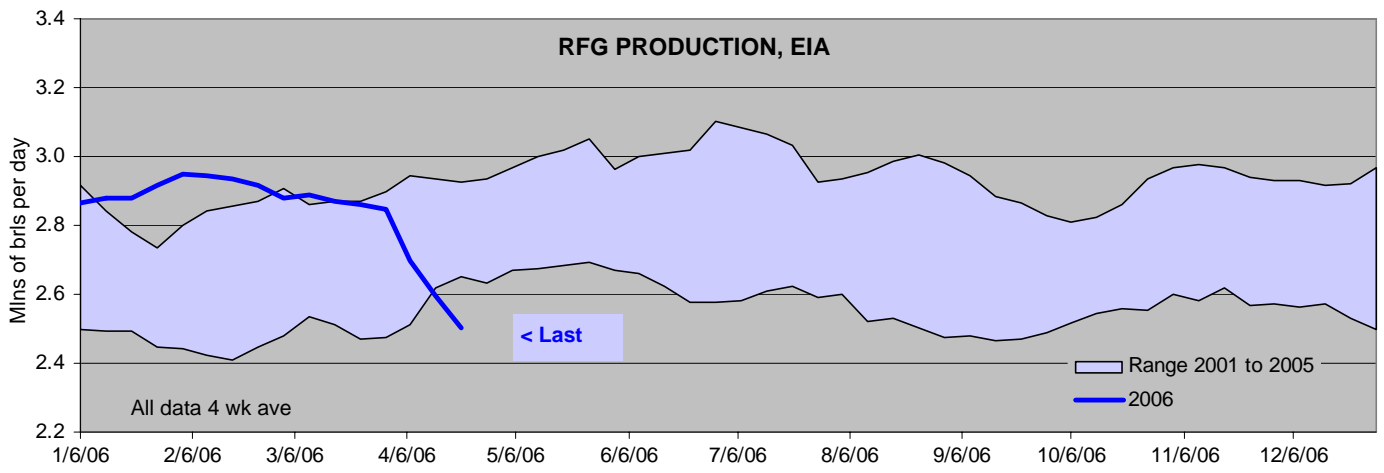
	This Week	Last Week	Last Year	Change Wk to Wk	Change Yr to Yr
Crude Oil	345,000	345,200	326,600	<b>-200</b>	18,400
Unleaded Gasoline	200,600	202,500	212,600	<b>-1,900</b>	-12,000
Reformulated Gasoline	8,300	10,800	23,900	<b>-2,500</b>	-15,600
Blending Components Gasoline	85,200	86,200	72,300	<b>-1,000</b>	12,900
Conventional Gasoline	107,100	105,500	116,400	<b>1600</b>	-9300
Ending Finished Stocks	115,400	116,300	115,400	<b>-900</b>	0
Distillate	115,600	114,600	104,500	<b>1000</b>	11100
Jet Kero Stocks	41,600	41,800	38,100	<b>-200</b>	3500
Utilization	88.16%	86.23%	91.27%	<b>1.93%</b>	-3.11%

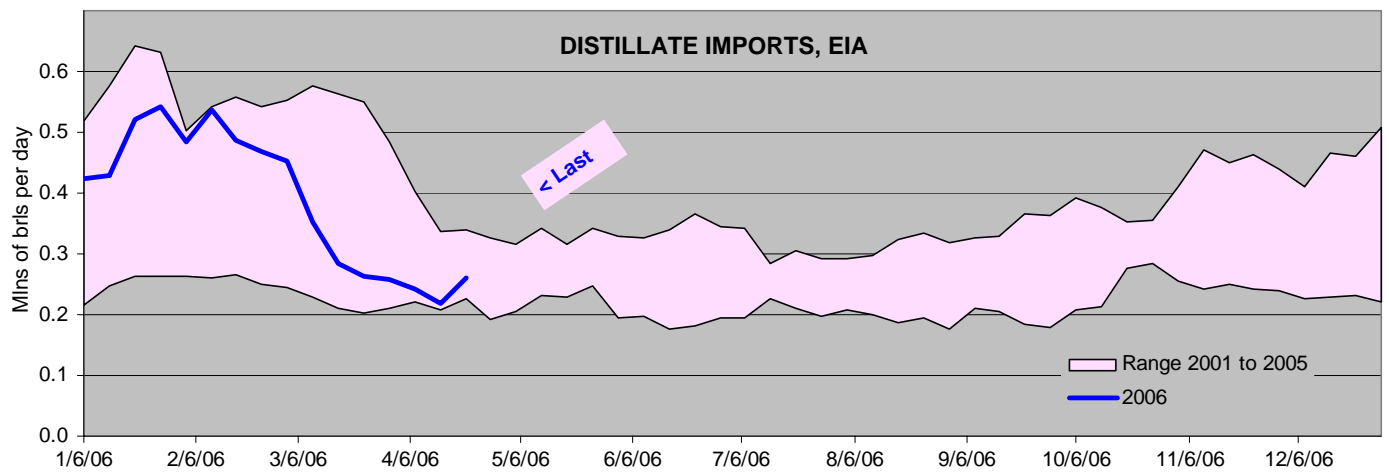
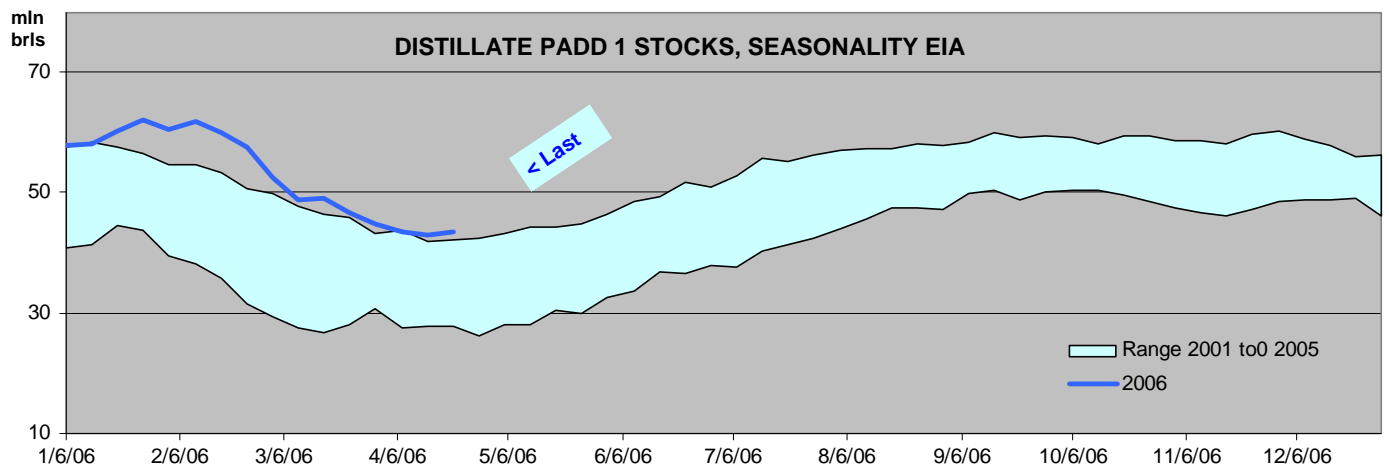
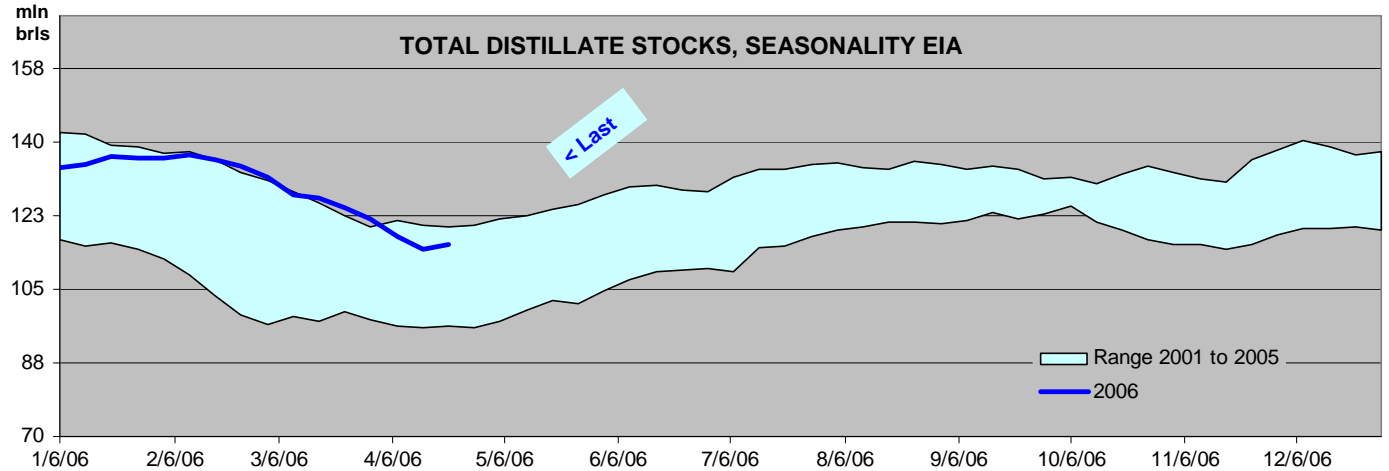
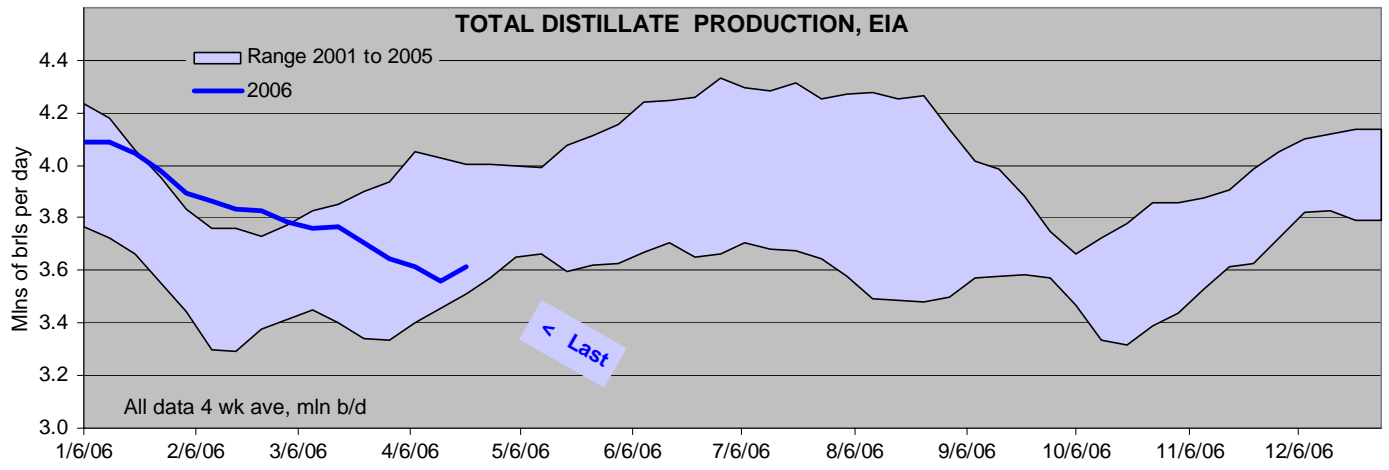
Stock values in 1,000 42-gallon barrels

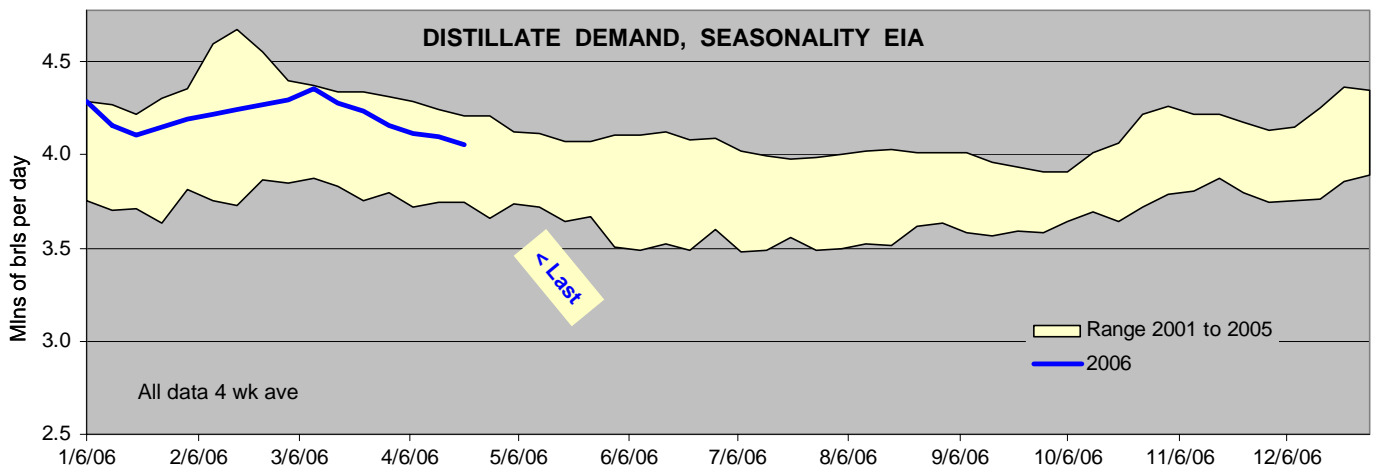
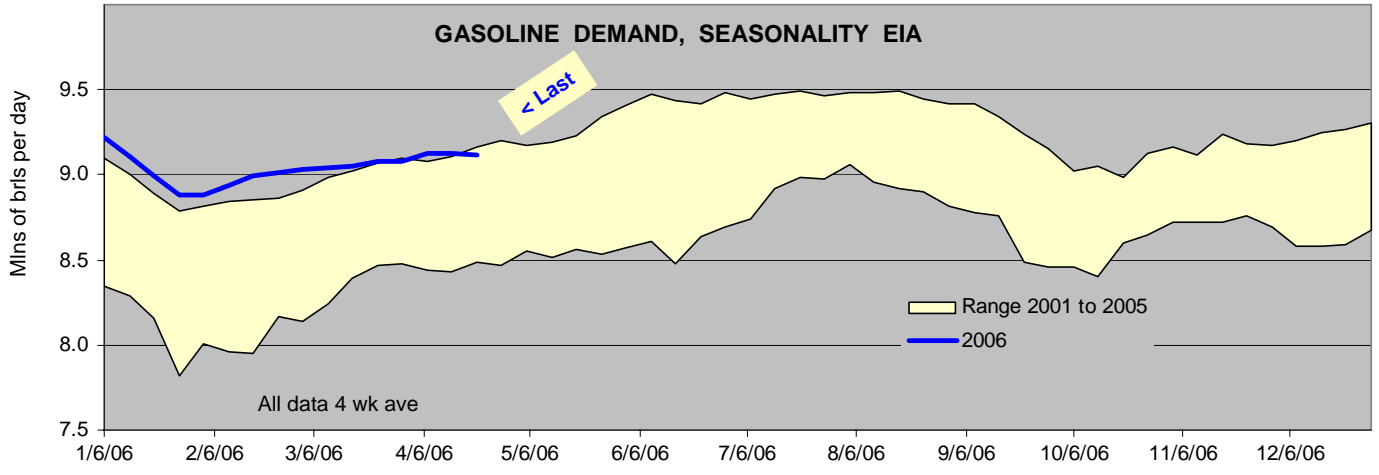
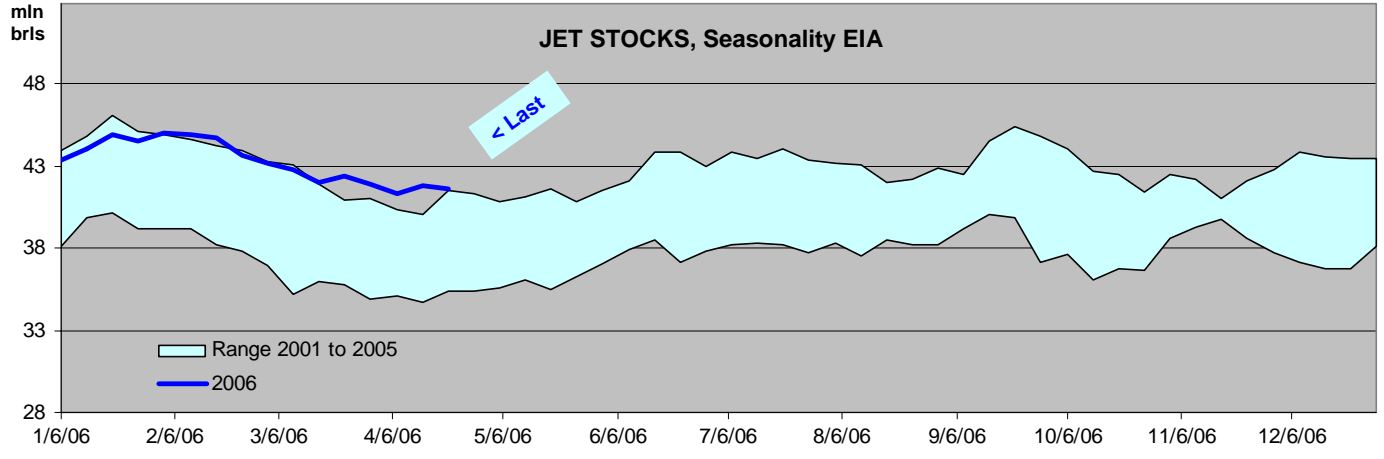
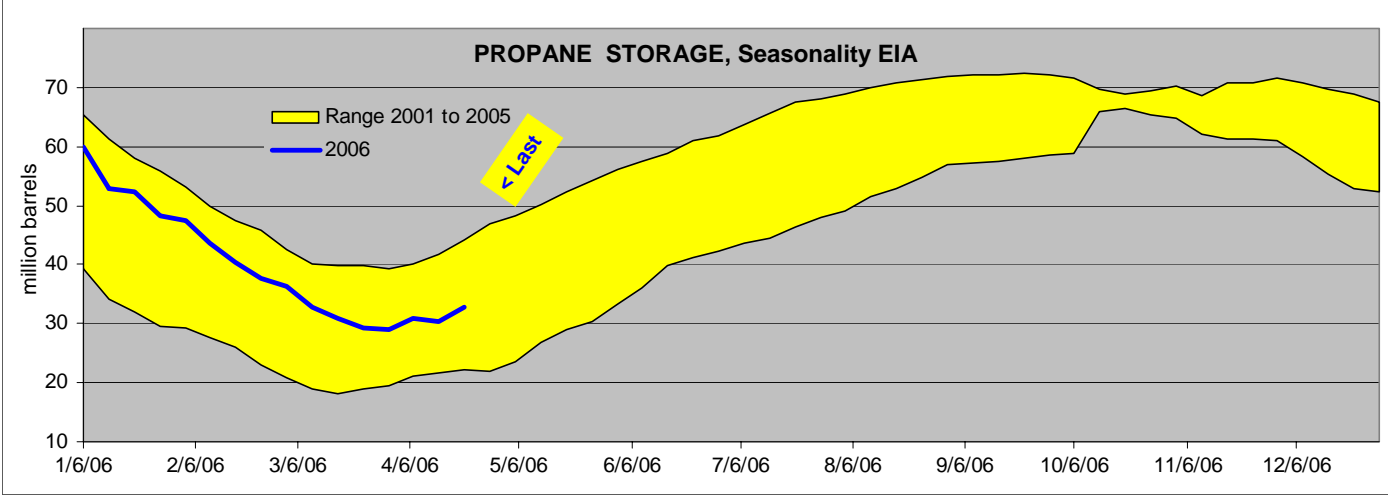


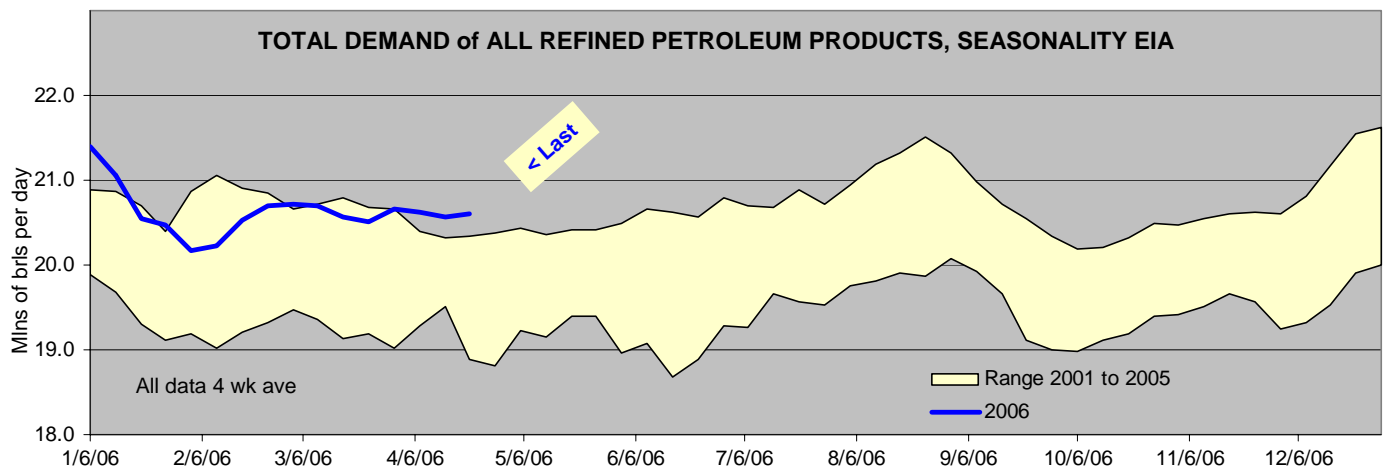
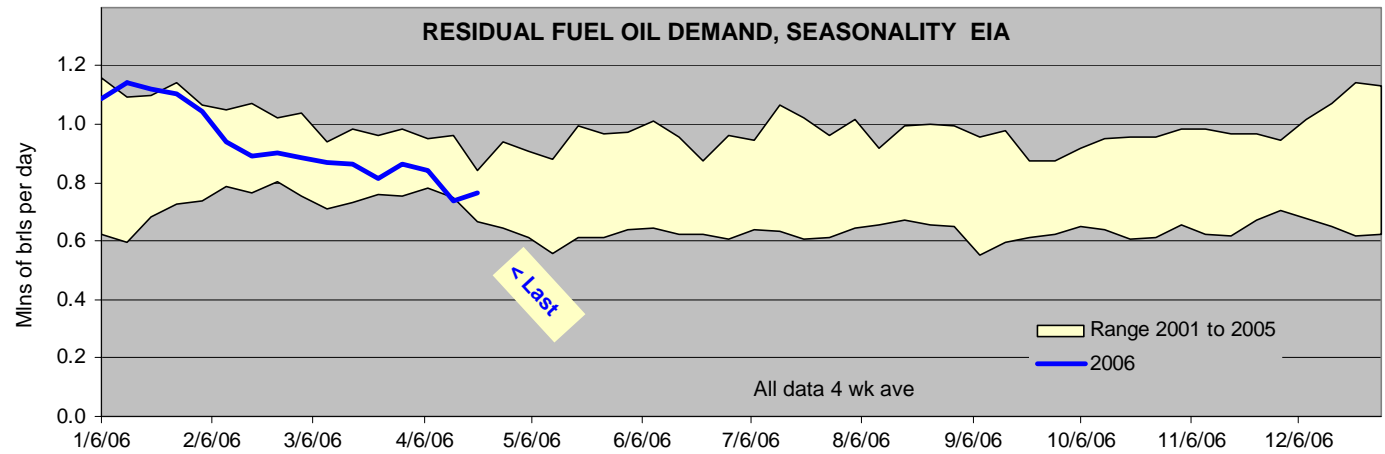
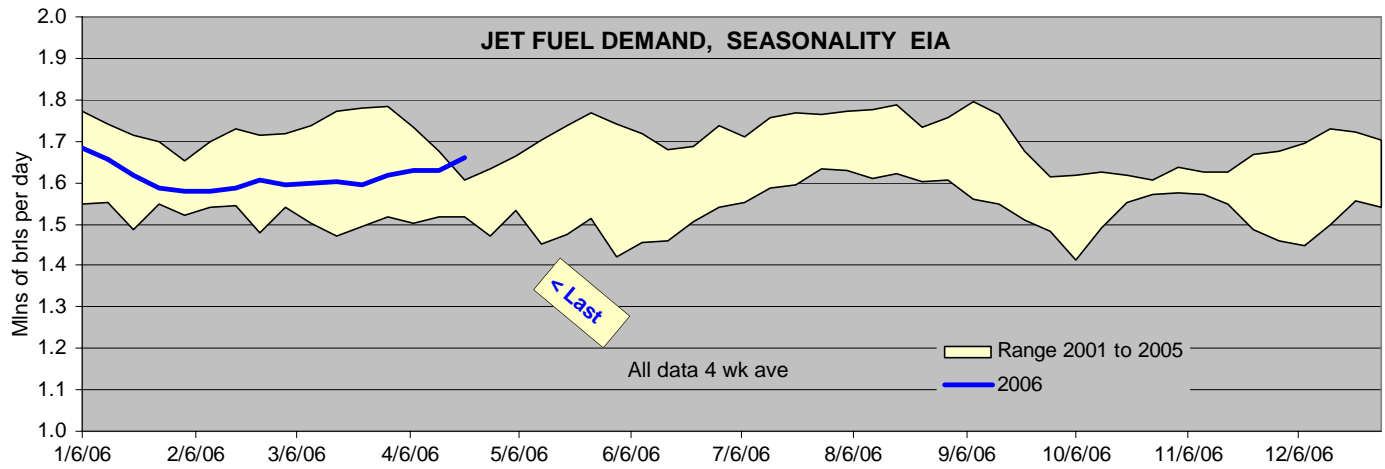
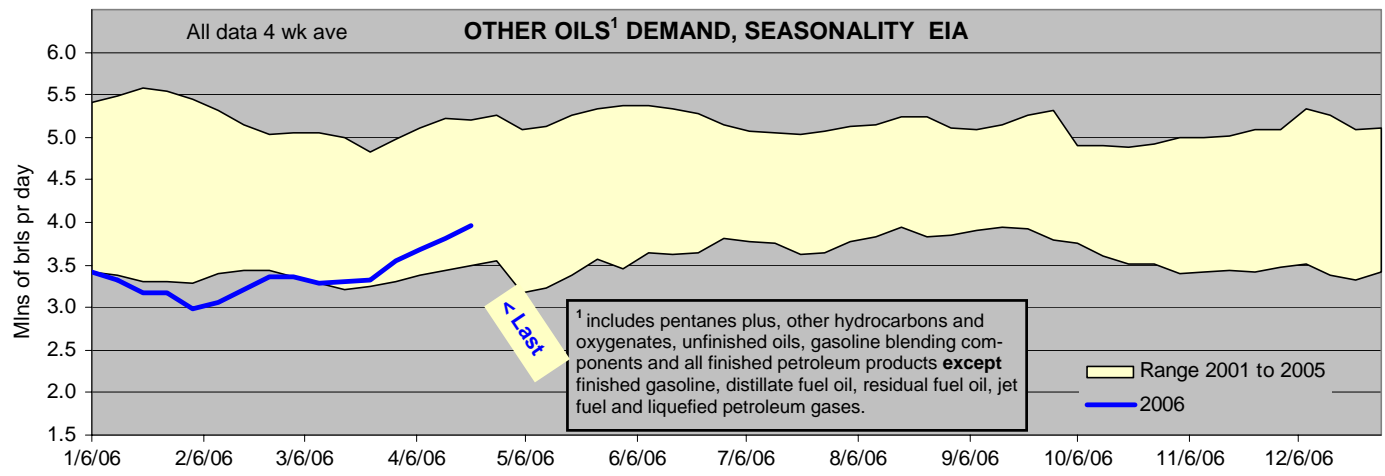






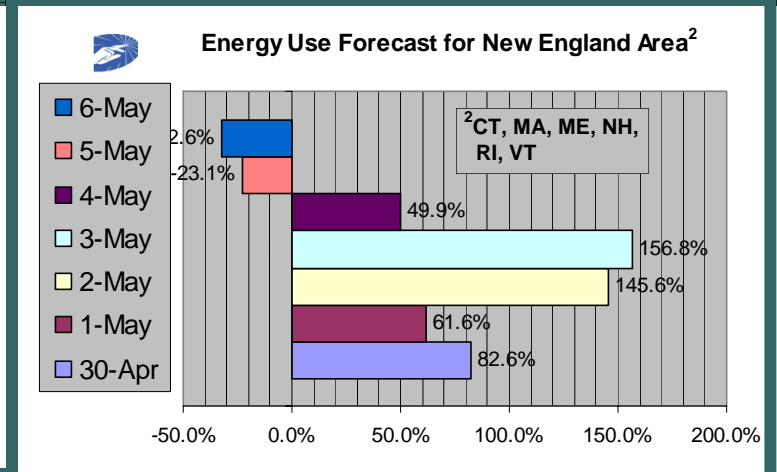
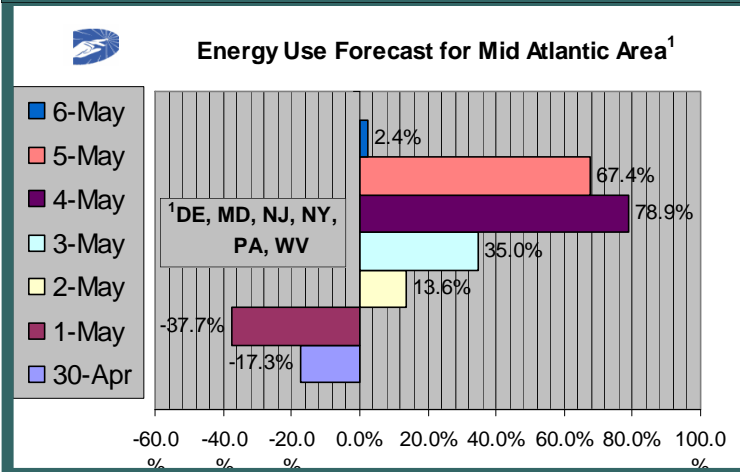
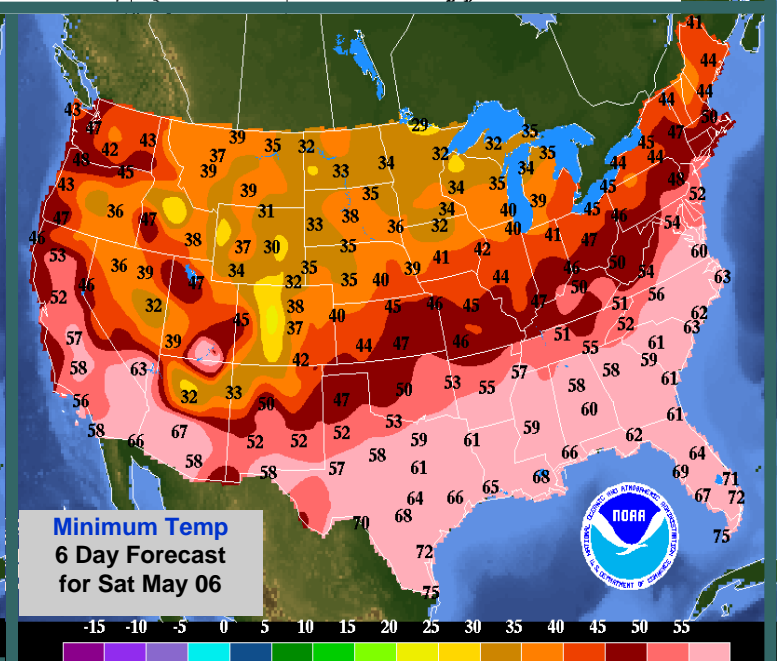
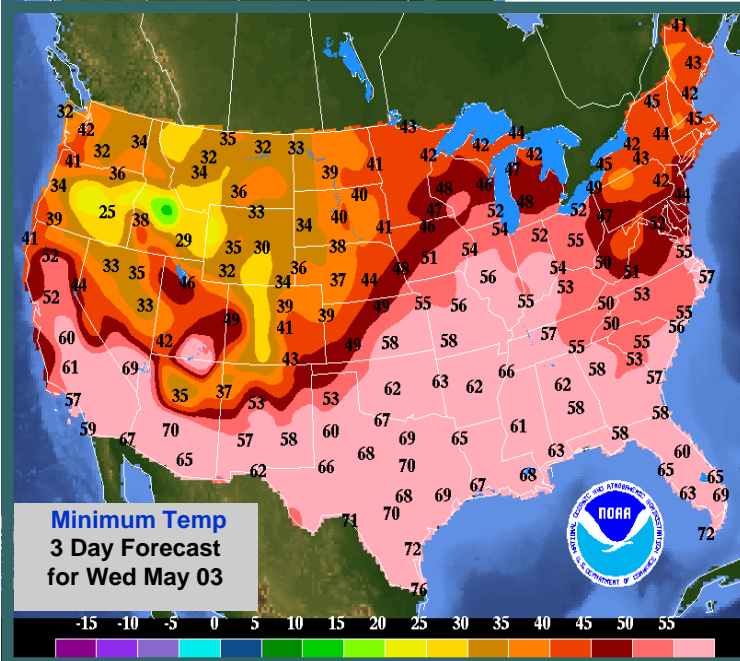
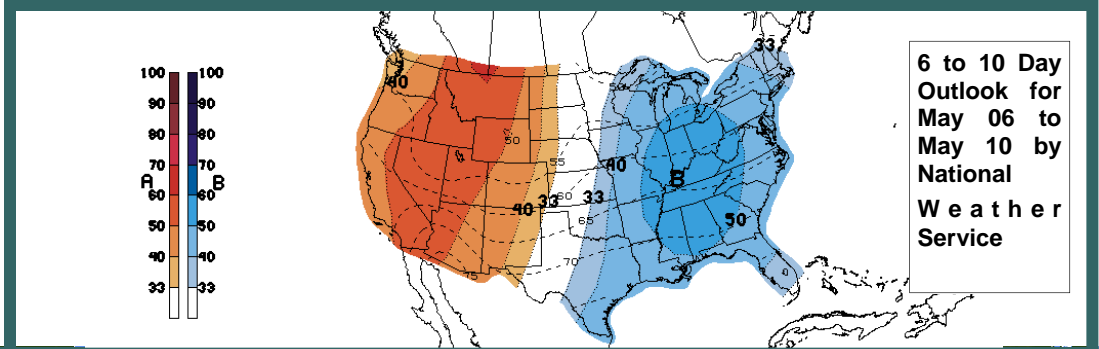




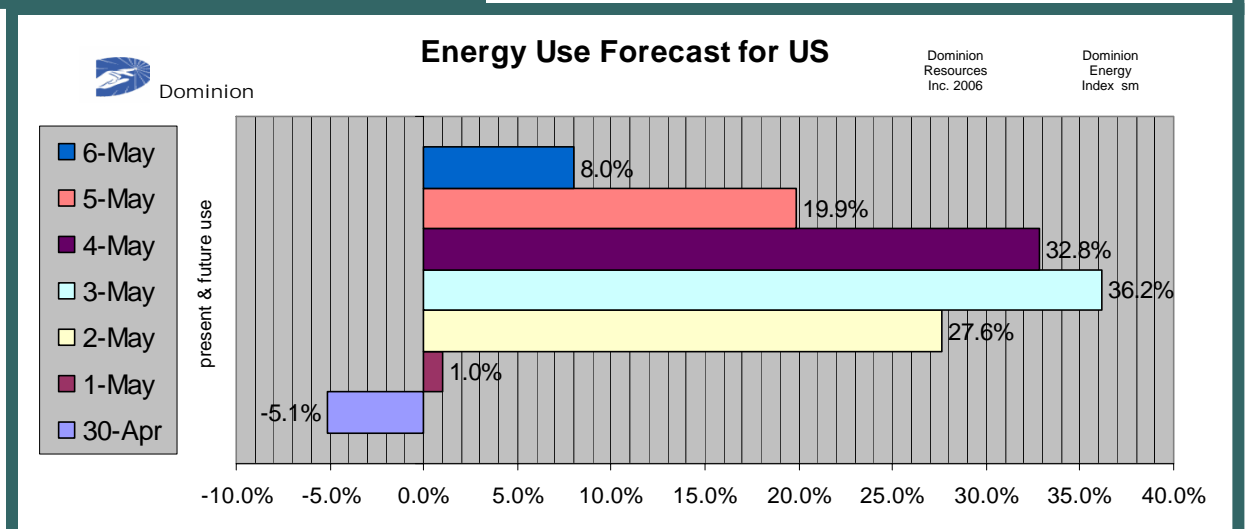


Map shows temperature probabilities for the next 6 to 10 days. Dashed black lines are climatology (Deg F). Shaded areas are forecast values above (A) or below (B) normal. Unshaded areas are near-normal.

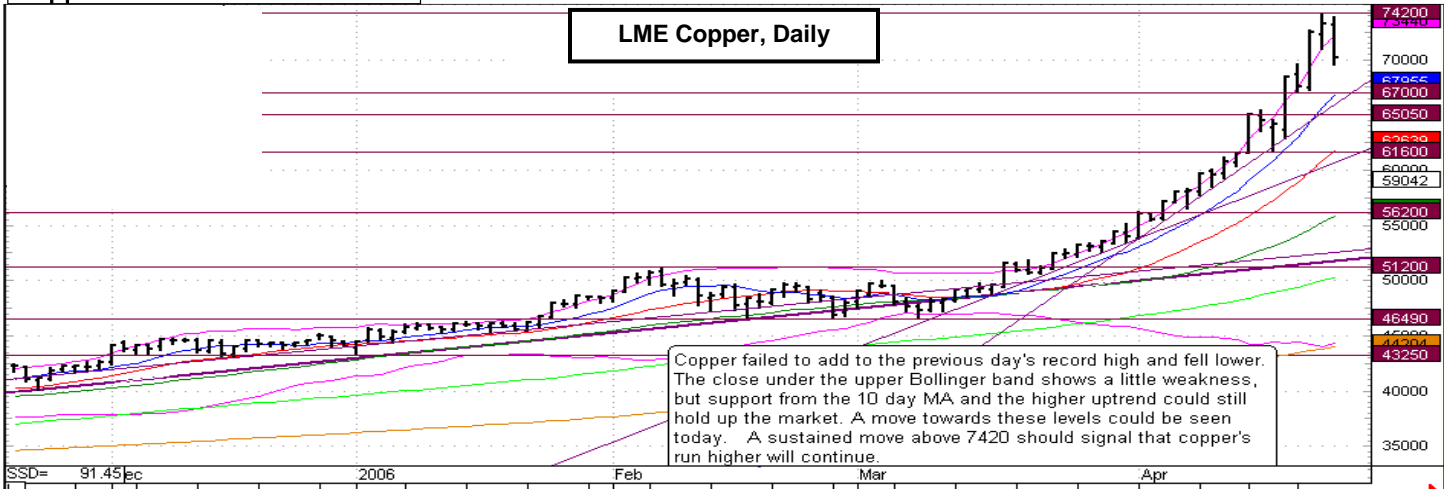
Confidence is about average at 3 on a scale of 1 to 5.



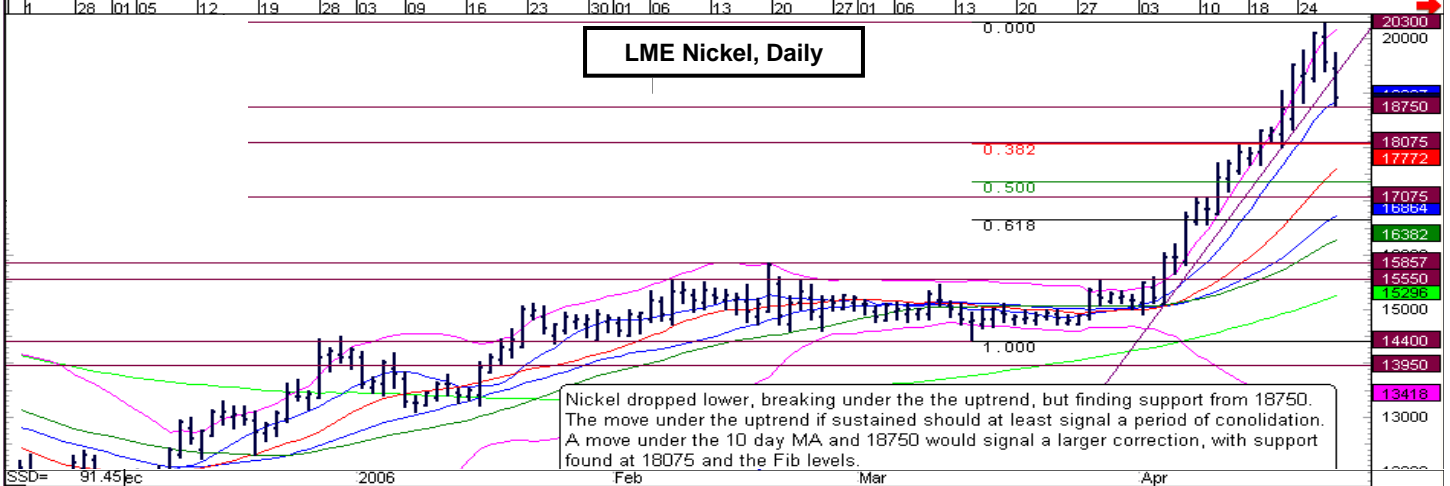
The Dominion Energy Index shows a projection of energy use for the coming week. The reading is above or below the normal for this time of year. Zero or around zero is normal.



LME Copper, Daily



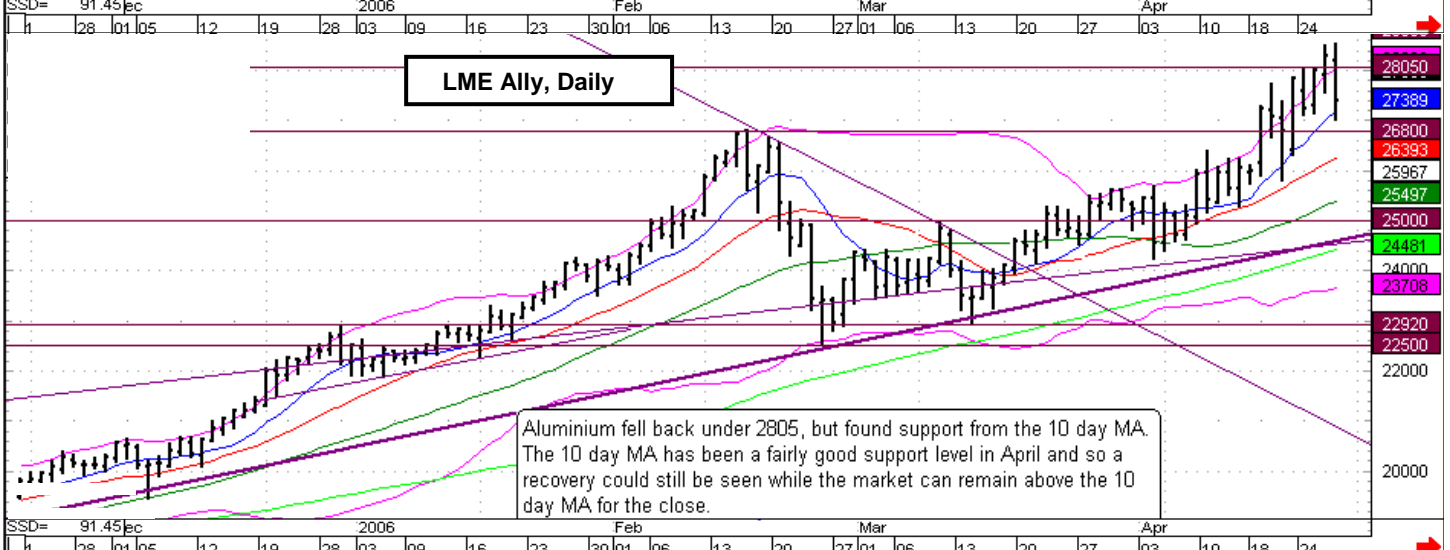
LME Nickel, Daily

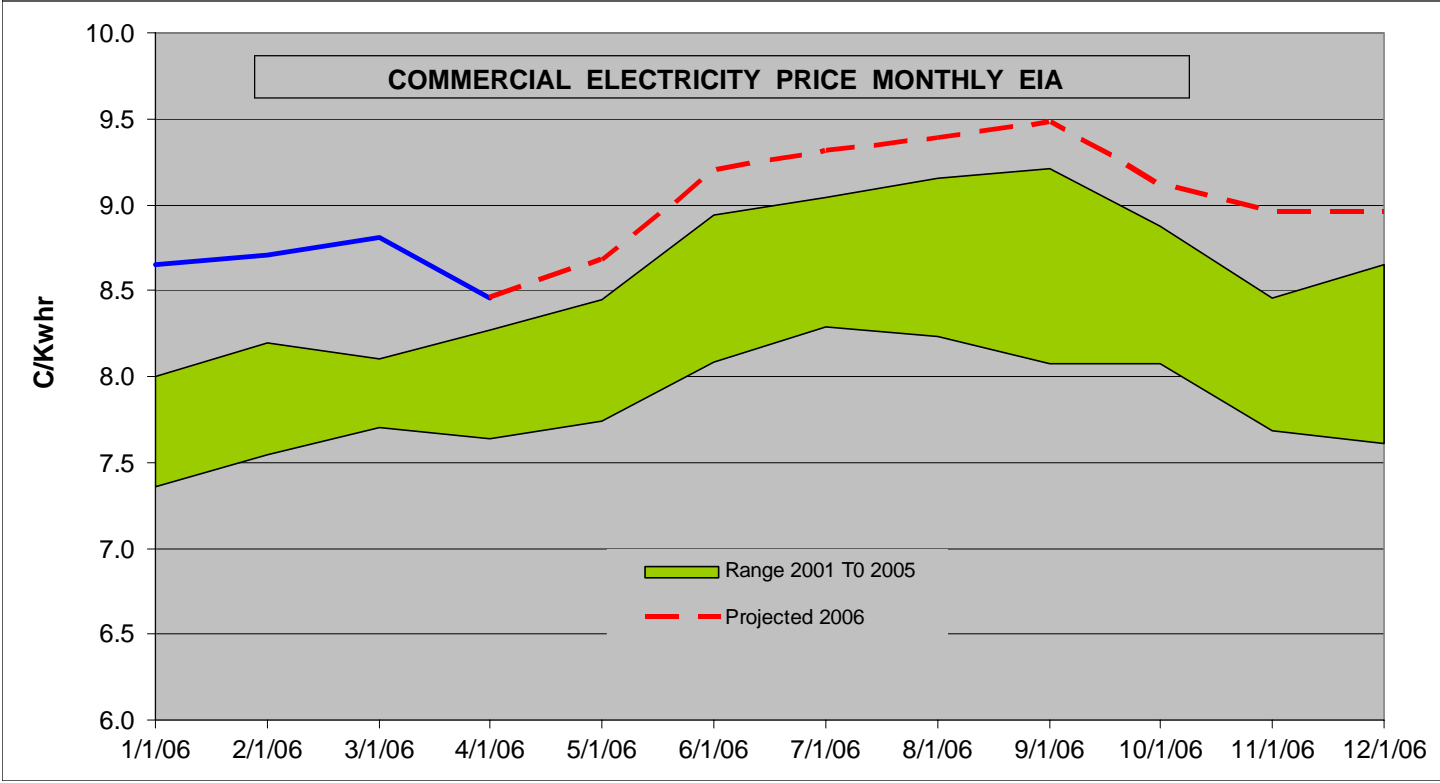
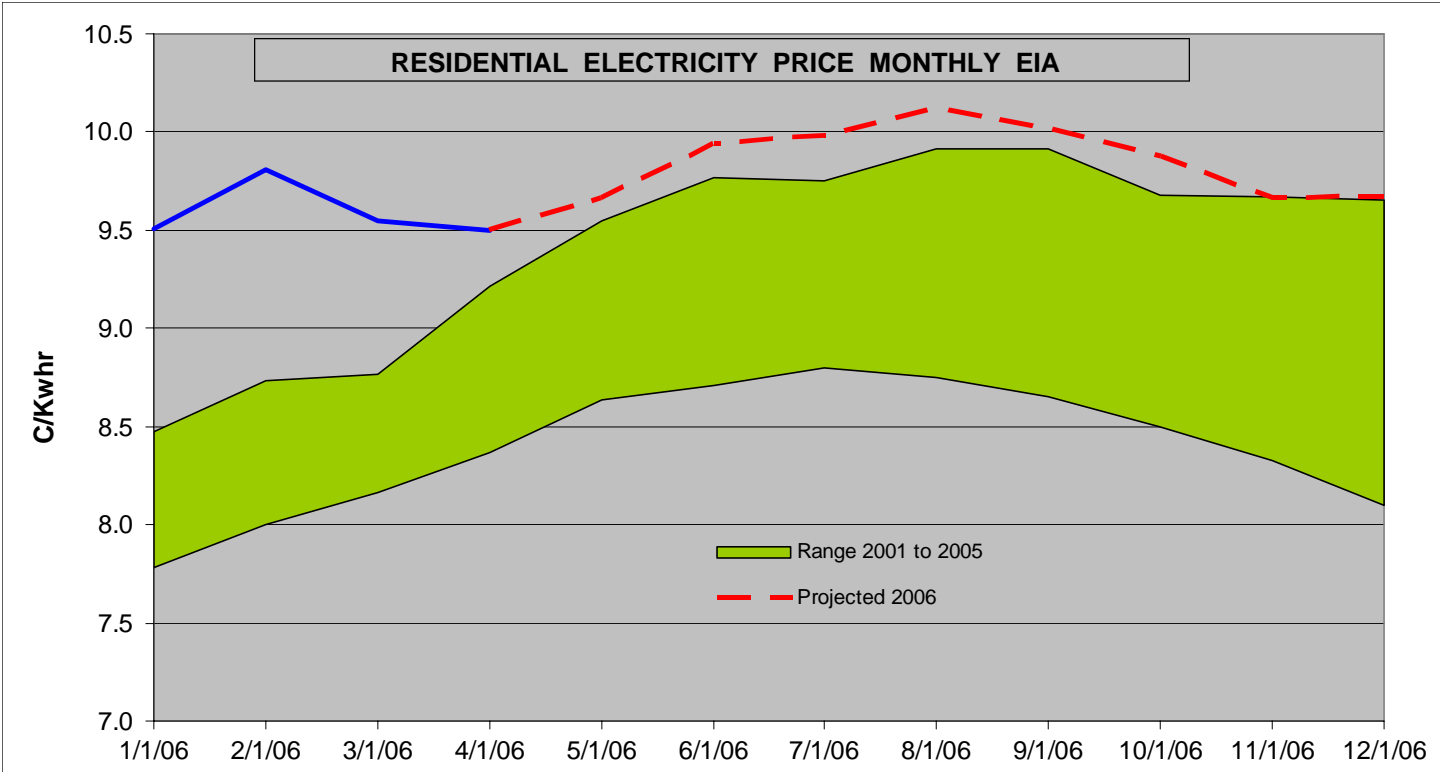


LME Zinc, Daily



LME Alily, Daily





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