



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 10, 2008

OPEC ministers agreed to abide by their September 2007 production quotas adjusted to include new members Angola and Ecuador and excluding Indonesia, which suspended its membership, and Iraq, totaling 28.8 million bpd. OPEC President Chakib Khelil said OPEC is also cutting its actual supply of crude oil by 520,000 bpd after OPEC has been producing above its target in recent months. He said the decision amounted to a cut from the group's July production level. OPEC was estimated to be producing about 790,000 bpd above its target. Separately, OPEC's Secretary General Abdalla El-Badri said OPEC did not discuss a price target when it made its decision to rein in overproduction. He said the OPEC members that are

Market Watch

According to an independent report released by US lawmakers and co-authored by the portfolio manager of Masters Capital Management, institutional investors caused the rise and fall in oil prices in 2008. It said from January to May, 27 index traders invested \$60 billion in commodity markets, causing the rally in oil prices. However when Congress started holding hearings about speculation from May to July, traders withdrew \$39 billion from the market. JP Morgan Chase, Goldman Sachs Group Inc, Barclays Plc and Morgan Stanley control 70% of the commodities swaps positions and swaps dealers are the largest holders of NYMEX crude oil futures contracts. The Commodity Futures Trading Commission is scheduled to send a report to Congress on Thursday on the role speculators have played in the oil market.

Chevron Corp said it extended an agreement that allows the oil company to operate a 50% interest in certain crude oil and natural gas deposits on behalf of Saudi Arabia. The resources are located in the onshore area of the Partitioned Neutral Zone between Saudi Arabia and Kuwait. The agreement extends the existing agreement for 30 years, through February 19, 2039.

Kuwait Petroleum Corp plans to invest as much as \$55 billion at home and abroad within the next five years. It plans to build a petrochemical complex and fuel terminals in Vietnam. It also plans to build a refinery in China with a capacity of 300,000 bpd, a petrochemical complex and fuel terminals.

The World Bank pulled the plug on an oil pipeline agreement with Chad following tensions with the government over failed promises to spend the oil profits on programs for the poor. The World Bank supported the \$4 billion, 170,000 bpd Chad-Cameroon pipeline. Chad is expected to earn about \$1.4 billion in oil revenues this year. The bank said the country failed to comply with agreements, in which the government agreed to set aside some of its oil revenues for local communities, health and education. Its decision on the pipeline does not affect its existing seven development projects in Chad and a bank mission is expected to review the projects soon.

China will likely produce 2.7 billion tons of coal this year, up from last year's level of 2.5 billion tons, in part due to the reopening of small mines. Meanwhile slowing industrial demand could ease tight markets.

The European Commission forecast growth in the 15 nation euro zone at 1.3%, down from a previous forecast of 1.7%. It forecast growth for the 27 nation European Union at 1.4%, down from its previous estimate of 2%.

Member Countries	Previous Quota	New Quota
Algeria	1,357,000	1,357,000
Angola	1,900,000	1,900,000
Ecuador	520,000	520,000
Indonesia	865,000	
Iran	3,817,000	3,817,000
Kuwait	2,531,000	2,531,000
Libya	1,712,000	1,712,000
Nigeria	2,163,000	2,163,000
Qatar	828,000	828,000
Saudi Arabia	8,943,000	8,943,000
UAE	2,567,000	2,567,000
Venezuela	2,470,000	2,470,000
Total	29,673,000	28,808,000

overproducing crude should comply with their quotas immediately. OPEC's next meeting is scheduled for December in Algeria.

Meanwhile, a senior Gulf oil official said Saudi Arabia will produce as much crude its customers demand in the weeks ahead. He said Saudi Arabia's production policy will be dictated by its customers. Saudi Arabia, which produced 9.7 million bpd, will be forced to cut the majority of production.

Venezuela's Oil Minister Rafael Ramirez said the country trusts that OPEC members will respect

the agreement to rein in overproduction.

Russia's Energy Ministry said Russia is seeking to hold talks with OPEC and has invited OPEC representatives to visit Moscow in October. Meanwhile, OPEC's Secretary General Abdullah al-Badri said energy talks between OPEC and Russia should not affect energy consuming nations.

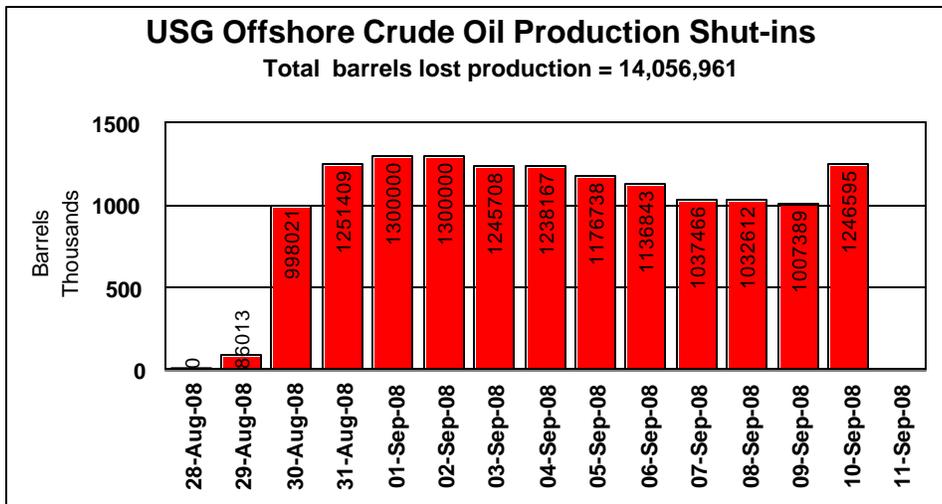
In response to OPEC's decision, the White House said more oil is needed on the market, not less. White House spokesman Scott Stanzel said energy prices are still very high, despite their recent fall. A US Energy Department spokeswoman later stated that OPEC decision to cut production underscored the need for the US to develop its own oil resources.

The IEA lowered its 2008 world oil demand growth forecast by 100,000 bpd to 690,000 bpd due to the impact of weaker economic conditions and high prices. It also cut its 2009 world oil demand growth estimate by 40,000 bpd to 890,000 bpd. The downward revision was driven by weakness in OECD nations. However it stated that non-OECD demand in countries like China is playing a critical role in stabilizing overall world oil demand. Demand growth in China this year is expected to grow by 5.9% to 8 million bpd and by 5.3% next year to 8.4 million bpd. It reported that world supply fell by 1 million bpd in August to 86.8 million bpd due in part to North Sea maintenance, lower OPEC supply and disruptions to the Baku-Tbilisi-Ceyhan pipeline. It cautioned that world oil supply remained relatively tight and vulnerable to outages. It estimates that world crude throughput will average 74.9 million bpd in the third quarter, down 500,000 bpd from its previous estimate. It also stated that refined product markets were better equipped to absorb the impact of Hurricane Ike and Gustav than they were when storms hit the Gulf of Mexico in 2005. However the IEA stated that hurricanes may cause larger than expected oil production outages in the US Gulf of Mexico. It said the total outage in the Gulf of Mexico would be 1.5 million bpd, including 1.1 million from US offshore production. It estimates that Hurricane Ike is poised to cut 19 million barrels of refined product output in the US Gulf unless its path changes. In response to OPEC's decision to cut its overproduction, the IEA said any move to limit production could hurt the world economy. An analyst at the IEA was quoted as saying that "any move to constrain supply could prove counter-productive."

Separately, the IEA's executive director Nobuo Tanaka said the IEA would release emergency supplies if a large hurricane disrupts oil production or refining in the US. He also stated that OPEC's decision to cut its production was not the best move. He said it would have been better for OPEC to maintain its previous production level.

DOE Stocks

Crude – down 5.9 million barrels
Distillate – down 1.2 million barrels
Gasoline – down 6.5 million barrels
Refinery runs – down 10.4%, at 78.3%



The US Minerals Management Service reported that the amount of crude oil shut in the Gulf of Mexico increased to 1.247 million bpd on Wednesday, up from 1.007 million bpd on Tuesday. It said about 95.9% of oil production in the Gulf has been shut in.

The National Hurricane Center said Hurricane Ike entered the Gulf of Mexico as a Category 1 hurricane

and strengthened into a Category 2 hurricane on Wednesday. It said it could reach Category 4 strength in the next 48 hours before making landfall along the Texas Coast early Saturday. In preparation for Hurricane Ike, Shell Oil Co said it expects to shut all of its US Gulf of Mexico production by Wednesday except for the Fairway Field near Mobile Bay, Alabama. The company plans to begin returning crews to the eastern Gulf of Mexico on Friday. ExxonMobil Corp said that 26,000 bpd of oil and 130 mmcf/d of natural gas in the US Gulf of Mexico was shut in following Hurricane Gustav and ahead of Hurricane Ike. It said it is completing the evacuation of personnel from offshore facilities expected to be in the path of the storm. Anadarko Petroleum Corp plans to shut in its Gulf of Mexico production and evacuate personnel from its Gulf facilities by Wednesday in preparation for Hurricane Ike. BHP Billiton Ltd shut the Neptune oil project in the Gulf of Mexico as Hurricane Ike approaches. It has evacuated all non-essential personnel from the Gulf. Separately, Petsec Energy Ltd said it was securing platforms and other equipment in the Gulf ahead of Ike and will evacuate offshore workers later on Wednesday.

Nigeria's cabinet approved a new ministry for the Niger Delta on Wednesday and the separation of the Energy Ministry into separate ministries for petroleum and power.

Refinery News

Energy Corp said power is expected to be restored at ConocoPhillips' 247,000 bpd Alliance refinery in Belle Chase, Louisiana no later than Monday. It said power is expected to be restored in the Plaquemines Parish, where the refinery is located. Meanwhile, ConocoPhillips said its 247,000 bpd refinery in Sweeny, Texas was at reduced rates as it prepares for the landfall of Hurricane Ike.

The Houston Pilot's Association plans to halt inbound traffic Wednesday and outbound traffic on Thursday in the Houston Ship Channel.

The Seaway Crude Pipeline, which carries crude from the southeastern Texas coast to Cushing, Oklahoma will shutdown on Thursday morning ahead of Hurricane Ike. It will close because oil tankers will not be able to unload crude at the Freeport, Texas port starting Wednesday night. Freeport, Texas is under a mandatory evacuation.

Colonial Pipeline was at full rates on Wednesday for the first time following Hurricane Gustav.

September Calendar Averages

CL – 106.48
HO – 299.99
RB – 271.31

A desulphurization unit at Eni's Sannazzaro refinery was shut on Tuesday for a 25 day maintenance period.

China's General Administration of Customs reported that the country imported 120 million tons of crude oil in January-August, up 8.7% on the year. China's net imports of oil products, excluding liquefied petroleum gas, fell by 28.9% on the month but increased by 56.5% on the year to 1.94 million tons. The country's net imports in the January-August period increased by 27.1% on the year to 17.79 million tons.

According to the Petroleum Association of Japan, the country's crude oil inventories increased by 5.38% on the week and by 2.35% on the year to 16.44 million tons in the week ending September 6. It also reported that its gasoline stocks fell by 7.3% on the week but increased by 7% on the year to 2.03 million tons while kerosene stocks increased by 2.72% but fell by 16.88% on the year to 3.53 million tons. Its gas oil stocks fell by 9.11% on the week but increased by 10.64% on the year to 2.11 million tons.

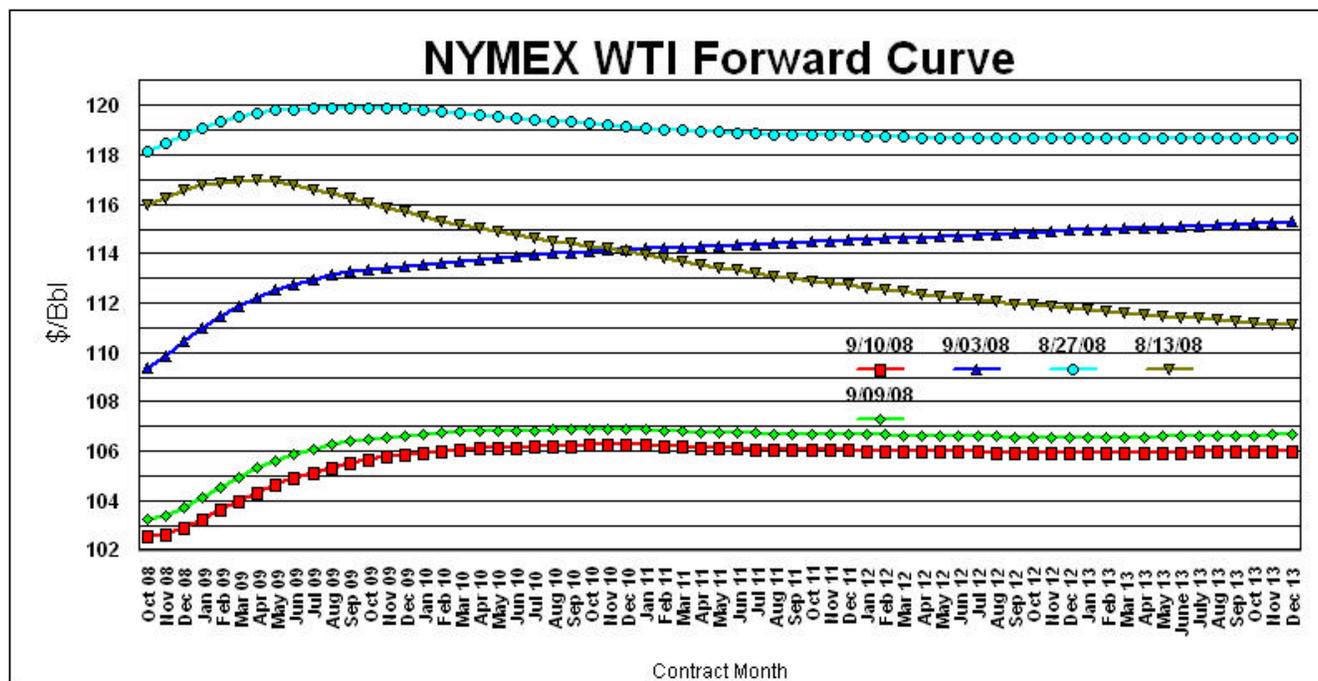
Production News

Norway's North Sea Statfjord crude oil system is set to load about 303,000 bpd or 9.405 million bpd in October, up from 200,000 bpd 6.84 million bpd in September. Meanwhile the North Sea Gullfaks crude system is scheduled to load 10.26 million barrels, up from 7.7 million barrels in September.

StatoilHydro ASA plans to load 275,000 tons of fuel oil on October 1-2 from Mongstad, Norway to Singapore. Although the arbitrage window is open, tight oil supplies in Europe has been limiting large shipments of fuel from the region to Singapore.

Iran's Oil Ministry said the country will continue to hold talks with Austria's OMV AG on the development of the Band-e Karkheh oilfield for a limited time. Discussions between the two sides were supposed to be finalized in early July.

Brazil's Petrobras said it estimates the recoverable oil and gas reserves in the subsalt Iara field at 3 billion to 4 billion barrels. The field is part of the same block BM-S-11 in which the Tupi field lies.



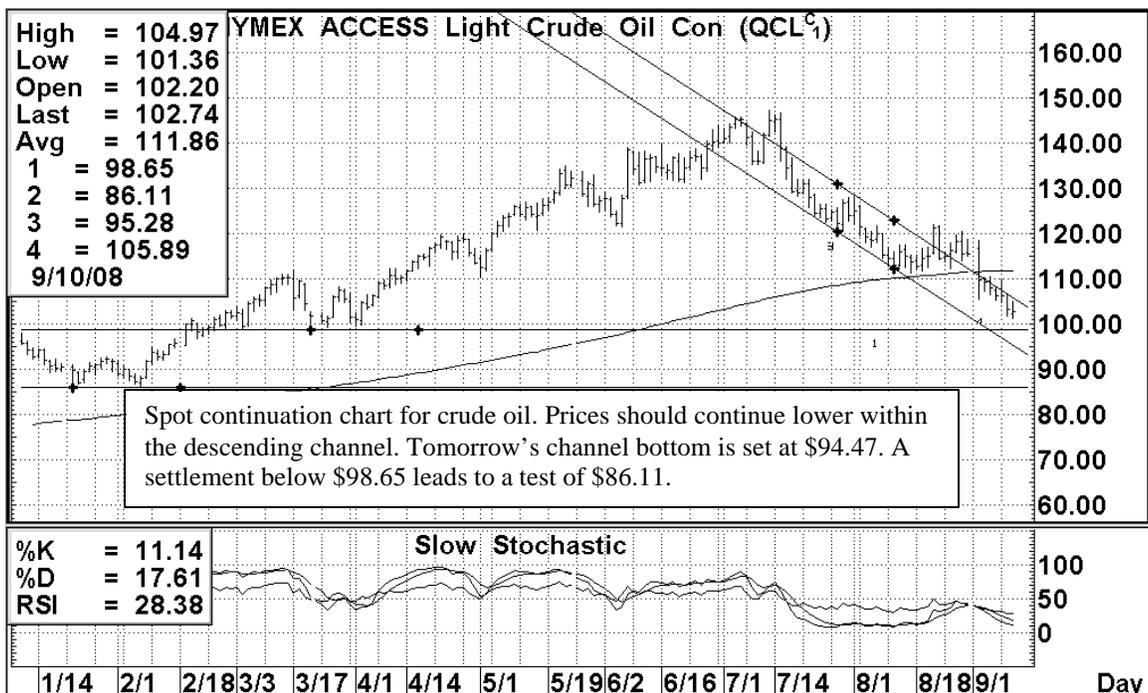
Total said some of its projects will start up later than originally expected as the industry faces tight markets for components and staff. It said its Qatargas II TB project will start up in the third quarter of 2009, rather than the first half of the year. It also said its Yemen LNG project will start up in early 2009 instead of this year.

OPEC's news agency reported that OPEC's basket of crudes fell sharply to \$98.49/barrel on Tuesday from \$101.08/barrel on Monday.

Market Commentary

Inventory stock levels fell greater than expected for both crude oil and gasoline, with distillate stocks decreasing less than expected. Crude oil stocks fell 5.8 million barrels, gasoline, 6.6 million barrels and distillate stocks by 1.2 million barrels. Despite these draws across the board, the crude oil and heating oil markets continued to come under pressure. Gasoline was the only market to react strongly to these numbers. With the IEA cutting its forecast for global oil demand in 2008 and 2009, bears clawed their way lower, while any weak bulls lowered their horns in retreat. The IEA lowered its 2008 forecast by 100,000 barrels to 86.8 million barrels a day and the 2009 estimate by 140,000 barrel to 87.6 million barrels a day, citing a combination of weak economic prospects and persistently high prices as the reason for these revisions. Crude oil prices continue to reach towards the \$100.00 psychological point and remains within the descending channel. With oil supplies increasing by 1.77 million barrels in states along the Gulf of Mexico at the same time regional producers shut all U.S. crude input, regional inventories reached 159.6 million barrels, the highest level since May. The inability to run crude as Hurricane Ike approaches, will only add further to stockpiles. Based on this and the demand factor we would look for crude oil to come under additional pressure, with an initial stop a \$98.65 and then ultimately the channel bottom, which is set tomorrow at \$94.47. The October/November spread strengthened as expected, reaching a high of +. 14 on the day. This spread did sell off into the close, as speculators who bought the October/November TAS, sold the spread against it. Although the demand factor for products does not look to promising, the near term demand and shortage of product due to shut ins, should help support this spread further. Gasoline continues to remain below the 200-day moving average and has not been able to settle above it since penetrating it. Gasoline should suffer short-term shortages up until refiners are up and running again. Slow stochastics have been trending

lower with %K now in oversold territory and %D pointing lower. For now we would look for a confirmation that the trend is still lower and would like to see %D move below the 20.00 over sold indicator. As with the



gasoline, we would look for heating oil to make a short term move to the upside, where we would like to pick a selling point. For now this selling point would be the 200-day moving average, which is currently \$3.1355. Open interest for crude oil is 1,231,450 up 23,967 October 08 242,917 up 1,249, November 08 188,571, up 16,551 and December 08 183,244 up 2,617. Total open interest for heating oil is 212,595 up 1,826, October 08 45,906 down 1,086 and November 08 32,352, up 1,647. Total open interest for gasoline is, 200,653 up 2,887, October 08 62,916 down 1,172 and November 08 41,526 up 2,320.

The CME Group announced that it is considering contingency plans for extended ClearPort and CME Globex Energy Trading Hours due to the potential impact of Hurricane Ike on the US Gulf Coast this weekend. It said it will announce by Thursday, September 11 its plan on whether it will extend ClearPort and Globex trading hours on Saturday, September 13 and Sunday, September 14 or have regularly scheduled trading hours on Sunday.

Crude Support	Crude Resistance
99.55, 85.40	111.82, 118.60, 128.60, 132.05, 139.30, 144.00, 147.90,
Heat support	Heat resistance
2.8350, 2.8050	3.1050, 3.3684, 3.4574. 3798, 3.6135, 3.8215
Gasoline support	Gasoline resistance
2.5905, 2.4655, 2.4550, 2.3385	2.8000, 2.9600, 3.1050, 3.1460, 3.1840, 3.2620