



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 11, 2008

Hurricane Ike gathered strength as it moved through the Gulf of Mexico on a track that would put Ike toward the middle of the Texas Coast, passing to the west of the main region for offshore production in the Gulf. The National Hurricane Center said Hurricane Ike, a Category 2 storm, could come ashore as a Category 4 storm late Friday or early Saturday. It is expected to strengthen into a Category 3 storm late Thursday. Its track shows Ike making landfall south of Galveston Bay near Freeport. According to private weather forecaster, Planalytics, the storm could bring a storm surge of 10-15 feet, posing a risk of damage to refineries in Galveston Bay and Texas City.

The US Minerals Management Service reported that a total of 1.260 million bpd or 96.9% of crude production in the Gulf of Mexico has been shut in as of Thursday as oil companies prepare for Hurricane Ike. The total production shut in is up from 1.247 million bpd reported on Wednesday.

September Calendar Averages

CL – 105.78
HO – 298.93
RB – 271.75

Anadarko Petroleum Corp completed the evacuation of its Gulf of Mexico production platforms and shut in all its Gulf oil and gas production.

The DOE said Hurricane Ike could affect fuel supply as refineries in

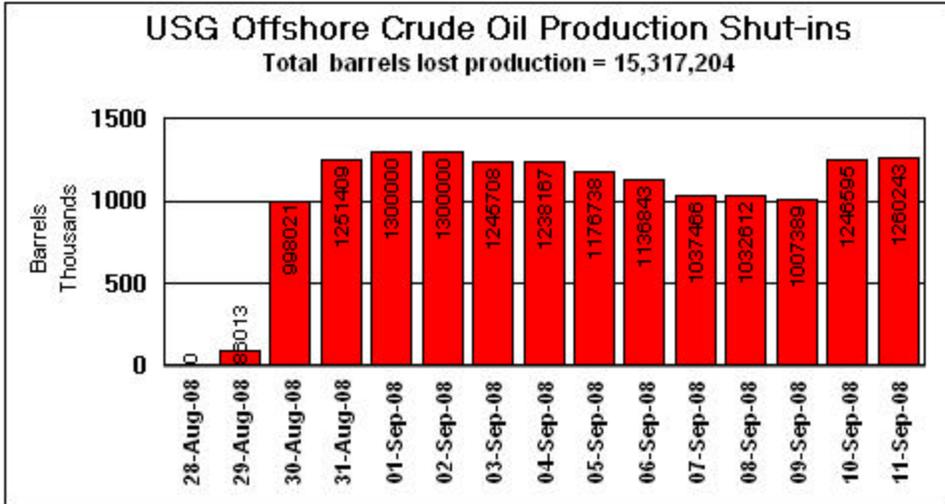
Market Watch

CME Group has announced that it will extend trading hours for energy futures and options contracts on the CME Globex and Clearport electronic trading and clearing platforms due to the potential impact of Hurricane Ike on the US Gulf Coast this weekend. The trading session for energy products only will begin on Sunday, September 14 at 10:00 am ET with a 9:30 am pre-open on CME Globex. The extended CME Globex session will have a trading halt from 5:15 pm to 6:00 pm on Sunday with its regularly scheduled close on Monday at 5:15 pm.

The UK government opposes plans to publish European Union oil stocks data on a weekly basis, fearing such a move could fuel volatility in oil markets. It would rather change the EU's oil stocks reports to a monthly schedule from the currently quarterly release.

Kazakhstan has raised the rate of oil export duty to \$203.80/ton from \$109.91/ton, according to a decree published in an official newspaper. The increase will take effect in 30 days.

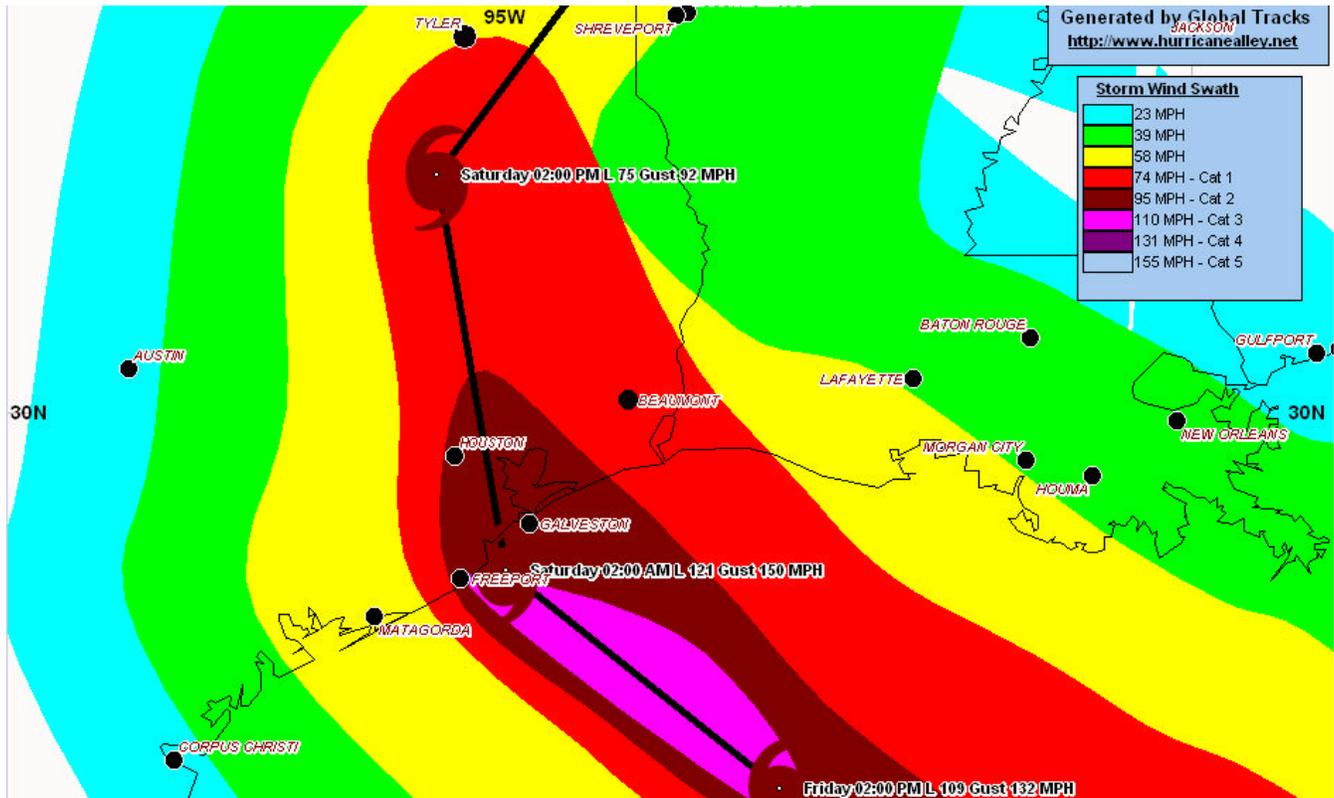
A total of 1,437 lots or 143,700 metric tons of gasoil was physically delivered against the ICE September gasoil futures compared with 124,700 tons delivered in August.



the Gulf Coast shut in. An official said any gasoline supply problems would be limited to the Gulf Coast and the Eastern seaboard. He also added that the DOE is prepared to release oil from the SPR, if necessary. Meanwhile the Energy Department said three of the four US SPR sites in Bryan Mound and Big Hill, Texas and West Hackberry, Louisiana have been shut in preparation for the hurricane. Its SPR

site in Bayou Choctaw, Louisiana is still operating. It later stated that will deliver an additional 380,000 barrels of oil from the SPR to refineries impacted by Hurricane Gustav. It will deliver 130,000 barrels to Placid Oil's Port Allen refinery and will deliver an additional 250,000 barrels of oil to Marathon Oil Corp.

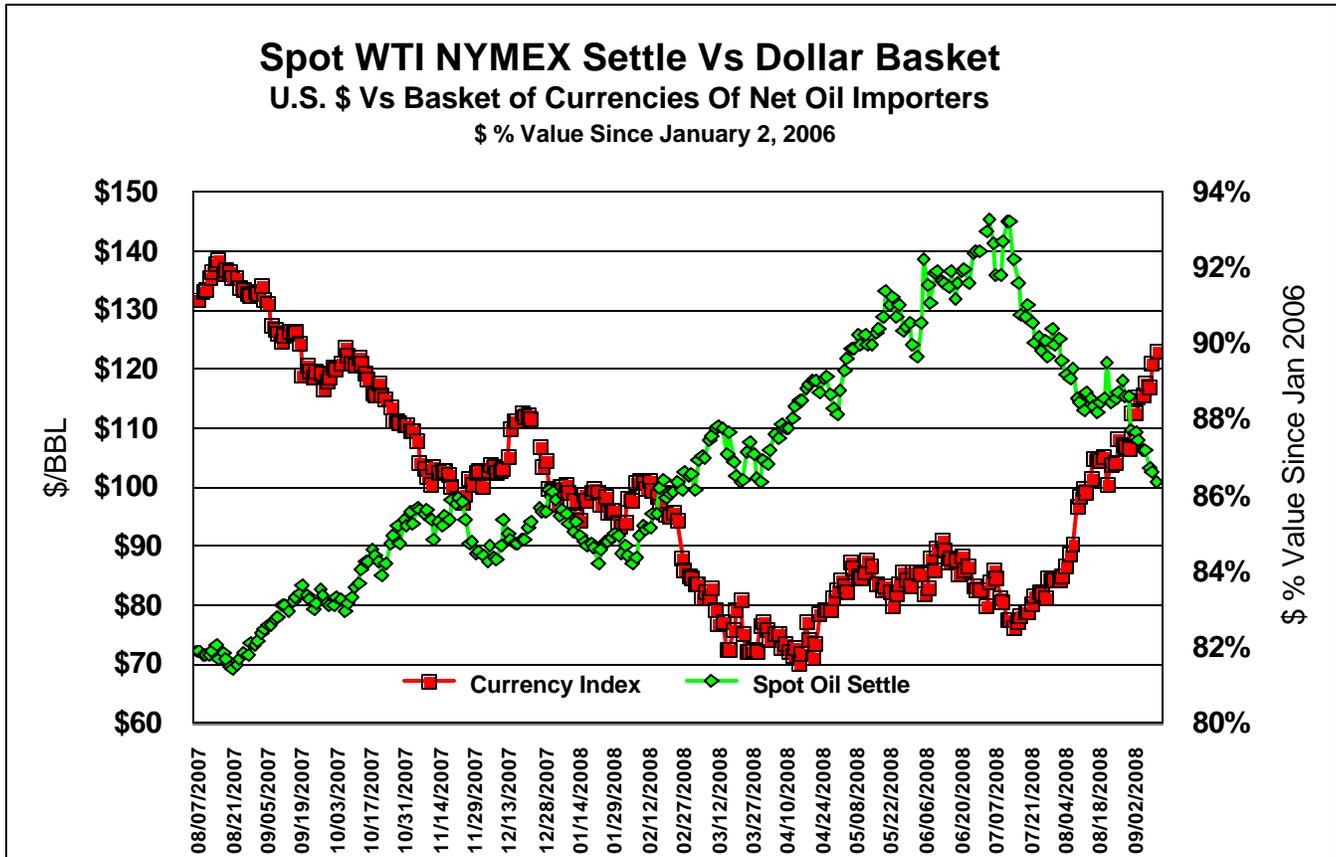
Saudi Arabia's Al Hayat daily said Saudi Arabia does not plan to cut its production unless customer



demand falls. It said Saudi Arabia cut its production slightly in August to 9.53 million bpd.

The chairman of Libya's National Oil Corp, Shokri Ghanem said OPEC will effectively cut its oil output following its meeting this week, a decision that will support oil prices. It will help stop the deterioration of the market.

The IEA's executive director Nobuo Tanaka said the IEA hopes Saudi Arabia will maintain its current oil output level. He also reiterated that despite the recent fall in oil prices, they are still high.

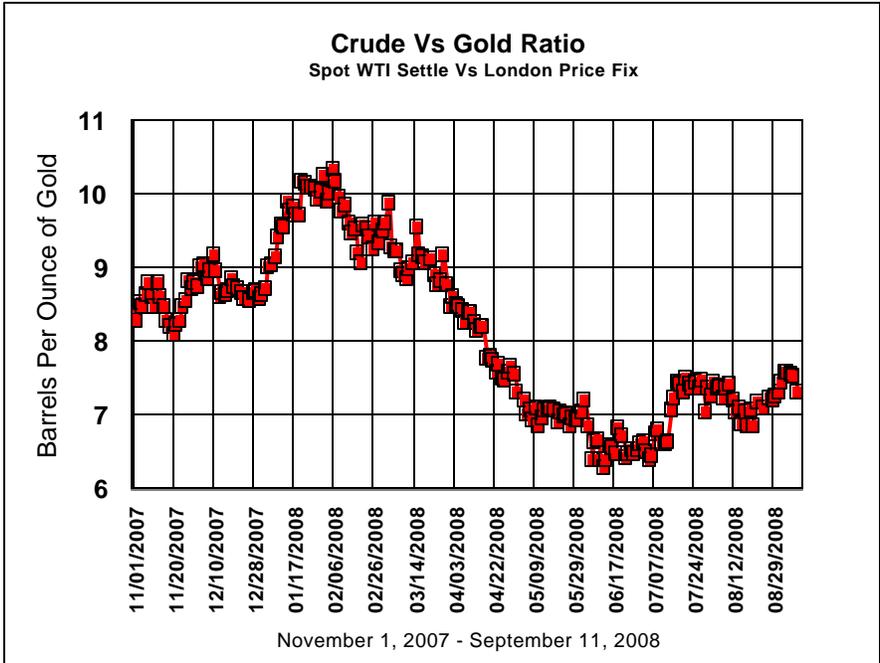


According to Oil Movements, OPEC's crude oil shipments, excluding those of Angola and Ecuador, are expected to increase by 590,000 bpd to 24.68 million bpd in the four weeks ending September 27. Middle East OPEC producers are expected to ship 17.72 million barrels.

A senior US Treasury Department official said the US does not believe its new sanctions against an Iranian shipping company will have a major impact on Iranian oil exports. The US Treasury Department has imposed sanctions on the Islamic Republic of Iran Shipping Lines and 18 affiliates for allegedly supporting Iran's nuclear and missile programs by providing logistical services to Iran's Ministry of Defense and Armed Forces Logistics. In response, Iran rejected US accusations that shipping company IRISL was involved in Iran's alleged nuclear program. It said US sanctions will not have any impact on the activity of the IRISL or the traffic of the company's ships in international waters and ports.

UK Prime Minister Gordon Brown called on Russia to stand by the obligations it has made to the international community.

Meanwhile, Russia's Foreign Minister Sergei Lavrov said Russia is interested in safe and stable oil and natural gas deliveries to Europe. In regards to the US missile defense shield, he said Russia wants



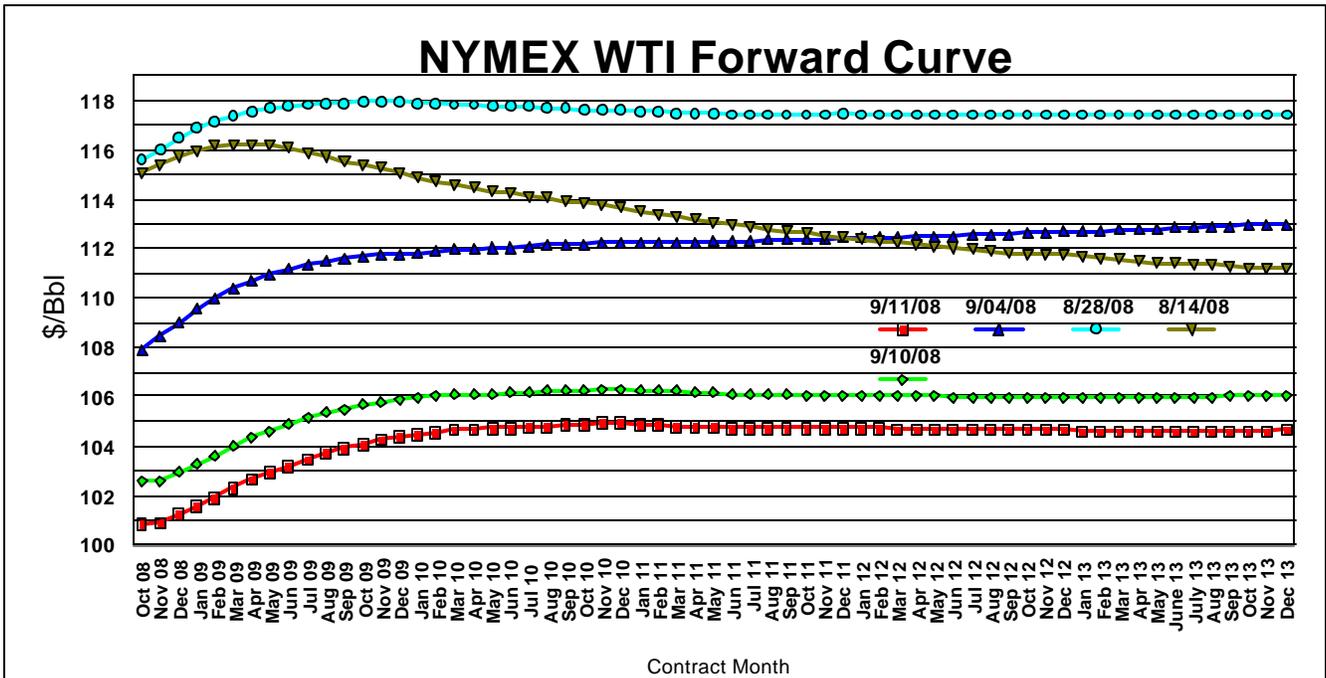
the US and its European allies to provide convincing guarantees that the missile system is not aimed at Russia.

Nigerian investigators found evidence that oil exploration licenses were illegally awarded in 2006. An official said the government may have lost up to \$120 million in revenue. The Department of Petroleum Resources was authorized to sell 11 exploration blocks but actually sold 19.

Refinery News

Energy companies have shut more than 11% or 2 million bpd of US fuel production capacity at refineries along the Gulf Coast

on Thursday as a precaution ahead of Hurricane Ike. The refinery shutdowns have sparked concern over possible fuel shortages, driving a rally in Gulf Coast wholesale gasoline prices towards \$5/gallon. Meanwhile, Texas Commission on Environmental Quality is asking the EPA to extend fuel standard



waivers first put in place in response to Hurricane Gustav until October 1. Officials are requesting waivers for Dallas, Fort Worth, Houston, Galveston and Brazoria as well as other counties.

ExxonMobil Corp is shutting its 567,000 bpd refinery in Baytown, Texas on Thursday due to Hurricane Ike. Its 349,000 bpd Beaumont, Texas refinery was continuing normal operations.

BP Plc's 417,000 bpd Texas City, Texas refinery is in the process of shutting down in preparation for Hurricane Ike. The refinery started the shutdown process late Wednesday.

Royal Dutch Shell Plc's 333,700 bpd Deer Park, Texas refinery is shutting down ahead of Hurricane Ike. The refinery will be completely shut by Friday afternoon. It announced that its 285,000 bpd Port Arthur, Texas refinery is operating at reduced rates.

Lyondell Basell Industries is shutting its 270,000 bpd Houston refinery on Thursday. It is expected to finish the shutdown by Thursday afternoon.

Valero Energy Corp is shutting down its 83,000 bpd Houston refinery and its 200,000 bpd Texas City, Texas refinery ahead of Hurricane Ike. It has also reduced rates at its 289,000 bpd Port Arthur, Texas refinery. Meanwhile its two refineries which make up the 142,000 bpd Corpus Christi, Texas complex continues to operate at full rates. Valero also closed about 12 of its company operated gasoline stations and may close additional locations as more areas are evacuated.

Pasadena Refining System is in the process of shutting down its 100,000 bpd refinery in Pasadena, Texas ahead of Hurricane Ike. The refinery will be completely shut by Thursday evening.

Flint Hills Resources said it will shut the West Plant and East Plant operating units at its 288,000 bpd Corpus Christi, Texas refinery during September 11-15 in preparation for Hurricane Ike. It will shutdown its West sulfur recovery units and East sulfur recovery units.

Marathon Oil Corp's 76,000 bpd Texas City, Texas refinery is shutting down ahead of Hurricane Ike.

ConocoPhillips said it is preparing to restart its 247,000 bpd refinery in Alliance, Louisiana on Thursday after electric power was restored, 10 days after power was disrupted due to Hurricane Gustav.

The US Coast Guard has halted inbound traffic on the Houston Shipping Channel and will close completely to ship traffic Thursday evening. Also inbound traffic was halted in Beaumont-Port Arthur, Corpus Christi and Freeport.

The Louisiana Offshore Oil Port has stopped offloading oil tankers due to forecasts of strong winds from Hurricane Ike and is unlikely to reopen its deepwater port before the weekend. It closed its offshore port on Wednesday and also stopped supplying refiners from onshore storage due to the threat of storm surge from the hurricane on Thursday.

The Lake Charles Pilots Association said ship traffic through the Calcasieu Ship Channel was suspended Thursday.

TEPPCO began an orderly shutdown of incoming and outgoing pipelines serving the Baytown and Beaumont, Texas areas. It said downstream terminals and pipeline will remain in operation as long as product in tanks last. It said once the hurricane passes, it will make a damage assessment and reopen the lines when product is shipped from the refineries in the area.

Colonial Pipeline said it is at full operating capabilities following power outages caused by Hurricane Gustav. It said that mandatory evacuations and limited product supply from its shippers due to Hurricane Ike will impact operations over the next several days. It has extended its mainline scheduling deadlines for the 52nd cycle diesel fuel nominations and 53rd cycle regular M-grade conventional gasoline nominations by two days to September 14 and September 17, respectively.

Output of California's reformulated gasoline fell by 9.1% to around 892,000 bpd in the week ending September 5 while stocks fell by 9% to the lowest level since June 20. Output of CARB diesel increased by 21.6% on the week to the highest level since August 15 while stocks increased by 7.1% to the highest level since August 22.

Chevron started work to shutdown its fluid catalytic cracking unit at its 220,000 bpd Pembroke refinery in Wales. The work is expected to take several weeks. The refinery is expected to resume full operations in the fourth quarter.

Japan's Cosmo Oil co said it would cut its crude refining volume for September by 252,000 kiloliters or 11% from the same month a year ago. It also projected its September to December crude refining volume to be down about 4% compared with the same period last year.

German residential heating oil stocks increased to 55% of capacity on September 1, up from 49% from August 1. European heating oil premiums increased on Thursday, supported by German demand, while the gas oil cracking margin increased above \$26 on tighter US and European supply.

Gas oil stocks in independent storage in the Amsterdam-Rotterdam-Antwerp area in the week ending September 11 fell by 3.68% on the week and but increased by 14.53% on the year to 1.963 million tons. Stocks built on imports from India, Russia and the US. Fuel oil stocks fell by 5.05% on the week but increased by 3.54% on the year to 527,000 tons while gasoline stocks fell by 7.12% on the week and by 0.13% on the year to 744,000 tons. Naphtha stocks built by 13.04% on the week but fell by 3.7% on the year to 104,000 tons while jet fuel stocks built by 10.26% on the week but fell by 1.25% on the year to 473,000 tons.

Production News

The October loading schedule for Brent, Forties, Oseberg and Ekofisk crude oil streams will total 1.42 million bpd in October compared with 1.43 million bpd in September. The Ekofisk crude system is scheduled to load about 414,500 bpd in October, up from about 390,000 bpd in September.

The Norwegian Petroleum Directorate said Norway's oil production fell to 1.95 million bpd on average in August from 2.23 million bpd in July.

A shipping agent said Iraq was pumping oil to Turkey through its northern pipeline at a sharply reduced rate of 20,000-30,000 bpd on Thursday because storage tanks at the Ceyhan terminal are full. Oil in the storage tanks at Ceyhan had increased by about 5,000 barrels from 4 million barrels on Tuesday. It is up from 700,000 barrels in storage reported last week.

Brazil's Sugar Cane Industry Association said ethanol production reached 13.3 billion liters by the end of August, up 14.6% from 11.6 billion liters a year ago. It said exports of ethanol increased to 2.4 billion liters from April to the end of August, up 59.3% on the year. The US purchased 68% of this quantity while Europe purchased 22%.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$96.80/barrel on Wednesday compared with \$98.49/barrel the previous day.

Market Commentary

Hurricane Ike was the main force driving prices today, as it gathered strength and appeared headed towards Texas. With refineries shut-in, crude oil should pile up, while products face shortages. Gasoline stole the show, as fears of shortages after the hurricane circled the marketplace and local residents lined up at gas stations in Texas. The cash price of gasoline in the Gulf at the time of this

writing was +\$2.21 over the screen. The strong dollar also helped to support prices today. We would continue to look for gasoline to gain support due to shortages from the inability of refiners to operate. The near-term objective still remains the 200-day moving average of \$2.8400. Technical indicators are supportive of higher prices, with % K edging higher and %D lower, getting ready to cross to the upside. The October gasoline crack spread is unseasonably strong and is not showing signs of slowing down. We view this as a temporary situation and do not believe that prices will obtain record highs. The October crude oil contract came within .18 cents of the \$100.00 mark, as investors turned away from commodities. With expectations that crude oil will begin to stockpile, the direction of this market is still in a downward trend. Any failed attempts to work out of the top of the descending channel should be considered a selling opportunity. The top of this channel basis a daily bar chart is \$105.08. October heating oil remained on the defensive but was unable to sustain its strength once it moved above yesterday's high. Although we are approaching the U.S. heating oil season, global demand for diesel is diminishing, helping to keep a lid on this market. Near-term, prices should edge higher until the shortage situation caused by shut-ins is alleviated. We would look for the October contract to attempt a penetration of the 200-day moving average on a spot continuation chart. This level is currently set at \$3.1555. Open interest for crude oil is 1,208,990 down 22,460 October 08 205,594 down 37,323, November 08 201,878, up 13,307 and December 08 181,218 down 2,026. Total open interest for heating oil is 213,394 up 799, October 08 45,412 down 494 and November 08 33,712, up 1,360. Total open interest for gasoline is, 203,630 up 2,630, October 08 58,056 down 4,860 and November 08 46,319 up 4,793.

Crude Support	Crude Resistance
99.55, 85.40	105.08, 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	2.8399, 2.9600, 2.9989, 3.1050, 3.1460, 3.1840, 80003.2620