



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 15, 2008

Energy companies were still assessing the damage from Hurricane Ike. The U.S. Coast Guard reported late this morning that the storm destroyed 11 offshore production or drilling rigs, but no spills had been reported. The USCG also reported that the Houston Ship Channel remained shut Monday to inbound traffic, but was to reopen to outbound ships with a draft of 12 feet or less, basically barge activity. Surveys are underway to check the status of the 53-mile waterway. The Coast Guard reported that the Gulf Intracoastal Waterway is open from Houston/Galveston area west to Corpus Christi, Texas. Meanwhile the U.S. Energy Department reported that Hurricane Ike caused minimal damage to oil refineries along the Gulf of Mexico. It noted that 14 oil refineries with a capacity of 3.573 mbd, remained shut in Texas and Louisiana. SPR sites in Bryan Mound and Big Hill, Texas and West Hackberry, Louisiana remained shut down as of Sunday. The Bayou Choctaw Louisiana SPR site was operational. Some 3.9 million power customers, with 2.4 million in Texas lost power due to the storm.

The U.S. Minerals Management Service reported this afternoon that 99.9% or 1.3 million b/d or crude oil output from the Gulf of Mexico remains offline. Some 93.8% of natural gas output also remains offline as a result of the recent storms, or 6.9 bcf/d production.

President Bush this morning said that Hurricane Ike did not cause as much damage to the energy sector as some had feared, but warned that the storm will put "upward pressure" on

Market Watch

The International Atomic Energy Agency said today that the U.N. inquiry into alleged Iranian atomic weapon research had reached a standstill as a result of Iranian non-cooperation. The agency in a confidential report to the UN said that Iran has raised the number of centrifuges enriching uranium to 3,820, an increase of more than 500 since May, with another 2000 being installed. But the report noted that Iran seemed some way from refining sufficient quantities to of uranium to build a nuclear weapon. Britain later in the day accused Iran of showing contempt for the IAEA and said it would push hard for more UN sanctions. The US also warned that new sanctions would be forthcoming.

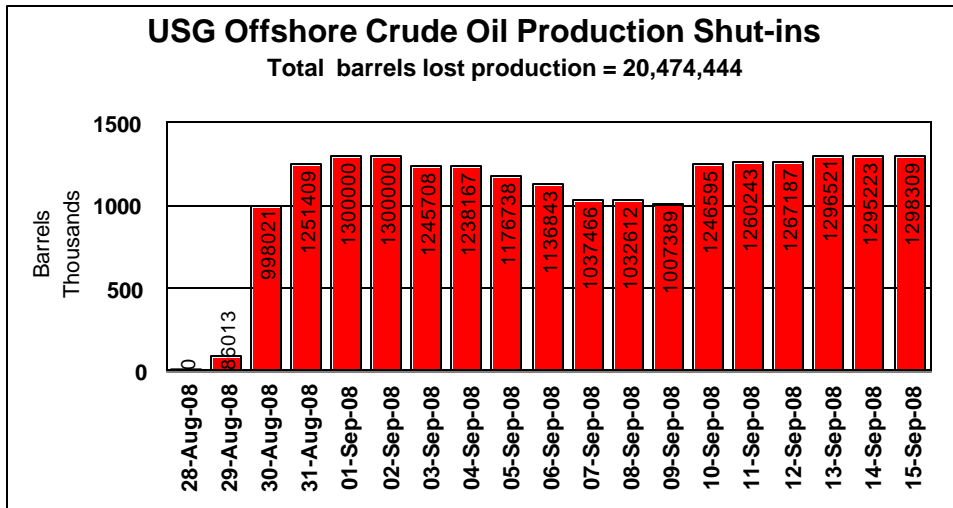
Iran staged air defense exercises on Monday in half of the nation's provinces. The government said the exercise was being conducted as a result of the growing threat of attack from Israel and the United States.

Global financial markets were roiled over the weekend and into Monday as U.S. investment bank Lehman Brothers filed for bankruptcy protection while investment bank Merrill Lynch was acquired by Bank of America. In addition AIG stock values plunged as company officials there scrambled to improve their capital base before a credit rating on the firm was reduced. Meanwhile the Chinese government fearing an economic slowdown there, had the central bank cut the cost of bank loans for the first time since February 2002 and reduced reserve requirements for small banks by 1%.

The Federal Reserve Bank reported this morning that U.S. industrial output in August tumbled at a larger than expected rate of 1.1%, due to declines in auto production and lower utility output. Manufacturing production fell 1%, the largest decline in three years.

An Iranian oil ministry official rejected reports that Iran and Russia had discussed Russian membership in OPEC.

price as the gasoline pump. The President encouraged people who feel that filling stations are unfairly pushing prices higher to complain on Web sites of the Department of Energy or the Federal Trade Commission.



The U.S. Minerals Management Service said that the number of damaged platforms in the Gulf of Mexico due to Hurricane Ike could grow to more than ten.

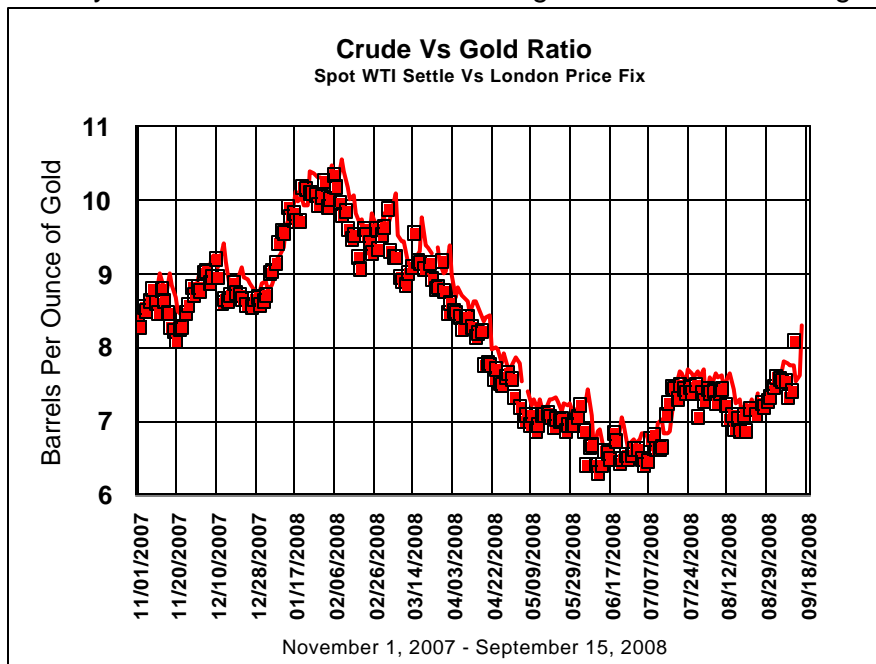
Shell Oil, the largest oil producer in the Gulf of Mexico, said it found "moderate damage" on some of its oil and gas production platforms but no major structural damage seen following Hurricanes Katrina and Rita.

The company also reported that its joint venture Deer Park refinery required some repairs due to the storm. The company also noted that the storm caused spot flooding and electrical outages along the Houma-to-Houston pipeline. The company said work is in progress to enable the system to make crude oil deliveries in sync with refinery customers as they resume production in Houston and Port Arthur areas. Workers are currently installing generators so that deliveries can be made to and from tank storage.

The Louisiana Offshore Oil Port said today that it restarted marine offloading but rates were running at reduced by a lack of availability electricity.

IEA said it was still assessing the impact of Hurricane Ike on U.S. oil and gas output and a decision on whether it needs to release strategic tocks could take some time. The agency though said it was prepared to act if necessary.

Iran's OPEC governor said today that world demand for crude oil will be negatively affected by economic conditions in Europe and the U.S. He noted that if OPEC had not reduced output at its last meeting prices would have fallen further.



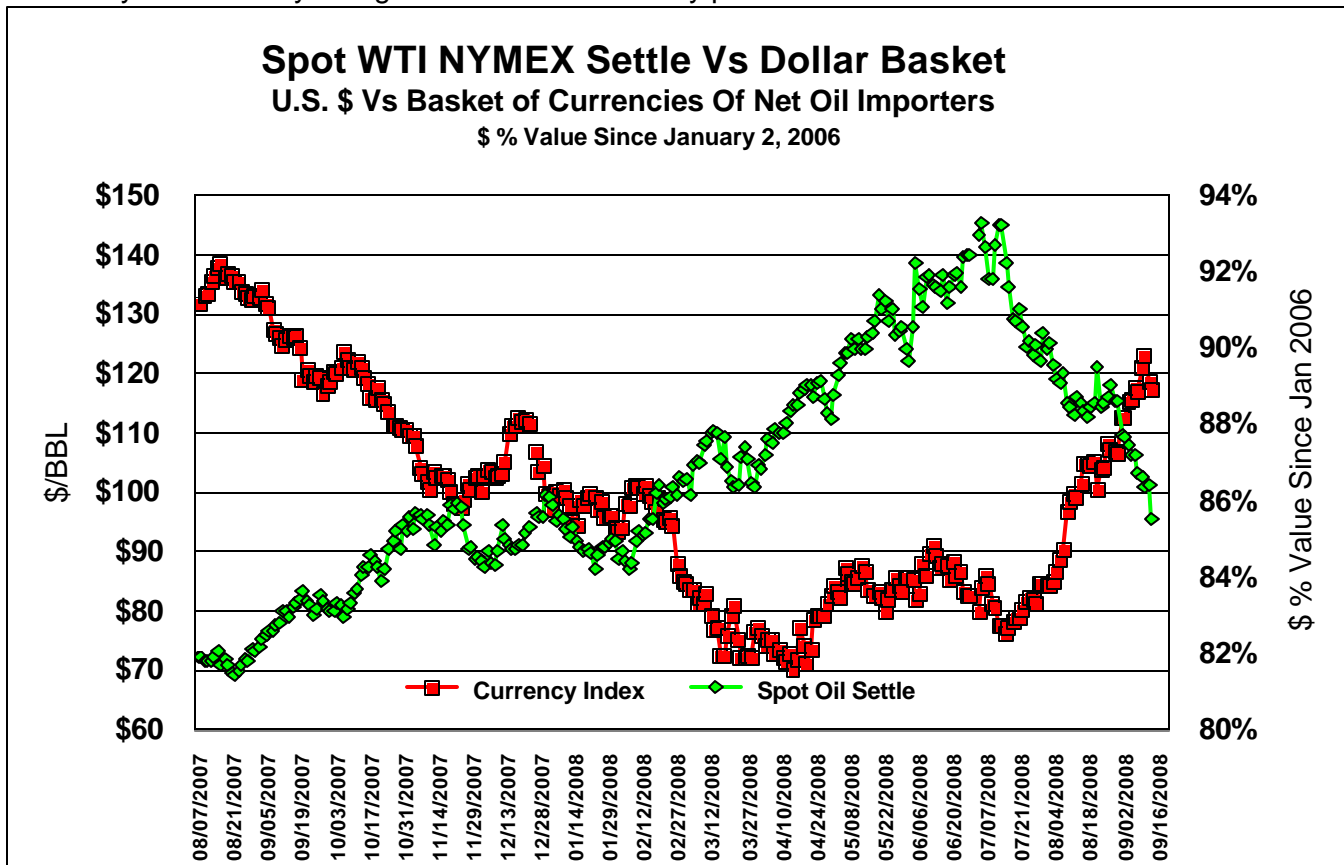
Refinery News

The API said it will take a couple of weeks to get oil and natural gas facilities and operations in the Gulf of Mexico back on line in the aftermath of this week's storm.

ConocoPhillips said its Alliance refinery in Belle Chasse, Louisiana still has not been restarted, following its closure ahead Hurricane Gustav. The company said it does have power at the facility and is preparing to restart, even though an isolated portion of the refinery recorded some flooding. The company noted that its Sweeny Texas refinery has power but has not yet been restarted, while its Lake Charles refinery was operating at reduced rates while it continues the restart process.

Lyondell reported this morning that no significant damage to its Houston refinery was found as a result of Hurricane Ike. Operators noted that it does have power at the facility and were several days from being restarted.

Operators at Marathon Oil's Texas City refinery continues to make damage assessments at the 76,000 b/d facility. The refinery though still does not have any power.



BP said it is working to restore reliable power and water service to its 475,000 b/d Texas City, Texas refinery. The company said that there was no significant flooding at the refinery.

ExxonMobil reported that some partial power had been restored to its giant Baytown refinery on Sunday. A spokesman said it did not appear that the refinery suffered and significant damage from the storm and that the company was developing a startup plan but had no timetable for when it would be implemented. Late in the day though there were reports that operators at the refinery would begin restarting some units later this week. The company said the complex as begun pumping gasoline from inventory to terminals for tanker truck delivery to stations. The company was still assessing its 349,000 b/d refinery in Beaumont for damage but was hampered by lingering bad weather and power outages. There was significant flooding in the area. Cleanup crews were at the facility, but the refinery remains without electrical power.

ExxonMobil said its 503,000 b/d refinery in Baton Rouge, Louisiana is in restart but there is not timeline for when it will be back at planned rates. The refinery restarted on September 5th.

Valero Energy has restored partial power to some production units at its 245,000 b/d Texas City refinery. The company said it is working with the local utility provider on when full power would be restored.

Citgo Petroleum requested one million barrels of crude oil from the SPR in an “effort to alleviate potential fuel shortages” caused by Hurricane Ike. This was the largest request by refiners over the past several weeks for oil from the SPR. The company noted that it needs the crude oil to feed its Lake Charles, Louisiana refinery, since it continues to have its supplies via the Sabine Pass and Calcasieu Ship Channels restricted. The Department of Energy said it had received an additional request for SPR crude but declined to provide details. It appears that Conoco requested 1 million barrels of crude oil as well for its Woods River refinery in Illinois.

Magellan Midstream Partners said it has shut a section of its pipeline from Galena Park to East Houston, Texas. The company late last week had also shut a portion of the line from East Houston to Frost, Texas but all other sections of the line were operational.

Explorer Pipeline expects a return to normal operations on its pipeline by the end of business Tuesday. The company said it looked to begin moving product out of Pasadena area late tonight or early tomorrow and then out of Port Arthur after that. The pipeline did not suffer any damage from the storm.

The Plantation Pipeline, which transports oil products to the southeastern states reported it remained fully operational and continues to move product though at reduced levels due to limited refinery supply in Louisiana. The company estimated that it was running at 60% of capacity.

Colonial Pipeline said Monday that its main line carrying gasoline from the Gulf Coast refineries to the Northeast will be at reduced rates for another day due to refinery outages.

Texas Eastern Products Pipeline said its Baytown and Beaumont hubs did not sustain major damage from the hurricane and it hoped to reach 20% of the line’s capacity by Monday or Tuesday. However both hubs had no power and the company was setting up onsite electricity generators.

Alon Energy said Monday that output from its 70,000 b/d Big Spring refinery in Texas was not affected by a snag on Sunday with the crude unit vent gas compressor.

September Calendar Averages

CL – \$104.31

HO – \$2.9645

RB – \$2.7071

Greece’s 100,000 b/d Elefsis refinery has delayed maintenance work by a month due to the recent rise in high sulfur fuel oil margins.

The Houston media was reporting that there were at least 55 ships waiting outside the Gulf of Mexico entrance to the Houston Ship Channel.

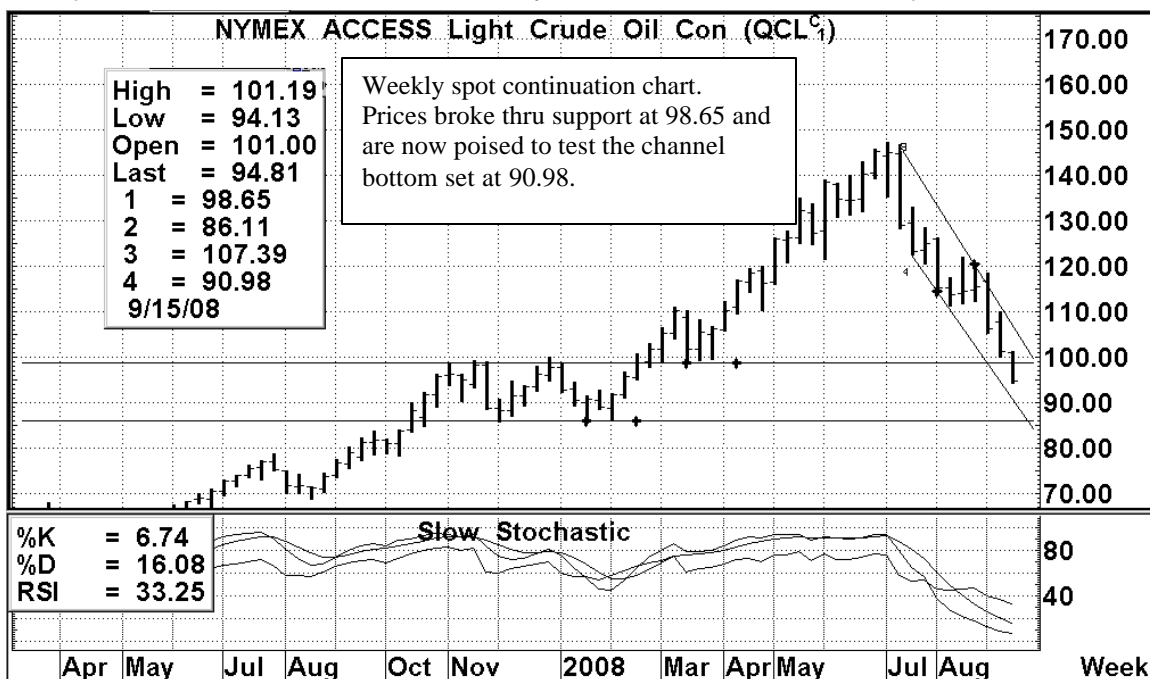
The Calcasieu Ship Channel to Lake Charles refining hub remained shut down on Monday. There were reports that some of the docks along the channel suffered damage from the storm surge from Hurricane Ike and repairs would be required. The pilots association said these repairs typically take several days to be completed.

Credit Suisse reported that U.S. refining margins have soared in the last week as strong product prices ahead of hurricane Ike coupled with weakening crude prices sent the gulf Coast margin up by 127.7% to \$44.69 per barrel for those refiners that were operating in the region. Midwest refining margins rose by 61.4% or \$14.00 a barrel to \$39.42. Northeast margins rose 44% or \$7.17 a barrel to \$23.46.

Production News

Nigerian militants on Monday attacked a Shell-operated Alakiri oil flow station, forcing the evacuation of over 100 employees. The Movement for the Emancipation of the Niger Delta (MEND) on Sunday had “declared an oil war” and warned all oil workers to evacuate from the region immediately. The region has seen three days of heavy fighting between militants and security forces. Security sources noted that oil production had not been impacted since the fighting in recent days has been centered around facilities that had already been shut down by previous assaults. The other attacks included a Chevron oil platform and Shell operated oil pipelines and a gas plant. Chevron said today that its current Nigerian oil production has not been affected by the attacks. But Reuters reported a senior oil ministry official estimated that up to 115,000 b/d of Nigerian oil production may have been shut in from these militant attacks.

Iraq oil officials noted that Iraqi oil exports on Monday dropped to 860,000 b/d down from a normal rate of 2 million b/d due to poor weather in the Basra area combined with a bomb blast last Wednesday which halted oil exports via the pipeline through Turkey. Iraqi oil officials noted that a repair team was close to completing work on the damaged line and pumping should resume “in the coming hours”. This bomb blast was the first to hit the northern export line for many months. Oil storage at the Ceyhan terminal stood at 1.2 million barrels.



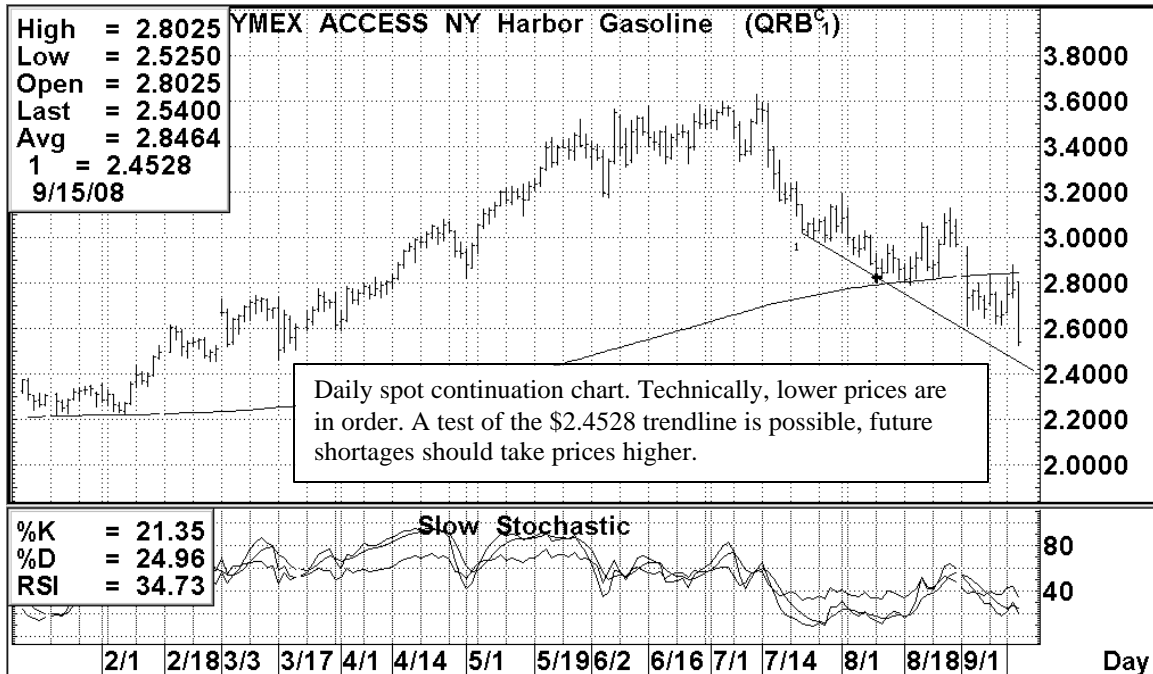
Iraq notified customers it was changing its crude oil prices for October. Buyers in the United States would see October Basra cargo prices to be set at a discount of \$7.05 to the second month WTI futures contract, up from a \$5.09 discount in September. Asian customers would see a discount of \$1.55 to the average Oman/Dubai quotes, down from a discount of \$2.30 in September. European saw their discount to BFOE set at \$4.35 per barrel down from a September discount of \$6.50.

Market Commentary

Energy prices sold off today, as it appears that Hurricane Ike did little damage to refineries as it swept across the Gulf of Mexico. Preparations are already underway to restart refineries in that region. With the collapse of Wall Street giant, Lehman Brothers and the pending sale of Merrill Lynch, economic

woes added to the pressure on prices. Crude oil experienced its lowest level in six months, dipping below the \$100.00 mark as over 692,000 crude futures changed hands. This was the most active trading session since July 17th. With the October contract pushing through the \$98.65 support area, prices are now poised for a test of the channel bottom that is depicted on a weekly spot continuation chart. This channel is set at

\$90.98. In contrast to the flat price, the October/November spread strengthened today, settling up .03 on the day. This can be attributed to delayed shipments into the Gulf of



Mexico due to Hurricane Ike. Gasoline tumbled more than .2000 throughout the trading session, experiencing its lowest level since April. From a technical standpoint, this market appears to have more room to the downside. Slow stochastics have not broken through the over sold parameter of 20.00. Percent K is currently set at 21.96, with percent D at 24.84, both are pointing to the downside. We would look for the October contract to test the \$2.4528 support line. Although this market may have some more room to the downside, we believe that it will be limited. With refiners unable to operate, products should experience shortages and although the global economy is suffering, products are still needed in the short term. As with the gasoline, heating oil came under pressure and technically has more room to the downside. For the same aforementioned reasons, we would look for heating oil to rebound, due to near term shortages. Basis the spot continuation chart, there is a trend line set at \$2.4528. We would look for this level to hold. Overall, the economic situation should overshadow all else and in the end we would look for prices to come off. Open interest for crude oil; OCT 159,585 - 22,734 NOV.08 256,523 +27,186 DEC.08 187,013 +3,050. Totals: 1,223,396 +6,687. Open interest for heating oil; is OCT.08 38,440 -3,799 NOV.08 40,790 +3,702 DEC.08 25,010 +119 Totals: 215,495 + 1,241. Open interest for gasoline is, OCT.08 50,9318 -2,417 NOV.08 56,535 +4,346 DEC.08 32,897 + 81, Totals: 205,805 + 1,893

Crude Support	Crude Resistance
85.40	105.08, 111.82, 118.60, 128.60, 132.05, 139.30, 144.00, 147.90,
Heat support	Heat resistance
	3.1050, 3.3684, 3.4574. 3798, 3.6135, 3.8215
Gasoline support	Gasoline resistance
2.4655, 2.4528, 2.3385	2.8399, 2.9600, 2.9989, 3.1050, 3.1460, 3.1840,80003.2620