



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 17, 2008

The Bush administration reported that it is considering asking the IEA to release emergency gasoline and diesel fuel inventories into the U.S. market. It said it may make a decision on the matter as early as today. Meanwhile shipping brokers confirmed that up to 1.1 million tons of gasoline have been provisionally booked to head toward the United States from Europe.

The IEA said today that the damage caused by Hurricane Ike on U.S. oil and gas output was less visible than in 2005 but that it still required a case-by-case assessment. It noted, "Because much of the production in the Gulf region was already shut in as a result of Hurricane Gustav, and supply is less tight, the situation is quite different from that of 2005. The duration of the outage, including electricity, was still not clear and the number of refineries requiring inspection was higher and that installations are more geographically scattered. But there is currently more flexibility in the global supply system, notably higher gasoline stocks in Europe and spare refining capacity. The IEA noted that it appeared that the market was already reallocating oil and products basis price differentials.

The U.S. Minerals Management Service reported at midday that slight gains were made in returning shut in production from the Gulf of Mexico over the past day. The MMS reported that some 1,246,470 b/d of crude production remains shut in, down 17,260 b/d from yesterday. Some 144 MMcf/d of offshore natural gas production returned to service since yesterday, leaving 6.087 bcf/d still off line.

Market Watch

The IMF director general warned today that the worst of the financial crisis may still lie ahead and more major financial institutions may face trouble in coming months.

Iran's Defense Minister said today that "Iran won't allow any threat to jeopardize the security of this channel (the Strait of Hormuz)" He noted that Iran will adopt the necessary measures to safeguard the Strait of Hormuz.

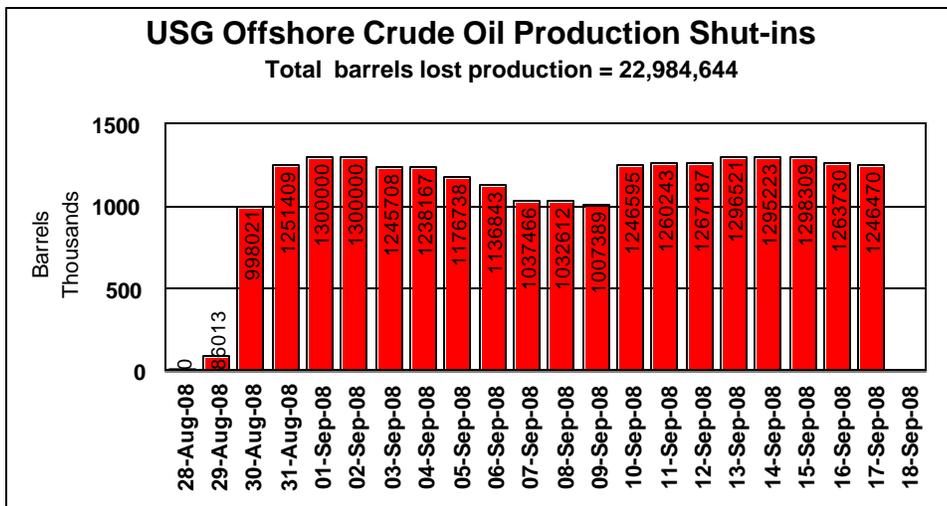
Valero said today that it has put through limited price changes of gasoline at company owned station and as a result noted it was "losing money on fuel sales" in an attempt to help consumers during the difficult times in the wake of Hurricane Ike.

The Bush administration said Wednesday it is releasing \$121 million to help low-income households deal with rising energy costs this winter.

The NYMEX said this morning that AIG remains a "clearing member in good standing" on the exchange. The CME late Tuesday said it was allowing AIG to execute block trades in some agricultural futures on the Chicago Merc and Chicago Board of Trade "for the purpose of liquidating a portion of AIG's open positions" to "protect the orderly functioning of the market."

Barclay's PLC would become the third largest U.S. futures brokerage company under plans to acquire a parcel of assets from Lehman Brothers Holdings inc for \$1.75 billion.

API reported this morning that in August U.S. demand for crude oil and petroleum products fell 3% from a year earlier. The trade group pointed to higher prices and economic uncertainty as factors for the decline in consumption of oil. API calculated that gasoline production was off 2.2%, distillate off 1.9% and jet fuel demand dropped 0.6%.



The EIA reported today that U.S. gasoline supplies reached their lowest level on record.

The head of the IEA said today that oil prices are likely to continue easing in the short term as U.S and Europe continue tightening consumption and additional oil production comes on line. While prices are at risk to a huge spike upward on any accident, longer-term

prices could be higher than they are currently, partly as climate change forces governments to tighten regulations on energy production.

DOE Weekly Oil Statistics

Crude Oil Stocks down 6.3 million barrels
 Gasoline Stocks down 3.3 million barrels
 Distillate Stocks down 835,000 barrels
 Total Oil Stocks down 11.9 million barrels
 Propane Stocks up 1 million barrels
 Refinery Runs down 0.9% at 77.4%

Iran's OPEC governor said today that it is still too early to say whether OPEC needs to reduce oil output again when it meets in December, as the impact of financial market turmoil on oil demand is unclear.

Goldman Sachs overnight released their latest forecast for WTI crude oil prices. The investment bank lowered its price outlook for WTI to \$123 a barrels for 2009 average price, down from its previous forecast of

\$148 per barrel. Analysts said "the market has overshot to the downside and is now substantially oversold as a combination of financial concerns, skepticism and real and perceived demand weakness has pushed prices below long term economics of the petroleum industry."

Refinery News

The Department of Energy reported today that 12 refineries in Texas and Louisiana with a total capacity of 2.996 mbd remain shut in. Nine refineries with a capacity of 2.044 million b/d are operating at reduced levels while seven refineries with a capacity of 1.318 mbd are operating at normal levels.

Valero reported that its Ardmore, Oklahoma refinery was running at reduced rates due to restricted crude supplies. The company also reported that its Houston refinery is in restart, but reported a snag during the restart. The company also reported that the heavy oil cracking unit at its 340,000 b/d Corpus Christi refinery which was taken off line on September 5th due to a small fire has seen its repair work last longer than the expected 7-10 days. The company did not give a definitive restart date for the unit but did not expect it to be a "long delay".

The Calcasieu Ship Channel, which serves the Citgo and ConocoPhillips Lake Charles refineries reopened at midday today. Citgo's Lake Charles refinery has been hampered by the channel being closed.

Shell Oil said Wednesday that 220,000 b/d joint venture Motiva oil refinery in Norco would reach normal operating levels by the end of the day. The company said that the 235,000 b/d Convent refinery would begin making gasoline and other products by the weekend.

ConocoPhillips said equipment failure on Tuesday resulted in a small oil leak at the Carson California 139,000 b/d refinery. The company also reported that its 247,000 b/d Belle Chasse, Louisiana, which was the last refinery to receive power after Hurricane Gustav, but then was flooded by Hurricane Ike, is now in restart mode. The Lake Charles 250,000 b/d refinery is continuing to ramp up production.

Shell Oil has partially shut its 420,000 b/d Pernis refinery in the Netherlands for planned maintenance. The maintenance work is expected to take six weeks and affect three units including a crude distillation unit.

Explorer Pipeline said it began shipping refined products on its Pasadena-Tulsa line Tuesday night but the line was still operating at reduced rates due to a lack of electricity. As of Wednesday morning the company also began shipping product from Tulsa to St Louis.

TEPPCO Partners reported that commercial power has been restored to the Seaway dock at Freeport, Texas and that the 30-inch diameter crude line to Cushing, Oklahoma has resumed service at full rates following Hurricane Ike. The TEPPCO-operated Freeport facilities, including nearby Jones Creek terminal, received only minor damage and are ready to receive shipments from tankers once the port reopens. The company also resumed deliveries at reduced rates on its 20-inch products pipeline and expects to return to normal service once commercial power is restored at its Baytown, Texas terminal. The company is still waiting for power restoration at its terminal in Beaumont, Texas origination point for its 14 inch products line. In the meantime portable generators are being installed at the location that could allow service to resume by the end of the week.

Shell Oil Company said its 1.1 million b/d Calpine pipeline from the Gulf Coast to Illinois was generally running at scheduled rates.

The US Coast Guard reported that 118 ships are waiting to enter the Houston Ship Channel.

Magellan Midstream Partners said that power has been restored to the partnership's east Houston terminal. It also announced that it has reconfigured its pipeline between Texas to Oklahoma.

Centerpoint Energy said it has restored transmission service to critical refining and petrochemical customers along the Houston Ship Channel.

Production News

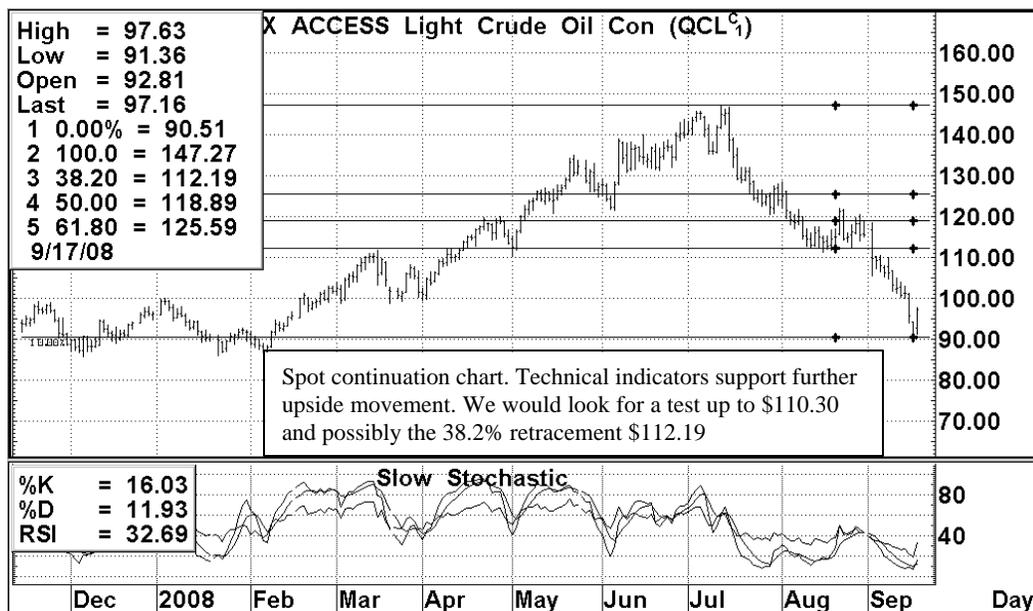
Shell Oil said it was in the midst of repairs on its Mars, Ursa, West Delta 143 and Cognac offshore platforms in the Gulf of Mexico after the units sustained minor damage as a result of hurricanes Gustav and Ike. The company announced it has restored some 26,000 b/d from its other facilities. The company noted that they are using this downtime to complete some regular maintenance that had been scheduled prior to Gustav and Ike moving through the Gulf of Mexico. The company expects the bulk of remaining production in the eastern Gulf of Mexico will start up late this weekend and into mid next week.

BP said today that it began redeploying personnel to its platforms in the Gulf of Mexico and that it expects to restart production over the next week.

Nigerian militants continued their offensive against Nigerian oil infrastructure, as it reported it blew up a key crude oil pipeline in the Niger Delta, which it claimed was operated by Eni and Shell Oil. The militants also claimed to have attacked a Shell operated flow station. The rebels said that they would launch attacks outside the river delta area to offshore oilfields. The Nigerian military confirmed a militant attack on Shell's Orubiri oil flow station. Meanwhile the AP quoted a Nigerian oil ministry spokesman as saying that Nigeria is losing more than 1.5-1.9 million b/d of oil output because of militant attacks in the south of the country.

The DOE reported that 27,555 b/d of crude oil production in Louisiana has been restored, not including federal offshore production. The state of Louisiana normally produced 155,767 b/s.

Anadarko Petroleum said today that it was repairing minor surface damage on its Constitution, Marco Polo, Gunnison, Nansen and Boomvang platforms in the Gulf of Mexico. It planned to have production at these facilities back on line as soon as possible and as pipelines and infrastructure permit.



Devon Energy reported that it has restored some of its Gulf of Mexico production but that Hurricane Gustav and Ike had damaged some of its production platforms. Currently 10,000 bdoe has been restored versus a normal production rate of 50,000 bdoe.

BP said it has halted oil production at one of the platforms at its Central Azeri field

due to a gas leak. The field is part of the Azeri-Chirag-Guneshli oilfield and the main source of crude for the Baku – Ceyhan Pipeline. BP reported that 40% of the production was shut in or the equivalent of 500,000 b/d. The company reported that it had later extended the production halt to the second field. The pipeline was halted for 20 days last month after a fire damages a valve on a section of the line in Turkey.

Iraqi exports out of its main southern Basra terminal continued to run at reduced rates for the fourth day in a row today due to lingering poor weather conditions. Exports from the area were estimated at 1.128 mbd up from 1.08 mbd recorded Tuesday but still down from normal levels of 1.5 mbd.

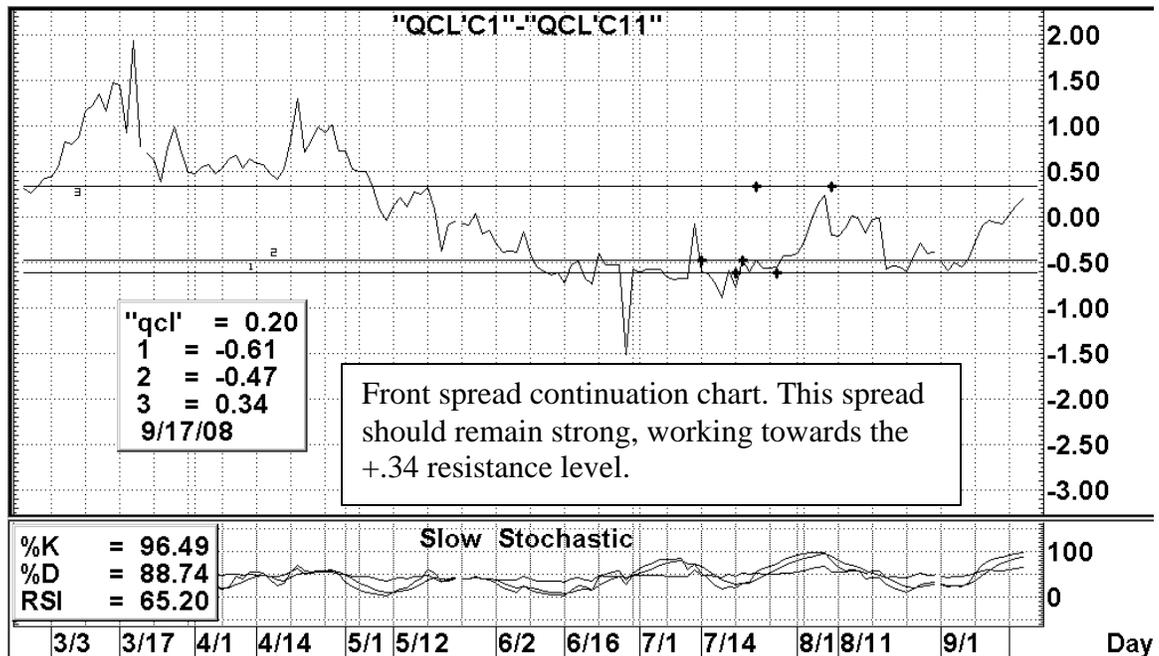
September Calendar Averages
CL – \$102.62
HO – \$2.93.24
RB – \$2.6613

Russia reportedly is planning to keep oil exports basically unchanged in the fourth quarter at 51.16 million tones. But Russia is looking to dramatically slash

exports via Poland's port of Gdansk and Ukraine's Odessa in favor of shifting the exports to its Black Sea and Baltic ports.

Enterprise Products Partners said its 100 million barrel NGL and petrochemical storage facility at its Mont

Belvieu complex is fully operational and is capable of receiving over 400,000 b/d of mixed NGLs. The company has also restarted its NGL and propylene fractionators in Mont Belvieu as well as its Dixie and Lou-Tex NGL pipelines.



Poor weather conditions forced the closure of the key Mexican crude oil exporting port of Coatzacoalcos in the southern state of Veracruz.

Market Commentary

Trading the energy markets lately is much like trying to ride the waves of Hurricane Ike. Just when the ride starts to feel under control, the next big wave comes upon you and the next thing you know your washed of your surfboard, dazed and confused. Yesterday, it appeared as if the marketplace totally grasped the concept of supply and demand. Although supply may be tight for a while, demand is suffering globally. This has been having a negative impact prices. Despite inventory levels falling across the board, this market initially reacted bearishly, taking in to account the global economic situation and its pending impact on future prices. Once the dollar came under attack, investors bailed out of their stock/security positions and ran over to commodities for cover. At this point in time, technicals are support a rebound in prices, as the slow stochastics have turned to the upside in over sold territory, with the RSI turning to the upside as well. Most likely, a battle will ensue between the bears and the bulls but both will surely take to the sidelines as investors look for a safe haven. We would look for this market to firm up a bit as these investors enter the market, but we do not think their impact on prices will mirror their previous one. As expected the October/November spread strengthened ahead of Octobers expiration. We would look for this spread to continue to do so, with a run at the +.34 resistance level.

Open interest for crude oil; OCT 151,066 -8,519 NOV.08 270,145 +13,622 DEC.08 192,282 +5,269. Totals: 1,241,172 +17,776. Open interest for heating oil; is OCT.08 36,456 -1,984 NOV.08 43,717

+2,927 DEC.08 25,847 +827 Totals: 218,298 + 2,803. Open interest for gasoline is, OCT.08 49,199 - 1,732 NOV.08 56,588 +53 DEC.08 33,114 + 217, Totals: 205,529 – 276.

Crude Support	Crude Resistance
87.10, 85.40 , 78.35, 68.63	105.08, 110.30, 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
2.3385	2.8399, 2.9600, 2.9989, 3.1050, 3.1460, 3.1840,80003.2620