



## ENERGY RISK MANAGEMENT

**Howard Rennell, Pat Shigueta**  
**& Karen Palladino**

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

**www.e-windham.com**

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## **ENERGY MARKET REPORT FOR SEPTEMBER 18, 2008**

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The IEA continued to say that it was prepared to take measures if required to alleviate any severe oil supply shortages in the United States as a result of the two recent hurricanes. While the IEA is in close consultation with U.S. authorities over the supply situation there, the agency is still gathering more information and needs more data before a decision can be taken.

The Iranian president said that it was not possible to set a fair price for oil in the current unsettled economic conditions.

The IMF said Thursday that most of the world's

### Market Watch

Iran's president Ahmadinejad said today that Iran has no fear of threatened new international sanctions over its continued nuclear enrichment program and it would still keep moving forward with the program. The six world powers that offered Iran a package of incentives earlier this summer are scheduled to meet in Washington on Friday to discuss the standoff.

U.S. Senator Dorgan in a letter to the CEO of JP Morgan yesterday, noted that he was "troubled" that a JP Morgan analyst told Congress that oil prices reflected supply and demand while the bank's chief investment officer was privately saying in an email message that speculation played a role.

The IMF said that Saudi Arabia would run a fiscal deficit if oil prices fall below \$49 a barrel. The IMF estimates that Saudi Arabia has the highest break-even price among the GCC countries because the Saudis are spending heavily on new projects right now and that oil revenue is paying to fund these projects currently. The IMF estimates that the UAE is able to run at a fiscal surplus as long as prices remain above \$23 per barrel. Iran's break-even price is estimated at \$90 per barrel. Meanwhile the Middle East CEO of Deutsche Bank said that the oil rich Persian Gulf states will be squeezed by the U.S. market turmoil, given that liquidity in the region is not available as it used to be months earlier and thus the liquidity tightening could derail the \$2.3 trillion infrastructure and real estate spending boom.

The House of Representatives on Thursday passed a bill intended to prevent excessive speculation in oil and other futures trading. The bill requires the CFTC to set position limits on major oil and agricultural futures contracts and empowers the agency, if needed to impose position limits on look alike contracts traded OTC. The bill would require foreign exchanges to adopt reporting standards and trading limits similar to the U.S. if they were given access to U.S. customers. The White House has threatened to veto the bill.

The Conference Board reported today its index of leading U.S. economic indicators fell by a larger than expected 0.5% in August to 100.8. This was the lowest level for the Index since October 2004.

The Philadelphia Federal Reserve Bank reported that U.S. mid-Atlantic factory activity jumped unexpectedly in September, rising into positive territory for the first time in 10 months with a 3.8 gain after a 12.7 decline in August.

The U.S. Labor Department reported that the number of new jobless claims rose an unexpectedly by 10,000 last week as the first wave of job losses from Hurricane Gustav were recorded after reporting delays in Louisiana.

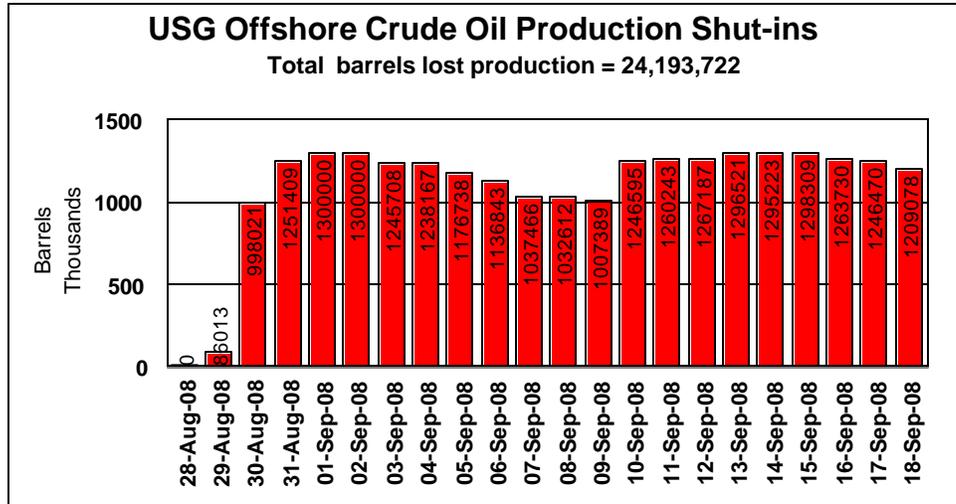
SemGroup LP received court approval for the final \$25 million of its requested \$175 million debtor-in-possession financing.

advanced economies are at a standstill or on the brink of a recession and policy makers need aggressive action to avert a deep global downturn

The U.S. Minerals Management Service reported this afternoon that some 37,392 b/d of offshore crude oil production were returned to service over the past day, and as of midday some 1,209,078 b/d of production still remained off line. Shut in natural gas production was estimated at 5.74 bcf/d an improvement of 347 MMcf/d from yesterday's level.

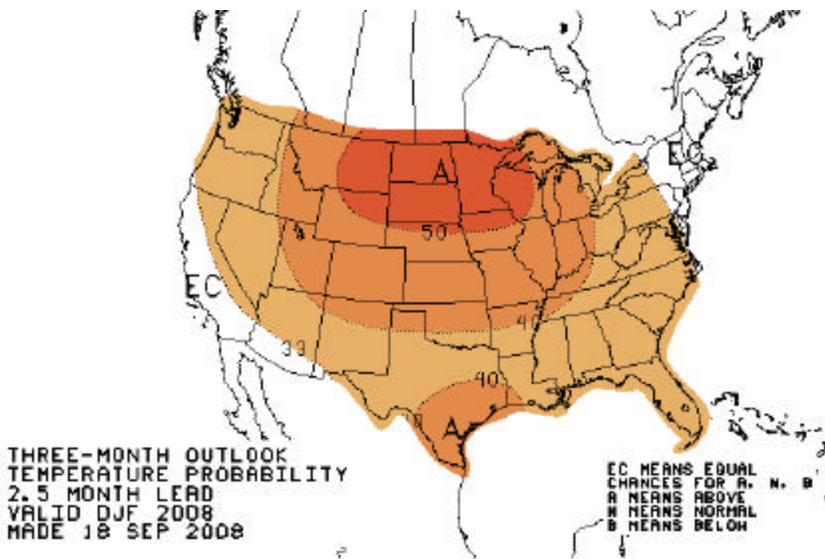
The National Weather Service this morning released their longer-range temperature forecast. It is looking for temperatures in New England and the Southwest of the nation

should see above normal temperatures in October, with the rest of the nation basically at normal temperatures. The forecast continues to look for much of the nation to experience above normal temperatures for this winter.



**Refinery News**

The DOE reported this morning that nine U.S. refineries with a total capacity of 2.044 mbd are operating at reduced levels and 12 refineries with a total capacity of 2.996 mbd remain shut due to Hurricane Ike.



ExxonMobil said Thursday that its 349,000 b/d Beaumont, Texas remained without power and no estimate when it would be restored. The company noted its 567,000 b/d Baytown, Texas was progressing through its restart and is currently producing gasoline. While the units are in restart mode, the refinery is providing gasoline shipments to distribution terminals.

Alon USA Energy said its 80,000 b/d Krotz Springs refinery was not damaged by Hurricane Gustav and was running at reduced rates due to crude availability.

Total said Thursday that its 232,000 b/d Port Arthur refinery still was offline as it awaited restoration of power to the facility. The company said it had not ETA on power restoration.

Lyondell said today that it expects its Houston refinery will be restarted next week.

Houston refining reported that it had experienced a snag during its start up operations on Tuesday night due to a hole that developed in a transfer line. The line has been repaired.

Reuters reported that according to a trade source power has been partially restored to BP's Texas City refinery.

ConocoPhillips said its Alliance and Lake Charles refineries were increasing production volumes as they remained in restart process. The Sweeny Texas refinery also continues its restarting process.

The U.S. Coast Guard reported that there were 164 ships waiting to enter Houston Ship Channel Thursday. The channel is open day and night now to maritime traffic with a draft of 16 feet or less. From the Sims Bayou to the turning basin, the channel is open to traffic with a draft of 30 feet or less during daylight hours only.

PEMEX said Thursday that some U.S. oil refiners affected by Hurricane Gustav and Ike have canceled some Mexican crude oil cargoes. But PEMEX said the cancelations did not have a significant impact to its operations.

ARA petroleum stocks as of September 18<sup>th</sup> stood at 612,000 tonnes for gasoline down 18% from the prior week and down 13% from a year ago. Gasoil stocks stood at 2.079 million tones up 6% from the prior week and up 14.5% from the same week a year ago.

Singapore's International Enterprise reported that light distillate stocks fell by 331,000 barrels during the week ended September 17<sup>th</sup> to 8,958,000 barrels. Middle distillate stocks meanwhile rose by 1.5 million barrels to 11.668 million barrels up 79% over year ago levels.

### **Production News**

Eni said today that it expects the consortium it leads to begin producing oil in Kashagan by the 4Q2012. The project, which has been plagued by delays and cost overruns, is expected to have an initial production rate of 150,000 b/d, with capacity rising to 370,000 b/d by 2014.

The consultants. Oil Movements said today that they estimate that OPEC oil exports, excluding Angola and Ecuador, will rise by 240,000 b/d in the four weeks ending October 4<sup>th</sup>.

The Nigerian oil minister said today that the series of militant attacks since Sunday on oil pipelines and other oil infrastructure has shut in some 100,000 b/d in crude production. The minister said that while some production shut ins have occurred due to the militant attacks, but the government was ordering other shut ins because of the recent OPEC decision to reduce output.

Anadarko Petroleum said Thursday it was repairing surface damage to its Constitution and Marco Polo platforms in the central Gulf of Mexico and planned to restore production as quickly as possible and when pipeline infrastructure permits. The company confirmed that it has completed repairs on the Boomvang, Nansen and Gunnison platforms in the western Gulf and expects to resume production as soon as pipelines and infrastructure permit. Its Independence and Neptune facilities have resumed operations.

Swift Energy said it resumed production operations in various fields affected by Hurricanes Gustav and Ike. But the company said resumption of operations at its Bay de Chene, Louisiana field, whose

facilities had suffered storm damage, could take several months, instead of the prior estimate of several weeks to return to service. The field's production averaged about 3,700 b/d.

Shell said it redeployed 270 offshore personnel primarily to its operations in the Gulf of Mexico Wednesday. The company expects to complete redeployment to all of its Gulf of Mexico assets over the next few days.

ConocoPhillips said it is re-staffing its Magnolia offshore platform following assessments that showed significant damage to the facility. The company noted that they were assessing the condition of their operations in the South Louisiana asset area. All of their inland water operations in South Louisiana remain shut in due to the impact of the past two hurricanes.

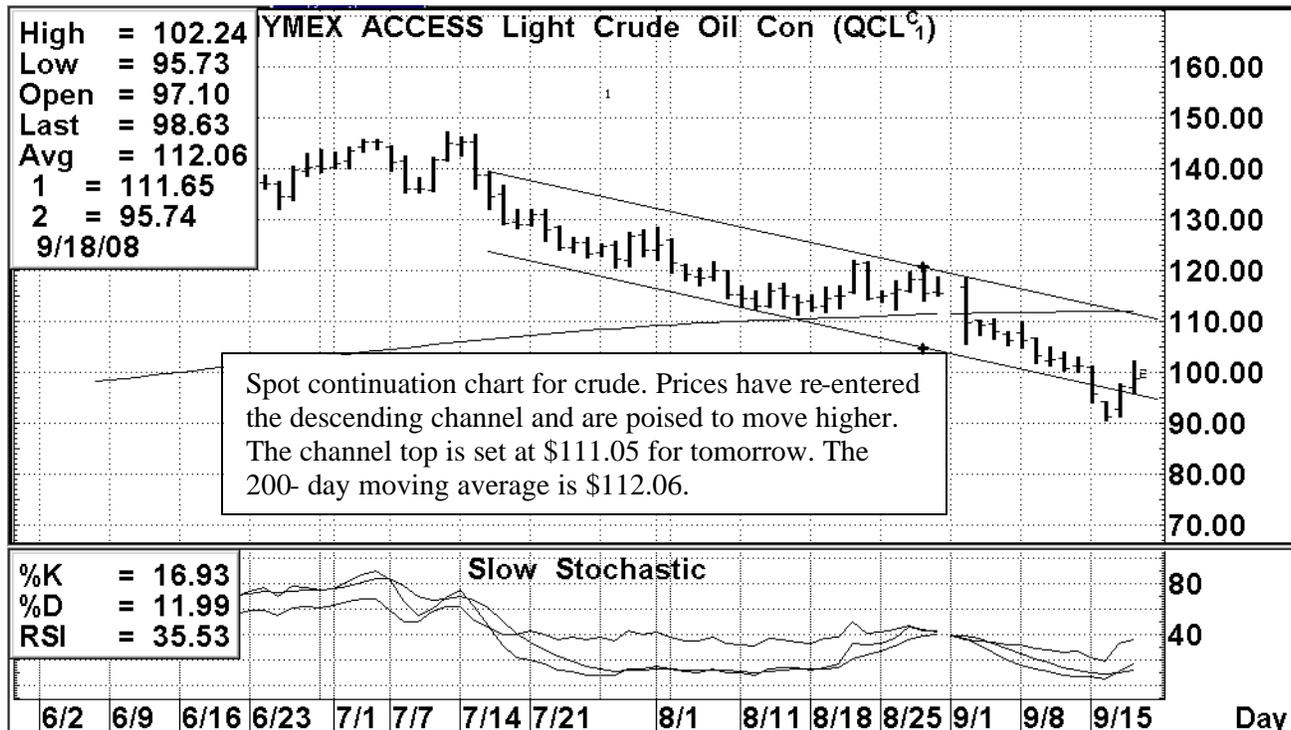
<b>September Calendar Averages</b>
<b>CL – \$102.25</b>
<b>HO –\$2.9209</b>
<b>RB – \$2.6475</b>

An advisor to Iran's supreme leader warned today that in event of a war all ships passing through the oil rich Gulf region would be within the reach of Iran's missiles. The Iranian press reported earlier this week that Iran's air force and defense units held war games this week to test equipment and boost its readiness.

The Russian government reportedly will cut its oil export duty to \$372 per tonne from October 1<sup>st</sup>, down from the previously announced \$485.50 per tonne.

**Market Commentary**

Energy prices were a mixed bag of shells today, with the crude oil and heating oil going one way and the gasoline going the other way. Crude oil, throughout the day reacted to a weak dollar as once again investors turned to commodities as a "safe" haven. The technical outlook for crude oil is supportive for this market. The October crude oil based on a spot continuation chart, traded back with in the descending channel, bouncing off of the bottom trendline, which was set at \$95.73. Percent K has pulled further away from percent D in oversold territory. The RSI is also supporting further upside potential for crude oil. With tomorrow being Friday, we would look for follow through to the upside. We



would look for this market to retrace up to the range of \$111.00 to \$112.05. The October/November spread reacted as expected, settling right on our target of +. 34. With the October going off the board, this front month spread has reached levels it hasn't seen in months and could widen even further. The next level of resistance on this spread is +. 61 and is not out of the realm of possibilities.

Open interest for crude oil; OCT 81,694 -59,770 NOV.08 286,007 +4,615 DEC.08 182,684 -4,593. Totals: 1,185,171 -56,458. Open interest for heating oil; is OCT.08 32,499 -1,538 NOV.08 46,885 +1,104 DEC.08 24,508 -611 Totals: 216,318 - 1,020. Open interest for gasoline is, OCT.08 44,839 - 1,342 NOV.08 59,522 +2,151 DEC.08 30,193 -1,290, Totals: 201,059 +991.

<b>Crude Support</b>	<b>Crude Resistance</b>
87.10, <b>85.40</b> , 78.35, 68.63	105.08, 110.30, 118.60, 128.60, 132.05, 139.30, 144.00, 147.90,
<b>Heat support</b>	<b>Heat resistance</b>
2.6712, 2.4040	3.1050, 3.3684, 3.4574. 3798, 3.6135, 3.8215
<b>Gasoline support</b>	<b>Gasoline resistance</b>
2.3385	2.8399, 2.9600, 2.9989, 3.1050, 3.1460, 3.1840,80003.2620