



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 19, 2008

The Department of Energy said Friday that the U.S. will not ask members of the IEA to release emergency gasoline and diesel supplies to the United States in response to the domestic supply disruptions caused by Hurricane Gustav and Ike. The Secretary of Energy said today that “we are reasonably satisfied with the rate of recovery in the area.” He also noted it was not necessary since it would take at least 10 days for fuel from IEA members to reach the United States.

Goldman Sachs energy equities analyst Arjun Murti, one of the first analysts to call for \$100 crude oil, today lowered his 2009 price outlook to \$110 from a prior estimate of \$140 per barrel. He noted the global economic weakness for this revision. Earlier this year he had called for a “super spike “ in oil prices with crude oil reaching \$150-\$200 before the end of 2009. While he sees the supply situation basically unchanged with a limited amount of spare capacity available in crude oil production, the revision has come on the demand side and thus the lower price forecast. Goldman's commodity research team earlier this weekend had lowered their U.S. crude oil price outlook by \$25 to \$123 per barrel.

The U.S. Mineral Management Service reported at midday that offshore production in the Gulf of Mexico continued to return at a slow pace. The agency estimated that some 48,904 barrels of daily production had been returned from Thursday, leaving 1.16 million b/d still off line. Natural gas production made even a smaller gain over the last 24 hours, with just 164 MMcf/d of natural gas production returned. As of midday Friday there was still 5.576 bcf/d of offshore production still shut in.

Market Watch

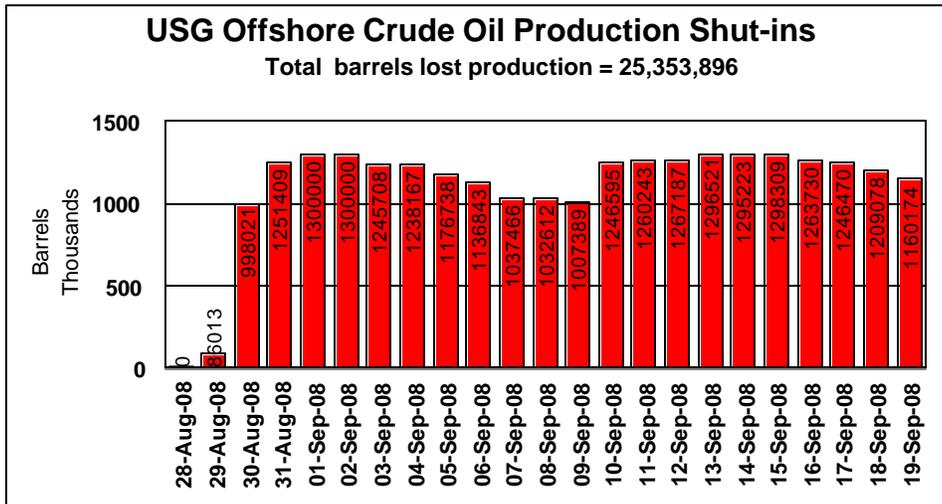
The Intercontinental Exchange said Friday that the bill passed by the U.S. House of Representatives yesterday, goes to far in terms of restricting trading activity, reducing liquidity and weakening price discovery.

The Economic Cycle Research Institute reported today that its weekly measure of future economic growth in the United States fell to a new five year low although its annualized growth rate ticked up a slightly, a sign that a U.S. business cycle upturn is not in sight. The Weekly Leading Index fell to 125.1 in the week ending September 12th, down from 125.9 in the previous week, revised down from 126.0.

A Nigerian military official noted today that Nigerian militant factions which had been attacking oil infrastructure in recent days and weeks, suddenly clashed with each other on Friday in the restive Niger Delta. It appeared the groups were fighting for control of the illegal oil bunkering activities in the region.

Refinery News

The DOE reported this morning that ten oil refineries in Texas and Louisiana that account for 2.351 million barrels per day in refining capacity remained shut on Friday. It noted though that 10 refineries with a total capacity of 1.962 million barrels per day were back to normal.



China's Sinopec said today that its crude oil imports in September and October will be reduced by 8% or 1 million metric tons less when compared to August levels as a result of high stocks and an expected slowing of oil demand in the fourth quarter. A company official noted that the company had stockpiled crude and

oil products in the last few months to ensure supply during the Olympic Games. But restraints on pollutive industrial activities and transportation curbs limited demand. As a result the company expects it will take until the end of the year to work off the excess stocks.

The DOE confirmed this morning that it was delivering 561,000 barrels of SPR crude oil to the ConocoPhillips' Woods River refinery.

Magellan Midstream Partners said that its decision to reverse the flow on the segment of its pipeline to move oil from the Midwest to the Gulf Coast came from its customers. The pipeline continued to operate on this reverse flow capability today.

Valero Energy said Friday that it had successfully restarted a heavy oil cracker unit at its Corpus Christi refinery, which had experienced a snag when being restarted earlier this week. The 92,000 b/d unit was restarted on Thursday.

Calcasieu Refining restarted its 78,000 b/d oil refinery in Lake Charles and is running at reduced rates according to the Department of Energy.

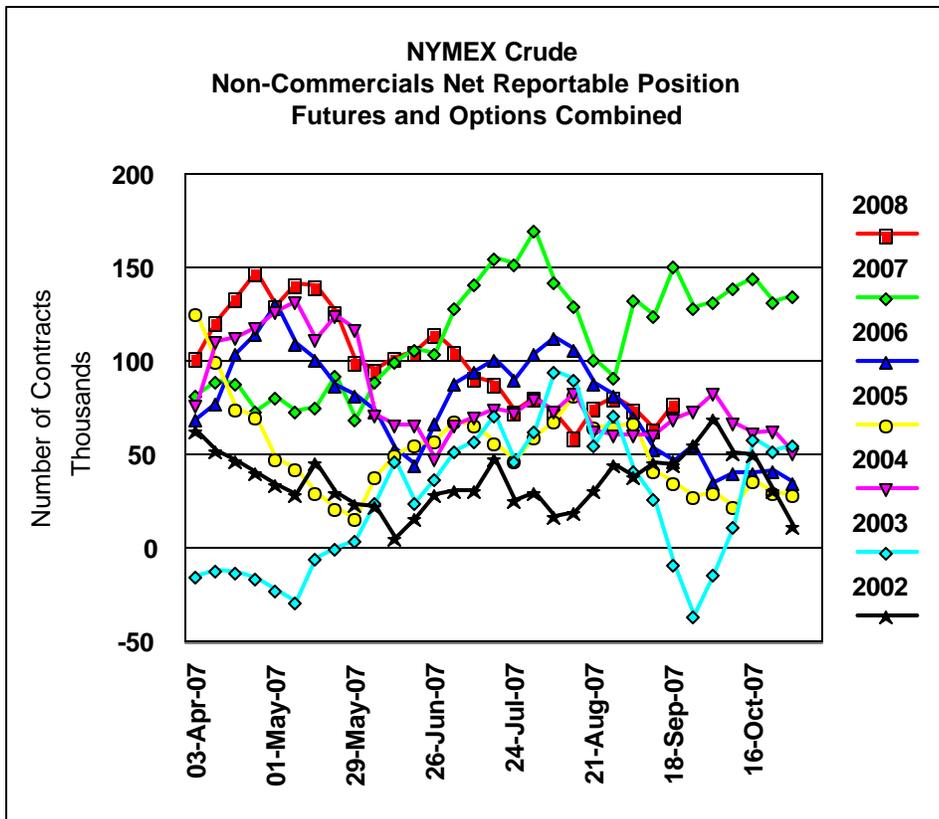
ExxonMobil 349,000 b/d Beaumont, TX refinery reportedly had sustained "some water damage".

September Calendar Averages	
CL	-\$102.42
HO	-\$2.91.93
RB	-\$2.6654

Explorer Pipeline said it is still operating at reduced rates due to a lack of refined oil product availability to ship from the Gulf Coast into the Midwest. The company noted that it has the ability to move 95% of its capacity at this time, but is restricted by the amount of product available to be shipped. It noted that other than Port Arthur, the company had power at all of its facilities this afternoon. Power at this location is expected to be returned by Saturday.

Production News

Reliance reported that it has started production at its Krishna-Godavari basin offshore of eastern India and expects commercial operation could begin in a week or two.



Shell Oil said today that a series of oil facilities attacks in Nigeria this week has substantially reduced its oil and gas production in the country and will hurt earnings. The company said it was "concerned" about the damage to oil and natural gas facilities this week but did not provide an estimate on the total amount of energy production that has been shut as a result. The company said it was evacuating some staff from production facilities and said it was closely monitoring the situation and continued to take necessary measures to protect its staff and contractors.

Shell Oil reported that it has decided to perform previously planned maintenance at its Mars, Ursa and West Delta 143 oil and gas platforms in the eastern Gulf of Mexico, with an expected restart sometime during the first week of October.

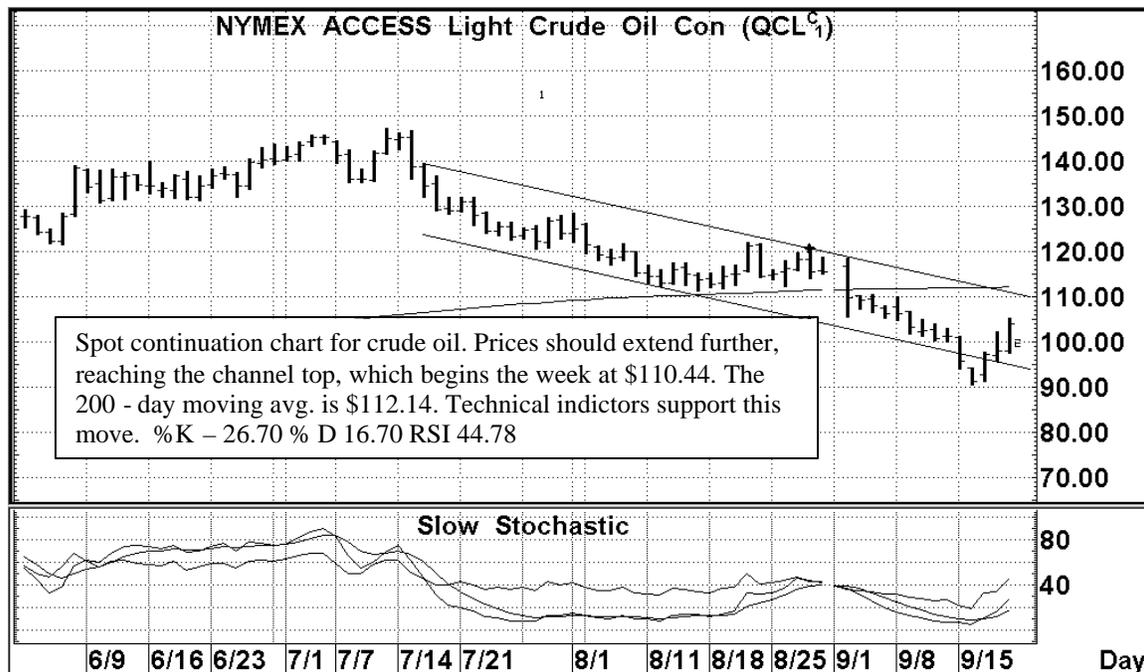
Mexico's export port at Coatzacoalcos remains shut in due to poor weather conditions today.

Russia's Energy Minister said today that Russia is considering renewed ties with OPEC. The minister said that Russia wants to hold a regular dialogue with the group and has invited OPEC representatives to Moscow for a meeting in October. Russia has been attending recent OPEC meetings as an observer but at the last OPEC meeting sent a high level delegation that included Deputy Prime Minister Sechin, which appeared to signal a Russian shift in support for the cartel.

Russia said today that it will take additional measures to help Transneft finance the Asian oil pipeline being currently built by the company, given the current difficult global credit markets.

Market Commentary

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
2.6712, 2.4040	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



This afternoon's Commitment of Traders report showed that for the week ending September 16th, the reportable commercial sector of the market dramatically sold into this market on the week. Basis the combined futures and options report this group added to its net short position by 19,951 to end the period with a net short position of 72,679 lots, the largest net short position since July 1st. Meanwhile reportable non-commercial traders over the week increased their net long position by over 14,000 contracts by a nearly equal addition of gross short positions coupled with an equal number of reductions in gross short positions. It is interesting to note that despite all the discussions of hedge funds unwinding their short dollar and long oil position over the last month or two that the Commitment of Traders has not reflected this in its non-commercial reportable positions, which have been relatively stable.