



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 23, 2008

The DOE said it is delivering 125,000 barrels of crude from the SPR to Alon USA Energy Inc for its Krotz Spring, Louisiana refinery and 250,000 barrels to Marathon Oil Corp. Alon received a similar shipment to the refinery on September 20. The DOE has previously shipped 750,000 barrels of SPR crude to Marathon for its Illinois and Kentucky refineries. The DOE has delivered more than 2.8 million barrels of crude oil from the SPR so far this month in the wake of Hurricanes Gustav and Ike.

The MMS reported that production of crude oil and natural gas in the US Gulf of Mexico continued coming back online Tuesday following Hurricane Ike. It reported that 868,654 bpd or 66.8% of production remains shut in.

The US Commodity Futures Trading Commission said it was reviewing the historic rally in oil prices on Monday to assure the trading was valid. It said it would investigate the trading activity to determine whether anyone engaged in illegal manipulative activity. Analysts said the steep rally reflected a squeeze as players with short positions were forced to buy them back at higher prices before the October contract expired at the close. Separately,

the EIA's administrator, Howard Gruenspecht said the record surge in crude oil prices was driven by traders and not supply and demand factors.

Market Watch

US Treasury Secretary Henry Paulson said the crisis on Wall Street is embarrassing for the country. Both the US Treasury Secretary and Federal Reserve Chairman Ben Bernanke said financial executives, regulators and an outdated regulatory system share the blame.

The Financial Times reported that Iran's largest shipping company, the Islamic Republic of Iran Shipping Lines, is confident it can protect its business from the impact of US sanctions imposed earlier in the month. Sanctions were imposed on the shipping company and 18 affiliates for allegedly providing logistical support for Iran's weapons and nuclear programs and falsifying documents.

Malaysia's Prime Minister Abdullah Ahmad Badawi said the cabinet will discuss on Wednesday the possibility of further lowering domestic retail fuel prices. Last month, the government lowered retail fuel prices after sharply increasing them in June. Currently Malaysians pay 2.55 ringgit or 74.9 cents /liter for petrol and 2.5 ringgit for diesel.

September Calendar Averages

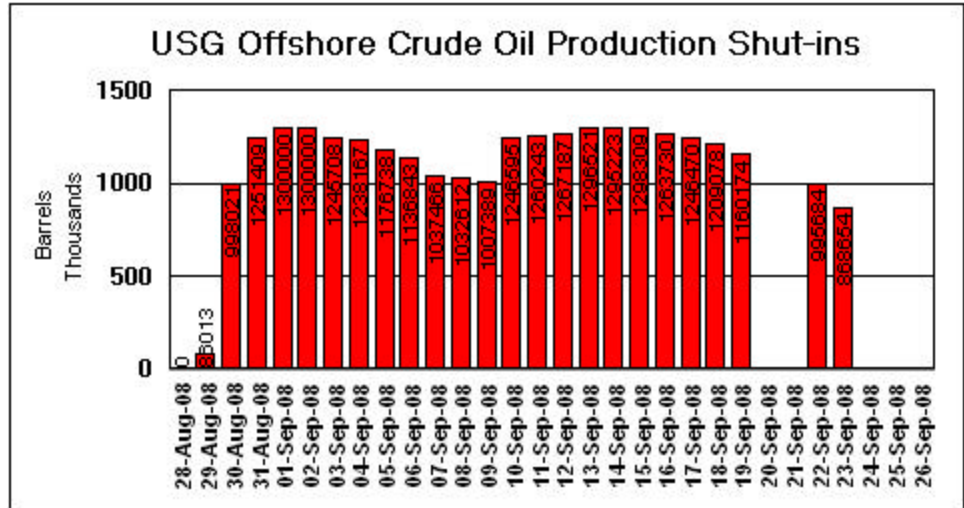
CL – \$103.84

HO – \$2.9318

RB – \$2.6634

US lawmakers may seek to include commodity speculation limits in legislation designed to rescue banks from bad mortgage investments. Any move to include commodity limits in the legislation to rescue Wall Street risks encountering opposition from the administration and delaying the law.

Lloyd's Marine Intelligence Unit said OPEC oil exports, excluding Angola and Ecuador, increased by 159,000 bpd to 23.644 million bpd in the four weeks ending September 7. It said Middle East exports were slightly lower in the period while West African supply increased.



According to MasterCard Advisors LLC, US gasoline demand fell by 5.7% to 8.726 million bpd in the week ending September 19. Demand in the Gulf Coast region fell by 25% due to Hurricane Ike. On a year to year basis, demand fell by 7.6% on the year. On a nationwide average, retail prices for regular gasoline increased by 18 cents to \$3.84/gallon on the week.

The head of the US Nuclear Regulatory Commission said there was no reason for Iran to pursue uranium enrichment technology because there was a plentiful supply of the nuclear fuel abroad. He said there is a global surplus of commercial nuclear fuel production capabilities and Iran could buy fuel for any reactors on the open market. Separately, the IAEA rejected Iran's argument that an IAEA investigation into the possible military purposes of its atomic program threatened Iran's national security. It said it could keep any information Iran provides to the inquiry confidential. In response, Iran's President Mahmoud Ahmadinejad said Iran will resist Western bullies attempting to prevent the country from acquiring civilian nuclear technology.

Nigeria's main militant group, the Emancipation of the Niger Delta said the military had launched an air assault on militant camps in the Niger Delta but said they were maintaining a unilateral ceasefire announced on Sunday.

Refinery News

The DOE reported that 12 oil refineries with a total capacity of 2.712 million bpd are operating at normal levels following Hurricane Ike. It also stated that 7 US refineries with a total capacity of 1.21 million bpd are operating at reduced levels while 6 refineries with a capacity of 1.698 million bpd remains shut in due to Hurricane Ike. Separately, the DOE said Houston Refining LP is restarting its 270,6000 bpd refinery in Texas which was shut ahead of Hurricane Ike.

ExxonMobil Corp's 503,000 bpd Baton Rouge, Louisiana refinery resumed normal operations after it was shut ahead of Hurricane Gustav.

BP Plc began restarting its fluid catalytic cracking unit 1 at its Texas City refinery on Tuesday after it was shut ahead of Hurricane Ike. The restart of the unit could last through October 7.

Lyondell Basell Industries restarted its 270,000 bpd Houston, Texas refinery which was shut ahead of Hurricane Ike.

Colonial Pipeline Co will begin shipping M4 winter grade gasoline for deliveries to Southern states along the pipeline for cycle 53 scheduling period due to waivers on clean air requirements for the fuel.

Colonial normally allows shipments of M4 winter grade or 13.5 RVP gasoline to northern states but had decided to accept deliveries to southern states as well following the EPA and state waivers that allow 13.5 RVP gasoline through October 31.

Shell Oil said it was hoping to reroute oil and natural gas flows along its Auger pipeline in the Gulf of Mexico around the Eugene Island platform, which was damaged by Hurricane Ike and was working to restart its Central Gulf gathering system. The Auger pipeline system has a capacity to transport 100,000 bpd of oil and 415 million cubic feet/day of natural gas. The company stated that its Eugene Island pipeline remains down pending repairs at a third party pump station and its Boxer pipeline system remained shut, waiting for repairs on the Eugene Island system. Shell said its Capline oil pipeline system was running generally at scheduled rates while its Houston-to-Houma pipeline remained slowed in the western portion.

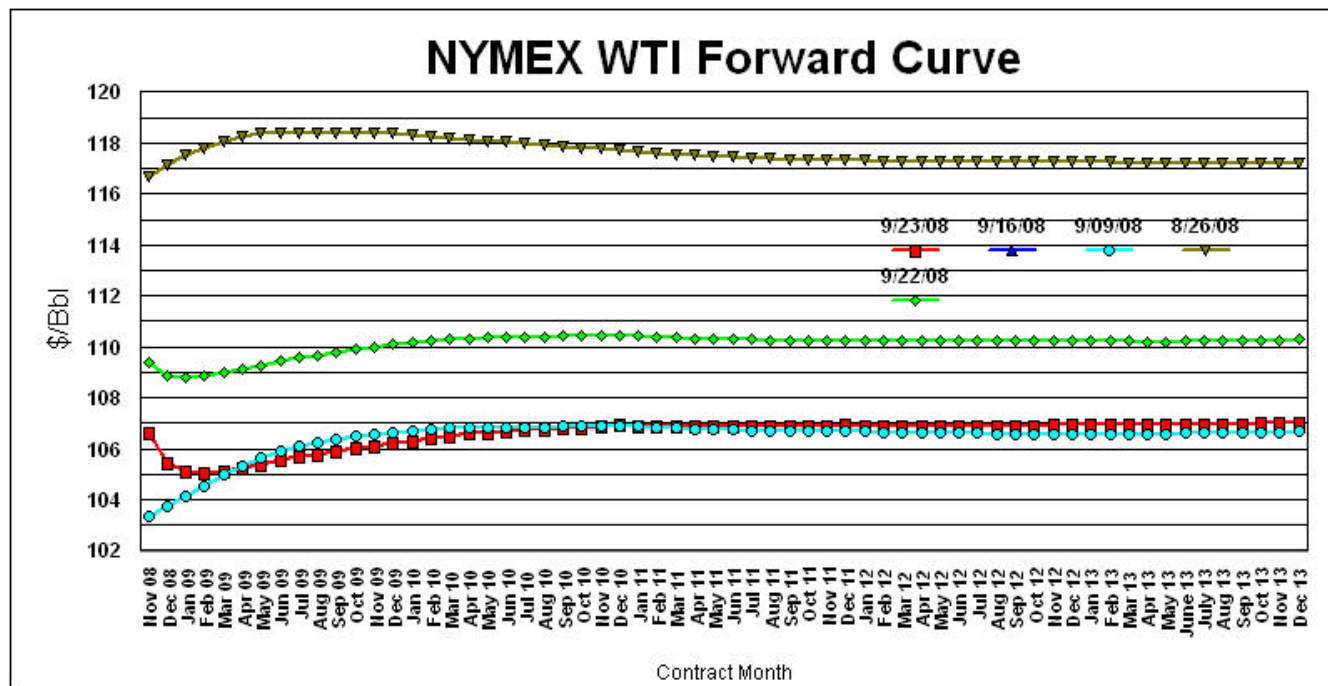
Total will shut part of its 155,000 bpd La Mede refinery in southern France for a two month period starting October 6. The outage will include maintenance work and upgrades to increase production, cut pollution and improve security. Total said the units in the eastern section of the refinery will remain operational and added that the deliveries of oil products will be maintained.

Ukraine's Fuel and Energy Ministry reported that the country's oil and gas refineries processed 7.4 million tons of crude oil and gas condensate in January-August 2008. It is down 24.1% on the year. In August, refineries processed 1.09 million tons of crude.

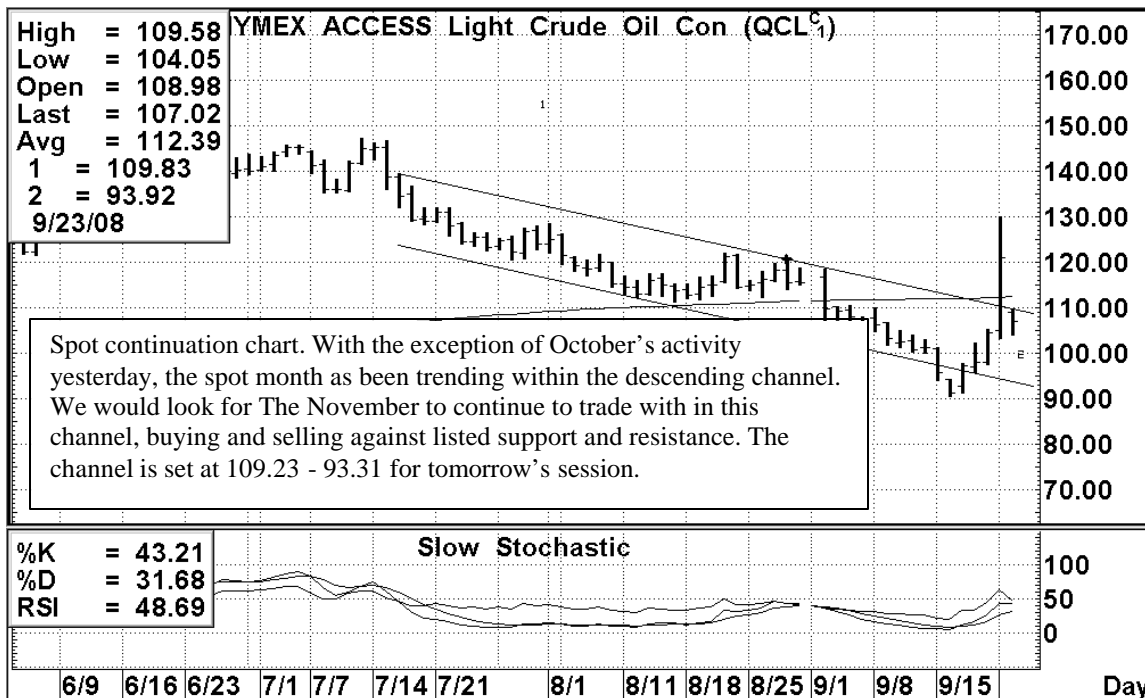
Venezuela's President Hugo Chavez arrived in China on Tuesday, saying he planned to build three joint venture refineries in the country to process Venezuelan crude.

European heating oil premium remained firm on Tuesday, supported by German demand.

China Aviation Oil Corp is seeking a minimum of 265,000 tons of jet fuel for November delivery compared with a minimum of 328,000 tons bought for October.



About 90,000 tons of South Korean gas oil has been booked for northwest Europe for loading on October 5. Including this fixture, the total European bound bookings for October lifting amount to 155,000 tons, driven by improving premiums and low supplies in Europe.



Production News

Royal Dutch Shell said it is preparing to increase its production at its facilities in the Gulf of Mexico following Hurricane Ike.

Azerbaijan's Socar declared force majeure on some shipments of Azeri crude from the Baku-Tbilisi-Ceyhan oil pipeline following partial shutdown of a large oil field in Azerbaijan. Two platforms on the Azeri-Chirag-Gunashli field were shutdown last week, cutting output from 850,000 bpd to 350,000 bpd. Meanwhile, BP said the Baku-Tbilisi-Ceyhan oil pipeline has been closed for maintenance but exports from Ceyhan continue as normal and no force majeure has been declared. A BP spokesman said the closure was a regular periodic scheduled shutdown and not related to the explosion which forced the closure of the line for two weeks in August.

Norway's StatoilHydro ASA said it is bringing forward repairs to the Kvitebjorn field gas export pipeline to the first quarter of 2009. It had previously expected to carry out repairs in the summer of 2009.

Nigeria's state oil company has issued some of its provisional loading plans for crude exports in November. The provisional loading schedules indicate 12 Qua Iboe cargoes of 950,000 barrels each for shipment in November, in addition to four Yoho, five Amenam, five Forcados, six Escravos and three cargoes of Agbami. Six cargoes of 1 million barrels of Erha will also be exported in addition to five cargoes of Bonga crude.

Petroecuador reported oil export revenues of about \$5.09 billion from January through August, up 115% on the year. Petroecuador exported 52.35 million barrels of crude oil in first eight months of the year, up 18% from 44.32 million barrels reported last year.

OPEC's news agency reported that OPEC's basket of crudes increased further to \$97.92/barrel on Monday, up from \$91.83/barrel on Friday.

Market Commentary

For the first time in one week, crude oil prices settled lower on the day. With the October contract off the board, November became spot month and did not follow through with October's expiring strength. As the marketplace awaits the approval of the government's proposed \$700 billion bailout plan, concerns over shrinking demand weighed on prices. The focus for this market will continue to be on demand rather than supply, while the U.S. economic situation remains in limbo. Technically, crude oil has been trading within the descending channel on the spot continuation chart, with the exception of October's activity yesterday. Directional indicators appear to be getting ready to cross to the downside once again, as %D has moved higher and % lower. The RSI has turned to the downside. Barring any significant inventory numbers, we would look for this market to continue to trend within the aforementioned channel. The average expectation for crude oil stocks for tomorrow's DOE/API release is a draw of 1.6. As for the November/December spread, we would look for the November to maintain its premium over the December, as the marketplace absorbs the economic situation and the fall out from Hurricane Ike. As for gasoline, the rumor mill has it that there are unsold cargoes sitting in the Gulf prior to Hurricane Ike. With this surplus in supply, and uncertainty about demand, the gasoline market was flooded with selling. Tomorrow's inventory numbers are calling for a decrease in stock levels of 3.6 million barrels. Although this may seem significant, one must not forget demand, which has been running 2.6% lower on the year. The November gasoline crack spread has been on a decline since 9/12 and is showing no sign of turning. This spread has settled through an ascending trend line on a daily chart, with technical indicators stretching to the downside. There is support on this spread set at 0.45.



Open interest for crude oil NOV.08

290,482 -4,497 DEC.08 188,075 +2,152. Totals: 1,115,774 -12,041. Open interest for heating oil; is OCT.08 24,542 -3,141 NOV.08 49,181 -1,090 DEC.08 25,351 +141 Totals: 212,129 -1,341. Open interest for gasoline is, OCT.08 37,012 -2,981 NOV.08 64,445 -4,479 DEC.08 30,590 -99, Totals: 199,678 -1,137.

Crude Support	Crude Resistance
99.60, 95.50, 93.65, 87.10, 85.40 , 78.35, 68.63	111.05, 118.60, 122.45, 132.75, 140.30, 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