The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 24, 2008

US Energy Secretary Sam Bodman said the record surge and the following retreat in crude prices this week was not driven by fundamentals. He said he believed the incident was an anomaly, most likely caused by a short squeeze by traders.

The EIA stated that spot shortages of gasoline in several regions of the US is expected to last several weeks as nationwide inventories fell to their lowest level since 1967 in the wake of Hurricane Gustav and Ike. It however stated that given normal supply rates and continued weakness in gasoline demand, retail prices may continue to fall to the $3.50/gallon level by the end of the year, assuming no further supply disruptions.

Market Watch

Morgan Stanley will request US regulatory approval to keep its oil tankers, metals dealing and raw materials businesses after converting into a commercial bank. Meanwhile a Goldman Sachs Group Inc spokesman said that becoming a bank would not affect the company's commodities business.

The EPA late Tuesday granted waivers from environmental regulations regarding the sale of gasoline in 45 counties in Georgia due to supply disruptions caused by Hurricanes Gustav and Ike. The waivers are effective through October 12.

The Economic Forecasting Department of the State Information Centre said China should introduce an energy tax as early as possible while raising taxes on major resource products to encourage energy saving and improve energy efficiency. It said china should speed up framing fiscal and tax policies that are conducive to energy saving and push forward reforming the pricing mechanism for resource products.

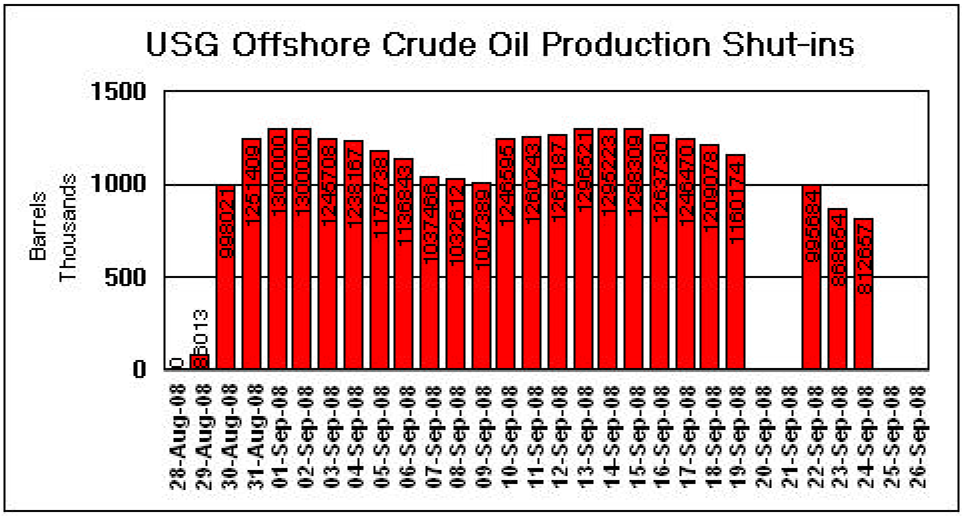
Malaysia cut petrol prices to 2.45 ringgit or $0.719/liter from 2.55 ringgit on Thursday. It also cut diesel prices to 2.40 ringgit/liter from 2.50 ringgit.

The US Minerals Management Service reported that an estimated 55,997 bpd of oil production has returned to the market as of Wednesday afternoon compared with Tuesday's level. There is still 812,657 bpd of crude production shut in.

According to Petrologistics, OPEC is expected to produce about 800,000 bpd less in September after increasing its production in August. It reported that output from OPEC's 13 members is expected to average 32.6 million bpd in September, down from a revised level of 33.4 million bpd in August. The anticipated fall in September's production level is mainly due to Saudi Arabia's and Iran's lower production level. Saudi Arabia is expected to produce about 9.5 million bpd, down 200,000 bpd on

September Calendar Averages
CL – $103.95
HO –$2.9366
RB – $2.6593

the month while Iran's production is expected to fall by 400,000 bpd to 4 million bpd. Meanwhile, Iraq's production is seen down 100,000 bpd at 2.2 million bpd.



Ecuador's President Rafael said he expected world oil prices to remain above $100/barrel and added that OPEC was ready to act if prices fell.

A local branch of the National Union of Petroleum and Natural Gas Workers or Nupeng, said it would begin a strike at Chevron Nigeria if the company failed to resolve some labor issues by October 1. Chevron has been given a 14 day ultimatum to resolve the issues on union workers hired and working at all Chevron locations in the country as contractors. A Nupeng official said Nupeng at the national level would join any strike launched by the Warri chapter.

Refinery News

Valero Energy Corp has fully restarted its Texas City, Texas refinery following Hurricane Ike. The refinery is still at reduced rates but is ramping up production. Meanwhile its Houston refinery is working on the restart process.

Shell said Motiva's Port Arthur refinery is operating at 50% of capacity in the wake of Hurricane Ike. Meanwhile Shell's Deer Park refinery is operating at 70% of capacity.

BP's 475,000 bpd Texas City, Texas refinery is expected to produce gasoline and diesel by the weekend. The refinery was shut ahead of Hurricane Ike.

Longhorn Pipeline said it stopped shipping oil products from its Galena Park, Texas terminal because of a fire at Kinder Morgan's oil products terminal in Pasadena, Texas on Tuesday. Meanwhile, Kinder Morgan said it will likely resume limited operations later on Wednesday. The Pasadena terminal supplies the Colonial and Explorer Pipelines. Colonial said it started drawing from other origin sources after the fire but added that its connections and pipelines with Kinder Morgan were undamaged.

Encana Corp said it will begin an expansion project this month at the Wood River, Illinois refinery and expected to complete the project over the next three years. It will add a 65,000 bpd coker unit, increasing total crude oil refining capacity by 50,000 bpd to 356,000 bpd.

Spain's Cepsa has delayed maintenance by about a month at its 240,000 bpd San Roque refinery. Its fluid catalytic cracking unit is now due to halt operations between October 25 and December 3. The refinery will also shut two hydrodesulphurization units on October 25, with one of the unit restarting on November 7 and the other unit restarting on December 4.

PKN Orlen's Mazeikiu Nafta refinery is expected to shut a diesel desulphurization unit for an upgrade starting in late September. The repairs are expected to be completed by the last week of October.

PetroChina said it has added a new 1.2 million ton/year delayed coking unit at its Daqing Petrochemical Co. The new unit will help increase diesel production by 110,000 tons/year.

A Sinopec official said China may import less fuel next year as more crude oil refineries start operating. He said the country may add more than 35 million metric tons of refining capacity this year. Refiners may increase capacity by more than 20 million tons/year between 2009 and 2010. Fuel imports this year is expected to reach 47 million tons while exports are expected to total 19 million tons.

Vitol booked 65,000 tons of South Korean diesel for Northwest Europe for early October lifting. European bound shipments now amount to 310,000 tons for October lifting.

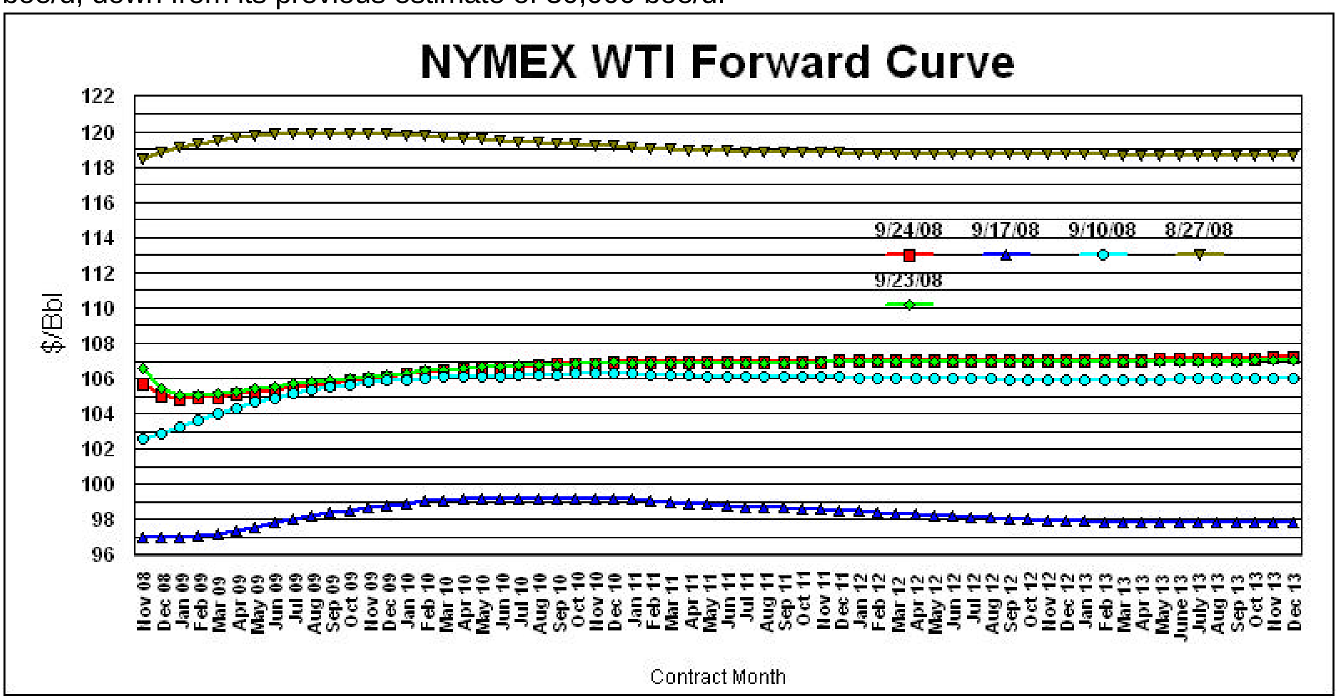
Production News

Norway's StatoilHydro ASA resumed production at its North Sea Oseberg C production platform. The platform was shut on September 12 due to a leak.

Azerbaijan's Socar has declared force majeure on three 1 million barrel crude export cargoes it sold to traders, Sumato and Glencore, after BP cut production at the Azeri-Chirag-Guneshli group of fields to 300,000 bpd from 850,000 bpd due to a gas leak. Meanwhile, the Baku-Tbilisi-Cehyan pipeline resumed operations Tuesday after shutting down for a brief period of planned maintenance. Before the shutdown on Tuesday, the pipeline was running at reduced capacity due to the partial shutdown of the fields.

Nigeria's Oil Minister Odein Ajumogobia said recent militant attacks on oil facilities did not significantly impact production and added that it was producing about 2 million bpd.

Nexen Inc said it expects lower production volumes from its Gulf of Mexico operations for the remainder of the third quarter due to damages caused by Hurricane Ike. It said some of its deep water fields in the Gulf of Mexico were shut in following the toppling of a third party processing platform. It does not expect to resume production at some deep water and shelf fields until 2009. In the fourth quarter, Nexen expects production volumes in the Gulf to range between 10,000 boe/d and 20,000 boe/d, down from its previous estimate of 30,000 boe/d.



OPEC's news agency reported that OPEC's basket of crudes increased by $1.05 to $99.00/barrel on Tuesday from a revised $97.95/barrel level reported on Monday.

Market Commentary

With the release of the government's weekly inventory report indicating that fuel demand is at its lowest level in five years, crude oil came under pressure again today. Based on a four–week average consumption has fallen 6.6% and is at its lowest level since October 2003. Not even gasoline spot stock levels at their lowest level since 1967, was enough to hold up the energy markets. It is the ever-darkening economic cloud looming over the marketplace that keeps prices from sustaining any strength. Consumer confidence is at an all time low and demand will continue to suffer. On a technical standpoint crude oil prices continue to hold within the descending channel on a daily spot continuation chart. Basis a weekly chart, the November crude oil has been holding below a descending trendline since the week of July 21st. This trendline is set this week at $110.57. At this point in time it is quite possible for this trendline to become penetrated, however, we would not look for the November to break through the 200–day moving average of $111.24. As expected the November/December spread has continued to weaken. Technical indicators for this spread have crossed to the downside. We would look for further pressure and for a test at the support area of 0.10. Greatly impacted by the economic situation, is the gasoline market, which continues to suffer on the demand end. Gasoline demand, based on a four–week average, as fallen 3.5% compared to the same period last year. Expectations are for prices at the pump to continue to fall to an average low of $3.50 per gallon. Since futures prices began their tumble in July, they have not been able to penetrate the channel top on a spot continuation chart. This channel is set between $2.3331 and $2.8374. Prices should continue to trade within this descending channel. Heating oil faired better than the other two markets today, perhaps based on seasonality. Demand for distillate also took a hit, falling 5.5% based on a four–week average. Based on the weekly spot continuation chart for heating oil, it appears that this product may sustain some strength. Technical indicators have crossed to the upside on the spot continuation chart and have settled above daily and weekly resistance. The 200–day moving average is $3.1758 and that would be the initial upside objective.

Open interest for crude oil NOV.08 293,090 +2,608, DEC.08 186,336 -1,739. Totals: 1,113,436 -2338. Open interest for heating oil; is OCT.08 21,049 -3,493 NOV.08 51,300 –2,119 DEC.08 26,270 +919 Totals: 213,925 +1,796**.** Open interest for gasoline is, OCT.08 33,765 -3,247 NOV.08 69,092 +4,647 DEC.08 29,844 -746, Totals: 201,134 +1,456.

Crude Support	**Crude Resistance**
99.60, 95.50,93.65, 87.10, **85.40,** 78.35, 68.63	111.24 (November 200 day MA), 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	2.8521, 2.9600, 2.9989, 3.1050, 3.1460, 3.1840,80003.2620