



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR SEPTEMBER 26, 2008

The US Minerals Management Service stated that oil and natural gas production in the Gulf of Mexico continued to increase on Friday as companies brought back their facilities on line after Hurricane Ike. It reported that 23,949 bpd of crude production returned to the market, leaving 746,459 bpd still shut in.

German and French officials said the five permanent members of the UN Security Council and Germany agreed on a draft resolution on Iran's nuclear program. Neither official commented on the contents of the resolution, while other sources said it did not contain new sanctions against Iran for refusing to suspend its uranium enrichment. Meanwhile US Secretary of State Condoleezza Rice said a new resolution on Iran would not include fresh sanctions but aimed to show unity after disagreements with Russia over its incursion into Georgia. The new resolution will likely be passed this weekend.

September Calendar Averages

CL – \$104.32

HO – \$2.9444

RB – \$2.6616

Market Watch

Citigroup Inc cut its 2008 estimate for WTI from \$117.90/barrel to \$105.90 and its 2009 WTI price estimate from \$122.50/barrel to \$90/barrel.

Russia's President Dmitry Medvedev and Venezuela's Hugo Chavez agreed to draft an energy agreement on Friday, drawing Russia closer to Washington's South American foe. Venezuela has hosted a visit by Russian bomber planes to Venezuela this month and Russian warships are scheduled to hold exercises there in November. Separately, Russia's Energy Minister Sergei Shmatko said Venezuela's PDVSA will probably have control of a planned joint venture with Russia to develop oil and gas resources.

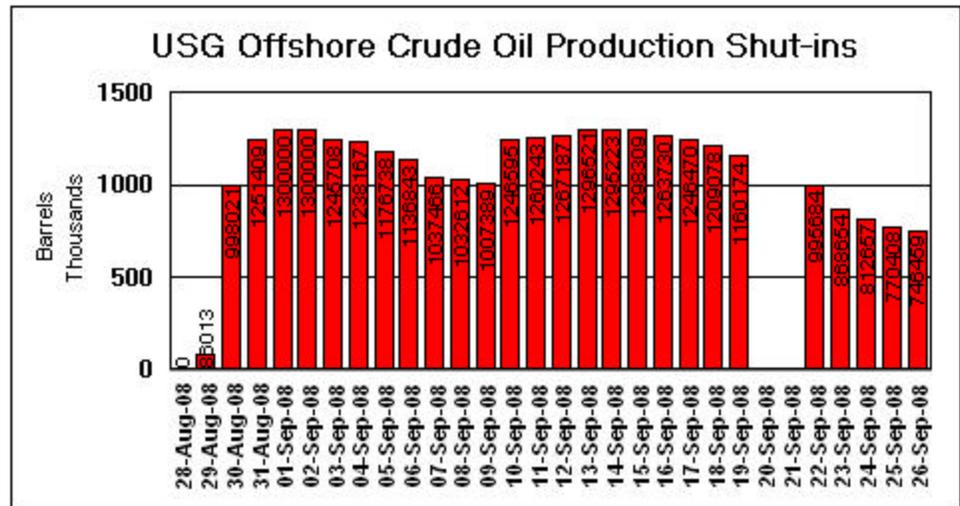
Central banks around the world scrambled to meet demand for cash on Friday, with the European Central Bank, the Bank of England and Swiss National Bank collectively put up \$74 billion of one week money. Demand from banks, particularly for the ECB cash, was high as lending between banks on money markets remained virtually paralyzed. In Asia, the central banks of Japan, Australia and South Korea also pumped in cash to meet demand.

Bank of England Monetary Policy Committee member Andrew Sentence said oil prices are not expected to increase significantly in the next two years.

The Reuters/University of Michigan Surveys of Consumers said the final reading of its index of confidence increased to 70.3 in September from 63 in August. It was the highest final reading since 70.8 in February. The survey's reading on one year inflation expectations fell to 4.3%, from 4.8% in August. It is the lowest since 4.3% reported in March.

The Canberra, Australia-based Global Carbon Project reported that manmade emissions of carbon dioxide increased by 2.5% to a record last year. It reported that burning fossil fuels, making cement and changing land use together produced 9.94 billion metric tons of carbon compared with 9.7 billion tons in 2006.

The UN's IAEA's director Mohamed ElBaradei said Iran is on its way to mastering technology that would enable it to build nuclear bombs, if it chose to do so. He said Iran does not have enough nuclear material to make a bomb overnight. However he did not state how long Iran may need to reach that threshold. The IAEA's director also stated that a military option to resolve the issue would be disastrous. The Iranian issue could not be resolved unless Washington dropped its refusal to negotiate with Iran directly and without preconditions.



Kuwait's Prime Minister Sheikh Nasser al-Mohammad al-Sabah believes the big increase in oil prices is unjustified and caused by factors beyond OPEC's control. Meanwhile, Ecuador's President Rafael Correa said he expected world oil prices to remain above \$100/barrel. He also stated that OPEC would cut production if crude prices fell.

Britain's Guardian newspaper reported that Israel gave serious thought earlier this year to a military strike on Iran's nuclear sites. However US President George W. Bush said he would not support it and did not expect to change that view for the rest of his presidency. President Bush's decision to refuse to offer any support for a strike on Iran included the US concern over Iran's likely retaliation, which would include attacks on US military and other personnel in Iraq and Afghanistan as well as on shipping in the Persian Gulf. The other reason was US anxiety that Israel would not succeed in disabling Iran's nuclear facilities.

Refinery News

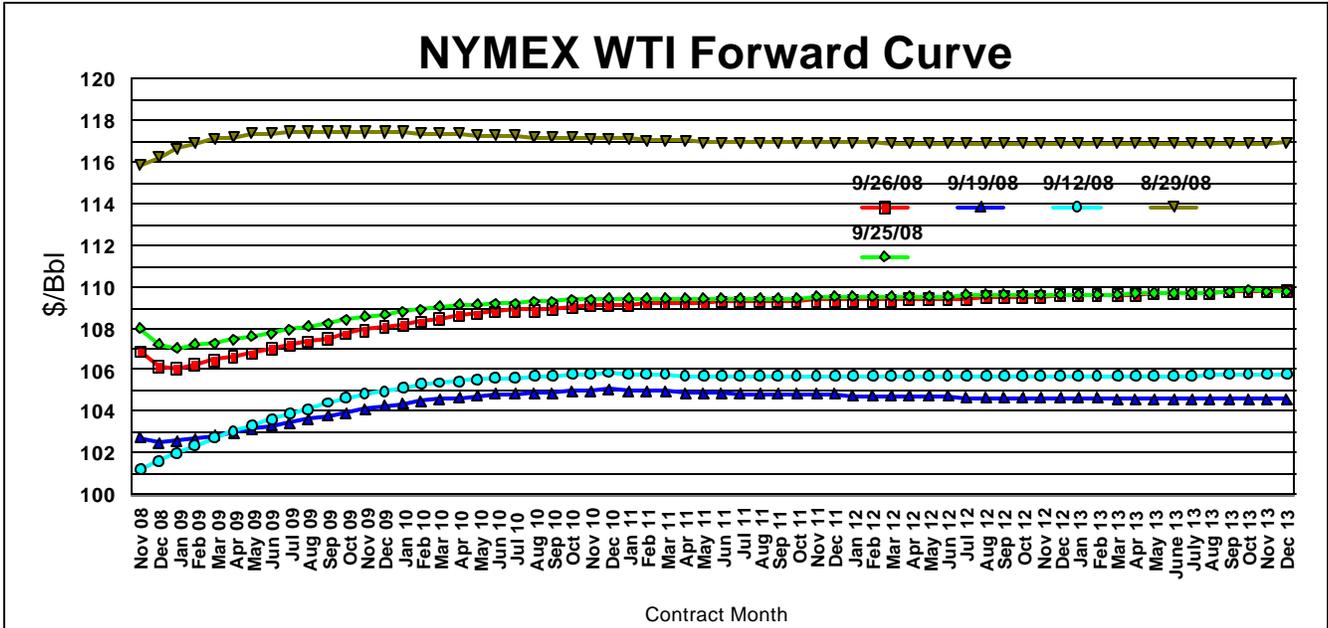
The Energy Department said only three oil refineries in Texas with 656,500 bpd in refining capacity were still shut as of Friday following Hurricane Ike. The DOE also stated that it will deliver 200,000 barrels of emergency oil supplies from the SPR to Placid Oil's refinery in Port Allen, Louisiana.

ExxonMobil Corp said its 348,500 bpd Beaumont, Texas refinery initiated its restart plan following Hurricane Ike on Thursday. Some units are scheduled to restart in the next week.

BP is restarting an ultraformer unit at its 467,000 bpd refinery in Texas City, Texas. The unit was shut due to Hurricane Ike.

Shell Oil Co said it will delay turnaround maintenance at some Gulf Coast sites due to the effects of hurricanes Gustav and Ike. It also stated that the majority of its oil output in the Gulf is expected to restart in two weeks. It is currently producing 39,000 bpd, down from its normal level of 350,000 bpd.

Valero Energy Corp's 90,000 bpd Ardmore, Oklahoma and 100,000 bpd Three Rivers, Texas refineries were at planned rates after operations were reduced due to Hurricane Ike.



Total SA may start its Port Arthur, Texas refinery before the end of the week after electricity was restored. The refinery was shut due to Hurricane Ike.

Japan's Nippon Oil Corp will increase refining runs by 1% on the year in October to 3.96 million kiloliters or 803,000 bpd. Its September crude refining volume for domestic demand was estimated at 3.06 million kl, down 15% on the year. Separately, Nippon Oil said it plans to conduct scheduled maintenance on a 150,000 bpd crude distillation unit at its Negishi refinery on October 1-18.

A Mexican led project to build a \$7 billion oil refinery in Central America is in jeopardy after potential builders backed off from the project this week. Guatemala's Energy Minister Carlos Meany said the failure of the bidding process after months of delays could lead to the project being scrapped. The qualified bidders, Valero Energy Corp, Itochu Corp, Reliance Industries and Ecopetrol decided not to bid due to rising construction costs and pessimism over the prospects for world refining margins.

Indonesia's Energy Minister Purnomo Yusgiantoro said the country has issued a ministerial decree that would make the use of biodiesel mandatory from 2009.

Kuwait Petroleum Corp sold 50,000-75,000 tons of naphtha for early October lifting at a discount of \$6/ton to Middle East quotes.

Production News

Mexico's Coatzacoalcos port was closed to shipping on Friday due to poor weather conditions. Mexico's Transport Ministry said the Dos Bocas and Cayo Arcas ports remained open. The smaller Pacific Coast port of Salina Cruz also remained open. Pemex cut its oil production by 250,000 bpd on Wednesday to slow the rate of inventory accumulation. Meanwhile the US National Hurricane Center reported that poor weather over the Bay of Campeche was moving toward the Yucatan peninsula and was unlikely to become a tropical cyclone.

Nigeria warned it may consider suspending foreign energy firms' liquefied natural gas projects targeting the export of gas unless they submit a detailed plan by the end of October to supply gas for

domestic power generation. Nigeria's President Umaru Yar'Adua's administration has repeatedly warned that it could penalize energy firms if they fail to meet domestic requirements.

ExxonMobil said full production at Indonesia's Cepu block could be delayed by a year if Jakarta and ExxonMobil fail to resolve differences over storage facilities. Cepu is scheduled to start production this December with volumes of 10,000-20,000 bpd, which will be refined domestically. However full scale production of about 165,000 bpd may be delayed from the scheduled date of 2011, as differences over oil storage facilities still have to be resolved.

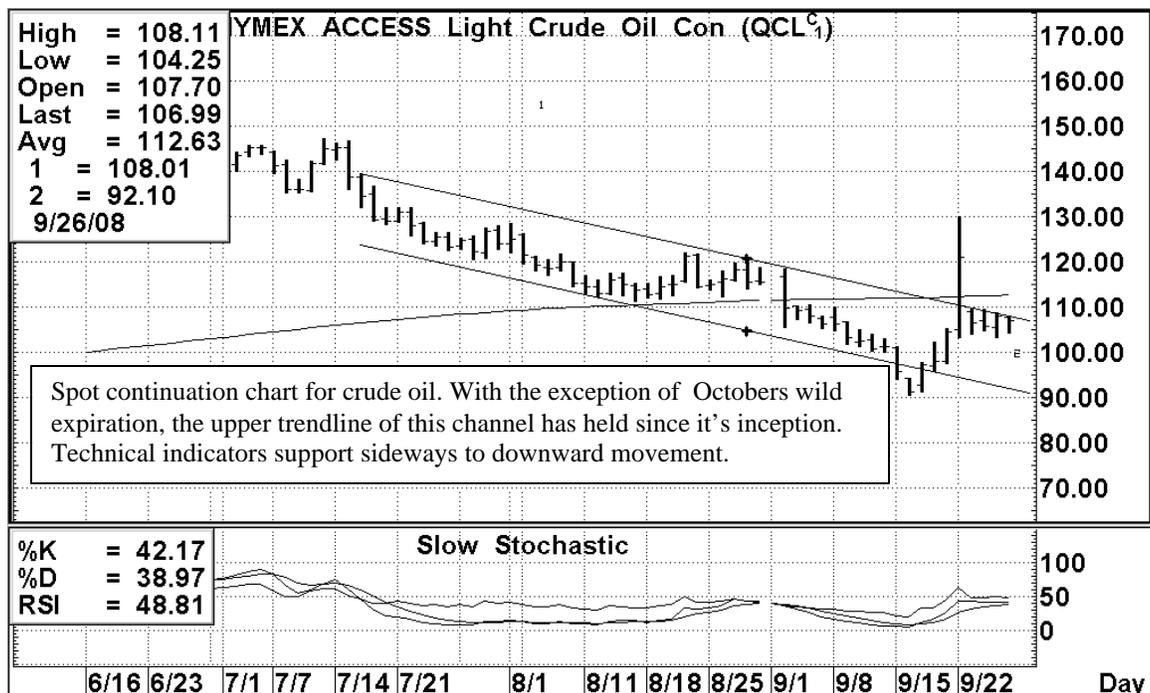
Japan's Inpex Holdings Inc said the start of liquefied natural gas production from the Ichthys LNG project in northwest Australia may be delayed to 2014 or 2015.

OPEC's news agency reported that OPEC's basket of crudes fell by \$1.20/barrel to \$97.68/barrel on Thursday from \$98.88/barrel on Wednesday.

Market Commentary

Energy markets sold off again today as economic fears grew. With the talks of a \$700 billion rescue package coming to a standstill, concerns of demand weighed on the marketplace. The U.S. economy expanded at an annual rate of 2.8 percent in the second quarter, slower than the previous estimate, as consumer spending and trade contributed less to growth, the Commerce Department said today in Washington. The revised figures were down from an estimate of 3.3 percent last month. The November crude oil continues to cling to the top of the descending channel on a spot continuation chart. Technical indicators are trending sideways, however %D has edged higher, while %K has dipped. This is an indication that prices are in a downward trend. Given the current U.S. economic situation and its impact on the global economy, we would expect that demand would continue to suffer, thereby causing prices to slide further. Based on a spot continuation chart for gasoline, it appears that prices could be heading higher. Supporting this move would be temporary shortages of product due to difficulties bringing refineries in the Gulf of Mexico back to full running capacity. With a break in prices above the \$2.7200, we would look for a test of the \$2.8600, the 200-day moving average. Heating oil,

since breaking above the descending trendline on a spot continuation chart, has been able to sustain enough strength to hover above it. As with the gasoline we would look for heating to work a little higher, with an attempt



at the \$3.1736, the 200-day moving average. This product should also gain strength off of near term supply shortages. While we would look for the gasoline and the heating oil to work higher, we also must not forget the demand factor. For this reason, the move to the upside can be limited.

Open interest for crude oil, NOV.08 286,462 -2,777, DEC.08 181,199 +1,607. Totals: 1,102,852 - 4,316 Open interest for heating oil; is OCT.08 15,967 -2,938 NOV.08 53,977 +2,043 DEC.08 26,610 +159 Totals: 211,942 -497. Open interest for gasoline is, OCT.08 23,265 -6,142 NOV.08 70,929 - 1,051 DEC.08 29,731 -885, Totals: 192,524 -7,654.

The latest Commitment of Traders report showed that non-commercials in the crude market increased by 22,349 lots to 41,728 lots in the week ending September 23. The funds cut their total short position by 19,628 lots to 163,212 contracts on the week. The combined futures and options report showed that non-commercials increased their net long position by 900 lots to 77,766 contracts on the week. Meanwhile non-commercials in the RBOB market cut their net long positions by 9,821 contracts to 25,973 contracts while non-commercials in the heating oil market cut their net long positions by 3,753 contracts to 7,641 contracts on the week.

Crude Support	Crude Resistance
99.60, 95.50, 93.65, 87.10, 85.40 , 78.35, 68.63	111.35 (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