



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR OCTOBER 3, 2008

US President George W. Bush welcomed the passage of the \$700 billion rescue plan by the US House of Representatives on Friday. The US House of Representatives of Representatives House voted 263 to 171 in favor of bill that also included tax breaks.

The U.S. Minerals Management Service reported that crude oil and natural gas production shut in the Gulf of Mexico continued to return to the market. It reported that the amount of crude production shut in fell by 88,456 bpd to 626,045 bpd as of Friday. Meanwhile, natural gas still shut in fell by 110 mmcf/d to 3.303 bcf/d.

Ecuador's Oil Minister Galo Chiriboga said OPEC expects world crude prices to remain above \$110/barrel in 2009.

According to the EIA, US oil demand in July fell to its lowest level for the month in 11 years. US oil demand in July was revised down 3.7% from its earlier estimate to 19.412 million bpd, down 6.4% on the year. It reported that gasoline demand in July was revised down by 331,000 bpd or 3.5% to 9.072 million bpd while distillate demand was cut by 479,000 bpd or 11.5% to 3.672 million bpd.

October Calendar Averages

CL – \$95.46
HO – \$2.7395
RB – \$2.2811

Refinery News

Colonial Pipeline Co shut the pipeline that carries fuels from Greensboro, North Carolina to Linden, New Jersey after a contractor damaged the line earlier Friday.

Market Watch

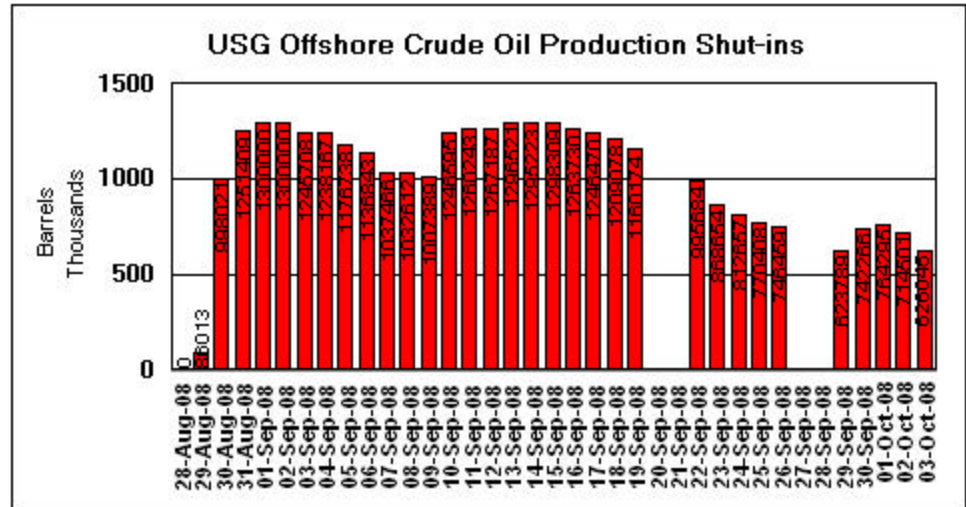
The Labor Department reported that nonfarm payrolls fell by 159,000 in September. It the sharpest decline since March 2003. The pullback was broad based, including manufacturing, construction and many service industries. The unemployment rate was unchanged at 6.1%.

Credit Suisse said crude oil prices should reach a trough at \$85/barrel. It said prices will need to stay around \$85/barrel to keep oil sands projects economically viable and prevent further tightening of spare capacity.

Contrary to previous reports, UBS AG said it would retain its exchange traded derivatives commodity business but would exit the over-the-counter trading in commodities, including power and gas, agriculture, oil and base metals. The bank's exchange traded derivatives commodity business will continue to offer services across energy, precious metals, base metals, agricultural commodities and raw materials.

Valero Energy Corp's sulfur recovery unit at its 295,000 bpd Port Arthur, Texas refinery was restarted on Thursday after a brief unexpected shutdown. It said there was no impact to production.

Restart efforts are continuing at Total's 232,000 bpd Port Arthur, Texas refinery. It was shut in early September ahead of Hurricane Gustav and ahead of Hurricane Ike, which caused damage to the refinery.



Alon USA Energy Inc reported a brief snag on Friday at its fluid catalytic cracking unit at its Big Spring, Texas refinery due to a wet gas compressor outage.

Flint Hills Resources will perform unplanned maintenance on a sulfur recovery unit at its 300,000 bpd Corpus Christi, Texas refinery.

Delek US Holdings Inc reported a mechanical problem with a diesel hydrotreater heater at its 55,000 bpd refinery in Tyler, Texas.

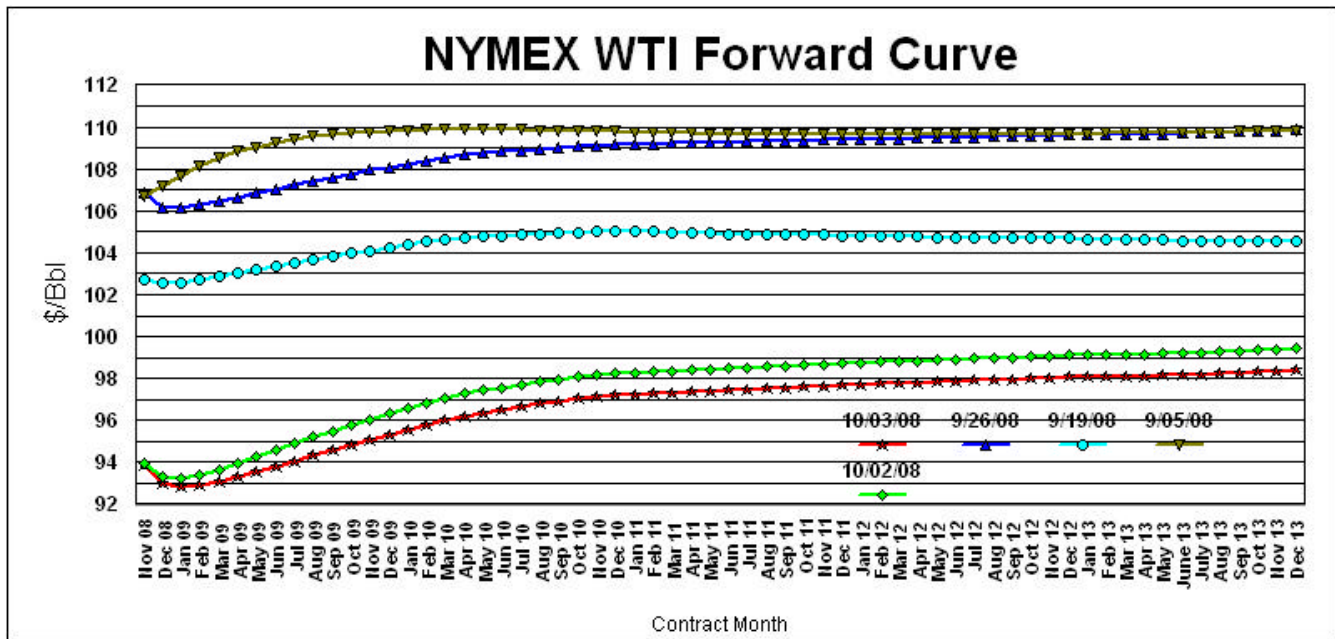
According to industry sources, some of Europe's crude oil refineries could be forced to slow production or shutdown completely as a result of declining gasoline demand, rising supply and tighter regulation. Simple refineries could be forced to close if they cannot sustain their current profit margins. Europe's refineries are configured to produce high volumes of gasoline for export to the US market and refiners are worried that revenues could fall as gasoline demand in the US declines. European refinery utilization has averaged around 85% this year up to July. New refineries such as Reliance Industries Ltd's 580,000 bpd Jamnagar refinery in India, set to come on stream in December, could also add pressure to margins by supplying the market with more refined products. The refinery is scheduled to begin test runs soon.

Japan's Seibu Oil Co Ltd has postponed the restart of its 120,000 bpd crude distillation unit at its Yamaguchi plant to next Wednesday, October 8. A maintenance check started on September 1 and the restart was initially set for Monday, October 6.

ExxonMobil Corp completed an expansion of its hydrocarbons fluids plant on Singapore's Jurong Island in Singapore, raising its capacity by 35% or 130,000 metric tons to 500,000 tons per year.

India's Mangalore Refinery and Petrochemicals Ltd will be able to complete the expansion of its 194,000 bpd refinery by October 2011, a year behind schedule. It is planning to expand the refinery to 300,000 bpd.

Indian Oil Corp expects crude oil imports to increase to 46-47 million tons in the year ending March 2009 from 40 million tons in the previous year.



Production News

According to a Reuters survey, OPEC's total crude oil production in September fell by 310,000 bpd to 32.39 million bpd from 32.7 million bpd in August. The 12 OPEC members, excluding Iraq, produced 30.18 million bpd, down 220,000 bpd on the month. It showed that Saudi Arabia supplied 9.55 million bpd in September, down from 9.65 million bpd in August while Iran's oil production fell by 50,000 bpd to 4 million bpd. It reported that Iraq's production fell by 90,000 bpd to 2.21 million bpd.

A blown natural gas pipeline has resulted in two oil wells being shut down at two Prudhoe Bay production pads cutting production by 3,000-7,000 bpd. The Prudhoe Bay oilfield usually produces more than 300,000 bpd. The natural gas pipeline supplying gas to an oil well production pad blew up on Monday.

A BP led group will not be able to restore oil production from its Azeri offshore fields until the end of October and will keep pumping at a third of its capacity. A source said the group was attempting to connect one of the offshore platforms to alternative electricity supplies to resume production. After the platform resumes production, it will add 300,000 bpd to the group's current output of 300,000 bpd instead of the usual 900,000 bpd.

The loading of the first cargoes of new Australian Vincent crude have been delayed again from September to October, after having been deferred from August to September. The exact reason for the delay had yet to emerge but sources said production had yet to stabilize after the field started operations in late August.

Colombia's crude oil production in August increased to an average 601,000 bpd from 527,000 bpd in August last year. In the first eight months of the year, average crude production stood at 576,000 bpd, up from 531,000 bpd in 2007.

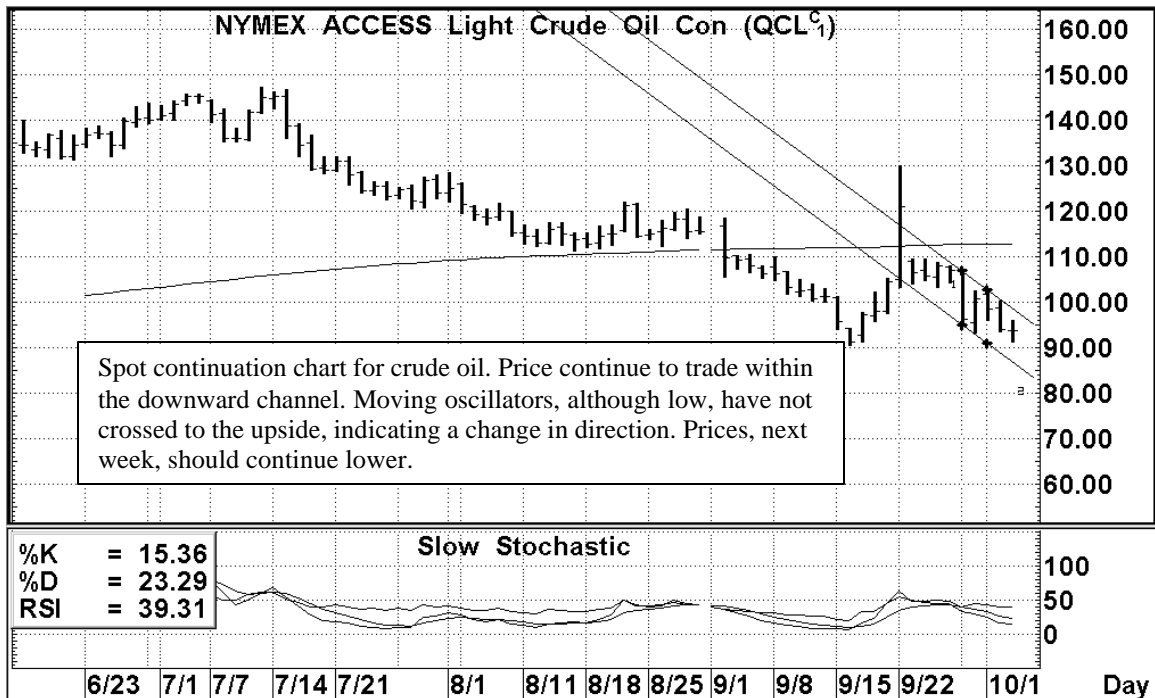
Ecuador's average oil production stood at 506,772 bpd in the first eight months of 2008, down 1% from 511,423 bpd last year. Petroecuador's production averaged 263,057 bpd in the first eight months while private companies' production averaged 243,715 bpd.

OPEC's news agency reported that OPEC's basket of crudes fell by 72 cents/barrel to \$89.28/barrel on Thursday from a revised \$90/barrel level on Wednesday.

Market Commentary

Even though the U.S. House of Representatives voted in the economic recovery package, financial turmoil continues to grip the market place, forcing energy prices lower again today. Crude oil prices

lost 12% this week, its largest loss since 2004. Demand, during this economic meltdown, remains at the forefront of everyone's mind. The shape of the forward curve is little changed. The November contract continues to



trade at a premium to December08 through April 09, indicating concerns of near term shortages. This is still carry over shortages due to Hurricanes Gustav and Ike. We would continue to look for the November to remain strong against the December contract as more refiners attempt to return to full capacity. We would look to buy this spread, buying the December and selling the November contract, on any bounces off of the .65 support level. On an outright basis, pressure should continue to push prices lower, with the November contract attempting to test the \$85.40 support level based on a spot continuation chart. Lack of demand continues to weigh on gasoline prices, pushing the November contract below the \$2.2434 downward trendline. This is the lowest level that gasoline prices have traded at since the week of December 3rd 2007. Although technical indicators are trending lower, they have not reached over sold territory. We would look for gasoline to succumb to more pressure, working towards support set at \$1.8452. Gasoline crack spreads also continue there downward spiral, with the November gas crack approaching its all time low of \$4.4088. Bare in mind that, at the time of this writing Colonial Pipeline released a 30-inch line, carrying fuels including gasoline and diesel from Greensboro, North Carolina, to Linden, New Jersey, was shut around noon today, due to damage to the line by a contractor. This may provide short-term support, but we do not believe it will be significant support. Heating oil, like the gasoline, continues to respond negatively to slackening demand. Technical indicators are indicating further downside movement and have not traded in over sold territory as of yet.

Open interest for crude oil, NOV.08 2522711 +2,063, DEC.08 206,410 +3,008. Totals: 1,092,416 +1,680
 Open interest for heating oil; is NOV.08 55,872 +992 DEC.08 27,155 -76 Totals: 202,600 +684
 Open interest for gasoline is, NOV.08 70,162 -869, DEC.08 29,856 -8, Totals: 167,084 -1,696.

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 1,635 contracts to 40,093 contracts in the week ending September 30. The combined futures and options report showed that non-commercials increased their net long position by 1,027 contracts to 78,793 contracts on the week. Meanwhile the combined futures and options report also showed that non-commercials in the heating oil market cut their net long position by 1,733 contracts to 5,908 contracts while non-commercials in the RBOB market cut their net long position by 4,860 contracts to 21,113 contracts on the week. It is likely that funds have continued to cut their net long positions during the past few trading sessions.

Crude Support	Crude Resistance
87.10, 85.40 , 78.35, 68.63	105.62, 111.57 (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, 3.1937, 3.3684, 3.4574. 3798, 3.6135, 3.8215
Gasoline support	Gasoline resistance
2.1720, 1.9050, 1.8452	2.5266, 2.8521, 2.9600, 2.9989, 3.1050, 3.1460, 3.1840, 80003.2620