



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR OCTOBER 6, 2008

A panel of President George W. Bush's advisors said financial markets in the US and around the world are extremely strained and regulators must work in forceful and coordinated ways to restore confidence and stability in the markets. They added that the Treasury Department will move rapidly to implement its new authority to buy troubled debt from ailing financial institutions. Later, President George W. Bush said it will take awhile for the financial rescue plan to work.

World Bank President Robert Zoellick called for the Group of Seven industrialized nations to be expanded to include major developing countries, saying the current world leadership structure is

Market Watch

The National Hurricane Center reported that a tropical depression formed in Mexico's oil producing area of the Gulf of Mexico. It said tropical depression 13 off the coast of Mexico is likely to strengthen and turn into a tropical storm before it makes landfall on the Mexican coast. The center is expected to make landfall early Tuesday.

According to the deputy director of the Climate Prediction Center of the National Oceanic and Atmospheric Administration, Michael Halpert, temperatures across the US will be above normal in December 2008-February 2009, except for the Northeast. The outlook for the Northeast shows equal chances of normal, above normal or below normal temperatures. In terms of heating degree days, the winter season will be "very similar to last year."

UBS cut its 2009 forecast for US oil prices by \$15 to \$105/barrel due to weaker fundamentals and financial outflows. It also stated it expects prices to increase this winter but from a lower level to a lower high.

Societe Generale cut its crude oil price forecasts for 2008 and 2009. It expects US crude to average \$111.21/barrel in 2008 compared with its previous forecast of \$113.78/barrel in late August. It expects US crude prices to increase to \$114.17/barrel in 2009. It also lowered its ICE Brent futures prices to \$109.38/barrel in 2008 from \$112.59/barrel and to \$113.67/barrel in 2009 from \$119.92/barrel.

Pertamina said the global financial crisis has not affected its operations and investment plans. Pertamina's president Ari Soemarno said most of the company's projects are financed with funds provided by Japanese lenders instead of US banks. He however said Pertamina will shelve its plan to borrow \$500 million from offshore financial markets to develop the Cepu oil block and instead will use internal cash in light of the world liquidity squeeze. Separately, Pertamina floated a term tender seeking 1.68 million barrels of jet kerosene for November 2008 to April 2009 loading.

Japan's Nikkei reported that the Japanese government plans to require electric, gas and petroleum companies to use certain amounts of nonfossil fuels such as solar, hydraulic and nuclear power. The goal is to increase the proportion of nonfossil fuels to Japan's total energy supplies to about 30% in fiscal 2030 from 18% in fiscal 2005.

Beijing's city authorities have increased pump prices to cover the cost of cleaner fuel. It has increased gasoline prices by 200 yuan/ton or \$29.18/ton or about 2.5% and diesel prices by 290 yuan/ton or 4%, effective October 7.

October Calendar Averages

CL – \$93.55
HO – \$2.6731
RB – \$2.2256

not well equipped to deal with the global crisis. He called for greater cooperation in financial, economic, energy and trade issues. He also argued that the G7 should be doubled in size to including rising powers such as China, Russia, Saudi Arabia, Brazil, India, Mexico and South Africa.

The MMS reported that crude oil and natural gas production in the Gulf of Mexico continued to come back into the market. It reported that 25,366 bpd of shut in oil production was restored since Friday, with a total of 600,679 bpd of crude production still shut in on Monday. It also showed that a total of 302 mmcf/d of natural gas production was restored, leaving 3.001 bcf/d of natural gas production still shut in.

The DOE said it is delivering 300,000 barrels of crude from the SPR to Placid Oil’s refinery at Port Allen, Louisiana. It said the emergency crude oil loan was needed due to supply disruption caused by Hurricane Gustav and Ike. The 300,000 barrels to Placid were part of a 900,000 barrel loan to two unnamed companies that Energy Secretary Samuel Bodman revealed in a letter on October 1. Placid Oil has received a total of 1.039 million barrels of SPR crude, out of a total 5.089 million barrels of oil delivered to oil companies.

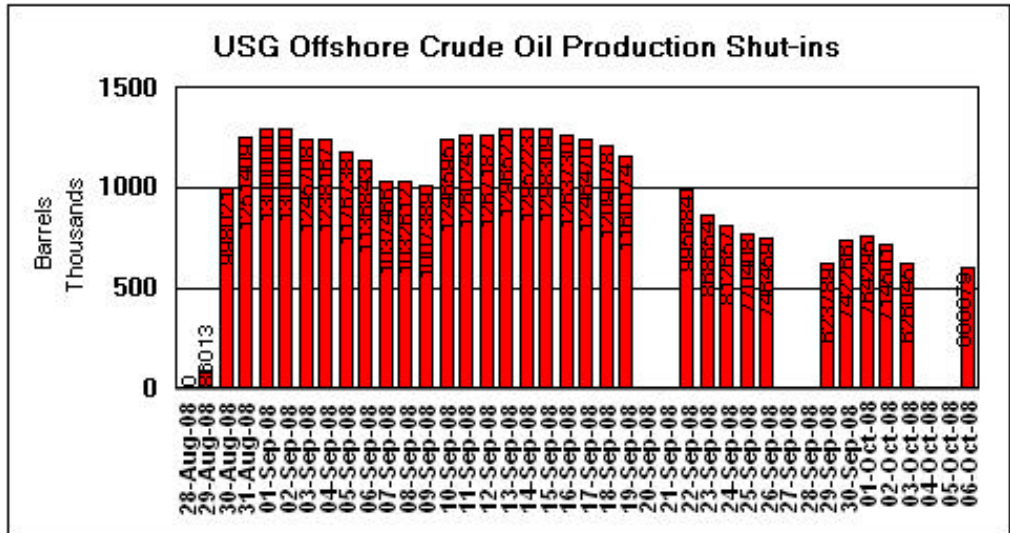
The EIA reported that the US average retail price of diesel fell by 8.4 cents/gallon to \$3.875/gallon in the week ending October 6. It fell to the lowest level since March 10. It also reported that the US average retail price of gasoline fell by 14.8 cents to \$3.484/gallon on the week.

Iran’s Oil Minister Gholam Hossein Nozari warned that the recent oil price fluctuations are not tolerable and a price of \$100/barrel is too low as it will slow investments in projects aimed at increasing output. He said OPEC will close watch fluctuating crude oil prices and decide during the group’s next meeting in December whether to take any action.

Iraq’s Oil Minister Hussain al-Shahristani said OPEC members are worried about the price of oil falling to below \$90/barrel. He said the fall in oil prices to an eight month low was due to the world economic crisis and not a change in supply.

Iran’s nuclear negotiator Said Jalili has written to European Union foreign policy chief Javier Solana to protest over the West’s attitude on the country’s nuclear program. In a letter, he says the West’s approach has harmed the constructive process of negotiations between the two parties.

Turkey’s military stated that Turkish warplanes have carried out a bombing raid against Kurdish rebel hideouts in northern Iraq. The strike followed an initial operation Sunday night, in which Turkish forces fired artillery at rebel positions in northern



Iraq.

National Iranian Oil Co's managing director Seifollah Jashnsaz and a delegation of Iranian oil officials traveled to China late Sunday to finalize talks on energy cooperation. The Iranian delegation will hold talks with senior Chinese officials on improving cooperation between the two countries in the energy sector and improving Iran's oilfield recovery rates, the sale of liquefied natural gas to China and China's participation in the development of the South Pars natural gas field.

Refinery News

Colonial Pipeline said that Line 03 from Greensboro, North Carolina to Linden, New Jersey restarted late Sunday after repairs were completed. A drilling contractor damaged the pipeline early Friday.

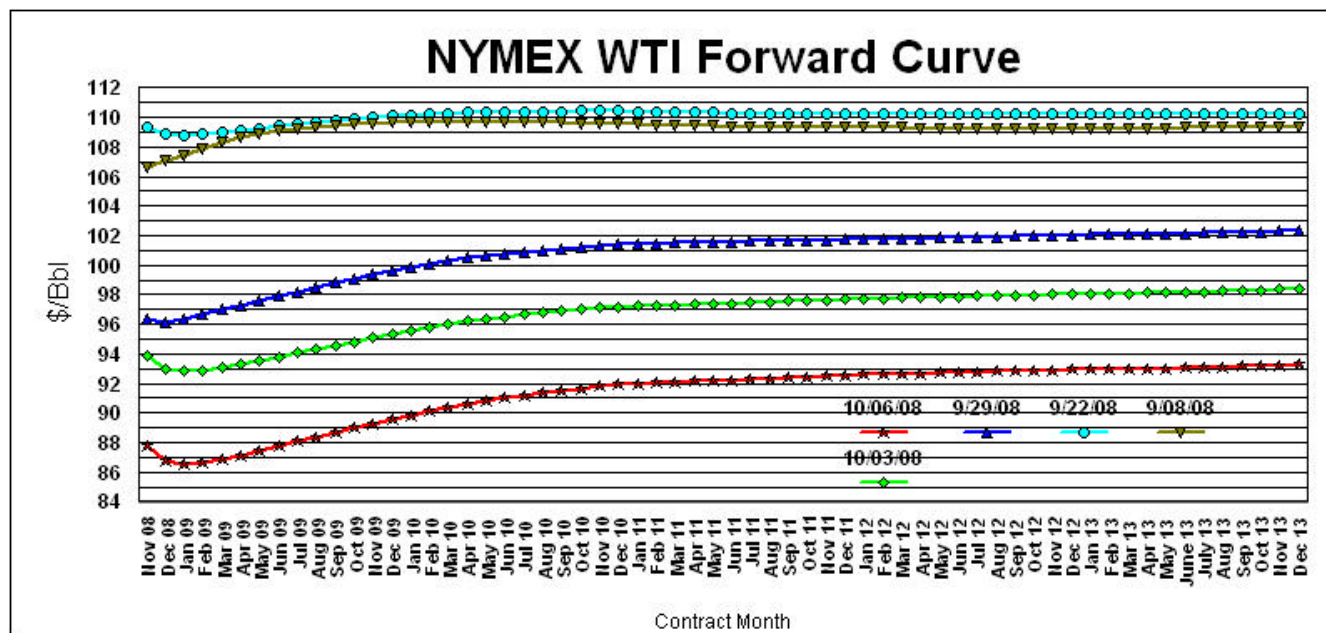
Pasadena Refining will restart a 56,000 bpd fluid catalytic cracking unit at its 100,000 bpd refinery in Pasadena, Texas following the completion of maintenance work. The restart process is expected to last about 10 hours.

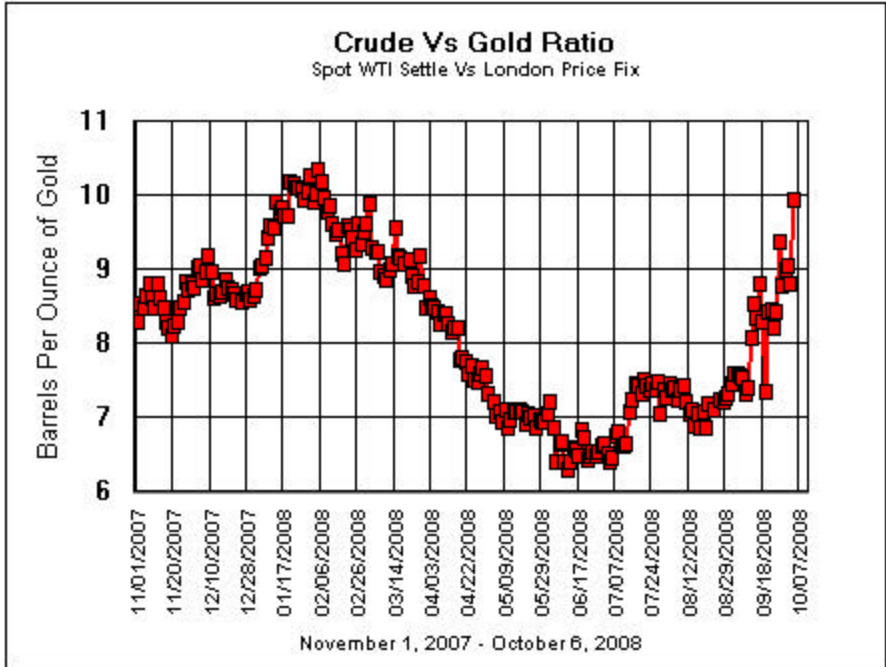
According to Credit Suisse, US refining margins increased as crude prices fell 12.4% on concerns that a slowing world economy will reduce demand. Gulf Coast margins increased by 10.1% or \$1.10 to \$11.96/barrel while margins in the Northeast fell by 8.3% or \$1.15 to \$12.80/barrel. Midwest margins increased by 44% or \$6.99 to \$22.88/barrel while margins in the Rockies increased by 47.4% or \$10.04 to \$31.21/barrel and margins along the West Coast increased by 23.1% or \$3.97/barrel to \$21.12/barrel.

Total SA will begin flaring on Monday at its Feyzin oil refinery in France as part of a planned outage at a steam cracker unit. The unit will undergo work on its compressor.

Eni SpA said its Taranto refinery had a power blackout earlier in the day, adding output was returning to normal as electricity supply was reinstated. It also stated that its 170,000 bpd Sannazzaro refinery is currently undergoing work scheduled to end in October. It started work at its diesel desulfurization unit and its naphtha desulfurization unit.

Petrobras said its Henrique Lage refinery started a planned 46 day outage on October 3 to carry out maintenance work and upgrade equipment. It said most of the work will be carried out at its 250,000 bpd distillation unit. The market will be supplied with the refinery's stocks and by other Petrobras units. Separately, Petrobras said late Friday that it shutdown its Revap refinery for 46 days of maintenance.





The project will improve industrial processes and equipment at the unit.

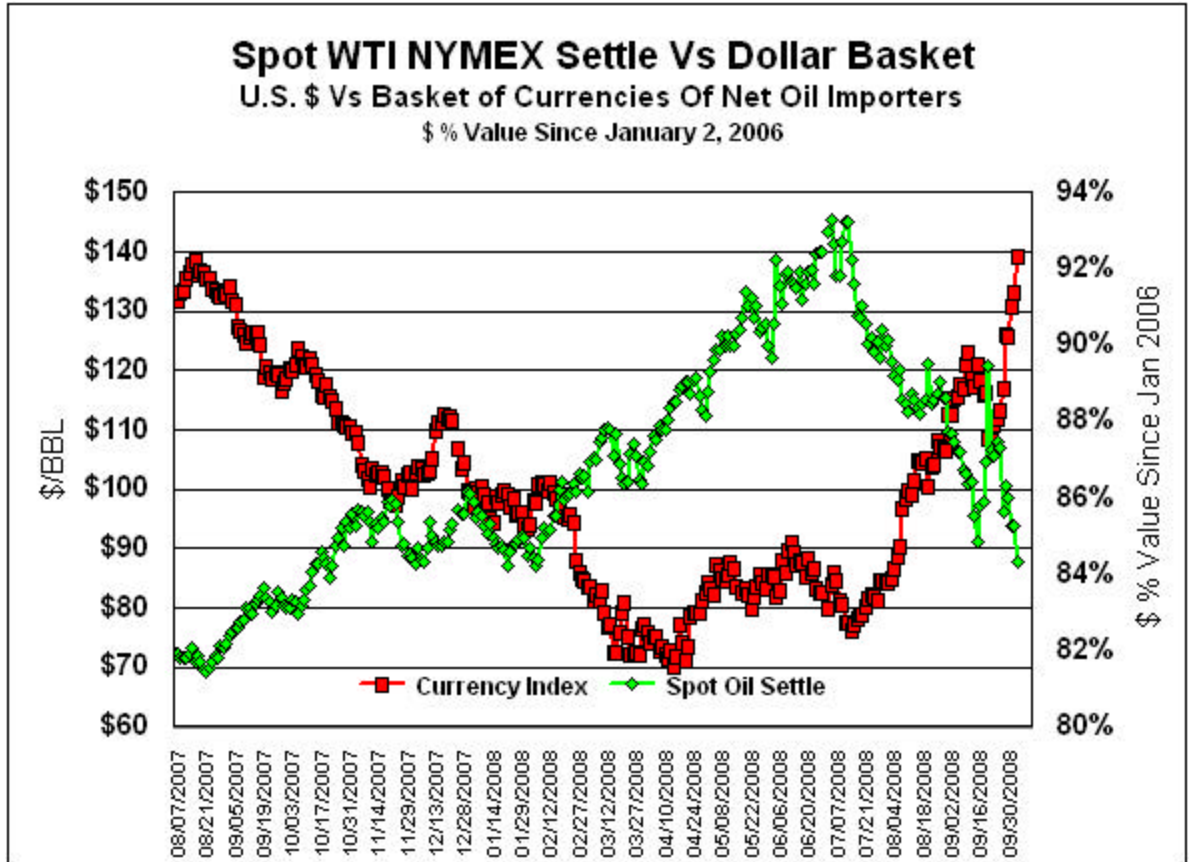
Venezuela's PDVSA is pondering three new refineries as part of its plans to gain a stronger footing in regional energy markets. It is considering building a 200,000 bpd refinery in Zulia in western Venezuela, a 20,000 bpd refinery in Haiti and a 10,000 bpd refinery in Dominica. It is also seeking to expand the markets for its crude oil primarily among neighboring countries.

Production News

According to Dow Jones

Newswires, OPEC lowered its crude oil production in September by 1.03% or 334,000 bpd on the month to 32.215 million bpd. Output by the group's 12 members fell by 0.74% or 224,000 bpd to 30.025 million bpd. It showed that Saudi Arabia's oil production fell by 75,000 bpd to 9.425 million bpd while Iran's production fell by 50,000 bpd to 4 million bpd. Iraq's oil production fell by 1.1 million bpd to 2.19 million bpd.

Pemex is still struggling with oil production issues that forced it to shut in 250,000 barrels nearly two weeks ago. The amount of production shut in has fluctuated between 150,000 bpd and 250,000 bpd during the period and is still not back to

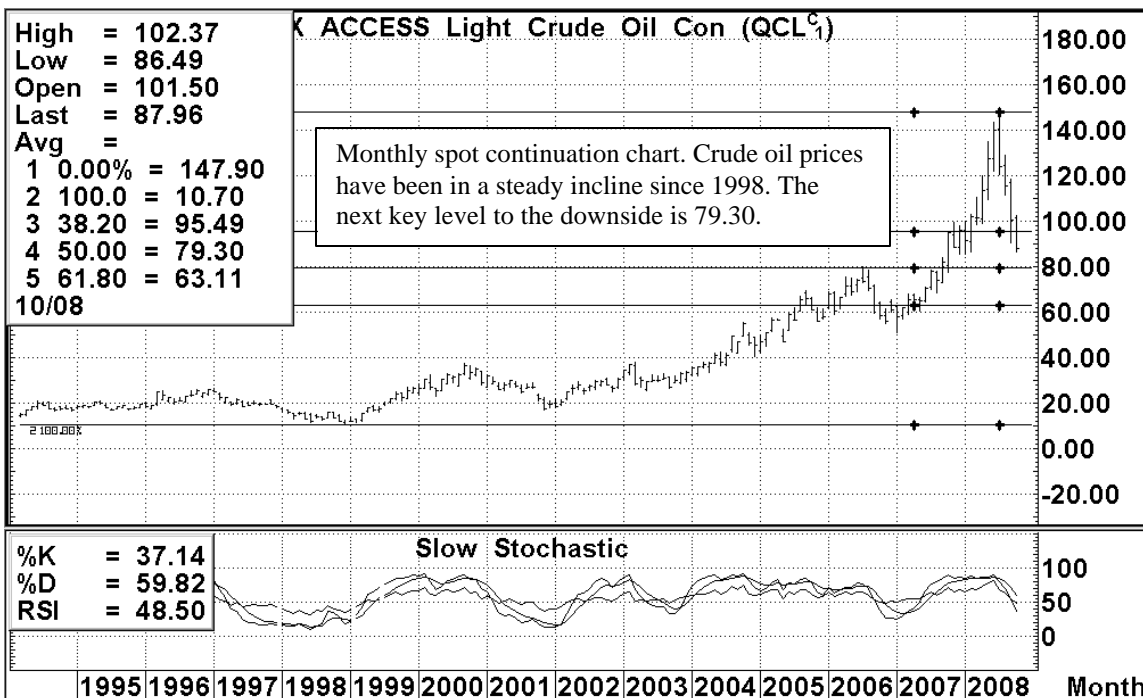


normal. A combination of refineries in the US canceling crude shipments from Mexico and port closures along Mexico's Gulf coast led to the shut in.

Ecuador's President Rafael Correa has threatened to nationalize an Amazon oil field operated by Brazil's Petrobras and expel the company from the country, accusing it of delaying an agreement that would give the government control of the lot. The government is negotiating with Petrobras to change its current participation contract for Block 18, where Petrobras produces 32,000 bpd, for a service contract in one year. He also threatened to expel other companies if they have low production or low investment in the fields.

Ecuador's Mining and Oil Minister Galo Chiriboga said that the country's oil reserves will increase by 186 million barrels up to the end of the year to 4 billion barrels.

A senior Iraq official said the country's crude oil exports in September fell by 8.2% to 1.644 million bpd from 1.78 million bpd in August. Iraq exported a total of 1.321 million bpd from southern oil fields via the Basra oil terminal and



320,000 bpd from its northern oil fields via the Turkish port of Ceyhan. The official said the remaining 3,000 bpd were exported by trucks to Jordan. Iraq's average crude oil exports since the beginning of January up to the end of September stood at 1.88 million bpd.

Kazakhstan's KazMunaiGas said it has signed a memorandum of understanding with ConocoPhillips and Mubadala Development Company for joint exploration and production of the N block, an offshore field in Caspian Sea. The block is estimated to hold 4.7 billion barrels of oil equivalent.

StatoilHydro said that the templates on the Gjoa field in the North Sea have installed and are ready to start drilling in the middle of November. Production is expected to start in the autumn of 2010.

OPEC's news agency reported that OPEC's basket of crudes fell by \$2.91/barrel to \$86.37/barrel on Friday.

Market Commentary

As investors fled the commodities markets in order to take advantage of a strengthening dollar, energy prices plummeted. With the condition of the global economy in turmoil, commodities should experience continued pressure. Demand for energies will suffer and the previous investor appeal will dissipate. The November crude oil contract fell to its lowest level in eight months, falling .46 cents shy of the \$87.10, 62% retracement between \$147.27 and \$49.90. We would look for an extension of this downside movement and for prices to test the key support set at \$85.40. Although our outlook is for the flat price to continue lower, the November/December spread should hold its strength. Not until production in the Gulf of Mexico reaches full capacity can we see the front spread start to collapse. Products came under pressure as well, with the November and December gasoline cracks settling in negative territory. Technically, these crack spreads should be starting to rebound, but will not do so until demand picks up. Gasoline prices are down 43% from a peak in July and given the economic outlook, further downside movement is likely. Basis the spot continuation chart for gasoline, the next key support level is \$1.9285. Heating oil also experienced downward pressure and is poised to test key support at \$240.40. Due to its seasonality, heating oil should hold up better than the gasoline. Open interest for crude oil, NOV.08 253,731 +1,460, DEC.08 204,554 -1,856. Totals: 1,091,309 -107 Open interest for heating oil; is NOV.08 55,696 -176 DEC.08 27,957 +802. Totals: 206,253 +3,653 Open interest for gasoline is, NOV.08 70,064 -98, DEC.08 29,073 -783, Totals: 166,753 -331.

Crude Support	Crude Resistance
87.10, 85.40, 79.30, 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
2.4040	3.1050, 3.1937, 3.3684, 3.4574. 3798, 3.6135, 3.8215
Gasoline support	Gasoline resistance
192.85, 1.9050, 1.8452	2.5266, 2.8521, 2.9600, 2.9989, 3.1050, 3.1460, 3.1840, 80003.2620