



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino

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

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 11, 2008

Iran's Oil Minister Gholamhossein Nozari said OPEC should take further action to stabilize oil prices. He said the output cut OPEC agreed on in October was enough only to prevent a steeper fall in prices. He also urged non-OPEC oil exporters to help the group balance supply and demand and stabilize prices. He reiterated that OPEC may meet before its planned gathering in December if current market conditions continue. Separately, Iran's OPEC Governor Mohammad Ali Khatibi said the oil market remains oversupplied despite a cut in production. He said there is some indication that shows the market is still oversupplied. He also stated that OPEC may meet early if oil prices continue falling.

An OPEC source said the group may cut its oil production by an additional 1 million bpd

Market Watch

China is considering a new pricing policy for refined oil products and natural gas, as part of a series of measures to prevent big swings in economic activity and to maintain steady growth amid a global economic slowdown. China has previously promised to liberalize energy prices as part of a drive to increase energy efficiency and conservation of resources but has been concerned of the consequences of doing so amid rising inflation high coal and oil prices.

Trade sources said Morgan Stanley is again able to deal without restrictions in the half-hour Asia oil trading window. Morgan Stanley withdrew from the window in September after Platts placed it under review because of counterparty concerns about its credit status.

Russia's Prime Minister Vladimir Putin said Russia will revise its oil export duties monthly, rather than every two months. Russia cut its oil export duties to \$287/ton from November 1 from \$372.20 in October. Under the new proposals, December export duties would not be based on the average September-October Urals price of \$84/barrel but on the average price between October 15 and November 14.

Brazil's Mines and Energy Minister Edison Lobao said changes to Brazil's oil legislation will be designed in a way to maintain the interest of foreign investors in the country. He reiterated that all previously signed concession contracts will be respected. An inter-ministerial panel is currently studying plans to change Brazil's oil legislation to cover development of the country's offshore subsalt oil deposits.

Libya's leader Moammar Gadhafi said he is determined to scarp ministries and redistribute oil wealth directly to the people. He said all ministries except foreign affairs, defense, security and justice would be dismantled.

In October, Pemex said it would rent five large offshore rigs. However a week later Pemex withdrew the rate tenders to make revisions. Rig suppliers such as Schlumberger Ltd, Noble Corp and Diamond Offshore Drilling expect to see the tenders before the end of the year. Pemex plans to double its exploration spending over the next three years, expanding the opportunities for oil service firms that have worked in Mexico for decades.

when it meets in December due to the economic recession, which is cutting demand. He said it was also important to abide by the already announced cuts of 1.5 million bpd.

November Calendar Averages

CL – \$63.33

HO – \$2.0078

RB – \$ 1.3827

Diplomats from Britain, China, France, Germany, Russia and the US are scheduled to meet on Thursday in Paris for talks on Iran's nuclear program. The head of the IAEA, Mohamed El Baradei said the IAEA remains worried about Iran's uranium enrichment program and added that Iran should be more open about its intentions. He also stated that US President-elect Barack Obama's

stated readiness for talks with Iran without preconditions could make Iran more forthcoming with the agency. He said a political opening would also convince Iran to work with the IAEA to solve remaining technical issues.

Refinery News

Colonial Pipeline has allocated cycle 65 for its main line transporting diesels, jet fuel and heating oil north of Collins, Mississippi as demand for shipping space exceeds capacity. Colonial started restricting distillate shipments on October 23 when it froze the 60th cycle nominations and allocated the 61st cycle nominations.

Valero Energy Corp shut a 65,000 bpd fluid catalytic cracking unit at its 130,000 bpd Houston, Texas refinery to repair a wet gas compressor. The unit is expected to restart by the end of the week. Meanwhile according to a report filed with the Texas Commission on Environmental Quality, a hydrocracking unit at Valero's 260,000 bpd Port Arthur, Texas refinery was shut down last week for unplanned maintenance. Valero Energy Corp restarted a hydrocracking unit at its 325,000 bpd Port Arthur, Texas refinery on Monday after it was shut last week for unplanned maintenance.

According to Euroilstock, total crude and product stocks increased by 0.2% on the month and by 2.2% on the year to 1.12 billion barrels in October. Crude oil stocks built by 0.5% or 2.56 million barrels on the month but fell by 0.4% or 1.78 million barrels to 474.65 million barrels. Gasoline stocks fell by 0.6% or 680,000 barrels on the month and by 0.7% or 800,000 barrels on the year to 120.96 million barrels while middle distillate stocks fell by 0.3% on the month but increased by 5.8% to 377.78 million barrels. The refinery utilization rate fell in October to 88.84% from 90.11% in September. Crude intake fell by 170,000 barrels on the month to 11.638 million barrels.

China's General Administration of Customs reported that the country's crude oil imports in October increased by 28.2% on the year to 16.16 million tons or 3.81 million bpd. China's crude imports in the first 10 months increased 10.6% to 151.15 million tons. China's oil product imports fell by 7.8% on the year to 2.02 million tons in October. Its January to October import of oil products increased to 33.28 million tons, up from 29.02 million tons last year. Separately, China's coal exports increased to 2.56 million tons in October, up 23% on the month. This is in contrast to earlier this year when China's growing coal consumption caused imports to increase and exports to fall. However coal exports have increased as steelmakers shut in capacity and electricity production has declined.

India's Reliance Petroleum may start exports from its new 580,000 bpd refinery in April. Reliance aims to export products to develop markets in Europe and the US.

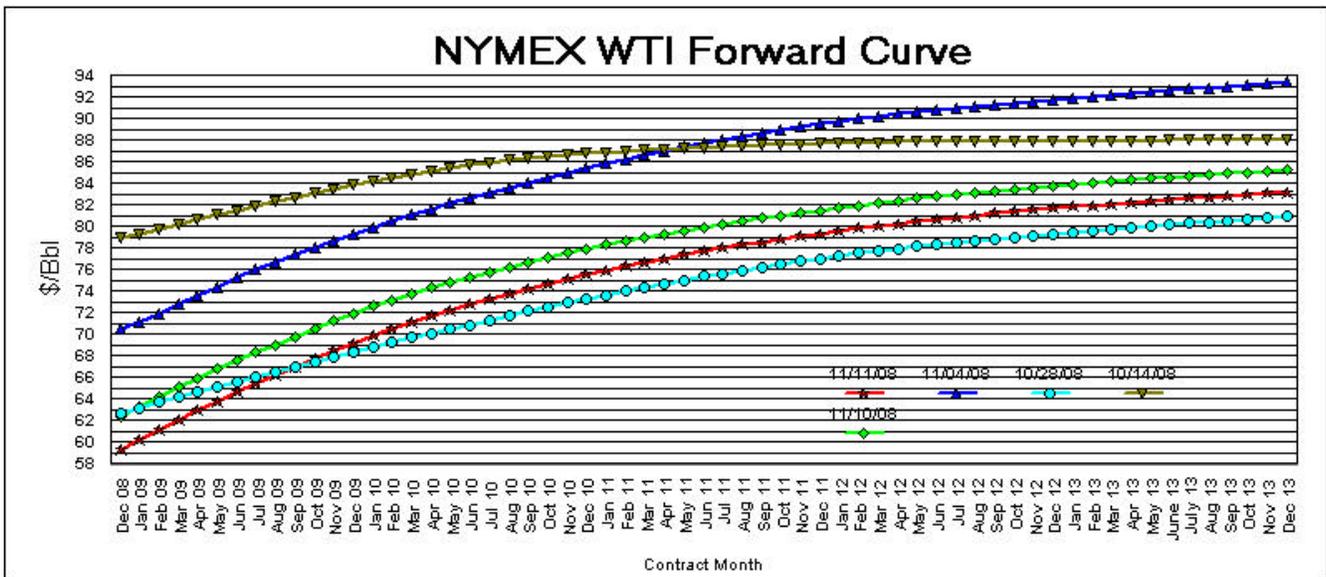
India's Hindustan Petroleum Corp has purchased the first 450,000 barrel crude cargo from Reliance Industries' east coast block in a spot agreement.

Production News

The North Sea Forties crude oil stream is scheduled to load 20.4 million barrels in December, up from 19.2 million barrels in November. The North Sea Oseberg crude stream is scheduled to load 7.35 million barrels in December, up from 6.35 million barrels in November. The North Sea Ekofisk crude system is scheduled to load 13.35 million barrels in December, up from 12.25 million barrels in November. Meanwhile, Norway's North Sea Gullfaks crude oil stream is scheduled to load 303,387 bpd in December, down from 313,500 bpd in November. Norway's North Sea Statfjord crude oil stream is set to load 221,000 bpd in December, down from 285,000 bpd in November.

The chairman of China National Petroleum Corp has formally signed the \$3 billion 20-year oil service contract with the Iraqi Oil Ministry to develop the Ahdab oil field in central Iraq. CNPC is the first foreign oil firm to enter an agreement with the central Iraqi government to invest in the domestic oil industry since the 2003 US led invasion. A ministry official said the field would produce about 25,000 bpd at the first stage and increase gradually to reach a capacity of 125,000 bpd.

Kuwait cut its official selling price for its crude sales to Asia for December by \$1 to \$4.05/barrel below the Oman/Dubai average.



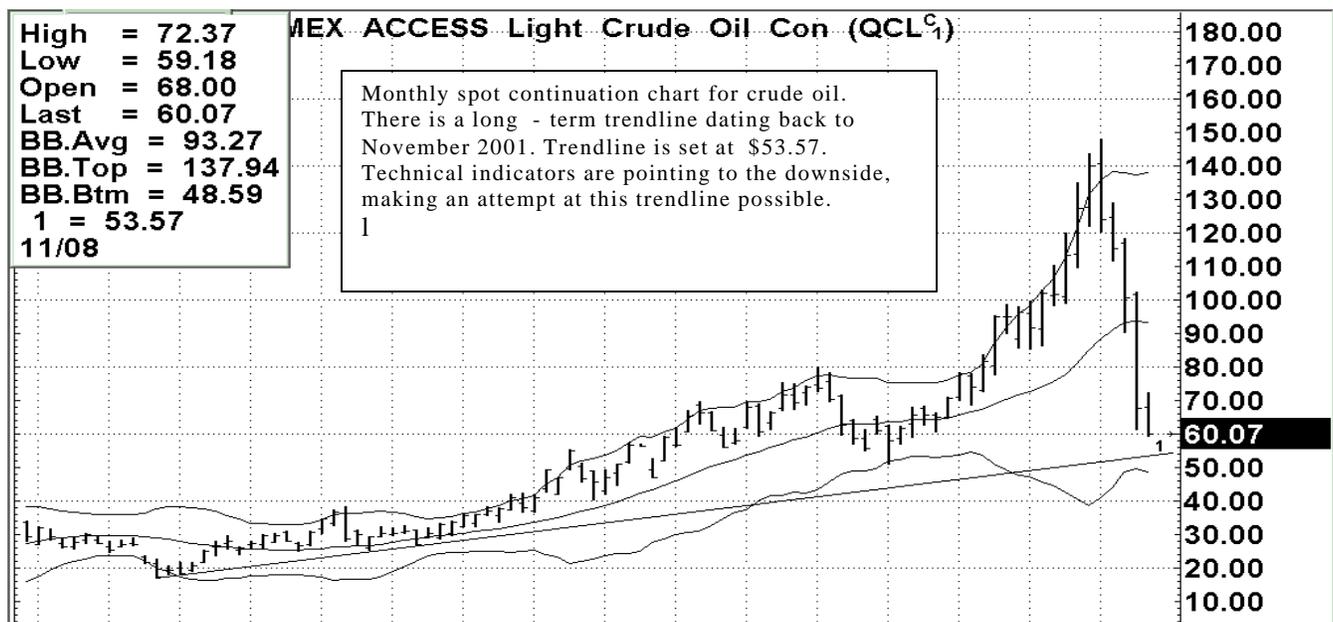
Iraq's State Oil Marketing Organization left the December official selling prices of its Basra Light crude destined for the US and Europe unchanged. Basra Light crude bound for the US was priced at second month WTI minus \$7.05/barrel while Basra Light crude bound for Europe was set at Brent minus \$4.35/barrel. Basra Light crude bound for Asia was set at the Oman/Dubai average minus \$3.35/barrel, down \$ 1.30 on the month. Meanwhile its Kirkuk crude bound for the US was priced at spot WTI minus \$4.95/barrel, down 40 cents while Kirkuk crude bound for Europe was priced at Dated Brent minus \$3/barrel, down 75 cents

OPEC's news agency reported that OPEC's basket of crudes increased to \$54.77/barrel on Monday, up from Friday's \$53.49/barrel.

Market Commentary

Crude oil hit its lowest level since March 2007 on speculation the International Energy Agency will cut its 2009 oil-demand forecast because of slowing economic growth. A stronger dollar and weaker equities also contributed to today's market activity. The December crude oil contract is slowly approaching the long-term trendline depicted on the chart within this wire. This trendline is set at

\$53.57. With current market conditions as they are and barring any new major fundamentals, we would look for a test of this level. The shape of the forward curve has changed slightly with the front end of the curve pulling further away from the deferred. Since breaking away from the -.47 to -.61 gravitational range, the December/January spread has continued to weaken. We would look for further pressure on this spread, with -1.05 the next downside target and -1.59 the ultimate objective. There is one factor that may lend artificial support to this market and that would come by way of imports. Nominations for US-bound crude imports are expected to be lower and may lead to the belief that supplies are short. However, efforts by buyers to reduce their stocks ahead of the year's end for tax purposes could be the reason imports may fall. This will be a temporary situation, at a time when demand is low. Heating oil and gasoline should follow the crude lower, being weighed down by slackening demand. Refining margins recovered somewhat last week, which would lead to higher refining runs. This will put more product on the market, which in turn will add to the pressure on prices.



The energy markets will continue to react to the global economic situation and its impact on the equities markets and the dollar, rather than the true fundamentals of this market. We would continue to trade cautiously, buying and sell at the listed support and resistance numbers.

OI Crude Oil (CL) DEC.08 228,597 -23,664 JAN.09 180,080 +20,064 FEB.09 49,474 +494 Totals: 1,146,363 -2,962
 N.Y. Heating Oil (HO) NOV.08 49 DEC.08 43,763 -5,685 JAN.09 43,125 +2,346 FEB.09 20,411 -218 Totals: 220,087 -2,898
 New York Harbor RBOB Gasoline (RB) DEC.08 52,983 -4,683 JAN.09 45,656 +4,666 FEB.09 9,623 +1,180 Totals: 163,980 +2,705

Crude Support	Crude Resistance
53.57, 52.73, 49.90	65.56, 67.00, 72.53, 74.30, 75.91, 79.35 85.50, 90.51
Heat Support`	Heat resistance
1.8530, 1.7880, 1.7638, 1.6055, 1.4530	2.2796, 2.3720, 2.3806, 2.4500, 2.5732, 2.6400, 2.6880, 2.6965, 2.7475 3.0184
Gasoline support	Gasoline resistance
1.2500, 10350, .7760, .6840	1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865

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