



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR DECEMBER 1, 2008

During OPEC's meeting this past weekend, OPEC decided to defer a third output cut until its meeting on December 17. OPEC's President Chakib Khelil said OPEC's move to delay an output decision until its next meeting was aimed at better evaluating the market situation. OPEC's Secretary General Abdullah al-Badri said high OECD oil stocks show the oil market is oversupplied and added that OPEC will likely cut supplies when it meets later this month. He said OPEC is ready to cut production by a significant amount when it meets in Algeria. He said he believed it would be in the best interest of producers both inside

Market Watch

The National Weather Service forecast that US heating demand for the week ahead is expected to be 1.2% below normal levels. Demand for heating oil is expected to be about half a percent above normal this week.

According to the Institute for Supply Management, US factory activity in November fell to its lowest level since 1982. It said its index of national factory activity fell to 36.2 in November from 38.9 in October. New orders fell to the lowest level since 1980, down to 27.9 in November from 32.2 in October.

Global manufacturing activity fell for the sixth consecutive month in November. The JP Morgan Global Manufacturing PMI fell to 36.4 in November, the lowest since the survey began in January 1998. It is down from 41 reported in October.

A panel set up by Nigeria's government said Nigeria should divert 25% of its oil revenues to the Niger Delta and release the leader of the region's main militant group if it is to achieve peace there. A report by the "Mitee committee" said the allocation of funds from national oil and gas revenues to the region should be increased in order to finance new infrastructure. It said a ceasefire should be agreed to allow disarmament of militants to begin within six months and that a youth employment plan should be set up to employ 2,000 of those who handed over their weapons. The committee also stated that authorities should release the leader of the Movement for the Emancipation of the Niger Delta, Henry Okah.

Venezuela's President Hugo Chavez wants to speed up a constitutional referendum to end term limits. Last year, Venezuelans voted against a referendum that would have allowed President Chavez to be re-elected indefinitely. He said the referendum could come as early as January.

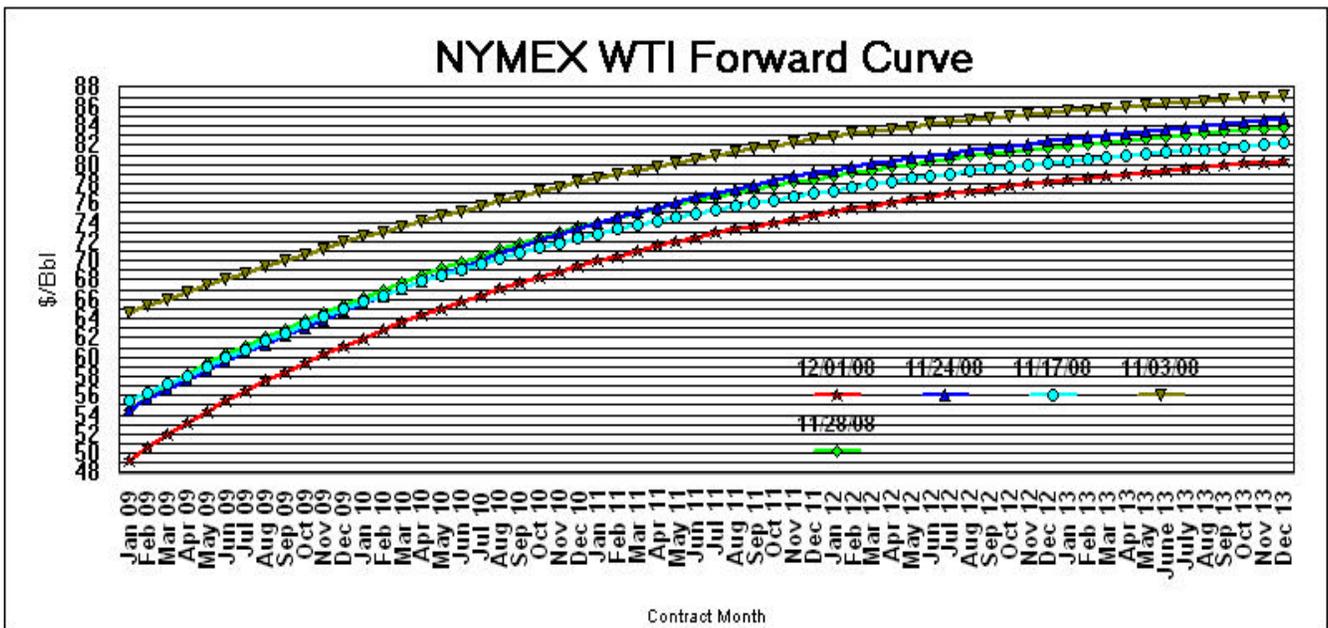
November Calendar Averages

CL – \$57.03

HO – \$1.8395

RB – \$ 1.2316

and outside OPEC to support prices. Saudi Arabia's King Abdullah said the price of oil should be \$75/barrel. Saudi Arabia's Oil Minister Ali Al-Naimi also said \$75/barrel is a fair price for oil. He also said the effect of OPEC's existing cuts was still not clear but added that OPEC would do what is necessary to support falling oil



prices. Kuwait's Oil Minister, Mohammed al-Aleem warned the market is oversupplied and did not rule out the need for OPEC to cut production further. Meanwhile, the chief executive of Kuwait Petroleum Corp Saad al-Shuwaib said oil is expected to reach a fair price of about \$75-\$80/barrel if OPEC decides to cut its output at its next meeting.

Somali pirates who have been holding Saudi super tanker, Sirius Star, since November 15 said they are still ready to negotiate its release. The group warned against any further attempt by the shipowners to involve the government.

The California State Board of Equalization said gasoline demand in California fell by 8.3% on the year in August. Diesel demand fell by 14.4% in August due to the US economic downturn and high prices.

The EIA reported that the US average retail price of diesel fell by 4.9 cents/gallon to \$2.615/gallon in the week ending December 1st. It is the lowest price reported since February 26, 2007 and it is down 80.1 cents below a year ago. It also reported that the US retail price of gasoline fell by 8.1 cents/gallon to \$1.811/gallon on the week. The price is the lowest since January 10, 2005.

Refinery News

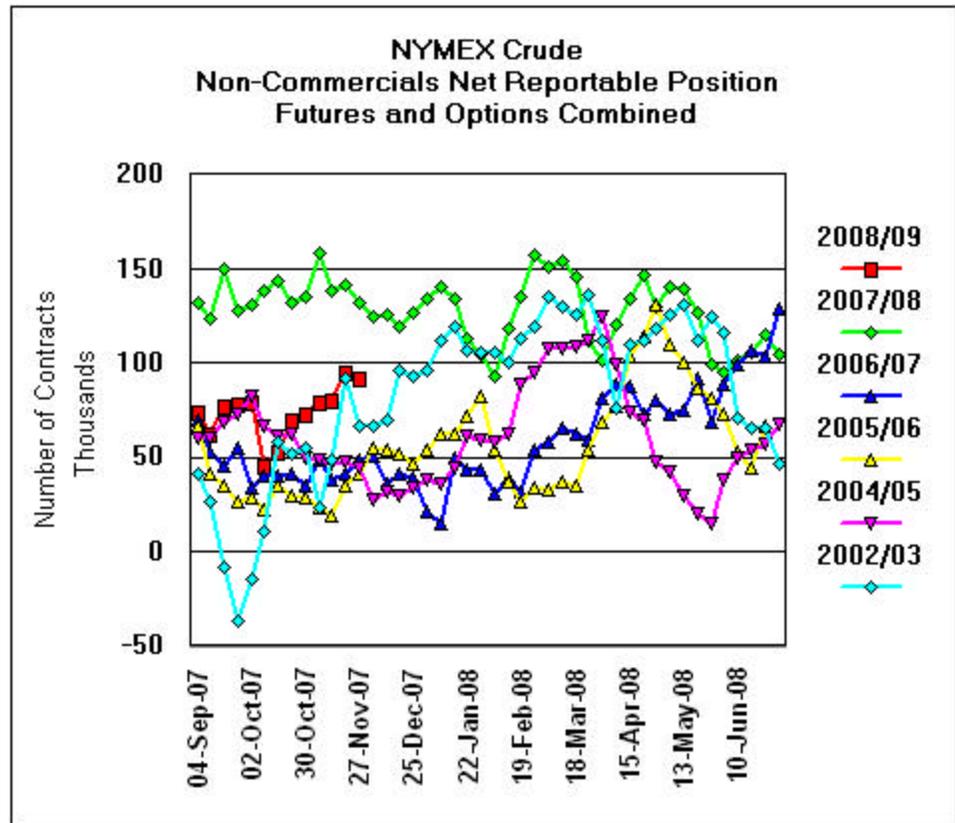
Credit Suisse reported that US refining margins were mixed during the week ending November 28. Margins in the Gulf Coast increased by 66.1% or 96 cents/barrel to \$2.41/barrel while margins in the Midwest fell by 90 cents to a negative 56 cents/barrel. Margins in the Northeast fell by 23.4% or \$2.12/barrel to \$6.93/barrel. Margins for refiners in the Rockies fell by 35.8% or \$3.36/barrel to \$6.02/barrel while margins in the West Coast increased by 7.7% or 65 cents to \$9.09/barrel.

ExxonMobil Corp shut a hydrofining unit at its 562,5000 bpd Baytown, Texas refinery on Sunday for planned maintenance. ExxonMobil also said a unit was shut at its 150,000 bpd refinery in Torrance, California following a malfunction on Monday. A refinery spokeswoman declined to say which unit was shut.

Total Petroleum shut unit 820 or its catalytic hydrotreater at its 232,000 bpd refinery in Port Arthur, Texas for about three weeks of planned work. The work, which started on Saturday, could last until December 17. It said rates to the fluid catalytic cracking unit were reduced slightly.

Total said its oil product output at its 223,000 bpd Lindsey oil refinery in the UK was below normal during the weekend due to operational issues. It did not specify by how much it had to reduce production or the cause of the operational issues. It said it would continue to allocate gasoline and diesel to fuel terminals fed by the refinery for the week.

India's domestic oil product sales in October fell by 1.7% on the year to 10.71 million tons, with diesel sales increasing by 6.4% on the year to 4.24 million tons. India's oil product imports in October increased by 6.9% to 1.7 million tons while crude oil imports increased by 13.2% to 11.37 million tons.



Production News

Iraq's oil exports from its main Basra terminal fell to 840,000 bpd on Monday, down from 1.56 million bpd on Sunday. The reason for the decrease was not immediately available. A flow of 1.56 million bpd had only been restored on Saturday after a week of bad weather had cut the flow to 960,000 bpd.

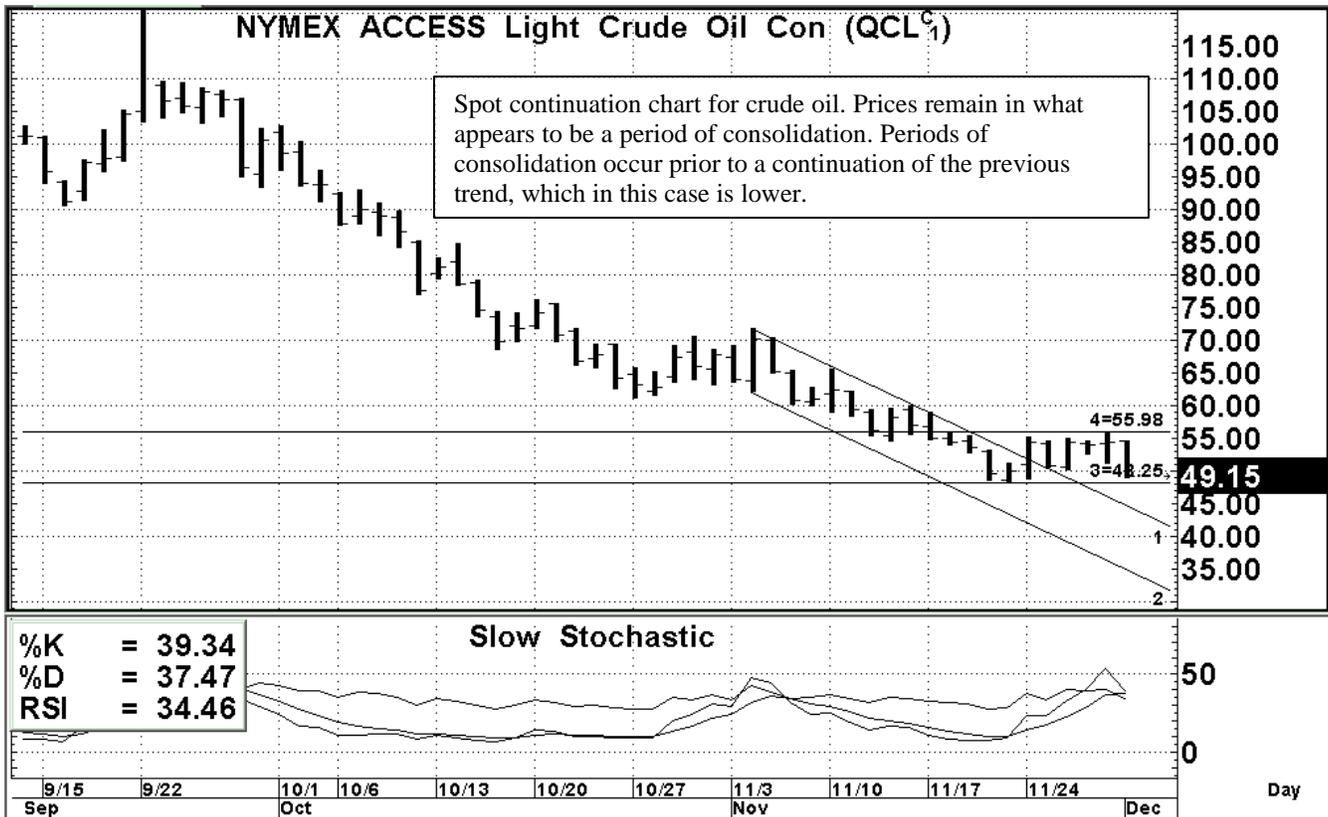
Mexico's Transport Ministry reported that Mexico's Dos Bocas oil terminal, which was shut earlier on Monday and the Pajaritos oil terminal, which was shut on Sunday, due to bad weather conditions were reopened later on Monday.

Brazil's Petrobras reported a 3.2% growth in fuel sales year to date through November. It said fuel sales have shown little impact from slowing economic growth.

Russia's Transneft said the conditions demanded by BP Plc in exchange for its approval of the expansion of the Caspian Pipeline Consortium pipeline amount to blackmail. Last week, BP said it would support the expansion of the CPC pipeline if it received unconditional and unrestricted rights to sell its interest in the project.

According to a Finance Ministry directive, Vietnam will cut its retail petrol prices by 7.7% and increase the import duty on oil products to 35% from 25% starting Tuesday following lower world oil prices. The retail prices of 92-octane gasoline would be cut to 12,000 dong or 73 cents/liter from 13,000 dong.

OPEC's news agency reported that OPEC's basket of crudes fell slightly to \$47.29/barrel on Friday from \$47.38/barrel on Thursday.



Market Commentary

With the announcement by OPEC that it would not cut its output immediately, crude oil prices tumbled below \$50.00 per barrel. The global economic situation is not showing signs of recovering, thereby impacting demand. Currently the January crude oil has been trading within the range of \$55.98 and \$48.25. Technical indicators are supporting further downside activity. Although the slow stochastics have not crossed to the downside, today's movement has %K turning to the downside, with %D moving higher. Should %K cross below %D, this would be an indication that prices will move lower. We would look to trade within the aforementioned trading range, buying and selling failed attempts at these levels and selling breaks below \$48.25 and buying breaks above \$55.98. The January/February spread continues to succumb to pressure from the global economic situation. This spread should remain under pressure due to the credit crunch and its impact on financing and deferred tight supplies caused by cautious spending. For the same reasons, the deep contango in this market should remain until the global economic situation shows signs of improvement. Both heating oil and gasoline movement should mirror that of crude oil, with demand being the prominent factor. With predictions for colder weather stretching across the north and northeastern parts of the U.S., demand for heating oil may help support heat crack spreads as end users may have to fill anemic supplies. The January heating oil crack spread rebounded today, and could potentially reach \$21.58. This is the area where this spread broke down. Should this week's inventory numbers indicate a draw in stocks, we believe that this spread will gain strength. With crude oil being the weakest of the three markets today, gasoline crack spreads gained today. Although demand will be key here too, any tightness in supplies will cause a scramble to build any shortages of prompt supply. These near term shortages will help support the gasoline against the crude oil and may artificially reflect demand. Even though we would look for products to begin to gain against the crude oil, we would be cautious in our optimism. Open interest: Crude oil (CL) JAN.09 309,956 +2,165 FEB.09 83,994 +444 MAR.09 65,283 +669 Totals: 1,141,336 +5,629, Heating oil (HO) JAN.09 68,334 -1,330 FEB.09 21,246 +238 MAR.09 22,217 +437

Totals: 219,043 -2,516 NEW YORK HARBOR RBOB GASOLINE (RB) JAN.09 80,998 +1,096 FEB.09 16,742 +609, MAR.09 15,724 +117 Totals: 174,277 + 419

The Commitment of Traders report showed that non-commercials in the crude market cut their net long position by 8,195 contracts to 2,790 contracts in the week ending November 25th. The combined futures and options report also showed that non-commercials cut their net long positions by 2,710 contracts to 92,198 contracts on the week. Non-commercials have likely continued to cut their net long positions. Meanwhile, the combined futures and options report also showed that non-commercials in the product markets increased their net long positions. Non-commercials in the heating oil market increased their net long position by 731 contracts to 8,507 contracts while non-commercials in the RBOB market increased their net long position by 2,087 contracts to 42,612 contracts on the week.

| Crude Support | Crude Resistance |
|----------------------------|--|
| 46.85, 40.45, 38.20, 36.75 | 52.75, 53.75, 57.23, 60.01, 62.79, 65.56, 67.00, 72.53, 74.30, |
| Heat Support` | Heat resistance |
| 1.6055, 1.4530, 1.3450 | 167.15, 171.85, 176.70, 2.2796, 2.3720 |
| Gasoline support | Gasoline resistance |
| 103.50, 94.10, 7760, .6840 | 115.75, 119.90, 121.90, 136.14, 1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865 |

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