



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 4, 2008

Saudi Arabia has already cut its crude supplies significantly to some of its customers. An industry source estimated Saudi Arabia had cut its exports by about 900,000 bpd from its peak in August. The source said that with continued cuts expected in December, supplies could become very tight especially for some grades.

Venezuela has informed its customers they will receive less oil in line with the country's new OPEC production quota. Venezuela agreed to cut production by 129,000 bpd as of November 1. Venezuela's Energy Minister Rafael Ramirez also said the country planned to put forward a further cut of 1 million bpd at the group's next meeting.

Algeria has cut its production by 71,000 bpd in line with OPEC's decision to cut its production by 1.5 million bpd. Meanwhile, Qatar has cut its crude oil exports to Asia by about 40,000 bpd in line with

Market Watch

Credit Suisse Group AG cut its 2009 and 2010 oil price forecast on concern over slower Chinese demand. Next year's oil price forecast was cut to \$58/barrel from \$73/barrel while its 2010 estimate was cut to \$78/barrel from \$98/barrel. Credit Suisse forecast that world oil demand would fall by 300,000 bpd next year, the steepest fall since 1982. It also lowered its forecast for 2009 Chinese economic growth to 7.2%. Annual GDP growth fell to 9% in the third quarter, setting the economy on track for its first year of less than double digit expansion since 2002.

According to the Commerce Department, overall factory orders fell 2.5% to a seasonally adjusted \$432 billion. This followed a revised 4.3% fall in August orders that was previously reported as a 4% decline.

The US EPA is scheduled to release an analysis of greenhouse gas emissions produced by biofuels, prompting fears that the report will cut development by painting biofuels as an environmental threat. EPA spokeswoman said work is continuing but the agency does not have a target date for its release.

Goldman Sachs' J. Aron agreed to pay \$89.8 million to close out several contracts with SemGroup LP. The trades are swaps, options and contracts for purchases of crude oil and propane that were affected when SemGroup filed for bankruptcy in July. A court hearing on the settlement is proposed for November 24.

JPMorgan Chase & Co is eliminating a group that traded the bank's own money in areas ranging from stocks to bonds and commodities and will likely lay off some traders. It said that the group's traders will be merged with traders in other areas that work with clients.

VeraSun Energy Corp has delayed indefinitely the startup of a Minnesota ethanol plant as the company seeks financing for final construction and opening costs. VeraSun filed for bankruptcy protection on Friday. However it said it would continue operating and received \$250 million in funding on Monday from creditors to do so.

OPEC's decision to cut its production. When asked whether OPEC may need to cut production again, Qatar's Energy Minister Abdullah al-Attiyah said he did not know yet and added that it too early to predict.

November Calendar Averages
CL – \$67.22
HO – \$2.0722
RB – \$ 1.4476

The US DOE said it does not expect to issue any more crude oil loans from the SPR to refiners affected by Hurricanes Gustav and Ike. The DOE loaned refiners 5.389 million barrels of crude from the SPR beginning on September 8. Refiners are scheduled to repay the oil loans by shipping crude, plus an unspecified additional amount of oil as a premium payment between January and May 2009.

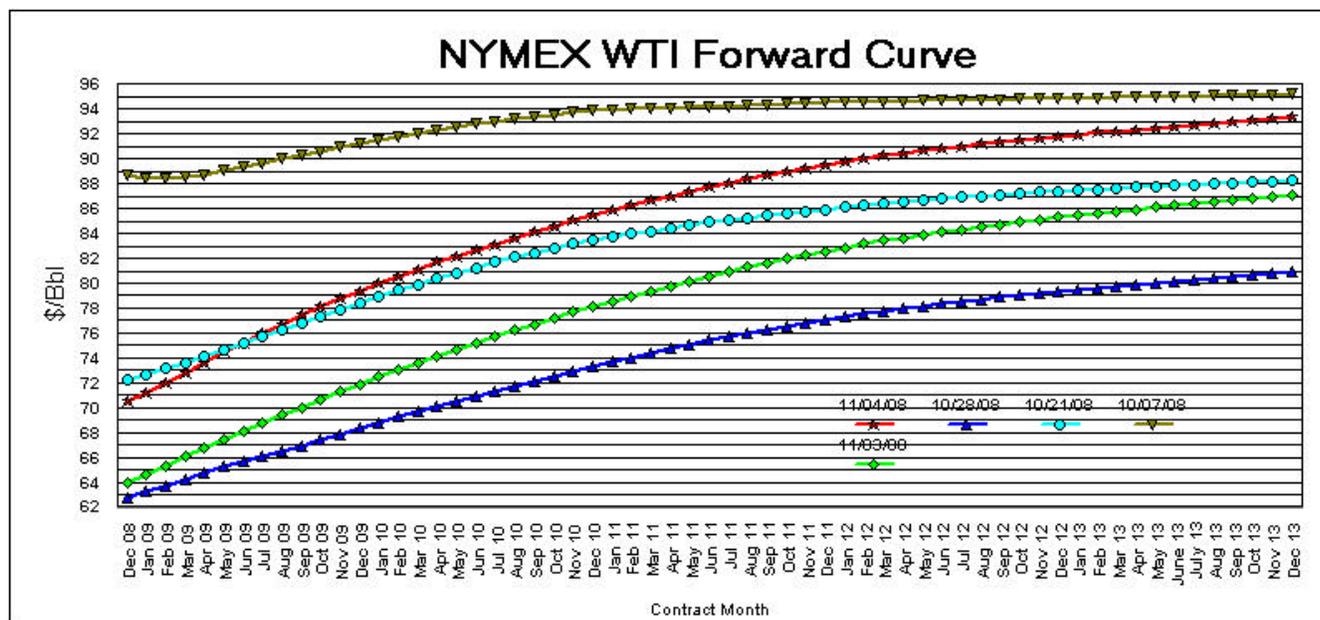
According to MasterCard Advisors, US gasoline demand averaged 9.015 million bpd in the week ending October 31, up 1.3% on the week. Gasoline demand remained 3.9% below year ago levels. The four week moving average for gasoline demand was 8.915 million bpd, down 6.6% on the year. It reported that the US average gasoline price fell by 26 cents on the week to \$2.56/gallon, the lowest level since March 2007.

Refinery News

Colonial Pipeline Co has again informed customers of its decision to restrict the amount of distillates it will accept from each of its shippers to the 64th cycle as demand for mainline space continues to exceed the system's ability to deliver on a five day shipping cycle.

Marathon Oil Corp shut a 52,000 bpd crude unit at its 76,000 bpd refinery in Texas City, Texas after a small pump fire on Monday night. There is currently no timetable for restarting the crude unit.

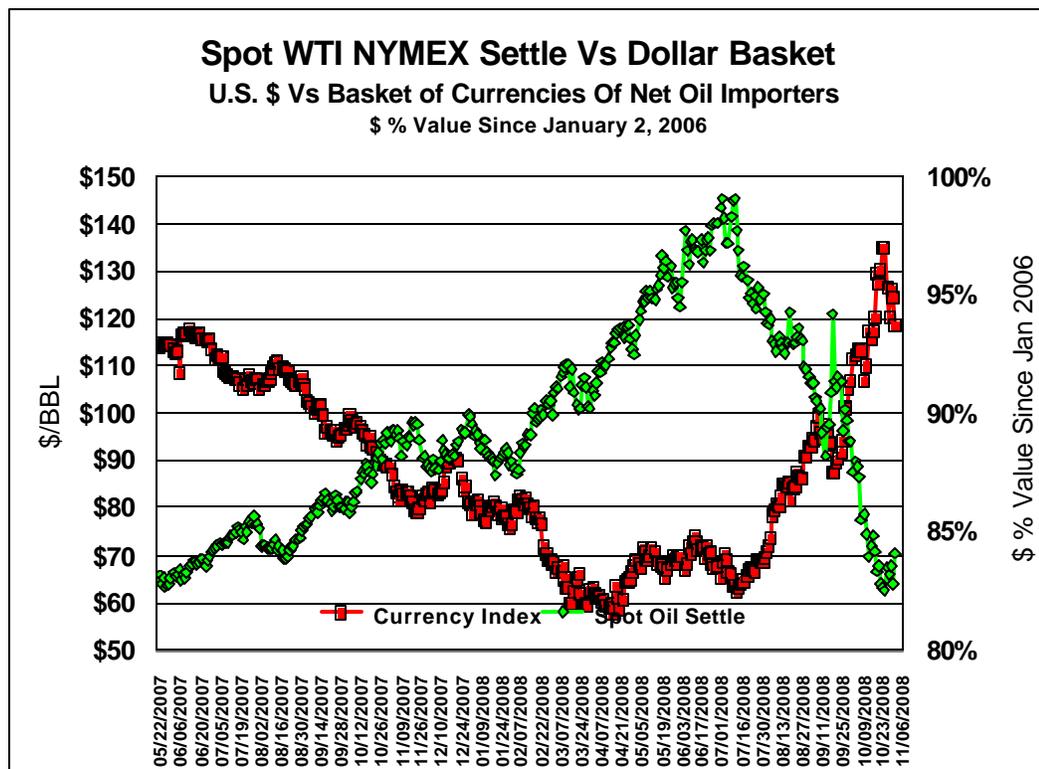
Valero Energy Corp has restarted a 54,000 bpd fluid catalytic cracking unit at its 135,000 bpd refinery in Wilmington, California that was shut for 15 days of planned work. It also stated that a production steam boiler malfunction at the refinery did not affect production. The boiler was being brought back into normal operation. Separately, Valero Energy shut a 55,000 bpd fluid catalytic cracking unit at its Paulsboro, New Jersey refinery for unplanned repairs late last week. The outage is not expected to be lengthy.



StatoilHydro's Mongstad refinery said it will complete a maintenance shutdown next week and has already restarted its crude distillation unit. Its fluid catalytic cracking unit will be restarted next week. The refinery shutdown started in September.

Total is studying the possibility of cutting back its European gasoline production in the face of lower demand in the US. The cuts may take the form of full or partial unit closures.

Libya's Tamoil will begin to shut a crude distillation unit for planned maintenance on Wednesday. It said the shutdown at the Swiss Collombey refinery will be completed by Saturday and the unit should begin restarting in the evening of November 16.



The UAE will shut its 415,000 bpd Ruwais refinery for 40 days of maintenance starting in March 2009.

China will skip its diesel imports for November due to high domestic stockpiles and declining demand.

Meanwhile its exports will be capped at marginal levels of 15,000-20,000 tons. China's stockpiles of gasoline and diesel held by PetroChina and Sinopec reached record levels in September. Gasoline inventories reached 31 million barrels while diesel inventories totaled 47.6 million barrels in September.

Production News

The US Minerals Management Service reported that most of the shut in oil and natural gas production in the Gulf of Mexico will be restored by one pipeline repair project expected to be completed by March. The repair will bring several deepwater platforms back on line at once. The Gulf region director for the US MMS, Lars Herbst said he hoped the pipeline repair could be finished before March but other recovery work may take longer, making 100% production several more months away.

Anadarko Petroleum Corp expects all its shut in production to return to the market by the first quarter of 2009 at the latest. Currently about 75% of the company's output is online and the remaining production is shut in because of third party problems.

Mexico's Pemex said the country's crude oil exports were not affected by a 31 barrel oil spill in the port of Dos Bocas. The oil spill occurred after a pipe in the terminal on Mexico's Gulf coast ruptured on

Monday. Pemex said it continues to experience small disruptions to its oil production and exports due to slow demand from US refineries still recovering from the effects of Hurricane Ike.

Norway's StatoilHydro will shut its North Sea Statfjord Nord oilfield for about a year for extensive repairs. The shutdown is needed to fix problems with maintaining pressure in the field's reservoirs.

BG Group Plc said output from the Tupi, Iara and Guara deep water fields in the Santos basin off Brazil's coast should reach 300,000 bpd of oil equivalent by 2012. First commercial production is expected from the 100,000 bpd Tupi pilot by the fourth quarter of 2010.

Petroecuador reported oil export revenues of about \$5.62 billion between January and September, up 102% from \$2.78 billion reported in the same period of 2007. Petroecuador exported 58.26 million barrels of crude in the first nine months of the year, up 16% from 50.16 million barrels reported last year.

OPEC's news agency reported that OPEC's basket of crudes increased to \$59.03/barrel on Monday from \$57.43/barrel on Friday.

Market Commentary

A weak dollar and a stronger stock market gave strength to energies, as investors turned to commodities to ward off losses from a falling dollar. The December crude oil, from a technical perspective, experienced an outside trading session, with lower lows and higher highs. The fact that it settled higher on the day is an indication that prices should continue higher. Since breaking above the oversold level, slow stochastics have continued to climb, with %K pulling further away from %D. Both moving oscillators are pointing to the upside, with the RSI in tow. Based on the Fibonacci retracement numbers between the range of \$61.30 and \$90.66, we would look for a retracement to the 50% level of \$75.98. We would reevaluate the market with an attainment of this level. With the influx of new money into the market, crude oil may very well surpass this level, but a close eye should be kept on the stock and equities markets. Despite the run up in today's market, the December/January spread strengthened only slightly. This maybe attributed to the true fundamentals of the market, supply and demand. We would still stick with the game plan of trading in and around the gravitational range of -.47 and -.61. Any failures to weaken below -.61 should be viewed as a buy, buying the December08 contract, selling the January 09 contract. Likewise, any failures to strengthen beyond -.47 should be considered selling opportunities, with penetrations of either of these levels taken as an opportunity to add to any positions held. Gasoline, despite posting its lowest low in 23 months, rebounded to surpass the previous day's high. Slow stochastics have crossed to the upside, with % D crossing %K. The projected level for the December gasoline contract, based on the breakout points off of the descending channel, is \$1.7723. As with the crude oil, we would look for further upside retracement and then would reevaluate the gasoline market. Heating oil overshadowed its previous days session, surpassing the 38% retracement level of \$2.1872, which is derived from the range of \$2.6712 and \$1.8880. Heating oil should follow the rest of the market higher with a run at the \$2.3806 resistance level.

Open interest for crude oil, DEC08 282,713, -10,513, January 09 120,159 +11,623. Totals: 1,113,308, +4,946. Open interest for heating oil; is DEC.08 56,106 -1,129. Jan09 36,918 +820 Totals: 222,619 +2,154. Open interest for gasoline is, DEC.08 68,654 -982, Jan09 30,454 +1,377 Totals: 157,196 +336.

Crude Support	Crude Resistance
62.03, 60.68, 52.73, 49.90	72.53, 74.30, 75.91, 79.35 85.50, 90.51
	Heat resistance
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
1.4200, 1.3351	1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865

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