The Windham Group
Energy Futures Brokerage

ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta
& Karen Palladino
(212) 624-1132   (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR NOVEMBER 7, 2008

Libya's top oil official, Shokri Ghanem said OPEC is not actively considering cutting production again as oil markets are still volatile. However he said OPEC could opt to meet before its next scheduled meeting on December 17. He warned that continued low oil prices could force companies to cancel new projects, risking a shortage of oil in two years.

Oil has started to flow through one of the Kirkuk-Ceyhan pipelines after an explosion on the line in Turkey halted the flow of oil. The section of the Kirkuk-Ceyhan pipeline that was damaged will be ready for use within three days. It said repairs are ongoing.

Nigeria's military said gunmen in speedboats attacked the Nigerian military at an oil flow station operated by Chevron late on Thursday. However the

Market Watch

According to the Labor Department, US October payrolls fell by a much larger than expected 240,000 jobs as the unemployment rate increased to its highest in more than 14 years. The national unemployment rate increased to 6.5% from 6.1% in September, the highest level since March 1994. So far this year, 1.2 million US jobs have been lost, 651,000 of them in the past three months alone.

Goldman Sachs Group Inc economists said they expect the Federal Reserve to cut rates by 50 basis points to 0.5% at its December policy meeting. They made the call in the wake of the weak October jobs report. Goldman Sachs also warned that the unemployment rate is likely to increase to 8.5% by the end of next year. It also cut its GDP outlook as well.

According to a Reuters/University of Michigan survey, most Americans say the financial crisis has hurt their confidence in the Federal Reserve. Its data suggested that while consumer confidence may experience a monetary rebound from the results of the presidential election, such a bounce will likely be fleeting.

While hedge funds suffered losses in September, their losses in October are expected to be even worse. Barclays Hedge, Hedge Fund Research Inc and Hennessee Group LLC are scheduled to disclose over the next few days how the $1.9 trillion industry performed last month. Greenlight Capital which is down 16% in the first nine months of the year, is seen posting larger declines for October. Citadel Investment Group, down 15% in September, is seen falling further. The Maverick Fund is expected to be down again after falling more than 19% in September. The $7 billion Goldman Sachs Investment Partners fund is also seen down after losing $1 billion since its launch in January due to bad bets on commodities, metals, energy and agriculture. The HFRX Global Hedge Fund Index, compiled by Hedge Fund Research, fell by 9.3% in October and through Tuesday was down 19% this year. Barclays Hedge said redemptions by historical standards are quite high.

The heads of several US heating oil groups sent a letter to US Treasury Secretary Henry Paulson this week asking for a meeting to discuss securing funds from the $700 billion Emergency Economic Stabilization Act to provide access to capital and help them renegotiate supply contracts. They explained that many consumers locked in their prices at much higher prices during the summer while retailers also locked in their supply from wholesalers at higher prices.

Norway's StatoilHydro said there are still downside risks for oil prices in the short term. However it said increased demand in the longer run will create challenges for the supply side.

UBS AG said Mexico may have hedged 90% of 2009 oil exports at $70/barrel to protect its budget against falling prices. The hedges would limit a potential revenue shortfall to $3 billion. Mexico typically hedges 20-30% of its export sales of crude oil.

Robert-Kirki flow station was not affected.

November Calendar Averages
CL – $64.31
HO –$2.024
RB – $ 1.401

Refinery News

Analysts said many western oil refining companies are likely to face cutbacks and even possible closures. The global economic crisis and high oil prices earlier this year has cut gasoline demand and curbed future growth projections, forcing refining margins for gasoline deep into negative territory. European refiners such as Total and Petroplus have already started planning to cut runs on unprofitable projects such as gasoline and its blending component naphtha. Analysts said it could be the beginning of a longer term trend and margins could collapse over the next 2 years. The Cambridge Energy Research Associates forecasts a decline of up to 40% of refining margins in 2009-2010 from 2007-2008. Existing complex refineries in the US and Europe have already started to convert away from gasoline and naphtha to middle distillates. However analysts said smaller refineries will be forced to shutdown. Meanwhile, the majority of new refining capacity coming online over the next 7 years is geared towards middle distillates as well as gasoline, which could cause heating oil and diesel margins to come under pressure as well.

A fluid catalytic cracking unit at Shell Oil's 332,000 bpd refinery in Deer Park, Texas resumed normal operations on Thursday following a brief upset on Wednesday.

A fluid catalytic cracking unit at Valero Energy Corp's 195,000 bpd refinery in Paulsboro, New Jersey has been restarted after it was shut for unplanned work this week. The unit is returning to planned rates.

ExxonMobil Corp said its production was not impacted by a compressor malfunction at its 150,000 bpd refinery in Torrance, California on Friday morning. It reported flaring due to the equipment malfunction.

Hellenic Petroleum's 100,000 bpd Greek Elefsis refinery is due to restart its hydrocracking unit in about one week. Its other units are due to restart in two weeks after the refinery was shut for routine maintenance in October.

Indian Oil Corp will shut a 120,000 bpd crude unit and some secondary plants at its Panipat refinery by Sunday. It will also shut a 1.7 million tons/year hydrocracker unit, a 3.5 million tons/year diesel hydrotreatment unit and a 2.4 million tons/year coker for maintenance.

Petrobras is in talks with Sinopec on taking a refinery stake in China but there have been no concrete developments yet.

Indian Oil Corp bought two very large crude carriers or 4 million barrels of Nigerian light sweet crude oil in its January tender.

Azerbaijan's Socar has called a tender for 1 million barrels of Azeri Light crude for loading at the Turkish Mediterranean port of Ceyhan. The shipment will load between December 10 and 15.

Brazil is preparing to fight possible environmental barriers to ethanol imports by the European Union. Brazil and seven emerging market nations plan to send an official letter to the EU and have threatened to complain to the World Trade Organization, if the EU introduces the barriers.

Production News

Iran has cut its oil production by 200,000 bpd from 4.04 million bpd, in line with OPEC's agreement to cut production by a total of 1.5 million bpd. The director of National Iranian Oil Co, Mohammad Ali Emadi said Iran was targeting 5 million bpd of oil production capacity by the end of 2010, up from its current capacity of 4.2 million bpd.

The world's largest state owned oil companies are weathering the world financial crisis as national oil companies are still largely cushioned by their oil reserves and recent large earnings. However they warned that $60/barrel oil could soon begin to curb their investment.

Algeria's Sonatrach does not expect any delay in projects planned for the next five years despite the global financial crisis. Sonatrach's chief executive Mohamed Meziane said Sonatrach would like to see oil prices between $80 and $100/barrel. He also said Sonatrach will cut production by 71,000 bpd from December 1 from its current production of 1.3 million bpd to conform with OPEC's agreement.

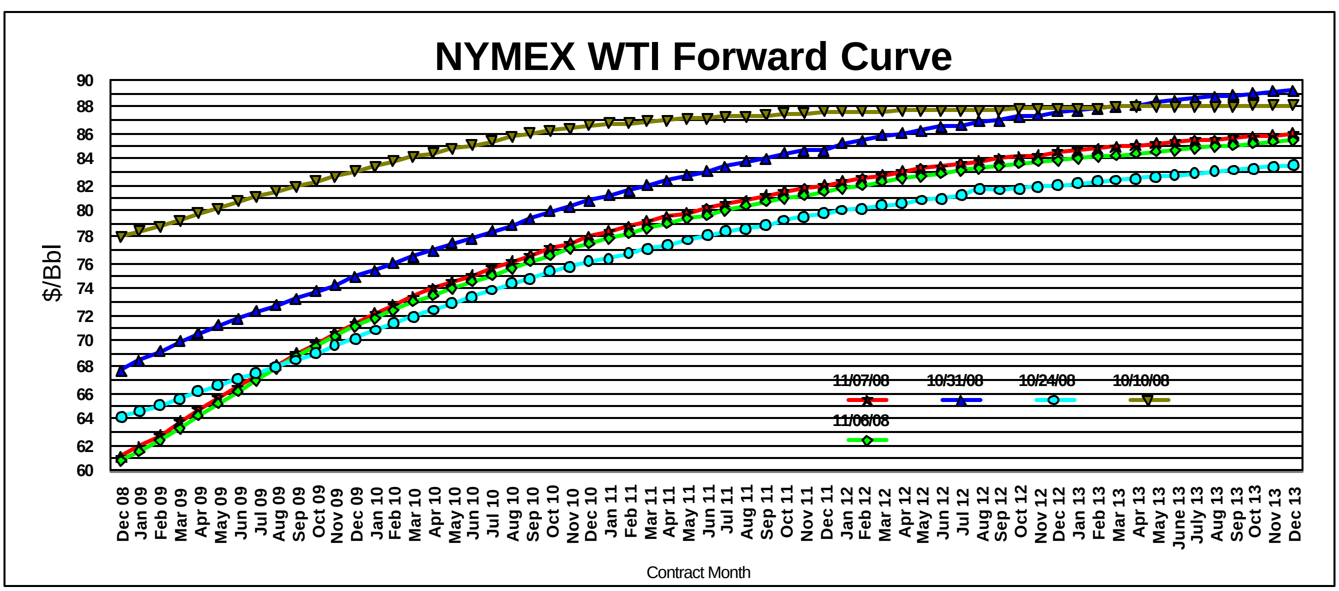
Britain's North Sea Brent crude oil stream is scheduled to load about 4.94 million barrels or 159,484 bpd in December, compared with about 4.32 million barrels or 144,000 bpd in November.

The North Sea Forties crude oil stream is set to load about 20.4 million barrels or 658,064 bpd in December, up from 19.2 million barrels or 640,000 bpd in November.

New Zealand's Maari oilfield has been delayed again and full production at the first three wells is not expected until the second quarter of 2009. The 35,000 bpd field was initially planned to come on stream in March or April 2008. The oilfield is estimated to have recoverable reserves of about 50 million barrels.

Russia's OAO Surgutneftegas expects its 2008 crude production to fall by 2.3% to 63 million tons.

Russia's Lukoil could halve its 2009 capital spending program to $4 billion if the world oil price falls below $45. Lukoil chief executive Vagit Alekperov said if the company had to reduce the program, the cut will mostly be applied to its refining projects and the company was not going to delay the launch of new deposits in west Siberia and the Caspian Sea. He said Lukoil may postpone upgrading catalytic cracking units at its Volgograd and Perm refineries as well as the construction of deep refining complex at its Bulgarian plant.



Nigeria's inability to fund its share of joint venture oil projects means it could struggle to keep output at current levels in coming years. The attacks by militants in the Niger Delta are usually blamed for preventing it from being able to pump anywhere near its current capacity of 3 million bpd. However Nigerian National Petroleum Corp's inability to guarantee timely funding for joint ventures with oil companies such as Royal Dutch Shell and ExxonMobil is also preventing Nigeria from increasing its production. Nigerian National Petroleum Corp is still in discussions with several of its foreign oil partners to finalize billions of dollars in financing meant to cover its costs for the 2008 joint venture budget.

OPEC's news agency reported that OPEC's basket of crudes fell to $54.89/barrel on Thursday, down from Wednesday's $58.94/barrel.

Market Commentary

Speculation that the Federal Reserve will make another interest rate cut overshadowed the highest unemployment numbers in 14 years. This gave hope that demand may pick up, sending energy prices higher. For the first time in six weeks, crude oil was able to achieve a higher high as well as a lower low. Despite this, prices closed below that of the previous week but above a previous congestion low of $60.68. For next week we would look for prices to rebound somewhat, although the overall trend remains bearish. Based upon the appearance of the forward curve, the front end continues to pull further away from the deferred. Any length being put on is being done so further on down the curve. This is a bearish scenario for prices. If refining margins don't begin to improve, runs will start to slow down, thereby leading to a stockpile of crude oil, which in turn will push prices lower. The December/January spread is another indication that prompt demand is light, as this spread settled eleven cents weaker on the day, settling at its weakest point since May07. Having settled below the gravitational range of -.47 & -.61, two days in a row sets this spread up for a test of the support level of –1.05. Both gasoline and heating edged higher today, along with the crude oil. As expected, gasoline cracks gain strength and should continue to do so. We would look for the December 08 gasoline crack spread to continue to work higher, with a test at the -3.4500-resistance level. The December heating oil crack spread has been on a steady incline since October 29th and is approaching the $22.72 resistance level.

Open interest for crude oil, DEC08 273,003, -9,400, January 09 144,388 +13,883. Totals: 1,146,665, +18,159. Open interest for heating oil; is DEC.08 50,798 –1,061. Jan09 37,426 -410 Totals: 218,928 -345. Open interest for gasoline is, DEC.08 59,685 -4,052, Jan09 36,741 +3,796 Totals: 157,637 +1,264.

The Commitment of Traders report showed that non-commercials in the crude market increased their net short position by 2,137 contracts to 10,543 contracts in the week ending November 4th. It showed that funds increased their total short position by 8,462 contracts to 201,976 contracts. The combined futures and options report however showed that non-commercials increased their net long position by 6,503 contracts to 78,870 contracts on the week. The funds cut their total short position by 9,082 contracts to 108,321 contracts. The report also showed that non-commercials in the product markets continued to increase their total long positions. Non-commercials in the heating oil market increased their net long position by 4,716 contracts to 12,565 contracts while non-commercials in the RBOB market increased their net long position by 5,730 contracts to 36,171 contracts.

Crude Support	Crude Resistance
52.73, 49.90	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**
1.3240, 1.2500	1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865