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 12, 2008

OPEC President Chakib Khelil said OPEC may cut its oil production again if oil prices continue to fall. Kuwait's Oil Minister Mohammad al-Olaim said the oil market is oversupplied but added that it is too soon to say if OPEC needs to cut its production further. He said OPEC is likely to consider cutting its production further at its December meeting if the market remains

Market Watch

The Bank of England warned of the risk of deflation. It expects inflation will fall below its target of 2% next year.

Saudi Arabia's National Commercial Bank said the price of Saudi Arab Light crude is expected to average $68/barrel in 2009, down 25% on the year. Its chief economist, Saeed al-Shaikh said the US dollar is expected to continue to increase against both the euro and the yen.

China's National Development and Reform Commission said China will add 26.8 million cubic meters of storage capacity in the second phase of its strategic oil reserve. China will complete the construction of its first phase, including 16.2 million cubic meters of capacity by the end of the year. The NDRC also said the country will start building the first major refinery with a capacity of 200,000 bpd in southwestern China's Sichuan this year.

Russia's Gazprom said the world will face oil supply shortages sooner than expected as producers scale back investment due to the financial crisis. Gazprom's chief executive Alexei Miller pledged to produce as much gas as required by customers in 2009 and said the company could partner with Germany's chemical group BASF to develop gas refining projects in eastern Siberia.

Russia and China have suspended talks over $25 billion in loans to Russian oil companies due to disagreements over interest rates and state guarantees.

Dubai Mercantile Exchange's move to use the trading platform of the CME group starting next year could lift liquidity on the Oman crude contract. Subject to the DME board's final approval, the DME will abandon its trading platform, DME Direct, to trade exclusively on the CME platform.

Investor T. Boone Pickens said oil prices may be near its bottom and could bounce back to near $100/barrel. He also stated that he expects to know within 100 days of President-elect Barack Obama's taking over as president in January whether the US government is going to adopt part of his energy plan. The plan calls for the eventual overhaul of the power grid and an increase in wind power use. He said the US, which currently imports 70% of the oil it consumes, could see that share increase to 75% and added that a barrel of crude would cost $300 within a decade if the country did not adopt some sort of energy policy. In regards to the his hedge fund, he said the fund was down $2 billion since July and added that he had taken the money from his equity fund and put it into cash.

Russia's Finance Minister Alexei Kudrin said oil prices next year will likely average $50/barrel as the world economic slowdown cuts demand. He said that the $135 billion Reserve Fund, earmarked to protect the budget when oil prices fall, would be tapped to cover the possible shortfall in revenue. Next year's budget is based on a forecast of $95/barrel.

Petrobras said it will invest about 50 billion Brazilian reals or $21.7 billion in 2008 and expects to at least maintain that level in 2009. Meanwhile, Petrobras has not yet considered delaying some of its projects in light of the financial crisis.

A total of 757 lots or 75,700 metric tons of gasoil was physically delivered against the expiry of ICE November gasoil futures.

oversupplied and stocks continue to increase. Meanwhile, Nigeria's Oil Minister Odein Ajumgobia said OPEC needs to assess whether the market is oversupplied before deciding on a further production cut. He said Nigeria would be content with oil prices trading a range of $70-$80/barrel. Also, Angola's Oil Ministry said it is still too early to say whether more oil production cuts are needed. It said OPEC will consider the impact of the current output cuts and decide whether or not to maintain current production levels. Separately, former Secretary General Adnan Shihab-Eldin said OPEC may need to cut its production further to balance the market. He stated that prices may remain soft for several years as demand slows with the global economy. He said there will be no increase in demand for OPEC crude for the next five years or so. New output from non-OPEC producers should more than meet any increase in demand over the next couple of years.

Venezuela's President Hugo Chavez said the country will suffer if world oil prices continued to fall. Venezuela has accumulated foreign reserves and organized loans from nations such as China to shield his government from a fall in income. However economists say he may have to cut spending if the oil price remains low next year.

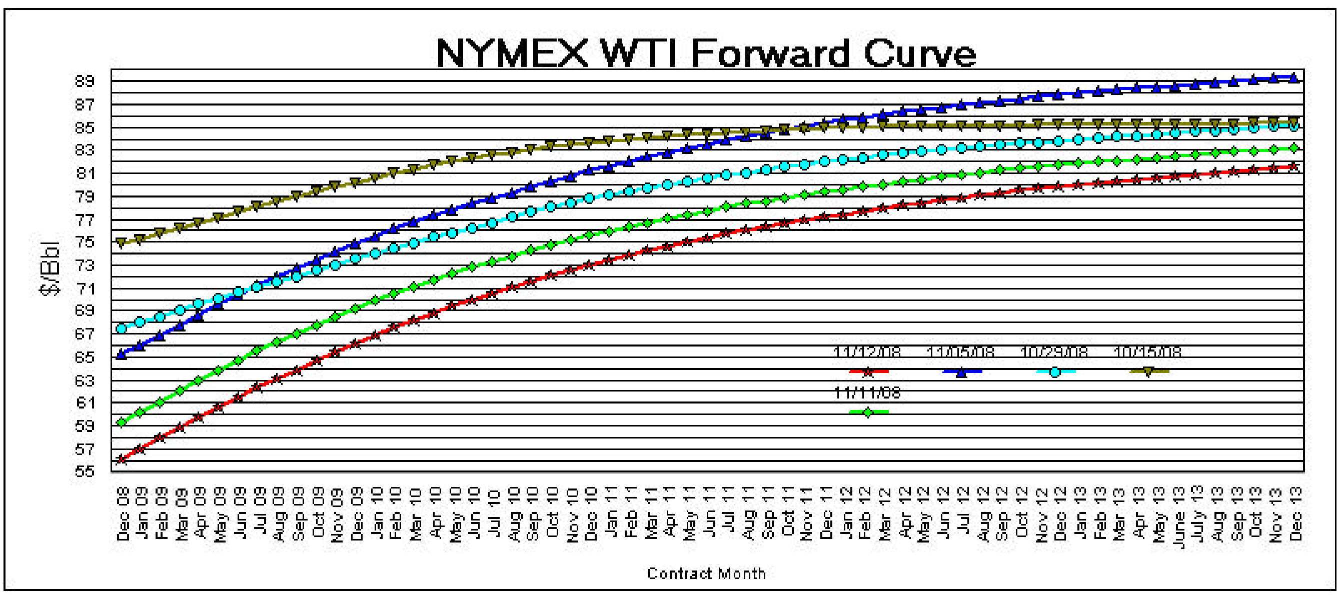
Ecuador's Oil and Mines Minister Derlis Palacios said Ecuador has not yet been invited to an oil meeting in late November. He said Ecuador has not yet decided on further cuts but said a further cut would his country's economy.

The head of the IEA, Nobuo Tanaka said a slowing world economy may force the agency to make a further cut in its oil demand growth forecast when it releases its latest monthly report on Thursday. He said the IEA is likely to cut demand after the IMF changed its projections on the world economy. He also stated that the price of oil is over-reacting to the downside. Separately, an IEA official said the world needs the equivalent of four new Saudi Arabias if it is to fend off a looming supply crunch. The official said investment in new output should be increased but warned that the world financial crisis could delay crucial energy investment. Meanwhile, the IEA said high oil prices have cut world oil demand, which is expected to grow by only 1% a year until 2030. It said oil demand growth is expected to increase from 85 million bpd in 2007 to 106 million bpd in 2030. Last year, the IEA predicted world oil demand would reach 116 million bpd by 2030. It said oil's share of world energy use is forecast to fall from 34% to 30% as a result of higher prices and lower subsidies in developing countries. The IEA also stated that there is a risk its reserves may not be exploited fast enough to meet world demand growth in the years ahead. It estimated that the world needs investment of more than $26 trillion in the next 20 years to ensure adequate energy supplies, an increase of more than $4 trillion from last year's estimate. It estimated that world oil supply would increase to 106 million bpd in 2030 from 84 million bpd in 2007. The majority of the increase would come from OPEC, whose share of world oil output is projected to increase to 51% in 2030 from 44% in 2007. It said Saudi Arabia is projected to produce 15.6 million bpd in 2030 while Kuwait's output is expected to increase to 3.3 million bpd, the UAE's output is expected to increase to 3.9 million bpd and Qatar's production is expected to increase to 3.5 million bpd. Iraq will become the second largest producer in the Middle East, pumping 6.4 million bpd in 2030 overtaking Iran, forecast to produce 5.4 million bpd. Russia's oil production is estimated at 9.5 million bpd in 2003. It said the more easily accessible sources of crude or conventional crude, are expected to reach a plateau towards the end of the projection period, making the world more reliant on non-conventional sources, such as oil sands, as well as on Saudi Arabia and other OPEC members. The IEA also stated that coal's share of world energy demand will increase to 29% in 2003 from 26% in 2006. Global coal demand is set to increase to 7,011 million tons of coal equivalent in 2030 from 4,362 Mtce in 2006. It said world coal production would have to increase 60% between 2006 and 2030 to meet demand. In regards to prices, the IEA

November Calendar Averages
CL – $62.43
HO –$1.9862
RB – $ 1.3659

said oil prices are likely to remain volatile and may more than double in nominal terms to over $200/barrel by 2030.

The EIA said rising oil prices and slowing world economic growth have caused oil demand growth to slow dramatically. It said future price levels will mainly depend on the magnitude and duration of the economic downturn as well as OPEC and non-OPEC behavior. It estimates US real GDP was lowered to 1.3% this year and is estimated to fall by 1.4% in 2009. World GDP growth is estimated to fall from about 4% in 2006 and 2007 to about 2.5% this year and 1.8% in 2009. The EIA projects oil prices will remain relatively flat, averaging $60 to $65/barrel throughout 2009. The annual average WTI price is estimated at $101.45/barrel in 2008 and $63.50/barrel in 2009. Residential heating oil prices during the current heating season are projected to average $2.75/gallon, down 17% from last year's level. The EIA also reported that world oil demand is estimated to increase by about 80,000 bpd on the year to 85.89 million bpd in 2008 and increase by 40,000 bpd to 85.93 million bpd. It cut its previous estimate for 2008 and 2009 by 250,000 bpd and by 990,000 bpd, respectively. In both years, growth in countries outside the OECD, such as China, countries in Latin America and oil exporters in the Middle East, offset projected sharp declines in oil consumption in OECD countries. The EIA estimates that OPEC crude production will fall from 32.3 million bpd in October 2008 to 31.3 million bpd in the first quarter of 2009. Lower crude production, combined with planned increases in OPEC production capacity, suggests OPEC surplus production capacity could increase from 1.6 million bpd in the second quarter of 2008 to nearly 4 million bpd by the end of next year. It reported that OECD commercial inventories stood at 2.6 billion barrels at mid-year or 56 days of forward supply. OECD stocks are estimated to total 2.57 billion barrels in 2008 and fall to 2.543 billion barrels in 2009. Total domestic petroleum demand is expected to fall by 1.12 million bpd to 19.56 million bpd in 2008 and fall further by 250,000 bpd to 19.31 million bpd. It cut its previous estimates for 2008 and 2009 are down



290,000 bpd and 430,000 bpd, respectively. Gasoline demand is expected to fall by 280,000 bpd on the year to 9.01 million bpd in 2008 and by 40,000 bpd to 8.97 million bpd in 2009. Its estimates are down 70,000 bpd and 80,000 bpd from its previous forecast. The EIA also cut its forecast for distillate demand to 3.94 million bpd for 2008 and to 3.9 million bpd for 2009, down 70,000 bpd and 90,000 bpd from its previous forecast. Domestic oil production is estimated to average 4.9 million bpd, down 120,000 bpd on the year. However production is expected to increase by 400,000 bpd to 5.3 million bpd in 2009.

According to MasterCard Advisors, US gasoline demand averaged 8.898 million bpd in the week ending November 7, down 1.3% on the week and down 4.2% on the year. The four week moving average for gasoline demand was down 5.3% on the year. It also reported that the US average gasoline price fell by 24 cents or 9.4% to $2.32/gallon.

Refinery News

Hellenic Petroleum's 100,000 bpd Elefsina refinery in Greece is scheduled to restart next week after it was shut down for full planned maintenance at the end of October.

Saudi Aramco is expected to restart a gasoline unit at its 550,000 bpd Ras Tanura refinery in mid-December. The unit has been shut since late August. Saudi Aramco had been buying additional gasoline cargoes in the spot market to compensate for the lost production. The restart of the unit will also result in less naphtha being sold by the firm on the spot market.

The Petroleum Association of Japan reported that crude oil stocks fell by 530,000 barrels on the week but increased by 5.09 million barrels on the year to 107.98 million barrels in the week ending November 8. It also reported that Japan's gasoline stocks fell by 620,000 barrels on the week and by 130,000 barrels on the year to 13.13 million barrels as domestic sales increased. Japan's kerosene stocks fell by 960,000 barrels on the week and by 2.74 million barrels on the year to 24.66 million barrels while naphtha stocks fell by 500,000 barrels on the week to 14.19 million barrels. Japanese refiners ran their facilities at an average 76.8% of total capacity of 4.9 million bpd, down 0.3% on the week and down 6.7% on the year. Its crude runs fell by 20,000 bpd on the week and by 280,000 bpd on the year to 3.76 million bpd.

Trafigura has booked 80,000 tons of jet fuel from the Middle East to Europe for loading on November 16. Chevron booked 65,000 tons of jet fuel for the same route for lifting on November 26.

Production News

The US Minerals Management Service reported that shut in oil and natural gas production in the Gulf of Mexico continued to come back to the market. It reported that 1,071 bpd of shut in oil production returned to the market, leaving 245,032 bpd of crude production still shut in the week ending November 12th. It also reported 73 bcf of natural gas production returned to the market, leaving 2.062 bcf of natural gas production still shut in on the week. Separately, the US Minerals Management Service could hold a lease sale for oil and natural gas development off the coast of Virginia as early as 2011. The area could hold 130 million barrels of oil and 1.14 trillion cubic feet of natural gas. President-elect Barack Obama's administration could decide not to go forward with the sale.

Qatar has notified at least two term customers in Asia that it would not cut its crude oil supplies to them for November and December. Last week, Qatar Energy Minister Abdullah al-Attiyah said the country has cut crude oil exports to Asia by about 40,000 bpd in line with OPEC's decision to cut production.
India's Oil Minister Murli Deora said the country may consider cutting fuel prices if world crude prices and the rupee stabilize. India has so far rejected calls to cut prices arguing it increased rates by only 10% in June when crude costs had increased.

Iraq increased its crude exports through its northern pipeline to Turkey on Wednesday after restarting the flow on Monday. The flow through the pipeline was about 300,000 bpd on Wednesday, up from about 200,000 bpd on Tuesday.

Norway's StatoilHydro shut production at a platform on its Snorre oilfield due to a leak in the flaring system, also affecting production from its Vigdis field. StatoilHydro declined to say how much production it was losing through the outage.

Ukraine's State Statistics Committee said the country cut its oil production by 5.3% on the year to 2.585 million tons in January-October.

Ecuador's central bank reported that the country's oil export revenue totaled $9.2 billion between January and September, up 80% from the $5.11 billion reported last year. In terms of volume, Ecuador exported 96.01 million barrels in the first nine months of 2008, up 3% from 93.56 million barrels last year.

OPEC's news agency reported that OPEC's basket of crudes fell to $52.24/barrel on Tuesday from $54.77/barrel on Monday.

Market Commentary

With expectations that the International Energy Agency will show a decrease in its global demand estimates and U.S. stockpiles will increase in tomorrow's report, crude oil fell to its lowest level since March 2007. With the focus on this market remaining on the economic and demand factors, cuts by OPEC have been pushed to the back burner, as are other market fundamentals. Options expiration this coming Monday was also at the forefront of trader's minds, with the $55.00 and $50.00 puts holding 21,661 and 23,475 contracts, respectively in open interest. From now up until option expiration, we would look for the December crude oil to work towards the $55.00 and $50.00 levels. One point worth noting is the fact that the December/January spread is holding strength in comparison to the movement of the outright market. This may be a storage issue. Currently, plenty of storage is available for physical barrels, prompting purchasing power. Aiding in this can be a functionality of how the index rolls are taking place. Typically, they have been trading outright as spreads, however now they seem to be taking place via TAS. We would look for traders to continue to take this spread lower, looking for a test at -.125. Meanwhile, the product markets also remained under pressure amid the losses seen in the crude market. The heating oil market breached its recent lows and sold off to a low of $1.823, a low not seen since early May 2007. The market settled down 9.36 cents at $1.8354, pushing the heat crack spread down to $21.18 as it continued to hold resistance just above $22. The RBOB market continued to trend lower and sold off to a low of $1.2369, a low not seen since February 2005. It settled down 5.78 cents at $1.2481. The markets on Thursday will likely retrace some of today's sharp losses before they are continue their downtrend following the release of the weekly petroleum stock reports. Support in the heating oil is seen at $1.7880, $1.7638, $1.6055 and $1.453 while support in the RBOB market is seen at $1.2369, $1.211, $1.205 and $1.305.

Crude Oil (CL) DEC.08 214,698 -13,899 JAN.09 201,218 +21,138 FEB.09 49,520 +46 Totals: 1,154,740 +8,377 N.Y. Heating Oil (HO) DEC.08 40,782 -2,981 JAN.09 46,349 +3,224 FEB.09 19,741 –670 Totals: 220,143 + 105 New York Harbor RBOB Gasoline (RB) DEC.08 49,232 -3,751 JAN.09 49,263 +3,607 FEB.09 9,818 +195 Totals: 165,275 +1,295.

The release of the EIA's and API's weekly petroleum stock reports was delayed one day to Thursday, November 13 at 11 am EST.

Crude Support	**Crude Resistance**
53.57, 52.73, 49.90	59.50, 62.28, 65.56, 67.00, 72.53, 74.30, 75.91, 79.35
Heat Support`	**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**
1.2369, 1.211, 1.205, 1.0350, .7760, .6840	1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865