



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 18, 2008

An OPEC spokesman said all OPEC members have been invited to informal talks on the oil market being held on November 29 in Cairo. He said it is a consultative meeting. However, an OPEC source said OPEC could still decide to cut oil production at its informal meeting. Meanwhile, Iran's Oil Minister Gholamhossein Nozari said he expects OPEC to decide on holding talks with non-OPEC members when the group meets in Cairo on November 29 to secure their cooperation with OPEC in managing the oil market.

Market Watch

The Labor Department said the producer price index for finished goods fell 2.8% on a seasonally adjusted basis in October, breaching the previous record drop of 1.6% in October 2001. The producer price index fell 0.4% in September. The PPI data showed energy prices fell 12.8% last month, its largest decline since July 1986 after falling 2.9% in September.

Indonesia's President Susilo Bambang Yudhoyono and Mexico's President Felipe Calderon signed an oil cooperation agreement involving their two state run oil companies. The agreement establishes a cooperation framework in the fields of development, scientific and technological investigation and exploration and drilling.

JPMorgan expects agricultural commodity prices to outperform industrial raw materials and oil next year. It has cut forecasts for crude due to "an endless chain of bearish economic data." It expects precious metals to be the worst performing commodities sector over the next year. It expects corn prices to average 4.20/bushel in the fourth quarter and increase to an average of almost \$5/bushel next year. It cut its forecast for US crude for the fourth quarter 2008 to \$68/barrel from its previous estimate of \$79/barrel while its oil price forecast for 2009 was cut to \$69/barrel, down from its previous estimate of \$75/barrel. It expects its J.P. Morgan Commodity Curve Index Price Index to increase by about 10% in 2009. It said agriculture is expected to be the best performing sector with a rise of 11.7% while energy was second with an increase of 11%.

According to Hedge Fund Research, hedge funds are facing heavy year end outflows as investors are expected to pull out their investments. However this is not likely to increase market volatility as many funds have already taken evasive action. It said as of October, funds lost 16.05%. Many funds have already sold more liquid assets and increased their cash levels to meet expected investor withdrawals. Funds with 60 or 90 day notice periods will already know redemption requests while strategies requiring 45 days' notice face their last redemption request on Tuesday. Hedge fund executives are talking about year end redemptions of about 15-20%.

Daily volumes traded on the Dubai Mercantile Exchange increased last week above 3,000 lots on three occasions, possibly due to hedging for term Oman or Dubai crude. By Monday, volumes had retreated to 1,236 lots of 1,000 barrels each for the full day but held above most of this year's average. Volumes surged last week on four of the five working days, with 3,881 lots traded on November 11, within sight of a record of 4,609 lots traded on November 15 last year.

The IEA's chief economist Fatih Birol said some Middle Eastern oil producers may chose to restrict the future rate at which they increase output in order to protect their national interests. Separately, he stated that Norway has a key role to play in ensuring the world's oil and gas supplies remain as diversified as possible. He also stated that strong growth in world demand coupled with a sharp decline in existing fields are the two factors that will underpin a need for more oil by 2030. He said production needs to increase by 64 million bpd by 2030 to meet demand growth.

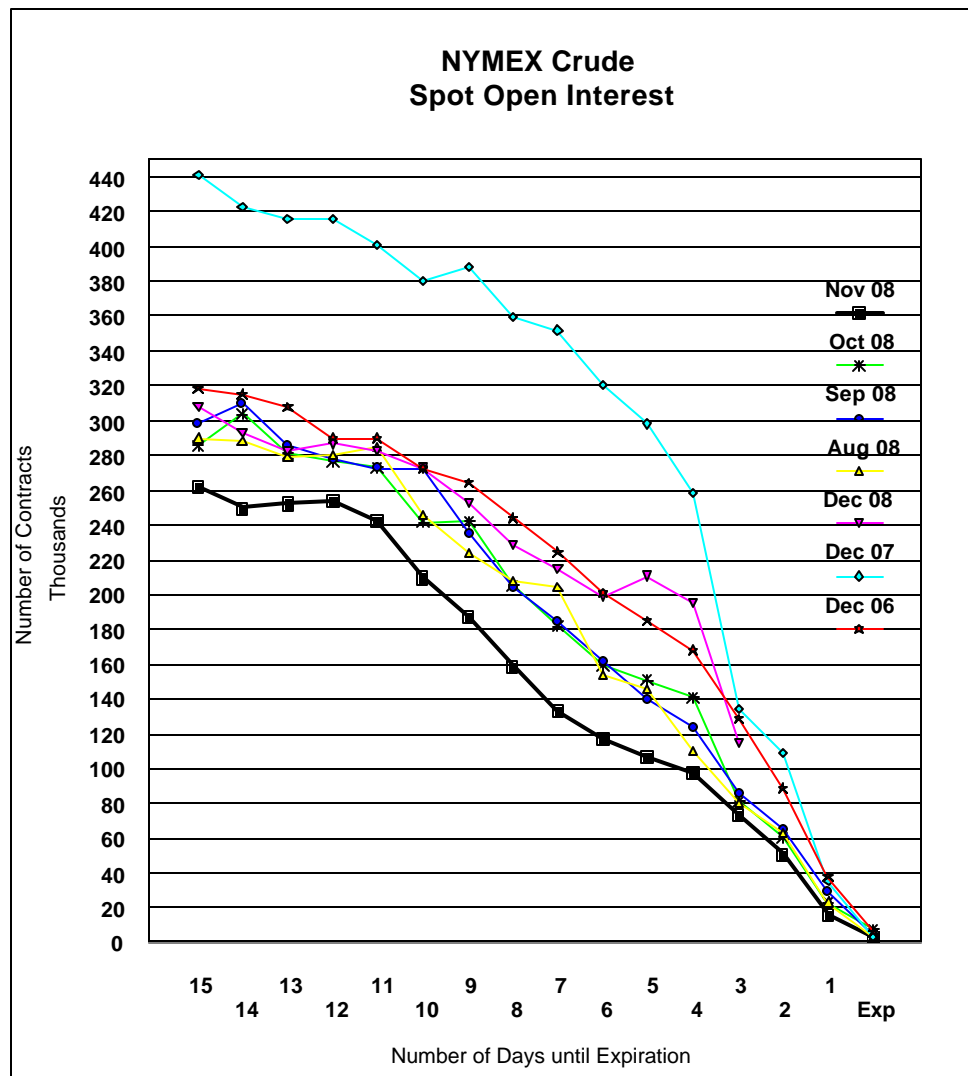
According to MasterCard Advisors, US gasoline demand increased by 1.5% to 9.031 million bpd in the week ending November 14 as gasoline prices continued to fall. Demand was down 2.8% on the year. In the latest four weeks, demand was down 4.3% on the year. It reported that the US average retail price of gasoline fell by 16 cents or 6.9% on the week to \$2.16/gallon. It is down 30.3% on the year.

The AAA said it expects the number of Americans traveling over the US Thanksgiving holiday to decline for the first time since 2002. The number of American traveling by car is expected to fall by 1.2% on the year. Overall, 41 million people will travel 50 miles or more from home over the holiday weekend, down 1.4% on the year.

The EIA reported that US crude oil imports in September averaged 8.407 million bpd after Hurricanes Gustav and Ike disrupted Gulf Coast refinery operations. Imports fell by 18.3% or 1.877 million bpd from August and down 18.4% or 1.9 million bpd on the year. Canada remained the largest source of US crude imports, with 1.923 million bpd, up about 90,000 bpd on the month. Saudi Arabia was the second largest source of US crude imports, with 1.429 million bpd. It was down 104,000 bpd on the month. Venezuela was the third largest source of crude supplies, with 944,000 bpd, down 202,000 bpd on the month.

Nigeria's military said a Danish registered vessel hijacked over the weekend in Nigeria's Niger Delta was released late Monday.

The official IRNA news agency reported that Iran is aiming to commission its first nuclear power plant in 2009. Russia has already delivered nuclear fuel under a \$1 billion contract



to build the Bushehr plant on the Gulf coast in southwest Iran.

Refinery News

ConocoPhillips is scheduled to start work on Tuesday at its 146,000 bpd Borger, Texas oil refinery. Its electrostatic precipitators at fluid catalytic cracking unit 29 will undergo about 15 days of maintenance that will cause periods of excess opacity and particulate emissions. The refinery has been operating at reduced rates as work on other process units including a coker unit continues.

ExxonMobil began the process of restarting a flexicoker unit at its 567,000 bpd Baytown, Texas refinery following a period of extended planned turnaround maintenance. There is no estimate on when the unit will reach normal operating rates.

BP's 400,000 bpd Nerefco refinery is expected to return to full operations by the end of the week. BP shut one 200,000 bpd crude distillation unit at the refinery in early October for scheduled maintenance.

Separately, BP Plc said despite the low price of

NYMEX Petroleum Options Most Active Strikes for November 18, 2008

Symbol	Month	Year	Call/Put	Strike	Exp Date	Settle	Volume	IV
LC	1	9	C	130	12/16/2008	0.01	1150	104.13
LC	1	9	P	30	12/16/2008	0.01	1150	81.60
LC	1	9	P	130	12/16/2008	75.12	1150	178.28
LC	1	9	P	40	12/16/2008	0.38	1000	82.08
LO	6	10	P	50	05/17/2010	3.74	13500	38.64
LO	6	9	C	100	05/14/2009	1.41	12900	59.02
LO	12	9	C	100	11/17/2009	2.52	10501	44.00
LO	6	10	P	68	05/17/2010	11.5	6750	39.40
LO	1	9	P	50	12/16/2008	2.55	5230	78.92
LO	12	9	C	120	11/17/2009	1.18	5002	44.15
LO	1	9	C	80	12/16/2008	0.29	4762	81.83
LO	3	9	C	95	02/17/2009	0.69	3850	68.79
LO	6	9	C	59.5	05/14/2009	9.39	3590	61.27
LO	6	9	P	59.5	05/14/2009	9.88	3590	61.33
LO	3	9	P	50	02/17/2009	4.54	3453	70.38
LO	1	9	C	70	12/16/2008	0.85	3336	78.14
LO	3	9	C	80	02/17/2009	1.71	3258	67.43
LO	6	9	C	80	05/14/2009	3.5	3162	58.46
LO	1	9	C	60	12/16/2008	2.71	3006	77.62
LO	1	9	P	55	12/16/2008	4.83	2965	78.30
LO	1	9	P	45	12/16/2008	1.13	2743	80.21
LO	1	9	C	65	12/16/2008	1.51	2432	77.11
LO	1	9	C	55	12/16/2008	4.59	2146	78.27
LO	3	9	C	100	02/17/2009	0.52	1891	69.38
LO	1	9	C	75	12/16/2008	0.5	1871	80.25
LO	12	10	P	50	11/16/2010	3.23	1800	34.14
LO	1	9	C	71	12/16/2008	0.76	1660	78.46
LO	6	9	P	60	05/14/2009	10.17	1645	61.35
LO	6	9	P	50	05/14/2009	5.24	1640	61.77
LO	1	9	P	40	12/16/2008	0.38	1563	80.95
LO	1	9	C	90	12/16/2008	0.11	1531	85.86
LO	6	9	P	45	05/14/2009	3.44	1500	62.29
OB	12	8	P	1.17	11/21/2008	0.0712	200	127.05
OB	12	8	C	1.17	11/21/2008	0.038	200	127.05
OB	1	9	C	2.25	12/24/2008	0.0009	115	83.67
OB	2	9	C	1.21	01/27/2009	0.1443	100	70.29
OH	12	9	C	2	11/24/2009	0.3555	375	50.03
OH	6	9	C	1.85	05/26/2009	0.2796	375	58.41
OH	12	8	C	1.98	11/21/2008	0.0066	208	96.90
OH	12	8	P	1.8	11/21/2008	0.0845	200	95.05
OH	1	9	C	1.85	12/24/2008	0.1127	158	65.37
OH	2	9	C	1.82	01/27/2009	0.1774	150	61.22
OH	2	9	P	1.82	01/27/2009	0.2029	150	61.29
OH	3	9	C	1.82	02/24/2009	0.2148	150	60.83
OH	3	9	P	1.82	02/24/2009	0.2299	150	60.91

oil it is proceeding with its expansion project at its 410,000 bpd Whiting, Indiana refinery that will allow it to process heavy Canadian crude from Alberta tar sands.

Nippon Oil Corp said it would conduct maintenance on the 115,000 bpd crude distillation unit at its Osaka refinery from mid-March to early April next year.

Azerbaijan's Socar has announced a tender for 600,000 barrels of Russia's Urals crude loading in the Russian Black Sea port of Novorossiisk.

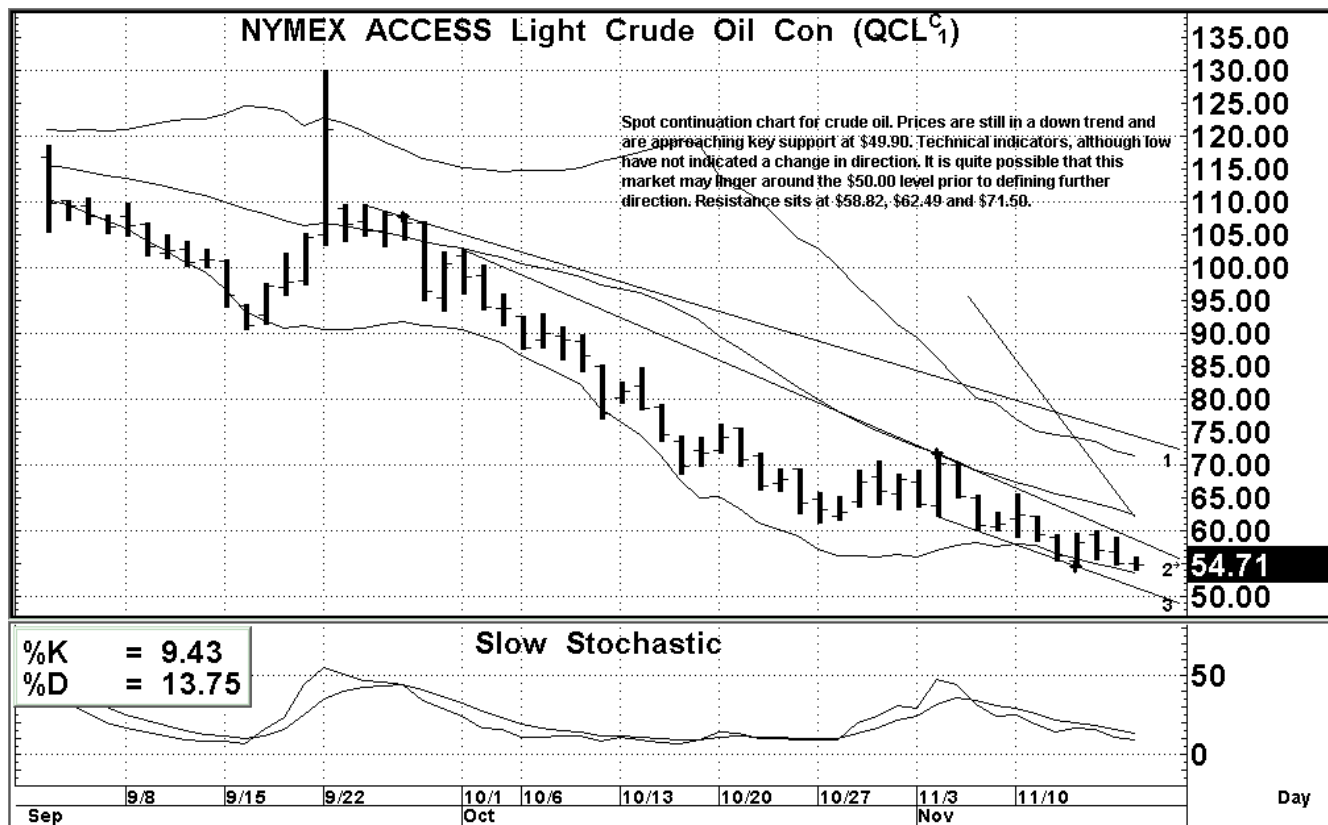
Production News

Chevron Corp declared force majeure on some of the 90,000 bpd of its Nigeria joint venture output that was shut in following a pipeline breach in the western part of the Niger Delta last Friday. It declared force majeure on 36,000 bpd on a net basis. Chevron Corp said it is currently assessing the situation and added that the incident was reported to relevant government agencies.

Mexico's Transport Ministry reported that the port of Dos Bocas was reopened after it was closed for three days due to bad weather conditions. The ports of Cayo Arcas and Pajaritos were reopened on Monday.

Angola is set to export about 1.84 million bpd of crude in January 2009, down from 1.96 million bpd in December.

Colombia's crude oil production in October increased to an average of 623,000 bpd from 551,000 bpd in October last year. In the first ten months of the year, average crude oil production totaled 584,000 bpd, up from 531,000 bpd for all of 2007.

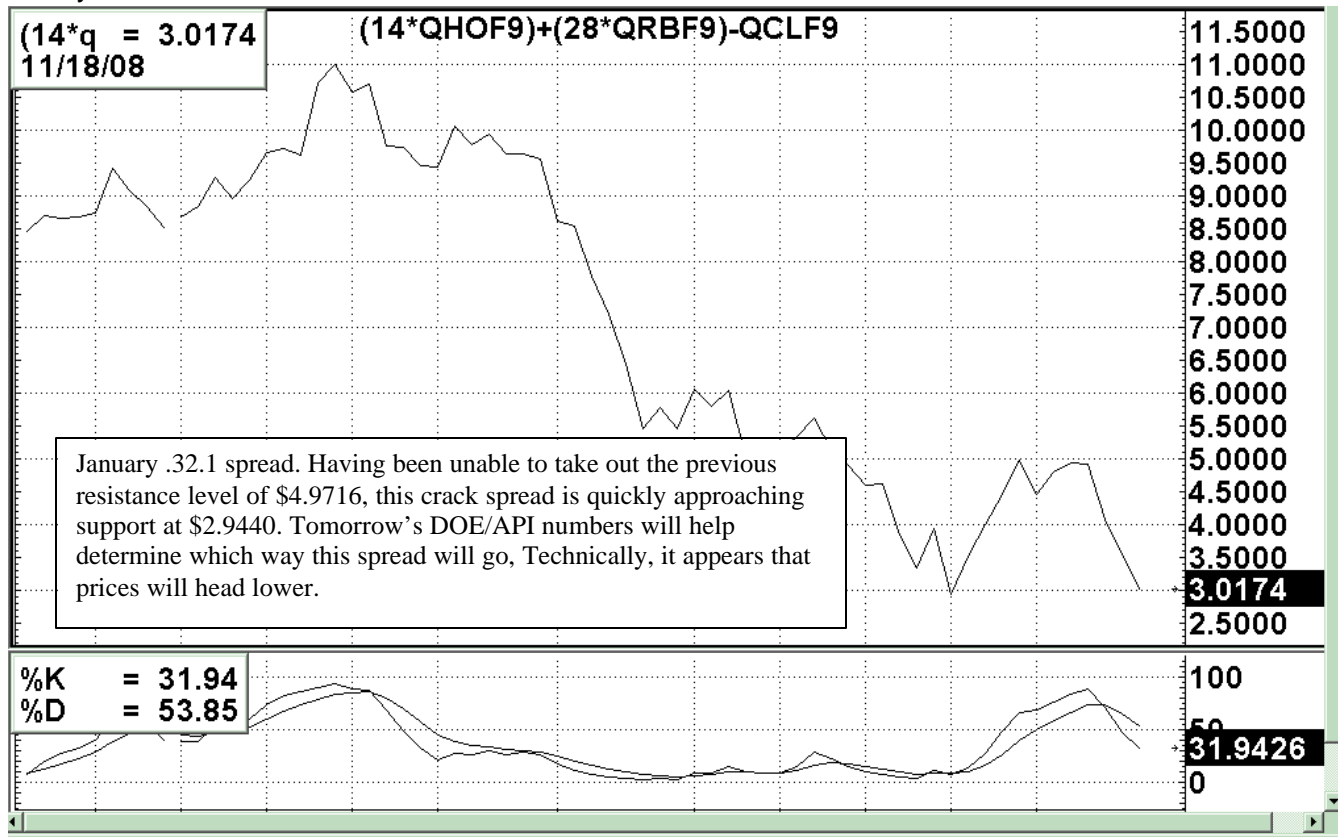


According to Baker Hughes, a total of 76 operating oil rigs were operating in Venezuela in October, up 23% on the month. Last month, PDVSA said the country had 172 oil and natural gas rigs in operation, only 84 of which were actually used to drill new wells.

OPEC's news agency reported that OPEC's basket of crudes fell to \$47.96/barrel on Monday, down from Friday's \$49.09/barrel level.

Market Commentary

Energy prices succumbed to pressure today from expectations that inventory numbers will reflect modest builds. Crude oil is estimated to build by 900,000 barrels, gasoline by 300,000 barrels and distillates by 400,000. Demand continues to be the key factor in this market as crude oil heads towards the \$49.90 key support level. This market is still in a downtrend but should experience intermittent pops to the upside. We would look for the front month crude oil contract, which will be January come this Friday, to bounce around the \$50.00 level, prior to defining future direction. Based on a descending channel on a spot continuation chart a close above \$57.36 would set prices up for a test at \$65.29, with a close below \$49.43 setting up for a test at \$41.50. Gasoline remains in a downtrend as well, as more and more uncertainty regarding the economy continues to weigh on demand. The spot month contract has been trending within a descending channel, bouncing off of the upper and lower trendlines. We would continue to look for gasoline to trendline lower and would look to take advantage of any failures to take out the aforementioned trendlines. Tomorrow's channel is set at \$1.2650 and



\$1.0715. The January 3.2.1 crack spread, after failing to take out resistance at \$4.9716, is quickly approaching the previous low of \$2.9440. From a technical standpoint, this spread should continue to work lower. Supporting this would be a build in stock levels for both gasoline and heating oil.

Open Interest: Crude Oil (CL) DEC.08 114,994 -80,339 JAN.09 270,906 +10,576 FEB.09 56,494 +1,398 MAR.09 48,146 +1, Totals: 1,147,950 -66,773 N.Y. Heating Oil (HO) DEC.08 31,353 -3,860 JAN.09 56,557 +1,332 FEB.09 21,485 +10 Totals: 230,728 -1,280 NEW YORK HARBOR RBOB GASOLINE (RB) DEC.08 42,014 -2,326 JAN.09 64,529 +767 FEB.09 11,336 +558 Totals: 183,479 + 288

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
1.7638, 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
10350, .7760, .6840	1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865

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