



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 21, 2008

OPEC's President Chakib Khelil said OPEC will likely take an important decision when it meets in Oran, Algeria on December 17. He said the expected OPEC move on supply could be of greater magnitude than their decision on October 24 to cut its production by 1.5 million bpd. He reiterated that OPEC ministers will not have enough data on the impact of their output cut when they meet first in Cairo on November 29.

Iran's Oil Minister Gholamhossein Nozari said Iran has halted spot sales of crude to honor its share of the group's oil supply cut agreed last month. Usually about 10-12% of Iran's crude sales are conducted

Market Watch

The US National Intelligence Council said there will be increased competition and potential conflict over limited global resources of energy, water and other commodities in 2025. It said growth in demand from emerging markets, combined with constraints on new production will limit the likelihood that market forces alone will rectify the supply and demand imbalance. Unprecedented world economic growth will continue to put pressure on a number of highly strategic resources such as energy, food and water, making it likely that demand will outstrip easily available supplies over the next decade or so. Its report also notes that wealth is moving from West to East and is increasingly concentrated under state control. It states that China will be the world's second biggest economy and a leading military power by 2025 if current trends continue. It warned that US security and economic interests could face new challenges if China becomes a peer competitor.

Kuwait's daily Al-Seyassah reported that the US has asked four Gulf states for close to 300 billion dollars to help it curb the world financial crisis. The US has requested that the US has requested \$120 billion from Saudi Arabia, \$70 billion from the UAE, \$60 billion from Qatar and \$40 billion from Kuwait.

JPMorgan said oil prices could fall as low as \$35/barrel if OPEC does not cut production enough to compensate for the bearish economic data. It expects oil prices to average \$69/barrel in 2009 as world demand contracts by 527,000 bpd. In October, JPMorgan estimated the average oil price at \$74.75/barrel amid a contraction of 320,000 bpd. It said only OPEC could stop the fall in oil prices, though OPEC is unlikely to cut production enough to reach a level that would justify a rebound in prices. The head of commodities research, Lawrence Eagles said OPEC may have to cut output further and that a further 1 million bpd cut may be imminent.

BP said a fall in oil prices to \$50/barrel is complicating its project planning in Angola.

Norway's StatoilHydro ASA said it was scaling down its third party oil product trading and would close its Singapore products department. The decision will not affect any of its trading activities in crude or gas liquids in addition to natural gas.

The NYMEX announced that its initial margin requirements for its crude oil contract would fall from \$11,813 to \$10,463 effective at the close of business on Friday, November 21st.

November Calendar Averages**CL – \$58.48****HO – \$1.8854****RB – \$ 1.2639**

through spot sales. He said production has been reduced from several oilfields in the south, central and offshore regions of Iran.

According to Petrologistics, OPEC's crude oil production is expected to fall by 1.22 million bpd in November to 30.98 million bpd as members implement a deal to cut production. The 11 OPEC members subject to output quotas are expected to produce 27.8 million bpd in November, down 1.25 million bpd from 29.05 million barrels last month. The reduction was led by Saudi Arabia, which cut its production by 540,000 bpd to 8.95 million bpd in November. Iran is expected to cut its production by 80,000 bpd to 3.67 million bpd in November while Kuwait's oil production is expected to fall by 180,000 bpd to 2.5 million bpd.

Saudi Arabia's Foreign Minister Prince Saud al-Faisal said he was opposed to any negotiations with pirates. Somali pirates who captured the Sirius Star supertanker and its \$100 million load of oil last Saturday off the coast of Kenya have given the Saudi owners of the vessel 10 days to pay a \$25 million ransom. He added that Saudi Arabia will join a fleet of NATO warships on an anti-piracy mission. He said Saudi Arabia will contribute naval assets to help in pursuing piracy in the region. The NATO has four warships off Somalia. India, Malaysia and Russia have also sent warships and a European Union fleet is expected to reach the zone next month. Meanwhile, Frontline Ltd, an oil tanker company, said a more aggressive military approach is the only answer to escalating piracy off Somalia. It is considering whether to divert its ships from Somalia and the Gulf of Aden if there is no quick international force or situation being supplied.

Kurdish guerrillas attacked the northern Iraqi pipeline to Turkey on Friday, triggering a large fire and causing a halt to Iraq's oil exports. No details on the scale of the damage were available.

Gunmen attacked a Nigerian navy houseboat guarding a Royal Dutch Shell oil flow station on Friday. The strike at the Nembe Creek flow station was the second strike in as many days in the western Niger Delta. The Movement for the Emancipation of the Niger Delta has said it believes the military is preparing to raid militant camps in Bayelsa and Delta states. It has threatened to end its ceasefire and resume attacks on the oil industry if provoked.

According to the AAA Daily Fuel Gauge Report, the US average retail price of gasoline fell by 3.1 cents/gallon to \$1.989/gallon on Friday. It was the first time the national average price fell below \$2 since March 2005. It is down 30.4% or 86.9 cents on the month and down 35.6% or \$1.098/gallon on the year.

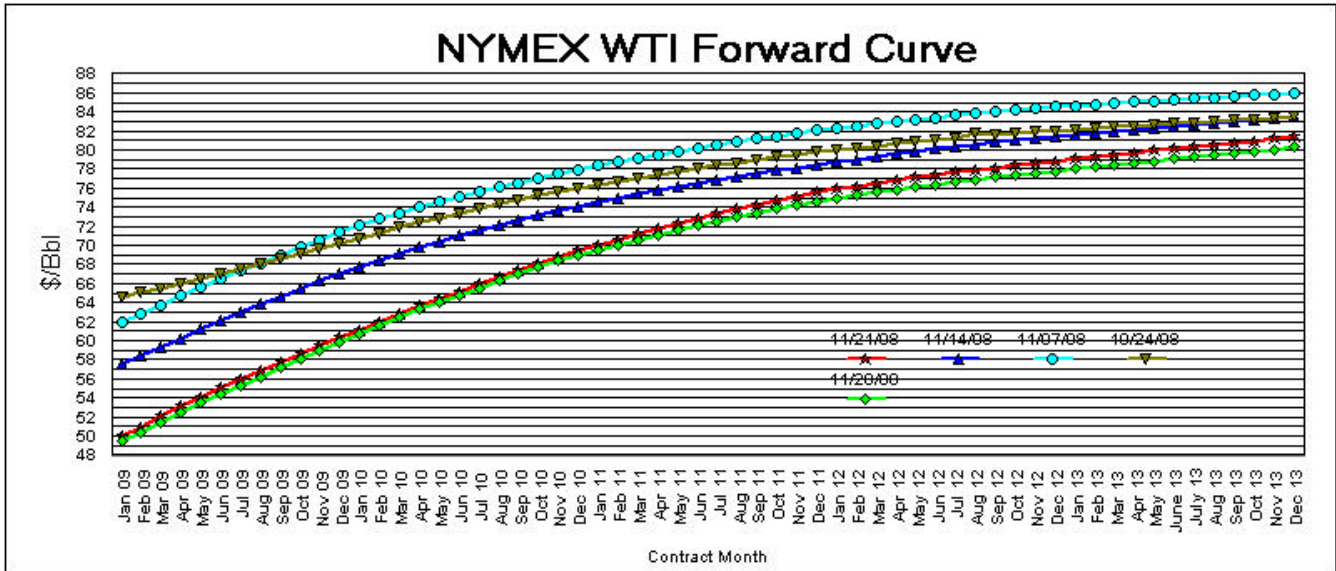
The IEA urged the Indonesian government to remove energy subsidies, saying the subsidies made the country highly vulnerable to global energy price movements. Indonesia has previously estimated that it will spend 126 trillion rupiah or \$10.54 billion on oil subsidies in 2008 and 73 trillion rupiah in 2009.

Refinery News

Colonial Pipeline notified oil shippers that it was freezing shipments on its main gasoline pipeline from north of Collins, Mississippi for cycle 67 as nominations exceeded line capacity. It was the second consecutive gasoline nomination limitation after Colonial it issued a capacity allocation freeze notice for gasoline nominations for the 66th cycle on Thursday.

Sunoco Inc reported an electrical failure on Thursday afternoon at its 178,000 bpd Marcus Hook refinery. It said production was not affected.

Delek US Holding's 58,000 bpd refinery in Tyler, Texas has been shut since Thursday afternoon following an explosion and fire.



ExxonMobil Corp's 348,500 bpd Beaumont, Texas refinery is operating at normal rates on Friday following a brief upset at a sulfur plant. An associated boiler feed water turbine tripped early Thursday due to a loss of steam and power, which necessitated cutting the feed rate to sulfur plant No. 2. Separately, ExxonMobil Corp plans to shut a 72,000 bpd fluid catalytic cracking unit at its 320,000 bpd Fawley oil refinery in the fourth quarter of next year to tie in new pipes. Petroplus Holdings AG also plans to shut a fluid catalytic cracking unit and associated units at its 172,000 bpd Coryton refinery for maintenance during the same quarter while Cia. Espanola de Petroleos SA plans to shut all of its processing units at its 98,000 bpd Huelva refinery in Spain to install a new crude distillation facility.

Valero Energy Corp reported flaring due to a valve malfunction at the east plant of its Corpus Christi, Texas refinery on Friday. According to a report filed with the Texas Commission on Environmental Quality, the refinery returned to normal operations as quickly as possible.

Alon USA Energy Inc cut the charge of a fluid catalytic cracking unit at its 70,000 bpd Big Spring, Texas refinery on Thursday. It also reported a problem involving a sulfur recovery unit at the refinery.

Tesoro Corp is restoring throughput on a crude distillation unit at its 100,000 bpd refinery in Los Angeles to normal rates after suffering a problem on Friday morning.

Pasadena Refining is on schedule to restart a 12,000 bpd coking unit at its 100,000 bpd refinery in Pasadena, Texas on Sunday following a little over a week of planned work.

Verasun Energy Corp, which filed for bankruptcy in late October, said it has ceased receiving corn and processing at certain plants while it seeks to secure additional financing.

Russia's Energy Ministry reported that Russia's refinery runs in October fell by 0.4% on the month but increased by 8.8% on the year to 20.023 million barrels.

South Korea's Korea National Oil Corp said the country's end-month private oil stocks in October fell by 10.06% on the month and by 13.6% on the year to 60.847 million barrels. South Korea's crude runs increased by 2.47% on the month and by 4.42% on the year to 73.925 million barrels while its crude oil imports in October increased by 2.42% on the month but fell by 0.85% on the year to 70.799

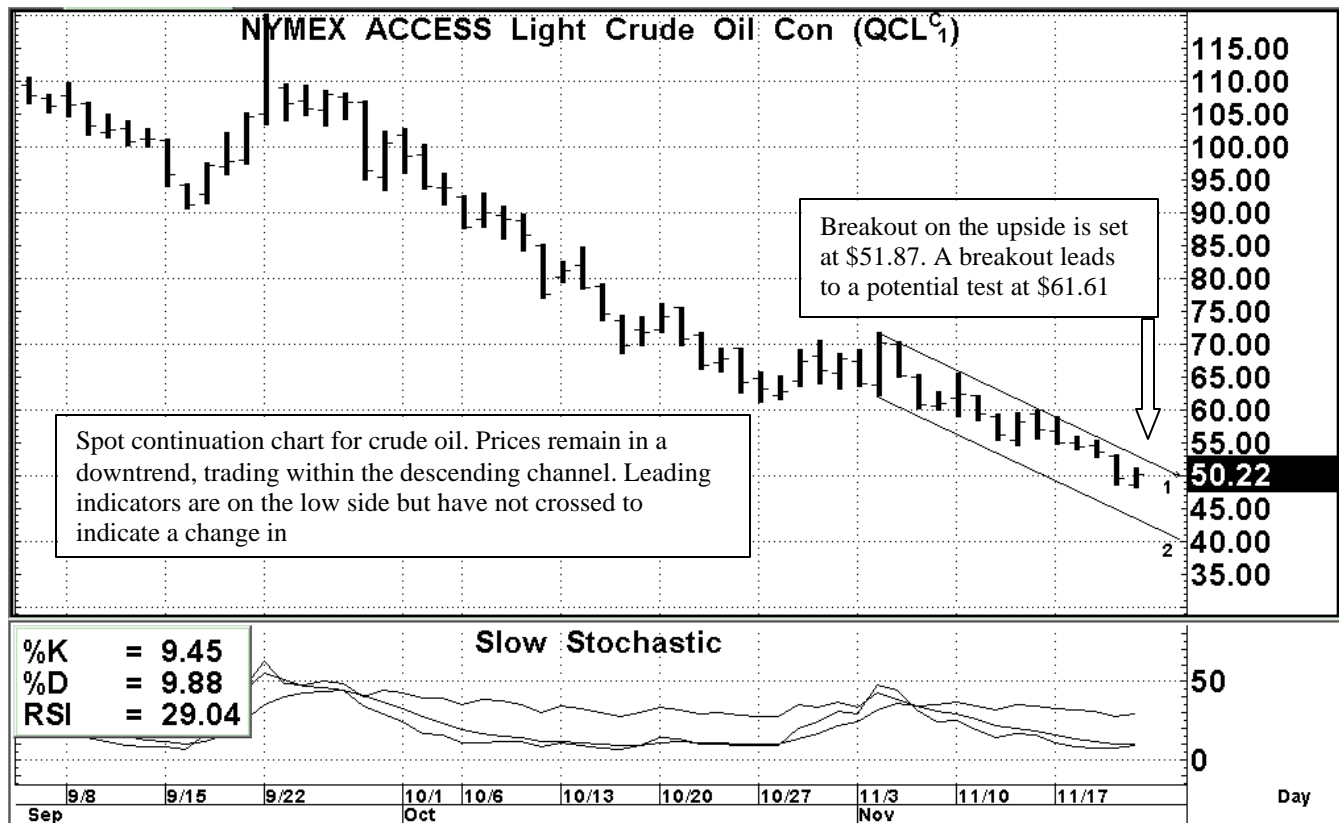
oilfield. Output at the Cantarell oilfield in October fell to 902,000 bpd, down from 1.32 million bpd reported last year. Mexico's oil exports averaged 1.43 million bpd in October, down from 1.5 million bpd a year earlier but up from 1.06 million bpd in September. Pemex also reported that gasoline imports increased by 6% to 359,000 bpd in October while gasoline imports over the first ten months of the year increased by 14.5% on the year. Mexico's natural gas reached a record of 7.183 bcf/d, up from 7.02 bcf/d in September and 6.35 bcf/d in October 2007.

Small and medium Russian oil firms may cut production and exports in the next few months amid falling oil prices and high export duties. Trade sources said the government has failed to cut the export duty, effective December 1, enough to bring export above break even levels. Small companies, which account for 5% of Russia's total oil production are likely to be worst affected as a lack of long term funding and the absence of retail outlets and refining capacity exacerbates the situation.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$44.06/barrel on Thursday from \$45.89/barrel on Wednesday.

Market Commentary

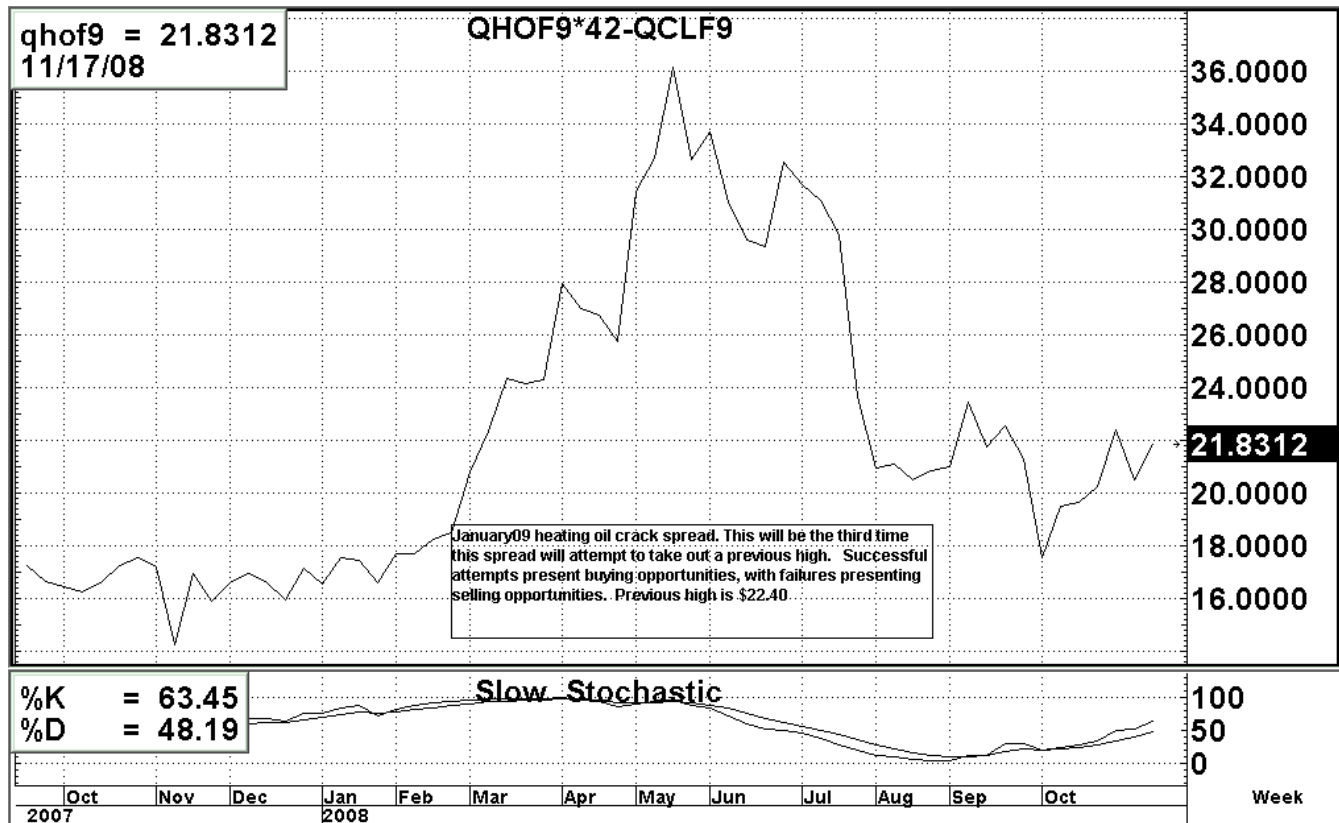
Energy prices moved higher today in response to OPEC's production cuts and as governments try to sure up the global economy. In October, OPEC members agreed to cut production by 3.8% according to consultant Petrologistics Ltd; it appears that this agreement was put into place. OPEC is due to meet next week in order to discuss further reductions. The Bank of Japan said today it will consider pumping more money into the financial system. With OPEC meeting next week, concerns of further cuts will loom over the market, possibly taking crude oil higher. After falling so quickly, it is quite possible that prices may rebound. There is a descending channel that can be seen on a spot continuation chart for crude oil. Technical indicators are on the low side and could possibly cross to the upside. A breakout of this channel will set up prices to test the upside objective of \$61.61. Heating oil continues to enjoy the strength it is deriving from ULSD demand. Demand for distillate is down 3.3%



year on year, compared to a previous report when distillate demand was down 4.6%. As long as exports to Europe can remain steady, heating oil will hold its strength against the crude oil and gasoline. The January heating oil crack spread is approaching a previous high at \$22.40. A break above this level will signal a buying opportunity. The January gasoline experienced an inside trading session, with technical indicators crossing to the upside. Fears of OPEC cuts may lend additional strength to this market, but demand will continue to be the key factor driving prices. This is the first time in six sessions that gasoline did not make a lower low than the previous session. We would look for a test of the \$1.1791 trendline and then reassess the market from there.

Open Interest: Crude oil (CL) DEC.08 2,983 -20,189 JAN.09 299,554 +7,104 FEB.09 69,490 +5,340 MAR.09 54,500 +2,740, Totals: 1,099,293 + 738, Heating oil (HO) DEC.08 22,553 -4,119 JAN.09 59,647 +369 FEB.09 21,549 +298 MAR.09 20,699 +140 Totals: 226,889 -2,718 NEW YORK HARBOR RBOB GASOLINE (RB) DEC.08 30,045 -5,004 JAN.09 70,884 +1,039 FEB.09 12,828 +862 MAR.09 14,913 +943 Totals: 183,095 -1,764.

The latest Commitment of Traders report showed that non-commercials in the crude market reversed their position to a net long position of 10,985 contracts in the week ending November 18th. The funds cut their total short position by 71,783 contracts to 173,468 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials increased their net long position by 14,359 contracts to 94,908 contracts on the week. Meanwhile, the combined futures and options report showed that non-commercials in the heating oil market cut their net long position by 3,031 contracts to 7,776 contracts while non-commercials in the RBOB market increased their net long position by 4,825 contracts to 40,525 contracts.



Crude Support	Crude Resistance
46.85, 40.45, 38.20, 36.75	65.56, 67.00, 72.53, 74.30, 75.91, 79.35 85.50, 90.51
Heat Support	Heat resistance
1.6055, 1.4530, 1.3450	2.2796, 2.3720, 2.3806, 2.4500, 2.5732, 2.6400, 2.6880, 2.6965, 2.7475 3.0184
Gasoline support	Gasoline resistance
7760, .6840	1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865

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