



ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR NOVEMBER 25, 2008

Iran's Oil Minister Gholamhossein Nozari said non-OPEC members should cooperate with OPEC in stabilizing the oil market. He said oil prices will continue to fall if OPEC acts alone. He said OPEC should take a decision to ensure the market was balanced between supply and demand at its next meeting. Meanwhile, Norway's Deputy Petroleum and Energy Minister Liv Monica Stubholt said Norway had no specific plans to cut oil production or join an effort by OPEC to curb output after a sharp fall in oil prices. Russia's Energy Minister Sergey Shmatko did not rule out Russia cutting production along with OPEC.

Market Watch

The Commerce Department said the US economy was a little softer during the third quarter than previously believed. GDP fell at a seasonally adjusted 0.5% annual rate in the third quarter. It was the weakest performance since a 1.4% decline in the third quarter of 2001. Originally, the Commerce Department had estimated third quarter 2008 GDP fell 0.3%. The government's price index for personal consumption increased 5.2%, below the previously estimated 5.4% increase but above the second quarter's 4.3% increase.

According to consultancy, Petromatrix GmbH oil options are indicating that an increasing number of investors expect prices to rise from their recent lows. There were 2.14 million outstanding call options as of November 20 compared with 2.24 million puts. The difference between the two has contracted 88% from a year ago.

Proposed tax changes and incentives published on Monday by the government could help increase the recovery of the UK's remaining oil and gas reserves and slow the decline in output. The UK's total oil and gas production from the UK continental shelf peaked in 1999, but the UK still has an estimated 17 to 20 billion barrels of oil equivalent to be recovered. The price decline and the impact of the credit crisis on the availability and cost of finance for exploration and production projects, has already started to impact the North Sea.

Russia has resumed talks with China over a \$25 billion loan as part of a broader oil supply agreement. China is considering lending Russia's Rosneft and Transneft up to \$25 billion in exchange for securing oil supplies for 20 years. Russia's Energy Minister Sergey Shmatko said he hoped to finalize a long term crude supply deal with China by the end of the year.

China's Ministry of Finance has decided to keep fuel consumption tax rates unchanged in 2009, an apparent move to quash talk that it may raise the tax. The Ministry of Finance announced that the consumption tax will remain unchanged at 28 yuan or 4.1 cents/liter for leaded gasoline, 0.20 yuan/ liter for unleaded gasoline, naphtha, solvents and lubricants and 0.10 yuan/liter for diesel, jet kerosene and fuel oil.

India's Oil Minister Murli Deora said India couldn't cut domestic fuel prices until after state polls end in late December. Similar to China, India has restricted cutting its government set gasoline and diesel prices in recent months even after oil prices fell sharply. He said the Oil Ministry would send a proposal for price cuts and related subsidy issues to the cabinet before December 24. Meanwhile, India's Reliance Industries is keen to resume retail fuel sales at some of its closed petrol stations while Essar Oil has restarted operations at 500 of its pumps.

November Calendar Averages**CL – \$57.79****HO – \$1.8685****RB – \$ 1.2468**

Venezuela's President Hugo Chavez said OPEC should reintroduce price bands and cut production if needed to reduce price volatility. He said OPEC should set price bands with a target range of between \$80/barrel and \$100/barrel. He also stated that

Venezuelan oil prices at \$40/barrel is no tragedy for Venezuela despite some economists' concerns the loss of income could hurt the country. Separately, Venezuela's President said a fleet of Russian warships was arriving in Venezuela on Tuesday to conduct joint naval exercises off country's coast. He said the naval exercises were no meant to anger the US.

Saudi Arabia's Finance Minister Ibrahim al-Assaf said the country's development plans will not be affected by weaker oil prices. He said the country's reserves were adequate to enable it to continue its development programs even with lower oil prices.

Somali pirates holding a Saudi supertanker since November 15 lowered their ransom request to \$15 million from its original request of \$25 million. The pirates have taken the ship further out to 100 km off the coast of Somalia after Muslim fighters entered the town in recent days in search of the pirates. The Islamic Courts Union, which has denounced piracy in public, said it was looking to confront the pirates and release the Saudi tanker because it is a Muslim ship.

Oman's Foreign Minister Yusuf bin Alawi bin Abdullah said Gulf Cooperation Council states have agreed to join the fight against piracy. He said GCC governments are addressing the issue with other nations such as Russia, Japan and Australia but said it is too early to say whether GCC states will use force.

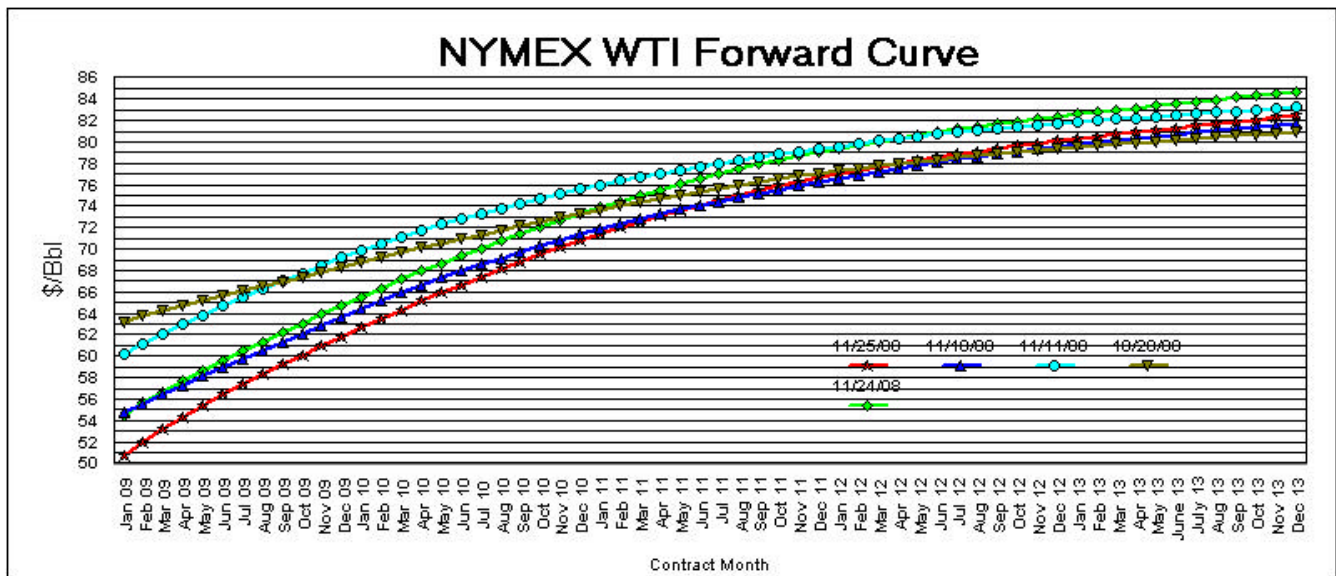
Gunmen seeking to protect a trade in stolen crude oil have attacked Nigerian military positions in the Niger Delta for the third time in under a week. Nigerian troops clashed with militants in the Niger Delta after the militants arrived in 30 speedboats to attack soldiers at Okwabge in the Ughelli area. It was in continuation of the Joint Task Force's fight against illegal bunkering. Meanwhile, Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, warned it may end a unilateral ceasefire and launch attacks across the Niger Delta in support of activists seeking the removal of a military commander in the region. Militants from the western state of Delta over the weekend warned that they would interrupt shipping and attack oil and gas facilities run by Chevron unless the region's military commander Wuyep Rintip was removed.

Cyprus said it would proceed with oil and gas exploration activities in the Mediterranean and warned that Turkey could face difficulties with its EU entry bid if it tried to stop them. Cyprus has accused Turkey of harassing two Panamanian-flagged vessels conducting seismic surveys for Cyprus in international waters on November 13. Turkey said the exploration was encroaching its continental shelf while Cyprus said the incidents occurred in a maritime zone it has rights over under international conventions.

According to MasterCard's SpendingPulse report US gasoline demand increased for the second consecutive week by 1.9% to 9.203 million bpd in the week ending November 21. Demand however was down by 1.2% on the year. It was the lowest year on year decline since April. The US average price fell by 15 cents or 7% to \$2.01/gallon.

Refinery News

Poet, top US ethanol producer by capacity, said it is in talks with producers of the alternative fuel on possible acquisitions, as it remains profitable despite the economic downturn. It said it could not disclose names or locations of the plants it is in discussions with.



Greenhunter Biofuels LLC announced that the startup of biodiesel production at the company's biodiesel refinery in Houston was initiated following repairs and recovery from Hurricane Ike.

A judge approved the auction and bidding procedures for SemGroup LP's White Cliffs Pipeline unit. SemGroup, which is operating under Chapter 11 bankruptcy, had asked the US Bankruptcy Court for the District of Delaware in October to approve the procedures to meet its creditor demands. At the time of the company's bankruptcy filing, White Cliffs was constructing a crude oil pipeline from Platteville, Colorado and ending near Cushing, Oklahoma.

Chevron Corp reported flaring at its 260,000 bpd refinery in El Segundo, California on Tuesday. A notice filed with the California Office of Emergency Services did not state the reason for the flaring.

Total said it had not reduced runs at its refineries despite a drop in gasoline demand in the US. Last week trade sources reported that Total had reduced runs at its Gonfreville refinery by 10%. Separately, Total refinery workers could strike at five out of six plants starting Monday if talks over pay with the French petroleum industry body UFIP on Friday are not satisfactory. Total refineries in France have a total capacity of 930,000 bpd.

German residential heating oil stocks increased to 62% of capacity on November 1 from 60% on October 1. German heating oil tanks were 61% full a year ago.

Japan's Idemitsu Kosan Co Ltd said it plans to shut its 220,000 bpd No. 2 crude distillation unit at its Chiba refinery from April-May 2009. It plans to shut its 140,000 bpd No. 1 crude distillation unit at its Hokkaido refinery from June-July 2009 and its No. 1 crude distillation unit at its Aichi refinery from October-November 2009.

Saudi Aramco will not sell any term fuel oil in the first quarter of 2009 as it seeks to retain supply for rising requirements from domestic utilities. Saudi Aramco typically offers a total of 250,000 to 300,000 tons of fuel oil monthly.

Production News

Petro-Canada said it could defer its already delayed Fort Hills oil sands project if the increasing costs do not fall. Last week, Petro-Canada canceled part of the development while it delayed the start date by at least a year after costs increased to more than C\$28 billion. It also needs to extend its lease for

the development site with the Alberta government, terms of which dictate the project must start producing oil by 2011.

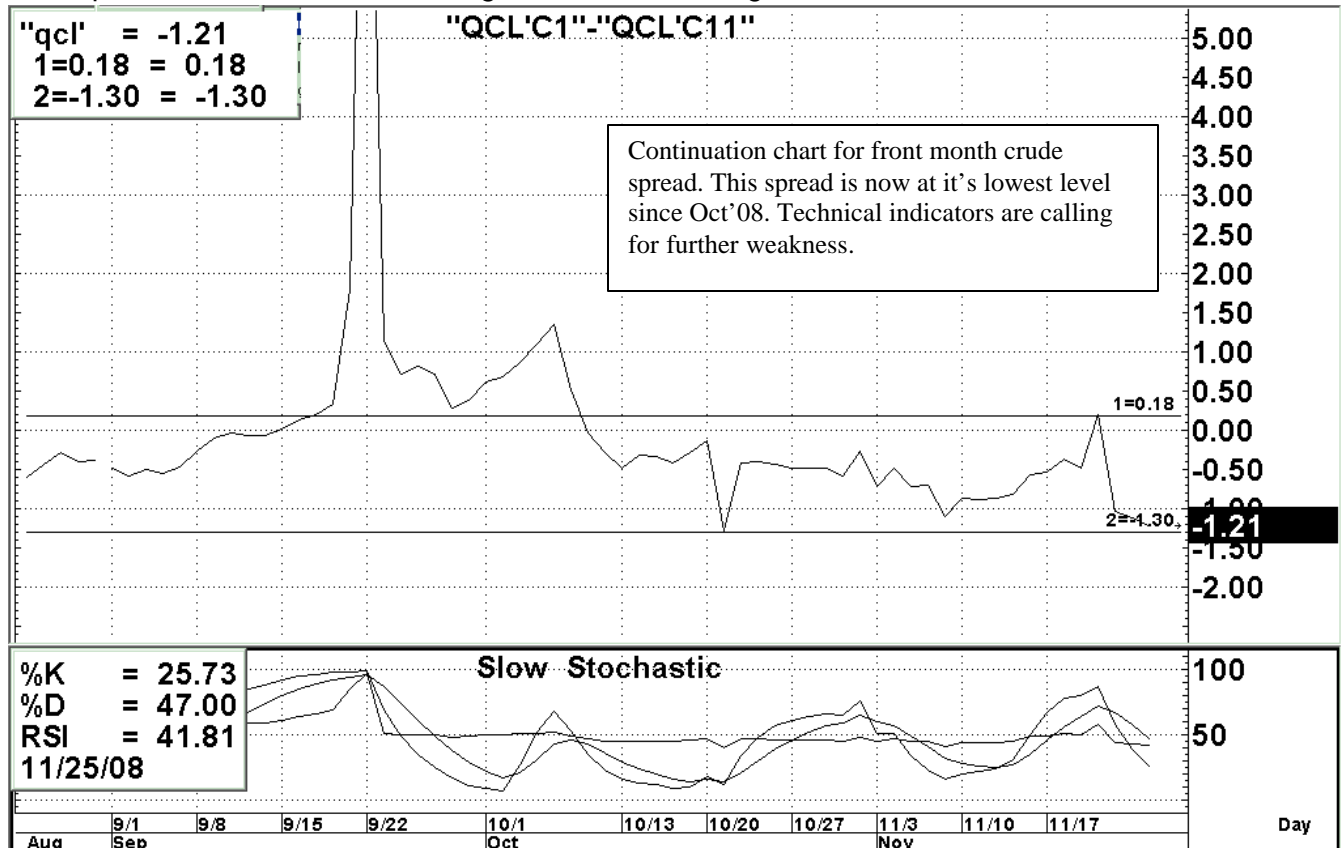
Ecopetrol said oil production in the southern Colombian province of Putomayo has been cut due to protests over a financial scam. Thousands of investors were protesting a series of pyramid investment schemes that threaten millions of dollars in losses.

Ecuador's central bank reported that the country's oil export revenues totaled \$846 million in September, up 20% from \$706 million in the same month of 2007. Ecuador exported 9.54 million barrels or 318,133 bpd in September, up 13% on the year.

OPEC's news agency reported that OPEC's basket of crudes increased by \$1.92/barrel to \$44.48/barrel on Monday from \$42.56/barrel on Friday.

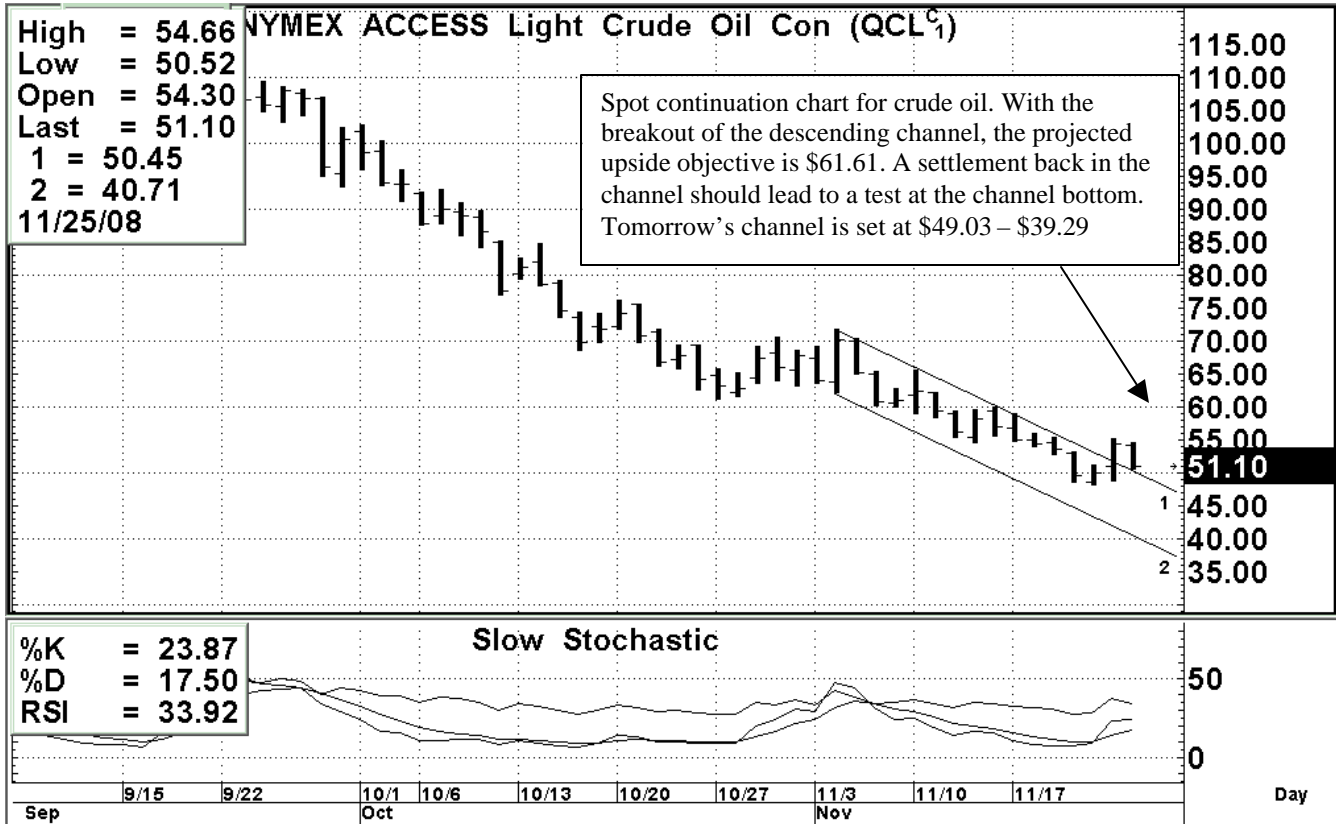
Market Commentary

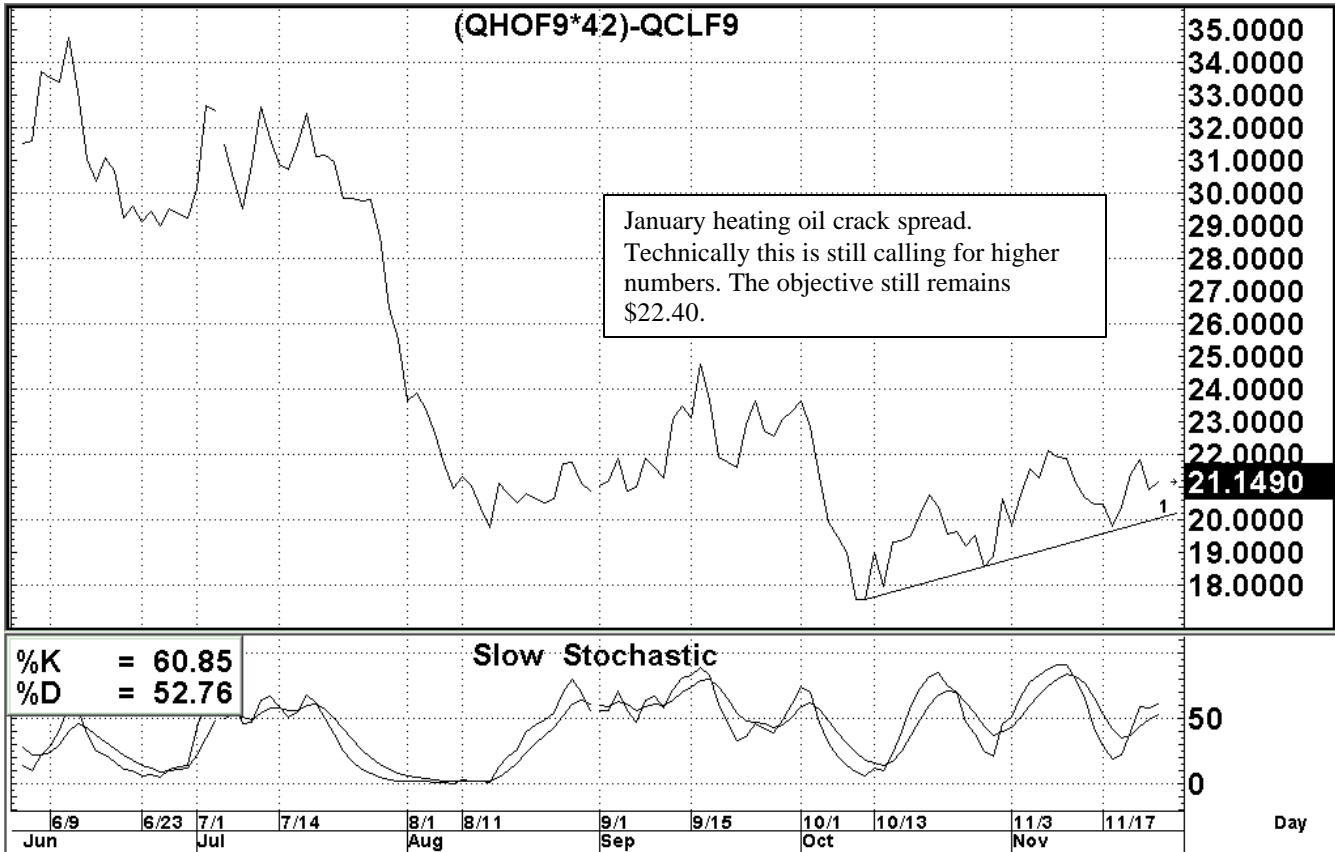
In anticipation of what appears to be bearish DOE/API numbers, energy markets came under pressure, giving back yesterday's gains. Despite a weak dollar, commodities lost their appeal as a financial hedge as concerns over the global economy and its impact on demand dominated the marketplace. The January crude oil held above the top of the descending channel, with technical indicators supportive for prices. This move higher may be no more than a technical correction, given how quickly and how much this market has come off. Any dips that bounce off of the channel top should be considered buying opportunities, with successful penetrations sell signals. The January/February crude oil spread is now at its weakest level for the spot spread since October 21, 2008. This spread still has some time left prior to expiration and given the current demand factor, could weaken even further. If exports to Europe fall drastically, this spread could see -\$1.75 to \$2.00. There is however one supportive factor and that is tight supply among end users who have been reluctant to build inventory. Should the weather in the northeast be as cold as predicted, demand for local distillate could pull on crude stocks. Both gasoline and heating oil will be demand sensitive as we await



tomorrow's DOE/API numbers. Expectations are calling for crude +0.6, gasoline +0.3, distillates -1.1 and runs expected to be +0.3.

Open Interest: Crude oil (CL) JAN.09 301,892 +2,851 FEB.09 79,702 +6,466 MAR.09 64, Totals: 1,120,550 +7,738, Heating oil (HO) DEC.08 16,875 -3,508 JAN.09 65,043 +3,031 FEB.09 21,131 +194 MAR.09 20,905 +453 Totals: 227,058 + 465
 NEW YORK HARBOR RBOB GASOLINE (RB) DEC.08 19,417 -7,387 JAN.09 75,213 +3,119 FEB.09 14,594 +1,910 MAR.09 15,310 +48 Totals: 181,099 - 849





Crude Support	Crude Resistance
50.45, 46.85, 40.45, 38.20, 36.75	57.23, 60.01, 62.79, 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
103.50, 94.10, 7760, .6840	121.90, 136.14, 1.8240, 192.85, 2.0270, 2.0690, 2.1400, 2.1980, 2.2865

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