



ENERGY RISK MANAGEMENT

Howard Rennell, Pat Shigueta

& Karen Palladino

(212) 624-1132 (888) 885-6100

www.e-windham.com

ENERGY MARKET REPORT FOR DECEMBER 3, 2008

OPEC's Secretary-General, Abdullah al-Badri said that oil producers needed at least \$70-\$80/barrel or more for crude to meet their development needs. He said OPEC will cut its output by a significant amount when ministers meet in Algeria on December 17. OPEC's President Chakib Khelil said the group will need six months to remove excess crude oil from the market and push prices higher. He said there is no floor for the price of crude oil. He said the forward demand cover for oil is currently 56 days compared to an average of 52 days. Separately, Qatar's Oil Minister Abdullah al-Attiyah said OPEC will cut production at its

Market Watch

An aide to President-elect Barack Obama said the President-elect is not planning to implement a windfall profit tax on oil companies because prices have fallen below \$80/barrel. He had planned to use the revenue from a windfall profits tax to fund a tax rebate for low- and middle-income families struggling with high energy prices. The aide said that when President-elect Obama laid out his economic plan for the middle class in mid-October, revenue from a windfall profit tax was not included because of the price change.

BP has booked a supertanker capable of storing about 2 million barrels of crude at sea while it waits for demand to increase and prices to rise. It has booked the Eagle Vienna to load a cargo of oil in the North Sea bound for the US Gulf for storage.

According to Institute of International Finance, which represents the world's top banks, the economies of the Gulf Cooperation Council will slow next year as the price of oil falls sharply. It said Brent crude will average \$55.60/barrel in 2009, the lowest level since 2005. The collapse in oil prices will reduce growth of the GCC countries, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE, to 3.6% in 2009, down from 5.7% this year. It also estimated the break even oil price that would balance government budgets for 2009 at \$36/barrel for the UAE, \$38/barrel for Qatar, \$48/barrel for Kuwait, \$51/barrel for Saudi Arabia and \$90/barrel for Iran.

Oman has reduced its assumed oil price for the 2009 budget by \$10 to \$45/barrel in light of the fall in oil prices.

Enterprise Products Partners LP said it would scale back capital expenditures in 2009 in light of the current market conditions. However it remains focused on several projects scheduled to begin service in the next year. The company recently announced plans for a Texas Offshore Ports system, similar to the Louisiana Offshore Ports system, capable of moving about 1.8 million bpd of crude. Its projects scheduled to begin service within the next year include a second Meeker gas processing plant capable of processing 750 mmcf/d of Rockies gas supply, a 1.1 bcf/d pipeline in construction near the Barnett Shale and a 1bcf/d pipeline going into the Trinity River basin.

DOE Stocks

Crude – down 400,000 barrels

Distillate – down 1.7 million barrels

Gasoline – down 1.6 million barrels

Refinery runs – down 1.9%, at 84.3%

next meeting. On Tuesday, he stated that OPEC was concerned about an oversupply of crude in the market. He reiterated that a price of under \$70/barrel was threatening to derail projects to increase oil and gas capacity. Meanwhile, the head of the National Iranian Oil Co, Seifollah Jashnsaz said that \$75/barrel was a fair price for oil.

Refinery News

ExxonMobil Corp said the restart of units at its 150,000 bpd refinery in Torrance, California was continuing on Wednesday morning. Exxon has declined to state which units were shut but sources said the refinery's 100,000 bpd fluid catalytic cracking unit and coker unit were shut by an electrical power interruption on Monday morning.

BP has restarted a hydrocracker and a residual hydrotreater and is the process of restarting a reformer unit at its 475,000 bpd refinery in Texas City, Texas.

Valero Energy Corp said that it was operating its fluid catalytic cracking units in its refining system at the mid-80% level. It said poor margins and demand for gasoline has forced them to keep runs low. It said long term distillates demand growth would be twice that of gasoline. Separately, Valero said it no longer plans to sell its 87,400 bpd Ardmore, Oklahoma refinery and its 180,000 bpd Memphis refinery but will continue with its efforts to sell its 255,000 bpd Aruba refinery.

Royal Dutch Shell restarted a reformer unit at its Pernis refinery this week following a brief shutdown. It shut its 25,000 bpd reformer unit due to technical problems late last week. The unit should resume full operations by the end of the week.

Petroplus Holdings AG plans to increase operating rates at its Teesside plant in the UK next year. It cut production at Teesside by 30% this quarter due to weak margins. It expects to process 60,000 bpd to 70,000 bpd this year and increase to 85,000 bpd to 95,000 bpd through 2009.

China's twelve major plants are set to cut production to the lowest level in 20 months due to high fuel stocks and weak demand. The refineries are expected to process 2.31 million bpd of crude in December, down 5% on the month. Meanwhile, Sinopec will reduce crude throughput at its Zhenhai refinery by about 16% on the month in December, as it continues maintenance that started last month. The planned cut follows reduced runs of about 10% in November at the 400,000 bpd refinery due to maintenance.

China's fuel oil imports increased to 1.17 million tons in November from 875,000 tons in October, as low prices spurred buying interest from independent Chinese refiners. The November figures were still below the 1.324 million tons of fuel oil that China imported for the same month last year, as overall demand has declined amid the slowdown in the economy.

Iran's Oil Ministry said the country plans to double gasoline output at its Isfahan refinery by 2012 as part of its efforts to meet domestic fuel demand. It said the Isfahan refinery would produce 12 million liters/day of gasoline by 2012.

The Petroleum Association of Japan reported that the country's crude stocks in the week ending November 29 built by 1.86 million barrels on the week and by 7.96 million barrels on the year to 110.94 million barrels. Japan's gasoline stocks built by 490,000 barrels on the week and by 1.71 million barrels on the year to 13.86 million barrels while kerosene stocks fell by 550,000 barrels on the week and by 3.7 million barrels on the year to 22.59 million barrels. It reported that crude runs increased by

160,000 bpd on the week but fell by 440,000 barrels on the year to 3.97 million bpd. Meanwhile, Japan's Oil Information Center reported that the country's average retail price of regular gasoline stood at 123.3 yen/liter or \$5/gallon on Monday, down from 127.9 yen/liter reported last week.

December Calendar Averages
CL – \$47.68
HO – \$1.5941
RB – \$ 1.0703

India's refiners processed 3.13 million bpd of crude oil in October, up 5% on the year. Crude oil output during the month was up 0.3% at 686,700 bpd.

South Korea's SK Energy cut naphtha operation at its No. 2 unit to 60-65% from 70% in November. The cut came after the refiner shut its No. 1 unit in late October in an effort to cut production amid sluggish demand and negative margins.

Production News

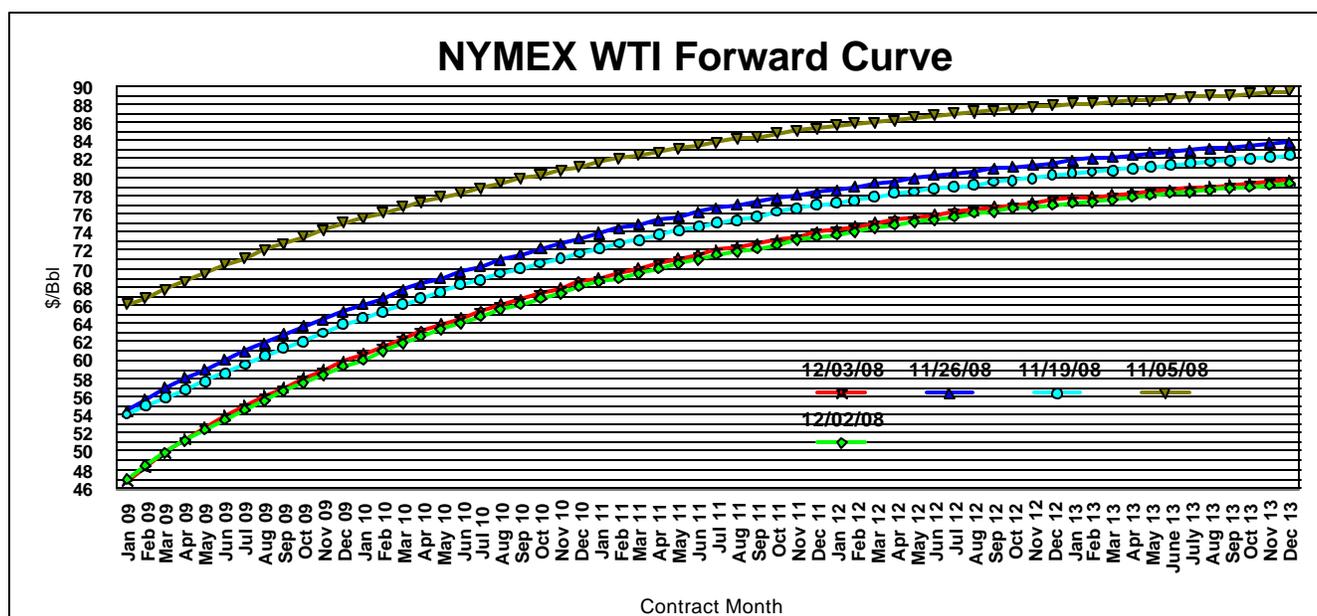
The MMS reported that in the two weeks ending December 3^d, a total of 18,306 bpd of crude production shut in due to Hurricanes Gustav and Ike returned to the market, leaving 193,910 bpd of crude production still shut in. It also reported that a total of 261 mmcf/d of natural gas production shut in due to the hurricanes returned to the market, leaving a total of 1.544 bcf/d of natural gas still shut in.

Italy's Eni SpA declared force majeure on between 15,000 and 18,000 bpd of its Brass River oil production in Nigeria following a pipeline disruption.

Iraq's exports of Kirkuk crude through its northern pipeline to Turkey resumed on Wednesday after the flow was halted on Monday. A source at Iraq's North Oil Co said the stoppage was routine however a Turkish Energy Ministry source said the halt was due to a technical problem. Oil stored in Turkey's Ceyhan terminal stood at about 3.3 million barrels.

According to the Aberdeen Petroleum Report, UK oil production increased to 1.28 million bpd in September, up 14% on the month.

The Norwegian Petroleum Directorate said StatoilHydro made an oil and gas discovery south of the Visund field in the North Sea.



An industry analyst stated that global biodiesel production is expected to increase 27% to 14 million tons in the 2008/09 year amid lower feedstock costs.

Saudi Aramco cut its official selling prices for its crude grades bound for Northwest Europe in January. It set the price of its Arab Extra Light crude at BWAVE minus \$2.95, down \$1.80; its Arab Light crude price was set at BWAVE minus \$5.65, down \$1.50; its Arab Medium crude price was set at BWAVE minus \$7.70, down 50 cents and its Arab Heavy crude price was set at BWAVE minus \$9.30, down 10 cents. Meanwhile the price of its Arab Extra Light crude grade bound for the US was set at WTI minus \$3.10, down 50 cents; its Arab Light crude price was set at WTI minus \$4.80, down 20 cents; its Arab Medium crude price was set at WTI minus \$7.75, unchanged on the month; its Arab Heavy crude price was set at WTI minus \$9.75, up 40 cents. The price of its Arab Super Light crude bound for Asia was set at the Oman/Dubai average plus \$1.15, up \$1.50; the price of its Arab Extra Light crude was set at the Oman/Dubai average plus \$1.15, up 65 cents; the price of its Arab Light crude was set at the Oman/Dubai average minus 85 cents, up 40 cents; the price of its Arab Medium crude was set at the Oman/Dubai average minus \$3.10, up 55 cents and the price of its Arab Heavy crude was set at the Oman/Dubai average minus \$5.80, up 50 cents.

OPEC's news agency reported that OPEC's basket of crudes fell further to \$41.60/barrel on Tuesday, down from Monday's \$45.26/barrel.

Market Commentary

Energy prices initially reacted strongly to the release of the DOE/API numbers, however upon further examination of these numbers, the realization that demand for products was off, set in and prices sold off. Crude oil inventory fell by 400,000 barrels to 320.4, leaving stocks in the upper half of the average range. This draw on inventories was more of a reflection of imports, which totaled 9.5 million barrels or down 17,000 barrels per day on the year based on a four-week average. Gasoline inventories were down 1.6 million barrels and are currently set in the lower boundary of the average range. Demand for gasoline was set at 8.9 million barrels per day or 3.2% lower on the year, based on a four-week average. Distillates were down 1.7 million barrels and are set in the lower half of the average range for this time of year. Demand for distillate was set at 4.6 million barrels per day or 2.2% lower on the year, based on a four-week average. Jet fuel demand, based on the same four-week average was off 16.7%. This is the fourth straight session that crude oil prices have tumbled and are they are slowly approaching a previously descending channel. This channel will begin tomorrow's session set at \$40.51 - \$30.76. Towards the end of today's floor traded session, the January/March spreads for both heating oil and gasoline gained significant strength. This gain in strength, we were led to believe was due to a "fat finger" incident on the electronic platform. This incident artificially inflated the values on both of these spreads; so don't be surprised tomorrow when they come in much lower.

Open interest: Crude oil (CL) JAN.09 297,619 -6,092 FEB.09 95,502 +8,978 MAR.09 66,891 +3,476
Totals: 1,147,475 +12,596, Heating oil (HO) JAN.09 66,349 -565 FEB.09 21,666 +882 MAR.09 23,087
+534 Totals: 218,117 +1,253 NEW YORK HARBOR RBOB GASOLINE (RB) JAN.09 78,367 +873
FEB.09 21,081 +2,439, MAR.09 16,423 +639 Totals: 175,674 +3,693

Crude Support	Crude Resistance
46.26, 40.51, 40.45, 38.20, 36.75	48.10, 50.25, 52.75, 53.75, 57.23, 60.01
Heat Support	Heat resistance
1.5655, 1.4530, 1.3450	1.615, 1.6492, 1.6715, 1.7185, 176.70, 2.2796, 2.3720
Gasoline support	Gasoline resistance
1.01, .9410, .7760, .6840	1.0732, 1.1575, 1.1990, 1.205, 1.219, 1.242, 1.3614

The information contained in this letter is taken from sources, which we believe to be reliable, but is not guaranteed by us as to accuracy or completeness and is sent to you for information purposes only. The Windham Group bases its market recommendations solely on the judgment of its personnel. Reproduction in whole or part or other use without written permission is prohibited.