

THE ANGUS ENERGY REPORT

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POST INVENTORY REPORT MOVES		HEATING OIL (MAR)	GASOLINE (MAR)	NATURAL GAS (MAR)	CRUDE OIL (MAR)
	Crude -----	HIGH	1.2550	1.2365	6.175
	LOW	1.2250	1.2050	6.010	44.80
.50 higher	SETTLE	1.2460	1.2162	6.164	45.40
Products -----	CHANGE	+.0154	+.0040	+.195	+.12
.0250 higher	14 DAY RSI	34	42	45	39
Natural Gas ---	5 DAY MA	1.2649	1.2502	6.151	46.06
.050 higher	9 DAY MA	1.3004	1.2826	6.215	46.85
	14 DAY MA	1.3328	1.2931	6.268	47.45

-D.O.E. reports....

Crude oil stocks fell 1.00 mmbbls. Distillate stocks fell 3.00 mmbbls. Gasoline stocks rose .50 mmbbls. Refinery operating capacity fell 1.6% to 90.0%. Not a shocker, but definitely a mild surprise. Estimates were for a small build in crude oil, not a draw of 1 mmbbls. Heating oil also surprised, with a larger draw than anticipated. In the immediate aftermath of the D.O.E. report, heating oil moved from down a penny to up a penny and a half. Amazingly, a swing (so far, today) of 5-cents, barely registers on the radar, nowadays.

-Bounce? Heating oil prices moved higher yesterday after 5 straight sessions of lower prices. Most analysts (a/k/a Monday Morning Quarterbacks) looked at the drop as nothing more than profit-taking ahead of the weekly inventory reports. Perhaps, and hopefully, they are right, but this market has an eerie way of bouncing higher (is \$50.00/bbl. in crude still in the cross-hairs?) without any warning.

-The weather continues to control the short-term price directions of trading in both heating oil and natural gas. After January's extremes (very mild for two weeks, and then very, very cold for two weeks), you would think that a warming forecast

Crack Spread		NYMEX #2 Oil		Platt's NYH #2	
02/02/05	.1515	02/02/05	1.2970	02/02/05	1.2995
02/03/05	.1287	02/03/05	1.2765	02/03/05	1.2822
02/04/05	.1140	02/04/05	1.2742	02/04/05	1.2780
02/07/05	.0904	02/07/05	1.2306	02/07/05	1.2317
02/08/05	.0912	02/08/05	1.2460	02/08/05	1.2460

WEATHER STATION	HDD'S
	Season
Albany	4025
Baltimore	2762
Binghamton	4087
Boston	3289
Buffalo	3667
Cleveland	3395
Columbus	3139
Fort Wayne	3642
Hartford	3465
Lansing	3846
New York (LGA)	2772
Philadelphia	2833
Pittsburgh	3200
Providence	3334
South Bend	3660
Syracuse	3855
Toledo	3654
Washington, DC	2461
* HDD's are as of 2/7/05	

wouldn't drop prices by almost 20 cents per gallon in a little over a week – but then, again, you wouldn't think that rack prices in the high-120's would ever be considered "cheap".

-Margins – yes, that ugly word – seem to be doing quite well for companies that have offered programs to their customers (and for companies who have customers with absolutely no price sensitivity, who are willing to pay \$2.29/gallon!!).

Prices, despite their historical highs thus far this winter, are still sharply lower than the levels we had in the fall. As with all moves lower, retail margins do have a tendency to increase in weak market (prices falling) environments.

-As referenced before, the real trump card since December has been the wide swings in HDD's. In New York City, the first half of January averaged 22 HDD's/day. The second half of the month averaged 45 HDD's/day. These swings are the reason that there must be a weather component imbedded into your hedging program. There are several ways to accomplish this, but just one (that we know of) easy – and very affordable – way. Talk to your Angus rep about the strategy.

-What's in your wallet delivery ticket? When you deliver oil to your “program customers” at a price that is less than your regular retail price, how (if at all) do you make those customers aware of it? If you are delivering oil to capped customers at a price of \$1.699/gallon, and other “regular” customers are paying, say, \$2.049/gallon, how is this noted to the customer who is saving \$63 on that one delivery (.35 x 180 gallons)? Whether or not to charge a fee for a price cap has been a sensitive issue in some areas (I'm a fan of a fee, but it DOES depend upon the location, competition, and history), but if you SHOW how

the cap can save them money, it is much easier to collect the fee – to offset part (or all) of the hedging costs. If all the customer knows is that he/she is paying the cap price the whole winter, what feeling of “wow, look what my oil company did for me” will there be, if they are not aware that “everyone else” is paying much higher prices?

-Suppliers taking you to the cleaners with their diffs? Generally not. While we would all love to save some money when locking in the diffs for wetbarrels, you have to assess the whole situation. If the guy who is quoting a diff that is \$.0025/gallon higher than “the other guy” is someone that you are comfortable with, and who has product for you – whether it is cold or warm – is it really worth it to beat that supplier up over the quarter of a penny – or, worse, to lock in supply with a less reliable supplier? Analyze your rack diffs (we can help), and then compare against the offer – with the knowledge that there really haven't been outages this year (and considering where you would feel most secure if supply were tight). We can help you with this analysis, and we think you'll be surprised to see that things are not as bad as some would make them out to be.

-Reminder to Patriots fans: the word “threepeat” is trade-marked by Pat Riley. Congratulations. Again.

