

# THE ANGUS ENERGY REPORT

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	HEATING OIL (NOV)	GASOLINE (NOV)	NATURAL GAS (NOV)	CRUDE OIL (NOV)	
<b>Opening Calls:</b>					
<b>Crude -----</b>					
<b>1.25 higher</b>					
<b>Products -----</b>					
<b>Heat-300 higher</b>					
<b>Gasoline 200</b>					
<b>higher</b>					
<b>Natural Gas ---</b>					
<b>.20 higher</b>					
	<b>HIGH</b>	1.6800	1.5050	6.185	59.78
	<b>LOW</b>	1.6360	1.4435	5.760	57.75
	<b>SETTLE</b>	<b>1.6770</b>	<b>1.4978</b>	<b>5.995</b>	<b>59.41</b>
	<b>CHANGE</b>	<b>+.0231</b>	<b>+.0411</b>	<b>+.236</b>	<b>+.73</b>
	<b>14 DAY RSI</b>	30	34	35	30
	<b>5 DAY MA</b>	1.7090	1.5115	5.682	60.96
	<b>9 DAY MA</b>	1.7113	1.5192	5.723	61.20
	<b>14 DAY MA</b>	1.7239	1.5360	5.882	61.70

**-D.O.E. stats.... Crude oil stocks** rose 3.36 mmbls. **Distillate stocks** rose .18 mmbls. **Gasoline stocks** rose 1.15 mmbls. **Operating capacity** fell 2.5% to 89.9%. The build in crude oil was the first thing that was noticed, and led to a knee-jerk sell-off in prices, before bottoming out, and moving higher. The real noticeable number was the size of the decline in refinery activity. Although no one will "announce" the reason for the drop in activity – routine fall maintenance, or as a result of declining refinery (crack) spreads – the bulls apparently saw some support in the data, and held ground (major support for crude oil at \$57.50), before moving higher.

**- Trouble in the Delta.** In addition to the non-bearish (can't quite call it bullish) inventory reports, continued tensions in Nigeria has captured the attention of oil traders and suppliers. Rebels killed a number of Nigerian soldiers in an extended battle yesterday, near an oil pumping station, and those rebels have announced plans to send more fighters to the area for planned assaults on the oil industry.

**- OPEC turnaround.** After announced cuts by Nigeria and Venezuela ('announced', 'implemented', and 'quotas', are all "OPEC WORDS", but often are "reality-challenged"), Kuwait joined the bandwagon yesterday, by announcing that they might look to cut production if prices continued to fall. The Saudis (who really make these decisions) stated that the next OPEC meeting, planned for December, will give the cartel ample opportunity to discuss quotas. Well, that was then, and this is now.... This morning, per a Reuters report, OPEC will be lowering quotas by 1 million barrels per day, with the Saudis contributing 300,000 bpd. to that amount. The cut is not "official", as several are denying it, but the news is enough to lift prices towards \$61.00/bbl., from yesterday's lows of \$57.75. Are the OPEC members panicking? It's hard to tell. It's also hard to feel sorry for them with prices at \$60/bbl., when you consider that the average price for this DECADE is below \$39/bbl. A 50%

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '07 futures
09/28/06	1.6751	09/28/06	1.7138	09/28/06	1.8589
09/29/06	1.6546	09/29/06	1.6846	09/29/06	1.8607
10/02/06	1.6218	10/02/06	1.7018	10/02/06	1.8182
10/03/06	1.5827	10/03/06	1.6539	10/03/06	1.7704
10/04/06	1.6058	10/04/06	1.6770	10/04/06	1.7904

premium over the decade-long average doesn't rally conjure up much compassion.

**- Off the lows.** Just as prices are quite high if assessed by historical comparison, the recent "pop" in heating oil prices, doesn't really change the major shift in "reality" since August. From the second week of August, until this week, heating oil futures – as gauged by the NYMEX futures contract for January delivery – had fallen 55-cents per gallon. Yes, we are a nickel higher than the lows of this week, but the bulls have a lot of work ahead of them before getting the bears off of their backs.

**- Tough times for fixed prices.** With the continued drops in prices, two distinct fears are emerging for those who sold fixed-price deals to their customers. The first concern is in dealing with all of the "complaints". As everyone who is willing to listen knows, I am not a big fan of fixed-price offers (as compared to capped offers), and this year is exactly why. HOWEVER, and it is a big however, if customers CHOSE to buy a fixed-priced product from you, THEY made that choice. No one forced them, and certainly they wouldn't be calling you if prices had risen 50-cents, instead of falling 50-cents. Each of you needs to do what you think is best for your own business, but what kind of message are you sending your customers, your staff (and your bottom line) by being willing to lower prices to your fixed-price customers? Would they allow you to RAISE their price, if the markets were sharply higher? The second issue is more familiar to a number of our clients, who have

placed certain “fixed-price hedges”. That hedge helps deal with what to do with (in the current environment) gallons that are owned (at much higher prices) in the event that the weather is warm. Even IF customer loyalty were not an issue, if the weather does not cooperate, you are going to be stuck with “extra” gallons, with no home – and well above current market prices. For those who haven’t looked at this yet, contact your Angus rep.

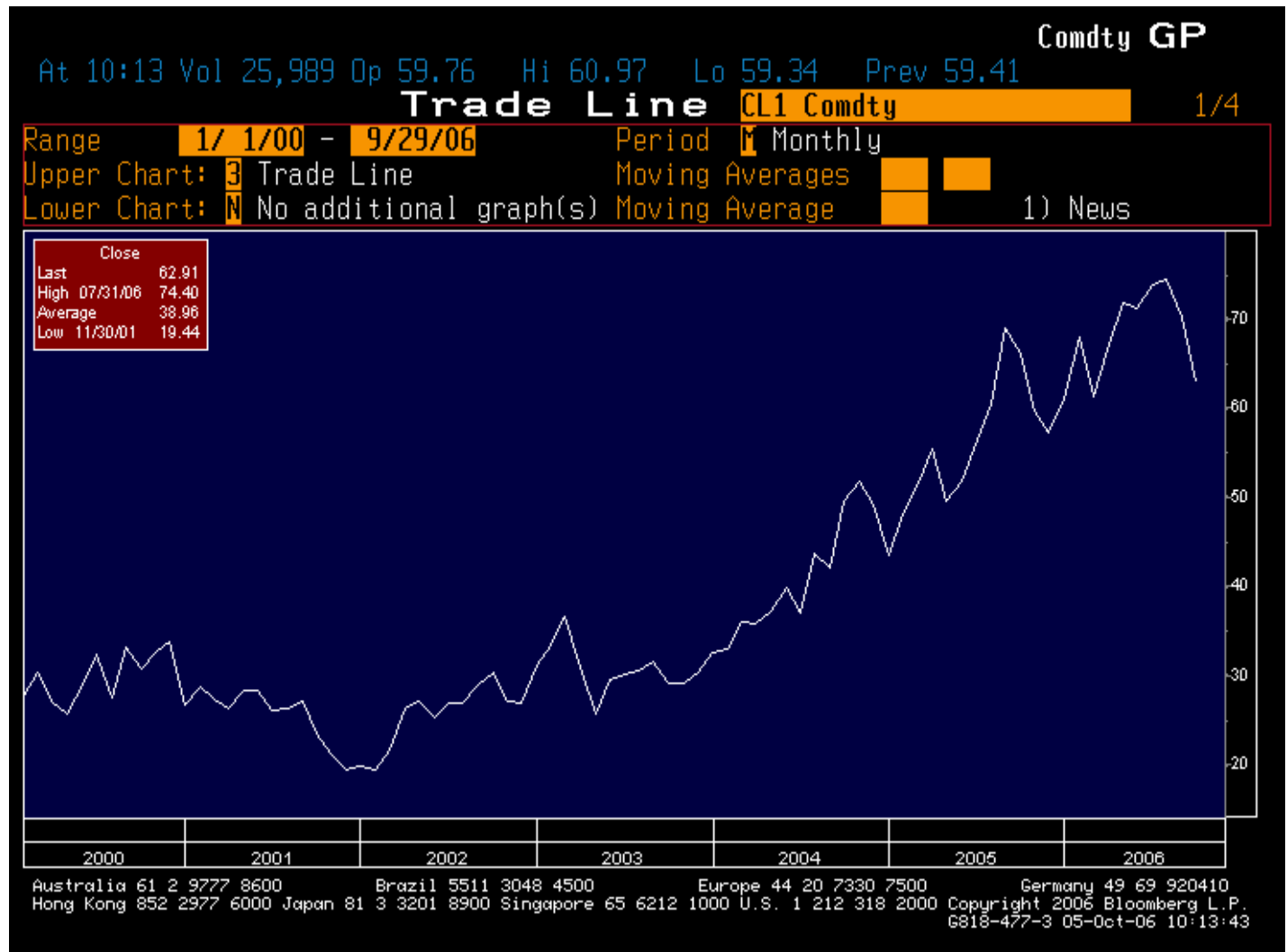
- **Weather – or not...** Although many look closely at HDD’s starting on November 1<sup>st</sup>, gained or lost deliveries in October can help or hinder operations for the balance of the

winter. 80-degree temperatures in New York City in early October is not a good way to start the season. This weekend is set to cool down, but the early estimates are calling for a slightly warmer-than-normal October. Forecasting further into the winter, per the weather futures markets, is still seeking direction.

- **Production out of Alaska** is quickly returning to early-summer levels, as the terrible fears of not having enough oil out of Prudhoe Bay seem to have been overstated.

- **Mets “dodged” a bullet yesterday.**

This chart is the monthly chart of spot crude oil futures since January, 2000.



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