

THE ANGUS ENERGY REPORT

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Opening Calls:		HEATING OIL (DEC)	GASOLINE-RBOB (DEC)	NATURAL GAS (JAN)	CRUDE OIL (JAN)
Crude ----- .75 higher	HIGH	1.7970	1.7100	8.940	62.54
Products ----- Heat-200 higher Gasoline 150 higher	LOW	1.7270	1.6370	8.465	60.95
Natural Gas --- .05 lower	SETTLE	1.7953	1.7084	8.871	62.46
	CHANGE	+.0670	+.0713	+.312	+1.47
	14 DAY RSI	60	65	59	56
	5 DAY MA	1.7124	1.6273	8.397	60.45
	9 DAY MA	1.6995	1.6033	8.422	59.86
	14 DAY MA	1.6966	1.5929	8.420	60.34

-D.O.E. stats.... Crude oil stocks .36 mmbbls.

Distillate stocks fell 1.00 mmbbls. **Gasoline**

stocks fell .59 mmbbls. **Operating capacity**

rose 1.0% to 88.1%. The surprises came in

the form of draws in products – as crude oil

inventories came in about where estimated.

Distillates were expected to show a build, so

the 1 mil bbl. draw popped prices up, and then

the buying seemed to come in from

everywhere. Without getting crazy and calling this a

bullish market, we are now seeing spot crude oil

futures prices back to levels that we have not seen

since late September.

-The draw in products was the first part of the story

yesterday, with the second part being the imminent

change from the current balmy weather in the

Northeast – with highs approaching 70-degrees in

some locations – to the big “cool down” expected over

the weekend. Not to be a skeptic, but isn't it

SUPPOSED to be cold in early December? I guess

that after seeing November HDD's off by about 30%

(yes, that much) any cold weather is coming as a

welcome savior. Forecasted temperatures for

December are now in the “normal” to slightly

“warmer-than-normal” range. Hopefully a cold first

week will kick up the HDD's, and start to make back

the losses from November.

-It is interesting to see reactions to price movements.

After seeing a sharp sell-off in prices from mid-

summer through early November, we would have

expected to see oil dealers (especially those who

offered capped prices) doing cartwheels as margins

increased. There were some smiles, but not enough,

considering the success of the planned hedges. The

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
11/21/06	1.6879	11/21/06	1.7331	11/21/06	1.9636
11/22/06	1.6203	11/22/06	1.6665	11/22/06	1.9247
11/27/06	1.6740	11/27/06	1.7052	11/27/06	1.9588
11/28/06	1.7008	11/28/06	1.7283	11/28/06	1.9718
11/29/06	1.7678	11/29/06	1.7953	11/29/06	2.0018

consternation seemed to be related to the fact that some

customers were jumping ship as “capped prices” still

carried a premium over regular “variable prices”

(despite the fact that their customers had committed to

being part of a cap program). More than once, and

although I understand where the comment came from, I

cannot say that I agree with it, I found some dealers

wishing for some higher prices – to narrow the spread

between their delivery price and those of the variable

(rack-+) guys. Strange how 2 weeks changes things.

Over the last few days the comments have been along

the lines of “I wish prices would stop rising..”. This,

too, I understand, but more importantly, I think we can

all learn something from these lines of thought: 1- the

grass is always greener.... 2- it doesn't matter what we

“WANT” oil prices to do, they will do what they want,

and 3- The disconnect between actual weather and

actual price movements makes understanding of the

weather-related impacts on P&L quite important.

-As we move further into this heating season

(although hard to call it that, so far), we have started to

pick up positions for some clients who want to

slowly scale into next winter's pricing programs.

The 20 cent per gallon increase in spot (December)

heating oil futures since the beginning of the month,

had been mirrored in direction but not in actual cents

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per gallon by an increase in prices for next winter. We are less than a dime away from the lows (for next winter's heating oil), and still more than 35 cents lower than the highs – hence some of the logic for the slowwww (I am making that clear, right?) layering on of some'07-'08 hedges.

-OPEC games to backfire? One of the more “tangible” reasons for the recent price rally is the upcoming (December 14th) meeting by members of the cartel. After failing to drive prices higher after the announced production cuts at their last meeting, there is a lot of talk of another set of cuts. We've seen these pre-meeting rallies before, and in general they are driven by fear, and then we have the “inevitable” sell-off when the announced cuts fail to materialize. Word out today is that only about ½ of the announced November cuts have been implemented, so OPEC continues to suffer from questionable credibility. The “kick in the head” for the OPEC hawks who want to see prices higher – and plan to cut production to achieve that goal – is that as/if prices increase going INTO the meeting, the chances and needs for an actual production cut diminishes. In this particular case, we do have the Saudis acting somewhat out of character in announcing some “qualified support” for another

production cut – but, they made a point of stating that they will not cut (“balance”) supply on their own, without participation by other cartel members. We also had Libya out this morning saying that they WANT crude oil to be between \$57 and \$63 per barrel. That's nice. I want a full head of hair (can't hurt to ask, right Muammar?).

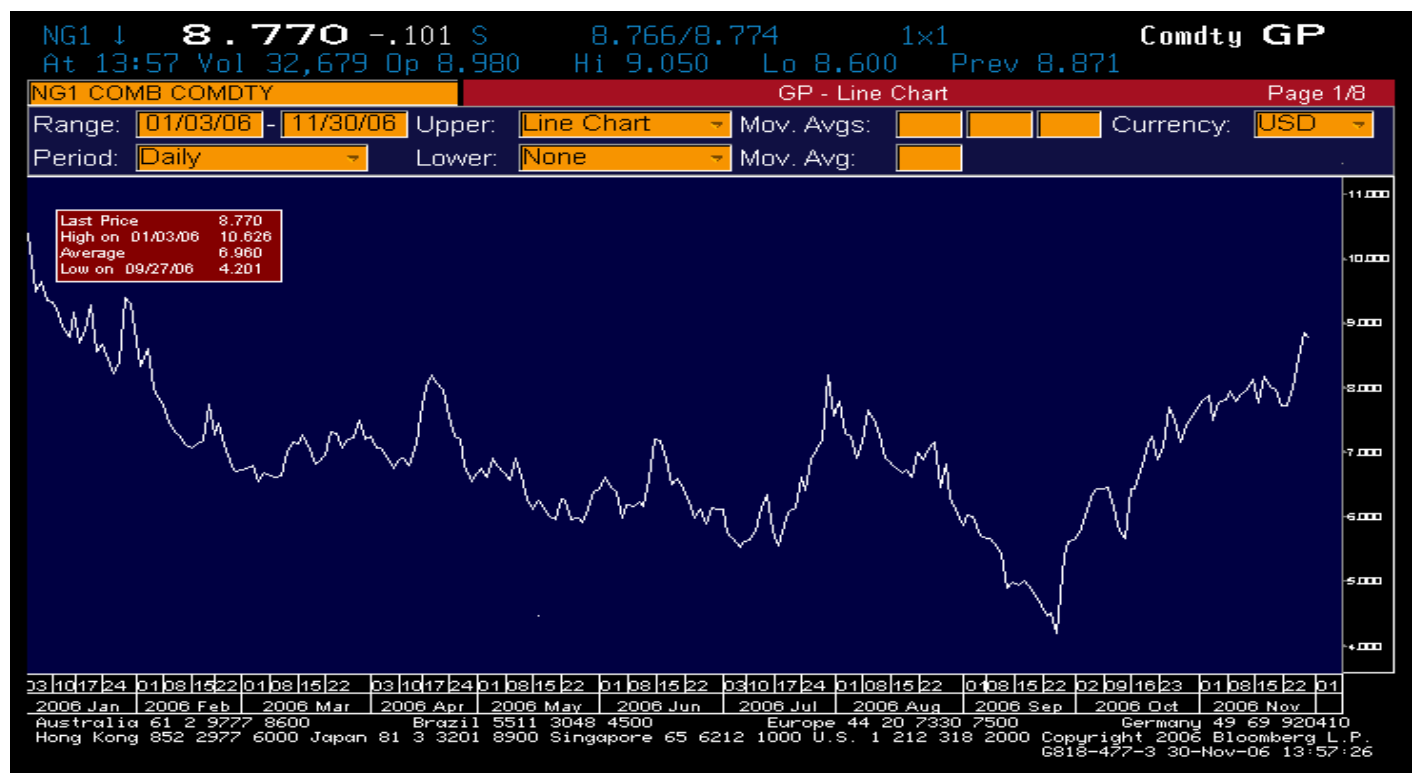
-Natural gas futures, despite record-high inventories and record warmth in November, have taken off (again) in the last few days. Spot (January) futures moved over \$9.00/dkt. this morning, and you have to look all the way out to the April 2009 futures contract to find anything priced under \$8.00 per dkt. Doesn't it seem like just yesterday (actually September 27th) that spot nat gas prices were at \$4.20/dkt.? Let's hope that we don't see heating oil do anything like the doubling that we have seen in nat gas.

-Angola announced a willingness to join OPEC and to pay the \$2 million in dues. They must have sold one of their seats on the Merc!!

-A whole newsletter and nary a word about Iran or Iraq.

-To those who asked... yes, I am a Jets fan, but you just gotta feel for the Giants (and their fans). Big game this weekend.

The chart below is the “spot” (1st month) NYMEX futures contract for Natural Gas



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