

THE ANGUS ENERGY REPORT

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November 8, 2006
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Post-report Calls:		HEATING OIL (DEC)	GASOLINE-RBOB (DEC)	NATURAL GAS (DEC)	CRUDE OIL (DEC)
	Crude ----- .75 higher	HIGH	1.7217	1.5500	7.964
Products ----- Heat-300 higher Gasoline 400 higher	LOW	1.6780	1.5275	7.278	58.89
Natural Gas --- .075 higher	SETTLE	1.6803	1.5356	7.755	58.93
	CHANGE	-.0381	-.0077	+.265	-.09
	14 DAY RSI	42	47	48	43
	5 DAY MA	1.6735	1.5152	7.731	58.94
	9 DAY MA	1.6859	1.5196	7.722	59.21
	14 DAY MA	1.7052	1.5303	7.840	59.45

-D.O.E. stats.... Crude oil stocks rose .44 mmbbls. **Distillate stocks** fell 2.675 mmbbls. **Gasoline stocks** fell .584 mmbbls. **Operating capacity** fell 0.8% to 88.1%. The surprise came in the form of the drop in distillate stocks, and a much smaller draw was anticipated. Looking a little more closely, we do see that the complete distillate drop was caused by falling diesel fuel stocks, not those of heating oil. Either way, traders looked at the drop (diesel demand during October up almost 9% from year-ago levels) as a reason to move prices higher. Crude oil rallied about 50 cents/barrel on the data (it, too had a slightly bullish report), and has added to that count, since.

- Maybe these two should talk. On Monday, the Saudi Oil Minister said that it was very likely that OPEC would cut production again at their next meeting – in December. On that news, oil prices jumped higher, with heating oil settling up by more than 4 cents/gallon on the day. The following day, yesterday, the Kuwaiti Oil Minister said that the supply/demand situation seems in balance, and that there would be no need for a cut in mid-December. On that news, heating oil prices fell back by 4 cents. Today's "news" is bringing prices back towards Monday's closing levels.

- Range bound... Even with the plethora (or dearth, depending upon what you consider "news") of news in the "oil patch", crude oil (and products) remain ensconced in a trading range. Crude oil has, to date, held the support levels of around \$57/bbl., but has not been able to make a serious run at \$62/bbl. for some time. Venezuela's Chavez is hitting the news wires today with his promise to "defend \$50/bbl.", with other

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '07 futures
11/01/06	1.5865	11/01/06	1.6515	11/01/06	1.7122
11/02/06	1.5810	11/02/06	1.6397	11/02/06	1.6987
11/03/06	1.6213	11/03/06	1.6775	11/03/06	1.7379
11/06/06	1.6672	11/06/06	1.7184	11/06/06	1.7751
11/07/06	1.6278	11/07/06	1.6803	11/07/06	1.7358

"economists" pointing to the economic risks of crude oil remaining in the (current) \$60/bbl. range.

-Recent pops in prices have some sitting either with fixed-wetbarrels (and no puts) for cap customers, or with fixed-wetbarrels and a complaining group of fixed-price customers, feeling a little more comfortable. The most recent lows are only a few days away from where we are, BUT the simple notion of wanting prices to increase JUST SO your sales prices don't look so bad doesn't really sit all that well.

-With inventories pretty full, and the early season HDD's being nothing to write home about, some were expecting a continued deterioration of the front-to-back heating oil spreads. Although the cash-market remains at least a nickel under the prompt futures contracts (good for rack buying), the Merc/Merc spreads haven't really fallen as one might expect. I guess that shouldn't be surprising. If there is any lesson learned over the past few years, it is that if you honestly believe that you can predict the market's movements, OR (worse) if you believe that there is predictable logic to market movements, then you are setting yourself up for a big (financial) disappointment. If, however, you do like "the action, the risk and the opportunity", then this market is made for you!!

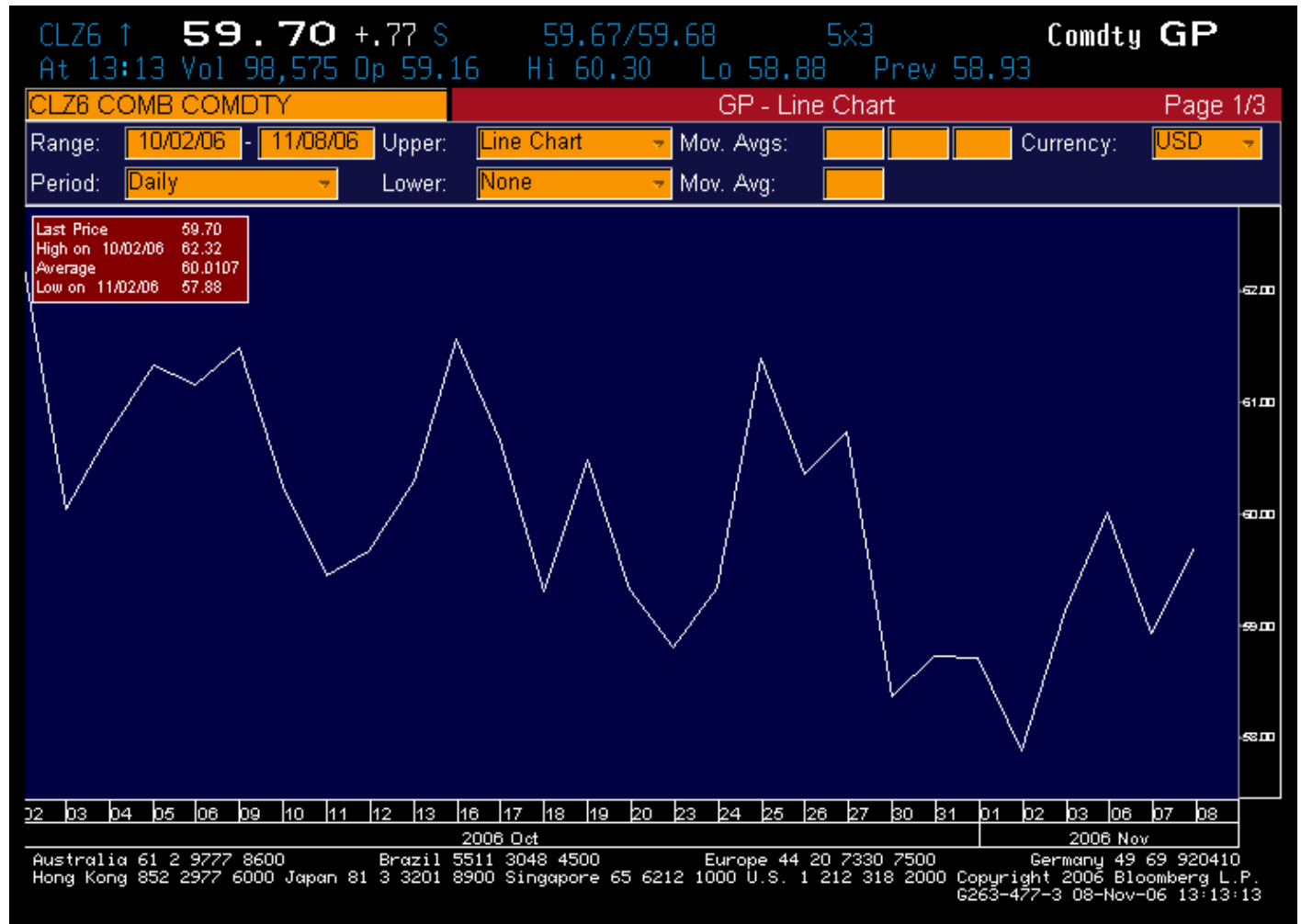
-Democrats controlling the house.... Republicans keeping the Senate?... There are many who are fans of gridlock, as neither side gets to fully promote and implement their own agendas. Give the muted reaction by the stock market in today's trading, thus far, it seems that the results have been far from surprising, and that energy prices shouldn't really read too much into the possible economic implications of this mid-term election.

-Natural gas futures continue to see intra-week ranges of between \$.75/dkt and \$1.00/dkt., as traders start at

the ever-changing weather forecasts, while closely watching the very high inventories. 15% weekly swings in prices would be the equivalent of heating oil moving by about 25 cents per gallon per week. So, if it makes you feel any better, on a relative-basis, heating oil futures are not that volatile.

-Will the anticipated Chavez-Ortega alliance change the focus of the U.S. government to Latin and South America? Will there be additional fallout for Citgo, and will that change the landscape for U.S. imports?

The chart below is the December futures contract for NYMEX Crude Oil.



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