

THE ANGUS ENERGY REPORT

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Opening Calls:		HEATING OIL (APR)	GASOLINE (APR)	NATURAL GAS (APR)	CRUDE OIL (APR)
Crude -----	HIGH	1.7500	1.6430	6.750	62.50
100 lower	LOW	1.6960	1.5750	6.570	61.10
Products -----	SETTLE	1.7222	1.6334	6.678	61.58
200 lower	CHANGE	-.0355	-.0226	+.131	-.83
Natural Gas ---					
.15 lower	14 DAY RSI	30	24	28	31
	5 DAY MA	1.6443	1.4773	7.377	61.56
	9 DAY MA	1.6921	1.5472	7.744	62.90
	14 DAY MA	1.7435	1.6338	8.147	64.49

-A.P.I. reports....

-Crude oil stocks rose 6.7 mmbbls. Distillate stocks fell 2.66 mmbbls. Gasoline stocks fell 1.1 mmbbls. Operating capacity fell 2.2%.

- **March came in like a lion....** Prompted by a combination of "the usual suspects" – some short-term cold weather, continued tensions between the "world community" and Iran, kidnappings and shut-ins in Nigeria, etc., oil prices spiked to start the month. Crude oil prices moved up by almost \$3/bbl. from last Monday to last Friday, while heating oil prices moved up by over 12 cents/gallon. More telling on the heating oil side of the fence was that the spot-to-futures spread in heating oil – that had been as much as 8-cents under, not only moved to about "unchanged", but retained that correlation (between unchanged and a penny under) for the whole first week of March. Many had anticipated continued cash-market weakness, and had planned on "locking in the discounted diffs" early in March. The real opportunity to lock in the March diffs was in early February.

- **But that was last week's news....** Following the weekend, and "talk" that there might be some fruitful conversation leading to a compromise of sorts with Iran, prices fell starting on Monday, and through Tuesday afternoon had given back just about all of the prior weeks' gains. Yep, just another typical week in the market.

- **What will OPEC do?** Faced with record-high prices, but just ahead of the lower-demand 2nd quarter (OPEC officials state that supply will exceed demand by >2 million barrels per day), OPEC officials meet, starting today, today. The quote from the Saudi Oil minister that oil fundamentals are not "healthy" probably gives some insight into the mindset of the cartel. Whereas Venezuela and some other members are asking for pre-emptive production cuts, the consensus opinion is that production quotas (not to be confused with ACTUAL production) will remain as is.

- **Running out of winter?** HDD's through the end of February are still well off of the "norm" – as we have described before, we are defining the "norm" as the last 10-year average. In most locations HDD's are off between 7 and 10%. We have the actual y-t-d data, and if you are curious as to how your HDD's compare, contact your Angus rep.

- **Although it is still quite early in the month,** if (BIG 'IF') prices can stay a little on the weak side – thanks to the plentiful

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '07 futures
03/01/06	1.7426	03/01/06	1.7466	03/01/06	1.9436
03/02/06	1.7999	03/02/06	1.8049	03/02/06	1.9874
03/03/06	1.8083	03/03/06	1.8128	03/03/06	1.9967
03/06/06	1.7502	03/06/06	1.7577	03/06/06	1.9555
03/07/06	1.7085	03/07/06	1.7222	03/07/06	1.9244

inventory levels – option premiums for the fall and winter can be expected to fall, somewhat. The balancing of hefty inventories against terrified traders will continue to cause the gyrations, but after a winter with absolutely no supply problems (unless you consider TOO MUCH supply a problem), might help ease some long-term spiking fears. But then, again, why throw logic into the mix?

- **Natural gas prices moved higher on Tuesday,** but that is after a fairly consistent move lower. The 12-month strip (including the winter which steadfastly refuses to fall below \$10.00/dkt., has moved closer to \$8.00/dkt., after closing on Monday at \$8.26/dkt. While the international scene shouldn't have that much of a direct correlation to natural gas prices, the dual-fuel customers demand (interruptibles, and the like), keep nat gas prices somewhat tethered to those of heating oil.

- Fixed-Price offers got you down? Join the club. This has been a perfect storm in why fixed offers are not nearly as easy as they would seem to be – before the season starts!! We have just wrapped up most of the details on an innovative program for those who choose (we are still big fans of caps, but "you can lead a horse to water....") to offer a fixed program. The notion is to get rid of the pain that occurs when/if prices fall (customer's leave or "cheat"), and/or it's warm outside, and the demand just isn't there. In addition, it addresses the fears of spiking prices during a cold winter (remember what a cold winter is?). In that case, the fear is that incremental gallons might end up biting into the gross profit, as prices are fixed, and most fixed-price offers are not for specific volumes, but for "all deliveries" that are needed during a time period. If you offer a fixed-price program, you should learn more about how to hedge this.

- **9-in-a-row for the Heat.** But can they top the Pistons?