

THE ANGUS ENERGY REPORT

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Post-report Calls: Crude ----- 1.00 lower Products ----- Heat-300 lower Gasoline-300 lower Natural Gas --- .025 higher		HEATING OIL (FEB)	GASOLINE-RBOB (FEB)	NATURAL GAS (FEB)	CRUDE OIL (FEB)
	HIGH	1.5869	1.4900	6.730	56.20
LOW	1.5200	1.4301	6.280	53.88	
SETTLE	1.5565	1.4696	6.631	55.64	
CHANGE	-.0006	+.0011	+.253	-.45	
14 DAY RSI	26	29	41	28	
5 DAY MA	1.5621	1.4934	6.304	56.39	
9 DAY MA	1.6018	1.5436	6.278	58.32	
14 DAY MA	1.6480	1.5852	6.484	59.88	

-D.O.E. stats.... Crude oil stocks fell 4.990 mmbbls. **Distillate stocks** rose 5.402 mmbbls. **Gasoline stocks** rose 3.763 mmbbls. **Operating capacity** rose 0.4% to 91.4%. The build in distillates – no real surprise, given the weather – was the largest reported since January 2004. After a long fall maintenance season, refiners are looking to build gasoline stocks, and prices are falling as the inventories increase. The market is definitely taking a “show me” approach to the colder weather forecasts, and to the “realized”, not “planned”, production cuts out of OPEC. With the worlds’ other hot-spots pretty quiet, short-term supply and demand will move prices around. For now, the warm weather is winning, and prices are sitting on 18-month lows.

- We could have guessed..... The official numbers are out, and due to the spring-like month of December, 2006 is going down in history as the warmest year in history (or at least in the last 100+ years since they have been keeping such records). A new line in the sand has been drawn with regards to the weather being “as bad as it gets”, and the retail heating oil industry needs to spend some time assessing what is now “normal”, and looking to achieve per unit margins that will end up giving the needed net profits. Using the 30-year average HDD’s, dating back (in some cases) to the 1971-2000 time period simply doesn’t work. I don’t think that Long Island, New York temperatures are on a collision course with Long Boat Key, Florida temperatures, but we all must realize two important things: 1- the warm years seem to be very warm, and 2- the swings (volatility) in the annual HDD’s are wilder than we are accustomed to. Crazy as it sounds, given the volatility, we may be only a year or two

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
01/04/07	1.4756	01/04/07	1.5431	01/04/07	1.8266
01/05/07	1.5196	01/05/07	1.5658	01/05/07	1.8378
01/08/07	1.5059	01/08/07	1.5571	01/08/07	1.8325
01/09/07	1.5090	01/09/07	1.5565	01/09/07	1.8275

away from a season that is 20% COLDER than “normal”. Yes, we’d all like that – in theory – but we all need to be prepared for that, as well.

- Good news on the horizon? After more than a month of warmer-than-normal temperatures EVERY DAY (see chart below), including golfing weather this past weekend and this coming weekend, the forecasts are for a return to normal and, dare we say it, colder-than-normal temperatures next week. As of this morning, the temperatures are set to dip starting on the 16th. We have seen cold forecasts not materialize in the past, but the cold is already hitting the West and Midwest, and seems to be on an eagerly anticipated path to the Northeast. Natural gas futures contracts (February) are up about \$.50/dkt. since the end of December, on the cold forecasts. HDD forecasts for the month of January have now moved from -20 to -25% to “only” -10 to 115%. While it is doubtful that January will reach “normal”, hopefully we will end January, and begin February, in the right direction.

- Trader’s reactions? Prices continue to gyrate on a plethora of news items. As crude oil futures hit their lowest prices in 18-months, rumors went back and forth yesterday that OPEC (can you say, “panic-mode”?) would be implementing the planned February 1st production cuts immediately. This news caused a

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rally. The denial later in the day caused a sell off. Eventually, profit-taking from the “shorts” rallied prices, but they have fallen again today. We keep seeing proof that demand manages prices far better than supply (with the exception of extreme supply situations). Today’s drop in prices – helped by the inventory data – has “technicals” all in oversold territory. The question is not whether there will be a rally – there will. The question is that when the rally comes, is it a short-covering rally (most likely), or a bottom forming in the market? For the latter, the weather will have to really kick in – or one of those “supply issues” that we don’t like to think about.

- Chavez at it again. The newly re-confirmed president of Venezuela announced that his next term in office will be marked by the “nationalization” of a number of industries – including oil, gas, asphalt, power, telecommunications, etc. The “plan” is not being called a “takeover”, but a “reversal of sales”. In other words, the government’s announced plan (so far) is to buy out those who privately own shares in these industries. Call me crazy, but I’m not thinking that the

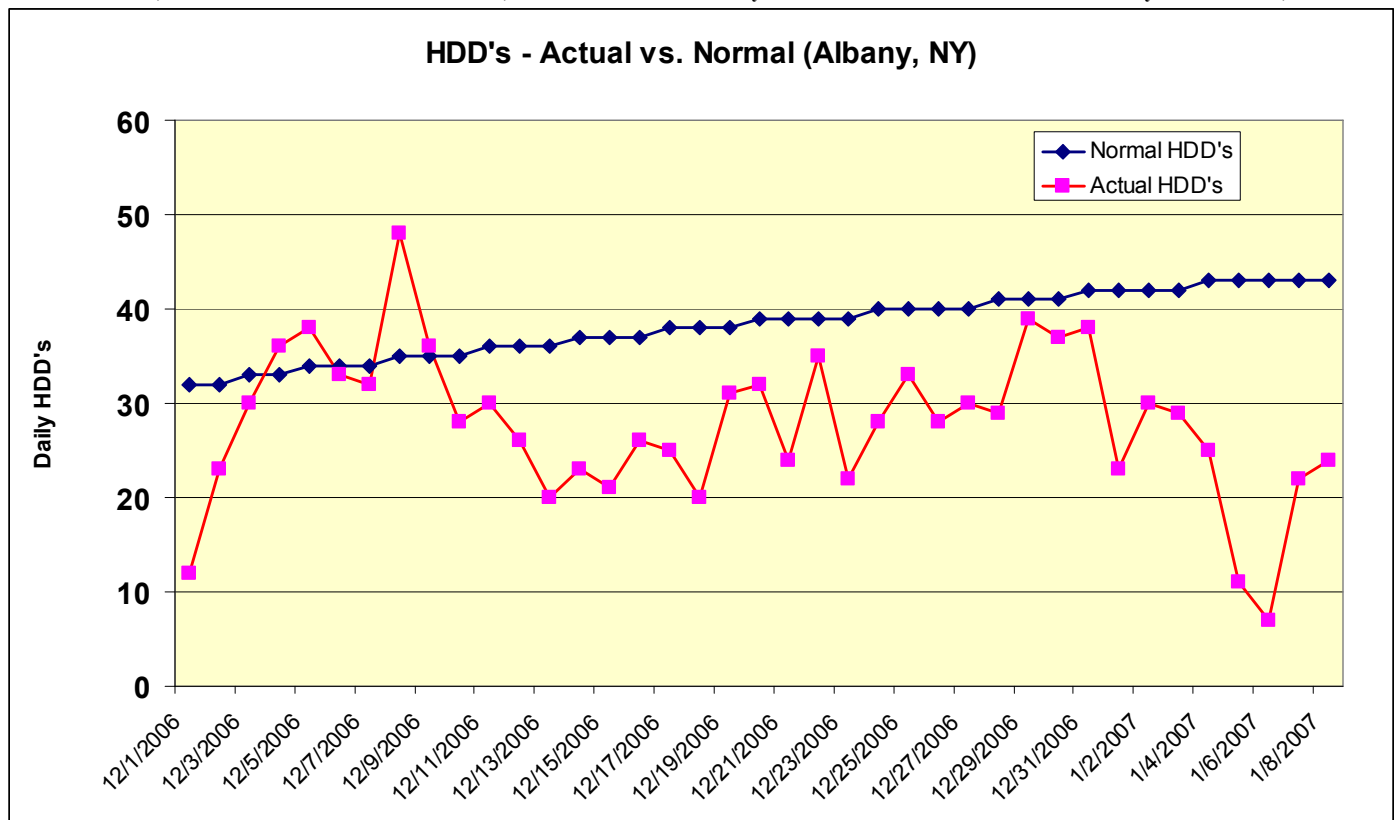
current owners will have much leverage in negotiating prices. Maybe Iranian President Ahmadinejad will have some useful advice for Hugo Chavez when the Iranian leader visits Caracas tomorrow (to be followed by stops in Nicaragua and Ecuador).

- Throwing the baby out with the bathwater? In a newspaper article this week in Saudi Arabia, it was announced that Ali al-Naimi, the Saudi oil minister for the past 12 years, may be replaced when King Abdullah announces his new cabinet next month. Crude oil prices have fallen sharply since peaking in July, during the Israeli-Hezbollah war in Lebanon, but still currently reside at more than \$23 per barrel higher than the average price during al-Naimi’s tenure.

- '07-'08 proposals are being prepared. If there are any particular changes needed, as compared, to the '06-'07 plan, please be in contact with your Angus Energy rep.

- No complaints about Gang Green’s season. The better team won this past Sunday, but the future looks bright.

This chart shows, since December 1st the Actual HDD’s, vs. the Normal HDD’s. If you would like to see some similar data for your state/area, let us know.



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