

THE ANGUS ENERGY REPORT

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Post-report Calls:		HEATING OIL (MAR)	GASOLINE-RBOB (MAR)	NATURAL GAS (MAR)	CRUDE OIL (MAR)
Crude -----	HIGH	1.6998	1.6175	7.450	59.60
.85 lower	LOW	1.6326	1.5514	7.125	57.24
Products -----	SETTLE	1.6932	1.6091	7.367	59.06
Heat-400 lower	CHANGE	+.0478	+.0564	+.141	+1.25
Gasoline-200					
higher	14 DAY RSI	54	55	51	54
Natural Gas ---	5 DAY MA	1.6910	1.5566	7.600	58.84
.15 lower	9 DAY MA	1.6849	1.5330	7.584	58.68
	14 DAY MA	1.6580	1.5011	7.476	57.64

-D.O.E. stats.... Crude oil stocks fell .59 mmbbls. Distillate stocks fell 3.02 mmbbls. Gasoline stocks rose 2.06 mmbbls. Operating capacity fell 0.7% to 86.6%. The A.P.I. numbers do not support those of the D.O.E., with distillates (after the extreme Northeast cold over the past few weeks) showing only a .37 mmbbls. draw. Prices are lower, giving back most of yesterday's gains (which took back most of Monday's losses.....). Traders are likely looking past the next week, as temperatures are set to moderate into the last week of February, and into early March. Crude oil seems to be (see comment below) comfortable at levels below \$60/bbl., but not too much lower....

-First the cold weather, then the volatility. What a crazy week of price swings.... After falling just-short each day from last Monday through Thursday, traders were able to penetrate the resistance level at \$60 on Friday, bringing prices at their peak to \$60.80/bbl. By the close on Friday, prices were unable to hold the "new highs", and settled just below \$60. Monday was greeted with talk that the Saudis were talking about NOT cutting production any further (which is less than planned - who would have thought?!?), and prices started the day lower, and continued down from there, with Crude oil ending the session \$2.00 lower, and heating oil \$.0800 lower. It SEEMS that OPEC is quite comfortable with prices not going below \$50/bbl. - as evidenced by their scurrying about when prices drifted into that area - but also, or so it appears, comfortable with not needing for prices to be higher than \$60..... Of course, prices reversed most of Monday's losses, ending Tuesday's trading session with gains of \$1.25/bbl. in crude and almost a nickel in

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
02/07/07	1.6661	02/07/07	1.6661	02/07/07	1.8311
02/08/07	1.7225	02/08/07	1.7250	02/08/07	1.8860
02/09/07	1.7241	02/09/07	1.7251	02/09/07	1.8843
02/12/07	1.6444	02/12/07	1.6454	02/12/07	1.8327
02/13/07	1.6922	02/13/07	1.6932	02/13/07	1.8752

heating oil. The swings are starting to spike some prices for options, as the volatility (a/k/a uncertainty) of prices seems to be getting worse, not better. At this point, I wouldn't mind an increase in price, IF it was slow and steady. It's "the vols" that is making everything tough.

-Status quo? Although February is still running well colder than normal (NYC is tracking to be about 20% colder than a "normal" February), the lack of any notable movement in Harbor-to-Merc, or rack-to-Merc basis differentials is evidence that supplies are aplenty. Had we had a very cold November or December, we might have had some real basis issues, but with only March (and to a lesser extent, April) ahead of us, it seems that we will survive this winter without a notable basis blowout.

- Best Buy update. Those who started scaling in on the 1st, note that through yesterdays' close, the average price for the month was slightly lower than the 2/13 settlement. It is not having any big impact on the wetbarrel swaps, but we still have half of the month to go. Also, please keep in mind that if you were set to begin on 2/1, and missed that window, we are starting another, smaller, program of Best Buying for 2/15-2/28. In all likelihood we will not be doing mid-month starts after March begins.

-Losing credibility? After months of trying to stand strong on the issue of North Korean nuclear activities – such as the simple statement that no negotiations would occur before the North Koreans stopped their activities – an agreement was reached this past week that many are pointing to as “weakness” by the U.S. government. The “agreement”, with “details to follow” gives the North Koreans a host of incentives in return for their agreement to end their nuclear initiatives. The agreement seems to be eerily similar to an agreement signed in 1994, which the North Koreans totally disregarded for over a decade. In addition, the ability to actually monitor whether the North Koreans are adhering to the agreement (call me a skeptic) is in question, as well. Although all of the “back channel” issues are not being discussed – nor, perhaps, should they be – it does look as if this is another victory for Kim Jong Il, and his blackmailing ways. It seems that threatening to build nuclear reactors is a better investment than buying mutual funds.

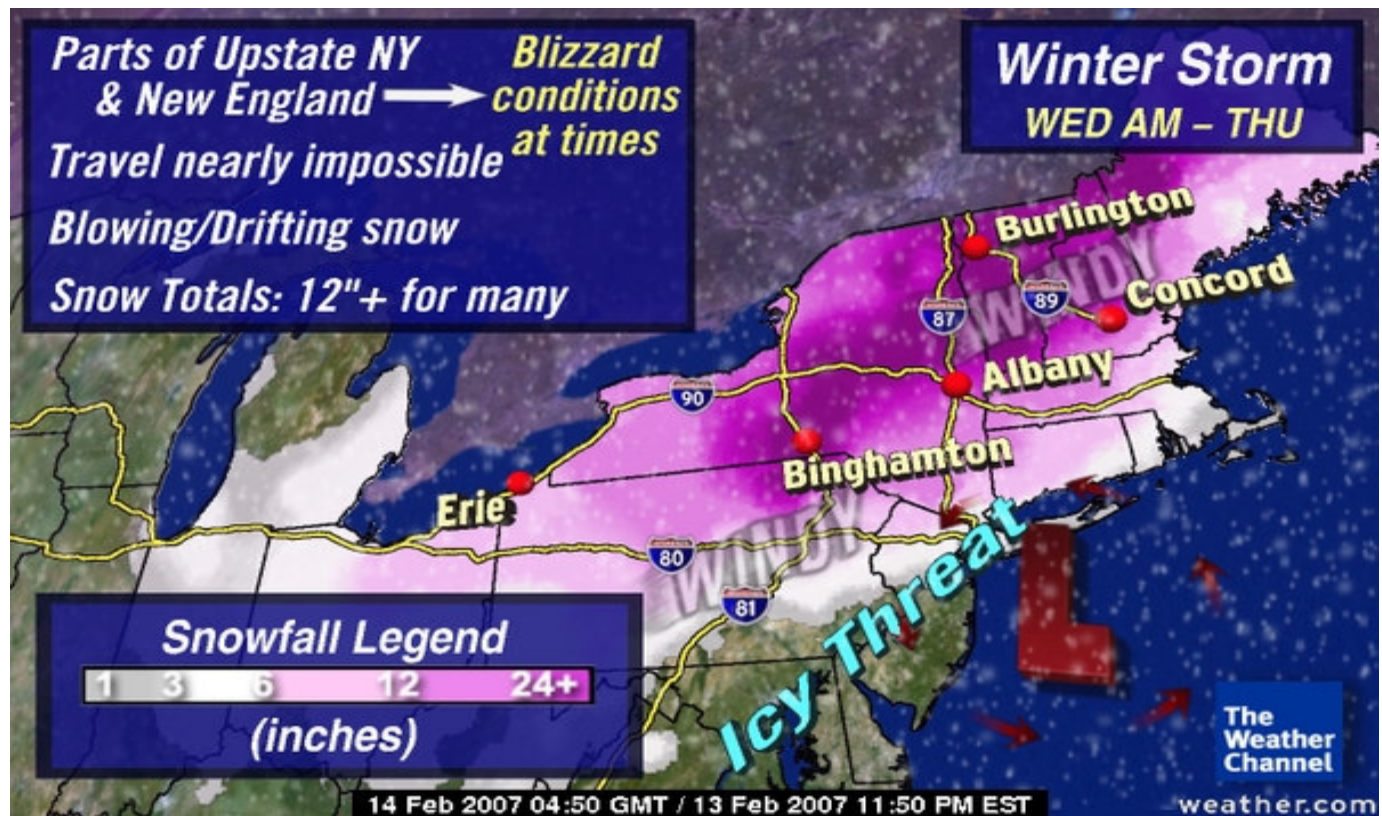
-\$100/bbl. crude oil? We haven’t heard those numbers since last years’ talk by Goldman Sachs of “superspikes”. On Monday, in an interview with Bloomberg, a Rice University professor (and former managing director at Enron – take that any way you’d like...) is pointing to increased volatility, and the

possibilities of seeing spikes to “\$80, possibly \$100”. We need some people talking about collapses to “\$40, possibly \$30”.....

-I could not make this up!!!. Over the past two years, the biggest “issue” in Iraq has been in dealing with “the insurgency”. Where are the insurgents from? According to all sources, Iran and Syria are the leading culprits in supplying the sources – arms and soldiers – for this insurgency. So, no real argument about that... Yesterday (again, I could not make this up), there was an announcement by a Lieutenant General in Iraq, who oversees their “security plan”. The plan included, and was the title of the news story, the following: **“Iraq to close border with Iran, Syria as part of Security Plan”**. You think?!? Thousands of dead in the past few years, with the blame on foreigners infiltrating the country. “Hey, maybe we should check the borders!!”. In a related story (yes, this is tongue in cheek), the NBA East all-stars have announced a plan to score more points than the West all-stars as part of their plan to win Sunday’s all-star game.

-Look for me on TV on Sunday (I’ll be the one with the least “bling”). Las Vegas is hosting the Western Petroleum Marketers Association trade show next week. How could I miss it?

Hopefully, the storm shown below will be cleanup up quickly, and everyone can get back to business....



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