THE ANGUS ENERGY REPORT

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Post-report Calls:		HEATING OIL (JUN)	GASOLINE-RBOB (JUN)	NATURAL GAS (JUN)	CRUDE OIL (JUN)
Crude ------- 75 lower	HIGH	1.9167	2.2950	7.856	66.15
	LOW	1.8770	2.2300	7.680	64.15
Products ------ 300 lower	**SETTLE**	**1.8829**	**2.2447**	**7.718**	**64.40**
	CHANGE	***-.0119***	***-.0147***	***-.145***	***-1.31***
Natural Gas --- .025 higher	14 DAY RSI	55	70	51	48
	5 DAY MA	1.8962	2.2398	7.759	65.49
	9 DAY MA	1.8738	2.1880	7.703	65.04
	14 DAY MA	1.8694	2.1557	7.728	65.18

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
04/25/07	1.9065	04/25/07	1.9015	04/25/07	2.0561
04/26/07	1.8916	04/26/07	1.8891	04/26/07	2.0368
04/27/07	1.9160	04/27/07	1.9135	04/27/07	2.0617
04/30/07	1.9165	04/30/07	1.9135	04/30/07	2.0468
05/01/07	1.8879	05/01/07	1.8829	05/01/07	2.0479

-D.O.E. stats…. **Crude oil stocks** rose 1.17 mmbls. **Distillate stocks** fell .20 mmbls. **Gasoline stocks** fell 1.12 mmbls. **Operating capacity** rose 0.5% to 88.3%. The A.P.I. reported a much larger build in Crude oil (>5 mmbls.), and prices are lower off of the reports. It seems that last weeks' strength is leading to some profit taking, as the bulls "reload". We still have a long trading day ahead of us, but the early reaction seems to be a bearish one, but not with any of the "sell-off" fervor that we are used to seeing with "real" weakness. Would not be surprised if this dip is looked back on as just another in a series of buying opportunities.

- What to focus on... although we generally concentrate our attention on the heating oil (distillates) markets, at this time of the year, most conversations need to begin with an understanding of the gasoline markets – and then figure out how that will impact heating oil. On Monday, with the expiration of May product futures, NYMEX gasoline rose (and came off the board) to $2.44 per gallon. That settlement price is about 16 cents lower that the all-time record high for Merc pricing, achieved on 8/31/05, in the middle of the rough '05 hurricane season. There are concerns over the levels of gasoline, as inventories are tracking towards historically low levels, coupled with historically high demand – it seems that $3.00/gallon gasoline isn't really stopping too many people from driving. The good news is that, with gasoline refining margins currently at very, very attractive levels, refineries that are off-line for maintenance will be working overtime to get back on line to capture these very attractive profits- currently at 71 cents per gallon!! The 10-year average for the refining margins (crack spreads) is 17 cents per gallon (I'd work overtime, as well!!). Using similar economics on the crack spreads would equate to a winter heating oil price somewhere around $2.40 per gallon.

- Calm before the storm... Although heating oil prices rose almost 45 cents per gallon from January through this past Monday, the market seems eerily calm, as there haven't been any major news stories hitting the markets in the past few days. Last week's very-suspect announcement of the results of the Nigerian elections has placed a cloud over that nations' ability to participate in a truly democratic fashion, but the truth is that anyone who was expecting normalcy (and the impact of stability on oil production predictability) was just fooling themselves.

- Is crude oil the leader or the follower? While "the world" continues to focus on the price of crude oil, the more-recent disconnect between the price of crude and the price of products (note the extreme swings in the crack spreads) has us wondering where to look. We can't ignore crude oil pricing – above $70.00/bbl. for most of this coming winter – and we cannot ignore all of the political turmoil in the regions of the world that provide significant quantities of crude oil. However, this constant state of fear of (crude) supply disruptions continues to place an unreasonable burden on the price of products, as we continue to say "what if", each time that Iran, Venezuela, Libya, Nigeria, Iraq, etc. has a problem. We keep seeking logic in a market that defies almost every conventional definition of logic. The only logic that we can embrace is that prices WILL move, that they will move without warning, and that the direction and size of the moves are totally unpredictable.

- What to offer customers... Keeping in mind the last sentence (above), we are faced with a tough situation. What to tell customers. On one hand, there is some logic in letting the customers decide what they want – float, cap, fixed, etc. On the other hand, what is more likely – customers praising you for giving them choices (or for nudging them in a certain direction), or customers complaining because things "didn't work out" as well as they could? The end-result is that you just need to play the odds. If customers view the world (as it relates to your relationship with them) as a glass half-empty, you need to make it seem half-full. Think about this: If prices spike (for whatever reason), the best offer to a customer (in hind-sight) is a fixed-price, since variable-priced customers would have to absorb the complete impact of the spike. If prices collapse, the best offer is a variable (rack-plus) offering, while those who might have a fixed-price would be complaining (no, it's not just YOUR customers) that they are paying way too much. Cap customers, on the other hand, have protection against the spike (via the cap in place), and the ability to float prices lower in a weak market. The "give-back" is that there is a cost to offer a cap, and that cost keeps going up each year. If you do not have the ability to pass through the cost of a cap to your customers (either via a "fee" or as included in the delivered price – regardless of what the oil markets do), then, perhaps you are better off NOT offering a cap. However, you do bear the risk of having customers (no, not just yours!!) deciding that there must be a better way, via another oil dealer, when prices (which they will) do their thing.

- Tensions with Iran over their nuclear ambitions continue to underpin a lot of the tensions in the market. Several believe that a resolution of the issue would lead to an easing of prices. I would tend to agree that a resolution WOULD lead to lower prices, but I would also be of the opinion that resolutions with the world's leading exporter of terror would be totally unenforceable and unreliable.

- Although volumes of fixed wetbarrel contracts for next year are still on the light side (indicating, once again, a wait and watch attitude for many), their "storage plays" seem to be moving forward. Per the futures (and the current basis differentials), the optimum spread would be to get the wetbarrels into storage (long) vs. the June futures – end of May? – and short either the Jan or Feb futures contracts.

- Character vs. Championships.... In a clear case of the rich get richer, it seems like the Pats made all the right NFL draft-day moves. Hopefully, for them, they have a criminal defense attorney on retainer, and a good P.R. firm!!

The chart below is the (expired) NYMEX May futures contract for gasoline.