THE ANGUS ENERGY REPORT

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Post-report Calls:		HEATING OIL (JUN)	GASOLINE-RBOB (JUN)	NATURAL GAS (JUN)	CRUDE OIL (JUN)
Crude -------	HIGH	1.8442	2.2075	7.779	62.58
50 lower	LOW	1.7983	2.1566	7.590	61.21
Products ------	**SETTLE**	**1.8299**	**2.2045**	**7.637**	**62.26**
100 lower	CHANGE	*+.0270*	*+.0149*	*-.142*	*+.79*
Natural Gas ---	14 DAY RSI	48	60	47	42
.025 higher	5 DAY MA	1.8323	2.2181	7.806	62.51
	9 DAY MA	1.8601	2.2293	7.783	63.80
	14 DAY MA	1.8590	2.1988	7.740	64.14

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
05/02/07	1.8589	05/02/07	1.8526	05/02/07	2.0261
05/03/07	1.8503	05/03/07	1.8453	05/03/07	2.0188
05/04/07	1.8359	05/04/07	1.8309	05/04/07	2.0059
05/07/07	1.8130	05/07/07	1.8029	05/07/07	1.9805
05/08/07	1.8349	05/08/07	1.8299	05/08/07	1.9949

-D.O.E. stats…. **Crude oil stocks** rose 5.51 mmbls. **Distillate stocks** rose 1.63 mmbls. **Gasoline stocks** rose .37 mmbls. **Operating capacity** rose 0.8% to 89.0%. Interesting report, as the "camps" were severely divided as to what the numbers would look like. Gasoline eked out a build for the first time in 13 weeks, and that is a victory for the bears, but by the narrowest of margins. The real important number was in the refinery activity column, as activity is picking up, as refineries are going back on-line after seasonal maintenance. For right now, the size of the build in crude (more than expected), and the fact that there was a build – at all – in gasoline, has prices nominally lower, but with 4 hours left to go in "open outcry" trading. Note that A.P.I. reported flat week-to-week crude inventories, and a draw in distillates.

- Gasoline, as is appropriate for this time of the year, continues to grab the attention of the products traders. Analysts keep vacillating back and forth between expectations of ample supplies, and fears that demand will outstrip available products. Consistent with this uncertainty, has been the intra-day swings in gasoline futures. Over the past week, gasoline prices have ranged (daily low to high) over 7 cents per gallon – for reference; consider that in the first 6 MONTHS of 1998, the range was about 10-cents!!! Yes, Virginia, that is why option premiums are so expensive. Spot gasoline futures have gone from as low as $1.3351 in January, to as high as $2.4550 in April, a range of $1.32/gallon. Traders seemed to be assuming a number of "worst case" scenarios, none of which has played itself out, so far. However, even without any doomsday realities hitting the markets, prices are still in the $2.20's.

- You know where we are going with this.... Given the size of the move in gasoline, and that traders and the marketplace were willing to "allow" for that type of move, without strong supporting fundamentals, we need to consider what that same type of "attitude" towards distillate pricing is capable of doing. For reference, heating oil prices bottomed out this past winter at $1.45 per gallon (funny how that price sounds dirt-cheap. No one would have said that a few years ago). Taking the same increase – low to high – that we saw in gasoline (again, to be redundant, without supporting facts), that would take heating oil prices as high as $2.77 per gallon. I don't really see anything out there indicating a move of that magnitude – either up or down – but that might be the point: these prices move with the smallest of a push – in both directions.

- Heating oil prices started the month of May with a weak-ish tone. After peaking in mid-April, and remaining strong throughout the balance of the month, prices dropped about 8 cents per gallon from the end of April, before starting to recover yesterday – rising about 6 cents per gallon from Monday's lows through yesterday's highs. Prices started this morning about a penny higher, as traders awaited word from the D.O.E. and A.P.I. on the latest reporting period's production, import and inventory numbers.

- Rebel yell.... Nigeria's rebel group, MEND (what good would a group of "freedom fighters" be without a cute acronym?), has spent much of the last week attacking pipelines, dealing with kidnapping, and threatening to attack oil facilities. In a testament to the market's "show us a new trick" approach to these types of events, prices did NOT stage the type of rally that this may have caused just about a year ago. The lack of a bullish reaction to a bullish news story is often viewed as a market looking for an excuse to fall. But, predicting market direction, either short-term or long-term is not for the feint of heart.

- Playing the odds... Hurricane Forecasters at Colorado State University (are they in Colorado just to make sure that hurricanes NEVER reach them?) have predicted a greater than average likelihood of a major hurricane making landfall on the U.S. Gulf Coast this year. The percentage, per their calculations is 49% (for the record, I got almost the same calculation, and I just had to flip a coin!), vs. the "normal" likelihood of 30%. So, that basically means that there is a 50% chance of an irrational spike in oil and gas prices sometime over the next few months. Where this "possible" storm will hit, and what damage it will cause is now left to the "reinsurers" who have much more detailed probability models, a/k/a sophisticated guesses.

- Production increases? Not according to Algeria's oil minister. He feels that although the restarting of refineries that have been shut for maintenance will take excess crude supplies off the market, there is no need to increase production during the second quarter.

- Breaking out the crystal ball. We keep seeing new entries into the cap-price markets (and some into the fixed-price markets), but also hear of companies who are not dropping their programs, but certainly questioning whether the wish to keep offering them. The simple answer is 'no', they don't want to offer them. Why offer something that is kinda tough to manage, quite expensive to maintain, and is met with very little appreciation from your customers? Very valid question. Sometimes the best way to answer those questions is to ask what things would look like WITHOUT a pricing program to your customers. If your customer base is willing to pay you a reasonable margin (what that amount is requires a totally separate conversation) above your rack cost, regardless of how high prices might go – and without any fear of complaints or customers quitting to go to someone WITH a pricing program, then (other than perhaps cash-flow issues) you might be better served without a program. What I, personally, find most intriguing is the underlying reason for the "rethinking" of programs. It is not that customers are calling and saying "we don't want any pricing protection", it is much more commonly oil dealers thinking that they have the markets all figured out. Hey, prices DIDN'T rally this past winter – so, some say, they probably won't rally next winter either!?! I am not quite sure where this epiphany came from, but it is quite clear that the cost (and it IS high) to offer a price cap has a number of dealers trying to rationalize themselves out of offering to their customers something that has clearly been beneficial to both the customers and to the oil companies. Again, if there is no risk to losing customers, or margins, by NOT offering a program, by all means, don't. We are not advocates of doing ANYTHING that will not benefit the oil dealer. But, if there is profit or "customer count" risk in not offering a program, perhaps better than thinking of "how do I get out of this", you should be thinking "how to I maximize the customers understanding of the value that I am giving to him/her with my program". It makes for a much more pleasant conversation, and puts you in a much better frame of mind to get the margins that you want and need.

- Going to the well, once too often? Not that anyone was surprised that the Yankees are brining Clemens back, but considering that he will be earning more per inning that the average American earns in a year, he had better bring some "W's" to the Bronx.

If you are sure that heating oil prices have FINALLY (after a 650%+ increase since the winter of 1999) peaked, look at the chart, and try to point to exactly what makes you feel that way.