

THE ANGUS ENERGY REPORT

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Post-report Calls: Crude ----- 20 lower Products ----- 75 lower		HEATING OIL (AUG)	GASOLINE-RBOB (AUG)	NATURAL GAS (AUG)	CRUDE OIL (AUG)
		HIGH	2.1315	2.3836	6.741
	LOW	2.0820	2.3415	6.400	71.60
	SETTLE	2.1238	2.3664	6.699	72.81
	CHANGE	+.0310	+.0218	+.289	+.62
Natural Gas --- .125 higher	14 DAY RSI	70	71	35	68
	5 DAY MA	2.0930	2.3145	6.585	72.21
	9 DAY MA	2.0698	2.2749	6.689	71.26
	14 DAY MA	2.0567	2.2558	6.896	70.35

-D.O.E. stats.... Crude oil stocks fell 1.46 mmbbls. Distillate stocks rose .76 mmbbls. Gasoline stocks rose 1.14 mmbbls. Operating capacity rose 0.1% to 90.2%. The report(s) came in NOT as expected, and traders may take some time to digest. The expected build in crude oil was not there, and the A.P.I. actually reported a draw of 6.79 mmbbls!! On that news, crude oil went from down 63 cents/bbl. to up 15 cents/bbl. in a heartbeat. When the D.O.E. numbers showed a smaller draw (but a draw, nonetheless), crude moved back down. 4 minutes after the report, crude is down 15 cents/barrel. Products made similar moves with prices moving from down almost 2 cents, back towards unchanged. As of 10:35, heating oil is down a quarter-cent, with gasoline off (still) by 2 cents. Long day ahead of us, and we can expect some wide swings, as traders attempt to factor these numbers into the vast array of factors effecting prices.

- Prices again, hit the highest levels that we have seen since late last summer yesterday. Continued tensions with Iran, instability in Nigeria, and refinery "issues" all contributed to the markets' sense that being on the "long side" was the right place to be. Heating oil prices have now risen 65 cents/gallon since bottoming out during the very warm days of early January. Crude oil prices are up over \$22/bbl. during that same time period, and gasoline is up a full dollar per gallon!!

- Tensions with Iran do not seem to want to go away. The OPEC member continues to work on their centrifuges, and to thumb their noses at the international community, while the United States has now moved a 3rd aircraft carrier (the U.S.S. Enterprise – no, not that one!) into the region.

- An attack on a refinery in Nigeria, while supportive for prices yesterday, was overshadowed by the kidnapping (and, thankfully, subsequent release) of a 3 year-old British child. The "rebel group", MEND, fighting against a very corrupt government continues to make themselves look like a bunch of savages, continuing to undermine any belief that stability will come to Nigeria in the foreseeable future.

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
07/03/07	2.0637	07/03/07	2.0662	07/03/07	2.1547
07/05/07	2.0836	07/05/07	2.0873	07/05/07	2.1738
07/06/07	2.0891	07/06/07	2.0951	07/06/07	2.1818
07/09/07	2.0866	07/09/07	2.0928	07/09/07	2.1863
07/10/07	2.1178	07/10/07	2.1238	07/10/07	2.2103

- The big issue, of late, has been that despite efforts to keep our (domestic) refineries humming along, problems keep cropping up. Shut-ins at a BP refinery in Indiana, in addition to problems and shut-ins in Texas and Kansas, are making traders quite wary of the continued availability of distillates and gasoline. Interestingly, overnight trading in crude oil had prices a little lower – the theory being that if there is less product being refined, due to the closures, there should be more crude oil sitting in inventories.

- On the "technical" side of things, crude oil and products are at or near "overbought" levels. That, in and of itself, is not a reason to expect prices to fall. However, when (if?) the trigger is pulled that will cause prices to sell off, the currently overbought levels might add a new level of selling to the markets. Of course, that is getting well ahead of ourselves....

- Despite IEA projections that demand will keep on growing – and at a faster pace than they had originally predicted – OPEC, as of now, seems quite comfortable to stay pat on their productions levels (\$73/barrel can pay for a lot of things...), and is not planning anything prior to their next meeting scheduled for September. In their defense, the price of oil does not seem to be rallying in response to any diminished production. The myriad of tensions and refinery problems out there just keep prices from falling.

- Natural gas prices finally followed the rest of the energy complex higher yesterday. Perhaps it was the full week of triple-digit temperatures, or a sense that the "oversold" levels of natural gas – despite ample inventories – would not

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be able to drive prices below \$6.00/dkt. Prices rose – through early this morning – over \$.40/dkt. from yesterday’s opening, but natural gas is still well off of its recent highs.

- Waiting Game or Cring Game? Although the number seems to be less than what we have seen in the past few summers, there are still a decent number of companies that offer pricing programs (fixed or capped), who are still speculating on the price of oil. Either programs were sent out to customers, without proper “coverage” in place, or – and not sure which is worse – the companies are “waiting for the right time to buy”. Ratable buyers (who started their hedging in February or March) have an advantage of about 20 cents per gallon over those looking to hedge today. That is not to say that prices won’t fall by that amount – or maybe more – in the future. However, for all the talk of “the markets” being speculative, all we see by this waiting is speculation on the part of those who are waiting. At some point customers are going to expect SOMETHING from you. At some point you expect SOMETHING from yourself. I’m just not quite convinced that what you should be expecting of yourself is the ability to become an energy price prognosticator, and to pick the perfect time to put your hedges in place. If any of us were really that good –

consistently – there are plenty of jobs waiting for us at Goldman Sachs.

- Not quite a Super-spike, but Morgan Stanley has raised their 2007 price target for crude oil, and said that an increase to \$80/bbl. in the short-term is possible. Remember when such a thought was beyond the imagination. Now, you have a harder time finding someone who DOESN’T believe that \$80 is possible (or even likely).

- I know that this is like sitting at a craps table and saying “just don’t roll a seven”, and I apologize for that, but when looking for some understanding of where prices are, we need to consider that prices are at extremely high levels without last years’ military actions in the Mid-east, and without the prior years’ spate of tropical disturbances. On one hand, maybe the market is factoring in some of those types of troubles – and we can (hopefully) have a “buy the rumor, sell the fact” scenario. On the other hand, if we are this high without anything other than slow refinery activity and some saber-rattling, what will happen if something REAL happens.

- The second half of the baseball season is going to be very interesting – although there are a few teams that need to perform between now and the end of July, to even think about playing past the first weekend in October.

The chart below is the spot (front month) NYMEX futures contract for heating oil...



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