

# THE ANGUS ENERGY REPORT

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| Post-report Calls:<br>Crude -----<br><b>1.00 higher</b><br>Products -----<br><b>350 higher</b><br>Natural Gas ---<br><b>.035 higher</b> |               | HEATING OIL<br>(SEP) | GASOLINE-RBOB<br>(SEP) | NATURAL GAS<br>(SEP) | CRUDE OIL<br>(OCT) |
|---|---------------|----------------------|------------------------|----------------------|--------------------|
|   | <b>HIGH</b>   | 2.0159               | 2.0449                 | 5.728                | 72.25              |
| <b>LOW</b>  | 1.9915        | 2.0078               | 5.365                  | 71.20                |                    |
| <b>SETTLE</b>   | <b>1.9963</b> | <b>2.0154</b>        | <b>5.593</b>           | <b>71.73</b>         |                    |
| <b>CHANGE</b>   | <b>-.0134</b> | <b>-.0239</b>        | <b>+.213</b>           | <b>-.24</b>          |                    |
| <b>14 DAY RSI</b>   | 48            | 51                   | 37                     | 49                   |                    |
| <b>5 DAY MA</b>   | 1.9825        | 1.9697               | 5.539                  | 70.78                |                    |
| <b>9 DAY MA</b>   | 1.9828        | 1.9628               | 5.938                  | 70.79                |                    |
| <b>14 DAY MA</b>  | 1.9844        | 1.9625               | 6.246                  | 71.16                |                    |

**-D.O.E. stats....** Crude oil stocks fell 3.49 mmbbls. Distillate stocks rose .90 mmbbls. Gasoline stocks fell 3.67 mmbbls. Operating capacity fell 1.4% to 90.3%. The draws in crude and gasoline were somewhat expected, so the size of the jump is most likely related to the report AND taking back yesterday's weakness. Today's trading range has already doubled that of yesterday, so we might be in for a wild (low-volume) ride today.

**-Hello, can you hear me?** As we lead up to the Labor Day weekend, it seems that many in the oil industry – traders, owners, suppliers, bankers, brokers, etc., are taking this week off, as the heating season inches closer and closer. It is hard to say that it is the reason, but interesting to note that yesterday's trading range (high to low) was the second narrowest since the spring. Not there has been that much in the way or real fundamental news, but yesterday's 2-cent range was well off of the 5-cent range that seems to have become the norm.

**-Over the past week,** energy prices have gained strength, led by a 17 cent/gallon gain in the price of gasoline. The strength (heating oil rose about 7 cents/gallon, and crude oil is up about \$3.50/bbl. from last weeks' lows) was mostly related to some slight easing of the credit-crunch panic that has enveloped the debt and equity markets over the past month. OPEC officials have even gotten into the game by pointing out that there is no real way to currently assess the price of oil, as the swings – mostly the declines – have been caused by position liquidation to free up cash, more than by any fundamental, oil-related, issues. Following up on the credit-market concerns, and the possibility of an ensuing economic

| NYH Barge (est.) |        | NYMEX #2 Oil |        | NYMEX #2 Oil | Jan '08 futures |
|------------------|--------|--------------|--------|--------------|-----------------|
| 08/22/07         | 1.9283 | 08/22/07     | 1.9483 | 08/22/07     | 2.0179          |
| 08/23/07         | 1.9400 | 08/23/07     | 1.9610 | 08/23/07     | 2.0309          |
| 08/24/07         | 1.9835 | 08/24/07     | 1.9972 | 08/24/07     | 2.0608          |
| 08/27/07         | 1.9972 | 08/27/07     | 2.0097 | 08/27/07     | 2.0727          |
| 08/28/07         | 1.9813 | 08/28/07     | 1.9963 | 08/28/07     | 2.0588          |

slowdown, OPEC members who are willing to be quoted, have been saying that they see no need for an increase in production quotas to be announced at the September meeting of the oil ministers. Not that “announced” translates into “production”, but it does have a supportive effect on the markets if OPEC doesn't see a need to increase production. OPEC's Secretary-General suggested that a clearer picture – void of the sub-prime crisis volatility – will be seen in December (in time for the next ministerial meeting). I'm not a big fan of OPEC being in a position of making supply decisions in the middle of the winter, but no one really asked for my opinion.

**-Interesting quote** with regard to the sub-prime “crisis” that is still unfolding: **“This is a financial event, not an economic event.”** Very insightful.

**-Oddly enough, if we DON'T** start to see a slowdown in the economy – initiated by Wall Street jitters, and people preferring to hang on to their money, as opposed to spending it – oil prices might move higher as we enter the fall. This would be quite the opposite of what we saw last year, but would just be another proof that “yesterday's news just lines the garbage cans”.

**-The small rally in energy prices** that was interrupted by yesterday's 280 point drop in the Dow Jones

Industrial Average, led by gasoline, seemed to indicate that traders were starting to look at some of the market's fundamentals. Coming into this week's report, distillate stocks were off by a little over 9% as compared with last year. Heating oil inventories, however, are off by more than 34%! We are entering the refinery turnaround season, but still need to be wary about the impact of what an unwanted hurricane or two might do to supplies and to refining activities.

**- Segue time....** today marks the 2<sup>nd</sup> anniversary of Hurricane Katrina, and by all accounts, major portions of some economies have not come close to recovering from the devastating results of that storm. Many lessons were learned from the storm. Unfortunately, beurocratic posturing has likely been the biggest news item – who was at fault, and why – as opposed to taking those lessons, and making impactful changes. However, as with each tragic event, the hope is that steps are being taken to mitigate the pain of the next event – whenever that may be.

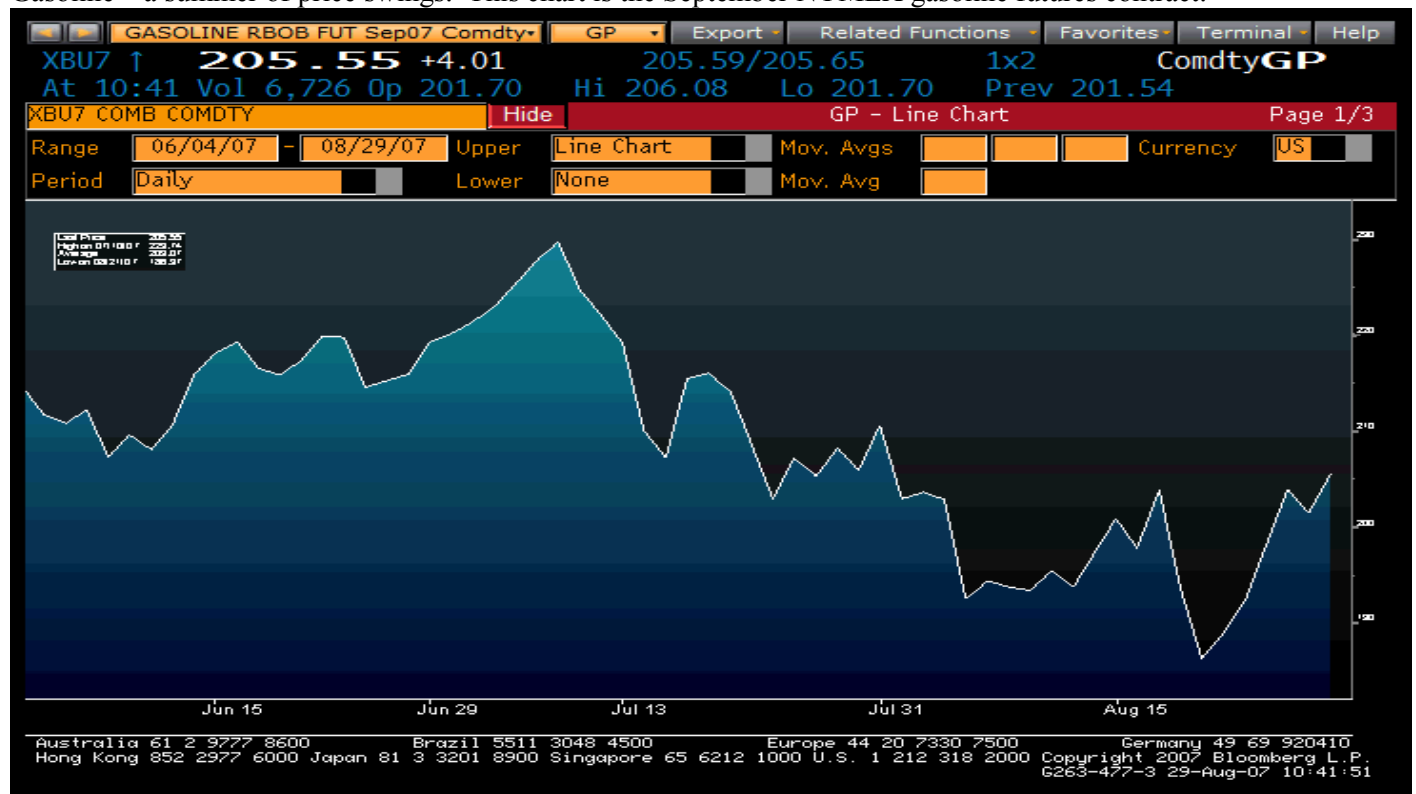
**-Iran seemed to have been feeling left out.** I guess that Ahmadinejad was lacking the attention that he so badly craves. That might be the explanation for his

statements over the past few days – supporting the markets? Not clear. Seems to be some of the “boy who cried wolf”, with regards to Iran – proclaiming (okay, RE-proclaiming) Iran's rights to nuclear independence. In addition, the Iranians are talking about their new capability to deliver 2,000 pound warheads (bombs). Most interesting was the Iranian President's comment noting Iran's desire for peaceful co-existence and brotherhood.

**- After seeing steady declines** from over \$7.00/dkt. on August 17<sup>th</sup>, to a low close of 5.38/dkt. on Monday (a drop of over 23% in price in just 6 trading sessions), natural gas prices bounced higher yesterday by .21/dkt (but had been as much as .35/dkt. higher). Meteorologists have started to track a tropical disturbance off the coast of Africa, and traders found it prudent to take some of the profits (from their short positions) off the table. No news on the weather this morning, and prices have been fairly flat leading into the oil inventory data.

**- Pennant races starting to heat up.** Bosox look safe – unless Bombers take the next 2, as well. Mets need to salvage this series with the Phillies.

Gasoline – a summer of price swings. This chart is the September NYMEX gasoline futures contract:



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