THE ANGUS ENERGY REPORT

http://www.angusenergy.com
e-mail pbaratz@angusenergy.com

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Written by Philip J. Baratz, C.T.A.

Post-report Calls:
Crude -------
1.00 higher
Products ------
350 higher (heat)
25 higher (gasoline)
Natural Gas ---
.035 higher

	HEATING OIL (OCT)	GASOLINE-RBOB (OCT)	NATURAL GAS (OCT)	CRUDE OIL (OCT)
HIGH	2.1095	2.00.20	5.854	75.92
LOW	2.0802	1.9806	5.560	74.75
SETTLE	**2.0999**	**1.9965**	**5.805**	**75.73**
CHANGE	*+.0204*	*+.0055*	*+.176*	*+.65*
14 DAY RSI	60	58	41	63
5 DAY MA	2.0690	1.9771	5.624	74.34
9 DAY MA	2.0426	1.9458	5673	72.98
14 DAY MA	2.0249	1.9188	5.944	72.06

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
08/29/07	2.0287	08/29/07	2.0419	08/29/07	2.0940
08/30/07	2.0144	08/30/07	2.0284	08/30/07	2.0806
08/31/07	2.0372	08/31/07	2.0422	08/31/07	2.0919
09/04/07	2.0775	09/04/07	2.0795	09/04/07	2.1135
09/05/07	2.0873	09/05/07	2.0999	09/05/07	2.1269

-D.O.E. stats…. Crude oil stocks fell 3.97 mmbls. Distillate stocks rose 2.26 mmbls. Gasoline stocks fell 1.48 mmbls. Operating capacity rose 1.8% to 92.1%. Doesn't look like any surprises here, but traders are using the report to reconfirm their feeling that energy prices (except, possibly for gasoline, as the summer driving season is ending) should be higher. A report of a flare up between Israel and Syria is also seen as supportive for energy prices.

-Slowly and steadily oil prices keep moving higher. The weakness that we saw start in mid-July, and continue through mid-August has turned around, and some prices are approaching their highs. As of the opening in trading, crude oil prices were about $76.75/bbl., less than $1.50/bb. away from their all-time highs, and more than $7.00/bbl. higher than the closing price just 2 weeks ago (8/22 @69.26/bbl.). Even though the future months of NYMEX heating oil are not at their highs, "spot" (now, October) futures are at their highest levels in over a year.

-Much of the strength, of late, has been focused on 2 main factors. The first is a focus on what is NOT – and that "not" is the as-of-yet unclear impact of the sub-prime debt crisis. Although the equity markets remain quite volatile, and indeed, the worst might be ahead of us, much of the panic-selling to free up money (for margin calls) has abated, and there is talk of "funds" re-entering the energy markets.

- The other supportive issue has been the 2 hurricanes, and the updated hurricane forecasts. The last 2 hurricanes to approach the Gulf of Mexico – Dean and Felix – moved from being hum-drum tropical "disturbances" into full-fledged high-category hurricane seemingly overnight. The rapidity of the transformation caught everyone by surprise, and the updated forecast by Colorado State University, calling for 6 more hurricanes – of 10 "named" storms – by the end of this season, convinced traders that being "long" might well be the safe bet. However, all of that said, the two aforementioned hurricanes, despite the devastation that they caused in Central America, did not damage any oil production facilities, and the "to-be-named" storms don't yet exist. So, the fear is there, but the supply/demand picture has not really changed, of late.

-Speaking of the supply/demand picture, OPEC keeps pointing out how well supplied the markets are, and that there really is no reason to increase production (or to announce an increase) at this months' ministerial gathering, on September 11th. While the crude oil supply might be okay (??), the ongoing issue of insufficient refining capacity continues to be the whipping horse of the industry. Coming into this weeks' reporting, distillate stocks remain almost 10% off of last years' levels, and heating oil inventories are off by a third.

-As a clear sign that traders have a growing concern over the "nearer term" more so than further out, you can look at the spread between the December ('07, on the Merc) and the February ('08) futures contracts.

December, up until last week, had been trading at a discount to February (February heating oil was projected to be "worth more" than December heating oil) since the contracts were listed. Over the summer, the discount was consistently between two and three cents per gallon – you can see this in any wetbarrel contracts that you may have contracted for with your suppliers. As of this morning's trading, December has a PREMIUM to February of over one and a half cents per gallon – a swing of almost a nickel (in spread) over the summer. Not to get too far ahead of ourselves, but this type of movement is why "spread-trading" and basis-protection are of such importance. Changes in spreads, such as these can – and often will – flow right down to the bottom line if not managed properly. Should the front-to-back spreads continue to show this strength, we need to look closely at the cash-to-futures (Platt's vs. Merc, as an example) spreads.

-Just imagine the damage A-Rod would have done last night on TWO good legs!!

December Futures vs. February Futures (NYMEX Heating Oil) – ***Discount to Premium*** ("basis change").