

THE ANGUS ENERGY REPORT

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Post-report Calls: Crude ----- 60 higher Products ----- 75 higher (heat) 25 higher (gasoline) Natural Gas --- .200 higher		HEATING OIL (OCT)	GASOLINE-RBOB (OCT)	NATURAL GAS (OCT)	CRUDE OIL (OCT)
	HIGH	2.1895	1.9985	5.994	78.37
LOW	2.1557	1.9400	5.815	76.92	
SETTLE	2.1827	1.9811	5.934	78.23	
CHANGE	+.0111	+.0025	+.043	+.74	
14 DAY RSI	69	55	47	71	
5 DAY MA	2.1468	1.9829	5.756	76.89	
9 DAY MA	2.1088	1.9781	5.677	75.60	
14 DAY MA	2.0701	1.9469	5.701	73.88	

-D.O.E. stats.... Crude oil stocks fell 7.01 mmbbls. Distillate stocks rose 1.79 mmbbls. Gasoline stocks fell .67 mmbbls. Operating capacity fell 1.6% to 90.5%. The draw in crude oil was not surprising, but the size of the draw was. Prices immediately leapt into uncharted territory, north of \$79.00/bbl., with heating oil moving up about 2 cents. Since the release of the report, prices have moderated a bit, but are still positive on the session. We might see a very volatile session, and trading might be thin in the afternoon, as many leave early for tonight's start of the Jewish New Year.

- While we were sleeping... Let's see.... Sub-Prime credit crisis threatening to stifle the economy, weakening real estate prices, Federal Reserve needing to lower interest rates for fear of recession, OPEC claiming more than enough oil available, but still raising production quotas, no storms (yet) hitting the mainland U.S. or Gulf production areas, etc... Sounds pretty bearish, doesn't it? In an effort to prove that in the "Petroworld" up means down, and down means up, rack prices are at or near their highest levels EVER! Crude oil settled at its highest price in history, and traded over \$79.00/bbl. this morning (can the unheard of \$80.00/bbl. be far away?). Prompt heating oil has also made new record-highs this morning. Is this a matter of a senseless rally that will lead to weak prices when cooler heads prevail, or a potential launching point for prices when/if there is some REAL bullish news?

- OPEC meeting... Despite the opposition of many of the cartel's members, there was strong talk that the Saudis would have their way, and convince their brethren that an increase in production quotas (NEVER to be confused with actual production levels). Talk was first of an increase of 500,000 bpd., then it moved to rumors of 700,000-1,000,000 bpd. When the increase of 500,000 bpd. in quotas was announced yesterday, the market briefly moved lower, before traders sensed a disappointment that the increase was at the lower end, and prices moved higher for the 7th consecutive trading session.

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
09/05/07	2.0873	09/05/07	2.0999	09/05/07	2.1269
09/06/07	2.1188	09/06/07	2.1368	09/06/07	2.1563
09/07/07	2.1282	09/07/07	2.1432	09/07/07	2.1657
09/10/07	2.1554	09/10/07	2.1716	09/10/07	2.1906
09/11/07	2.1675	09/11/07	2.1827	09/11/07	2.2012

- Although we have mentioned the changes in the inter-month futures spreads lately, it does deserve some repetition. As of yesterday's close on the NYMEX, October heating oil was at a premium in price to February ('08) futures. That is a movement of about 7 cents/gallon in the last 5 weeks. The incentive to fill up any storage that is empty is pretty much gone, but the benefits achieved by those who did (properly) store and hedge oil over the summer has worked out earlier than anticipated. In actuality, "the current math" indicates that some might be better taking out of storage in the fall rather than waiting for the winter. Should we see a drawdown of secondary storage, with remaining strong front-to-back spreads, we might have some problems with supply (and/or price) in the event of a cold November or December. A true Catch-22.

- Despite recent talk of seeing crude oil futures falling to below \$60/bbl., perhaps on their way towards \$50.00 bbl., there is not a single futures contract "on the screen" at a level below \$70/00 until early in 2012!!

- As if a spigot had been turned off on September 1st, gasoline futures have seen their wild, wild summer-time volatile moves grind to a halt. The focus seems to have clearly shifted to the heating fuels, as does happen this time of the year. However, the abrupt stop to the wild ride definitely caught traders by surprise.

- Since opening below the lowest settlement price ever, on Monday, October natural gas futures have rallied by about a dollar per dekatherm – in just 3 days. Much of the increase is in sympathy with heating oil, but also on continuing

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“disturbances” that seem to be churning off of the coast of Africa, and in recognition of the fact that we have been quite lucky in that the 2 most recent Cat-5 hurricanes did not make a right-hand turn towards the Gulf’s production platforms.

- **Both heating oil and crude oil** are approaching “technically” overbought levels, and that might come into play in the event that some bearish news comes into the marketplace. “Open Interest” has been increasing as traders have been re-entering the market (on the “long-side”), but just as we saw severe liquidation in late July into August, the size of the recent rally might also help prices lower – when and if...

- **The Colonial Pipeline is limiting** some volumes of distillate products through its system. The limitation is in response to increased demand with the recent strengthening of the spreads between the New York Harbor and the Gulf Coast. There has been talk (rumors) that the pipeline will be shipping lower quantities of distillates than desirable, but it

is not clear if this is confirmation of those rumors, or an isolated instance.

- **Spot heating oil prices** are now 27 cents per gallon higher than where they were 3 weeks ago. Fortunately most hedges are fully in place. Unfortunately, some are still waiting for prices to get down to \$1.90 per gallon. While that certainly MAY happen, it is September, and you need to look towards some final assessments of what your offers are, and what you have in place to protect your margins. “Price caps are bad” is not an excuse for making an offer, and not protecting yourself. If you need a confidential review of where you stand right now, please contact your Angus rep.

- **Note that if the Federal Reserve** does go ahead and announce a rate cut next week, that might be seen as a sign that “The Fed” is more worried about deflation than about inflation. Should that be the perception, we might need to prepare for another move into higher record territory.

- **It’s just not fair that the Patriots have Randy Moss!!**

The chart below is of rack prices – for Newark, New Jersey, dating back to January, 2001. Note that we are now even higher (albeit nominally) than the September ’05 “Katrina spike”.



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