

# THE ANGUS ENERGY REPORT

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

September 26, 2007  
Written by Philip J. Baratz, C.T.A.

Post-report Calls: Crude ----- <b>10 higher</b> Products ----- <b>25 higher (heat)</b> <b>25 higher (gasoline)</b> Natural Gas --- <b>.025 higher</b>		HEATING OIL (OCT)	GASOLINE-RBOB (OCT)	NATURAL GAS (OCT)	CRUDE OIL (NOV)
	<b>HIGH</b>	2.2300	2.0748	6.530	80.62
<b>LOW</b>	2.1720	2.0327	6.273	78.96	
<b>SETTLE</b>	<b>2.1813</b>	<b>2.0379</b>	<b>6.360</b>	<b>79.53</b>	
<b>CHANGE</b>	<b>-.0493</b>	<b>-.0455</b>	<b>-.010</b>	<b>-1.42</b>	
<b>14 DAY RSI</b>	55	54	53	63	
<b>5 DAY MA</b>	2.2349	2.0929	6.200	80.95	
<b>9 DAY MA</b>	2.2302	2.0724	6.281	80.13	
<b>14 DAY MA</b>	2.2090	2.0418	6.139	78.85	

**-D.O.E. stats...** Crude oil stocks rose 1.84 mmbbls. Distillate stocks rose 1.53 mmbbls. Gasoline stocks rose .53 mmbbls. Operating capacity fell 2.6% to 86.9%. Just when you think you have this “inventory thing” figured out (maybe that’s the problem), it throws you a curve. After weeks of bigger draws than anticipated, everyone was expecting a draw in crude oil inventories – some a very large draw on recent shut-ins. Right before the release of the data, crude oil had “bounced” up by over a dollar per barrel (as high as \$80.75/bbl.), and heating oil was up by almost 3 cents/gallon. Part of the build in crude might be explained by the big drop in refinery operating activity, but traders were certainly disappointed by the “surprising” build. We are still hanging on to the \$80.00/bbl. level, but it doesn’t seem to have the same significance as one might have thought. As usual, long day ahead of us, with some wide swings greatly anticipated (crude oil has already had a range of >\$1.50/bbl.). We should see new lows later this morning, but from there... who knows?

**-Headline we never thought we’d see: “Oil FALLS to \$80.00/bbl.”** That was the headline yesterday afternoon, as traders continued to take profits following yet another set of record-highs set last week. After barely seeing \$80.00/bbl. as anything more than a speed-bump last week, traders took the October Merc futures contract to \$83.90/bbl. right before the expiration of the contract last Thursday. As the continued rally was not met with new highs in retail gasoline price, and noting that the “heating season” had not yet started, the news reports were quite muted. At some point all of the additional costs (manufacturing, transportation, etc.) will have to hit the economy in an

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '08 futures
09/19/07	2.2241	09/19/07	2.2453	09/19/07	2.2753
09/20/07	2.2349	09/20/07	2.2609	09/20/07	2.2929
09/21/07	2.2337	09/21/07	2.2562	09/21/07	2.2931
09/24/07	2.2096	09/24/07	2.2306	09/24/07	2.2766
09/25/07	2.1626	09/25/07	2.1813	09/25/07	2.2348

inflationary manner, but as of now, the bulls still have the ball. Interesting note for those who are still getting calls questioning why heating oil prices are still so high “with gasoline prices falling...”. See today’s USA today story about winter heating costs.

**-For what seems to be the hundredth time...** Is the recent drop from the highs a sign that prices have finally topped off, or just another chance for those who still anticipate higher prices to load up on the “long side”?

**-Following the late week strength in crude oil** – and the record-highs set in heating oil on Thursday and Friday, traders took some profits on Monday and Tuesday of this week, as some of the tropical disturbances, and their related shut-ins of oil rigs in the Gulf of Mexico, turned out to be non-events. We are now past half-way through the hurricane season, and despite what might be indicated by the spot and futures prices of oil, we have been (for the most part) unscathed. There are a few disturbances that are being tracked (as there always seem to be), but nothing that seems to have the production areas of the Gulf in its cross-hairs. As usual, you need to wonder what will happen to prices if a real storm develops and hits....

**-How to win friends and influence people.** Iranian leader, Mahmoud Ahmadinejad, stated on Tuesday that

he is done with listening to, or caring about, the U.N. with regards to Iran's nuclear ambitions. In noting the imposition of "arrogant powers", he said that in his opinion "the nuclear issue of Iran is now closed". These words were especially fighting ones, as they were spoken just hours after, on the same platform, France's President, Nicolas Sarkozy, warned of "unacceptable risk" in the event that Iran were able to arm itself with nuclear weapons. It is hard to say how much of the rally in oil prices has been related to this ongoing conflict, but I don't look forward to the day that a real resolution to the situation is needed.

**-Despite the record highs,** there doesn't seem to be that much talk out of OPEC with regards to another increase in production quotas. The consensus by OPEC ministers, voiced again this week by Nigeria's oil minister, is that "factors outside" of their power are impacting prices. Those factors seem to be steady demand, a weak U.S. Dollar, hurricane uncertainty, and the usual suspects (despots) that control a lot of the world's oil production. In the way that a child won't give up their new toys even as new ones are received (okay, a child and a lot of grown men!), OPEC seems paralyzed by the fear that although the world is paying about \$2.4 Billion – PER DAY – more for oil than it did back in January, should production well outstrip demand (as might be the case if they increased production again, in an economically uncertain time), that prices might fall precipitously.

**-Big meeting in November.** OPEC has announced that it will convene a "leader's summit" in Riyadh,

Saudi Arabia, for the first time in 7 years. The leaders are set to discuss many topics, but high on their list will be what to do to stabilize (they did not say lower) price, and working with non-OPEC nations. After the meetings, set for November 17-18, the leaders are to announce their strategy for oil production. It will be interesting to see how/if the market reacts leading up to the meeting, and in the aftermath. Not that anyone asked me, but I'd be a lot more comfortable if they had this "once in 7 years" meeting in June!!

**-Enough of the ceasefire?** An e-mail, said to be from the Nigerian rebel group, MEND, was sent out indicating that they have had enough of the cease-fire that was agreed upon in May, and that the group would "commence attacks on installations, and abductions of expatriates". Although Nigeria's production is not a major percentage of the overall OPEC number, it is the largest producer in Africa, and has historically shown that when tensions rise there, oil prices respond, in kind.

**- For those of you** who receive the daily "Today's Cost" review, please note additions that were put into place this past week. Please speak with your Angus rep to review, but you should see the addition of historical costing, and weather forecasting – in chart form of hi/lo (customized to your weather station), and text of weather commentary.

**-Bonds' #756 baseball,** at a cost of more than \$750,000 will be branded with an asterisk and sent to the Hall of Fame. Now THAT's money well spent!! (Yes, dripping with sarcasm...).

Rally into the settlement.... Expiring October Merc Crude Oil Contract.



If you have received this message in error or would like to be removed from receiving future faxes / emails please send your request via email to opt-out@angusenergy.com or by fax to 212-937-1914. Please include the email / fax number to be removed to ensure successful removal.