

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.

	HEATING OIL (APR)	GASOLINE-RBOB (APR)	NATURAL GAS (APR)	CRUDE OIL (APR)
Post inventory report trading:				
Crude -----				
4.00 higher				
Products -----				
1200 higher (heat)				
500 higher (gasoline)				
Natural Gas ---				
.200 higher				
HIGH	2.8570	2.6870	9.499	103.33
LOW	2.7696	2.5200	9.254	98.87
SETTLE	2.7918	2.5291	9.353	99.52
CHANGE	-.0490	-.1431	+.007	-2.93
14 DAY RSI	63	43	69	58
5 DAY MA	2.8020	2.6381	9.314	101.21
9 DAY MA	2.7800	2.6601	9.236	100.35
14 DAY MA	2.7393	2.6576	9.068	99.07

-D.O.E. stats.... Crude oil stocks fell 3.06 mmbbls. Distillate stocks fell 2.33 mmbbls. Gasoline stocks rose 1.66 mmbbls. Operating capacity rose 1.2% to 85.9%. Most had expected crude stocks to increase, so after yesterday's drop, we are just off to the races in the aftermath of the supply data. Gasoline is holding it's own in resisting the spike – especially after showing extreme weakness yesterday (with the equity markets and the “direction” of the U.S. economy). Heating oil is having the biggest boost, but can't point to any weather-related issues. If heating oil continues towards \$3.00 (spot Merc), where will gasoline be later in the spring? Now that the “Super-spike” has become reality, the latest is calling for \$200/bbl. within 10 years. Long-term caps – as expensive as they are – have started to pick up some serious interest!!

- “Ah, March in New York”... after a cold weekend, the thermometers approached 60-degrees early in the week, taking a bite out of heating demand. As, of course, we would expect, that led to nothing but new record high prices on Monday (peaking to new levels on Tuesday morning)... Related to this “logic” was something that I read in a commentary after the close on Monday. During the session, crude oil price had risen to another shockingly high level – almost \$104.00/bbl. However, traders took some profits, and prices closed “only” at \$102.45/bbl. After the close, I read a comment (I couldn't make this up) that said that there was a chance that this was one of the “suggested tops” in the markets – implying that there was some prior evidence/thought that Monday was possibly “THE top”. Although it absolutely boggled my mind how someone could just pick “a top” out of thin air –

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
02/27/08	2.7686	02/27/08	2.7711	02/27/08	2.7433
02/28/08	2.8431	02/28/08	2.8456	02/28/08	2.8143
02/29/08	2.8385	02/29/08	2.8397	02/29/08	2.8039
03/03/08	2.8693	03/03/08	2.8408	03/03/08	2.8263
03/04/08	2.8198	03/04/08	2.7918	03/04/08	2.7593

and then present it as an “I told you so”, my confidence in being a non-believer in speculative top-picking was shaken a bit on Tuesday, when (with much pleasure), we saw heating oil drop over 7 cents/gallon (and crude over \$3/bbl), before recovering a bit. Maybe the “guesser” was right... Just because I can't guess where prices will go, doesn't necessarily mean that someone else can't, right? Well, as I write this newsletter, heating oil is up about 12 cents/gallon, and crude oil is up over \$4.00/bbl. So, I am back firmly on my “*if you think that you can guess, you are never going to be more than 50% accurate*” mode. Not exactly a great way to run a business!!!

- Troop movements? After a weekend in which the Colombian government accused the Venezuelans (okay, proved that Chavez DID) of supporting rebels in Colombia, and the assassination of a terrorist outside of the Colombian border, saber-rattling has ensued. Yesterday, there were reports of troop deployments along the borders, with verbal salvos going back and forth; the hopes are that someone will come in to mediate the issue. Each country (including the U.S.-backed Colombians) has armed forces in the 250-350,000 range. Adding to the “tensions” are increased Israeli troop deployments along the border with Gaza.

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- **This morning's news** – which was not a surprise – was that OPEC has announced that they are (for the time being) keeping their quotas unchanged. What is interesting is that although we all hoped that an increase might be in the offing (given the current price-environment), the early talk was of a possible CUT (thanks to perceived 2nd quarter supply-demand imbalances). However, no one REALLY expected the cut. So, if a cut was a remote possibility, and the cut was NOT announced, why would prices rally on that announcement? It's like topsy-turvy day in summer camp!! Related to the inconsistency regarding supply, planned supply and pricing, is the announcement by the Saudis (Ali al-Naimi, minister) that they are producing about 9.2 mbd., above their 8.9 mbd. quota – “because the market needs more crude oil”. He did go on to say that production cuts will be considered if/when the supply demand balance changes later in the year. You think \$105/bbl. crude oil might lessen

demand? We haven't seen it yet – unless you want to listen to the equity markets and the plummeting dollar!!!

- **Not to be a defender of “big oil”**, but it is hard to blame them for reaping the benefits of prices that have risen out of control. Although the majority of Americans do feel that there are conspiracy theories regarding price-setting by oil companies, we all know (we do, RIGHT?) that an open marketplace sets the price of oil – not Exxon-Mobil, etc. Just as a talking point it is good to note that Exxon Mobil Corp is planning on spending in excess of \$25 billion in '08 (up 25% from '07) on capital expenditures, citing increasing costs for drilling rigs and engineers. Industry-wide, capital expenditures are expected to exceed \$350 billion.

- **Maybe the market just needed a day** to absorb Brett Favre's retirement, and then prices will plummet!!

-The chart below is the April '08 NYMEX futures contract from the beginning of the season (October 1st, 2007).



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