

THE ANGUS ENERGY REPORT

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	HEATING OIL (MAY)	GASOLINE-RBOB (MAY)	NATURAL GAS (MAY)	CRUDE OIL (MAY)
Post inventory report trading:				
Crude -----	HIGH 3.1240	2.7920	9.938	109.64
	LOW 3.0660	2.7287	9.622	107.64
2.50 higher	SETTLE 3.1102	2.7504	9.697	108.50
Products -----	CHANGE +.0259	-.0331	-.094	-.59
750 higher (heat)				
500 higher (gasoline)				
Natural Gas ---	14 DAY RSI 64	55	53	59
.40 higher	5 DAY MA 3.0121	2.7577	9.612	106.50
	9 DAY MA 2.9857	2.7204	9.708	105.36
	14 DAY MA 2.9560	2.6936	9.589	104.33

-D.O.E. stats.... Crude oil stocks fell 3.15 mmbbls. Distillate stocks fell 3.69 mmbbls. Gasoline stocks fell 3.44 mmbbls. Operating capacity rose .7% to 83.0%. Although the “external” issues – various headlines about the dollar, the economy and political issues - seem to have a greater impact on the price of oil than the actual supply/demand picture, this report did catch traders off guard. Most were anticipating builds in crude oil with draws in products. The drop in crude inventories has propelled us to (yet) another “highest price ever” – at almost \$111.50 per barrel. Look for continued volatility today, and hopefully some late-day profit-taking.

- Hard to catch a break. Word of continuing acknowledgement of a recession caused gasoline and crude oil to retreat a bit yesterday, but colder than normal temps helped heating oil buck the trend, and move higher to yet another record high price (May futures contract). Some global tightness in distillates – primarily diesel fuel – is also lending support to heating oil prices.

- Although the logic would normally be very counterintuitive, it has become quite understandable why many, if not most, heating oil dealers are hoping for temperatures to warm up. Hedged or not hedged, the customers’ ability to pay his or her heating bills in a timely fashion is putting a stress on the financial backbone of the industry.

- Natural gas futures prices are again above \$10.00/dkt. this morning, about double what the price was this past summer. Recent run-ups in natural gas prices have stemmed some of the “gas is cheaper than oil” talk (although it still is), but the utilities, in some areas, are of greater concern to oil dealers than either

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
04/02/08	3.0335	04/02/08	2.9510	04/02/08	2.9750
04/03/08	2.9928	04/03/08	2.9228	04/03/08	2.9468
04/04/08	3.0596	04/04/08	2.9921	04/04/08	3.0066
04/07/08	3.1431	04/07/08	3.0843	04/07/08	3.0843
04/08/08	3.1820	04/08/08	3.1102	04/08/08	3.0972

the C.O.D. guys, or the “why would they offer such a stupidly low fixed/capped price” oil guys. If there is a silver lining out there in the clouds – and you do have to look very hard – it is that more and more Americans are frozen in different forms of panic. Making major changes – such as buying new equipment and converting to natural gas – are not really on their radar, when they are worried about whether or not they will be keeping their jobs, or how low the value of their 401K’s will go. Heating oil is NOT a luxury, but a necessity. It would seem to be that the losses of gallons might be from some conservation and from some conversions, but all in all, people still need to heat their home. They just (at least most) would like to know what it will cost them – either in the form of a capped price or (more risky) a fixed price.

- Waxing philosophical... There is a quote from Dan Sullivan, founder of The Strategic Coach, that says *“The problem isn’t the problem. The problem is that no one knows how to think about the problem”*. In other words, the problem – in this case, high prices and extreme uncertainty – exists, and that issue will not be going away soon. However, instead of pointing fingers, blaming others, and seeking untenable solutions, there needs to be better ways to “think about the problem”. Customers need some sort of peace of

mind – almost regardless of the price level of that peace of mind. Think about it, just about everyone out there – given today’s reality – would think that \$95/bbl. crude oil is cheap. The simple fact is that \$95/bbl. is still an absolute (and uncalled for) fortune. However, on a relative basis, it doesn’t sound so bad. If retail heating oil prices are above \$4.00/gallon in most places, and \$5.00 or \$6.00 is in the back of people’s minds, won’t \$3.75 sound cheap – even if it isn’t?? Protection does cost a fortune, but imagine the customers’ reaction to NOT having protection. Now, the challenge for many is how to get the customers to understand the great value in having a pricing program – regardless of capped or fixed level, and then getting the customer to pay for it – either in the form of a fee, or as part of the price. The cost of protection shouldn’t have to be defended – neither you nor I (nor the customer) can do anything about the fact that oil prices have moved up by about \$1.75/gallon from last winter. It is the (very) harsh reality, but the customer needs to understand that. Explaining that you have saved the customer hundreds of dollars this year, if not more, is

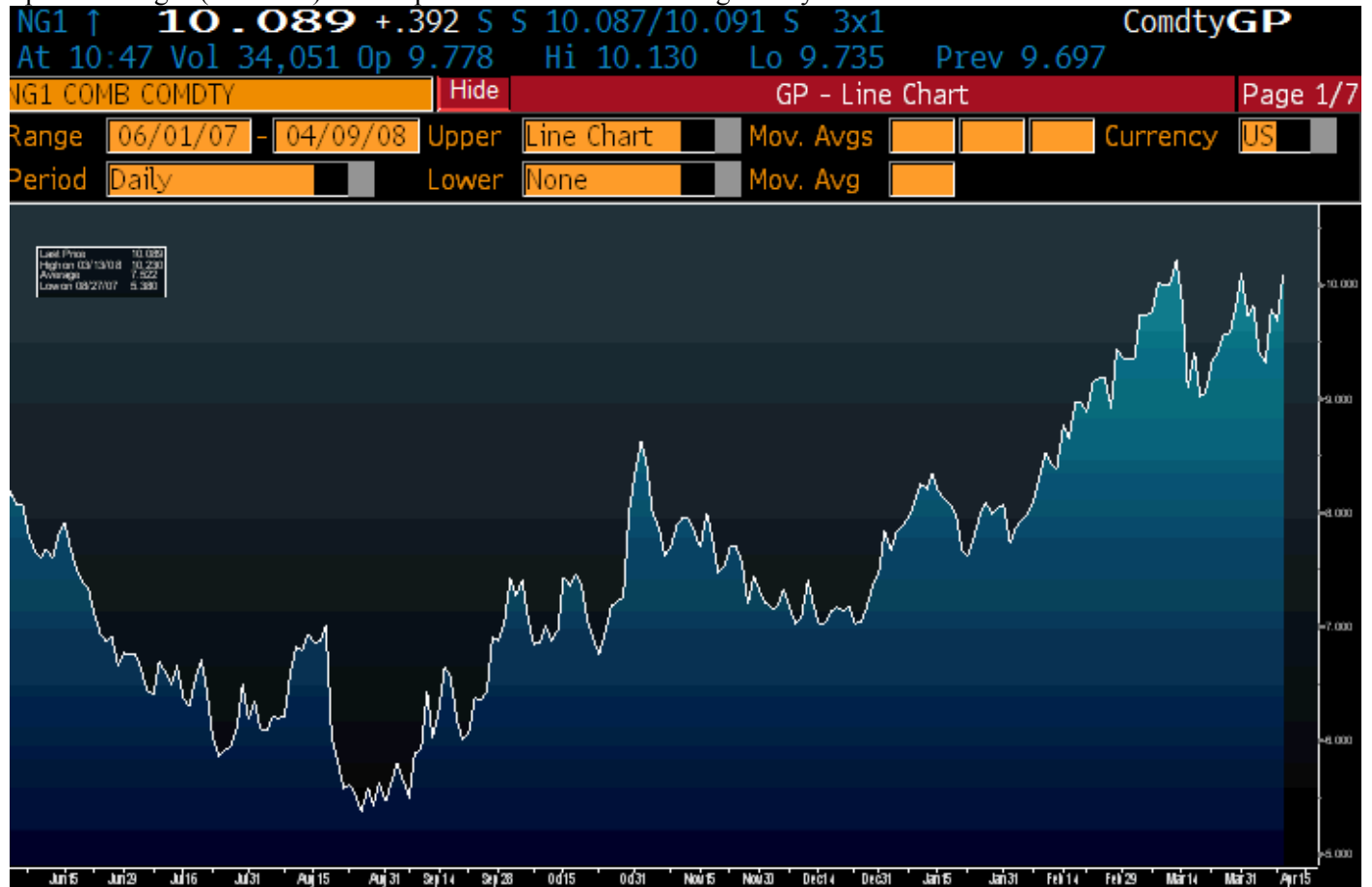
important. But, it will get lost on deaf ears if the customers do not understand that the value of what you offered for this season is only growing in significance. Unfortunately, that protection is more costly.

- The craziest part of all of this is the constant news flow of slowdowns in the economy, lower spending and lower demand. If we won’t be wanting as much, why don’t the “markets” recognize that? Even more poignant: if the economy were grounding to a halt, how high might prices be then?

- Supply-side optimism? Brazil has made it clear that they want to use their newly found oil reserves to enter the world’s upper echelon of oil producers, with an announcement of a planned \$15 billion investment in oil production facilities. Growing South American demand, primarily for diesel fuel and gasoline will hopefully be outstripped by increases in Brazilian production over the next few years.

- You can tell that the price of oil is getting everyone down, when the Mets 2 and 4 start doesn’t even bother me at all!

Spot natural gas (NYMEX) futures prices from last June through today



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