

THE ANGUS ENERGY REPORT

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

September 10, 2008
Written by Philip J. Baratz, C.T.A.

		HEATING OIL (OCT)	GASOLINE-RBOB (OCT)	NATURAL GAS (OCT)	CRUDE OIL (OCT)
Crude --.40 lower	HIGH	3.0334	2.7590	7.640	106.77
	LOW	2.8900	2.6200	7.122	101.74
Products - .0200 lower	SETTLE	2.9247	2.6526	7.535	103.26
	CHANGE	-.0884	-.0977	+.008	-3.08
Natural Gas -- .15 lower					
	14 DAY RSI	31	38	34	29
	5 DAY MA	3.0046	2.7192	7.419	106.60
	9 DAY MA	3.0858	2.7740	7.662	110.22
	14 DAY MA	3.1331	2.7997	7.841	112.48

D.O.E. stats.... Crude oil stocks fell 5.83 mmbbls. Distillate stocks fell 1.25 mmbbls. Gasoline stocks fell 6.46 mmbbls. Refinery runs fell 10.4% to 78.3% of capacity. From a 10,000 foot view, all of these numbers look bullish, but that is what the futures market is all about. Given Hurricane Gustavo's visit to the Gulf of Mexico last week, and some continued shut-ins as Ike approaches, it wasn't the drop in inventories or in refinery operations, but the drop RELATIVE to the expectations. On that count, no major surprises, and the markets (at the moment) are continuing to drift lower.

- Energy platforms, refinery operations and energy prices in general, all dodged a major bullet last week, as Hurricane Gustavo shifted back and forth, but eventually made landfall without any real damage to oil production – just delays as employees were shuttled off (and then back to) production facilities. This week's version, Hurricane Ike, scared traders into a quick 20 cent per gallon rally on Monday morning, before the updated forecasting models showed that the storm should shift its attention (and winds) to the more Southern coastline of Texas, possibly near Corpus Christi. As of now, landfall is a few days out, and with the planned hard-right turn, it is a question of when that turn takes place. The consensus is that the turn will take place on Saturday, after landfall. However, should the storm slow down, or should the front that will

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '09 futures
09/03/08	3.0551	09/03/08 3.0788	09/03/08 3.1563
09/04/08	2.9962	09/04/08 3.0237	09/04/08 3.1047
09/05/08	2.9528	09/05/08 2.9828	09/05/08 3.0633
09/08/08	2.9844	09/08/08 3.0131	09/08/08 3.0796
09/09/08	2.8960	09/09/08 2.9247	09/09/08 2.9937

cause the shift to the North speed up, there might be a surprise move in the storm towards oil production and refining regions. As of now, the market is betting that the Western track will continue, and keep Ike away. Let's hope that it is correct.

- Early weakness in crude oil trading (the spot, October, NYMEX futures contract) brought prices all the way down to \$101.36/bbl. The bears clearly have the ball, and are pushing to break below \$100/bbl., just like the bull did on the way up (and then \$110, \$120, \$130 and \$140/bbl., only failing to break \$150 – thus far). As far as heating oil prices go, we are now at the lowest levels that we have seen in over 6 months (good way to start the heating season). If we contrast the current lowest prices to where we were one year ago (September 10th – my birthday!), we would see a sharp difference. Last year on September 10th, we were at the HIGHEST prices in 6+ months. So, better to be at the high or at the low? You might think that the low is better, and the logic would certainly be there. However, it does pay to note that last Sept 10th's "highest" price was about 75

cents per gallon LOWER than this Sept 10th's "lowest" price.

- Cheer up. It's almost as if some (many) heating oil dealers have forgotten what it's like to be happy! While I won't waste any time debating that this summer had some extremely difficult periods – especially right after the offering of your pricing programs, nor will I say that some competitors are not still nipping at your heels with lowball offers, let's spend a second looking at the other side of the coin. At present, heating oil prices have fallen well over a dollar per gallon in the past two months. We are now at the lowest levels in quite some time, and MUCH MORE IMPORTANTLY street margins are very high – in most cases at their highest levels ever. Customers

have a much greater ability to pay their bills, budgets will be overfunded, and margins are extremely high (yes, the redundancy was intentional). There is no doubt that some customers were lost, and that others are struggling and somewhat dissatisfied, but would you rather keep all of those customers, have prices rally, and make minimum margins, or sell to fewer customers with great margins? The customers see falling prices, your suppliers and bankers see a better financial situation, and your profits grow. C'mon, at least give a smirk – just don't do it in front of those who sold fixed-price programs (or their customers!).

- No closer. Ain't gonna be easy!!



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.