

# THE ANGUS ENERGY REPORT

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		HEATING OIL (OCT)	GASOLINE-RBOB (OCT)	NATURAL GAS (OCT)	CRUDE OIL (NOV)
Crude – unchanged	HIGH	3.0580	2.7050	8.060	109.58
	LOW	2.9400	2.5305	7.600	104.05
Products - .0200 higher	SETTLE	2.9963	2.5950	7.931	106.61
	CHANGE	-.0467	-.1088	+.273	-2.76
Natural Gas -- .15 lower	14 DAY RSI	47	44	50	48
	5 DAY MA	2.9088	2.5688	7.730	102.65
	9 DAY MA	2.8789	2.5916	7.546	100.24
	14 DAY MA	2.9112	2.6297	7.510	102.13

**D.O.E. stats....** Crude oil stocks fell 1.52 mmbbls. Distillate stocks fell 4.18 mmbbls. Gasoline stocks fell 5.90 mmbbls. Refinery runs fell 10.7% to 66.7% of capacity. The industry continues to play catch-up in the aftermath of Gustav & Ike. We can look for major rebounds in production and in refinery activity over the next few weeks, but still need to be concerned over getting the products to where they need to be. There are still spot-outages of gasoline being reported in various Southeast locales. Not that short term swings of just a few dollars per barrel (or a nickel or dime in products) even gets anyone's attention, but following the release of the data, heating oil had moved up by about 10 cents/gallon, before falling to around unchanged as I write this (noon-time). Even venturing to guess where prices go from here is finding to be more difficult than finding a reliable reliever in the Mets bullpen.

**-And we thought price movements were nuts in the May & June...** In the midst of perhaps the biggest financial meltdown in world history, energy prices have found a way to actually increase their price swings. This past Monday, as word was leaking out about the government's (okay, really the taxpayers) proposed \$700 Billion bailout of financial institutions, to avoid an absolute implosion on Wall Street, crude oil recorded its biggest one-day gain ever. With settlement prices in the (expiring) October futures contract ahead by over \$16/bbl. (at one point prices had risen over \$25/bbl.), the "panic-buying", "flight to quality in commodities", "running from the U.S. dollar", or whatever sound-bite you cared to listen to, made traders believe that a governmental quick-fix would suddenly spur demand, and cause a quick jump

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '09 futures
09/17/08	2.8035	09/17/08	3.8247	09/17/08	2.8737
09/18/08	2.7599	09/18/08	2.7824	09/18/08	2.8484
09/19/08	2.8678	09/19/08	2.8978	09/19/08	2.9603
09/22/08	3.0280	09/22/08	3.0430	09/22/08	3.1039
09/23/08	2.9738	09/23/08	2.9963	09/23/08	3.0282

in domestic productivity. Without being partisan (I can't imagine that Obama really wants a quick fix, and I can't understand why Republicans would support a new bailout – a/k/a more government – without a clear plan to fix the problems that led us to where we are right now), you really have to start to wonder what the true motivations are in Washington. While no one (okay, most people) wants more government oversight, it is clear that a totally deregulated world still must include some regulations to protect the consumers (even if protecting them from themselves).

**- While we have witnessed** heating oil (spot) prices move from a recent low of \$2.67/gallon last week to a high of \$3.09+ today (a low to high of about 42 cents), money to finance receivables and to pay for supply keeps getting tighter. From wholesalers that we have spoken with, it seems that THEY (the suppliers) have, quite begrudgingly, become the financiers to the home heating oil industry. Hopefully, the myriad of issues with regards to the proposed financial bailout will be worked out in the next few days, and we can all concern ourselves with what we WANT to focus on – supply, demand, HDD's, deliveries, etc.

**- Margins.** Without sounding too much like a broken record, for those who were wise enough to get their customers to sign up for (or remain on) a cap program

now is the time to start to maximize your margins. We know all of the negatives out there – cap level is higher than new caps being offered, despite today’s delivery price being the same; customers having a hard time making budget payments; some customers quit because cap “fee” is higher than last year; etc. – and they are all REAL issues. However, widening out margins (in many cases widening them by a lot) seems to have a magical way of dampening some of the “external frustration”. If you simple consider the “alternatives”, you can feel much more comfortable. Regardless of the cause, most consumers do not want the uncertainty of rack-plus (variably priced) oil deliveries. The fear that is out there is real, and putting customers in a position that might find them not capable of paying their bills doesn’t really work. On the other hand, the fixed-price customers (and dealers) did save some money by not paying hefty premiums this year. However, many of those customers are finding themselves (unless they are cancelling or taking some COD deliveries on the side) in a position that is costing them a dollar (or more) per gallon more than the full-service capped customer next door. Of equal, or more, importance is that fixed-priced programs generally do not allow for any margin enhancement. So, customers are ticked off, and you can’t even say, “Well, at least

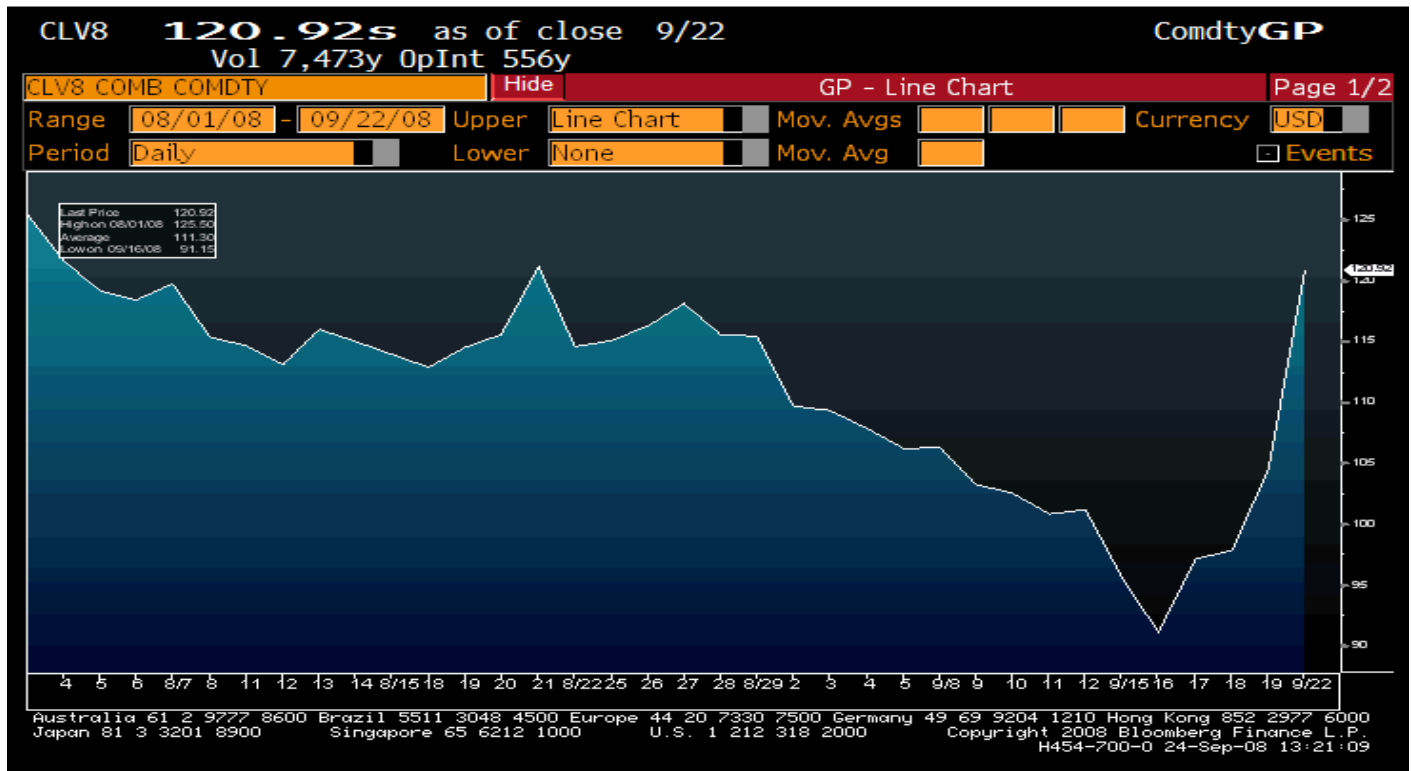
I’m making some extra money”. The cap has worked, does work this year, and will continue to work. If there are some things that you don’t like or understand about it, I can understand that. Perhaps it would be best to look at it as the lesser of evils, like having to sit next to that annoying uncle at the holiday dinner table. That is FAR better than disinviting him, and ticking off your spouse (not that I would know about that!).

**- Natural gas has settled into an eerie trading range** between \$7.00 and \$8.00/dkt. Utilities continue to make offers in an attempt to gain further inroads into historically heating oil-dominated neighborhoods, but conversions seem to be slowed by increasing economic uncertainty. See, the frightening economic prospects are having at least one beneficial result.

**- On the news front**, and likely well behind the Wall Street semi-meltdown, the elections, Russia’s planned joint military exercise with Venezuela, and Ahmadinejad’s presentation at the U.N., we should not lose sight of the fact that North Korea just kicked out the U.N.’s nuclear inspectors (of course after accepting “bribes” to stop their nuclear enrichment programs), and are restarting those same plants. When will the world learn that you can’t bribe or appease those who do not have any respect for a peaceful world?

**- 5 more days to bite my nails!**

-October Crude oil futures from August 1<sup>st</sup> – expiration this past Monday.



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