

# THE ANGUS ENERGY REPORT

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Today's pricing		HEATING OIL (NOV)	GASOLINE-RBOB (NOV)	NATURAL GAS (NOV)	CRUDE OIL (NOV)
<b>Crude -- -6.50</b>	<b>HIGH</b>	2.4962	2.0690	6.886	89.82
	<b>LOW</b>	2.3598	1.9610	6.622	84.19
<b>Products - .1400 lower</b>	<b>SETTLE</b>	<b>2.4186</b>	<b>2.0273</b>	<b>6.825</b>	<b>86.59</b>
	<b>CHANGE</b>	<b>-.0759</b>	<b>-.0025</b>	<b>+.083</b>	<b>-2.36</b>
<b>Natural Gas -- .10 lower</b>					
	<b>14 DAY RSI</b>	28	29	34	33
	<b>5 DAY MA</b>	2.5110	2.0815	6.906	89.46
	<b>9 DAY MA</b>	2.6438	2.2046	7.155	92.98
	<b>14 DAY MA</b>	2.7831	2.3525	7.425	98.10

**D.O.E. stats...** Crude oil stocks rose 8.12 mmbbls. Distillate stocks fell .49 mmbbls. Gasoline stocks rose 7.18 mmbbls. Refinery runs rose 8.66 to 80.9% of capacity. Let's get the easy part out of the way – the markets (in the short-run) don't care about the current inventory reports!! Prices are being dragged (now lower) by items that have nothing to do with current economics. An argument can be, and is being, made that the forecasted slowing down in the economy (domestic and overseas) will lead to lower demand, and will depress oil prices. Premised upon that, we can and should see lower prices, but we are hard pressed to believe that prices have fallen almost 50% since the beginning of the summer, and 25% in just a few weeks because the economy WILL BE weak.

**- More of the same?** Just like we all had a hard time understanding why prices moved so much higher in the spring and into the early summer, and spent a good deal of time looking externally (hedge funds, weak dollar, foreign growth, etc.), we seem to have the same culprits moving prices lower. Interesting that we don't hear an outcry that "speculators are moving oil prices", when, clearly they do have (some) involvement (sorry, Marty).

**- It seems like just a few months ago** (because it was) that we were addressing a hedging seminar, and pointing out that prices might just move by \$1.75 per gallon (their "normal" swing). At that point, with heating oil (wholesale) at around \$4.00 per gallon, most agreed that a move up towards \$6.00 per gallon was not out of the question, but almost all scoffed at the notion that prices might be able to fall to \$2.50, or less. As I sit here, watching the price monitor of

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '09 futures
10/03/08	2.6308	10/03/08	2.6620
10/06/08	2.4465	10/06/08	2.4740
10/07/08	2.4807	10/07/08	2.5057
10/08/08	3.4720	10/08/08	2.4945
10/09/08	2.3974	10/09/08	2.4186

NYMEX prices, I see heating oil trading (November futures) at \$2.20 per gallon, and wonder what some of those "can't go that low" people are doing now. Despite the trauma (possibly the only appropriate word for mixed-company) in the financial world, retail heating oil margins for those who have customers on capped programs should be at record-setting levels. Few could have imagined a time when lowering delivered prices by 20-, 30- or 40-cents per gallon would still lead in increases in profit margins by 50-, 40-, or 30- cents (or more!). While no one knows where prices are headed from here, good planning, good execution, some stress and pain, and simple faith, have many oil dealers in far better positions than their more speculative competitors.

**-Blood in the streets.** Never before have we seen the start of a heating season that was such a "poster child" for why NOT to recommend a fixed-price program to your customers. While there are many reasons not to even offer a fixed-price program at all (those who will say that "you told me", or will take other deliveries, or who will still blame you even though it was their decision, etc.), how surprised should you be to see the customers showing their lack of allegiance (and/or just breaking legally binding contracts) when retail prices fall by about \$2.00/gallon? Aside from the fact that

due to the world's stock markets, many of us will be working till we are old and gray, this should be the beginning of a banner season. Yes, people are quite tense about the elections, the economy and the credit markets, but even with needing to squirrel away some more money for past-due amounts and bad-debt, the margins should be great. Now, we just need the suppliers, banks and others who are granting (or not granting) credit to start to recognize this.

**- Speaking of which.** If you are at a quandary as to how you should be approaching your bankers or other lenders with regards to working capital requirements, we would like to set up a time to speak with you. Several of our clients have been facing similar issues,

and we believe that we can help you get some assistance.

**- Never too early.** We are in no way advocating that you should be putting on any hedge positions for 2009-2010, YET. However, we have found much success in planning the hedging well before executing the hedging. We generally meet with clients to set up "the plan" in Dec, Jan or Feb, but thanks to increased interest in finding a non-speculative approach to hedging (including not having to make mid-season supply and short-term hedge decisions in "the heat of the battle"), we are starting to book some November slots. No rush, but keep it in mind.

January (NYMEX) heating oil futures contract



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