THE ANGUS ENERGY REPORT

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Today's pricing
Crude – 3.50 lower

Products - .1000 lower

Natural Gas - .05 higher

	HEATING OIL (DEC)	GASOLINE-RBOB (DEC)	NATURAL GAS (DEC)	CRUDE OIL (DEC)
HIGH	2.2113	1.5800	7.360	71.77
LOW	1.9430	1.3215	6.836	62.25
SETTLE	**2.1616**	**1.5327**	**7.219**	**70.53**
CHANGE	*+.1788*	*+.1702*	*+.381*	*+6.62*
14 DAY RSI	43	39	52	42
5 DAY MA	2.0507	1.4688	6.810	67.14
9 DAY MA	2.0168	1.4645	6.654	65.95
14 DAY MA	2.0644	1.5229	6.785	67.81

NYH Barge (est.)		NYMEX #2 Oil		NYMEX #2 Oil	Jan '10 futures
10/29/08	1.9935	10/29/08	2.0010	10/29/08	2.2596
10/30/08	1.9816	10/30/08	1.9841	10/30/08	2.2406
10/31/08	2.0051	10/31/08	2.0063	10/31/08	2.3029
11/03/08	1.9628	11/03/08	1.9828	11/03/08	2.2123
11/04/08	2.1441	11/04/08	2.1616	11/04/08	2.3906

D.O.E. stats…. Crude oil stocks rose .05 mmbls. Distillate stocks rose 1.21 mmbls. Gasoline stocks rose 1.12 mmbls. Refinery runs was unch @85.3% of capacity. So, let's try to understand this – yesterday, in anticipation of an Obama victory, Crude oil rallied almost $7.00 per barrel, and heating oil moved up about 18 cents to almost $2.20 per gallon. Today, AFTER the predicted Obama victory happened, oil prices are giving up over 50% of yesterday's gains.

- If you notice that I am not making reference to the impact of today's inventory reports, it is because the inventory reports continue to have virtually no impact on the price of oil. That WILL change, at a point in time, but for now, all eyes are on the external (Wall Street, banking bailout, US Dollar's strengthening, future guesstimates for the economy, planned/proposed tax increases, etc., etc.) issues of the day. Last we checked, the winter had started – October was actually colder than "normal – and people are heating their homes. In actuality, with the recent crisis, there is actually growing optimism (magnified by the results of Tuesday's elections) that people will be able to keep their homes and their jobs – and pay their oil bills! Without weighing in on what the government's role SHOULD be, there is a growing consensus that interest rates will stay low enough to try to help the economy get back on its feet, and (hopefully) the time that it takes to start to see "the recovery" will not be met with significant (or, better yet, any) increases in income or capital gains taxes. How that will portend for longer-term inflation – especially if the government tries to kick-start things with large work programs – tunnels, roads, bridges, as they did in the 1930's - remains to be seen. However, staying close to home, we have costs of oil in the $2.00's, selling with fairly strong margins, to customers who have a much greater ability to pay for their oil than it looked like they would have just a few months ago. Dark and cloudy for some, but certainly a silver lining for receivables.

- Of course much of the above applies to companies who bit the (expensive) bullet and offered their customers a capped price. For those who are sitting on fixed-price wetbarrels, against a diminishing group of customers who are actually not violating the terms of their fixed-price contracts, things could be a little better. No, fixed-price offers were not wrong, but when customers see retail heating oil selling in many places for as much as (or more than) $2.00/gallon lower than the price that they agreed to – someone (not, heaven forbid, the homeowner) else must be to blame. Hopefully, this will be a lesson learned – for all. When state associations need to elicit opinions from governmental officials stating the signed contracts are actually binding upon the signers, you need to be a little nervous about what is going on.

- Customers shopping around… Perhaps the biggest "problem" that we have, as an industry (yep, I'm up there on my soapbox again) continues to be the low-ball solicitation of customers – in the hopes that the "discount" offerings to solicit a customers will quickly be forgotten next year (by the customer), when prices return to "full-margin". This self-defeating behavior just encourages increased shopping for lower prices. Are lower prices for consumers a bad thing? Not necessarily, but when we (collectively) spend time, effort and money trying to make the retail heating business more than simply a "commoditized" business (by offering great service, automatic-delivery promises, budget plans, etc., etc.), it hurts to see that the major solicitation point is ONLY price. It doesn't have to be that way. The

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100 accounts that you lose, and the 94 accounts that you get to replace them, do not put you back in the same place. The wheel-spinning gets very expensive. With that said, however, there do seem to be a number of customers who – through no fault of the oil company that is selling to them – have decided that paying well above (not 20-, 30-, or 40-cents, but $1.50, $2.00 & $2.50) market prices is not for them. Those customers are looking for a new home. Hard as it may be, be advised to "bring them in" with realistic, repeatable profit margins, not just a price so you can make another delivery while on that block.

-Got cash? We have seen the widest ranges of those with and those without cash that we have ever seen. On one hand, dealers sitting on fixed-price wetbarrels have (nervous) suppliers breathing down their backs, and the dealers try to collect receivables from fixed-price customers. In a number of cases, pre-paid dollars have been mostly spent, and dealers are wary that the street-price volumes, even with increased per-gallon margins, will not allow for sufficient catch-up to their suppliers. On the other end of the spectrum, companies with a large percentage of their customers on budget plans, mostly set those budgets in the late spring or early summer, and are sitting on cash balances that were set premised upon $5.00/gallon oil, with retail costs now about 40% lower. This has those companies with big enough balances that they can play Santa Claus early this year by either allowing for the skipping of a payment or two, or by lowering the amount of all of the payments due for the term of the budgets. Some have even started to offer a lower payment if the customer will commit to another year of belonging to the price-cap program (the benefit is that current deliveries are well below the cap, the next years' cap is at a lower level than this years', and - most importantly - there is no additional cash outlay required by the customers at this time).

-Where do we go from here? We are very big fans of grabbing the extra margins while they are available. Yes, there are many customers who several months ago feared that they would be paying about $5.00 per gallon, and now find themselves paying a lot closer to $3.00. Now (I wish I were surprised, but I can't say that I really am), the $2.00 drop in prices – yes, savings of about $2,000 for the year, or more – seems to not be enough. "Why aren't prices $2.25 lower?", "why did you charge me for a cap fee if prices were going to fall?", "why does the cap program cost more this year than last year?" The responses – short of violence – are obvious, but still quite frustrating. However, the response cannot be to lower the price by the full $2.25/gallon (below the cap), just because of some noise customers. This business can be quite taxing (no, not a swipe at Obama!), but can also be quite rewarding. Who deserves to reap the benefits of lower prices leading to higher margins more than you?!?

- Both NY football teams over .500 at the mid-way point of the season? What were the odds of that happening?

Crude oil futures.

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