

THE ANGUS ENERGY REPORT

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December 3, 2008
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| Today's pricing | | HEATING OIL (JAN) | GASOLINE-RBOB (JAN) | NATURAL GAS (JAN) | CRUDE OIL (JAN) |
|--------------------------------------|-------------------|----------------------|------------------------|----------------------|--------------------|
| Crude – .25 higher | HIGH | 1.6521 | 1.1467 | 6.659 | 50.25 |
| | LOW | 1.5778 | 1.0509 | 6.371 | 46.82 |
| Products - .0150 higher | SETTLE | 1.5832 | 1.0583 | 6.424 | 46.96 |
| | CHANGE | -.0319 | -.0529 | -.180 | -2.32 |
| | 14 DAY RSI | 30 | 33 | 43 | 32 |
| Natural Gas - .020 higher | 5 DAY MA | 1.6788 | 1.1396 | 6.560 | 51.17 |
| | 9 DAY MA | 1.7065 | 1.1268 | 6.592 | 51.54 |
| | 14 DAY MA | 1.7544 | 1.1720 | 6.577 | 53.41 |

D.O.E. stats.... Crude oil stocks fell .46 mmbbls. Distillate stocks rose 2.35 mmbbls. Gasoline stocks fell 1.53 mmbbls. Refinery runs fell 1.82% to 84.3% of capacity. The consensus coming into this weeks' reports, and leading to the lows in oil prices, was that the slowing economy – primarily in the manufacturing sector – was going to result in builds in the crude oil stocks. With this week's report showing a slight draw, there has been some short covering, but not enough to change any of the longer-term trends that we have seen in prices. We have gyrated around unchanged in heating oil since the data was released, and will have to wait to see how the winds blow for the rest of the trading session.

- Do oil fundamentals matter? On one hand, they most certainly do, but if we look back to the spring and early summer, the rallies in prices were not due to CURRENT supply/demand, but to ANTICIPATED supply/demand. Now, we have been witnessing the flip-side of that coin with prices factoring in ANTICIPATED, and weak, demand for oil, along with OPEC's (thus far) hesitation to cut production. Thus, the continued weakness in the spot and futures markets.

- In a vacuum this would all be good news, if it were not for the equity markets' gloom and doom. What we have been witnessing, really since the early fall, has been that the oil markets have been tracking (not "tick for tick", but directionally) equity/stock prices, while the stock markets are tracking the economy and the economic outlook. So, as we have seen many times before, the supply-side of the equation is of less significance with regards to pricing, than is the demand side. As the economy continues to slide deeper into the current recession, people will continue to heat their homes, and to drive their cars, but with growing unemployment and slowing down of factory orders, the demand for energy products has fallen – and likely will continue to fall. Now the \$64,000 question is how close will the economic projections be to the yet-to-be-realized

| NYH Barge (est.) | | NYMEX #2 Oil | | NYMEX #2 Oil | Jan '10 futures |
|------------------------|--------|-----------------|--------|-----------------|--------------------|
| 11/26/08 | 1.7332 | 11/26/08 | 1.7367 | 11/26/08 | 2.0171 |
| 11/28/08 | 1.6712 | 11/28/08 | 1.6737 | 11/28/08 | 1.9871 |
| 12/01/08 | 1.5926 | 12/01/08 | 1.6151 | 12/01/08 | 1.9031 |
| 12/02/08 | 1.5595 | 12/02/08 | 1.5832 | 12/02/08 | 1.8797 |
| | | | | | |

economic future? If things are projected to be bad (which they are), and they turn out to be worse, maybe prices will fall even further. Should the bailouts, interest-rate maneuvers, and proposed job-creation proposals work as planned, and "the cycle" turns more quickly (before next winter?), then we might see a return of strength in prices. A side question is: how might the drop in heating oil and gasoline prices help to prime the pump by putting more expendable dollars in homeowners' pockets?

- After Monday's big sell-off in the stock market, and weakness in oil prices, you almost get a sense of eerie quiet over the past few days. We could certainly see the value in dropping volatilities (swings), and hope to see the swings narrow, and for a SLOW return to economic prosperity. The last thing we need right now (at least those of us in the "energy space") is a dramatic report indicating that "all is well", and that demand will return with a bang. Slow and steady wins the race.

- For those who have started to Best Buy for next winter, yes, the premiums are lower than we saw this past spring, but they can't/won't get really cheap, as there is a ton of "time value" ahead of us – Some protection is going out through September of 2010 – 21 months away. On the other hand, the lower underlying prices for next winter (all under \$2.00/gallon) is has helped us to lower costs, despite the high recent volatility.

- Competitors! Yes, the four-letter (okay, eleven-letter) word for some heating oil dealers. Some are out with low-ball offers that seem to be quite unrealistic. While some

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offers ARE unrealistic, others do make some sense. If we have learned something from the past 6 months, it has been that fixed-price offers (in most, but NOT all, cases) are a recipe for trouble. However, there are some low cap offers out there that are based upon signing up a customer for the next year – not next heating year, but next year – Dec '08 through Nov '09. I can't say that we are real big advocates of letting customers choose exactly when to start their cap – unless that is either a demand by many, or an aggressive

offer by a competitor – but, those 12-month caps (starting now), can be at some attractive levels (bear in mind, what is attractive today, might end up being old and ugly tomorrow – so be forewarned!).

...correction... there are not 2 football teams in New York. There are 3, and ONLY one actually plays in the state of New York (when they aren't hosting games in another country!!).



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