

THE ANGUS ENERGY REPORT

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Today's pricing		HEATING OIL (MAR)	GASOLINE-RBOB (MAR)	NATURAL GAS (MAR)	CRUDE OIL (APR)
Crude – .25 higher	HIGH	1.3600	1.1024	4.257	40.13
Products – Heat- 75 lower	LOW	1.3158	1.0394	3.984	37.65
Gasoline – 400 higher	SETTLE	1.2082	1.0837	4.236	39.96
Natural Gas - .10 lower	CHANGE	+.0328	+.0404	+.139	+1.52
	14 DAY RSI	38	43	38	40
	5 DAY MA	1.1863	1.0731	4.126	39.20
	9 DAY MA	1.2285	1.1346	4.256	40.13
	14 DAY MA	1.2689	1.1747	4.405	41.92

D.O.E. stats.... Crude oil stocks rose .72 mmbbls. Distillate stocks rose .88 mmbbls. Gasoline stocks fell 3.32 mmbbls. Refinery runs were 81.4% of capacity, down 0.9%. The expectation was for a draw in distilled, and the small build caught the market a little by surprise. Everything said and done, the strength in gasoline has that market up nicely, with heating oil and crude oil near flat for the day.

- Follow the leader. Oil prices, for the most part, continue to follow the “other” economic indicators (proving, once again, that oil prices do not cover to the moves in OPEC quotas, but to the thoughts of future demand), such as the weak equity and real estate markets, and the general consensus that the domestic (and global) economies will not “turn around” in the near-term. The “stimulus package”, also known as the “future burden package” continues to garner mixed results in the press and on Wall Street. The fact that more “pain” lies ahead of us is fairly evident, but the question as to when the pain subsides is the \$870 billion question. As equity prices have plunged since the summer, we have seen energy prices (lower “implied” demand) fall along side. With the energy prices SEEMING to have flattened out, the question is whether this is to be seen as a “leading indicator” that equity prices will stabilize, or whether we are just taking a breather in a market with much more room to fall.

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '10 futures
02/18/09	1.1482	02/18/09 1.1469	02/18/09 1.3724
02/19/09	1.2045	02/19/09 1.2045	02/19/09 1.4280
02/20/09	1.1967	02/20/09 1.1967	02/20/09 1.4180
02/23/09	1.1754	02/23/09 1.1754	02/23/09 1.3924
02/24/09	1.2082	02/24/09 1.2082	02/24/09 1.4206

- According to the Chairman of the Federal Reserve, there is a chance that the economic recovery will begin in earnest later on this year (as a side note, there is a chance that Barry Bonds didn't use steroids!). Other, more pessimistic (or realistic) peg the recovery as waiting until 2010 or 2011. The question – very optimistically, by all – seems to be answered with guesses as to “when”, not “if”. Despite the current weakness in oil prices, one would have to believe that along with this “future recovery” will be increases, perhaps sharp increases, in energy prices – spurred along by an increasingly rosy outlook for demand. That fact may have to do with the reason that despite seeing crude oil futures that traded as low as under \$34/bbl., this month, that prices for later in '09 are around \$50/bbl., and 2011 futures are in the 60's per barrel. We are seeing smaller “front-to-back” spreads in heating oil, which makes you wonder which group is right.

- As February ebbs away, the steady weather keeps allowing for significant “actual vs. plan” margin enhancement for variable and capped customers. Those two sectors of your customer

base need to recognize how well they did this season, and that you did what you could to take the sting out of what is for many a tough time financially. As far as the fixed-price customers go, those who have made it this far are the “good ones” – those who understand that (as opposed to the opinion of some of those “in power”) a contract is a contract. Fixed price programs will probably suffer the most disloyalty this spring, and even if (hopefully) most of your customers stuck with you (as they should have) through this past season, offering them a cap, as an alternative, might be exactly what the doctor ordered. Those who fixed their prices wanted predictability (which they got), but might not have realized that with predictability came their giving up on savings if prices fell (they didn’t realize that they wanted it beforehand, but after the plummet many thought of how nice it would be!). A cap – WHICH DOES COME AT A COST, and that cost needs to be collected (either as a fee, or as part of the sales price – or a combination) – satisfies all of those wants/desires/needs. It also, enables the oil dealer to increase their margins in a weak market – as many, many oil dealers can attest to this season.

- Less painful? One of the stumbling blocks for some (but not for others) in offering a cap is trying

to figure out how to recoup the cost (premium) of the hedge. It’s easy to say, “just charge it to the customer”, but every region has its own pricing and competition issues, and it does take a good leap of faith to believe that the customers will just pay the fee. Based upon what we have seen over the past 18 years, customers WILL pay the cost, but as the premium expenses increase, it can be harder to say that. This past summer, premiums reached levels that were almost as high as the actual cost of oil was just a decade ago! As it turned out, paying 40+ cents per gallon for an option turned out to be a bargain, as oil prices plummeted almost \$3 per gallon. However, that was then, and this is now. As we have seen no real let up in the volatility (the swings in prices), it is comforting to recognize that with the drop in prices, we have finally started to see some lowering of options premiums. Should the swings stop (have to envision, but who knows – maybe we can work that into the Stimulus Package), perhaps we can see continued drops in premiums. However, for now, the lower “underlying” prices have helped..

- At least baseball season is upon us!!

The chart below shows the movement in the equities (DJIA) and crude oil since July.



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