

THE ANGUS ENERGY REPORT

http://www.angusenergy.com
e-mail pbaratz@angusenergy.com

June 3, 2009
Written by Philip J. Baratz, C.T.A.

Today's pricing	HEATING OIL (JUL)	GASOLINE-RBOB (JUL)	NATURAL GAS (JUL)	CRUDE OIL (JUL)
Crude – 2.50 lower	HIGH 1.8125	1.9445	4.284	69.05
	LOW 1.7472	1.9048	4.069	67.50
Products – Heat- 500 lower Gasoline – 250 lower Natural Gas - .30 lower	SETTLE 1.7979	1.9252	4.120	68.55
	CHANGE +.0214	+.009	-.129	-.03
	14 DAY RSI 79	80	53	77
	5 DAY MA 1.6942	1.8948	3.960	66.39
	9 DAY MA 1.6362	1.8508	3.878	64.35
	14 DAY MA 1.5875	1.8017	4.021	62.45

D.O.E. stats.... Crude oil stocks rose 2.87 mmbbls. Distillate stocks rose 1.66 mmbbls. Gasoline stocks fell .22 mmbbls. Refinery runs were 86.3% of capacity, up 1.15%. There really wasn't anything major in this weeks' reports, but the lack of anything bullish, coupled with a weak stock market, and strengthening U.S. Dollar, gave traders an excuse to "take some money off the table" today.

- After 11 straight days of increasing heating oil prices, the drop in prices wasn't a question of "if", but a question of "when". As of yesterday's close, prices were at their highest levels since November, begging the question of whether prices had fallen too much from last summers highs, and were seeking their proper level (higher than the March lows), or whether prices were rallying in advance of what is hoped to be (in MOST sectors) a move out of our current recession before the end of this calendar year. In either case, the economy is not yet better, but the rally in prices has definitely gained a strong foothold.

- Crude oil strength. After seeing the May futures contract for NYMEX crude oil settle (expire) at \$46.51 per barrel in late April, the June contract expired at \$59.65 in May, and as of yesterday's close, the July futures contract was \$68.55/bbl., with all futures contracts, from September '09, forward, settling yesterday at prices that were above \$70.00/bbl. As compared with the low of under \$34/bbl. in February, front-month crude oil futures have risen over 100% in less than 4 months. Fortunately (??) heating oil futures are "only" up 60% from their early-March lows of \$1.13/gallon.

NYH Barge (est.)	NYMEX #2 Oil	NYMEX #2 Oil	Jan '10 futures
05/27/09	1.5442	05/27/09 1.5617	05/27/09 1.8035
05/28/09	1.5914	05/28/09 1.6014	05/28/09 1.8439
05/29/09	1.6344	05/29/09 1.6419	05/29/09 1.8837
06/01/09	1.7403	06/01/09 1.7765	06/01/09 1.9653
06/02/09	1.7592	06/02/09 1.7979	06/02/09 1.9794

- Today's drop in price will only be of significance if we can see further declines from here (down about 6 cents on the day in heating oil and 3 cents in gasoline). Otherwise, it will just be "chalked up" as a respite in a very strong market, that is front-running an improving economy. The one thing that ALL in "the industry" does not want is a return to rampant volatility, and 10-cent per gallon price changes becoming the daily norm.

- Does 20 cents matter? Although this is just a personal observation, it is something that is worth considering, as companies stress over what prices to set their "programs" at. One school of thought states that you NEED to get as much margin as you can. Don't beat up the customers, but grab full margins, and push the envelope. If that costs you some customers, so be it! The "other" school states that you should be very careful with pricing, lest you drive a customer away. Better to keep all (or almost all) customers, even with a slightly lower than desired margin. Anyone who reads anything that I write knows which "school" I attend! However, the fear of customer losses is something that I can understand, and there is some logic in the "latter" school. With that said, I was driving to work this morning, and made a right turn at the same corner that I pass every morning (West Oakland Park Boulevard &

If you have received this message in error or would like to be removed from receiving future faxes / emails please send your request via email to opt-out@angusenergy.com or by fax to 212-937-1914. Please include the email / fax number to be removed to ensure successful removal.

NW 21st, for those who are familiar with the area). At that intersection sits two branded gas stations – one on the North side and one on the South side of the street. The station on the South side had their “regular” gasoline posted at a price of \$2.659/gallon, while the station on the North side of the street has their regular unleaded posted with a price of \$2.459/gallon. I did a double-take, realizing that there was, at the SAME intersection, a 20 cent per gallon price difference. The second double-take I took was when I realized that one gas station had one car, while the other had about 8 cars in it. Yep, you guessed it – the \$2.659/gallon station was packed, and the “cheaper” one only had one car! So, can we use this data as compelling proof that prices do not matter? Absolutely not. However, the notion that everyone is concerned ONLY with price needs to be thought through. Maybe this station was cleaner. Maybe this station had better attendants. Maybe this station was the one those customers were used to filling up at. Do I have to explain the analogy to heating oil companies and the prices that they charge?

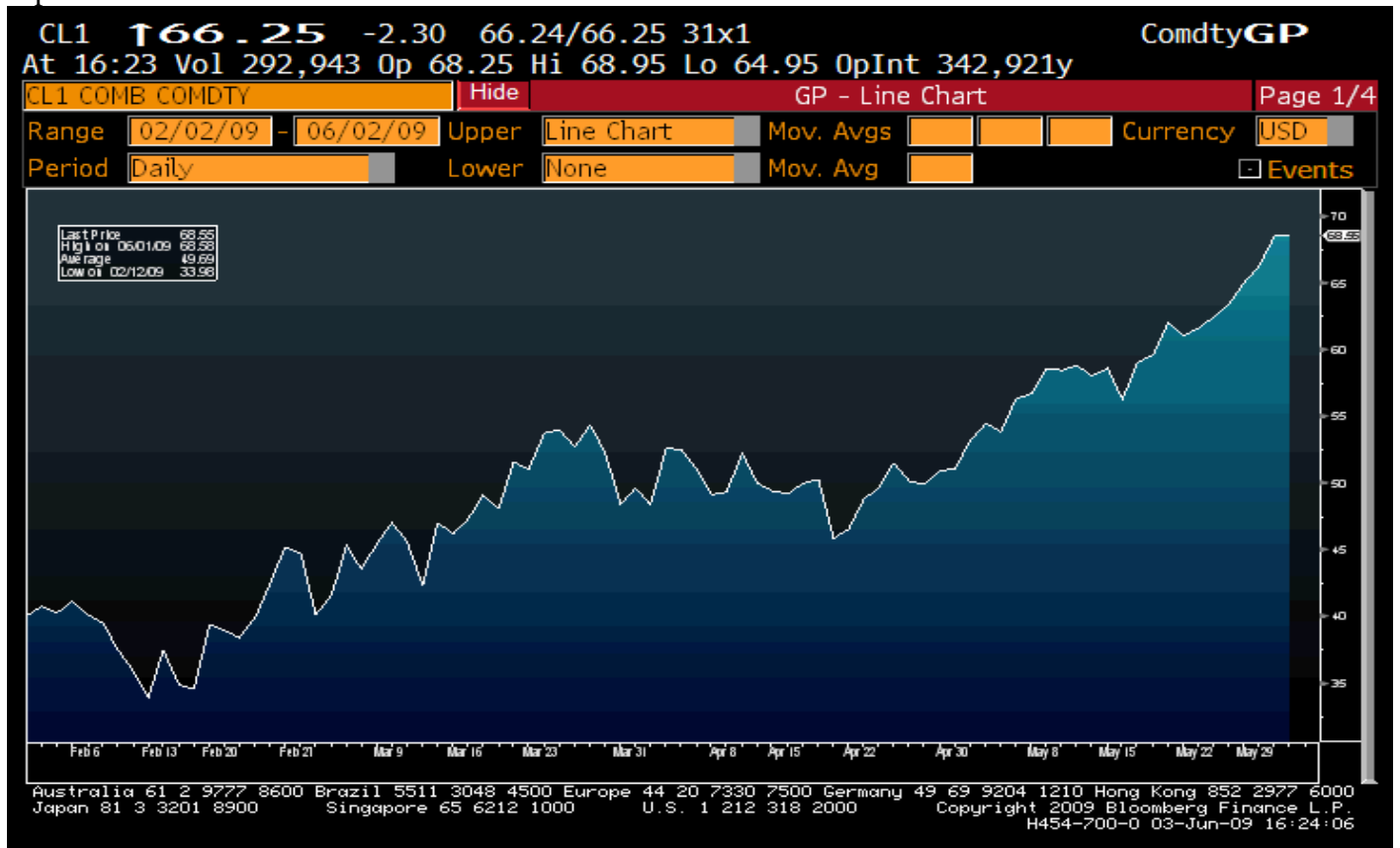
-Panic-buying... From where we sit, we can say that although there has been a noticeable pick up in trading activity over the past few weeks, as prices have rallied,

I wouldn't define the buying as panic buying, but more of the realization that programs need to come out, and speculating (i.e. making ANY offer without protection in place) is not for the faint of heart (or for those who like any sort of consistency in their financial statements). Regardless of what prices have done (or what they will do, for that matter), putting together a plan and following that plan has caused very few problems. If you look around most “problems” do have to do with “hedging” – but in almost every case it has to do with either hedging incorrectly (a/k/a speculating), or by NOT putting on a hedge (a/k/a speculating). Speculating CAN make you a lot of money, but it also CAN cost you a lot of money. Just go in with eyes wide open.

- Storage play? I know that several of you have already taken advantage of the spread between spot pricing and the futures pricing to guarantee (yes, guarantee) great price on some oil for next winter – provided, of course, that you have some storage on your property, or available to you. If, however, you have not taken advantage of the spread, and would like some more information, please be in touch with us.

- Mets have lost 2 in a row, so no comments from me.

“Spot” crude oil futures – 2/1/09 – 6/2/09



If you have received this message in error or would like to be removed from receiving future faxes / emails please send your request via email to opt-out@angusenergy.com or by fax to 212-937-1914. Please include the email / fax number to be removed to ensure successful removal.