

THE ANGUS ENERGY REPORT

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| Current pricing | | HEATING OIL (FEB) | GASOLINE-RBOB (FEB) | NATURAL GAS (FEB) | CRUDE OIL (FEB) |
|-------------------------|------------|----------------------|------------------------|----------------------|--------------------|
| Crude – 1.50 lower | HIGH | 2.0550 | 2.0688 | 5.687 | 79.15 |
| | LOW | 1.9988 | 2.0098 | 5.444 | 76.76 |
| Products – | SETTLE | 2.0454 | 2.0591 | 5.557 | 79.02 |
| Heat- 300 lower | CHANGE | -.0006 | .0137 | -.134 | 1.02 |
| Gasoline – 300 lower | | | | | |
| Natural Gas - .05 lower | 14 DAY RSI | 43 | 52 | 49 | 50 |
| | 5 DAY MA | 2.0801 | 2.0673 | 5.632 | 79.37 |
| | 9 DAY MA | 2.1298 | 2.1006 | 5.686 | 80.88 |
| | 14 DAY MA | 2.1361 | 2.0910 | 5.701 | 80.62 |

D.O.E. stats.... Are being delayed until tomorrow due to Monday's holiday..... Current estimates are for increases in crude oil and gasoline inventories with a much smaller increase (or perhaps a "flat" reading) for distillate inventories.

- Part of the weakness in energy prices this morning is being pinned on the Japan Airlines bankruptcy talk, and the "unwinding" of many Brent crude oil forward contracts that the airline is said to have used to hedge their jet fuel costs.

- Weather, or not? After ending '09 with a cold snap that continued well into the start of January, temperatures in the Northeast have warmed up, but January is still tracking to be a "normal" month as judged by cumulative HDD's. After seeing the spot (Ney York Harbor) move up to parity with the NYMEX heating oil contract, we are now back to a discount of between a penny and two cents, indicating that the distillate supply overhang is not thought to be going away any time soon.

- Along with the thawing temps have come thawing heating oil prices. As mentioned last week, we saw heating oil prices peak at about \$2.20/gallon

| NYH Barge (est.) | | NYMEX #2 Oil | | NYMEX #2 Oil | Jan '11 futures |
|---------------------|--------|-----------------|--------|-----------------|--------------------|
| 1/13/10 | 2.0834 | 1/13/10 | 2.0946 | 1/13/10 | 2.2797 |
| 1/14/10 | 2.0717 | 1/14/10 | 2.0829 | 1/14/10 | 2.2772 |
| 1/15/10 | 2.0348 | 1/15/10 | 2.0460 | 1/15/10 | 2.2460 |
| 1/19/10 | 2.0304 | 1/19/10 | 2.0454 | 1/19/10 | 2.2555 |

(NYMEX), the highest price in 15 months, with racks in the low \$2.30's, in the first week of January. Since then, we have seen prices drop by over \$.15/gallon, and this morning they are testing the \$2.00/gallon level. It is interesting to note that heating oil prices were not able to rally yesterday, even in light of a \$1.00/bbl+ increase in crude oil prices.

- Volatility coming back? Over the past few days, we have started to see some larger swings in both the energy complex and in the equity markets. Stocks (the DJIA) fell by 100 points on Friday, rose over 100 points yesterday, and (as of 10 a.m.) are down about 150 points today. Conflicting reports over earnings and the future of the economy are weighing heavily on the direction(s) of prices, and increasing the swings that we are seeing.

- Although the volatility had started to fall, should oil prices get back to the days of very large swings, the costs of hedging will start to move higher, as well. We are

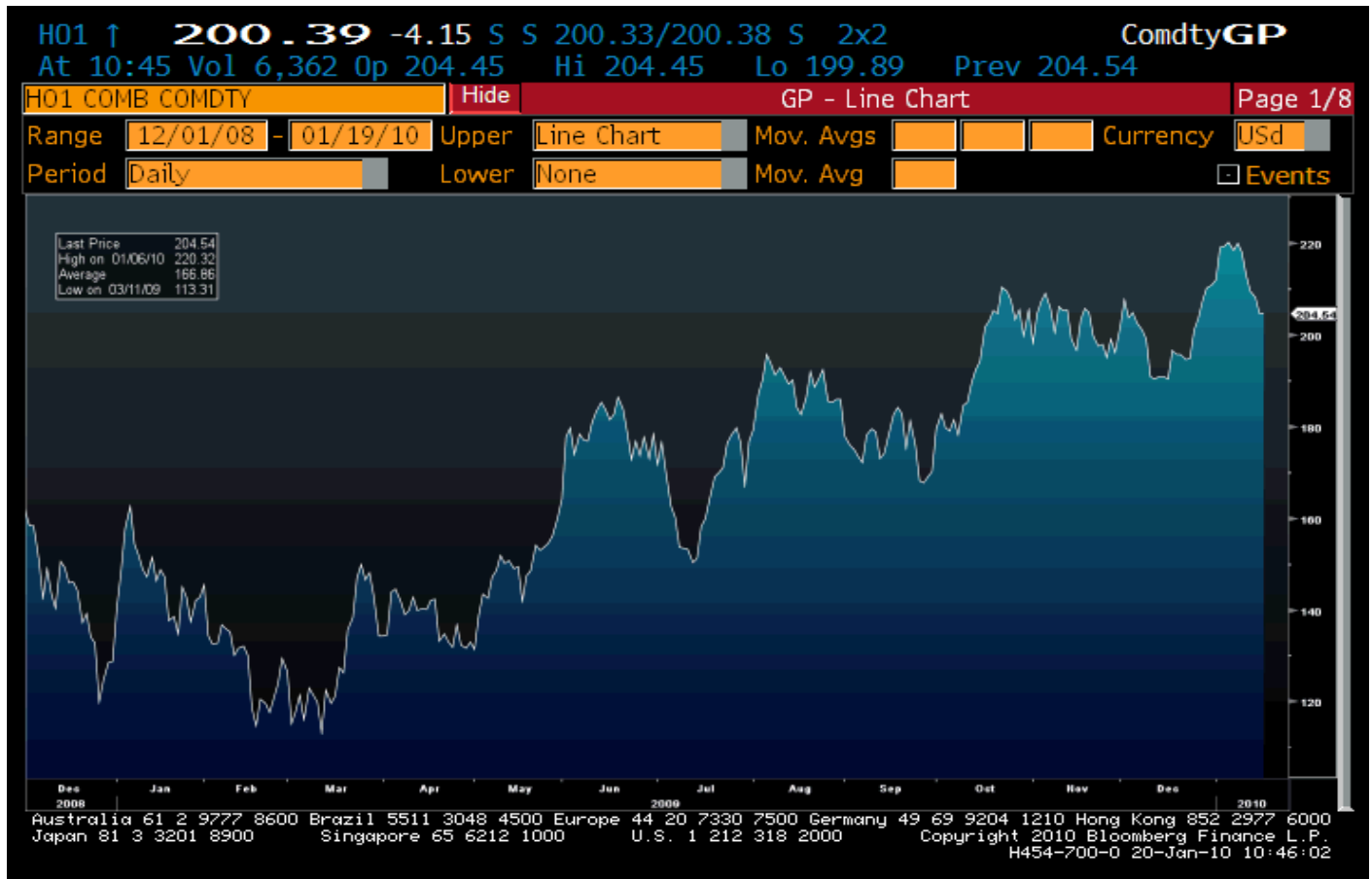
into the second month of our programmed hedging for next winter, and we are currently (but maybe only temporarily) seeing prices (for February) that are lower – in most cases – than we saw for January. If you do not have your “plan” in place for next season, it is probably a good idea to sit down (or speak on the phone) with your Angus representative, and to get the plan set. If your plan is set, you need to consider when to start its implementation. No one knows where prices are headed, but if you are planning on keeping your customers happy with the offering of a program, you do need to consider when to hedge for that program.

- OPEC’s monthly report is estimating no change in global demand, but a slight decrease in demand for OPEC oil – as non-OPEC production is projected to show an increase. The group next gathers to discuss production quotes (and how much to ignore them?) on March 17th.

- Can’t he just keep his mouth shut? T Boone Pickens said that he sees crude oil prices at \$100/bbl. next year. He is placing strong energy bets elsewhere, so hopefully his “prediction” will be well off base.

- Not that I believe in jinxes, but.... Not a word!

Spot NYMEX Heating Oil Futures contract



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