

THE VAN DER VALK SPECIAL GAS PRICE ADVISORY FOR 1-29-09

The California Attorney General announced Monday afternoon that he would start an investigation into Shell causing Flying J's Big West refinery in Bakersfield to close down by abruptly shutting down their crude oil supply pipeline. The AG's anti-trust unit was following up on a letter sent to them by Senator Barbara Boxer earlier this month stating: "Shell was deliberately manipulating the supply (of oil) in order to force the refinery to shut down."

The refinery is running its last 100,000 barrels of hydrocracker feed before they have to shut down completely. Flying J officials have now confirmed that they will be closing down the refinery due to their bankruptcy filing and inability to obtain crude oil shipments to the Big West refinery. They will be laying off about 150 permanent and 150 part time and contractor employees.

The Bakersfield, CA oil refinery provides vitally needed products to the central California area and the permanent closure has already had an overall impact on fuel prices up and down the West Coast.

West Coast spot market prices have spiked up 7 -8 cents on gasoline and about 3 cents on diesel after yesterday increases of 9 and 5 cents per gallon respectively. Rumors milling around, about the closing of other refineries due to staggering losses, have the West Coast trading market very nervous. More bad 4th quarter losses are expected to be announced in the next few days. The immediate impact has already been seen on the wholesale rack prices on the West Coast for gasoline where rack prices for gasoline have now hit \$1.60 per gallon. That price equates to a break even price at the pump of about 2.20 per gallon.

At least one major oil company was still buying up small volumes of finished gasoline earlier this week in the West Coast spot pipeline market. That alone will have the affect of firming prices up at the retail level. The current average up and down the West Coast is at about \$2.06 per gallon. Pump prices will inch up in the next week and is expected to go over the \$2.10 mark by next week Tuesday.

The United Steel Workers union workers have threatened to strike the West Coast refiners on February 1, 2009. The negotiations have resulted in a stalemate with the workers holding firm on their demands. The threat of an imminent strike will have a major negative affect on the spring turn-a-round maintenance schedule in preparation for refineries to switch from winter grade to summer grade gasoline