

## **THE VAN DER VALK GAS PRICE ADVISORY FOR 2-13-09**

I hope you had your morning coffee as the following may be somewhat tedious. It requires me to get down into the down and dirty details of crude oil trading in order to explain disconnection between crude oil and gasoline prices:

The front month (March) WTI crude oil price is up 75 cents to \$34.70 a barrel so far this morning, while the April contract is down 20 cents at \$41.97 a barrel. Meanwhile gasoline prices spiked another 2 cents per gallon across the country per the AAA fuelgauge report. Monday's Presidents Day Holiday has some short covering going on but the market is keeping a nervous eye on gasoline demand levels improving after the stimulus package is passed.

The market has been ignoring the March WTI crude oil price and is now concentrating on April. The March price is being squeezed by investors with positions and being used to manipulate the price by the players in the game.

That has been happening every month in the past few months as the future prices are higher than the current month (contango). Those with wet barrels in storage at Cushing, OK in the current month are trying to trade them to forward months in order to find an advantage.

Refiners are at the same time buying crude oil at premium to the WTI crude oil price postings to allow feed stocks (wet barrels) to continue flowing into their facilities. That is opposite of the history where the wet barrels were usually being traded at a discount to the WTI posting.

The March Brent crude oil expires last night and the question now will be that if the WTI/Brent arb trade is lower than it did when it expired last month it could be a sign of further weakness in the landlocked WTI crude oil prices. It will now possible that we will see crude oil dip down into the 20's but with no appreciable affect on gasoline prices.

On the West Coast gasoline prices firming were caused by refinery delays from coming out of their annual Spring turn-a -rounds along with some glitches with other ones. The average price of regular gasoline will hit \$2.25 per gallon as soon as next week Tuesday.

The wholesale gasoline pipeline price is expected to drop 10 cents per gallon today but that price has been out of whack with the rack prices and needed this adjustment. Diesel will be down 2 cents per gallon for the same reason. Oil Price Information Service switches their market report from 3rd to 4th cycle today and the prices in the last cycle for shipping in February were lower.

The West Coast market is a precursor for the rest of the country with the other refineries switching from producing winter to making summer grade gasoline. That process requires an additional process to lower the Reid Vapor Pressure in gasoline to accommodate the use of ethanol into gasoline as the choice for using oxygenate.

I will be off traveling to Las Vegas next week for the annual Western Petroleum Marketers Association Convention. We will be exhibiting the 4Refuel Fuel Management Online program at their trade show in my current capacity as the Director of U.S. Branded License Program.

I will continue to post my viewpoints and observations at: <http://bobthegasguyvandervalk.blogspot.com/>