

Has The US Petroleum Industry Learned From Its Past?

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Quoting George Santayana: "Those who cannot remember the past are condemned to repeat it".

The amount of money being poured into commodities investments was \$1.5 billion in the first quarter of 2009; almost triple that of the end of 2008. That amount of money was being invested significantly when oil dipped below \$50. Investors in commodities have a great influence on crude oil prices as the lessons from the past years have taught us.

The June WTI crude oil price is up \$1.89 at \$51.27 a barrel this morning with several factors, including gasoline demand exceeding supply poised to send prices even higher. Crude oil will be pulled up by the price of gasoline instead of vice versa.

Equities have also been given a boost as well and are up this morning based on a strong earnings report from Wells Fargo. The West Coast spot market gasoline is up 7 cents and diesel 4 cents per gallon so far today.

Gasoline and diesel pump prices continue their march upwards regardless of the ups and downs in crude oil prices. Per the AAA fuelgaugereport the average per gallon prices for gasoline range all the way from \$2.36 in San Diego, \$2.33 in Los Angeles to \$2.313 in Seattle up about 1 penny per gallon from the day before. The average price in the US is at \$2.051 and prices are expected to increase with the holiday weekend traveling ahead.

With no relief in sight it would not be a surprise see prices heading back up at \$3 a gallon on the West Coast of the US by the middle of summer

Prices will be being affected by adverse weather such as hurricanes, rising crude oil costs and now hopes that the worst of the recession is behind us.

California has in own unique blend of gasoline and it costs more to produce California Air Resources Board Oxygenated Blend (CARBOB). With the "Oxygenated Blend", refiners must mix a complex gasoline and ethanol concoction to cut down on emissions. CARBOB gasoline coupled with a seasonal change from a winter to summer-grade gasoline blend have tightened supplies and therefore raised the price at the pump. But rising gasoline prices also contribute to state and local government treasuries as well and are taking in a share of the increased prices at the pump.

Only time will tell if the petroleum industry has learned a lesson from their past mistakes.

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My viewpoints about the petroleum industry can be found at the following web sites:

http://seekingalpha.com/author/bob-van-der-valk/articles/latest_

<http://www.4vqp.com/ourconsultants/thegasguy.html>

<http://bobthegasguyvandervalk.blogspot.com/>

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