

## Prices are up for crude oil but down for gasoline!

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The price of crude oil has been hovering around \$70 a barrel for the last week meanwhile gasoline pump prices in the U.S. and Canada are down by about a nickel a gallon or 1 cent per liter during that same time. The average price for a gallon of gasoline is \$2.63 today per the AAA fuelguage report. Montana's gasoline prices are averaging \$2.71 barely nudging down from a week ago price.

If there seems to be no correlation between the two, it is because U.S. and Canadian refineries are just now running crude oil they purchased earlier this year. The typical shelf time in shipping from the well to the refinery is about six weeks and crude oil in the tank at the refineries is still at around \$40 a barrel. So who do we blame? The greedy oil companies, those evil Wall Street speculators or is it just plain simple Gasoline Marketing 101?

Crude oil accounts for 55 percent of the cost of gasoline. The other big chunk is the federal, state and local taxes, which make up 24 percent of the cost. Then we add refining costs and profits of 15 percent to the cost of gasoline. Distribution and marketing costs made up the final 6 percent of the cost.

The Petroleum Marketers Association reports the profit margin at each local gas station of between 3 and 15 cents per gallon of gasoline.

This morning we wait for the release of the weekly Department of Energy's inventory statistics, which will give some direction to the market. Other factors may be at work as well with a myriad of glitches at U.S. refineries spooking the traders into shoring up their deals before the July 4th weekend. With just three trading days left in the week no one would knowingly get caught at the end of a short stick in keeping physical product flowing into their tanks.

Armed conflicts and threats around the world are receiving the usual buzz by the paper traders and one that is having an immediate affect is in Nigeria. That has resulted in almost 1 million barrels per day of crude oil being cut off from being shipped to the U.S.

The Shell Oil platform and shipping terminal in the Niger Delta was blown up by militants last weekend interrupting vitally needed crude oil from being loaded. The Nigerian government has desperately been trying to deal with the situation and has even offered amnesty to the dissidents if they lay down their arms.

Speculators are hard at work trying to make money by betting on any outcome. But the adage that "For every winner, there is a loser" applies to the investment business just like we have in sports.

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