

THE VAN DER VALK GAS PRICE ADVISORY FOR 11-18-08

Crude oil could fall to 40 bucks per barrel (there are 42 gallons in a barrel of crude oil) in the next six weeks. In turn that could mean the average price for gasoline in the Los Angeles area will fall to under \$2 per gallon by the end of the year.

What we predict: Gasoline prices will continue to drop some more and head towards the predicted \$2.25 per gallon for regular unleaded by Thanksgiving Day.

What happened - Some Arco and independent unbranded gas stations in the Whittier area are already reported below \$2.20 per gallon for regular unleaded.

What we predicted last Friday: Gasoline prices will level off at their current levels in anticipation of the traveling for the Thanksgiving weekend. The gasbuddy.com web site showed the following snapshot for the Los Angeles area gas prices:

Los Angeles Price Snapshot	
Today	2.345
Yesterday	2.385
One Week Ago	2.525
One Month Ago	3.321
One Year Ago	3.090

Crude oil prices have slumped even more this morning. This was even after good news about US industrial output figures and dire warnings of severe cold weather heading for the US northeast. The price of crude oil is already being quoted \$1 off yesterday's close of \$54.95 per barrel.

OPEC minister Chakib Khelil and group Secretary-General Abdalla el-Badri are now hinting that they will not be cutting crude oil production any further at their next meeting in Cairo on November 29th. Iran has been one of the countries calling for additional cut of between 1 million to 1.5 million barrels per day.

That may be welcome news for US refiners, who have been in the doldrums on their refining margins (crack spreads), with gasoline leading the way to an already disastrous 4th quarter profit picture. They are currently about 15 cents per gallon negative on their crack spreads and would need to have crude oil go well below \$50 per barrel to have a chance to get back to breaking even.

Bob van der Valk is a petroleum industry and fuel-pricing analyst residing in Issaquah, Washington and can be contacted at (971) 678-2975 or e-mail: tridemoil@aol.com

His viewpoints about the petroleum industry can be found at website address:
<http://www.4vqp.com/ourconsultants/thegasguy.html>