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 OPIS INTERNATIONAL FEEDSTOCKS INTELLIGENCE

Daily Products and Feedstocks Wire

Daily report on spot price assessment and cargo movements of refinery  
 feedstocks and finished prices

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 To align the following data, change the font size to 9 in Courier New  
 February 02, 2012

LATEST MARKET ASSESSMENTS (CENTS PER GALLON EXCEPT WHERE NOTED)

	U.S.GULF	U.S.W.C. (Los Angeles)	U.S.E.C.
70/30 SPLIT*	290.8225	298.8100	- - -
UNLEADED REGULAR	286.015	296.890**	- - -
NO. 2 OIL	302.040	303.290	- - -
WTI (MAR)	96.36	96.36	
WTI (APR)	96.74		
ANS		109.56	

\* 70/30 Split is based on Gulf Coast Waterborne values.

\*\* Los Angeles CARBOB

(WTI and ANS prices shown in dollars per bbl)

VGO ASSESSMENTS

VGO (LOW SULFUR) CARGO*	291.35-292.50	- - -	- - -
LOW SUL. DIFF. TO SPLIT	( 0.50/ 1.70)	- - -	- - -
LOW SUL. DIFF. TO WTI	( 26.00/ 26.50)	- - -	- - -
VGO (MED SULFUR) CARGO	287.75-290.15	- - -	- - -
MED SUL. DIFF. TO SPLIT	( -3.05/ -0.70)	- - -	- - -
MED SUL. DIFF. TO WTI	( 24.50/ 25.50)	- - -	- - -
VGO (HIGH SULFUR) CARGO	284.20-286.55	- - -	- - -
HIGH SUL. DIFF. TO SPLIT	( -6.65/ -4.25)	- - -	- - -
HIGH SUL. DIFF. TO WTI	( 23.00/ 24.00)	- - -	- - -

\*all cargo prices are on a delivered, ex-duty basis

(All VGO differentials to WTI or ANS shown in dollars per bbl)

VGO (LOW SULFUR) BARGE	291.35-292.50	292.30-294.30	- - -
LOW SUL. DIFF. TO SPLIT	( 0.50/ 1.70)	( -6.50/ -4.50)	- - -
LOW SUL. DIFF. TO WTI	( 26.00/ 26.50)	( 26.40/ 27.25)	- - -
LOW SUL. DIFF. TO ANS	- - -	( 13.20/ 14.05)	- - -
VGO (MED SULFUR) BARGE	287.75-290.15	- - -	- - -
MED SUL. DIFF. TO SPLIT	( -3.05/ -0.70)	- - -	- - -
MED SUL. DIFF. TO WTI	( 24.50/ 25.50)	- - -	- - -
VGO (HIGH SULFUR) BARGE	284.20-286.55	289.30-290.30	- - -
HIGH SUL. DIFF. TO SPLIT	( -6.65/ -4.25)	( -9.50/ -8.50)	- - -
HIGH SUL. DIFF. TO WTI	( 23.00/ 24.00)	( 25.15/ 25.55)	- - -
HIGH SUL. DIFF. TO ANS	- - -	( 11.95/ 12.35)	- - -

FORWARD VGO ASSESSMENTS

VGO (LOW SULFUR) CARGO*	292.25-293.45	- - -	- - -
LOW SUL. DIFF. TO WTI	( 26.00/ 26.50)	- - -	- - -
VGO (MED SULFUR) CARGO	288.65-291.05	- - -	- - -
MED SUL. DIFF. TO WTI	( 24.50/ 25.50)	- - -	- - -
VGO (HIGH SULFUR) CARGO	285.10-287.50	- - -	- - -
HIGH SUL. DIFF. TO WTI	( 23.00/ 24.00)	- - -	- - -

\*all cargo prices are on a delivered, ex-duty basis

(All VGO differentials to WTI or ANS shown in dollars per bbl)

VGO (LOW SULFUR) BARGE	292.25-293.45	- - -	- - -
LOW SUL. DIFF. TO WTI	( 26.00/ 26.50)	- - -	- - -
VGO (MED SULFUR) BARGE	288.65-291.05	- - -	- - -
MED SUL. DIFF. TO WTI	( 24.50/ 25.50)	- - -	- - -
VGO (HIGH SULFUR) BARGE	285.10-287.50	- - -	- - -

HIGH SUL. DIFF. TO WTI ( 23.00/ 24.00) - - - - -

OTHER FEEDSTOCK ASSESSMENTS

LT. CYCLE OIL	299.05-300.05	256.80-258.80	- - -
LT. CYCLE DIFF TO NO.2	( -3.00/ -2.00)	(-46.50/-44.50)	- - -
LS LT. CYCLE OIL	301.80-302.50	- - -	- - -
LS LT. CYCLE DIFF TO NO.2	( -0.25/ 0.45)	- - -	- - -
NAPHTHA (OFFSHORE 40N+A)	280.00-282.00	- - -	- - -
DIFF. TO W-BORNE UNL	( -6.00/ -4.00)	- - -	- - -
NAPHTHA (DOMESTIC 40N+A)	280.50-282.50	- - -	- - -
DIFF. TO W-BORNE UNL	( -5.50/ -3.50)	- - -	- - -
PARAFFINIC NAPHTHA (\$/MT)	946.00-946.50	- - -	- - -
N. GASOLINE (\$/MT)	914.40-918.40	- - -	- - -
ALKYLATE	327.14-327.89	- - -	- - -

ST. RUN RESID (LO SUL)	113.35-115.35	- - -	- - -
LOW SUL. DIFF. TO WTI	(+17.00/+19.00)	- - -	- - -
ST. RUN RESID (HI SUL)	107.35-108.35	- - -	- - -
HIGH SUL. DIFF. TO WTI	(+11.00/+12.00)	- - -	- - -

(All St. Run prices and differentials shown in dollars per bbl)

NO. 6 OIL .3% HIGH POUR	- - -	- - -	118.05-118.15
NO. 6 OIL 1.0%	- - -	- - -	106.55-106.65
NO. 6 OIL 3%	105.05-105.15	- - -	105.30-105.40

(All heavy fuels prices shown in dollar per bbl)

PROMPT REFINED PRODUCTS (WATERBORNE)			
UNLEADED REGULAR	285.64-286.39	- - -	- - -
NO. 2 OIL	301.79-302.29	- - -	- - -
JET 54	308.54-309.54	- - -	- - -

FORWARD REFINED PRODUCTS (WATERBORNE)			
UNLEADED REGULAR	283.29-284.04	- - -	- - -
NO. 2 OIL	301.79-302.29	- - -	- - -

PROMPT REFINED PRODUCTS (COLONIAL PIPE)			
UNLEADED REGULAR	284.39-285.14	295.39-298.39	288.39-289.39
NO. 2 OIL	300.54-301.04	302.79-303.79	305.39-306.39
JET 54	307.04-308.04	- - -	311.79-312.79

FORWARD REFINED PRODUCTS (COLONIAL PIPE)			
UNLEADED REGULAR	282.89-283.64	299.08-300.08	288.39-289.39
NO. 2 OIL	300.54-301.04	- - -	304.64-305.64

ANY CURRENT MONTH NGL ASSESSMENTS\*

N. GASOLINE (RIVER) ANY	232.500-233.500	- - -	- - -
N. GASOLINE (RIVER) OUT	232.000-234.000	- - -	- - -
PROPANE TET	125.500-126.500	- - -	- - -
NORMAL BUTANE TET	180.750-184.000	- - -	- - -
ISOBUTANE TET	188.500-189.500	- - -	- - -

\* Except where noted as out month

MARKET OVERVIEW:

2/2/2012 - West Texas crude lost another \$1.25/bbl to finish below the \$100/bbl mark for the tenth straight day. In the last month, front-month WTI has shed almost 7% of its value to close at its lowest number in about six weeks.

Brent crude in London actually gained ground, so the WTI/Brent spread has widened back to almost \$16/bbl. That spread narrows to about \$13/bbl by August, even though a number of experts anticipate a narrow WTI/Brent

separation later in the year.

West Texas crude has drifted lower under the weight of rising inventories.

Gasoline prices have been the most dynamic in the first few weeks of 2012. OPIS five-day averages for Gulf Coast unleaded are up more than 25cts/gal since the end of 2011, outperforming other markets by almost 30%. Gulf gasoline has more than tripled the gains in Chicago.

Given gasoline's surge in early 2012 and the recent weakness in crude prices, it should not be surprising that spot gasoline prices yielded some ground today. Even the rise in Brent couldn't boost U.S. gasoline prices.

Distillate futures gained modestly but physical cash markets were erratic. Chicago ULSD lost value as cash differentials weakened a couple of cents. Chicago ULSD five-day average prices have performed very strongly since the end of the year, up double the amount of the Gulf, albeit from very low levels.

Colonial has received shipper requests to add the allowance of up to 5% renewable diesel in heating oil. Based on the potential interface mixing of 61 and 63 grade, which may add small amounts of renewable diesel content to heating oil, and this request to ship heating oil blended with renewable diesel, Colonial is granting a waiver to allow up to 5% renewable diesel to be present in heating oil (Grades 77 and 88).

#### FEEDSTOCKS:

Hess said on Thursday that it will shut on Friday its 70,000-b/d Port Reading refinery in New Jersey to solve a nagging catalyst loss issue.

The Port Reading refinery, which has a 70,000-b/d fluid catalytic cracking unit, does not have a crude unit.

"We have completed the technical evaluation of the FCC at our Port Reading refinery and plan to shut down the unit temporarily to begin repairs tomorrow," Hess said in a statement.

The company did not provide any estimate on how long the shutdown would last.

However, traders expect a typical shutdown of about two to three weeks for a catalyst loss repair. It is noted that the repairs could be longer if the problem is found to be worse than expected.

Also, Hess had been facing flat to negative margins for Port Reading in the second half of 2011, leading to speculations that the refinery could shut permanently soon. The temporary downtime could lead to a permanent shutdown if the problem is found to be serious and the repair costs are deemed too expensive.

Last week, Hess said that it was conducting a technical evaluation of a catalyst loss problem at the refinery.

The company said that the catalyst loss had been somewhat higher than normal.

A catalyst loss means one set of cyclones within the regenerator side of the FCC unit is not working efficiently or there is a problem in the reactor cyclones, refinery sources said. These issues have an impact on the unit's output and efficiency.

A higher-than-normal catalyst loss is usually caused by a hole in the cyclone or diplegs.

"Normally, it's a hole somewhere that quickly erodes further and snowballs into a loss rate that is intolerable," a refinery source said.

"A catalyst loss problem is not a quick thing to fix. It could take 1-2 weeks if it is a small problem, and could easily be 3-4 weeks, depending on the extent of the problem," he said.

#### IN SPOT TRADING ...

The USGC 70/30 crack saw nominal improvement today of 23cts/bbl to \$25.79/bbl versus March WTI.

The USGC waterborne unleaded crack slipped by 25cts/bbl to \$23.77/bbl.

The USGC waterborne high sulfur No. 2 crack improved by \$1.35/bbl to \$30.50/bbl.

Trading sources noted that while the USGC waterborne unleaded crack pretty much held its ground versus WTI, the unleaded crack versus Brent crude "got pounded" what with Brent firming by about 50cts/bbl today while the March WTI contract settled \$1.25/bbl lower.

The Gulf Coast VGO spot market saw limited trading activity today. However, one part-cargo deal indicated sweet VGO differentials to WTI holding steady.

That deal involved roughly 200,000 bbl of 0.24% sulfur, 169 aniline, 1378 nitrogen VGO trading at March WTI plus \$25.70/bbl delivered Corpus Christi

basis. The material in question typically garners a bit of a quality discount for specs such as low aniline and high nitrogen.

On Monday, 150,000 bbl of VGO from the same cargo got sold to the same buyer in today's deal, with Monday's deal getting struck at March WTI plus \$25.50/bbl.

Discharge originally was slated for a January 31-February 2 window, but fog has prevented the VGO cargo from discharging.

In naphtha, a major purchased 50,000 bbl of 40 minimum N+A, 170 IBP, 5 ppm sulfur naphtha at USGC waterborne unleaded minus 3.50cts/gal fob Houston basis in a February 5-10 window.

#### REFINED PRODUCTS: IN GASOLINE

U.S. GULF COAST regular unleaded softened into \$2.85/gal territory after dropping more than 2.5cts today, the day's biggest price downgrade in spot markets east of the Rockies.

However, this hottest-performing market still remains comparatively robust at just 3.5-4cts below New York Harbor levels and over 19cts beyond Chicago numbers. Differentials did dip in the Gulf gasoline arena today, but thinner production levels out of the region have kept cash trading levels elevated in spurts this winter.

The OPIS mean for freshly prompt Cycle 9 conventional fuel was just over \$2.8475/gal, down 3-3.5cts since Tuesday's closing number and off 8-8.25cts, or 2.8%, since Friday's close that week.

Prompt regular unleaded trading ducked as low as 2.50cts below the futures screen at the intraday low point before afternoon deals moved back to where the day began - 1.75cts under March RBOB. Each cycle going forward costs about 50-75pts less than the previous, as the bidding strength remains up front.

Gulf CBOB held to 1.75cts under conventional fuel today, but RBOB was talked this afternoon at a sharply narrowed 0.25ct premium over conventional.

NEW YORK HARBOR gasoline prices closed a couple cents in the red Thursday, thanks to losses on the futures complex and weaker trading differentials. The OPIS mean price of conventional unleaded finished just below \$2.89/gal. Trading levels were last talked 2cts over futures, with a Colonial Pipeline deal done at that level for end-month delivery.

RBOB cash differentials weakened a bit throughout the day. Early on barrels traded 90pts below the screen for delivery in the next week, but an afternoon deal for prompt delivery traded 1.25cts under - a drop of 75pts from where material closed yesterday's session. Outright prices closed with a mean of \$2.8564/gal.

The forward curve for RBOB is flat from now through the end of the month, as late-February material was also talked 1.25cts under.

CBOB changed hands 1.40cts and 1.50cts below futures, but levels finished at a 1.75ct discount. Prices closed out at \$2.8514/gal.

Hess said that it will shut its 70,000-b/d Port Reading, N.J., refinery on Friday to solve a nagging catalyst loss issue. The company did not provide any estimate on how long the shutdown would last, but traders estimate two to three weeks. The shutdown has not impacted spot prices.

CHICAGO bulk gasoline prices continued to flounder, with healthy refineries compounding already beefy stocks as seasonal demand doldrums linger.

Cash prices remain the weakest east of the Rockies, with prompt CBOB sagging more than 2cts/gal to close in the middle of the day's range at \$2.6589/gal. Spot discounts didn't budge from yesterday's close at 21cts/gal below the March NYMEX RBOB contract.

Conventional unleaded was running a penny stronger for prompt supplies, leaving the market 22cts/gal cheaper than New York Harbor and lagging the Gulf Coast by more than 18cts/gal.

In GROUP 3, unleaded prices also were heavily discounted at 14.75cts/gal below futures, though spot bidding was up 1.5cts/gal from Wednesday as selling interest paused.

Outright prices for prompt barrels ranged from \$2.7164-\$2.7264/gal, with any-February unleaded finishing 2cts/gal stronger.

PADD2 refinery run rates topped 93% last week, leaving market watchers looking for spring turnaround activity to provide a boost in spot diffs.

Meanwhile, the steep disparity in prices has triggered a demand spike at

some Magellan Pipeline terminals, as trucks rush from nearby locations pricing on Gulf Coast economics.

The terminal at Ft. Smith, Ark., for instance, has suffered shortages with increased demand from Little Rock, Ark., and Memphis, Tenn., sources said.

#### IN DISTILLATES

U.S. GULF COAST distillates ended Thursday on a high note, though small gains do little to move this week's floundering prices.

Ultra-low-sulfur diesel implied prices fetched \$3.0264/gal after picking up some 74pts with futures today. Prices have been stagnant in \$3.02/gal vicinity all this week after slipping a penny or two from last week.

Basis for prompt Cycle 8 was unmoved, beginning and ending the day at 2.65cts below NYMEX heating oil.

Material is trading slightly higher moving into future cycles of ULSD. Cycle 9 is marked 5pts higher than prompt, while Cycle 10 is about 15pts stronger than that, per deals confirmed today.

Scheduling Cycle 8 high-sulfur (88-grade) diesel traded a few times at 4.50cts under the Merc, resulting in a 40pt slide in basis. Cash prices closed a hair higher today at \$3.0079/gal, though they are down a penny and a half from where 88-grade left the board last week.

Cycle 9 differentials will open up eye-level to tonight's 88-grade assessment tomorrow morning.

NEW YORK HARBOR distillates prices finished Thursday's session less than a penny higher on the day with slightly stronger futures, but trading levels softened for key products.

ULSD diffs closed 1.5cts over the Merc, down 50pts from yesterday. The mean price was \$3.0679/gal.

Heating oil was last talked 60pts over the NYMEX, with a closing price of \$3.0589/gal.

Outright prices for New York jet finished at \$3.1229/gal. That price is nearly 25cts/gal higher than year-ago prices. Cash differentials have gradually softened over the last several sessions, as demand has been dismal. In the last three weeks, prompt trading levels have weakened more than 4cts and closed today at 7cts over futures.

CHICAGO ULSD prices lost a penny, with strong selling again forcing the market lower. Prompt Cycle 1 closed at 16cts/gal below the March NYMEX heating oil contract, with outright prices ranging from \$2.8879-2.8979/gal, still the cheapest nationwide.

Looking ahead, late-February barrels were running 1.75cts/gal stronger.

In GROUP 3, ULSD finished at 6.25cts below futures for prompt barrels, with prices finishing nearly 1.25cts higher in the middle of the day's range at \$2.9904/gal.

Any-January ULSD was pricing 1.75cts/gal stronger.

#### ON THE WEST COAST

West Coast spot markets were mixed today with gasoline pointing lower and distillate markets making a run higher. Price direction today was mostly following the trend seen on the NYMEX. Front month RBOB futures were down a little over 2cts, while heating oil came back from some midday losses to post gains in the 75 point area.

Los Angeles CARBOB saw activity pick up today with trades done early at a 9.5cts premium and then backed off to a low of 8.5cts. This afternoon premiums moved back up, with sources saying tenders need to be filled as CARBOB moved back up to trade 9.5cts and reached a high of 11.5cts over the screen putting prices in a \$2.9539-2.9839/gal range. March CARBOB started out trading 25 points over the futures market and then drifted to a 75 point discount with spot values dipping back under \$3/gal near \$2.995/gal.

The spread between Los Angeles and San Francisco widened out to trade at a 13cts discount versus L.A. as well as at a 4cts discount to the futures market on an EFP. Flat prices were in a \$2.8239-2.8539/gal range. The steepest discounts on the West Coast however are reserved for the Northwest that continues to see barrels getting dumped. Northwest gasoline traded anywhere from 19.5-21cts under the screen as spot prices were off by roughly 7.5cts into the \$2.6589-2.6739/gal range.

CARB diesel in the Bay shot higher today with sources noting refiner buying helping push differentials higher. After starting out trading 50 points under the futures market discounts narrowed and eventually moved to a premium of as

much as a penny over the screen with spot values ranging from \$3.0479-3.0629/gal. Los Angeles CARB diesel traded a couple of times from 1-1.5cts over the screen with spot prices in a \$3.0629-3.0679/gal range. ULSD in Los Angeles was pegged at 2cts under the screen still. Jet fuel in Los Angeles did not trade today with the market talked around a 2.25cts premium. Northwest diesel was talked stronger, but no trades were confirmed as the market was running at a discount of around 1.5cts.

#### RESIDUAL FUEL:

WTI futures eased over a dollar Thursday, while residual fuel oil spot prices continued to make upward strides.

The front-end timing market for Gulf Coast 3% sulfur material is now in a \$105/bbl range. Chemoil sold \$105.05 to Mercuria, \$105.10 to JP Morgan and \$105.15 to Mercuria. Mercuria also bought \$105.10 from Vitol.

The prompt markets have been well supported lately and forward timing showed some market backwardation. In the middle-window, BP sold Mercuria \$105.05 and \$105.10. In back-end timing, Brightoil sold Mercuria \$104.70/bbl twice.

In the New York Harbor 1% sulfur market, ConocoPhillips bid Feb. 12-16 barrels at \$106.35/bbl. In the 1% swaps market, Vitol sold Westport February paper at \$106.60/bbl. These physical and paper markets have often been seen moving in tandem this winter.

Also in the Harbor, Westport sold Vitol 0.3% sulfur high-pour barrels, Feb. 23-27 timing, at 1% plus \$11.50/bbl.

Cargill bid Harbor 3% at \$105.10/bbl, Feb. 15-19 timing. Markets watchers have called the Harbor 3% market about 25cts bolder than Gulf material.

#### NEWS:

\*\*\*SUN CEO WILL DEPART; PHILA REFINERY STAYS OPEN UNTIL JULY

Sunoco CEO Lyn Elsenhans will step down and be replaced by current chief financial officer Brian P. MacDonald, effective March 1, 2012, the company said today. Meanwhile, the East Coast trading market learned that the company will keep its Philadelphia refinery open until July.

There had been some speculation that Sun might shutter the refinery early in the second quarter. However, a company press release notes that there has been interest in the Philadelphia plant, and Sun will continue to pursue a sale. If a buyer is not found, the facility would begin idling processing units by July.

There has been no substantial interest in purchasing the Marcus Hook refinery, however. That 180,000 b/d facility has been idled, and Sun said that it "does not believe that Marcus Hook will be purchased and re-started as an operating refinery." The plant stopped processing crude in December.

Sunoco's intent is to reposition itself as a logistics and retail company. Elsenhans will continue to be chairman of Sunoco, Inc. and Sunoco Logistics Partners until March. MacDonald will take over as president and CEO of Sun at that time, and Michael Hennigan will become president and CEO of Sunoco Logistics.

MacDonald is viewed as an odd choice by many executives in the downstream petroleum business. He only joined Sunoco in 2009, and previously spent six years at Dell. Prior to his stint at Dell, he worked at General Motors and Izuzu.

The repositioning of Sun and the management changes took a back seat to earnings released this afternoon. Sunoco reported a net pretax loss of \$660-million for the fourth quarter 2011. That included losses of more than \$100-million each in Logistics and Retail, and in Refining and Supply. The company took a \$630-million pretax provision for asset write-downs and idling expenses for both the Marcus Hook and Philadelphia refineries.

Without the pretax items, Sun cited earnings for logistics in the fourth quarter of \$66-million and \$40-million for retail.

Note: OPIS will have more details as well as analysis of the Sun moves in upcoming stories.

- Tom Kloza, tkloza@opisnet.com

PRODUCT SPECIFICATIONS:

The 70/30 Split and the Refined Spot prices for the U.S. Gulf Coast are based on the Gulf Coast Waterborne Unleaded Regular 13.5 Full Day Average Prompt and Gulf Coast Waterborne High Sulfur No2 Full Day Average Prompt prices. The differentials for Naphtha and Light Cycle Oil prices are always against the Gulf Coast Waterborne Prompt Unleaded and No2 spot prices respectively. The 70/30 Split and the Refined Spot prices for the U.S. West Coast are based on the Los Angeles CARBOB Regular Unleaded Full Day Average Prompt and Los Angeles Ultra Low Sulfur No 2 Full Day Average Prompt prices. The Refined Spot prices for the U.S. East Coast are based on the NY Harbor Barge Unleaded Regular Full Day Average Prompt and NY Harbor Barge High Sulfur No2 Full Day Average Prompt prices. The midgrade and premium prices, where applicable, also refer to the same gasoline Spot products.

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