

OPIS OIL PRICE INFORMATION SERVICE

Independent Refined Products Prices and Comprehensive Analysis for All US Markets

Vol. 32, No. 4

Monday, January 23, 2012

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MARKET OVERVIEW:

BP'S LONG VIEW WORTH A LOOK

Some may have missed BP's Energy Outlook 2030 amid news of yet another Western Hemisphere refinery closing and the International Energy Agency's dramatic downward revision in oil demand growth.

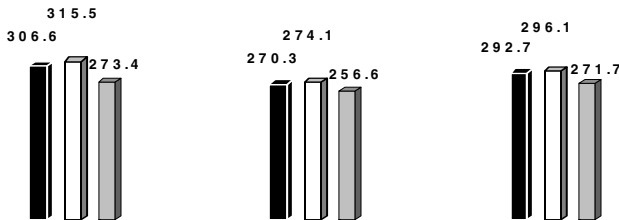
However, the multinational's longer-term vision contained some forecasts that are noteworthy for an oil market otherwise hypnotized by more pressing global supply/demand threats.

BP expects that over the next two decades the Western Hemisphere will become largely independent of Middle East oil, an astounding forecast when you think of the country's historical relationship with suppliers like Saudi Arabia.

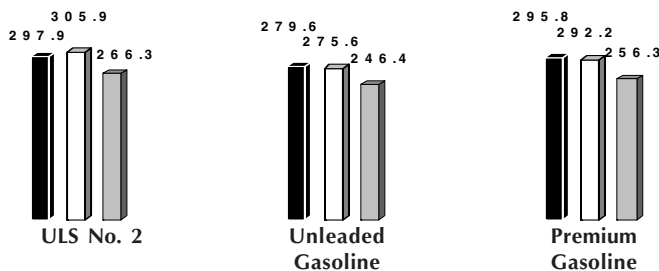
The growth in unconventional supply, including U.S. shale oil and gas, Canadian oil sands, and Brazilian deepwater discoveries, against the backdrop of receding oil demand will shift the supply dynamic in the West. The rest of the world, namely Asia, will depend increasingly on the Middle East for its growing oil requirements.

Oil demand in the U.S., especially for gasoline, is an-

AVERAGE U.S. CONTRACT PRICES IN CTS/GAL



AVERAGE U.S. SPOT PRICES IN CTS/GAL



Legend: Current Week (Black), Previous Week (White), Year Ago (Grey)

Source: Oil Price Information Service

U.S. PETROLEUM PRODUCT AVERAGES

Product	Spot	▲ Last Wk.	Rack	▲ Last Wk.
Gasoline	279.63	4.04	270.34	-3.71
ULS No.2	297.91	-7.98	306.64	-8.86
Jet	307.00	-5.26	320.24	7.64
Ethanol	218.43	-11.22	241.39	-6.17
Curr RIN	1.98	0.08		
Pre RIN	0.33	0.03		
MTBE	320.00	10.00		
Propane	122.73	9.67	124.81	3.30
Resid	102.83	-0.42		
Naphtha	276.05	4.70		
Med.VGO	296.64	3.79		

Note: All price averages in cts/gal except resid (\$/bbl)

NATIONAL SPOT-RACK-RETAIL MARGINS

National Index	Gasoline	▲ Last Wk.	Diesel	▲ Last Wk.
Retail	338.06	0.42	380.76	1.84
Net	287.99	0.49	334.30	-4.11
Wholesale	273.14	-1.95	307.56	-4.14
Rack-Retail Margin	14.86	2.44	26.74	0.03
Spot	279.63	4.04	297.91	-7.98
Spot-Retail Margin	8.36	-3.55	36.39	3.87

Note: All price averages in cts/gal

ROAD TRAVEL DATA REINFORCE GLOOMY GAS DEMAND OUTLOOK

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other major topic.

BP's forecast for oil demand growth through 2030 basically points to a market where oil demand has matured for the developed economies.

BP projects that oil demand growth in the OECD will rise just 4% over the next two decades, a paltry growth rate of just two-tenths of 1% annually.

All the demand growth will shift to Asia and the Middle East, which will translate into global energy demand growing by 39% by 2030, a rate of 1.6% annually.

It will remain very much an oil-focused world but transportation is likely to be the slowest growing sector for global energy consumption during the period.

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HOVENSA REFINERY TO SHUT; LOST \$1.3 BLN IN 3 YEARS

Hess Corp. plans to shut the 350,000-b/d Hovensa LLC refinery in St. Croix, U.S. Virgin Islands by mid-February to staunch the flow of red ink from unprofitable operations, the company announced last week. Thereafter the complex will operate as an oil storage terminal.

The company will take a \$525-million after-tax charge against its fourth-quarter 2011 earnings.

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IN CASH MARKETS

WEEKLY AVERAGES SPOT REPORT

GULF COAST		NORTHEAST			BUCKEYE/LAUREL		
	Gulf Coast Pipeline Wk Avg.	Gulf Coast Waterborne Wk Avg.	N.Y. Harbor Barge Wk Avg.	N.Y. Harbor Cargo Wk Avg.	Boston Cargo Wk Avg.	Buckeye Pipeline Wk Avg.	Laurel Pipeline Wk Avg.
Reg Unl	277.236	278.486	280.918	280.418	N/A	280.918	N/A
Mid Unl	286.386	287.636	287.368	287.268	N/A	287.368	N/A
Pre Unl	300.111	301.361	297.043	297.543	N/A	297.043	N/A
RBOB	277.561	N/A	278.205	278.705	281.205	278.205	279.705
Pre RBOB	300.236	N/A	294.074	294.574	297.074	294.074	295.574
COB	276.899	N/A	277.868	N/A	N/A	277.868	279.368
Pre COB	N/A	N/A	293.918	N/A	N/A	293.918	295.418
LS COB	277.261	N/A	N/A	N/A	N/A	N/A	N/A
PrLSCBOB	298.774	N/A	N/A	N/A	N/A	N/A	N/A
Alkylate	N/A	321.236	N/A	N/A	N/A	N/A	N/A
ULSD	300.733	301.733	305.345	305.595	307.095	305.345	306.345
HS No2	298.345	299.595	302.876	302.876	304.376	302.876	303.876
LS2OFF	299.501	300.501	303.345	303.345	304.845	N/A	N/A
Jet 54	307.026	308.526	313.345	313.345	N/A	313.345	314.345
ULS Kero	311.276	N/A	327.845	327.845	329.345	N/A	N/A
55Kero	309.776	311.276	318.095	318.095	319.595	318.095	319.095
B100 SME	476.625	N/A	N/A	N/A	N/A	N/A	N/A

MIDWEST

	Chicago Pipeline Wk Avg.	Group 3 Pipeline Wk Avg.	Wolverine Pipeline Wk Avg.
Reg Unl	258.418	257.168	262.730
Mid Unl	266.168	259.718	270.480
Pre Unl	277.793	263.543	282.105
Pre RBOB	285.293	N/A	289.605
RBOB	260.668	N/A	264.980
COB	255.793	N/A	256.918
ULSD	272.970	294.595	279.220
LS2OFF	272.970	N/A	N/A
Jet 54	300.970	308.970	300.970
B100 SME	456.625	N/A	N/A

WEST COAST

	Los Angeles Pipeline Wk Avg.	San Francisco Pipeline Wk Avg.	Pac Northwest Pipeline Wk Avg.
UNL-CLEAR	N/A	281.168	N/A
PREM-CLEAR	314.168	288.668	N/A
CARBOB-R	288.168	281.168	N/A
CARBOB-P	294.543	291.168	N/A
AZRBOB-R	296.668	N/A	N/A
AZRBOB-P	304.168	N/A	N/A
Sub-oct REG	289.168	N/A	277.043
Sub-oct Pre	N/A	N/A	289.043
SEA Sub	N/A	N/A	276.043
SEA SubPre	N/A	N/A	288.043
CARB No.2	306.979	302.533	N/A
ULS No.2	301.916	302.533	304.345
.05% No.2	N/A	N/A	301.345
Jet	306.126	N/A	N/A
B5	N/A	N/A	306.345

Methodology: OPIS spot weekly averages are calculated by averaging the daily averages, adding each low and high for each business day and dividing by the total.

OPIS provides real-time prices for all of these spot markets and products on the "OPIS Spot Ticker." Each day, OPIS publishes closing spot prices for all of these prices in daily price reports. These prices can also be accessed electronically in a variety of ways. To trial any of our daily or real-time spot pricing services please call 888-301-2645 or e-mail us at energys@opisnet.com.

The RBOB futures market rose on news that the Hovensa St. Croix refinery is due to close by mid-February.

The shutdown, along with those of refineries in the Philadelphia area, could make spring fuel supply on the East Coast very tight. ConocoPhillips' Bayway, Sunoco Philadelphia and PBF Delaware City could be the beneficiaries of stronger crack spreads. However, in the dead of winter and with demand soft, the impact hasn't reached the cash market. Prompt spot RBOB remains at a small discount to NYMEX.

Midwest markets are under intense pressure, particularly ULSD in Chicago, where aggressive selling from a major refiner has the discount at 44cts/gal under the futures market. With spot prices now below \$2.60/gal, ULSD in Chicago is only about a nickel above CBOB prices.

The spot market is closing in on the springtime transition to low-RVP gasoline in Los Angeles in the next couple of weeks. February CARBOB (low-RVP) is running nearly 10cts/gal over January CARBOB (high-RVP).

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GROUP 3 SPOT MARKET FORWARD INDEX

Month	ULSD Spot	ULSD Diesel	ULSD Spot	ULSD Diesel	Unleaded Spot	Unleaded Regular
	Midpoint	Buy x Sell	Midpoint	Buy x Sell	Midpoint	Buy x Sell
Prompt Jan	294.60	-9.25 x -8.75	294.60	-9.25 x -8.75	259.58	-22.25 x -21.75
Any Jan	295.10	-8.75 x -8.25	295.10	-8.75 x -8.25	260.83	-21 x -20.5
Prompt Feb	295.85	-7.75 x -7.25	295.85	-7.75 x -7.25	263.28	-19.25 x -18.75
Any Feb	298.35	-5.25 x -4.75	298.35	-5.25 x -4.75	265.28	-17.25 x -16.75
Any Mar	299.95	-2.25 x -1.75	299.95	-2.25 x -1.75	278.85	-16.75 x -16.25

CHICAGO SPOT MARKET FORWARD INDEX

Month	ULSD Spot	ULSD Diesel	ULSD Spot	ULSD Diesel	Unleaded Spot	Unleaded Regular
	Midpoint	Buy x Sell	Midpoint	Buy x Sell	Midpoint	Buy x Sell
Prompt Jan	266.60	-37.25 x -36.75	266.60	-37.25 x -36.75	249.58	-32.25 x -31.75
Any Jan	266.60	-37.25 x -36.75	266.60	-37.25 x -36.75	249.58	-32.25 x -31.75
Prompt Feb	270.85	-32.75 x -32.25	270.85	-32.75 x -32.25	261.78	-20.75 x -20.25
Any Feb	277.85	-25.75 x -25.25	277.85	-25.75 x -25.25	261.78	-20.75 x -20.25
Any Mar	286.95	-15.25 x -14.75	286.95	-15.25 x -14.75	274.35	-21.25 x -20.75

ROAD TRAVEL DATA REINFORCE GLOOMY GAS DEMAND OUTLOOK

While it is a lagging indicator of vehicle use – and by extension, gasoline consumption – monthly vehicle miles traveled (VMT) data from the Federal Highway Administration can nonetheless be telling for the future direction of fuel demand.

Indications based on the latest statistics and relationships between the data sets suggest that fuel marketers will face lean demand in early 2012. Hovering at just about 8 million b/d, gasoline demand has declined to levels not seen on a regular basis since 2000-2001.

Correlating as they do with both consumer sentiment and measures of U.S. gasoline consumption, VMT statistics are part of Wall Street equity researchers' analysis of the oil market and refining companies. For example, Credit Suisse posited Tuesday that improving consumer sentiment and a stronger U.S. employment picture, along with margins rallying off year-end lows and stabilizing capture rates in the refinery-heavy Gulf Coast region, make refining company shares a buy at current prices because they're undervalued.

However, while refiner share prices could benefit from greater consumer confidence, it remains to be seen whether stronger consumer spending in November and December 2011 will, in 2012, translate into more driving and greater consumption of gasoline on a sustained basis, especially if fuel prices see a steep increase.

October 2011 VMT data (the latest available) showed that motorists drove more miles than in September, but took to the roads less than they had in October 2010. VMT logged in October totaled some 254 billion miles, about 10 billion more than in September but 6 billion, or 2.3%, fewer miles than one year earlier. That year-on-year deficit is wider than the 1.5% gap seen in September, as was the deficit for cumulative travel for 2011 (down 1.4% in October versus 1.3% in September).

Retail gasoline demand data for October, as reported by MasterCard Advisors' SpendingPulse in autumn, showed changes similar to those seen in the VMT data.

As of the end of October, four-week average demand was down 2.8% compared to a year earlier. At the end of November, demand on a four-week average basis was 4.2% lower year on year and year-to-date demand was off by 1.5% versus the same period in 2010. As the year came to a close, four-week average demand for December was down 3.4% year on year and demand for all of 2011 stood 1.6% lower compared to 2010.

October VMT data also continued previous regional trends, most pointedly weakness in the South Atlantic. The area – second only to the North Central in miles driven – experienced the largest year-on-year drop in percentage terms at 3.1%. Georgia's decline of 3.8% led the way for the region.

The Northeast was off 2.5% compared to October 2010, followed by the South Gulf at 2.4%, the North Central by 2.3% and the West by 1.3%.

States with the three largest percentage declines were Louisiana (down 5.3%); Kansas (down 5%) and Mississippi (down 4.1%). Only four states showed year-on-year increases; North Dakota (1.4%); Delaware (0.8%); Montana (0.4%) and Indiana (0.1%).

Marketers are not optimistic for the near term and increasingly worry that the change in demand is structural and not a temporary or seasonal slump. As reported by Oil Express, many jobbers, dealers and refiners are at a loss to understand why gasoline demand is so anemic compared to last year despite this year's lack of widespread winter snow and relatively low pump prices.

The prospect of a spike in the prices of both crude oil and refined products (due mainly to uncertainty about Middle East supply because of political conflicts involving Iran) amid continued high unemployment and sluggish economic growth in the U.S. has stirred concerns about even more demand destruction. Even if a surge in gasoline prices isn't as extreme as the much-touted \$5/gal level, market watchers expect at least some erosion in demand over the medium term. For if oil refiners and fuel marketers have learned anything in the last five years, it's that fuel consumers tend to become fuel conservers as gasoline passes the \$3.60/gal mark.

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CVR ADOPTS SHAREHOLDER RIGHTS PLAN AFTER ICAHN BUYS STAKE

CVR Energy's board of directors acted quickly. On the same day when filings with the SEC revealed that corporate raider Carl Icahn acquired almost 15% of CVR shares, the board adopted a "Rights Plan" designed to make it much more difficult for an outsider to take over the company.

The plan, which is likely to be referred to as a "poison pill" move, creates stock dilution should an investor gain control of more than 15% of the company. And actual stock purchases are not required to trigger the move – the threshold can be topped with "synthetic" purchases of stock that are done through the use of derivative puts and calls. Icahn's stake is largely a result of a large net long position made through such options.

According to the SEC filings, companies controlled by Icahn now account for an effective ownership of more than 14.5% of the company. The complicated purchase is a combination of calls and puts but give Icahn companies a long position of about 12.5 million shares. Publicly-traded CVR Energy, which trades on the N.Y. Stock Exchange under the ticker symbol "CVI" has about 86.5 million outstanding shares.

When the Icahn stake was disclosed on Jan. 13, CVR CEO Jack Lipinski issued a release where he said, "we ap-

(continued from page 3)

preciate Mr. Icahn's interest in CVR Energy and his shared view that the company is a valuable investment opportunity. We welcome the views of all of our shareholders and routinely consider their thoughts on business and strategy as we pursue our common goal of increasing shareholder value."

Later, the company said that the "Rights Plan" was not designed specifically to prevent a takeover of the company, but instead was constructed so that the board of directors would have enough time to consider any acquisition offers while protecting "against inadequate or coercive takeover attempts." The plan expires on Dec. 31, 2012.

CVR operates the former Farmland refinery in Coffeyville, Kansas, as well as the former Gary Williams plant in Wynnewood, Okla. The company is one of the beneficiaries of the widening of the Brent/WTI crude spread, since it purchases crude oil blends that are tied to the WTI benchmark.

The company has always had a special place on Wall Street. It was originally purchased by hedge fund Pegasus and later sold to affiliates of Goldman Sachs and private equity house Kelso.

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WESTERN REFINING WARNS OF EARNINGS HIT

Western Refining recently disclosed that an operations hitch had a negative impact on its fourth quarter earnings but quickly followed the news with announcement of enhancements planned at its refineries.

Unplanned downtime for the fluid catalytic cracker (FCC) and catalytic reformer at Western's refinery in El Paso, Texas, in the last three months of 2011 means lower than expected crude throughput and higher operating expenses (\$4.50-\$4.80/bbl vs. about \$3.65/bbl) for the period, the company said. Western also provided as earnings guidance that its hedging program in the fourth quarter recorded a pre-tax realized loss of \$17.8 million and a non-cash pre-tax unrealized gain of \$298.2 million.

However, one day later the company told attendees of an investment conference about planned improvements at the El Paso and Gallup, N.M., refineries. Construction of a new 80,000-bbl crude oil tank, seven-truck offloading stations and a 25-mile crude pipeline will allow the El Paso plant to process up to 20,000 b/d of price-advantaged Bone Springs/Avalon Shale crude. Completion of the \$15-million project is seen in the third quarter of this year. Additional logistical work (including more pipeline) could increase the Bone Springs/Avalon Shale crude gathering rate to 40,000 b/d.

A new project at Gallup, also seen wrapping up in the third quarter of 2012, will lift crude processing capacity by 2,000 b/d to 25,000 b/d; increase distillate yield; and improve the reliability of the FCC and the electrical system. The project's cost is estimated at \$6 million.

Western also provided more detail on its hedging program. For the full 2011 year, the realized loss totals \$74.9 million while unrealized gains come to \$182.1 million. Apart from increasing the amount of planned distillate production to be hedged in 2014 to 12.6% from 8% (at about \$28/bbl), the

(continued on page 16)

U.S. Crude Oil Buying Prices (\$bbl)						
	West Texas Intermediate	West Texas Sour	Louisiana Sweet	Change in Week	Effective Date	
Plains Marketing	96.50	94.55	95.50	-.25	1/18	
ChevronTexaco	97.25	94.25	110.75	-.25	1/18	
Conoco/Phillips	97.21	94.89	95.96	-0.28	1/18	
Valero	N/A	N/A	N/A	N/A	N/A	
Sunoco	97.00	92.00	95.75	-0.25	1/18	
Shell Trading	97.20	94.95	95.50	-0.30	1/18	
Crude Oil Stocks (in 1,000)						
	Current Week 1/13/2012	Last Week 1/6/2012	Last Year 1/14/2011	Change in Week	Change in Year	
U.S.	331,200	334,600	335,700	-3,400	-4,500	
Imports	8,265	9,907	9,000	-1,642	-735	
Crude Oil Crack Spread						
	Crack Value 2:1:1	Crack Spread 2:1:1	Change from Last Week			
Feb	\$121.30	\$20.71	\$1.30			
Mar	\$121.37	\$20.61	\$1.30			
Window Spot-to-Rack Netback Spreads						
Downstream netbacks are determined by subtracting the Average Rack price from the Delivered Spot price (total of the Spot Average and Delivery Costs).						
New York Harbor Wholesale Netbacks						
	Diesel spot average 303.72			Unleaded Gasoline conventional spot avg 282.35 reformulated spot avg 279.85		
	Delivered Spot	Average Rack	Netback	Delivered Spot	Average Rack	Netback
Albany	307.37	318.54	11.17	286.00	283.11	-2.89
Boston	306.57	319.37	12.80	282.70	283.06	0.36
Newark	305.02	314.46	9.44	281.15	282.24	1.09
New Haven	305.72	316.37	10.65	281.85	283.06	1.21
Portland	307.22	339.41	32.19	285.85	283.62	-2.23
Gulf Coast Colonial Pipeline Wholesale Netbacks						
	Diesel spot average 299.17			Unleaded Gasoline spot average 277.84		
	Delivered Spot	Average Rack	Netback	Delivered Spot	Average Rack	Netback
Atlanta	302.06	307.96	5.90	280.48	309.81	29.33
Baltimore	302.58	313.12	10.54	281.25	282.63	1.38
Fairfax	302.58	309.98	7.40	281.25	281.54	0.29
Greensboro	302.33	308.31	5.98	280.75	293.63	12.88
Philadelphia	302.65	314.77	12.12	281.32	281.12	-0.20
Chicago	303.17	284.74	-18.43	0.00	0.00	0.00
St. Louis	302.17	298.35	-3.82	280.59	275.15	-5.44
Birmingham	302.58	307.32	4.74	281.00	279.01	-1.99
Dallas	301.57	308.96	7.39	280.24	278.43	-1.81
Houston	300.67	310.16	9.49	279.34	276.69	-2.65
Group 3 Williams Pipeline Wholesale Netbacks						
	Diesel spot average 293.47			Unleaded Gasoline spot average 260.35		
	Delivered Spot	Average Rack	Netback	Delivered Spot	Average Rack	Netback
Kansas City	296.07	302.28	6.21	262.95	264.14	1.19
Minnesota	297.83	304.99	7.16	264.71	265.72	1.01
Omaha	296.77	305.86	9.09	263.65	266.42	2.77
Tulsa	294.72	299.53	4.81	261.60	262.12	0.52
Denver	296.47	302.65	6.18	263.35	255.45	-7.90
West Coast Netbacks						
	Diesel spot average 303.35			Unleaded Gasoline spot average 286.88		
	Delivered Spot	Average Rack	Netback	Delivered Spot	Average Rack	Netback
Los Angeles	304.95	311.12	6.17	287.48	284.49	-2.99
Phoenix	307.10	310.43	3.33	290.63	291.59	0.96
San Francisco	304.82	305.49	0.67	281.73	280.23	-1.50

CURRENT EIA STATISTICS

Gasoline	Current	Last Week	3-Yr Avg
PADD 1 Inventories	59,100	58,000	59,967
PADD 2 Inventories	54,700	53,500	52,167
PADD 3 Inventories	75,000	74,900	74,700
PADD 4 Inventories	7,300	7,300	6,500
PADD 5 Inventories	31,500	30,200	31,767

LS Distillate	Current	Last Week	3-Yr Avg
PADD 1 Inventories	27,500	26,100	28,767
PADD 2 Inventories	33,100	30,100	30,500
PADD 3 Inventories	36,300	38,000	39,700
PADD 4 Inventories	3,700	3,900	3,167
PADD 5 Inventories	14,000	13,800	12,700

HS Distillate	Current	Last Week	3-Yr Avg
PADD 1 Inventories	26,700	28,600	31,933
PADD 2 Inventories	800	900	1,800
PADD 3 Inventories	4,500	4,800	6,000
PADD 4 Inventories	200	200	133
PADD 5 Inventories	1,100	1,100	1,400

Inventories	Current	Last Week	3-Yr Avg
Gasoline	227,500	223,800	225,033
Gasoline RFG	300	200	633
LS Distillate	114,700	112,000	114,767
HS Distillate	33,300	35,600	41,200

Refinery	Current	Last Week	3-Yr Avg
Crude Input	14,838	15,188	14,375
Mogas Output	8,757	8,601	8,695
LS Distillate Output	4,159	4,466	3,580
HS Distillate Output	316	291	416

Imports	Current	Last Week	3-Yr Avg
Crude	8,265	9,907	9,135
Mogas	553	444	869
Distillate	219	163	292

Demand	Current	Last Week	3-Yr Avg
Mogas	7,996	8,179	8,673
4-week Avg	8,414	8,634	8,875
Distillate	3,635	3,279	3,839
4-Week Avg	3,562	3,753	3,826

Note: All statistics shown in thousands of bbl.

SOFT GASOLINE DEMAND HOLDS THE SPOTLIGHT

As expected in this space for some weeks, already-low U.S. gasoline demand sank below 8 million b/d in the latest weekly petroleum data.

EIA statistics show a 7.996-million-b/d level. The last time implied gasoline demand was that low Americans were still in a state of shock over the Sept. 11 terrorist attacks.

Gasoline demand got off to a sluggish start in 2011, but 2012 is even worse, as the less quirky four-week average is some 6.1% behind the same time last year.

Lackluster demand along with steady gasoline output led to a nationwide gasoline build of 3.4 million bbl. Every region in the country saw at least some gasoline added to storage tanks.

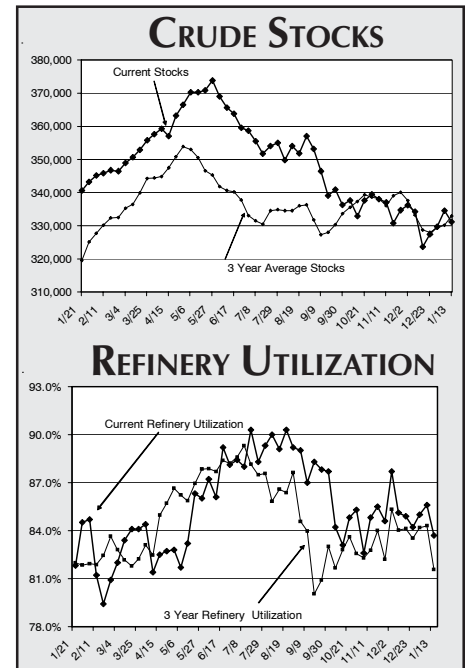
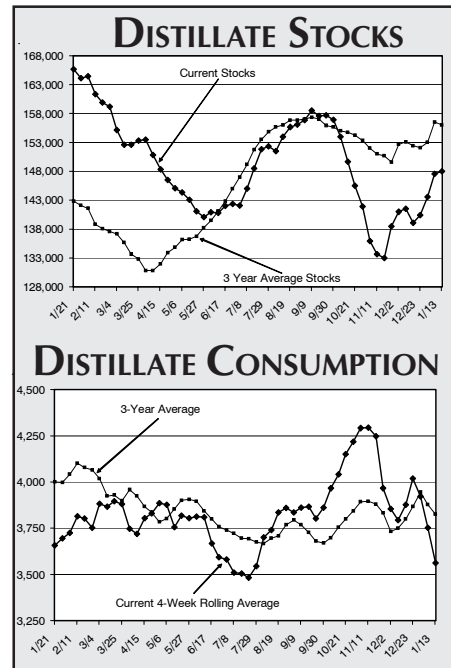
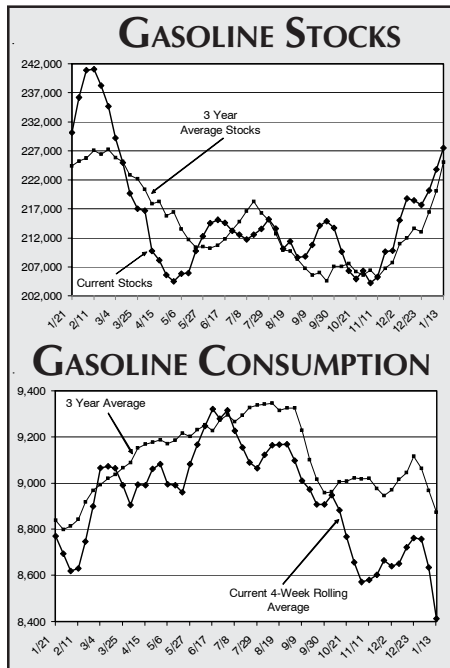
The largest gasoline build, however, was on the West Coast, where inventories were up 1.3 million bbl to 31.5 million bbl. Pipelines in Southern California will transition to shipping low-RVP material in the next few weeks, but high-RVP gasoline can be sold at the rack through the end of March. The question is, are refiners stockpiling low-RVP material for the transition or is demand so lousy that barrels are backing up?

EIA estimates for the week showed distillate exports – while still impressive at 996,000 b/d – were lower by 76,000 b/d. Gasoline exports, on the other hand, were up roughly 100,000 b/d to 626,000 b/d.

Distillate demand has bounced back by 357,000 to 3.635 million b/d, about even with the same week a year ago. However, the more relied-upon four-week average figure is running 4.4% in the red. Refiners appear to be pretty balanced on distillate production, as output of 4.475 million b/d is not far off the total call for distillate (domestic demand plus exports).

Refinery utilization fell nearly 2% to 83.7% which wasn't so surprising following an unexpected increase in the previous week. Interestingly, utilization on the East Coast was 2.5% higher at 55.6% while all other regions saw declines.

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(continued from page 1)

Financial losses from Hovensa operations have totaled \$1.3 billion in the past three years and were projected to continue. Over the same period, 18 refineries (with more than 2 million b/d processing capacity) in the U.S. and Europe have closed for similarly poor performance spurred mostly by weakness in demand for refined petroleum products due to the global economic slowdown and the addition of new refining capacity in emerging markets.

In addition, the low price of natural gas in the U.S. put Hovensa, an oil-fueled refinery, at a competitive disadvantage.

Hovensa is a joint venture between Hess and Petroleos de Venezuela S.A. The refinery exports gasoline to the U.S. East Coast and the Caribbean, and it supplies distillates to Europe.

The refinery will continue to supply fuel to the local market on the island until June despite its earlier shutdown, a Hovensa spokesman told OPIS.

“We will supply from existing product that will or has been processed already,” he said.

Hovensa has tank capacity for 32 million bbl of crude oil and petroleum products.

“How the VI (Virgin Island) will get fuel after June needs to be worked out,” he added. “Since Hovensa will not operate a refinery, we can no longer supply fuel to WAPA (Water and Power Authority), though we are prepared to work through an orderly transition and supply WAPA through June 30,” he said.

The refinery has 1,200 employees and about 950 contractors. Only 100 employees will remain to operate the facility as a storage terminal. The refinery is one of the major employers on the island.

Hess has no plans to shut down its remaining refinery at Port Reading, N.J., according to a company spokesman. The plant, which has a 70,000-b/d fluid catalytic cracker but no crude unit, will continue to be operated as long as it brings in acceptable returns. He added that Port Reading represents only a small part of the Hess portfolio.

Hovensa, which has a design capacity of 500,000 b/d but has been operating at a rate of only 350,000 b/d since 2010, churns out about two times more gasoline than distillates.

It exports about 120,000 b/d of gasoline and 60,000 b/d of distillates to the Northeast, with other production also making its way to the Caribbean and Europe.

Most of that U.S.-bound production goes to Citgo and Hess but Hovensa also sells products occasionally to Vitol, Hetco and Mercuria, shipping sources said.

Hess takes delivery of about six cargoes a month. Total sales of products used to be as high as 15 cargoes a month when the refinery was running at higher rates.

Hess does not anticipate any supply issues for its energy and retail businesses as a result of the Hovensa shutdown. Hess will take supply from alternatives sources, which could include local markets, Europe or India. Hess is a regular buyer of gasoline from Reliance’s Jamnagar refinery.

The shutdown would also mean the cessation of crude sales to Hovensa from Venezuela and West Africa. The move is

likely to put further pressure on Suezmax tanker rates which have fallen as refineries in the U.S. Northeast have closed.

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TRANSCANADA MORE HOPEFUL THAN CERTAIN ON KEystone XL

TransCanada Corp. CEO Russ Girling reiterated last week his confidence that the permitting process for the Keystone XL pipeline project will adhere to the company’s current schedule of a late-2014 in-service date despite the Obama administration’s Jan. 18 denial of a Presidential permit.

At an industry conference in Whistler, British Columbia, the executive spoke of his company’s plans to re-apply for the permit (as invited by both the U.S. State Department and the White House) and its expectations that the process would continue on an expedited basis. He explained that TransCanada has been in talks with Nebraska since the State Department’s decision in November to postpone a decision until early 2013 because of concerns that the line ran too close to an important aquifer in the state.

The company is close to determining an alternate route for the pipeline, Girling said, and will then move on to the public consultation and environmental work stages. “We believe we’re still on track for early 2013 consideration,” he said.

When asked to explain his high level of confidence in the absence of State Department support for expediting the permitting process, Girling fell back on his company’s perception and beliefs about the way forward.

“We have a final environmental impact statement (EIS) for the whole route with Nebraska the only issue left to resolve,” he said. “As far as we know, there are no new requirements; the re-application can use the information already on record. I don’t think the regulators have any wish to duplicate work already done.”

Pressed to address the possibility that another EIS would have to be done, Girling said he didn’t know the technicalities of the re-application process. He allowed for the possibility that new deficiencies could be found but maintained that the current EIS (which took several years to do) would be the starting place for any new EIS.

As for the possibility that TransCanada would make a separate application to the U.S. to allow the construction of the Keystone XL leg to run between Cushing, Okla., and the Gulf Coast, Girling said the decision rested on the wishes of its shippers.

Shipper support for the project as a whole is firm, Girling said. That’s mostly because previous contractual obligations remain in place, but in light of the fact that the U.S. didn’t deny the project on its merits, Thursday’s decision amounts to only a process issue.

“As (shippers) look at the project, they’ll see that we have a mostly complete process ... ours by far – from a planning perspective – is the furthest along,” Girling said.

TransCanada’s bravado is no doubt encouraged by the rising political profile of the Keystone XL project. As al-

(continued on page 13)
January 23, 2012

REGIONAL DOWNSTREAM PROFITABILITY ANALYSIS



PADD 1 NORTHEAST

NORTHEAST SPOT-RACK-RETAIL MARGINS

National Index	Gasoline	▲ Last Wk.	Diesel	▲ Last Wk.
Retail	348.84	1.29	393.26	1.91
Net	296.69	1.33	347.25	-2.71
Wholesale	279.91	-1.08	317.48	-2.69
Rack-Retail Margin	16.79	2.41	29.76	-0.02
NY Spot	283.67	6.84	303.59	-5.12
Regional Spot-Rack Margin	-3.76	-7.91	13.89	2.43
Regional Spot-Retail Margin	13.03	-5.51	43.66	2.41

Note: All prices are averages in cts/gal

• News that the Hovensa refinery in the U.S. Virgin Islands will soon cease operations spurred traders to bid NYMEX RBOB almost 6cts/gal higher last week. The elevated pricing benchmark immediately swelled gasoline crack spreads to better than breakeven, much to the joy of local refiners. Sunoco, which has hinted it could shut its beleaguered Philadelphia refinery before summer, may be particularly relieved. The "stickiness" of the price rise in the New York Harbor (at least as of presstime) is testament to the market's level of concern about product supply come spring.



PADD 1 SOUTHEAST

SOUTHEAST SPOT-RACK-RETAIL MARGINS

National Index	Gasoline	▲ Last Wk.	Diesel	▲ Last Wk.
Retail	340.22	1.35	385.15	2.17
Net	288.18	1.37	342.16	-2.66
Wholesale	277.73	1.41	311.11	-2.74
Rack-Retail Margin	10.45	-0.04	31.06	0.08
NY Spot	283.67	6.84	303.59	-5.12
Regional Spot-Rack Margin	-5.93	-5.42	7.52	2.38
Regional Spot-Retail Margin	4.52	-5.46	38.57	2.46

Note: All prices are averages in cts/gal

• Virginia could be the first state with a pump toll. A proposed bill would impose a toll of 50cts on consumers anytime they pump fuel and another 50cts when they buy more than 35 gallons. There would also be a \$1 toll on each 12-gallon sale of gasoline from a transport truck or tank wagon and on each 60-gallon sale of diesel fuel from a transport truck or tank wagon. The revenue raised would be used for highway maintenance in the area where the fuel is sold.



PADD 2 MIDWEST

MIDWEST SPOT-RACK-RETAIL MARGINS

National Index	Gasoline	▲ Last Wk.	Diesel	▲ Last Wk.
Retail	334.84	-1.08	373.80	1.83
Net	284.20	-1.01	327.58	-6.08
Wholesale	265.28	-7.90	301.57	-6.14
Rack-Retail Margin	18.92	6.89	26.01	0.06
Chicago Spot	258.04	-10.54	261.34	-27.62
Regional Spot-Rack Margin	7.24	2.64	40.23	21.48
Regional Spot-Retail Margin	26.16	9.53	66.24	21.54

Note: All prices are averages in cts/gal

• Despite ongoing feeble fuel demand, Midwest refineries have boosted output to capture favorable crack spreads, leading to a product glut across the region. Chicago ULSD prices saw the biggest discounts, with heavy selling by a major refiner pummeling the market to trade as low as 44cts/gal under futures.

• Midwest gasoline prices, meanwhile, were running more than 20cts/gal under futures, with the recently expanded 356,000-b/d Wood River refinery operated by ConocoPhillips in Roxana, Ill., contributing to a sharp build in stockpiles, trade sources said.



PADD 3 GULF COAST

GULF COAST SPOT-RACK-RETAIL MARGINS

National Index	Gasoline	▲ Last Wk.	Diesel	▲ Last Wk.
Retail	323.10	0.75	377.62	2.26
Net	282.57	0.75	331.23	-3.00
Wholesale	272.80	1.23	310.36	-3.03
Rack-Retail Margin	9.77	-0.48	20.87	0.02
Gulf Coast Spot	281.17	7.04	299.54	-4.97
Regional Spot-Rack Margin	-8.37	-5.81	10.82	1.94
Regional Spot-Retail Margin	1.40	-6.29	31.69	1.97

Note: All prices are averages in cts/gal

• The latest-reported drop in USGC crude oil inventories (4.5 million bbl) far outstripped gains in other regions and took total U.S. stockpiles lower by 3.4 million bbl, according to the EIA.

• Gasoline trading popped to the highest level since early-November, but soon faded. Prices hovered around \$2.80/gal by week's end, the highest since mid-October.

• EIA statistics revealed a 2-million-bbl drop in PADD3 distillate stocks, the biggest inventory decrease in the nation. Total stocks managed to hold above 40 million bbl (40.8 million).



PADD 4 ROCKIES

ROCKIES SPOT-RACK-RETAIL MARGINS

National Index	Gasoline	▲ Last Wk.	Diesel	▲ Last Wk.
Retail	299.80	-0.72	382.18	0.32
Net	256.16	-0.69	329.58	0.39
Wholesale	244.10	2.84	307.09	0.44
Rack-Retail Margin	12.06	-3.53	22.48	-0.04
Group 3 Spot	259.79	2.46	292.84	-6.87
Regional Spot-Rack Margin	-15.69	0.38	14.25	7.31
Regional Spot-Retail Margin	-3.63	-3.15	36.74	7.26

Note: All prices are averages in cts/gal

• Rockies gasoline is still the cheapest in the U.S., rack and retail. Average rack prices are running 30-40cts/gal under RBOB futures and well under the closest spot markets. Utah and Wyoming are the only states that average less than \$3/gal at retail.

• Low rack gasoline prices are largely attributed to local refiners' use of heavily discounted Bakken crude. Poor demand may also have players at the rack pricing a bit more aggressively.



PADD 5 WEST COAST

WEST COAST SPOT-RACK-RETAIL MARGINS

National Index	Gasoline	▲ Last Wk.	Diesel	▲ Last Wk.
Retail	359.95	1.33	396.69	1.56
Net	299.54	1.31	347.76	-4.91
Wholesale	283.19	0.16	311.21	-4.85
Rack-Retail Margin	16.34	1.15	36.55	-0.06
LA Spot	294.54	10.21	305.62	-6.22
Regional Spot-Rack Margin	-11.35	-10.05	5.59	1.37
Regional Spot-Retail Margin	5.00	-8.90	42.14	1.31

Note: All prices are averages in cts/gal

• USWC gasoline demand jumped 3.4% in the second week of January but was down by 7.1% vs. a year ago, according to SpendingPulse. Pumping volumes climbed over the week in most other U.S. regions but fell short of a year ago.

• Regional gasoline and distillates stocks veered closer to same-time-last-year levels in the latest EIA report. Gasoline stocks climbed 1.3 million bbl to 31.5 million bbl; distillates grew to 15.1 million bbl.

HOVENSA SHUTDOWN SEEN HAVING MINIMAL IMPACT ON VGO

Hess Corp.'s decision to shut the 350,000-b/d Hovensa LLC refinery (see page 1) could be bearish for U.S. Gulf Coast spot naphtha values, but the impact on USGC spot vacuum gasoil (VGO) prices is expected to be minimal, USGC feedstock trading sources told OPIS last week.

It's expected that the refinery in St. Croix, U.S. Virgin Islands, will be shut by mid-February. Hovensa is a joint venture between Hess and Venezuela's PDVSA.

VGO is the primary feedstock for fluid catalytic cracking (FCC) units, which produce gasoline as well as distillate components.

Hovensa used to conduct VGO sell tenders on a regular basis. The sell tenders were in addition to the VGO that Hovensa supplied to Hess's Port Reading refinery in New Jersey (which has a 70,000-b/d FCC unit) and to Citgo (the U.S. refining and marketing subsidiary of PDVSA).

However, the amount of VGO that Hovensa offered into the spot market dwindled throughout 2011.

By one trader's count, Hovensa's VGO sell tenders in 2011 numbered 15 during the first quarter, five during the second quarter, six during the third quarter, and three during the fourth quarter.

Hovensa has an FCC unit of its own with a capacity of about 140,000 b/d.

It's the largest FCC unit in the Western Hemisphere, so the Hovensa refinery had its own internal demand for VGO.

Sources note that not only did Hovensa's VGO sell tenders become less frequent, but the refinery's supply of VGO to Hess and Citgo dried up as well. This was evidenced by Hess stepping into the spot market on a regular basis to purchase VGO for the Port Reading facility. One question going forward is whether this mode of operation is economically viable for the Port Reading refinery.

Sources estimate that Hovensa's demand for naphtha until recently had been around three cargoes, or about 1 million bbl, per month. A shutdown of Hovensa eliminates that demand and puts downward pressure on USGC spot naphtha values.

One to two cargoes of that monthly demand would be supplied out of the U.S. Gulf Coast. It was common for the remaining demand to be met with naphtha originating from countries such as Norway (Mongstad) and Peru.

With the incremental naphtha length resulting from the Hovensa closure, USGC reformer economics could improve. Reformer units use naphtha to produce reformate, which in turn is blended into gasoline.

Sources note that the effect of the Hovensa shutdown on naphtha values could be offset by the closure of another Caribbean refinery: Valero's 235,000-b/d Aruba facility. Naphtha out of Aruba is routinely sold into the USGC spot market, so a shutdown of Aruba would serve to tighten naphtha supply.

OPIS reported earlier this month that Valero had slashed operating capacity at the Aruba refinery for several weeks because of poor economics.

A general question raised last week by some USGC feedstock traders is whether a shutdown of Hovensa could possibly be averted.

It stands to reason that PDVSA would value Hovensa as a significant outlet for Venezuelan crude oil. Whether PDVSA would be willing to supply crude to Hovensa on more favorable terms - and thus render the refinery's operations viable - remains to be seen.

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EXXONMOBIL-BAYTOWN FCC TURNAROUND COULD HIT VGO VALUES

ExxonMobil is expected to take a 90,000-b/d fluid catalytic cracking (FCC) unit off line for turnaround at the end of January at its 560,640-b/d Baytown, Texas, refinery.

This is expected to put downward pressure on the value of vacuum gasoil (VGO), which is the primary feedstock for FCC units, or cat crackers.

The impact of the Baytown FCC downtime could be especially pronounced because ExxonMobil so far this year has been a steady buyer of VGO in the U.S. Gulf Coast spot market. The FCC turnaround has the potential to change the major from a VGO buyer to a VGO seller.

The Gulf Coast gasoline crack spread has improved fairly steadily since the start of the year, and this has lent support to VGO values.

The USGC waterborne unleaded crack spread versus front-month West Texas Intermediate (WTI) crude improved from \$10.85/bbl on Jan. 3 to \$17.97/bbl as of the middle of last week. During that time, the value of USGC barge low-sulfur VGO went from WTI plus \$19.75/bbl to more than \$24/bbl over WTI.

The Baytown FCC turnaround and other USGC cat-cracker maintenance could put pressure on those values.

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SELECTED REFINERY FEEDSTOCKS PRICES

	U.S. GULF COAST	WEST COAST (LOS ANGELES BASIS)
	Wk. Avg	Wk. Avg
NAPHTHA	272.375	N/A
DOM. NAPHTHA	272.875	N/A
PAR. NAPHTHA#	951.500	N/A
LT.CYCLE	297.088	256.625
LS LT CYCLE	299.688	N/A
ST.RUN H.S.*	109.100	N/A
ST.RUN L.S.*	117.225	N/A
CARGO L.S. VGO	296.656	N/A
CARGO Med. VGO	294.725	N/A
CARGO H.S. VGO	292.494	N/A
BARGE L.S. VGO	295.769	286.788
BARGE Med. VGO	293.981	N/A
BARGE H.S. VGO	291.600	283.288

PRICES U.S. CTS/GAL EXCEPT WHERE NOTED.

*PRICES SHOWN IN U.S. \$/BBL. # PRICES SHOWN IN U.S. \$/MT

Methodology: OPIS spot weekly averages are calculated by averaging the daily averages, adding each low and high for each business day and dividing by the total.

SPOT MARKET PRICES

ETHANOL (in U.S. \$/gal.)

	Wk Avg.
Chicago	2.1063
Chicago Rule 11	2.1119
New York	2.2188
Gulf Coast	2.2269
Dallas	2.1800
Tampa	2.2588
Nebraska	2.0113
Los Angeles	2.2463
San Francisco	2.2463
Pac NW	2.2163
Phoenix	2.2263

MTBE/ALKYLATES

	Wk Avg.
MTBE	3.1625
Alkylate	3.2124

U.S. ETHANOL RIN VALUES (in U.S. \$/gal.)

	Wk Avg.
Current	0.01988
Previous	0.00331

Methodology: OPIS spot weekly averages are calculated by averaging the daily averages, adding each low and high for each business day and dividing by the total.

For more detailed daily Ethanol, RIN and MTBE pricing, please see OPIS Ethanol and Biodiesel Information Service or call 1-888-301-2645.

AMPLE CORN A DRAG ON ETHANOL

After starting the holiday-shortened trading week on firmer footing, a distinct weakening in corn markets pulled the rug out from under ethanol prices and perhaps again underscored some fundamental softness in ethanol.

In the Chicago-area market, midweek ethanol trading through for in-tank transfer this week and throughout the balance of January traded down to \$2.08-\$2.09/gal. That was down a couple pennies on the day and represented a drop of some 3-4cts from similar deals made a week earlier.

At the same time, any-February talks indicated material for transfer next month ran 1-2cts more than January, though later talks at around \$2.11/gal could indicate as much as a 3cts differential. In any case, the steep backwardation from a month ago had lately moved to a market where prompts appeared somewhat weaker than forward spots.

Midwest rack prices for ethanol got a midweek bump, but by the latter part of the week they mostly returned to discount territory. Iowa rack postings averaging \$2.263/gal by late last week dropped 7.62cts week to week, while those in Nebraska at \$2.275 were off 7.72cts on average. Illinois racks at \$2.418/gal lost 6.77cts on average from a week ago. Late word indicated some larger price cuts coming to racks ahead of the weekend, with, for example, several Des Moines postings reportedly dropping a few cents under \$2.20.

Meantime, New York Harbor spot ethanol via barge for January traded \$2.23/gal at midweek, though subsequent talks had sellers coming a bit off that number in search of bids. February ethanol barges in the Harbor were called flat to a penny over January by late last week. March barges ran about a penny more than February.

West Coast markets turned quiet through most of last week. For next month, more than one February rail deal to Northern California at midweek fetched \$2.23/gal. A March deal to Phoenix traded at \$2.25.

Ethanol prices were described as particularly heavy in the Pacific Northwest. Some railcars to the PNW region shipping this week were worked down at \$2.17

by \$2.19/gal by presstime.

“Expect the Pacific Northwest to get worse,” said one ethanol trading source, pointing to a winter storm in the region along with already ample inventories of ethanol. “Not a lot of options once railcars are sent into PNW,” he noted, adding that he was “seeing loads cancelled-postponed every day.”

For the most part, corn was the key to midweek pressure on ethanol spot values. The grain, with the latest bearish USDA monthly supply report firmly in the rearview mirror, reacted more to dollar moves and foreign crop expectations. By midweek, some rain and more in the forecast for key South American corn regions weighed on CBOT futures, with front-month March contracts shedding 10.5cts, to \$5.93/bu. The new-crop December contract at \$5.4875/bu also sagged, off 8.75cts at midweek.

The nation’s ethanol stockpiles continued to appear thick, with EIA’s supply report for the week ended Jan. 13 revealing inventory at 19.536 million bbl – up 4.1% week to week and moving 9.75% ahead of the same week last year. Particularly bulging stocks were reported out of the East Coast and Midwest.

At the same time, production continued to ease from December’s record rates, with U.S. ethanol plants averaging 941,000 b/d of output for the week, down a slight 0.32% from the week before but 3.1% more than a year ago.

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NORTHEAST BLENDING BOON CONTINUES

Midstream suppliers who blend gasoline with ethanol to create finished fuel are faring the best among the supply chain’s tiers.

Refiners continue to lose money making gasoline, and retail margins have narrowed even more lately, but ethanol prices have held at such relatively low levels that blenders are saving big chunks of money versus conventional gasoline suppliers.

In many U.S. bulk markets, the gap between pure ethanol and blendstocks has only widened as 2012 develops.

It has led to huge pricing advantages for blenders around the Northeast as opposed to suppliers using conventional clear gasoline. Blenders are saving nearly 9cts/gal versus conventional fuel, using both RBOB and CBOB to create E10. Those savings quickly add up. One 10,000-bbl truckload of E10 would cost almost \$900 less than conventional clear gasoline.

Chicago blending also promises stout savings versus clear gasoline, but currently CBOB blending carries much more inviting economics than RBOB. While RBOB blenders saved 3cts/gal making E10 fuel versus conventional unleaded, blenders using CBOB stood to save nearly 8.5cts/gal last week.

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U.S. LNG EXPORTS FACE MULTIPLE POLITICAL HURDLES

Liquefied natural gas exports have the potential to be supportive to U.S. demand, but the future holds risks as exports become a hot political button.

“LNG exports offer the second-largest potential demand increment after NGVs [natural gas vehicles] and, unlike NGVs, existing law provides for FERC [Federal Energy Regulatory Commission] and DOE [Department of Energy] to approve exports without any act of Congress (or spending),” said a study from ClearView Energy Partners LLC.

The U.S. has been flooded with cheap gas because of newly exploitable and potentially large shale resources. And since gas prices are higher in many other countries, the arb

has been wide open to ship U.S. material overseas.

But the climate in Washington is not 100% encouraging to the free flow of U.S. LNG to foreign ports.

Around the turn of the year, lawmakers began to express concern that LNG exports could raise prices for domestic end-users. The DOE contracted two studies on whether, and to what extent, such exports might impact U.S. prices. Meanwhile, DOE delayed the issuance of export licenses to countries without Free Trade Agreements with the U.S. covering natural gas until the matter had been studied further.

According to ClearView, the DOE studies should be bullish for exports because it could eliminate uncertainty about

U.S. & CANADA LP-GAS WEEKLY AVERAGES

Mont Belvieu						
Weekly Average	PROPANE*	N. BUTANE*	ISOBUTANE*	N. GASOLINE*		
	128.4375	198.0938	202.7188	243.0625		
Weekly Average	PROPANE**	N.BUTANE**	ISOBUTANE**	N. GASOLINE**		
	128.2656	198.4063	202.7188	233.5625		
Weekly Average	OTHER PROPANE**	OTHER N.BUTANE**	OTHER ISOBUTANE**			
	128.7344		198.1250	202.7188		
Weekly Average	E-P MIX	N.G. (RIVER)	PUR. ETHANE	OTHER N. GASOLINE		
	59.0000	236.3125	65.2500	238.9375		
Conway In-Well						
Weekly Average	PROPANE	N.BUTANE	ISOBUTANE	N.GASOLINE	ETHANE (in E-P)	
	101.0000	171.5000	174.6250	213.3438	27.2500	
Conway In-Line						
Weekly Average	PROPANE	N.BUTANE	ISOBUTANE	N.GASOLINE	ETHANE (in E-P)	
	101.0000	171.5000	174.6250	213.3438	27.2500	
Bushton						
Weekly Average	PROPANE KM	N.BUTANE KM	ISOBUTANE KM	N.GAS KM	ETHANE KM	
	101.5000	172.0000	174.6250	213.3438	27.2500	
NOTE: MAPC prices are now designated as In-Well, **NON-TET, *TET=LDH						
Louisiana						
Weekly Average	PROPANE	N. BUTANE	ISOBUTANE	N. GASOLINE	PUR. ETHANE	E-P MIX
	126.0156	213.4063	210.7188	233.0625	64.2500	57.5000
FOB Napoleonville Area						
Weekly Average	PROPANE	N. BUTANE	ISOBUTANE	N. GASOLINE	PUR. ETHANE	
	126.2656	213.4063	209.7188	236.0625	65.2500	
FOB Geismer/Sorrento Area						
Delivered Los Angeles						
Weekly Average	PROPANE	N. BUTANE	BUTANE MIX	ISOBUTANE		
	167.5000	173.0000	173.0000	220.5000		
Delivered Bakersfield						
Weekly Average	PROPANE	N. BUTANE	BUTANE MIX	N. GASOLINE		
	166.0000	163.0000	163.0000	209.8750		
San Francisco						
Weekly Average	PROPANE	N. BUTANE	BUTANE MIX	ISOBUTANE		
	168.0000	173.0000	173.0000	220.5000		
Other LP-Gas Markets						
Weekly Average	PROPANE	N. BUTANE	ISOBUTANE			
	129.4000	203.9250	209.0750			
Weekly Average	PROPANE	N. GASOLINE	FIELD GRADE BUTANE***			
	94.2750	188.4875	258.0498			
Weekly Average	IN-LINE PROPANE	STORAGE PROPANE				
	131.0938	130.3438				
<div style="border: 1px solid black; padding: 5px; display: inline-block;"> Daily Any NGL prices for the above markets, as well as Prompt and Out-Month assessments, are available. To trial any of our daily pricing services call 1-888-301-2645 or e-mail us at energycs@opisnet.com. </div>						

Methodology: OPIS LP-Gas spot weekly averages are calculated by averaging the daily "Any" averages, Friday - Thursday.

***Formerly N. BUTANE

the issue and alter public perception about the matter. But, DOE could only be one of several hurdles for LNG exporters.

“Ultimately, we don’t believe DOE will be the sticking point,” the report said. “We see increasing signs that that export prospects may be clouded by still-underappreciated political risks that emanate from sources outside the FERC and the DOE approval processes, including: (1) resource nationalism; (2) environmental concerns; and (3) the long Congressional memory of natural gas price volatility.”

In January, Representative Edward Markey (D-Mass.) wrote a letter to Energy Secretary Steven Chu asking him to consider consequences in the long term of exporting newly abundant natural gas resources all over the globe.

ClearView suggested that the DOE study period may be extended in the wake of Rep. Markey’s letter. The study also thought that the letter might give a voice to other “shale gas skeptics” on Capitol Hill.

“At minimum, a further delay of non-FTA licenses seems probable,” the report said. “At the extreme, any short-term natural gas price spike (or regulation-driven, short-run factor cost inflation) could ignite a Congressional ‘stampede’ to vote in favor of language limiting, delaying or blocking LNG exports on energy security grounds.” ClearView’s study further notes that presidential intervention could occur without any act of Congress.

While LNG exports are undoubtedly a political hornet’s nest right now, Terry Ciliske, principal of En*Vantage Inc., thinks it may be an issue with a shelf life.

That’s because by the end of this decade or early next, the huge arbitrage between North America and Europe and Asia stands to close as the rest of the world begins drilling its own shale, he said.

According to a 2011 report from the Energy Information Administration (EIA), there are two country groupings that emerge where shale gas development may appear most attractive.

The first consists of countries that are currently highly dependent upon natural gas imports, have at least some gas production infrastructure, and their estimated shale gas resources are substantial relative to their current gas consumption, the EIA report said. For this group (including France, Poland, Ukraine, Turkey, South Africa, Chile), shale gas development could significantly alter their future gas balance, which may motivate development. In addition, South Africa’s shale gas resource endowment is interesting as it may be attractive for use of that natural gas as a feedstock to their existing gas-to-liquids (GTL) and coal-to-liquids (CTL) plants, the report said.

But, Ciliske noted, there are political hurdles here, as well. For example, South Africa and France currently have fracking bans in place.

In the second group are countries where the shale gas resource estimate is large (e.g., above 200 trillion cubic feet) and there already exists significant infrastructure for internal use or for export, the EIA report continued. The group

includes the U.S., Canada, Mexico, China, Australia, Libya, Algeria, Argentina, and Brazil.

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OKLA. MIDSTREAM FIRM ACQUIRES GATHERER-PROCESSOR

Caballo Energy LLC is buying Eagle Chief Midstream LLC, which serves shale gas plays in northwestern Oklahoma, for an undisclosed sum.

Eagle Chief’s gathering and processing system is located at the intersection of the liquids-rich Mississippi Lime and Cana Woodford Shale plays. Eagle Chief is connected to more than 370 wells and serves 25 producers.

The Eagle Chief system includes more than 600 miles of natural gas gathering pipelines, compression and processing assets located in Alfalfa, Blaine, Garfield, Major and Woods counties. In early 2013, the company will install a new cryogenic plant, bringing total natural gas processing capacity to approximately 100 million cubic feet per day.

Caballo delivers processed gas to ONEOK Gas Transportation and Panhandle Eastern Pipe Line. Natural gas liquids are delivered to ONEOK NGL Pipeline. The Eagle Chief system also includes salt water disposal and crude oil gathering systems.

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PEMBINA TO BUILD FRACTIONATOR AT PROVIDENT SITE

Pembina Pipeline Corp.’s proposed acquisition of Provident Energy Ltd. will put the Calgary-based pipeline company in the NGL fractionation business for the first time.

The two firms announced a C\$3.8 billion deal for Pembina to acquire all common shares of Provident to create one of the largest publicly-traded energy infrastructure firms in Canada.

Pembina is mainly a transportation and service provider of crude and NGLs to Western Canada’s energy industry. It has both conventional and oil sands pipelines as well as natural gas gathering lines and processing plants.

Provident, also based in Calgary, owns an NGL infrastructure and logistics business. Its holdings include the Redwater West fractionator in Fort Saskatchewan, and interests in Canadian NGL extraction facilities, as well as a debutanizer and depropanizer. Provident also has a small interest in a Sarnia fractionator.

A key synergy in the deal for Pembina is fractionation capacity that it currently does not have.

Provident’s Redwater fractionator has a capacity of 65,000 b/d, to be expanded by another 8,000 b/d this year. Pembina, a consumer of both butane and condensate, is seeking to add up to 65,000 b/d of new capacity at the same site to handle growing NGL production.

“Pembina is in the process of working with a number of
(continued on page 13)

U.S. RESELLER PROPANE PRICES

Wkly Propane Contract Avgs.	Wkly Propane Contract Avgs.	Wkly Propane Contract Avgs.	Wkly Propane Contract Avgs.	Wkly Propane Contract Avgs.	Wkly Propane Contract Avgs.
CONWAY, KS AVERAGE 106.72	EAST TEXAS, TX AVERAGE 143.50	FARMINGTON, IL AVERAGE 111.73	PACIFIC NORTHWEST - ANACORTES AVERAGE 140.30	EMPRESS, AB AVERAGE 107.00	ROCKIES - CASPER AVERAGE 119.42
GULF PLAINS, TX AVERAGE 138.50	KANEBC PL GENEVA, NE AVERAGE 109.06	GREENWOOD, NE AVERAGE 108.40	PACIFIC NORTHWEST - CHERRY POINT AVERAGE 135.60	FT. WHYTE, MB AVERAGE 116.00	ROCKIES - LA JUNTA AVERAGE 123.48
WILCOX, TX AVERAGE 138.50	NORFOLK, NE AVERAGE 110.15	IOWA CITY, IA AVERAGE 111.20	PACIFIC NORTHWEST - FERNDALE AVERAGE 139.00	WILLIAMS PL CANTON, SD AVERAGE 109.96	ROCKIES - FOGGEN AVERAGE 125.00
SONORA, TX AVERAGE 138.50	NORTH PLATTE, NE AVERAGE 110.71	JACKSON, MN AVERAGE 112.02	PACIFIC NOR AVERAGE 138.80	CARTHAGE, MO AVERAGE 113.75	ROCKIES - SINCLAIR AVERAGE 115.00
JAMESON, TX AVERAGE 138.50	WOLSEY, SD AVERAGE 111.48	JANESVILLE, WI AVERAGE 112.82	TEPPCO COSHOCOTON, OH AVERAGE 143.91	RAPID RIVER, MI AVERAGE 109.00	ROCKIES AVERAGE 121.27
DIXIE PL ALBANY, GA AVERAGE 138.06	YANKTON, SD AVERAGE 110.13	KEARNEY, MO AVERAGE 108.38	DUBOIS, PA AVERAGE 144.76	WATERTON, AB AVERAGE 109.50	TULSA, OK AVERAGE 118.50
ALMA, GA AVERAGE 138.56	SUPERIOR, WI AVERAGE 108.75	LECOMPTON, KS AVERAGE 107.71	GREENSBURG, PA AVERAGE 144.29	LEBANON, IN AVERAGE 144.36	WOODHAVEN, MI AVERAGE 130.63
CHERAW, SC AVERAGE 139.26	MEDFORD, OK AVERAGE 107.00	MANKATO, MN AVERAGE 110.74	KINGSLAND, AR AVERAGE 145.56	CLAREMONT, NH AVERAGE 156.00	CORPUS CHRISTI, TX AVERAGE 141.50
DEMOPOLIS, AL AVERAGE 136.74	CHEROKEE PL MT. VERNON, MO AVERAGE 113.88	MOBERLY, MO AVERAGE 109.34	LIGHT, AR AVERAGE 145.86	SCHAEFFERSTOWN, PA AVERAGE 154.50	ARDMORE, OK AVERAGE 147.25
HATTIESBURG, MS AVERAGE 135.37	ST. LOUIS, MO AVERAGE 109.50	MONEE, IL AVERAGE 113.50	ONEONTA, NY AVERAGE 147.04	COCHIN BENSON, MN AVERAGE 111.45	FT. MADISON, IA AVERAGE 110.45
LEXINGTON, SC AVERAGE 138.79	WOOD RIVER, IL AVERAGE 109.50	OGDEN, IA AVERAGE 110.16	PEEKSKILL, NY AVERAGE 163.50	CARRINGTON, ND AVERAGE 109.64	WEST MEMPHIS, AR AVERAGE 144.70
MILNER, GA AVERAGE 137.93	LINDEN NJ - LINDEN AVERAGE 146.00	PAOLA, KS AVERAGE 108.03	PHILADELPHIA, PA AVERAGE 146.11	LITTLE KNIFE, ND AVERAGE 122.00	EL DORADO, KS AVERAGE 105.00
OPELIKA, AL AVERAGE 137.49	LINDEN NJ - PORT READING AVERAGE 152.55	PINE BEND, MN AVERAGE 111.93	PRINCETON, IN AVERAGE 142.27	MANDAN, ND AVERAGE 104.00	CATLETTSBURG, KY AVERAGE 138.00
RALEIGH/APEX, NC AVERAGE 140.18	LINDEN NJ AVERAGE 149.28	PINE BEND REF, MN AVERAGE 112.75	ROSEMOUNT, MN AVERAGE 113.17	MILFORD, IN AVERAGE 114.25	SILOAM, KY AVERAGE 144.38
TIRZAH, SC AVERAGE 146.65	LOS ANGELES, CA AVERAGE 168.25	ROSEMOUNT, MN AVERAGE 113.17	RIXIE, AR AVERAGE 145.58	NEW HAMPTON, IA AVERAGE 112.78	TOLEDO, OH AVERAGE 138.00
ONEOK PL BUSHTON, KS AVERAGE 110.55	ARCADIA, TX AVERAGE 143.50	SANBORN, IA AVERAGE 109.95	SELKIRK, NY AVERAGE 147.80	SARNIA, ON AVERAGE 130.58	LIMA, OH AVERAGE 140.26
CLEAR LAKE, IA AVERAGE 111.93	ELKHORN, PA AVERAGE 146.55	TUHKANEN, MN AVERAGE 115.50	SEYMOUR, IN AVERAGE 143.00	ST. CLAIR, MI AVERAGE 129.25	HOBBS, NM AVERAGE 146.83
CORALVILLE, IA AVERAGE 111.50	SPARTA, NJ AVERAGE 165.19	WHITING, IA AVERAGE 109.27	TODHUNTER, OH AVERAGE 143.19	MARYSVILLE, MI AVERAGE 133.38	CALUMET, OK AVERAGE 115.00
DES MOINES, IA AVERAGE 110.39	HUGOTON, KS AVERAGE 114.13	BAKER, MT AVERAGE 113.75	WATKINS GLEN, NY AVERAGE 145.59	BAKERSFIELD, CA AVERAGE 167.00	GRIFFITH, IN AVERAGE 118.06
LEMONT, IL AVERAGE 114.28	NEW CASTLE, WY AVERAGE 105.00	SIDNEY/GRSLAND, MT AVERAGE 106.50	TIOGA, ND AVERAGE 106.00	HUTCHINSON, KS AVERAGE 108.00	HUNTINGTON, IN AVERAGE 118.89
MORRIS, IL AVERAGE 113.22	ALBUQUERQUE, NM AVERAGE 154.00	GRANGER, WY AVERAGE 141.00	WEST TEXAS - OZONA AVERAGE 138.50	JUNCTION CITY, WI AVERAGE 115.67	GREEN BAY, WI AVERAGE 122.42
PLATTSMOUTH, NE AVERAGE 108.97	WATTENBERG, CO AVERAGE 128.50	HILITE, WY AVERAGE 106.00	WEST TEXAS - SLAUGHTER AVERAGE 129.50	SHERRIN, TX AVERAGE 130.50	WARREN, PA AVERAGE 146.55
ROBINSON, IL AVERAGE 113.38	MT. LAUREL, MT AVERAGE 105.00	MENTOR, MN AVERAGE 111.25	WEST TEXAS AVERAGE 132.50	TOPEKA, KS AVERAGE 107.33	GREELEY, CO AVERAGE 120.88
ROCKFORD, IL AVERAGE 112.46	MAPCO PL CANTRIL, IA AVERAGE 110.35	INGNACIO, CO AVERAGE 143.75	HOLLY EAST REFI, OK AVERAGE 118.25	VANCOUVER, WA AVERAGE 144.60	SPINDLE, CO AVERAGE 120.88
TAMPICO, IL AVERAGE 112.22	CLAY CENTER, KS AVERAGE 107.17	OPAL, WY AVERAGE 143.55	HOLLY WEST REFI, OK AVERAGE 118.25	SAN FRANCISCO, CA AVERAGE 169.00	WINGATE, NM AVERAGE 143.50
TUSCOLA, IL AVERAGE 114.00	COFFEYVILLE, KS AVERAGE 114.75	FT. LUPTON, CO AVERAGE 118.50			
ROCKLIN, CA AVERAGE 171.00	DEXTER, MO AVERAGE 145.64	MT. BELVIEU, TX AVERAGE 136.83			
WINONA, MN AVERAGE 150.00	DUBUQUE, IA AVERAGE 111.82	PONCA CITY, OK AVERAGE 110.24			
		3 RIVERS, TX AVERAGE 139.50			

Daily propane rack prices for the above markets are also available. To receive a complimentary 5-day pricing feed for one propane rack city or to trial any of our daily pricing services, call 1-888-301-2645 or e-mail us at energycs@opisnet.com.

Prices shown are for FOB terminal in cts/gal excluding taxes and discounts

(continued from page 6)

ready reported, the House Energy and Commerce Committee is scheduling a hearing for next Wednesday and has announced its intention to move forward on legislation to advance the project.

In addition, TransCanada's eventual re-application for a permit may be to a sympathetic White House should the Republican candidate defeat President Obama's re-election bid ten months from now.

The new 1,700-mile crude oil pipeline between Hardisty, Alberta, and the U.S. Gulf Coast (an extension of TransCanada's existing Keystone pipeline) would bring more than 1 million b/d of crude oil from Canadian oil sands and burgeoning U.S. production from the Midcontinent to the country's largest oil refining hub in the Gulf Coast. The availability of more and cheaper oil would improve Gulf Coast refining economics.

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CONGRESSMAN SEEKS TO TWEAK PART OF RFS2

U.S. Rep. Pete Olson (R-Texas) introduced legislation last week that would allow ethanol that is produced from domestic fossil fuels other than petroleum to satisfy the conventional biofuel requirement as part of the renewable fuels standard (RFS2).

Under RFS2, conventional biofuel is defined as renewable fuel that is derived from corn starch. Olson's bill would broaden that definition so that ethanol derived from natural gas and coal, among other feedstocks, would qualify.

H.R. 3773, the Domestic Alternative Fuels Act of 2012 has been referred to the House Energy and Commerce Committee.

"It's long past time for Congress to address the failed RFS," said Olson. "The RFS focus on corn ethanol has translated into higher feed costs for livestock producers and higher food costs for working families. While Congress considers eliminating the RFS altogether, we should in the meantime allow greater participation and competition under the program," he added.

The bill aims to amend or re-open the RFS2, something that biofuel supporters have been adamantly against. "Focusing on revamping and repealing the RFS is misguided," said Renewable Fuels Association spokesman Matt Hartwig. "The goal here should be to expand the nation's use of renewable alternatives to fossil fuels and not to crowd out established, successful, or promising new technologies with more fossil fuels," he said.

"I would also note that they can already play in the RFS2," Hartwig continued, "with no changes needed. If they can demonstrate to EPA that the fuel (whether it's CNG, LNG, ethanol or whatever) was produced using renewable biomass, it can count as renewable fuel and generate RINs," he added.

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(continued from page 11)

our customers on looking at capacity requirements for additional natural gas liquids," CEO Robert Michaleski said in a Jan. 16 conference call. "The part of the puzzle that's missing right now is fractionation capacity in the Fort Saskatchewan area," he added.

The proposed deal is subject to approvals by each firm's shareholders as well as Canada's Competition Bureau. The firms don't have overlapping assets and don't expect a problem with getting approvals.

Shareholders for both sides will vote on the transaction in late March and the deal could close in early April.

"It's a really good deal for Provident and Pembina," said one NGL source. "I suspect shippers on Pembina will want assurances that they will be able to continue to do that business. There may be some competition concerns there."

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FEDERAL REGULATORS TO STUDY DIXIE'S NEW PRORATION POLICY

The Federal Energy Regulatory Commission (FERC) said it will launch an informal investigation into a proposed change in the Dixie Pipeline Co.'s proration policy, following a protest from Dow Hydrocarbons and Resources.

FERC said it "accepts and suspends" the Dixie Pipeline's latest tariff for seven months, during which time a technical conference will be held to weigh the merits of the proposed changes.

The ultimate decision to accept the tariff will be subject to the outcome of the conference. In its decision, FERC said the "burden in this proceeding is on Dixie to justify its proposal."

In a December tariff filing, Dixie made changes to its proration policy for shipping propane during periods of high seasonal demand. Dixie said that the proration policy would no longer be based solely on historical volumes injected anywhere along the pipeline.

Instead, the shipper's historical volume to a "specific destination will not be able to be used for movements east of that destination," according to the filing. The only exception would be that the Hattiesburg, Miss., destination and destinations east of Hattiesburg will be considered one destination.

Dow, which ships most of its propane from Mont Belvieu, Texas, to Erwinville, La., said the change would restrict its ability to transport propane to destinations east of Erwinville, which includes Hattiesburg.

In its protest, Dow claims that it is being singled out in the tariff change and that such a change departs from FERC precedents that "reward historical shippers ... during periods of capacity constraint."

For its part, Dixie said that Dow's use of the system for short-haul shipments to Erwinville ties up capacity and constrains long-haul shippers, despite their being responsible for "a greater share of both barrel-miles and pipeline revenue." Dixie said Dow would still be able to ship to Hattiesburg throughout the year, provided it builds up historical volumes to that destination.

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U.S. RESIDUAL FUEL PRICES

OPIS WEEKLY RESIDUAL FUEL (NO. 6 OIL) SPOT MARKET PERISCOPE

NEW YORK HARBOR CARGO

	Friday (01/13)	Monday (01/16)	Tuesday (01/17)	Wednesday (01/18)	Thursday (01/19)	Wk Avg.
NO.6 Oil 0.3% High Pour	117.35-117.45	Holiday	117.70-118.50	116.95-117.75	118.45-119.25	117.925
NO.6 Oil 1.0%	103.05-103.15	Holiday	103.40-104.20	102.65-103.45	104.15-104.95	103.625
NO.6 Oil 3.0%	102.95-103.20	Holiday	104.20-104.40	102.90-103.00	102.50-102.90	103.256

All prices in \$/bbl.

U.S. GULF COAST CARGO

	Friday (01/13)	Monday (01/16)	Tuesday (01/17)	Wednesday (01/18)	Thursday (01/19)	Wk Avg.
NO.6 Oil 3.0%	102.45-102.70	Holiday	103.95-104.15	102.65-102.75	102.25-102.65	102.944

All values are cargo quantity

U.S.-CANADIAN RACK COMPARISONS

	Uni	ULSD No2	ULSD No.1		UNL	ULSD No2	ULSD No.1
Albany, NY	---	311.70	338.50	Montreal	306.16	340.75	345.61
Buffalo, NY	---	316.40	349.02	Toronto	290.60	322.39	336.23
Warren, PA	---	309.38	---	Samia	290.60	320.89	334.73
Detroit, MI	282.30	267.75	301.08	Winnipeg	276.01	318.65	328.00
Grand Forks, ND	265.05	298.25	317.25	Vancouver	285.36	316.78	333.61
Seattle, WA	278.19	299.40	---				

US net rack low market posting in cts/gal vs. Canadian low rack market postings in cts/gal after conversion by currency/volume factors.
 Approximately 3.785 liters comprise a U.S. gallon. Divide U.S. terms by 2.37 to convert to Canadian cts/liter.
 Canadian rack postings are only a barometer of market values and rarely reflect actual doable prices.

RESIDUAL FUEL RACK POSTINGS

All prices are in \$/bbl, rack, unless otherwise noted. (B) indicates barge quantities. (C) indicates cargo quantities. Percent signs (%) indicate sulfur levels.

Company %	No.4	%	No.5	%	No.6	Company %	No.4	%	No.5	%	No.6	Company %	No.4	%	No.5	%	No.6			
ALBANY, NY						CHARLESTON SC						PHILADELPHIA, PA								
Hess			1.50%		123.05	HESS					2.10%	119.00	Delphi	1.00%	129.00			0.50%	125.25	
Global			1.50%		122.55									0.50%	133.00			1.00%	114.25	
						MINNEAPOLIS/ST. PAUL, MN							0.30%	133.00			2.00%	114.25		
BALTIMORE, MD						SPP Refining Co.					1.50%		Hess	0.30%	150.80			0.50%	136.70	
Hess			0.50%		137.10	225.00								0.50%	146.50					
BROOKLYN						NEW HAVEN, CT							1.00%	146.60						
Bayside	0.30%	120.01				Buckley					0.50%	137.40		2.80%	142.85					
							1.00%	142.23			1.00%	130.90	PROVIDENCE, RI							
BOSTON, MA						NEWYORK, NY						Global	1.00%	140.90			1.00%	129.80		
Global	0.50%	148.00			0.50%	143.00	Hess	0.30%	146.85		0.30%	144.30	WILMINGTON, DE							
	1.00%	140.90			1.00%	129.80	NORFOLK, VA						Delphi	1.00%	129.00			0.50%	125.25	
					1.50%	122.55	Hess	2.80%	142.10	2.00%	141.95	2.10%	119.05		0.50%	133.00			1.00%	114.25
					2.00%	121.80	PORTLAND, ME							0.30%	133.00			2.00%	114.25	
					2.20%	118.05	Global	1.50%	140.90			2.00%	121.80					2.80%	114.25	
BUFFALO, NY																				
NOCO	0.50%	121.00	1.50%	104.00	1.10%	120.00														
					1.50%	119.00														

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JET FUEL DEMAND, OUTPUT WEAKEN

U.S. jet fuel demand fell sharply in the latest reporting week, according to federal data.

Jet supplied (implying demand) for the week ended Jan. 13 totaled 1.238 million b/d, the Energy Information Administration said. That was down from 1.407 million b/d in the previous week and 1.450 million bbl supplied at the same time a year ago.

More telling, however, is the fact that four-week average demand at 1.358 million b/d was 5.6% lower year on year. That shows a trending decline in jet fuel demand.

Weekly inventories rose, likely in response to slackening demand. Total stocks gained 800,000 bbl to 42.3 million bbl for the week. The bulk of that gain was attributed to a 600,000-bbl stock increase in the Gulf Coast and a 400,000-bbl rise in the West Coast. Midwest stocks were unchanged and East Coast stocks fell 200,000 bbl.

Jet fuel production slipped, falling to 1.420 million b/d from 1.489 million b/d for the week. That total includes military as well as commercial jet fuel. Weekly commercial jet production fell to 1.307 million b/d from 1.373 million b/d. The four-week averages show production is ahead of last year; for commercial jet fuel production the comparison is 1.311 million b/d versus 1.297 million b/d for the same four-week period a year ago.

It appears that some of that unneeded jet is going into storage and, as weekly export estimates suggest, the remainder is going overseas. Outbound shipments of jet fuel were pegged at 71,000 b/d in the latest reporting week, down 2,000 b/d on the week.

The longer-term trend, however, is that jet exports are on the rise. The four-week average estimate of jet exports as of mid-January stood at 73,000 b/d, up from 62,000 b/d reported for the same period a year ago.

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COMMERCIAL AIRLINE JET FUEL RANGES

(Contract prices into major airline storage in cts/gal, ex-taxes and discounts)

	LOW	HIGH	AVG	DEL. SPOT
ALBANY, NY	333.91	333.91	333.91	--
ATLANTA, GA	315.89	319.63	317.76	310.58
AUSTIN, TX	317.63	317.63	317.63	310.73
BALTIMORE, MD	316.13	316.33	316.23	310.84
BANGOR, ME	327.01	327.01	327.01	--
BATON ROUGE, LA	319.63	325.25	322.44	309.58
BIRMINGHAM, AL	--	--	--	311.73
BOND-MIAMI, FL	317.13	317.13	317.13	--
BOSTON, MA	322.01	322.01	322.01	313.48
BUFFALO, NY	325.51	328.01	326.76	319.81
CHARLESTON, SC	324.76	324.76	324.76	310.98
CHARLOTTE, NC	315.88	319.63	317.76	310.58
DALLAS METRO, TX	315.03	324.55	320.09	309.98
DC/DULLES, VA	315.63	316.86	316.25	310.83
FT. LAUDERDALE, FL	316.63	335.90	322.40	311.73
GREENSBORO, NC	317.12	319.63	318.38	311.48
GULF COAST, TX	320.40	320.40	320.40	308.73
HARTFORD, CT	327.08	327.08	327.08	316.81
HOOVER'S PT., FL	315.63	316.13	315.88	312.08
HOUSTON, TX	315.63	320.40	318.02	309.98
JFK, NY	320.01	320.01	320.01	311.73
LINDEN, NJ	--	--	--	310.73
LITTLE ROCK, AR	318.40	318.40	318.40	311.48
MIAMI, FL	316.63	316.63	316.63	311.73
MOBILE, AL	324.19	326.63	325.41	311.73
NASHVILLE, TN	--	--	--	311.73
NEW ORLEANS, LA	315.13	315.13	315.13	310.73
NEWARK, NJ	319.51	319.51	319.51	311.58
NEWBURGH, NY	327.01	327.01	327.01	320.56
NORFOLK, VA	319.63	319.63	319.63	311.73
ORLANDO, FL	317.13	338.65	324.39	313.98
PHILADELPHIA, PA	321.76	321.76	321.76	312.23
PITTSBURGH, PA	323.01	323.01	323.01	318.06
PORTLAND, ME	330.16	330.16	330.16	320.06
PT. EVERGLADES, FL	--	--	--	312.48
RALEIGH/APEX, NC	319.83	319.83	319.83	311.48
RICHMOND, VA	310.78	320.13	315.46	310.65
ROANOKE, VA	320.63	320.63	320.63	311.98
ROCHESTER, NY	326.26	326.26	326.26	319.31
SAN ANTONIO, TX	317.18	331.15	324.17	310.48
SAVANNAH, GA	321.60	321.60	321.60	--
SHREVEPORT, LA	330.25	330.25	330.25	312.48
SYRACUSE, NY	--	--	--	319.31
TAMPA, FL	317.45	317.45	317.45	312.48
WILMINGTON, NC	--	--	--	--
Contract Avg. East/Gulf Coast			321.50	
AKRON/CANTON, OH	327.30	327.30	327.30	313.48
CHATTANOOGA, TN	323.63	323.63	323.63	--
CHICAGO, IL	311.60	311.60	311.60	311.08
CINCINNATI, OH	319.13	319.13	319.13	312.98
CLEVELAND, OH	308.37	317.68	313.03	312.48
COLUMBIA, MO	331.20	331.20	331.20	313.23
COLUMBUS, OH	318.43	324.80	321.62	313.73
DAYTON, OH	318.21	318.21	318.21	313.98
DES MOINES, IA	317.87	330.00	323.94	312.98
DETROIT, MI	309.71	311.71	310.54	315.33
FARGO, ND	--	--	--	--
GREEN BAY, WI	--	--	--	315.48
INDIANAPOLIS, IN	316.87	316.87	316.87	311.98
KANSAS CITY, KS	317.47	317.47	317.47	312.73
LEXINGTON, KY	--	--	--	--
LOUISVILLE, KY	320.88	320.88	320.88	313.98
MEMPHIS, TN	317.43	317.43	317.43	311.98
MILWAUKEE, WI	317.93	317.93	317.93	314.48
MINNEAPOLIS, MN	305.36	305.36	305.36	315.73
OKLAHOMA CITY, OK	320.86	323.05	321.96	311.98
OMAHA, NE	317.87	326.15	322.01	313.48
RAPID CITY, SD	344.65	344.65	344.65	--
SALINA, KS	329.20	329.20	329.20	--
ST. LOUIS, MO	330.10	330.10	330.10	--
TOPEKA, KS	324.75	324.75	324.75	312.08
TULSA, OK	316.27	323.20	319.74	311.23
WICHITA, KS	323.66	323.66	323.66	--
Contract Avg. Midwest			321.34	
AMARILLO, TX	322.30	322.30	322.30	--
ANCHORAGE, AK	315.45	319.25	317.35	312.76
BOISE, ID	328.08	328.08	328.08	--
BROWNSVILLE, TX	329.20	329.20	329.20	--
COLORADO SPRINGS, CO	329.25	329.25	329.25	--
DALLAS/FT. WORTH, TX	311.99	324.75	318.37	--
DENVER, CO	316.62	316.62	316.62	312.98
EL PASO, TX	320.63	333.60	325.64	--
HONOLULU, HI	307.45	307.45	307.45	312.76
LAS VEGAS, NV	306.25	306.25	306.25	311.26
LOS ANGELES, CA	308.10	343.75	331.78	309.36
LUBBOCK, TX	326.90	326.90	326.90	--
PHOENIX, AZ	309.65	327.75	318.70	310.86
PORTLAND, OR	--	--	--	307.76
SALT LAKE CITY, UT	336.13	336.13	336.13	332.48
SAN DIEGO, CA	309.75	309.75	309.75	309.76
SAN FRANCISCO, CA	306.30	311.33	308.82	308.01
SEATTLE, WA	308.90	312.58	310.74	312.76
SPARKS/RENO, NV	315.78	315.78	315.78	--
SPOKANE, WA	322.58	322.58	322.58	--
TUCSON, AZ	321.15	321.15	321.15	311.41
Contract Avg. Rocky Mt/West Coast			320.14	

AVIATION GASOLINE U.S. PRICE INDEX

(Avgas prices in U.S. cts/gal)

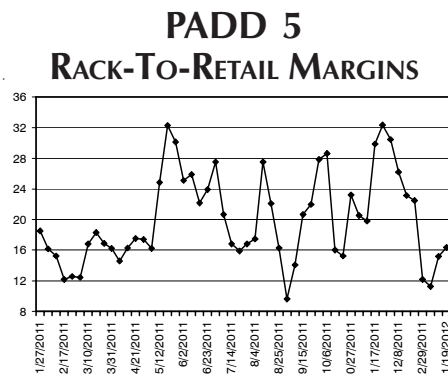
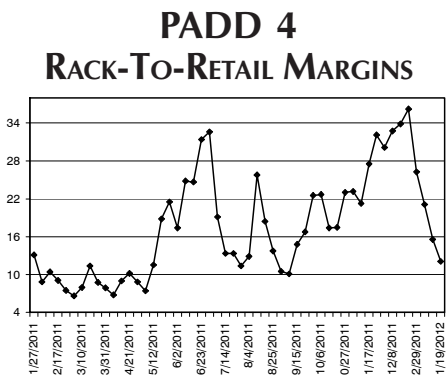
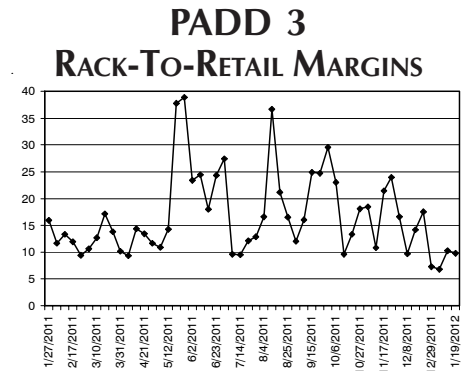
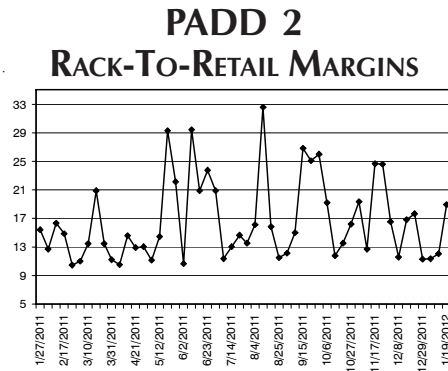
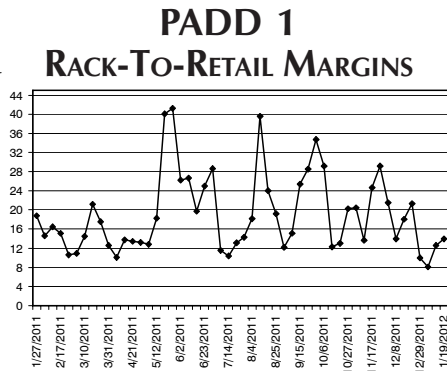
Location	Price	Location	Price
Akron/Canton, OH	406.60	Lubbock, TX	379.55
Albuquerque, NM	382.30	Minneapolis, MN	363.00
Amarillo, TX	369.60	Orlando, FL	406.83
Ardmore, OK	384.80	Oshkosh, WI	377.70
Bar Harbor, ME	411.20	Phoenix, AZ	419.10
Baton Rouge, LA	390.15	Pierre, SD	403.95
Brownsville, TX	408.70	Pn Bnd/FlntHlsRs, MN	363.00
Columbia, MO	375.40	Rapid City, SD	377.70
Columbus, OH	413.60	Rutland, VT	411.90
Dallas Metro, TX	401.50	San Antonio, TX	396.90
Dallas/Ft. Worth, TX	400.90	Shreveport, LA	397.35
El Dorado, AR	396.00	Tulsa, OK	382.25
Ft. Lauderdale, FL	422.90	Tyler, TX	355.97
Greenville, TN	428.75	National Average	392.06
Houston, TX	389.30		
Indianapolis, IN	375.80		
Jefferson City, MO	384.30		
Kansas City, KS	375.38		
Lexington, KY	393.60		

U.S. Jet Fuel Inventory Picture

	(figures in 1,000 b/d)		
	Current	Last	Last
	Week	Week	Year
	01/13/12	01/06/12	01/14/11
Total Imports	1	7	63
Total U.S. Distillates	148,000	147,600	165,797
Total Jet Kero Stocks (1000 bbls)			
U.S. Total	42,300	41,500	43,087
PADD 1	9,300	9,500	9,174
PADD 2	8,500	8,500	8,083
PADD 3	13,200	12,600	14,708
PADD 4	600	700	658
PADD 5	10,600	10,200	10,463

CURRENT MARGINS BY PADD VS YEAR-TO-DATE MARGINS

PADD	-----Current Week-----				-----Year-To-Date-----			
	Retail	Net	Rack	Margin	Retail	Net	Rack	Margin
PADD 1	343.77	292.66	278.74	13.92	339.01	288.19	276.45	11.74
PADD 2	334.84	284.20	265.28	18.92	333.46	283.06	268.20	14.86
PADD 3	323.10	282.57	272.80	9.77	318.99	278.72	269.35	9.37
PADD 4	299.80	256.16	244.10	12.06	301.12	257.68	240.61	17.07
PADD 5	359.95	299.54	283.19	16.34	357.11	297.04	282.78	14.26
National	338.06	287.99	273.14	14.86	334.93	285.11	272.40	12.71



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(continued from Market Overview page 1)

BP also thinks the annual percentage of growth for biofuels will quadruple that of natural gas, a surprising observation considering how cheap natural gas prices are.

Still, BP says renewable fuel consumption will grow 8% annually compared to natural gas growing 2% annually.

These shifts in energy consumption are a key reason the global oil refining business is undergoing a revolution.

On the heels of Hess announcing plans to close its 350,000-b/d Hovensa refinery at St. Croix because of significant financial losses (\$1.3 billion) over the last three years, BP Chief Economist, Christof Ruehl, termed the oil refining outlook “dire” for the next two decades because of excess capacity.

The International Energy Agency cut its estimate of global refinery crude runs by 250,000 b/d in the fourth quarter and 170,000 b/d in the first quarter of 2012, to 74.85 million b/d.

Meanwhile, the Department of Energy has noted gasoline demand is the lowest in over a decade. Current deliveries are 16.5% off peak delivery levels when U.S. gasoline demand was still growing.

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(continued from page 4)

program hasn’t changed. In 2012, about 25% of Western’s gasoline production is hedged at an average spread of about \$17/bbl, and about 45% of distillate output is hedged at about \$29/bbl. For 2013, some 42% of distillate production is hedged at about \$28/bbl.

Equity analysts lowered their expectations for fourth-quarter earnings per share based on the guidance but remain positive in their outlook for Western.

The sale of the Yorktown, Va., terminal has allowed the company to meaningfully lower its debt and cash flow is seen both strong and relatively protected from Euro debt crises because of the crack spread hedges in place.

While the earnings accretion of the construction projects “appears nominal,” returns in the 60-75% range on combined total investment of \$21 million are attractive, Macquarie Capital wrote in a note to clients. “More importantly, WNR is growing its logistics assets that it could monetize in the future using a master limited partnership-oriented strategy,” the analysts added.

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