

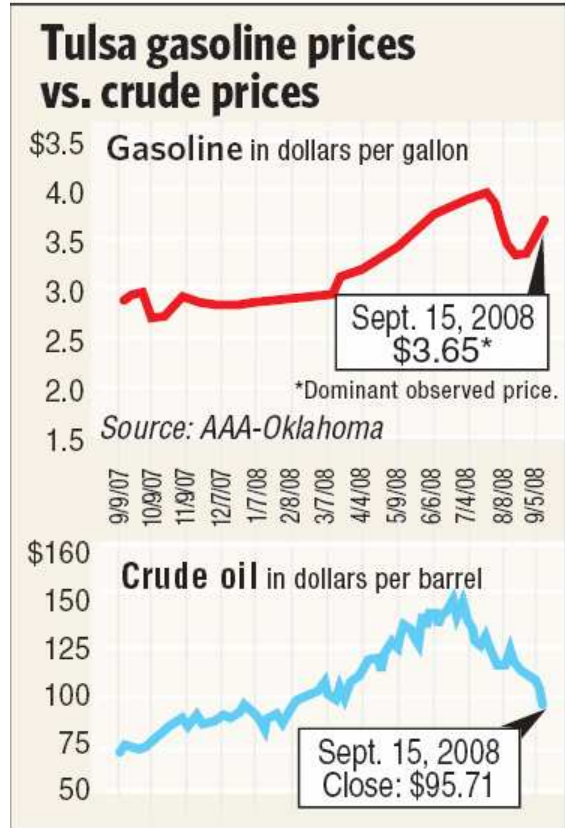
Gasoline prices up despite oil's drop

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By Rod Walton, World Staff Writer

The rare economic crossfire of fuel supply disruptions and Wall Street crisis reverberated Monday as crude oil settled below \$100 per barrel for the first time in six months but gasoline prices at Tulsa stations spiked because of shutdowns in the Gulf of Mexico.



Tulsa World

The strange disconnect between crude and refined petroleum left retail veterans scratching their heads. They can't see how oil is so far down and gas so far up.

"Used to, I could predict it a little bit," said Ken Bippus, who owns the Southland Service Center near 41st Street and Yale Avenue. "I couldn't begin to predict it now."

Light, sweet crude for October delivery closed at \$95.71 per barrel Monday on the New York Mercantile Exchange, the lowest settlement price since March 4. Oil now has lost more than 40 percent of its peak value at \$147 per barrel earlier this summer.

Bippus was amazed at the pace of oil's fall Monday, given that producers are still evaluating damage from Hurricane Ike this past weekend.

"I don't understand that, either," the 25-year retail station veteran admitted.

The refined version of oil, however, wasn't following the downward trajectory, even in Tulsa. A gallon of regular unleaded at most Tulsa stations was selling for up to \$3.69, slightly higher for the ethanol-free variety.

Those pump prices at all of the stations, ethanol-free or otherwise, are significantly higher than what they were only a week ago. Hurricane Ike has hit refinery operations hard on the Texas Gulf Coast, pushing wholesale prices up as much as 15 cents a day, according to reports.

In fact, many refineries are either shut down or still assessing damage from the storm.

The impact was being felt nationwide, including pump prices back above \$4 per gallon and even some shortages in several Southern states.

"It will get slightly worse — supplywise — before it gets better," said Tom Kloza, an analyst for the Oil Price Information Service. "Everyone in the supply and distribution community is making this up as they go along."

The bad news is that, in the short term, the supply chain was hit harder by Ike than even Hurricane Katrina three years ago, he added. On the plus side, things should return to normal more quickly.

"Expect to see prices gravitate and cluster to around \$4 a gallon for gasoline in September and closer to \$3 a gallon in November and December," Kloza predicted. "October is a toss-up."

Some analysts believe that oil is headed much further down than it has fallen. The Lehman Brothers bankruptcy and other crises in the financial sector may push investors out of the commodity market on fears of decreasing demand.

"I think this is giving the bulls further reason to exit the market," said Stephen Schork, an oil analyst and trader in Villanova, Pa.

A strong dollar also could play a role in decreasing oil prices on the world futures market. Speculators and other investors are looking for more lucrative places for their money.

One thing that's not happening, Bippus pointed out, is price-gouging in Tulsa. He is taking a profit margin of less than 2 percent on his gasoline and doesn't believe that other store operators are doing much different, he said.

The problem, Bippus said, is the amount of pure speculation in oil and gasoline prices.

Perceived overreaction may drive the prices dramatically up or down, although gasoline wholesalers tend to be aggressive on the high side.

"Somebody sneezes and they raise the price 10 cents," Bippus said.

The Associated Press contributed to this story.