



### **DOE Inventory Change from prior Week:**

Crude: + 3.2 MB  
Distillate: + 2.2 MB  
Gasoline: + 2.7 MB

### **Days of Supply:**

Distillate:  
This Year 31.5  
Last Year 31.3  
Gasoline:  
This Year 22.2  
Last Year 21.0

### **Demand Compared to same week last Year:**

Distillate:  
Down 300,000 BPD  
Gasoline:  
Down 308,000 BPD

**Toll Free  
Market Update  
866-889-8901**

### **Look Back at One Year Ago:**

Crude: \$87.10  
Heat: \$2.3420  
RBOB: \$2.1475

## **Distillate Talk**

NYMEX trades last week (HOX)  
High: \$2.2705 Low: \$1.9111  
Final: \$1.9465

Heating oil prices continue to fall and many of you have fixed price customers complaining and wanting a lower price. One suggestion is to try to educate those customers by writing a letter to explain how the fixed price process works and how your costs are locked in when you guarantee their price for the winter. The average retail price of on-highway diesel fuel in New England dropped 15.6 cents per gallon in the last week. The price is now (as of 10/27/08) \$3.573. That is currently \$0.323 per gallon higher than last year at this time according to the EIA.

## **Crude Oil Talk**

NYMEX trades last week (CLZ)  
High: \$76.24 Low: \$62.65  
Final: \$64.15

At their emergency meeting on October 24<sup>th</sup> OPEC agreed to cut crude production by 1.5 million barrels per day. The market continued to drop and OPEC is now talking about another meeting ahead of their next scheduled meeting in December.

## **Market Moving Stories**

- OPEC production cuts and the almost non-effect in the market
- Equities markets are now ruling the movements

## **Gasoline Talk**

NYMEX trades last week (RBX)  
High: \$1.7555 Low: \$1.4500  
Final: \$1.4779

Gasoline inventories continue to grow even though the gasoline crack spread is extremely low. Low enough so that many refineries are working to bring gasoline production to a minimum. The question is – will the lower prices cause an increase in demand again? The average retail price of gasoline in New England fell again over the past week, dropping 22.4 cents per gallon. The price is now (as of 10/27/08) \$2.640. Believe it or not that is \$0.192 per gallon LOWER than at this time last year according to the EIA.

## **Kevin's Neck**

I don't think too many out there thought that the prompt month NYMEX crude oil would be in the low \$60's by the end of October, but here we are. Will it continue to drop? I believe that the market could easily drop into the \$50's before it turns back up a bit. OPEC is worried and will most likely want to cut production further, but what about the world economy? The world is not going to recover overnight and the demand will not pick up instantly just because the prices have dropped. It is going to take time for recovery and because of that I don't think we will see the high priced crude and products coming back soon, at least I hope not. If you think Halloween is scary just wait until next week. Candidate's masks don't come off until after the elections!

*E10 (10% ethanol gasoline) can tolerate more moisture/water at higher temperatures.*

*Ethanol has an affinity for water which can be both a benefit and cause problems.*

*The ethanol in E10 gasoline acts as a gas line antifreeze and therefore additional alcohol based dry gas additives are not needed.*



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## This Weeks Question

***“With all the talk about ethanol (E-10) gasoline and its affinity for water, does this mean we will no longer need to use “Dry Gas” in our cars?”***

Many areas in New England have been using ethanol based gasoline and many more areas in Northern New England that have been using conventional gasoline are now changing to an ethanol blend. The ethanol gasoline blend normally contains 10% ethanol (E10). Some E85 is available which contains 85% ethanol. In order to use E85 you must have a vehicle that has been equipped to run on it such as an FFV (Flexible Fuel Vehicle).

Ethanol does have a real affinity for water. This can be both a benefit or can lead to problems. The benefit is the fact that ethanol will absorb small amounts of moisture and water so you do not need to add a dry gas such as isopropyl alcohol or methanol to your fuel system. The ethanol accomplishes the same thing that the gas line antifreeze additives do. So you are correct in your observation that you shouldn't have gas line freeze ups with the ethanol blends. The problem can come if there is too much water in the system.

The reason too much water becomes a problem is that the ethanol based gasoline can only tolerate a limited amount of water. Once the tolerance level is reached the ethanol with the water will drop toward the bottom of the tank. This condition is called a phase separation. The lower layer will contain the water/ethanol mixture which may contain as much as 75% ethanol (it may also contain some gasoline). The top layer will contain the gasoline which will have a lower octane without the ethanol in it. If this phase separation takes place the gasoline is usually unusable and needs to be pumped out of the tank. The water/ethanol mixture has to be completely cleaned out before any more gasoline is put into the tank.

So – just how much water can the ethanol tolerate before phase separation occurs? It depends on the temperature of the product. Lower temperatures cause a lower water tolerance. A 10% ethanol gasoline blend at 60°F will be able to tolerate up to 0.5% water but at 10°F the tolerance drops to around 0.3% water. You can safely figure that a 10% ethanol gasoline blend can tolerate up to 0.2% water before you have to start considering the possibility of phase separation. That would be just over 1.5 teaspoons of water per gallon of gasoline.

If you have any questions you would like answered about petroleum (the market, product quality, fixed pricing, etc.) in a future edition of **Petroleum Street Talk** please email to: [kevin.mikoski@irvingoil.com](mailto:kevin.mikoski@irvingoil.com) (all responders will remain anonymous). Remember the only dumb question is the one not asked!

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