

reporting, our sources believe that Powerine's chances of restarting this year (or ever) are very low for the following reasons:

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1) The refinery process units and equipment is still under contract to Vas Kenyan whose intentions were to ship it to India. The group that bought the refinery land must first buy the equipment back from Kenyan before it gets on a boat.

Kenyan may already have contracts in India that may not be broken or are more valuable than a sellback to the new Powerine group.

2) They estimate the start up expenses to be rather high - \$20MM; sounds steep but even at half that, it's a big number. There are serious doubts that financing can be acquired for the startup plus any low margin periods.

Even if they restart and they get a 7cent exemption, with current conventional refining margins so bad, the exemption may not be enough to make money for them on an operating basis. When we looked over their books last year, their operating expenses were about 5cpg of G&D higher than ours so they don't have alot of comfort zone if they have any operating problems in the restart.

Alot of big if's need to come through for Powerine to restart.

Bottom line: I'd bet Barry Switzer gets 'coach of the year' before Powerine restarts.

Jim

Reply Separator

Subject: POWERINE CARB SMALL REFINER

STATUS

Author: Mark J. Dizic at TORMFG-PO1

Date: 2/3/96 2:06 PM

JIM, ANY COMMENTS AS TO WHETHER POWERINE WOULD EVEN STARTUP? REGARDS MARK

LUCILLE,
IF POWERINE RE-STARTS AND GETS THE SMALL REFINER EXEMPTION , I BELIEVE THE CARB MARKET PREMIUM WILL BE IMPACTED. COULD BE BY AS MUCH AS 2 -3 CPG.

AS BACKGROUND, WE HAVE BEEN PROJECTING THE CAL CARB POSITION TO BE BALANCED TO SHORT IN THE SUMMER AND LONG IN THE WINTER. THE POTENTIAL SUMMER SHORTFALL WOULD PROBABLY BE MET VIA GULF COAST ALKYLATE IMPORTS WHICH WE ESTIMATE WOULD EQUATE TO CARB PLUS A 10-12 CPG PREMIUM TO CONVENTIONAL. IN THE WINTER, WE WOULD EXPECT THE CARB PREMIUM WOULD BE NO LESS THAN THE REFINERS INCRMENTAL COST OF PRODUCTION , OR ABOUT 7-8 CPG. ON AVERAGE , WITHOUT ANY SUPPLY DISRUPTIONS THIS WOULD MEAN AN AVERAGE CARB PREMIUM OF ABOUT 9-10CPG VERSUS CONVENTIONAL.

MOB 17884

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THE RE-START OF POWERINE , WHICH RESULTS IN 20-25 TBO OF GASOLINE SUPPLY AT A COST OF ONLY 4-5 CPG VERSUS CONVENTIONAL (COST OF MTBE BLENDING), COULD BACK OUT SUMMER ALKYLATE IMPORTS AND EFFECTIVELY SET THE CARB PREMIUM A COUPLE CPG LOWER (ADVANTAGE OF 6-8CPG VERSUS IMPORTS). IN THE WINTER , THE POWERINE INCREMENTAL COST IS 2-3 CPG LOWER THAN OTHER REFINERY INCREMENTAL COSTS. REGARDING THE OTHER TO SMALL REFINERS , KERN AND PARAMOUNT, I DONT SEE ANY REAL IMPACT . EACH REFINER CAN PROBABLY SUPPLY MAX STBD, AND KERN IS UP NORTH.

NEEDLESS TO SAY, WE WOULD ALL LIKE TO SEE POWERINE STAY DOWN. FULL COURT PRESS IS WARRANTED IN THIS CASE AND I KNOW BRIAN AND CHUCK ARE WORKING THIS HARD. ONE OTHER THOUGHT, IF THEY DO START UP, DEPENDING ON CIRCUMSTANCES , MIGHT BE WORTH BUYING OUT THEIR PRODUCTION AND MARKETING OURSELVES. ESPECIALLY IF THEY START TO MARKET BELOW OUR INCREMENTAL COST OF PRODUCTION. LAST YEAR WHEN THEY WERE DUMPING RFG AT BELOW COST OF MTBE , WE PURCHASED ALL THEIR AVAILS AND MARKETED OURSELVES WHICH I BELIEVE WAS A MAJOR REASON THAT THE RFG PREMIUM LAST YEAR WENT FROM 1 CPG IN JAN TO 3-5CPG THRU TO THEIR SHUTDOWN. WE'LL HAVE TO SEE HOW THIS PLAYS OUT , HOWEVER, IF THEY DO START UP, I'D SERIOUSLY CONSIDER THIS TACTIC. REGARDS MARK

Please develop response. Thanks.

Forward Header

Subject: POWERINE CARB SMALL REFINER

STATUS

Author: MCCOOL/RJ (NECCVMD.RJMCCOOL) at CCFXGTW1

Date: 2/2/96 2:39 PM

To: LJCAVANA--TORI LJ CAVANAUGH

cc: GWBERRY --NECCVMA GW BERRY

MDDIMEZZ--NECCVMD MD DIMEZZA

From: Bob McCoel

Subject: POWERINE CARB SMALL REFINER STATUS

if they get ok, what impact

bob

Bob

*** Forwarding note from RJMCCOOL--NECCVMD 02/02/96 13:41 ***

To: EARENNA --FFX1 EA RENNA

cc: DMSHERMA--FFX1 DM SHERMAN

From: Bob McCoel

Subject: POWERINE CARB SMALL REFINER STATUS

fyi

bob

Bob

*** Forwarding note from BMHARNEY--FFX7 96/02/02 14:31 ***

From: Brian M. Harney at FFXMFG-PO1 1996/02/02 14:31

To: MCCOOL/RJ (NECCVMD.RJMCCOOL) at CCFXGTW1

cc: Charles R. Morgan at TORMFG-PO1, Randy T. Smith at FFXMFG-PO1

Subject: POWERINE CARB SMALL REFINER STATUS

To: Lucille J. Cavanaugh at TORMFG-PO1

cc: Vickie S. Jones at FFXMFG-PO1

MOB 17685

----- Message Contents

----- Forwarded with
Changes ----- From: Charles R. Morgan at TORMFG-PO1

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Date: 2/2/96 8:41AM
 To: Randy T. Smith at FFXMFG-PO1
 cc: Brian M. Harney at FFXMFG-PO1
 cc: Vickie S. Jones at FFXMFG-PO1
 Subject: POWERINE CARB SMALL REFINER STATUS

----- Forwarded

----- From: John F. Faulstich at TORMFG-PO1

Date: 2/1/96 6:52AM
 To: Charles R. Morgan
 To: Joseph V. Waldinger
 cc: Jim E. Horner
 cc: Wes T. Yee
 cc: HACKITT/DJ* (NECCVMA.DJHACKET) at CCFXGTWI
 cc: MERGOTTI/GA (NECCVMD.GAMERGOT) at CCFXGTWI
 *cc: #Business Leadership Team
 Subject: POWERINE CARB SMALL REFINER STATUS

FYI-We vigorously opposed the small refiner exemption when it was proposed back in 1993. We also participated in a law suit with other majors to oppose the exemption.

While the exemption was adopted and the law suit was not successful, Chuck Morgan was able to get some significant requirements put into the regs that had to be met before an exemption could be granted.

Chuck and Randy are working the issue of these applications now with CARB and we're contacting our lobbyist to see what else can be done. WSPA is not involved because of antitrust issues.

Brian

----- Forward Header

----- Subject: POWERINE CARB SMALL REFINER

STATUS

Author: Charles R. Morgan at TORMFG-PO1
 Date: 2/2/96 8:41 AM

CARB DECISION ON POWERINE WAIVER WON'T COME UNTIL NEXT WEEK

96-01-31 14:31:07 EST

CARB DECISION ON POWERINE WAIVER WON'T COME UNTIL NEXT WEEK

A decision from the California Air Resources Board (CARB) on whether

or not to grant a small refiner waiver to Powerine won't come until next week, say CARB officials. A board of ARB members is still weighing whether or not to grant the waiver not only to Powerine, but also to Kern and Paramount as well.

If the ARB grants the waiver to Powerine, it would have considerable

effect on the market. It would mean that for one year, Powerine could produce a fuel that would have only four of the eight properties that CARB mandates be in all gasoline produced after March 1, 1996. That means as much as 7ct gal price advantage for Powerine, versus other L.A. refiners such as Chevron and Texaco. In addition, if the waiver is granted, Powerine would also have the right to reapply for another one-year waiver.

Sources on the West Coast note that the market is less concerned about the Paramount and Kern applications, since neither of those

refiners are big shippers on the SFP pipeline system. Powerine, if they resume operations, would be a big shippers into the L.A. basin,

MOB 17686