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Tesoro Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Neil McMahon from Sanford Bernstein. Your line is now open.

Neil McMahon - Sanford C. Bernstein & Co

Few questions.

Bruce Smith

Hi, Neil.

Neil McMahon - Sanford C. Bernstein & Co

Hi.

Bruce Smith

Good morning, how are you?

Neil McMahon - Sanford C. Bernstein & Co

Not too bad, thank you. In terms of the price you're getting for your crude in Mandan and the one in Utah, are you getting differentiated prices in those locations because the processors are struggling at export volumes, is that still coming through? And I have got two follow-up questions as well.

Everett Lewis

The answer on... this is Everett Lewis. The answer on the crude prices in Mandan and Salt Lake occasions are, we're still getting differentiated prices in those locations, we certainly got them in the fourth quarter. I think as things shift around in the crude market in the first quarter we're seeing less of that, but we're still getting a benefit.

Bruce Smith

I think it's fair to say that differentials are always better with higher prices the narrower they get, the narrower the differentials get.

Neil McMahon - Sanford C. Bernstein & Co

And the second one relating to the fourth quarter is looking at Hawaii, the delay in the retail pricing in Hawaii versus the drop you saw in, say California through the fourth quarter. How much does that help your profits from that Mid-Pacific region?

Everett Lewis

I think that... there are some differences in timing on the retail prices amongst the different regions, but I don't...the bigger effect you see in Hawaii is the effect of the crude versus some of our product sales contracts, and that's much more relevant than the impact on the retail which is a considerably smaller number. We saw...

Neil McMahon - Sanford C. Bernstein & Co

Okay.

Everett Lewis

Some of the fuel oil on a pre-price basis and when crude price are going down that shows an advantage in earnings as Bruce pointed out in his remarks.

Bruce Smith

It can be oil stations, it's really not the gasoline and the products link there. So even when you get good strong retail prices it's less significant there.

Neil McMahon - Sanford C. Bernstein & Co

Okay. And just two final ones from me. Looking at the volumes from Jamnagar are you seeing any hit in the West Coast at the minute in terms of... or you're expecting them to come later on in the year waiting for the summer gasoline season?

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