

St Croix Refinery Seen Unaffected By US-Venezuela Spat

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CHARLOTTE AMALIE, U.S. Virgin Islands (AP)--A huge oil refinery co-owned by a Venezuelan and a U.S. company shouldn't feel so much as a ripple from stormy relations between the two nations, company officials and experts said Wednesday.

Washington and left-leaning Venezuelan President Hugo Chavez have sparred over ideological differences, with Chavez at times threatening to cut off oil to the U.S. if it were to back an attempt to oust him.

On Wednesday, U.S. Defense Secretary Donald H. Rumsfeld criticized Venezuela's reported efforts to purchase 100,000 AK-47 assault rifles from Russia, suggesting that such a purchase could threaten the hemisphere.

But officials at the Hovensa oil refinery, the second largest in the Western Hemisphere, located in the U.S. Caribbean island St. Croix, say they're certain the crude will keep coming, despite the tough talk. "It's inconceivable to me that a parent company would do anything deliberately to restrict or stop the flow of Venezuelan crude to Hovensa because it would ultimately effect the business of the parent company," said Alex Moorhead, spokesman for Hovensa, LLC.

About 60% of the refinery's crude comes from Venezuela, the world's fifth largest oil producing country that supplies more than 13% of total U.S. crude oil imports.

Oil prices set a new record high last week and are currently hovering above \$53 a barrel. U.S. gasoline prices shot up by 3.2% in February.

Other industry analysts agree, saying the threats are taken seriously in Washington but will more likely remain political rhetoric.

"I don't think it will translate into action unless there is some sort of showdown," said **Gal Luft**, executive director of the Institute for the Analysis of Global Security, a Washington-based energy policy think tank.

Luft said the refinery, capable of producing 50,000 barrels of fuel a day, is vital to both nations.

U.S. demand for oil requires more refineries, not less, Luft said, and the U.S. is Venezuela's best customer.

Crude oil varies widely in impurities, such as sulfur content, he said, and right now the U.S. has more refineries specifically built to process Venezuelan crude than any other country.

Chavez has most recently said Venezuela plans to keep selling oil to the U.S. and he hopes to have good relations, but some analysts say the country could start to slowly sell off its U.S. oil interests, which include Citgo.

Hovensa, co-owned by New York-based Amerada Hess Corp. (AHC) and Petroleos de Venezuela SA (PVZ.YY), the national oil company of Venezuela, is situated on St. Croix's southern coast in the U.S. Caribbean territory of 110,000.

"We don't see any direct impact (from the dispute). Both of us have a vested interest in the refinery," said Jay Wilson, Amerada Hess' vice president of investor relations.