

# Energy Situation Analysis Report

Last Updated: June 27, 2002

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## Latest Oil Market Developments

West Texas Intermediate (WTI) near month futures prices on the NYMEX were up 44 cents per barrel yesterday to settle at \$26.76 per barrel. This followed OPEC's announcement at its meeting in Vienna that the cartel would not raise third quarter production quotas. [more...](#)

## Latest U.S. Weekly EIA Petroleum Information

Motor gasoline imports once again set a record last week (the third record set this year), with over 1.1 million barrels per day of total gasoline (including blending components) imported into the United States. U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 3.4 million barrels last week, due to the drop in crude oil imports, but remain near the middle of the normal range for this time of year. [more...](#)

## World Oil Market Highlights

During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region. [more...](#)

## Latest U.S. Weekly Natural Gas Information

Spot prices climbed at most market locations in the Lower 48 States early in the week, driven principally by soaring temperatures across the country. [more...](#)

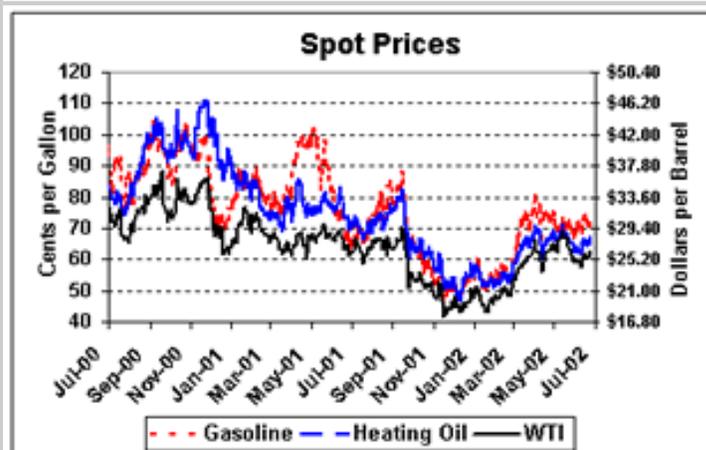
## Latest U.S. Coal Information

U.S. spot coal prices in recent months have alternately fallen or held relatively steady. Allowing for changes in the price indexes since last summer, Illinois, Uinta, and Powder River Basin coals in 2002 have continued the level-to-slowly-declining price profiles established in mid-to-late-2001, while spot prices for Central and Northern

## Energy Prices\*

Petroleum Futures	6/26/02 6/25/02 Change		
	6/26/02	6/25/02	Change
WTI (\$/Bbl)	26.76	26.32	+0.44
Gasoline (c/gallon)	78.51	77.32	+1.19
Heating Oil (c/gallon)	66.63	65.89	+0.74
<b>Natural Gas (\$/MMBtu)</b>			
Henry Hub	3.42	3.49	-0.07
California	2.85	2.99	-0.14
New York City	4.01	4.15	-0.14
<b>Electricity (\$/Megawatthour)</b>			
COB	27.20	23.90	+3.30
Palo Verde	46.51	42.00	+4.51
Average	47.08	41.31	+5.77

[\\*Definitions](#)

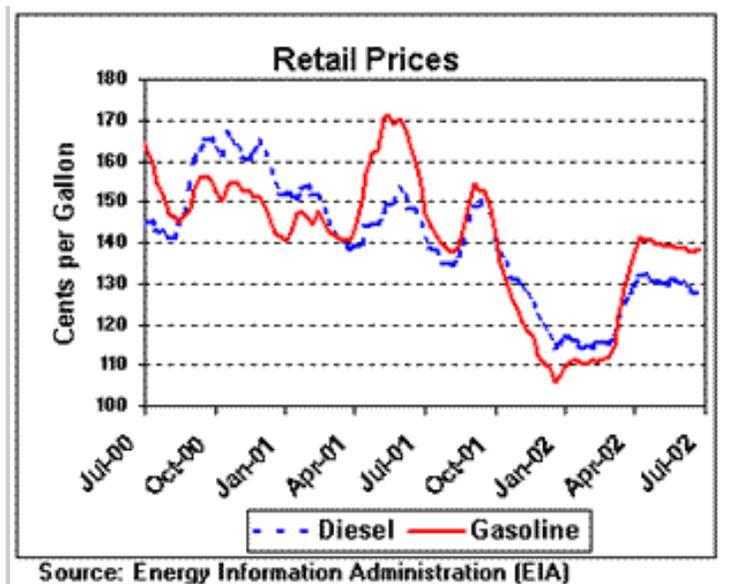


Source: Closing quote as reported by Reuters News Service

Appalachia have declined more steeply. [more...](#)

### Latest U.S. Electricity Information

Prices at the Cinergy Trading Center and in the Northeast region have been increasing over the past seven days, as warmer temperatures have increased demand. Over the past seven days, the average price at all trading centers has ranged between \$30.76 per megawatthour and \$47.08 per megawatthour. [more...](#)



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# Latest Oil Market Developments

(updated June 27, 2002)

West Texas Intermediate (WTI) near month futures prices on the NYMEX were up 44 cents per barrel yesterday to settle at \$26.76 per barrel. This followed OPEC's announcement at its meeting in Vienna that the cartel would not raise third quarter production quotas. Although this was not unexpected and OPEC-10 (excluding Iraq) is estimated to be exceeding its quota agreement by about 1.4 million barrels per day, the announcement that there would not be an increase in production quotas was nonetheless a bullish factor on yesterday's market. Some analysts estimate oil demand growth of at least 1.5 million barrels per day later this year, indicating a tighter balance in the future that could possibly lead to price increases. However, a senior OPEC official indicated yesterday that OPEC is ready to raise its production quotas for the fourth quarter of 2002 if the expected demand increase materializes. OPEC's next meeting is September 18. Also propping up oil prices is the continuing violence in the Middle East. Over roughly the past month, WTI prices have fallen from \$28-\$29 per barrel and settled in the \$24-\$25 per barrel range until this week. Crude oil futures at the NYMEX were up slightly today, with the NYMEX WTI near-month price settling at \$26.86 per barrel.

Other topics affecting **world oil markets** include:

- EIA reported a U.S. commercial crude stock draws of 3.4 million barrels for last week. This was somewhat larger than expected, making it a mildly bullish factor on the markets yesterday, although inventories remain near the middle of the normal range for this time of year.
- Mexico announced today that it would maintain its crude oil exports at 1.66 million barrels per day in the third quarter of 2002, continuing its agreement with OPEC from the beginning of the year.
- OPEC announced yesterday that Venezuelan Oil Minister Alvaro Silva will succeed Ali Rodriguez as OPEC Secretary General for the remainder of his three-year term.
- The UN Iraq Sanctions Committee discussed on Wednesday a French proposal for a new system of approving Iraqi oil prices every 15 days rather than once a month, and the establishment of strict criteria for companies that buy Iraqi oil. However, no agreement was reached, and the retroactive pricing system will remain in place for the time being. The committee will discuss the proposal again in two weeks.
- As of June 27, the US Strategic Petroleum Reserve (SPR) contained 574.7 million barrels of oil. The SPR has a maximum drawdown capability of 4.18 million barrels per day for 90 days, with oil beginning to arrive in the marketplace 15 days after a presidential decision to initiate a drawdown.

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## Latest U.S. Weekly EIA Petroleum Information

(updated June 27, 2002)

For the week ending June 21, U.S. crude oil refinery inputs averaged 15.3 million barrels per day, down more than 100,000 barrels per day from the previous week. Most of the decrease was in PADD II (Midwest) and PADD V (West Coast), with PADD IV (Rocky Mountains) the only region showing even a small increase. Over the last four weeks, crude oil inputs have averaged about 15.4 million barrels per day, or about 300,000 barrels per day less than last year. Motor gasoline, total distillate fuel, and jet fuel refinery production were all down slightly last week, but low-sulfur distillate fuel (often referred to as diesel fuel) was up slightly compared to the week ending June 14.

U.S. crude oil imports continued their up-and-down trend over the last several weeks, falling to 9.0 million barrels per day. During the most recent four weeks, crude oil imports have averaged about 9.0 million barrels per day, or over 200,000 barrels per day lower than during the same four-week period last year. This reflects production cuts made by OPEC and some non-OPEC producing countries earlier this year. Although the sources of weekly crude oil imports are very preliminary and thus not published, it appears that some Iraqi crude oil entered the United States last week, but less than would normally come in, reflective of reduced Iraqi exports in the last couple of months due both to a self-imposed embargo and disputes over the pricing of their exports. Motor gasoline imports once again set a record last week (the third record set this year), with over 1.1 million barrels per day of total gasoline (including blending components) imported into the United States.

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 3.4 million barrels last week, due to the drop in crude oil imports, but remain near the middle of the normal range for this time of year. U.S. crude oil inventories are 4.6 million barrels above year-earlier levels. Motor gasoline inventories rose by 1.2 million barrels, but are 1.6 million barrels below year-ago levels. Distillate fuel inventories fell by 0.9 million barrels last week, with declines in both high-sulfur (often referred to as heating oil) and low-sulfur distillate fuel.

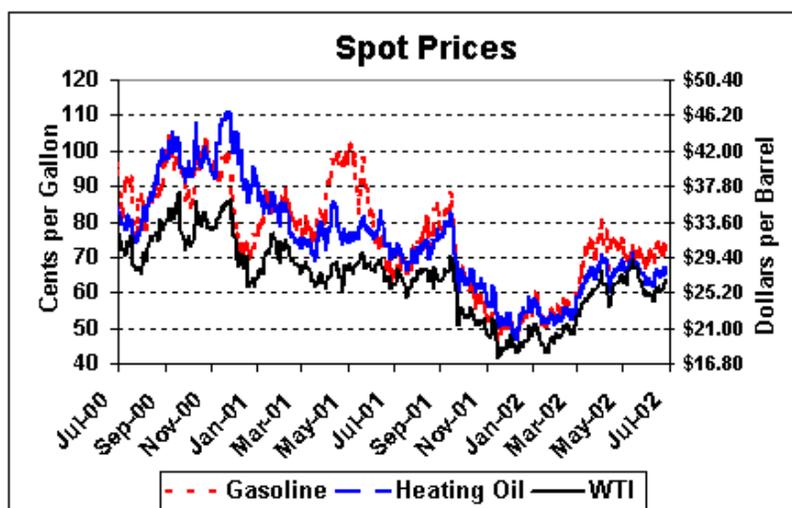
Total product supplied over the last four-week period averaged 19.5 million barrels per day, or about 0.2% less than last year. Motor gasoline demand has averaged 1.5% above last year's level over the last four weeks, while distillate fuel, residual fuel, and jet fuel demand continue to show declines from year-ago levels.

### U.S. Retail Gasoline Price Creeps Up 0.6 Cent

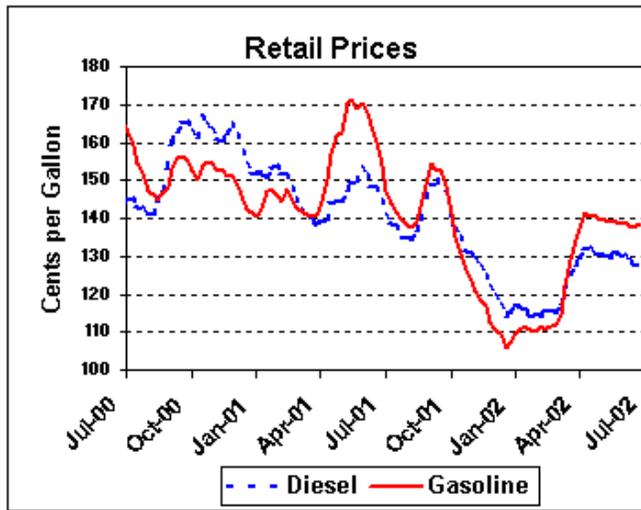
The retail price for regular gasoline rose 0.6 cent last week, ending at 138.4 cents per gallon as of June 24. This price is 15.4 cents per gallon lower than last year. Prices were mostly up throughout the country, with the largest increase occurring in the Rocky Mountain region. Price decreases were seen in New England, the Central Atlantic, and the Gulf Coast. Prices have remained relatively flat over the past eleven weeks, although prices have risen by almost a cent over the last two weeks. Prices could possibly rise in the next few weeks, if gasoline demand increases, while supplies lag. OPEC has chosen not to increase quotas for the time being, and while U.S. crude oil inventories remain comfortable, continued comfort will depend on steady, if not higher, crude oil imports. Retail diesel fuel prices increased by 0.6 cent per gallon to a national average of 128.1 cents per gallon as of June 24.

## U.S. Petroleum Prices

(updated June 27, 2002)



Source: Closing quote as reported by Reuters News Service



Source: Energy Information Administration (EIA)

### Crude Oil and Oil Products Price Table

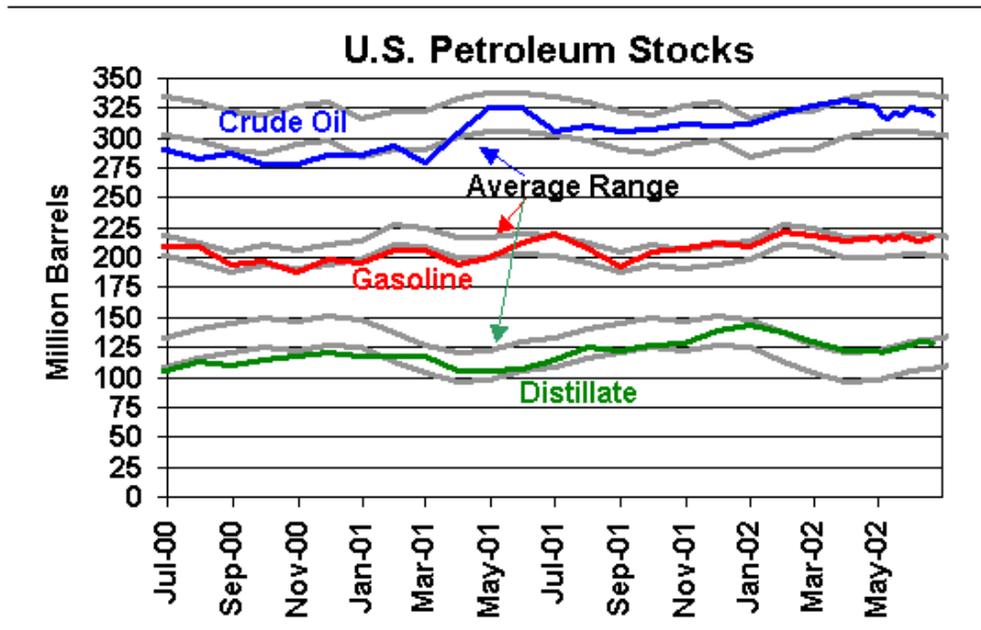
Date	WTI Crude Oil		Gasoline		Heating Oil		Kerojet	Propane		EIA Weekly Retail	
	Spot	Futures	Spot	Futures	Spot	Futures	Spot	Spot	Spot	Gasoline	Diesel
	Cushing		NYH		NYH		NYH	Mt. Belvieu	Conway		
	\$/bbl	\$/bbl	cents per gallon	cents per gallon	cents per gallon	cents per gallon	c/gal	cents per gallon	cents per gallon	cents per gallon	cents per gallon
5/9/2002	\$27.78	\$27.68	68.79	77.46	67.35	67.79	69.38	41.38	39.25		
5/10/2002	\$27.92	\$27.99	70.33	79.05	68.25	68.92	70.13	41.38	39.25		
5/13/2002	\$28.62	\$28.38	72.03	79.73	69.25	69.45	71.38	41.26	39.07	138.8	129.9
5/14/2002	\$29.17	\$29.36	72.93	82.63	70.90	71.68	73.00	42.75	39.69		
5/15/2002	\$28.17	\$28.15	69.49	78.82	67.67	67.79	69.77	41.82	37.88		
5/16/2002	\$28.00	\$27.95	70.38	79.53	68.12	68.16	70.22	41.13	39.00		
5/17/2002	\$28.19	\$28.18	71.35	80.38	68.40	68.60	70.60	41.13	39.00		
5/20/2002	\$28.24	\$28.33	71.25	80.64	68.20	68.99	70.40	41.50	38.63	139.7	130.9
5/21/2002	\$27.35	\$27.33	69.90	78.44	66.35	66.77	69.10	40.82	37.76		
5/22/2002	\$27.01	\$26.37	72.70	79.68	66.80	66.95	69.80	40.44	37.07		
5/23/2002	\$26.60	\$26.15	71.38	78.83	65.90	66.50	69.30	40.57	36.57		
5/24/2002	\$26.69	\$25.88	70.80	79.01	65.45	65.95	69.03	39.57	36.75		
5/27/2002	NA	NA	NA	NA	NA	NA	NA	NA	NA	138.7	130.8
5/28/2002	\$25.08	\$25.27	68.43	75.85	65.45	63.99	69.03	39.13	35.57		
5/29/2002	\$25.64	\$25.76	69.48	77.21	64.90	65.31	68.15	35.32	38.50		
5/30/2002	\$24.78	\$24.67	66.86	73.36	62.20	62.15	65.40	37.88	35.38		
5/31/2002	\$25.37	\$25.31	68.50	73.83	63.00	62.97	66.20	38.13	35.38		
6/3/2002	\$25.10	\$25.08	68.87	74.64	62.77	63.50	65.82	38.07	35.13	139.2	130.0
6/4/2002	\$25.32	\$25.33	70.50	75.34	63.25	64.28	66.15	38.01	35.00		
6/5/2002	\$25.02	\$24.89	71.57	75.13	63.03	63.60	65.58	37.26	34.32		
6/6/2002	\$24.89	\$24.79	71.40	75.70	62.70	63.48	65.43	36.94	34.32		
6/7/2002	\$24.72	\$24.75	70.82	75.09	62.65	63.17	65.38	37.07	34.25		
6/10/2002	\$24.24	\$24.29	68.78	73.79	61.65	62.33	64.15	36.38	33.57	137.5	128.6
6/11/2002	\$24.21	\$24.12	68.36	73.29	61.70	61.86	65.07	34.76	33.25		
6/12/2002	\$24.79	\$24.64	69.20	75.10	62.93	63.07	66.33	36.75	33.63		
6/13/2002	\$25.54	\$25.64	72.43	77.85	65.40	66.03	68.80	37.82	35.19		
6/14/2002	\$25.90	\$25.94	73.65	78.70	65.80	66.40	69.63	37.82	35.19		
6/17/2002	\$25.98	\$26.09	73.90	79.10	66.05	66.49	69.77	38.50	36.50	137.8	127.5
6/18/2002	\$25.36	\$25.43	73.15	77.66	65.18	65.49	68.50	37.57	36.50		
6/19/2002	\$25.57	\$25.31	72.05	76.84	65.03	65.24	68.23	37.75	36.13		
6/20/2002	\$25.62	\$25.53	71.60	76.96	65.75	66.03	69.48	37.44	35.63		
6/21/2002	\$25.51	\$25.82	70.30	75.57	64.80	64.89	68.53	37.38	35.94		
6/24/2002	\$26.31	\$26.47	73.50	77.77	66.75	66.64	70.80	37.88	36.00	138.4	128.1
6/25/2002	\$26.06	\$26.32	72.13	77.32	65.68	65.89	69.28	38.25	36.13		
6/26/2002	\$26.67	\$26.76	73.57	78.51	66.33	66.63	70.82	38.00	35.50		

Source: Spot and futures closing quotes as reported by Reuters News Service, retail prices reported by EIA

## Energy Situation Analysis Report

## U.S. Petroleum Supply

(Thousand Barrels per Day)	Four Weeks Ending		vs. Year Ago	
	6/21/2002	6/21/2001	Diff.	% Diff.
<b>Refinery Activity</b>				
Crude Oil Input	15,395	15,683	-288	-1.8%
Operable Capacity	16,800	16,624	176	1.1%
Operable Capacity Utilization (%)	92.9%	95.8%	-2.9%	
<b>Production</b>				
Motor Gasoline	8,417	8,641	-224	-2.6%
Jet Fuel	1,498	1,632	-134	-8.2%
Distillate Fuel Oil	3,661	3,688	-27	-0.7%
<b>Imports</b>				
Crude Oil (incl. SPR)	9,036	9,328	-292	-3.1%
Motor Gasoline	800	846	-46	-5.4%
Jet Fuel	111	165	-54	-32.7%
Distillate Fuel Oil	182	304	-122	-40.2%
<b>Total</b>	<b>11,230</b>	<b>11,960</b>	<b>-730</b>	<b>-6.1%</b>
<b>Exports</b>				
Crude Oil	30	29	1	3.4%
Products	931	974	-43	-4.4%
<b>Total</b>	<b>961</b>	<b>1,003</b>	<b>-42</b>	<b>-4.1%</b>
<b>Products Supplied</b>				
Motor Gasoline	8,826	8,698	128	1.5%
Jet Fuel	1,573	1,744	-171	-9.8%
Distillate Fuel Oil	3,553	3,679	-126	-3.4%
<b>Total</b>	<b>19,497</b>	<b>19,541</b>	<b>-44</b>	<b>-0.2%</b>
<b>Stocks (Million Barrels)</b>				
	<b>6/21/2002</b>	<b>6/21/2001</b>	<b>vs. Year Ago</b>	
Crude Oil (excl. SPR)	319.6	315.0	4.6	1.5%
Motor Gasoline	216.4	218.0	-1.6	-0.7%
Jet Fuel	40.8	42.7	-1.9	-4.4%
Distillate Fuel Oil	128.6	111.6	17.0	15.2%
<b>Total (excl. SPR)</b>	<b>1,029.6</b>	<b>1,017.2</b>	<b>12.4</b>	<b>1.2%</b>



Source: Energy Information Administration, Weekly Petroleum Status Report, Petroleum Supply Monthly.

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## World Oil Market Highlights

(updated June 18, 2002)

According to second quarter 2002 estimates, the world holds about 6.4 million barrels per day of excess oil production capacity, over 90% of which lies in OPEC countries. This figure does not include Iraqi spare capacity.

<b>Major Sources of U.S. Petroleum Imports, 2001*</b>			
(all volumes in million barrels per day)			
	<b>Total Oil Imports</b>	<b>Crude Oil Imports</b>	<b>Petroleum Product Imports</b>
<b>Canada</b>	1.83	1.36	0.47
<b>Saudi Arabia</b>	1.66	1.61	0.05
<b>Venezuela</b>	1.55	1.29	0.26
<b>Mexico</b>	1.44	1.39	0.05
<b>Nigeria</b>	0.89	0.84	0.04
<b>Iraq</b>	0.80	0.80	0.00
<b>Norway</b>	0.34	0.28	0.06
<b>Angola</b>	0.33	0.32	0.01
<b>United Kingdom</b>	0.32	0.24	0.08
<b>Total Imports</b>	<b>11.87</b>	<b>9.33</b>	<b>2.54</b>

\* Table includes all countries from which the U.S. imported more than 300,000 barrels per day in 2001.

<b>Top World Oil Net Exporters, 2001*</b>		
	<b>Country</b>	<b>Net Exports (million barrels per day)</b>
1)	Saudi Arabia	7.38
2)	Russia	4.76
3)	Norway	3.22
4)	Iran	2.74
5)	Venezuela	2.60
6)	United Arab Emirates	2.09
7)	Nigeria	2.00
8)	Iraq	2.00
9)	Kuwait	1.80
10)	Mexico	1.65
11)	Libya	1.24

12) Algeria

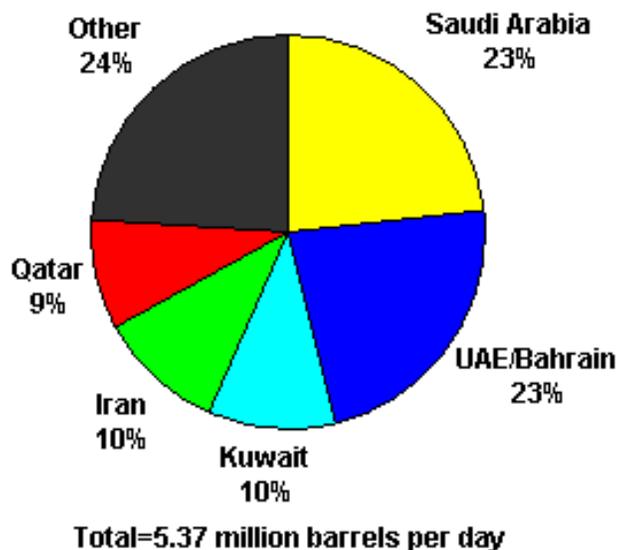
1.24

*\*Table includes all countries with net exports exceeding 1 million barrels per day in 2001.*

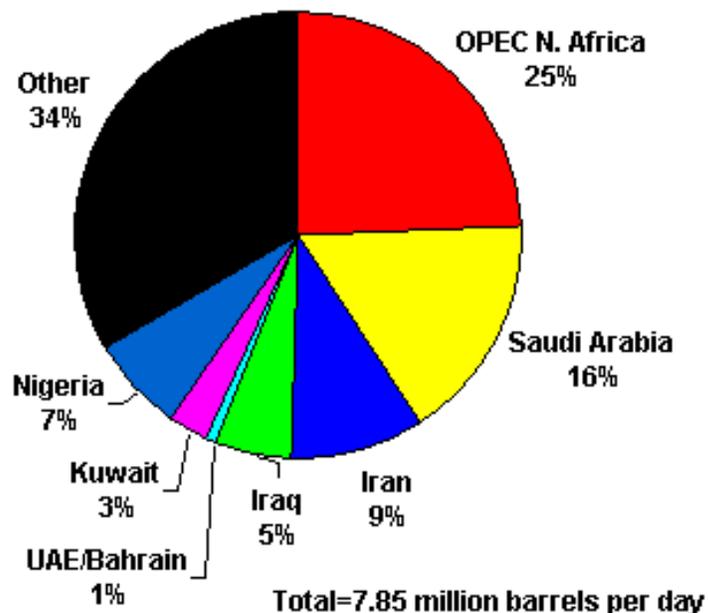
During 2001, about 48% of U.S. crude oil imports came from the Western Hemisphere (19% from South America, 15% from Mexico, 14% from Canada), while 30% came from the Persian Gulf region (18% from Saudi Arabia, 9% from Iraq, 3% from Kuwait).

In general, OECD Europe depends far more heavily on the Persian Gulf and North Africa for oil imports than the United States. During 2001, about 35% of OECD Europe's net oil imports came from the Persian Gulf (mainly Saudi Arabia, Iran, Iraq, and Kuwait), around one-third from Africa (mainly Libya, Algeria, and Nigeria), and much of the remainder from Russia. Japan receives over three-quarters of its oil supplies from the Persian Gulf (mainly the UAE, Saudi Arabia, Kuwait, Iran, and Qatar) with the remainder coming from Indonesia, China, and other sources.

**Japanese Net Oil Imports by Country, 2001**



**OECD European Net Oil Imports by Country, 2001**



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# Latest U.S. Weekly Natural Gas Information

(updated June 27, 2002)

## Industry/Market Developments

**Natural Gas Rig Counts:** The number of rigs drilling for natural gas decreased by 11 to 698 for the week ended Friday, June 21, according to Baker-Hughes Incorporated. This is the fourth consecutive week that the number of rigs has fallen from its recent high of 725 recorded on May 24, 2002. The recent declines were preceded by 7 weeks of increases. Natural gas rigs are over 34% below last year at this time when they numbered a then-record high of 1,063. Rigs drilling for natural gas in the past 6 weeks comprise 84% of total rigs drilling, which is close to a record for the split between gas and oil rigs. The emphasis on gas prospects reflects the relative advantage in the average natural gas wellhead prices compared with the first purchase domestic price for crude oil. The share of rigs drilling for natural gas has been consistently above 80% since early last year.

## Storage

Working gas in storage totaled 2,184 billion cubic feet (Bcf) in the Lower 48 States for the week ended Friday, June 21, 2002, according to EIA's Weekly Natural Gas Storage Report. This is over 20% above the 5-year average, and almost 24% above the level last year for the same report week. The implied net change in stocks for the week ended June 21 was 88 Bcf, or almost 5% above the 5-year average for the week. However, implied net injections were nearly 16% below last year's net injections of 104 Bcf.

All Volumes in Bcf	Current Stocks 6/21/2002	Estimated Prior 5-year (1997-2001) Average	Percent Difference from 5-Year Average	Net Change from Last Week	One- Week Prior Stocks 6/14/2002
East Region	1,115	1,007	10.6%	57	1,058
West Region	314	255	23.1%	11	303
Producing Region	755	554	36.3%	20	735
<b>Total Lower 48</b>	<b>2,184</b>	<b>1,816</b>	<b>20.3%</b>	<b>88</b>	<b>2,096</b>

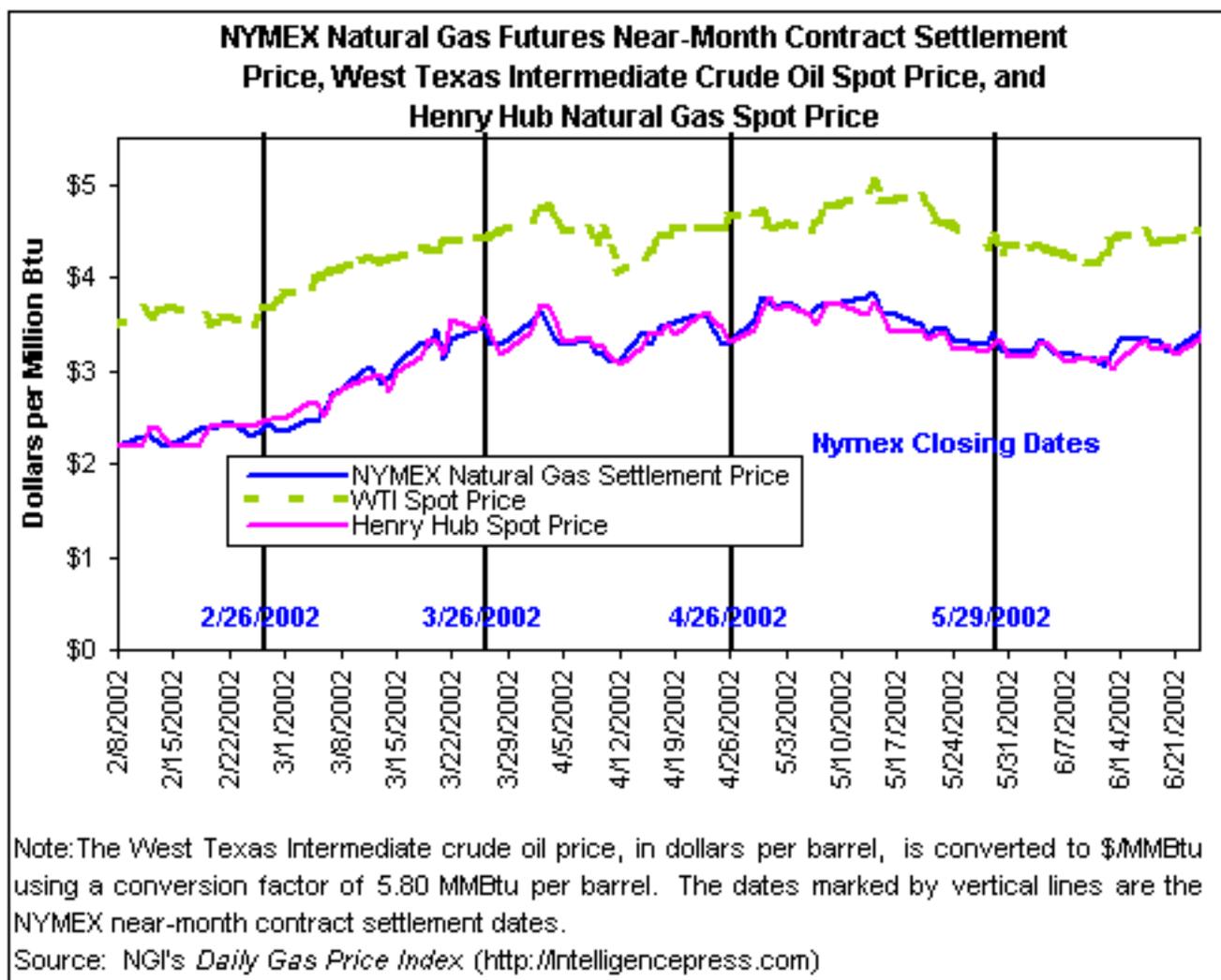
Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database

## Prices:

Spot prices climbed at most market locations in the Lower 48 States since Monday, June 24, driven principally by soaring temperatures across the country. Most locations recorded gains ranging between 10 and 30 cents per million Btu (MMBtu); however, moderating temperatures and a cool front moving through the Midwest contributed to declines on Wednesday, June 26, ranging between 5 and 14 cents per MMBtu at most market locations. Price increases since last Wednesday were the largest in southern California, Florida, the Midcontinent, and the Northeast, where prices increased more than 25 cents per

MMBtu at most locations.

At the NYMEX, the settlement price of the futures contract for July delivery at the Henry Hub expired at \$3.278 per MMBtu, owing to a drop of more than 17 cents in its final day of trading. The price of the futures contract for August delivery at the Henry Hub settled at \$3.353 per MMBtu on Wednesday, almost 8 cents higher than the price of the expiring July contract, and nearly 7 cents less than the Henry Hub spot price. The contract for August delivery begins trading as the new near-month contract today (Thursday, June 27).



<i>Trade Date (All prices in \$ per MMBtu)</i>	<b>California Composite Average Price*</b>	<b>Henry Hub</b>	<b>New York City</b>	<b>Chicago</b>	<b>NYMEX futures contract- July delivery</b>	<b>NYMEX futures contract- August delivery</b>
5/30/2002	2.91	3.34	3.72	3.39	3.222	3.290
5/31/2002	2.59	3.15	3.44	3.13	3.217	3.280
6/3/2002	2.71	3.18	3.46	3.13	3.242	3.295
6/4/2002	2.78	3.30	3.66	3.26	3.328	3.370
6/5/2002	2.72	3.28	3.59	3.24	3.260	3.310
6/6/2002	2.74	3.20	3.49	3.19	3.182	3.242
6/7/2002	2.61	3.11	3.37	3.07	3.204	3.280
6/10/2002	2.71	3.14	3.51	3.15	3.135	3.203
6/11/2002	2.64	3.10	3.49	3.10	3.132	3.197
6/12/2002	2.76	3.14	3.46	3.14	3.057	3.124
6/13/2002	2.65	3.03	3.29	3.00	3.211	3.280
6/14/2002	2.61	3.12	3.36	3.10	3.342	3.408
6/17/2002	2.81	3.34	3.64	3.33	3.377	3.447
6/18/2002	2.69	3.23	3.52	3.19	3.312	3.385
6/19/2002	2.76	3.23	3.53	3.20	3.314	3.387
6/20/2002	2.91	3.29	3.66	3.29	3.216	3.276
6/21/2002	2.72	3.17	3.51	3.17	3.237	3.294
6/24/2002	2.99	3.33	3.80	3.34	3.430	3.480
6/25/2002	2.99	3.49	4.15	3.53	3.449	3.495
6/26/2002	2.85	3.42	4.01	3.42	3.278	3.353

\* Average of NGI's reported average prices for: Malin, PG&E citygate, and Southern California Border Average.

Source: NGI's Daily Gas Price Index (<http://intelligencepress.com>)

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## Definitions

### Petroleum

**WTI** – West Texas Intermediate (for the purposes of this table, prices provided are near month futures price) Cushing OK.

**Bbl** – Barrel (42 gallons).

**C's** – cents.

### Natural Gas

**Henry Hub** – A pipeline hub on the Louisiana Gulf coast. It is the delivery point for the natural gas futures contract on the New York Mercantile Exchange (NYMEX).

### Electricity

**COB** – average price of electricity traded at the California-Oregon and Nevada-Oregon border.

**Palo Verde** - average price of electricity traded at Palo Verde and West Wing Arizona.

**Average** - average price of electricity traded at all locations.

# Latest U.S. Coal Information

(updated June 27, 2002)

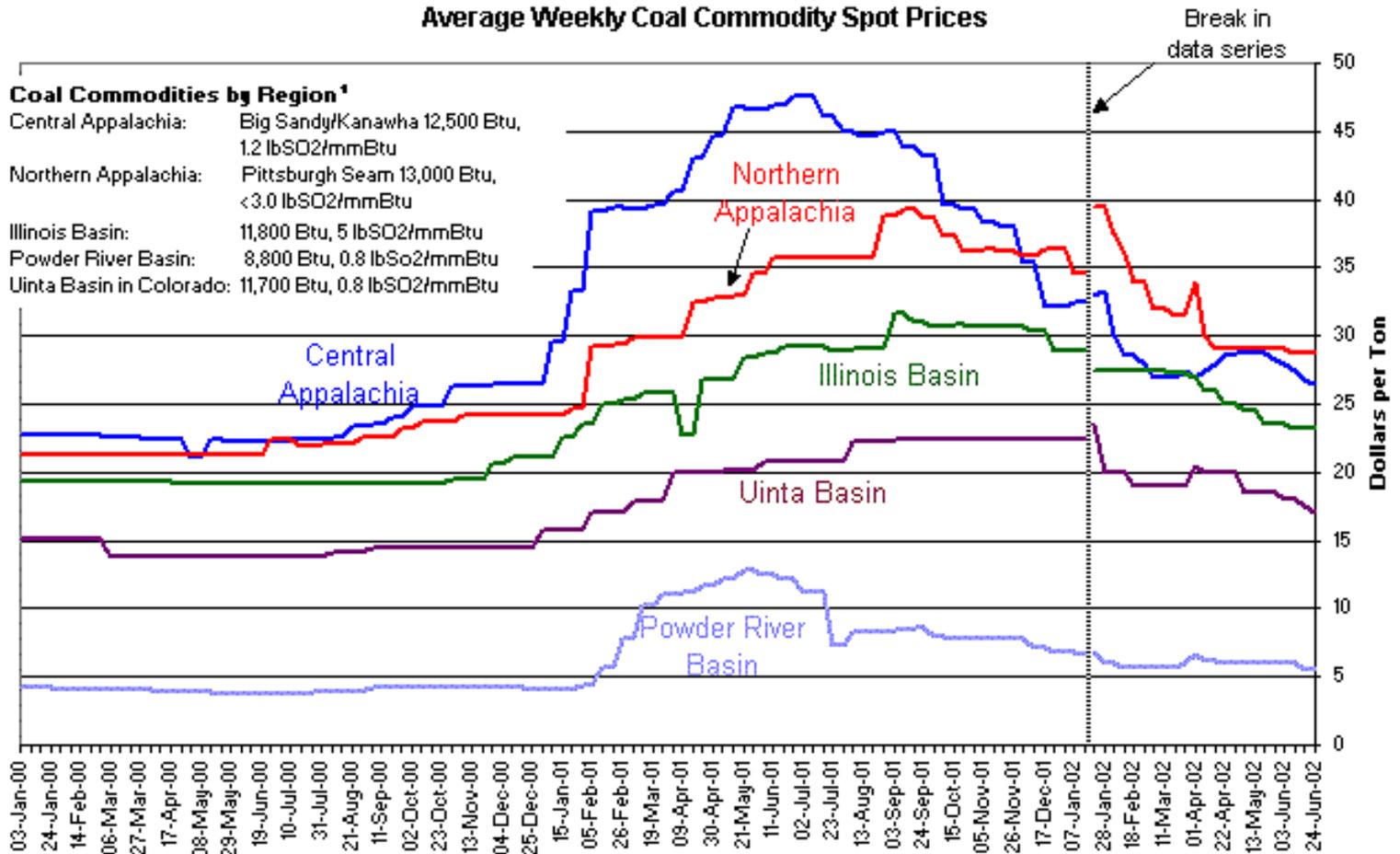
## Coal Production

For the week ending June 22, rail car loadings of coal went down by 4.5% while national [coal production](#) was lower by 10.9%, compared to their levels a year ago. Year-to-date, western U.S. coal production is 1.0% below the levels of a year ago, whereas eastern U.S. coal production is estimated to be 6.0% below last year's level. The estimated production for the first five months of 2002 was 445.1 million short tons (mst). Lower production at this time corresponds with high coal stockpiles at mines and at consuming facilities due to slowed economic activity and a long spring period of low seasonal demand at electric power plants.

## Coal Prices

U.S. spot coal prices in recent months have alternately fallen or held relatively steady. Allowing for changes in the price indexes since last summer, Illinois, Uinta, and Powder River Basin coals in 2002 have continued the level-to-slowly-declining price profiles established in mid- to late-2001, while spot prices for Central and Northern Appalachia have declined more steeply. Since peaking in summer 2001, Central and Northern Appalachian coal prices have fallen (by about \$21.00 and \$10.50 per short ton, respectively). The latest indexed spot prices, \$26.50 per short ton for Central Appalachian and \$28.75 per short ton for Northern Appalachian coal, are respectively 19% and 35% above prices in the summer of 2000, prior to escalation. Other prices are also running higher than the summer 2000 baseline: by 24% for the Uinta Basin, 22% for the Illinois Basin, and 47% for the Powder River Basin.

## Average Weekly Coal Commodity Spot Prices



Source: with permission, selected from listed prices in Platts Coal Outlook, "Weekly Price Survey"

<sup>1</sup>Prior to January 14, 2002 EIA averaged 12-month "forward" spot prices for several coal specifications; after that date, the values shown are based on a single specification in each region for delivery by the end of the next quarter.

In the latest week, near-quarter over-the-counter (OTC) coal prices mostly held steady or moved down by small percentages (graphic above). After a typical slow week on the [NYMEX](#), trade became active on Friday, June 14, as 180 trades were settled—the third highest daily volume in 2002—but the period ending on June 26 has seen little trading. By June 19, prices for near-month NYMEX trades had risen slightly to \$26.70 per short ton, after more than a week at \$26.50. The most recent bids were back at \$26.50, with insufficient activity to post prices.

### Coal Mining Legal Rulings -- Subsidence

On June 5, U.S. District Judge James Robertson issued a stay of his March 28, 2002, order regarding subsidence associated with underground coal mining. While restating his ruling banning the surface impacts of underground mining, Judge Robertson issued the stay, pending the appeal filed at the appeals court for the D.C. Circuit.

One motion to stay the ruling was filed on April 24 by the National Mining Association and on April 25, Secretary of the Interior and co-defendant, Gale Norton, filed for a stay of the same decision. The ruling by Judge Robertson would restrict underground coal mining that may cause subsidence in national parks and beneath inhabited residences and other protected areas. The court sided with the Citizens Coal Council, an environmental advocacy group, which challenged how the Department of the Interior permits underground coal mining in protected areas—especially "longwall" mining, which often causes ground subsidence. The ruling would negate long-standing permit practices that were repeatedly challenged almost since the inception of the Surface Mining Control and Reclamation Act of 1977

## **Coal Mining Legal Rulings – Valley Fills**

In another ruling affecting coal mining, on May 13, the Federal Government filed to stay a recent court order on Valley Fills that it says “casts a tremendous cloud of uncertainty over all future coal mining in Appalachia.” The motion by the Department of Justice (DOJ) predicts that effects in the region would include suspension of future coal mining projects, laying off existing workers, and suspending plans for hiring new workers. The ruling ordered the U.S. Army Corps of Engineers to cease issuing permits to fill valleys and bury streambeds adjoining coal mining projects. Chief U.S. District Judge Charles H. Haden II issued the 44-page opinion on May 8, 2002, in Charleston, West Virginia, in a suit filed by Kentuckians for the Commonwealth, Inc., a citizens group, against the Corps' Huntington, West Virginia, District.

The disputed practice, known as "valley fill," has been allowed for almost 20 years and mining companies consider it an important component of economical coal recovery at the mammoth mountaintop operations, as well as at many traditional contour surface mines in steep lands. Haden wrote that the Corps' "rule change was designed simply for the benefit of the mining industry and its employees" and that the "practice is illegal because it is contrary to the spirit and the letter of the Clean Water Act." This ruling came as the Government was taking steps to remove regulatory impediments to mountaintop mining and to shift all permitting to individual States. On May 9, the Corps had published a final rule in the Federal Register that would allow mine overburden to be dumped in streams regulated under Section 404 of the Clean Water Act.

The National Mining Association warned that Haden's ruling would threaten more than 15,000 jobs in the region. Although the ruling was prompted by practices largely associated with mountaintop removal coal mining, the DOJ contends that it is broad and, if fully implemented, would stop all new surface coal mining in steep terrain, because some valley filling is necessary even in less expansive operations. The DOJ also contemplates possible impacts on underground mining in steep terrain, which generally requires preparation plants, with waste impoundments in valleys, and may use valley fill for mine roads. Further, the DOJ motion questions whether the ruling might be applied to other mining besides coal.

The West Virginia Department of Environmental Protection concluded recently that only seven surface mining permit applications (out of 69 with valley fills pending in the State) would meet Judge Charles Haden's condition for approval. Judge Haden ruled that under Section 404 of the Clean Water Act only those valley fills that lead to a higher and better land use can be permitted. The Army Corps of Engineers, however, is responsible for approving Section 404 applications and it has indicated that no action will be taken on new applications or those pending at the time of the ruling until it receives Department of Justice guidance (Platts “Coal Trader,” June 12 and 13, 2002).

On May 20, the Kentucky Coal Association also filed a motion to stay Judge Haden's ruling, and to seek clarification whether coal slurry ponds are in fact covered and as to the geographic area implicated. If the ruling is interpreted broadly, said one Kentucky coal operator, "we are going to be losing a lot of coal." In response to the several motions, Judge Haden on June 17 reaffirmed his injunction against new valley fill permits, but did modify his earlier decision in one part—to allow the Corps of Engineers to issue permits for dredged spoils disposal.

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## Latest U.S. Electricity Information

(updated June 27, 2002)

**Selected Wholesale Electricity Prices:** Western U.S. wholesale electricity prices have been mixed over the past seven-day period. Prices at COB have ranged from a high of \$27.20 per megawatthour on June 26 to a low of \$18.00 per megawatthour on June 20. Palo Verde prices have ranged between a high of \$46.51 per megawatthour on June 26 to a low of \$35.11 per megawatthour on June 21.

Prices at the Cinergy Trading Center have been increasing over the past seven days, as warmer temperatures have increased demand. Prices at Cinergy have increased 141% from a low of \$18.12 per megawatthour on June 18 to \$43.83 per megawatthour on June 26.

Prices in the Northeast region have also been increasing over the last seven-day period as warmer temperatures have increased electricity demand. Prices at the New York Zone J, New York City have increased 90% from a low of \$51.50 per megawatthour on June 18 to a high of \$97.75 per megawatthour on June 26. Prices at the PJM West trading zone have increased 136% from a low of \$25.94 per megawatthour on June 18 to \$61.22 per megawatthour on June 26.

Over the past seven days, the average price at all trading centers has ranged between \$30.76 per megawatthour and \$47.08 per megawatthour.

### U.S. Regional Electricity Prices at Major Trading Centers (Dollars per megawatthour)

Trading Centers	Date							Price Range		
	6/18/02	6/19/02	6/20/02	6/21/02	6/24/02	6/25/02	6/26/02	Max	Min	Average
COB	26.88	21.63	18.00	19.92	19.50	23.90	27.20	27.20	18.00	21.75
Palo Verde	38.36	36.31	35.69	35.11	41.12	42.00	46.51	46.51	35.11	37.53
Mid-Columbia	12.49	8.53	5.23	3.90	7.23	12.35	14.90	14.90	3.90	9.13
Mead/Marketplace	41.14	36.53	38.00	37.58	44.90	46.15	47.83	47.83	36.53	39.94
4 Corners	39.90	35.08	37.33	35.00	39.33	44.45	47.39	47.39	35.00	37.96
NP 15	31.75	28.85	27.48	27.88	30.91	32.60	36.69	36.69	27.48	29.53
SP 15	34.56	32.70	32.20	33.03	36.21	39.20	42.11	42.11	32.20	34.01
PJM West	25.94	27.85	36.00	34.55	48.31	57.25	61.22	61.22	25.94	36.50
NEPOOL	30.68	32.13	35.13	37.34	41.20	41.20	52.50	52.50	30.68	35.65
New York Zone J	51.50	54.25	60.67	57.25	74.00	74.00	97.75	97.75	51.50	60.45
Cinergy	18.12	24.48	31.78	29.41	33.43	41.35	43.83	43.83	18.12	28.02
<b>Average Price</b>	31.94	30.76	32.50	31.91	37.83	41.31	47.08	47.08	30.76	33.68

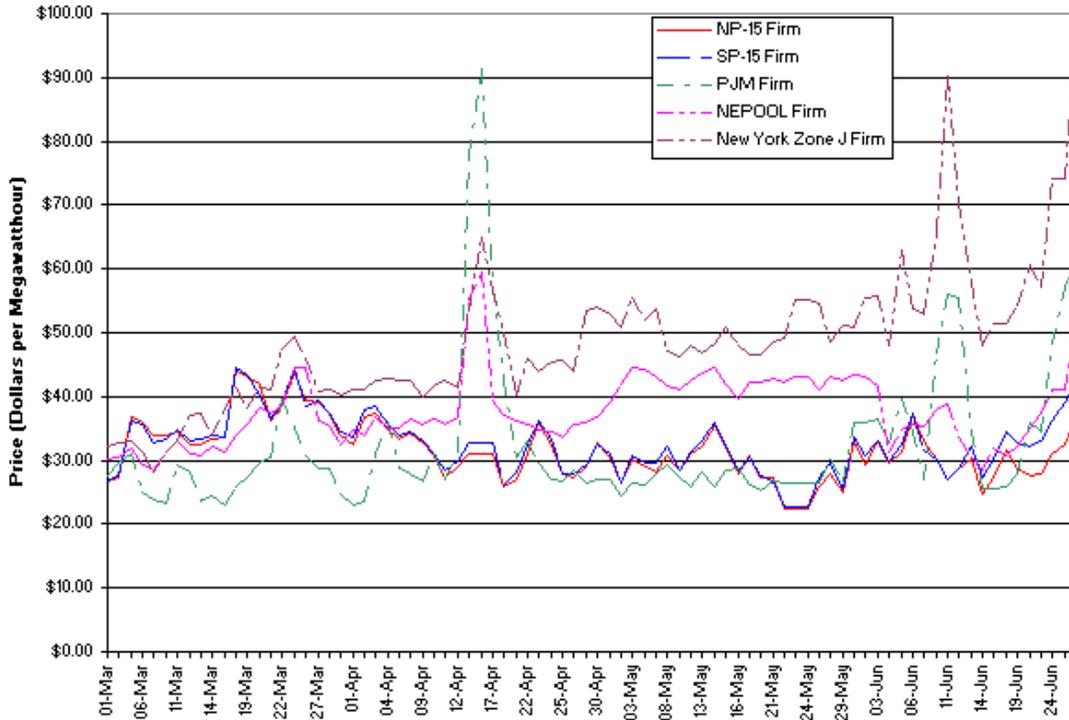
**Sources:** COB, Palo Verde, Mid-Columbia, Mead/Market Place, Four Corners, NP-15, SP-15, PJM-West, NEPOOL, New York Zone J, and Cinergy trading centers. Used with permission from Bloomberg L.P. ([www.bloomberg.com](http://www.bloomberg.com)).

**Notes:**

n.q. - No quotes available for the day.

**COB:** Average price of electricity traded at the California-Oregon and Nevada-Oregon Borders.  
**Palo Verde:** Average price of electricity traded at Palo Verde and the West Wing, Arizona.  
**Mid-Columbia:** Average price of electricity traded at Mid-Columbia.  
**Mead/Market Place:** Average price of electricity traded at Mead Market Place, McCullough and Eldorado.  
**Four Corners:** Average price of electricity traded at Four Corners, Shiprock, and San Juan, New Mexico.  
**NP-15:** Average price of electricity traded at NP-15.  
**SP-15:** Average price of electricity traded at SP-15.  
**PJM-West:** Average price of electricity traded at PJM Western hub.  
**NEPOOL** Average price of electricity traded at Nepool.  
**New York Zone J:** Average price of electricity traded at the New York Zone J - New York City.  
**Cinergy:** Average price of electricity traded into the Cinergy control area.

### Average Wholesale Electricity Prices in the U.S.



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