Highlights

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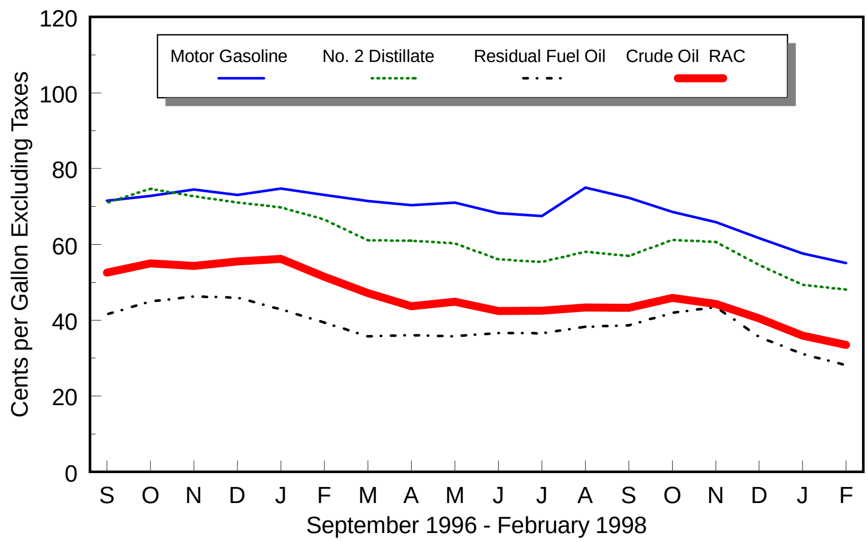
World crude oil prices languished during February in response to ongoing pressure from plentiful inventories and high wellhead production. In addition to stable crude oil production from other sources, output from the Organization of Petroleum Exporting Countries (OPEC) continued at a robust pace during the second month of operation under the group's expanded production quotas. Despite tensions concerning the terms of the United Nations' weapons inspections program, Iraq accounted for a significant portion of OPEC's increased output during February. Due to lower market prices, Iraq produced a higher volume of crude oil in order to meet the revenue-based export allowances specified in the U.N. "oil-for-food" deal as defined in resolution 1143. In other developments, the U.N. Security Council unanimously approved resolution 1153 on February 20, extending the "oil-for-food" program for another 180-day interval, but with a substantially increased revenue cap of $5.256 billion. With the effects of abundant crude oil supplies already evident on values, the potential for even greater quantities to reach the marketplace served only to further dampen prices. Concern about oversupply was voiced by some members of OPEC during the latter part of the month, with suggestions that reductions in output may be needed to check declining prices. Increasing the effects of readily available crude oil, markets in Europe and North America have registered ample supplies of finished products during the past several months due to atypical weather trends, while adverse economic conditions continued to moderate demand for crude oil and other products in Asia.

Substantial supplies of crude oil and finished products continued to influence prices in the United States during February. The cumulative effects of recent fundamental market conditions have caused markedly lower prices for refined products down to the retail level. The ready availability of crude oil to U.S. refiners during the past several months has led to significantly lower prices. As evidence of this trend, the daily average spot price for West Texas Intermediate crude oil reached its lowest level in nearly four years on February 24 with a price of $15.14 per barrel. With refining margins remaining profitable enough to sustain a high rate of refinery utilization in the face of unanticipated demand patterns in recent months, stockpiles of finished products have mounted. While February data indicate an increase in demand for gasoline and distillates in conjunction with refinery maintenance, their prices remained quiescent under the weight of brimming stockpiles. A review of month-to-month stocks data indicate decreases for these products during February, but year-to-year

Figure HL1. Crude Oil and Petroleum Product Wholesale Prices



Sources: Energy Information Administration. Crude oil refiner acquisition cost: Form EIA-14, "Refiners' Monthly Cost Report"; petroleum product prices: Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	February 1998		January 1998		Febuary 1997		February 1998		January 1998		Febuary 1997	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	69.6	62.3	73.3	59.9	86.1	58.0	55.1	285.9	57.6	279.7	73.1	288.4
Conventional	66.7	36.5	69.1	34.7	83.9	33.3	51.9	189.6	53.3	185.1	70.4	192.3
Regular	62.9	25.5	65.3	24.0	80.1	23.7	49.9	147.0	51.2	142.9	68.4	150.0
Midgrade	71.9	5.7	73.8	5.7	89.6	5.2	55.7	14.8	57.5	14.4	74.5	15.7
Premium	79.7	5.3	82.2	5.0	97.4	4.4	60.3	27.8	61.7	27.7	79.2	26.6
Oxygenated	76.4	3.8	82.2	4.2	95.7	5.4	61.7	10.2	65.2	10.7	84.5	10.5
Regular	73.0	2.9	78.3	3.0	92.2	4.0	60.0	7.7	63.4	8.1	82.5	8.0
Midgrade	82.6	0.6	89.1	0.7	101.7	0.8	63.6	1.3	66.9	1.4	86.8	1.1
Premium	92.4	0.4	98.7	0.4	111.6	0.6	71.1	1.2	74.5	1.3	94.3	1.3
Reformulated	73.1	22.0	78.5	21.0	87.3	19.3	61.4	86.2	66.3	83.8	77.9	85.6
Regular	68.4	14.7	74.1	13.8	82.7	12.7	57.9	57.6	62.7	56.5	74.5	57.4
Midgrade	78.5	3.6	82.9	3.7	92.4	3.5	65.1	10.3	70.8	10.0	80.8	11.2
Premium	86.1	3.7	91.0	3.5	100.7	3.1	70.2	18.3	75.5	17.3	87.2	17.1
Aviation Gasoline	101.1	0.1	104.3	0.1	114.9	0.1	92.1	0.5	96.2	0.4	108.7	0.5
Kerosene-Type Jet Fuel	49.9	48.8	52.3	47.2	71.7	47.6	50.8	10.5	53.4	11.4	71.4	10.0
Propane (Consumer Grade)	44.5	5.0	48.4	4.6	66.8	3.7	33.1	39.8	35.4	38.8	44.7	38.4
Kerosene	66.6	0.3	72.3	0.3	84.8	0.4	51.6	3.9	52.8	4.4	73.4	3.4
No. 1 Distillate	57.7	0.6	58.5	0.7	76.0	0.6	56.4	1.7	57.1	3.1	77.0	2.7
No. 2 Distillate	53.4	24.1	54.8	23.8	71.3	25.1	48.1	119.6	49.4	119.0	66.6	121.7
No. 2 Fuel Oil	53.8	3.0	54.1	3.4	72.5	2.8	47.7	35.2	48.9	34.3	64.5	42.3
No. 2 Diesel Fuel	53.3	21.1	54.9	20.4	71.1	22.3	48.3	84.3	49.6	84.6	67.8	79.4
Low Sulfur	54.9	13.6	56.7	12.9	73.1	14.4	48.6	69.3	50.0	68.3	68.1	66.0
High Sulfur	50.6	7.5	51.9	7.5	67.5	7.9	46.7	15.1	48.1	16.3	66.3	13.4
No. 4 Fuel[a]	48.7	0.4	50.9	0.4	59.6	0.4	43.6	0.2	45.9	0.2	58.8	0.4
Residual Fuel Oil	32.6	13.6	35.3	15.5	45.0	15.1	28.2	10.2	31.1	14.0	39.4	13.5
Sulfur Content not > 1 %	39.6	3.1	44.7	3.6	54.6	3.8	30.7	4.1	35.2	4.8	43.7	6.5
Sulfur Content > 1 %	30.5	10.5	32.5	11.9	41.8	11.3	26.6	6.2	28.9	9.2	35.4	6.9

[a] Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

Notes: Values shown for the current month are preliminary. Values shown for previous months are revised. Data are final upon publication in the *Petroleum Marketing Annual.*

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

data indicate a rate of accumulation that has far outstripped the growth in demand. El Nino-driven weather patterns have played a sizable role in keeping demand in check for heating fuels over the course of the winter thus far. More recently, heavy storms along the West Coast affecting transportation and agricultural activities stifled demand for gasoline and distillates, drawing prices down.

February market and sales activity for crude oil and the principal petroleum products are summarized in the following sections.

Crude Oil

At Cushing, Oklahoma, the February daily spot price for West Texas Intermediate (WTI) crude oil gravitated downward in response to continued reports of abundant supplies of crude oil and easing tensions in the Persian Gulf region. The price opened the first trading day of the month at $17.21 per barrel, and declined gradually thereafter. During the latter half of the month, the price rose due to Saudi Arabian statements urging cuts to OPEC production levels, only to fall back after a provisional U.N. / Iraq agreement on suspected weapons sites inspection was announced. The price hit a 47-month low of $15.14 per barrel on February 24, then closed the month at $15.44 per barrel, $1.77 lower than where it began.

- Monthly average prices for crude oil fell markedly again during February. The average domestic crude oil first purchase price dropped the most, falling $1.33 (9.9 percent), to $12.15 per barrel.

- The average free-on-board (f.o.b.) cost of imported crude oil fell $1.15 (9.0 percent), to $11.66 per barrel. The average landed cost of foreign crude oil declined $1.13 (7.9 percent), to $13.09 per barrel.

- The monthly average refiner acquisition costs for domestic crude oil dropped $1.11 (7.0 percent), to $14.76 per barrel. The average cost of imported crude oil to U.S. refiners fell $1.00 (6.9 percent), to $13.55 per barrel. The composite refiner acquisition cost of crude oil declined $1.05 (6.9 percent), to $14.09 per barrel.

Petroleum Products

Motor Gasoline

The February daily spot price for unleaded regular gasoline at New York Harbor followed a somewhat more dynamic path than other products' prices. After opening with an initial price of 47.9 cents per gallon, the price fell sharply during the next two days. The rapid drop was attributed to a number of factors including the approaching production switch to summer RVP product. The price hit the month's high of 46.9 cents per gallon on February 19, then fell to the low of 43.3 cents per gallon on February 24 following the UN/Iraq agreement. Closing the month at 45.1 cents per gallon, the price was 2.8 cents lower than where it started February.

- Continuing the trend of late, February monthly average gasoline prices fell in all categories of sales. The average price for retail sales of motor gasoline by refiners decreased 3.7 cents per gallon to 69.6 cents per gallon while the average wholesale price declined 2.5 cents to 55.1 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets dropped 3.5 cents to 68.8 cents per gallon. The average wholesale price dropped 2.4 cents, to 55.6 cents per gallon. The average dealer tank wagon (DTW) price fell 4.0 cents to 62.3 cents per gallon. The average rack price declined 1.4 cents to 53.1 cents per gallon. The average bulk sales price dropped 2.3 cents, to 48.6 cents per gallon. The margin between reformulated and conventional gasoline prices dropped to 4.9 cents at retail, and 8.0 cents at wholesale. The margin between conventional and oxygenated gasoline prices fell to 8.4 cents at retail and 8.6 cents at wholesale.

- Sales of finished motor gasoline by refiners rose in February. Total sales increased 8.6 million gallons per day (2.5 percent), to an average of 348.2 million gallons per day. Retail sales rose 2.4 million gallons per day (4.0 percent), while wholesales grew 6.2 million gallons per day (2.2 percent). Rack sales accounted for 60.1 percent of total wholesales, while DTW and bulk sales made up 26.0 percent and 14.0 percent, respectively. Reformulated gasoline (RFG) constituted 31.1 percent of total motor gasoline sales, while oxygenated gasoline made up 4.0 percent of sales.

No. 2 Distillate

Due to warm winter temperatures and high stock levels, the daily spot price for No. 2 heating oil at New York Harbor lost ground during February. The month's high of 47.4 cents per gallon occurred on February 2. With few interruptions, the price declined during the rest of the month, reaching the low of 42.1 cents per gallon on February 23. Closing at 43.3 cents per gallon, the price was 4.6 cents lower than its opening level.

- February prices for No. 2 distillate fell modestly in all categories. The national average residential price decreased 0.9 cent to 91.6 cents per gallon, while the average wholesale price dropped 1.4 cents, to 49.6 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets declined 2.6 cents, while the average wholesale price fell 1.5 cents. The margins between low- and high-sulfur diesel fuel prices were 1.8 cents at retail and 2.3 cents at wholesale.

- Refiner sales of No. 2 distillate increased marginally during February. Total sales rose 900,000 gallons per day (0.6 percent), to 143.6 million gallons per day. Sales of No. 2 fuel oil increased 500,000 gallons per day (1.3 percent) while sales of No. 2 diesel fuel also rose 400,000 gallons per day (0.4 percent). Low-sulfur diesel fuel sales accounted for 78.7 percent of all refiner diesel fuel sales, and 57.7 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- February monthly average residual fuel oil prices fell in all categories of sales. Refiner prices for low-sulfur residual fuel dropped 5.1 cents to 39.6 cents per gallon at retail and 4.5 cents to 30.7 cents per gallon at wholesale. Refiner high-sulfur residual fuel prices decreased 2.0 cents to 30.5 cents per gallon at retail and 2.3 cents to 26.6 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price declined 4.0 cents to 39.8 cents per gallon at retail and 3.8 cents to 32.9 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil fell 2.0 cents to 31.2 cents per gallon at retail, and 2.1 cents to 27.8 cents per gallon at wholesale.

- Sales of residual fuel oil by refiners declined again in all categories. Total sales fell 5.7 million gallons per day (19.3 percent), to 23.8 million gallons per day. Low-sulfur residual fuel sales decreased 1.2 million gallons per day (14.3 percent), while high-sulfur residual fuel sales dropped 4.4 million gallons per day (20.9 percent).

Other Products

- February retail and wholesale prices for other products fell for the most part. Refiner propane prices dropped 3.9 cents per gallon at retail, and 2.3 cents per gallon at wholesale. Including the sample of propane marketers, the average residential propane price, in contrast, rose 1.5 cents per gallon. The average end-user and wholesale prices for propane decreased 0.5 cent per gallon and 2.4 cents per gallon, respectively. Retail and wholesale prices decreased for aviation gasoline, No. 1 distillate, No. 4 distillate, kerosene, and kerosene-type jet fuel.

- Refiner volumes of sales for products included under this heading were varied during February. Sales of kerosene and kerosene-type jet fuel rose at retail but fell at wholesale. Propane, aviation gasoline, and No. 4 distillate sales increased slightly at both levels, while No. 1 distillate sales decreased at retail and wholesale.