

Highlights

World crude oil prices remained volatile during October, although the fluctuations were less severe than in September. After falling to six-week lows at the end of September, prices climbed at the beginning of October as tensions in the Middle East rose on accusations and counter-accusations between Iraq and Kuwait. Each country claimed theft of oil from fields situated near the border of the two countries. At the same time, the threat of a hurricane disrupting oil production in the Gulf of Mexico supported rising prices. Following a short-lived downturn largely induced by contract awards for sales of oil from the United States Strategic Petroleum Reserves (SPR), prices shot upwards following rising Israeli-Palestinian violence and a bombing attack on the U.S.S. Cole in the Yemeni port of Aden on October 12. A temporary accord reached between Israeli and Palestinian negotiators during an emergency summit in Egypt eased market concerns that Arab nations would retaliate against countries supporting Israel by enacting a crude oil export ban. While prices eased after that point, they remained restive due to market worries about finished product supplies in key world markets and simmering tensions in the Middle East that included western warplanes exchanging fire with Iraqi forces in the no-fly zone in Northern Iraq. By the end of the month, prices moved down again as the Organization of Oil Exporting Countries (OPEC) confirmed a 500,000 barrels-per-day production increase in accordance with the group's price band mechanism. Additionally, the United Nations approved Iraq's request to have "oil-for-food" program payments made in euros instead of dollars, thus easing concerns that Iraq would halt exports if the U.N. did not grant its petition.

In the United States, crude oil and finished product price trends were mixed during October. Countering the declines seen during the latter part of September, prices rose appreciably during the first two weeks of October as international political tensions reverberated through petroleum markets. Although prices dropped slightly during the early days of the month, political troubles in the Middle East, colder weather in the U.S., and threats of a Venezuelan oil workers' strike caused prices to rise sharply through mid-month. Gasoline prices remained robust as weekly supply reports continued to show declines in stocks in almost every region of the country. As some market watchers had predicted, the focus to produce distillate products came at the expense of gasoline production and supplies. Despite the recent high range of prices for heating oil, gasoline prices surpassed heating oil prices at the New York Harbor spot market in mid-October and

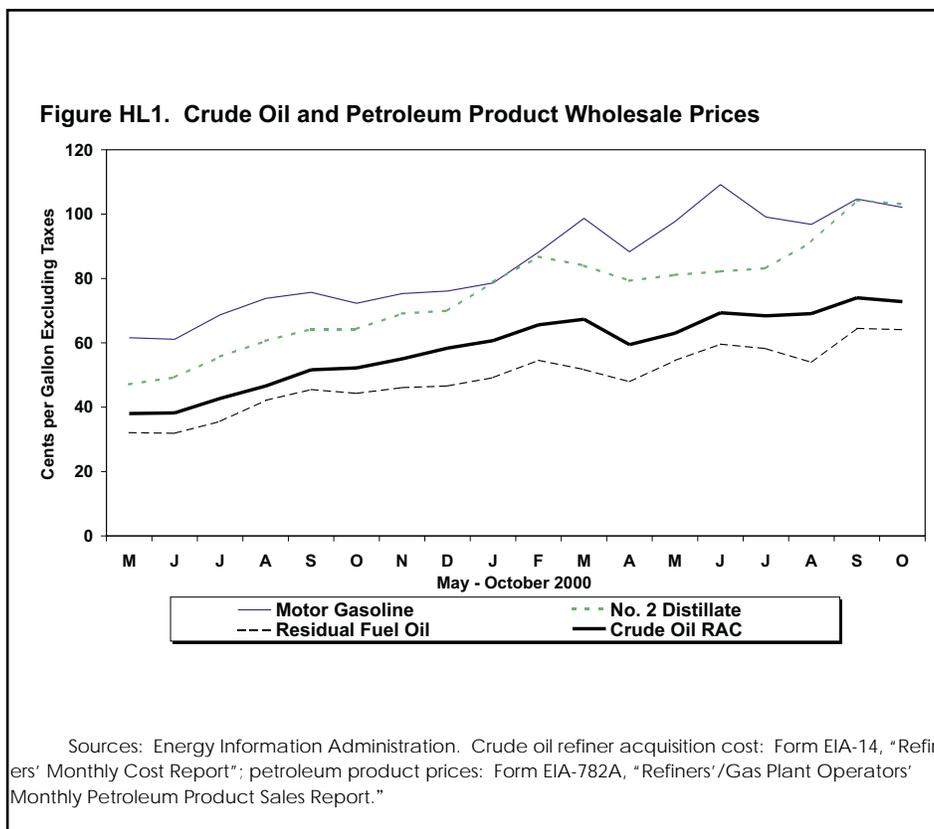


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

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

Products	Sales to End Users						Sales for Resale					
	October 2000		September 2000		October 1999		October 2000		September 2000		October 1999	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	114.8	62.3	116.7	63.4	87.1	60.4	102.1	297.7	104.7	300.9	72.4	303.4
Conventional	110.0	36.5	112.1	37.4	84.8	36.0	97.4	195.1	100.3	198.5	69.0	197.2
Regular	106.9	27.7	109.1	28.4	80.8	25.6	96.0	158.6	98.8	162.2	67.0	153.9
Midgrade	116.4	5.0	118.5	5.1	91.2	5.7	101.0	12.6	103.9	12.7	73.3	14.5
Premium	123.4	3.9	125.8	3.9	98.5	4.7	105.0	23.9	108.3	23.6	77.3	28.8
Oxygenated	122.4	2.8	125.1	2.0	90.8	2.5	112.4	10.8	114.2	8.0	79.7	9.3
Regular	119.7	2.2	123.1	1.7	88.1	2.0	111.3	8.4	113.2	6.4	78.3	7.2
Midgrade	129.4	0.4	131.4	0.2	98.0	0.3	111.3	1.3	113.6	1.1	78.9	1.2
Premium	137.6	0.2	139.8	0.1	107.4	0.2	124.1	1.0	126.0	0.6	91.3	0.9
Reformulated	121.5	22.9	123.1	23.9	90.6	21.9	110.7	91.8	113.1	94.4	78.8	96.9
Regular	118.1	16.5	119.8	17.3	86.1	15.0	108.2	67.6	110.7	69.6	75.3	67.4
Midgrade	127.1	3.4	128.8	3.5	96.2	3.6	115.2	8.3	116.9	8.3	84.1	10.1
Premium	133.2	3.1	134.7	3.2	104.6	3.3	119.2	15.9	121.3	16.5	88.1	19.4
Aviation Gasoline	134.9	0.2	138.2	0.2	117.6	0.1	138.1	0.6	142.5	0.7	109.3	0.7
Kerosene-Type Jet Fuel	104.6	49.5	106.1	52.0	64.9	46.3	104.1	15.4	105.2	14.6	63.8	15.4
Propane (Consumer Grade)	59.7	2.9	58.2	2.3	55.0	2.9	64.3	36.8	66.0	31.6	43.7	32.3
Kerosene	116.0	0.2	116.2	0.1	79.2	0.1	108.2	1.9	107.7	2.3	64.7	2.6
No. 1 Distillate	110.7	0.3	107.8	0.2	77.6	0.2	116.6	1.2	113.3	0.8	75.6	1.7
No. 2 Distillate	107.4	26.4	107.6	25.4	67.8	25.4	103.1	128.1	104.3	123.6	64.3	121.8
No. 2 Fuel Oil	105.0	2.8	105.9	2.6	66.0	2.9	98.8	21.9	100.9	19.5	61.0	22.6
No. 2 Diesel Fuel	107.7	23.7	107.8	22.8	68.0	22.5	104.0	106.3	105.0	104.2	65.0	99.2
Low Sulfur	109.9	15.8	109.8	15.5	70.0	15.0	104.6	91.8	105.6	88.9	65.6	85.5
High Sulfur	103.4	7.8	103.5	7.3	64.0	7.5	100.1	14.5	101.3	15.2	61.5	13.7
No. 4 Fuel^a	81.4	0.2	73.1	0.2	56.2	0.2	91.2	0.1	85.4	0.1	52.2	0.2
Residual Fuel Oil	68.4	12.5	62.0	12.3	49.4	12.0	64.1	10.6	64.5	11.5	44.8	11.0
Sulfur Content not > 1 %	80.3	2.5	75.8	2.1	52.5	3.0	73.7	4.3	71.9	5.1	47.3	4.3
Sulfur Content > 1 %	65.4	10.0	59.2	10.2	48.4	9.0	57.6	6.3	58.6	6.5	43.1	6.8

^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."

remained higher until the end of the month. On the West Coast, prices for CARB-quality gasoline surged in the Los Angeles spot market during the second half of the month, rising as high as \$1.30 per gallon. The increase was mostly due to market technical factors associated with supply contracts rather than any refinery outages. At the national level, the refinery utilization rate fell throughout the month, though most of the decline was due to planned facilities maintenance. As a result, refinery product production rates generally remained flat or dropped slightly. Notably, data show stocks of finished gasoline fell 4.4 percent from September's level and were 7.0 percent lower than at this time last year. A comparison of monthly average prices illustrates continued tension within the marketplace. The average price for regular gasoline at New York Harbor was 62.7 cents per gallon in October 1999 and 94.8 cents per gallon in October 2000, a 51 percent increase. Total distillate stocks fared marginally better

this month with inventories rising nearly 1.0 percent from last month. However, they remain 15.1 percent lower than last year at this time. In the critical PADD I region, stocks remain more than 40 percent below the year-ago level. Accordingly, the monthly average New York Harbor spot price for No. 2 heating oil was 67 percent higher in October 2000 than it was last year. The October 1999 price ranged between 53.0 cents per gallon and 62.0 cents per gallon, with an average price of 58.4 cents per gallon. In October 2000, the price ranged between 92.6 cents per gallon and \$1.075 per gallon and averaged 97.7 cents per gallon.

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

Crude Oil

The daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma was unsettled during October, continuing the general pattern seen during recent months. After opening at \$30.87 per barrel, the price dropped to the month's low of \$30.66 per barrel on October 5. Influenced by international political events occurring shortly after that, it rose rapidly, reaching the high of \$36.06 per barrel on October 12. The price remained well above \$30 per barrel for the rest of the month, reflecting market concern about continuing violence in the Middle East. The price closed at \$32.70 per barrel, \$1.83 higher than October's opening level.

- Monthly average crude oil prices fell in most categories during October. The average domestic crude oil first purchase price showed very little change, dropping 14 cents (0.5 percent), to \$29.57 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil fell 90 cents (3.1 percent), to \$27.83 per barrel. The average landed cost of foreign crude oil declined 81 cents (2.7 percent), to \$29.62 per barrel.
- The average refiner acquisition cost for domestic crude oil inched up, rising 8 cents (0.3 percent), to \$32.03 per barrel. The average cost of imported crude oil to U.S. refiners fell 84 cents (2.8 percent), to \$29.68 per barrel. The composite refiner acquisition cost for crude oil declined 50 cents (1.6 percent), to \$30.58 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor showed an unseasonable pattern during October by becoming the strongest element in the complex for a large portion of the month. After opening at 86.5 cents per gallon, the price fell to its low of 84.0 cents per gallon on October 5. The decline was due in part to earlier reports showing a robust increase in stock levels. The price rose considerably after that as weekly supply reports showed consecutive declines in inventories during the next several weeks. The price reached its high of \$1.030 on October 24 and remained there through the next day. Easing during the final days of

the month on technical factors, the price closed the month at 94.5 cents per gallon, 8.0 cents higher than where it began October.

- U.S. average gasoline prices fell across the board in October. The average price for retail sales of motor gasoline by refiners declined 1.9 cents to \$1.148 per gallon, while the average wholesale price dropped 2.6 cents to \$1.021 per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets fell 1.4 cents to \$1.141 per gallon. The average wholesale price declined 2.4 cents to \$1.025 per gallon. The average dealer tank wagon (DTW) price slipped 1.2 cents to \$1.109 per gallon, while the average rack price fell 3.0 cents to 99.5 cents per gallon. The average price for bulk sales dropped 3.2 cents to 94.7 cents per gallon. Reformulated gasoline prices outstripped conventional gasoline prices by 9.3 cents at retail and 11.7 cents at wholesale. Oxygenated gasoline prices were 11.5 cents higher than conventional gasoline prices at retail and 13.6 cents at wholesale.
- Refiner gasoline sales continued to fall during October. Total sales decreased 4.3 million gallons per day (1.2 percent), to an average of 360.0 million gallons per day. Retail sales fell 1.1 million gallons per day (1.7 percent), while wholesales declined 3.2 million gallons per day (1.1 percent). Rack sales accounted for 65.8 percent of wholesales, while DTW and bulk sales made up 23.5 percent and 10.7 percent, respectively. Reformulated gasoline (RFG) accounted for 31.9 percent of total motor gasoline sales, while oxygenated gasoline made up 3.8 percent.

No. 2 Distillate

The October daily spot price for No. 2 heating oil at New York Harbor remained in step with price trends for other products during much of the month. Opening at 92.8 cents per gallon, the price dropped to its low of 92.6 cents per gallon on October 5. Rising considerably directly after that, the price reached its high of \$1.075 per gallon on October 12. It experienced a period of increase again in the latter half of the month due to refinery problems and reports of small decrease in stocks. Declining moderately during the final days of the month, the price closed October at 94.2 cents per gallon.

- Most October monthly average No. 2 distillate prices show only marginal changes from last month's levels. The national average residential price increased

4.7 cents to \$1.368 per gallon. The average wholesale price declined 1.1 cents to \$1.032 cents per gallon. The average price for No. 2 diesel fuel barely changed, falling 0.7 cent at company-operated retail outlets, while the average wholesale price decreased 0.9 cent. The difference between low- and high-sulfur diesel fuel prices was 2.7 cents at retail and 3.8 cents at wholesale.

- Refiner sales of No. 2 distillates generally increased during October. Total sales of No. 2 distillate rose 5.6 million gallons (3.8 percent), to 154.7 million gallons per day. Sales of No. 2 fuel oil increased 2.6 million gallons per day (11.8 percent), while sales of No. 2 diesel fuel climbed 3.0 million gallons per day (2.4 percent). Low-sulfur diesel fuel made up 82.8 percent of all refiner diesel fuel sales, and 69.6 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- October monthly average residual fuel oil prices rose in most sales categories. Refiner prices for low-sulfur residual fuel increased 4.5 cents to 80.3 cents per gallon at retail, and 1.8 cents to 73.7 cents per gallon at wholesale. The average price for high-sulfur residual fuel at retail climbed 6.2 cents to 65.4 cents per gallon, while the wholesale price declined 1.0 cent to 57.6 cents per gallon. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price rose 2.8 cents to 76.4 cents per gallon at retail, and 1.3 cents to 72.7 cents per gallon at wholesale. Prices for high-sulfur

residual fuel oil increased 5.2 cents to 65.9 cents per gallon at retail, but fell 0.4 cent to 59.3 cents per gallon at wholesale.

- Residual fuel oil sales by refiners generally dropped during October. Total sales fell 700,000 gallons per day (2.9 percent), to 23.1 million gallons per day. Low-sulfur residual fuel sales declined 400,000 gallons per day (5.6 percent), while high-sulfur residual fuel oil sales fell 400,000 gallons per day (2.4 percent).

Other Products

- The direction of prices for the remaining surveyed products varied during October. Refiner propane prices rose 1.5 cents per gallon at retail but fell 1.7 cents at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 4.9 cents per gallon. The average retail price for propane rose 2.3 cents, while the wholesale price declined 1.0 cent per gallon. Prices for kerosene-type jet fuel and aviation gasoline declined at both retail and wholesale. No. 1 distillate and No. 4 distillate prices rose at both levels, while prices for kerosene fell at retail and rose at wholesale.
- Refiner sales of these products were mixed during October. Sales of propane and No. 1 distillate rose at both levels, while sales of aviation gasoline fell at both retail and wholesale. Kerosene and No. 4 distillate sales increased at retail but declined at wholesale, while sales of kerosene-type jet fuel dropped at retail but rose at wholesale.