

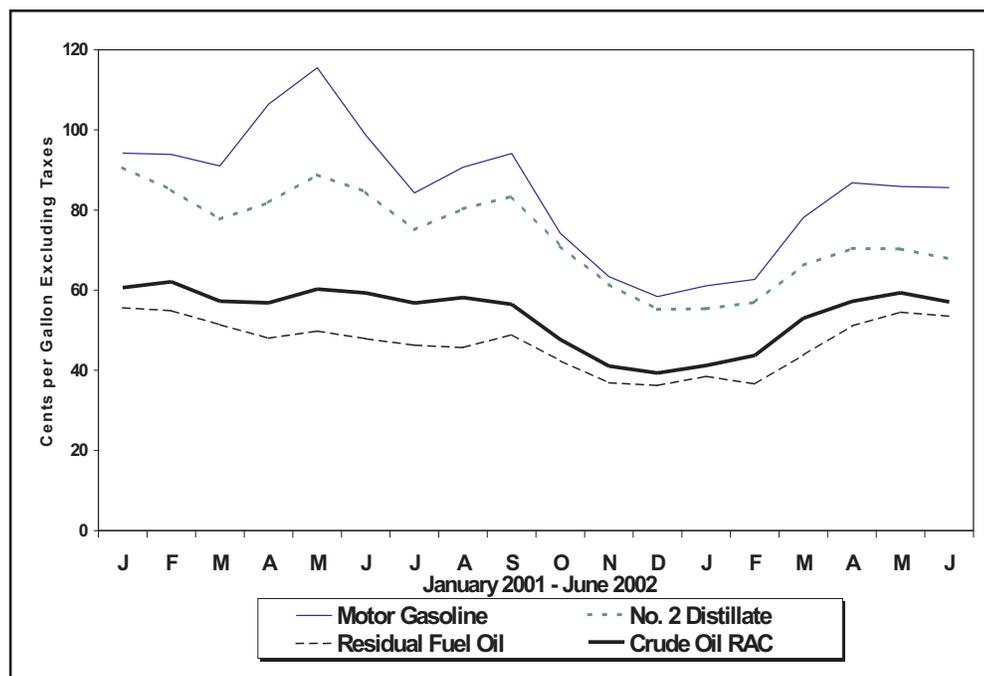
# Highlights

International crude oil prices followed a varied path in June. At the beginning of the month, oil prices were in decline, reacting to pressure from the growing stock levels in major markets and a reduction of influence from political factors. Prices were also dampened by reports of production overruns by some members of the Organization of Petroleum Exporting Countries (OPEC). The group, which had agreed to maintain a lower level of wellhead production during its last quarterly meeting in March, signaled early in the month that it planned to maintain the existing quotas during its late-June meeting in Vienna, Austria. However, Norway and Russia made it known they would not curtail exports after the end of June. Along with Mexico, Oman, and Angola, the two countries had agreed to cut their crude oil exports by a total of 462,500 barrels per day, as of January 1, 2002 when OPEC implemented its last round of production cuts. Despite those events, by mid-June, prices began to rise. U.S. inventory reports that showed modest declines in crude oil stocks underpinned the increase along with renewed strife in the Middle East between Israelis and Palestinians. Besides some market technical factors that supported prices at the end of the month, OPEC voted on June 28 to maintain the group's production output levels for another 3 months. Additionally, Mexico had announced the previous day that it would hold exports to 1.66 million barrels per day through September, the same level it had agreed to in the accord with OPEC implemented at the beginning of the year.

While June prices for crude oil and refined products in the United State registered

only small changes on average from May levels, refining margins expanded noticeably from last month's rates. Notably, data reflecting refinery operations show utilization remained below the rate seen in June 2001. This continues a trend seen consistently since January. Despite the perception at the beginning of the month that gasoline demand was comparatively thin for the start of the summer driving season, gasoline prices showed the most activity during June overall. Following the appreciable increase registered in May, monthly data show demand edged higher again in June. Further, inventory data show stocks of finished gasoline at the national level fell approximately 1 percent in June, with stocks of reformulated gasoline registering the largest decrease (3.2 percent). On the West Coast, spot market prices in California surged in the middle of the month due to refinery problems in the San Francisco area. Market prices for California Cleaner Burning Gasoline (CBG) in San Francisco and

**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					
	June 2002		May 2002		June 2001		June 2002		May 2002		June 2001	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	99.1	64.7	99.9	64.5	120.5	65.8	85.6	324.3	85.9	325.5	98.7	314.6
<b>Conventional</b> .....	95.6	38.4	96.8	38.1	112.6	38.9	81.8	219.2	82.2	221.1	91.6	209.8
Regular .....	92.5	29.2	93.7	29.1	109.4	30.1	80.2	181.0	80.5	183.4	90.0	174.1
Midgrade .....	101.7	5.0	103.1	5.0	120.0	5.0	86.4	12.0	87.0	12.1	95.7	12.5
Premium .....	110.1	4.1	111.3	4.0	127.8	3.8	90.7	26.2	91.8	25.5	100.7	23.3
<b>Oxygenated</b> .....	99.7	1.9	100.5	1.9	120.3	1.8	88.7	7.6	88.2	7.4	104.5	7.1
Regular .....	97.4	1.6	98.1	1.5	117.4	1.5	87.7	6.0	87.2	5.8	103.5	5.7
Midgrade .....	105.4	0.2	107.0	0.2	130.9	0.2	88.4	1.1	88.2	1.1	104.3	0.9
Premium .....	116.0	0.2	116.6	0.1	139.5	0.1	99.2	0.6	99.1	0.5	117.8	0.5
<b>Reformulated</b> .....	104.6	24.3	104.7	24.5	132.9	25.0	93.9	97.5	94.1	97.0	113.7	97.7
Regular .....	100.5	17.4	100.7	17.6	129.0	18.3	90.8	73.5	91.0	72.9	110.2	75.3
Midgrade .....	111.2	3.4	111.4	3.4	139.8	3.5	102.1	7.9	101.9	8.0	124.0	7.6
Premium .....	118.0	3.6	118.6	3.5	147.5	3.2	104.2	16.0	104.1	16.2	126.3	14.8
<b>Aviation Gasoline</b> .....	127.3	0.2	128.4	0.2	145.1	0.1	116.7	0.5	114.4	0.8	135.0	0.8
<b>Kerosene-Type Jet Fuel</b> .....	68.6	50.4	70.9	48.7	83.6	53.3	67.9	9.5	69.6	10.4	82.6	12.1
<b>Propane (Consumer Grade)</b> .....	37.9	2.9	40.5	2.5	50.5	3.2	37.9	29.0	40.8	26.1	48.7	27.1
<b>Kerosene</b> .....	83.8	0.0	91.5	0.1	93.8	0.1	69.4	0.9	71.1	1.1	83.3	1.0
<b>No. 1 Distillate</b> .....	80.5	0.2	83.8	0.2	94.1	0.2	77.1	0.2	79.6	0.2	97.2	0.2
<b>No. 2 Distillate</b> .....	72.9	21.7	74.9	24.0	90.0	26.3	67.8	120.4	70.3	122.3	84.5	118.3
No. 2 Fuel Oil .....	67.6	2.8	70.9	2.8	84.8	2.5	65.7	17.1	68.4	18.3	79.3	15.9
No. 2 Diesel Fuel .....	73.7	18.9	75.4	21.2	90.6	23.8	68.2	103.3	70.6	104.0	85.3	102.4
Low Sulfur .....	76.2	12.8	77.3	14.8	92.6	16.9	68.4	92.2	70.8	92.3	86.0	89.4
High Sulfur .....	68.3	6.1	71.1	6.4	85.7	6.9	66.3	11.1	68.8	11.8	80.6	13.0
<b>No. 4 Fuel<sup>a</sup></b> .....	62.6	0.3	64.7	0.2	62.8	0.2	61.3	0.0	64.5	0.0	60.2	0.1
<b>Residual Fuel Oil</b> .....	58.3	9.9	58.1	9.2	52.4	14.6	53.5	9.4	54.5	9.9	47.9	10.7
Sulfur Content not > 1 % .....	63.0	2.1	64.0	1.8	64.1	3.3	53.7	5.6	56.3	5.7	53.0	5.6
Sulfur Content > 1 % .....	57.1	7.8	56.6	7.4	49.0	11.3	53.3	3.8	52.1	4.2	42.4	5.1

<sup>a</sup> 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."

Los Angeles reached \$1.025 and 99.5 cents per gallon, respectively on June 13, their highest levels since last fall. By the end of the month, prices had retreated to less than 90 cents per gallon in both markets. At New York Harbor, the average spot market price for regular gasoline in June 2002 was 71.7 cents per gallon, about a penny higher than last month, and almost identical to the average June 2001 price. Gasoline prices in mid-continent markets, particularly Chicago, were quiet throughout the month in contrast with this time last year. During the "off-season" for distillate products, prices were relatively stable due to robust inventories and slow demand and generally followed the pattern of crude oil prices.

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

## Crude Oil

At Cushing, Oklahoma, the daily spot price for West Texas Intermediate (WTI) crude oil remained on a changeable path during June. After opening at \$25.37 per barrel, the price moved gradually down to the month's low of \$24.21 per barrel on June 11. The decline was due in large part to the perception that crude oil inventories were seen as adequate to meet demand. The price changed its direction shortly thereafter, under pressure from a variety of factors including reported inventory drawdowns. With the same market trends persisting through the end of the month, the price closed June at its highest level, \$26.79 per barrel, \$1.42 higher than where it began June.

- Monthly average prices for crude oil declined in June. The average domestic crude oil first purchase price fell 96.0 cents (4.1 percent), to \$22.55 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil declined 71.0 cents (3.1 percent), to \$22.47 per barrel. The average landed cost of foreign crude oil dropped 72.0 cents (2.9 percent), to \$23.75 per barrel.
- The average refiner acquisition cost for domestic crude oil fell 97.0 cents (3.8 percent), to \$24.81 per barrel. The average cost of imported crude oil to U.S. refiners declined 96.0 cents (4.0 percent), to \$23.33 per barrel. The composite refiner acquisition cost for crude oil decreased 96.0 cents (3.8 percent), to \$23.98 per barrel.

## Petroleum Products

### *Motor Gasoline*

The path of the daily spot price for regular gasoline at New York Harbor was the most volatility in the complex during June. After opening at 68.5 cents per gallon, the price rose for a few days, then retreated to its low of 68.4 cents per gallon on June 11 due the perception of adequate supplies in the marketplace. Advancing and retreating through the end of the month, the price reached its high of 74.0 cents per gallon on June 27. Closing at 73.8 cents per gallon, the price was 5.3 cents higher than where it began the month.

- National average gasoline prices slipped again in June. The average price for retail sales of motor gasoline by refiners fell 0.8 cent to 99.1 cents per gallon. The average wholesale price declined 0.3 cent to 85.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets decreased 1.0 cent to 97.8 cents per gallon. The average wholesale price fell 0.5 cent to 85.3 cents per gallon. The average dealer tank wagon (DTW) price dropped 0.4 cent to 91.7 cents per gallon, while the average rack price fell 0.4 cent to 84.0 cents per gallon. The average price for bulk sales declined 0.8 cent to 74.3 cents per gallon. Reformulated gasoline (RFG) prices were 8.4 cents higher than conventional gasoline prices at retail, and 10.4 cents higher at wholesale. Oxygenated gasoline prices were 4.2

cents more than conventional gasoline prices at retail, and 6.0 cents higher at wholesale.

- Refiner sales of gasoline varied in June. Overall, sales fell 1.0 million gallons per day (0.3 percent), to an average of 389.0 million gallons per day. Retail sales rose 200,000 gallons per day (0.3 percent), while wholesales dropped 1.2 million gallons per day (0.4 percent). Rack sales accounted for 63.7 percent of wholesales, while DTW and bulk sales made up 21.0 percent and 15.3 percent, respectively. Reformulated gasoline accounted for 31.3 percent of total motor gasoline sales, while oxygenated gasoline covered 2.4 percent of sales.

### *No. 2 Distillate*

The daily spot price for No. 2 heating oil at New York Harbor followed the same general pattern seen in the WTI crude oil price during June. Beginning the month at 63.0 cents per gallon, the price moved to its monthly low of 61.7 cents per gallon on June 10. Following the general upward cant of market prices, the heating oil price increased through the end of the month. The price closed June at 67.5 cents per gallon, 4.5 cents higher than where it began the month.

- No. 2 distillate prices declined in June. The national average residential price for No. 2 distillate fell 5.0 cents to \$1.039 per gallon, while the average wholesale price decreased 2.4 cents to 68.5 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 2.1 cents, while the average No. 2 diesel fuel wholesale price decreased 2.3 cents. The spread between low- and high-sulfur diesel fuel prices was 0.9 cent at retail and 1.5 cents at wholesale.
- Refiner sales of No. 2 distillate decreased across the board in June. Total sales fell 4.2 million gallons (2.9 percent), to 142.1 million gallons per day. Sales of No. 2 fuel oil declined 1.2 million gallons per day (5.7 percent), while sales of No. 2 diesel fuel decreased 3.0 million gallons per day (2.4 percent). Low-sulfur diesel fuel accounted for 85.9 percent of all refiner diesel fuel sales, and 73.9 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

- The direction of residual fuel oil prices was varied in June. Prices for low-sulfur residual fuel oil fell 1.0 cent to 63.0 cents per gallon at retail, and 2.6 cents to

53.7 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil inched up 0.5 cent to 57.1 cents per gallon. The wholesale price increased 1.2 cents to 53.3 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price remained flat at 60.8 cents per gallon at retail, while the wholesale price declined 1.9 cents to 53.7 cents per gallon. The price for high-sulfur residual fuel oil rose 0.3 cent to 56.1 cents per gallon at retail, and 1.3 cents to 53.8 cents per gallon at wholesale.

- Total refiner sales of residual fuel oil increased marginally in June. Overall, sales rose 200,000 gallons per day (1.0 percent) to 19.3 million gallons per day. Low-sulfur residual fuel sales rose 200,000 gallons per day (2.7 percent), while high-sulfur residual fuel oil sales remained flat.

### ***Other Products***

- Prices for other petroleum products generally fell in June. Refiner propane prices decreased 2.6 cents per gallon at retail, and 2.9 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price declined 1.7 cents per gallon, while the average retail price fell 6.0 cents. The average wholesale price declined 2.8 cents. Prices for kerosene-type jet fuel, kerosene, No. 1 distillate, and No. 4 distillate fell at both retail and wholesale. Aviation gasoline prices declined at retail but rose at wholesale.
- Like their prices, refiner sales of these products generally declined in June. Sales of propane rose at both levels, while aviation gasoline, kerosene, and No. 1 distillate decreased at both the retail and wholesale levels. Sales of kerosene-type jet fuel and No. 4 distillate rose at retail but fell at wholesale.