

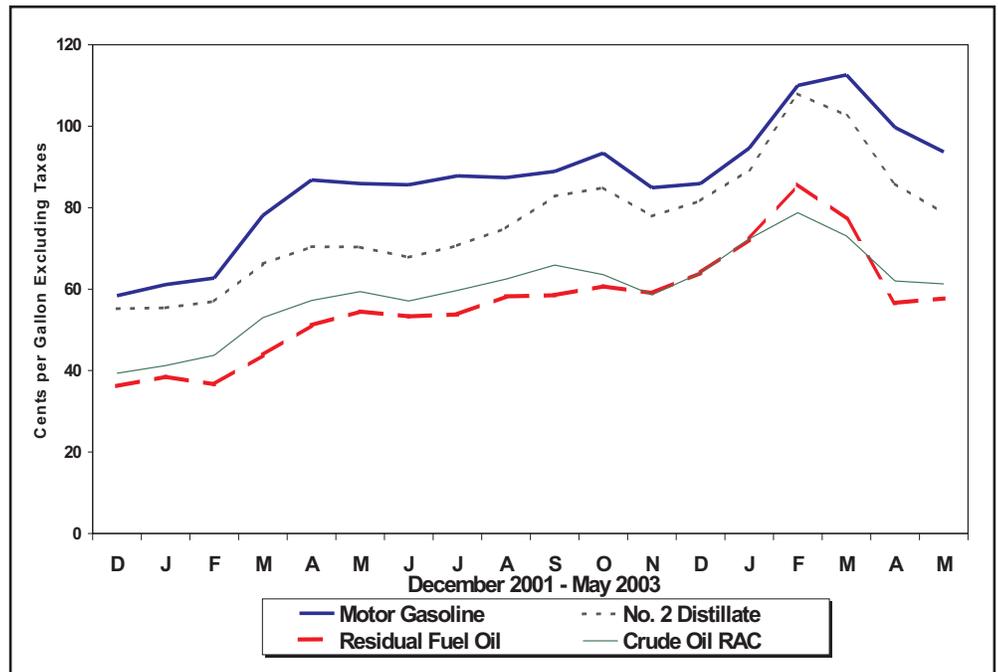
Highlights

World crude oil prices moved moderately higher during May, spurred by political factors, production facilities maintenance in the North Sea, and falling inventories in Atlantic Basin markets. During the first week of the month, prices were influenced by reports of a drop in U.S. inventories when market watchers expected the data to show an increase in crude oil stocks. Rising prices were underpinned in the following days by talk of the Organization of Petroleum Exporting Countries (OPEC) cutting production quotas during the group's next meeting in June. Additionally, the bombing of a residential compound largely inhabited by foreign nationals in Saudi Arabia on May 12 drove prices higher. The attack that killed 34 people, including the nine suicide bombers, fueled wider concerns about security in the Middle East and the possibility of disruptions to the flow of oil from the region. Prices softened modestly following a United Nations Security Council vote ending economic sanctions on Iraq on May 22. The vote meant that exports of Iraqi crude oil held in storage in Ceyhan, Turkey could resume, in addition to restarting wellhead production in Iraqi oil fields. Prices closed the month on the upswing due to unexpected news of further declines in U.S. petroleum products inventories and more talk of OPEC production cuts, and scheduled maintenance on North Sea fields expected to rise in June.

With a few exceptions, prices for crude oil and finished products in the United States experienced relatively modest changes during May. Crude oil prices were influenced by the high rate of refinery inputs, and rose gradually throughout the month. With the exception of one day, the West Texas Intermediate (WTI) 3-2-1 cracking spread remained below 10.0 cents per gallon, the lowest

rate seen for the year thus far. Gasoline prices showed the most volatility, pressured by growing demand and stock draws just prior to the Memorial Day weekend, the start of the so-called "driving season." Following April's 2.3 percent increase, EIA data show implied demand for gasoline climbed another 3.6 percent in May. Additionally, while finished gasoline stocks rose 2.7 percent in May, inventories remained 8.1 percent below the year-ago level. In markets across the country, prices for reformulated gasoline blends continued at a substantial premium to conventional gasoline products. More specifically, gasoline prices in some Midwestern and West Coast markets rose sharply in response to tight supplies of gasoline. In Chicago, the spot market price for reformulated regular gasoline rose above 90 cents per gallon early in the month and reached \$1.028 per gallon on May 30 due to short supplies. In the Los Angeles spot market, the price for the regular grade of California reformulated gasoline

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					
	May 2003		April 2003		May 2002		May 2003		April 2003		May 2002	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	110.1	65.0	120.1	61.9	99.9	64.5	93.7	316.9	99.7	302.3	85.9	325.5
Conventional	103.7	38.2	112.7	36.4	96.8	38.1	88.6	213.0	93.1	202.8	82.2	221.1
Regular	100.8	29.6	109.8	28.6	93.7	29.1	87.1	178.0	91.6	170.8	80.5	183.4
Midgrade	109.8	4.7	119.2	4.4	103.1	5.0	93.6	11.2	97.8	11.0	87.0	12.1
Premium	118.3	3.9	128.3	3.4	111.3	4.0	97.9	23.7	102.7	21.1	91.8	25.5
Oxygenated	110.5	2.2	114.8	2.1	100.5	1.9	100.0	7.5	105.6	7.2	88.2	7.4
Regular	108.3	1.8	112.9	1.7	98.1	1.5	99.2	5.9	105.0	5.7	87.2	5.8
Midgrade	115.2	0.2	117.5	0.2	107.0	0.2	99.3	1.0	102.4	1.0	88.2	1.1
Premium	126.8	0.2	131.5	0.1	116.6	0.1	111.3	0.5	118.3	0.5	99.1	0.5
Reformulated	119.9	24.6	132.0	23.4	104.7	24.5	104.3	96.4	113.7	92.3	94.1	97.0
Regular	116.2	18.1	128.8	17.4	100.7	17.6	101.3	73.8	110.7	71.5	91.0	72.9
Midgrade	126.1	3.1	137.0	2.8	111.4	3.4	112.6	6.3	123.1	6.1	101.9	8.0
Premium	134.0	3.5	144.8	3.1	118.6	3.5	114.7	16.3	124.5	14.7	104.1	16.2
Aviation Gasoline	139.8	0.2	W	W	128.4	0.2	122.4	0.5	126.8	0.4	114.4	0.8
Kerosene-Type Jet Fuel	75.9	43.9	82.2	42.2	70.9	48.7	75.0	10.7	82.6	11.0	69.6	10.4
Propane (Consumer Grade)	53.9	1.8	52.6	1.9	40.5	2.5	54.3	28.8	53.9	30.5	40.8	26.1
Kerosene	NA	0.1	127.9	0.1	91.5	0.1	74.0	1.4	86.1	1.6	71.1	1.1
No. 1 Distillate	95.1	0.1	96.0	0.2	83.8	0.2	91.0	0.2	98.6	0.3	79.6	0.2
No. 2 Distillate	85.1	19.6	93.9	19.4	74.9	24.0	78.6	119.7	85.9	125.7	70.3	122.3
No. 2 Fuel Oil	80.9	2.6	91.0	2.7	70.9	2.8	75.6	20.1	82.4	22.9	68.4	18.3
No. 2 Diesel Fuel	85.8	17.0	94.4	16.7	75.4	21.2	79.2	99.6	86.7	102.8	70.6	104.0
Low Sulfur	88.7	11.4	98.5	11.3	77.3	14.8	79.6	88.7	87.2	92.0	70.8	92.3
High Sulfur	79.8	5.6	85.9	5.4	71.1	6.4	76.5	10.9	83.0	10.7	68.8	11.8
No. 4 Fuel^a	77.1	0.2	77.4	0.3	64.7	0.2	68.4	0.0	71.9	0.1	64.5	0.0
Residual Fuel Oil	61.7	9.9	64.5	10.3	58.1	9.2	57.7	6.9	56.6	6.7	54.5	9.9
Sulfur Content not > 1 %	75.2	2.1	78.1	2.8	64.0	1.8	62.6	2.9	60.0	3.8	56.3	5.7
Sulfur Content > 1 %	58.1	7.8	59.4	7.5	56.6	7.4	54.1	4.0	52.2	2.8	52.1	4.2

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^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."

(CaRFG) jumped at mid-month after declining for several weeks, following news of refinery problems and successive reports of inventory declines. Prices in Pacific Northwest markets followed a similar upward trend. May distillate prices were generally steady, as demand for heating fuels continued to fade and demand for diesel fuel for the spring planting season wound down.

Additional May 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 WTI crude oil at Cushing, Oklahoma increased gradually throughout May. Opening at \$26.09 per barrel, the price dropped to its low of \$25.65 per barrel on May 6. It increased steadily during the following weeks as supply reports showed decreases in inventory levels. The price reached its high of \$29.74 per barrel on May 23, underpinned by expectations of higher demand for crude oil and finished products in the coming summer months. Closing at \$29.56 per barrel, the price was \$3.47 above May's opening level.

- May monthly average crude oil prices show generally small changes from April levels. The average domestic crude oil first purchase price declined 50 cents (2.0 percent), to \$24.96 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose 65 cents (2.9 percent), to \$23.40 per barrel. The average landed cost of foreign crude oil remained flat at \$25.14 per barrel.
- The average refiner acquisition cost for domestic crude oil shows the largest change, falling \$1.79 (6.3 percent), to \$26.75 per barrel. The average cost of imported crude oil to U.S. refiners rose 63 cents (2.6 percent), to \$25.15 per barrel. The composite refiner acquisition cost for crude oil declined 29 cents (1.1 percent), to \$25.74 per barrel.

Petroleum Products

Motor Gasoline

Increased demand, tight supplies, and periodic reports of refinery problems underpinned the daily spot price for regular gasoline at New York Harbor during May. Opening the month at 72.8 cents per gallon, the price dipped to its low of 68.5 cents per gallon on May 2. The price rose fitfully during the following weeks, driven by supply and refinery production issues. The month's high, 82.6 cents per gallon, was reached on May 22, just before Memorial Day weekend. In the midst of a period of volatility, the price closed May at 79.5 cents per gallon, 6.7 cents higher than where it began the month.

- Monthly average gasoline prices fell in May. The average price for retail sales of motor gasoline by refiners declined 10.0 cents to \$1.101 per gallon. The average wholesale price decreased 6.0 cents to 93.7 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets fell 8.6 cents to \$1.075 per gallon. The average wholesale price decreased 5.8 cents to 93.0 cents per gallon. The average dealer tank wagon (DTW) price declined 7.6 cents to \$1.011 per gallon, while the average rack price fell 3.9 cents to 90.7 cents per gallon. The average price for bulk sales decreased 4.7 cents to 81.6 cents per gallon. Reformulated gasoline (RFG) prices were 13.5 cents more than conventional gasoline prices at retail, and 13.1 cents more at wholesale.

Oxygenated gasoline prices were 6.5 cents higher than conventional gasoline prices at retail, and 10.9 cents more at wholesale.

- Sales of motor gasoline by refiners increased again in May. Total sales rose 17.7 million gallons per day (4.9 percent), to an average of 381.9 million gallons per day. Retail sales climbed 3.1 million gallons per day (5.0 percent), while wholesales increased 14.6 million gallons per day (4.8 percent). Rack sales accounted for 65.7 percent of wholesales, while DTW and bulk sales made up 19.3 percent and 15.0 percent, respectively. Reformulated gasoline constituted 31.7 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.5 percent of sales.

No. 2 Distillate

As warmer temperatures reduced demand for the product, the daily spot price for No. 2 heating oil at New York Harbor showed a more equable trend during May than prices for other major petroleum products. Opening at its high point, 81.6 cents per gallon, the price dropped firmly during the first week of the month, reaching its low of 70.1 cents per gallon on May 6. Gaining moderately during the following weeks, the price hit the month's high of 76.6 cents per gallon on May 16. Displaying only small movements during the latter half of the month, the price closed May at 75.0 cents per gallon, 6.6 cents lower than where it began the month.

- No. 2 distillate prices decreased in all sales categories during May. The national average residential sales price for No. 2 distillate dropped 8.1 cents to \$1.265 per gallon. The average wholesale price declined 6.8 cents to 79.7 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets decreased 9.3 cents, while the average No. 2 diesel fuel wholesale price fell 7.0 cents. The difference between low- and high-sulfur diesel fuel prices was 2.6 cents at retail and 2.3 cents at wholesale.
- Refiner sales of No. 2 distillate generally fell in May. Total sales dropped 5.8 million gallons per day (4.0 percent), to 139.3 million gallons per day. Sales of No. 2 fuel oil declined 2.9 million gallons per day (11.3 percent), while sales of No. 2 diesel fuel fell 2.9 million gallons per day (2.4 percent). Low-sulfur diesel fuel made up 85.8 percent of all refiner diesel fuel sales, and 71.9 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- The direction of residual fuel oil prices was mixed in May. Refiner prices for low-sulfur residual fuel oil fell 2.9 cents to 75.2 cents per gallon at retail, but rose 2.6 cents to 62.6 cents per gallon at wholesale. The average retail price for high-sulfur residual fuel oil decreased 1.3 cents to 58.1 cents per gallon, while the wholesale price increased 1.9 cents to 54.1 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average low-sulfur residual fuel oil price dropped 2.9 cents to 70.7 cents per gallon at retail, while the wholesale price fell 0.4 cent to 64.2 cents per gallon. The retail price for high-sulfur residual fuel oil decreased 1.9 cents to 57.4 cents per gallon, while the wholesale price rose 0.4 cent to 55.9 cents per gallon.
- Refiner sales of residual fuel oil fell moderately during May. Total sales declined 200,000 gallons per day (1.2 percent) to 16.8 million gallons per day. Low-sulfur residual fuel sales decreased 1.6 million gallons per day (24.2 percent), while high-sulfur re-

sidual fuel oil sales climbed 1.5 million gallons per day (14.6 percent).

Other Products

- Most prices for the products included in this section decreased in May. Refiner propane prices rose 1.3 cents per gallon at retail and 0.4 cent at wholesale. Including data from a sample of propane marketers, the average residential propane price declined 3.6 cents per gallon, while the average retail price fell 4.5 cents. The average wholesale propane price increased 0.7 cent. Retail and wholesale prices decreased for kerosene-type jet fuel, No. 1 distillate, and No. 4 distillate. The May wholesale price for aviation gasoline and kerosene also declined.
- Sales of these products were mixed in May. Propane, No. 1 distillate, and No. 4 distillate sales decreased at both the retail and wholesale levels. Sales of kerosene-type jet fuel and kerosene rose at retail but fell at wholesale, while sales of aviation gasoline rose at the wholesale level.