

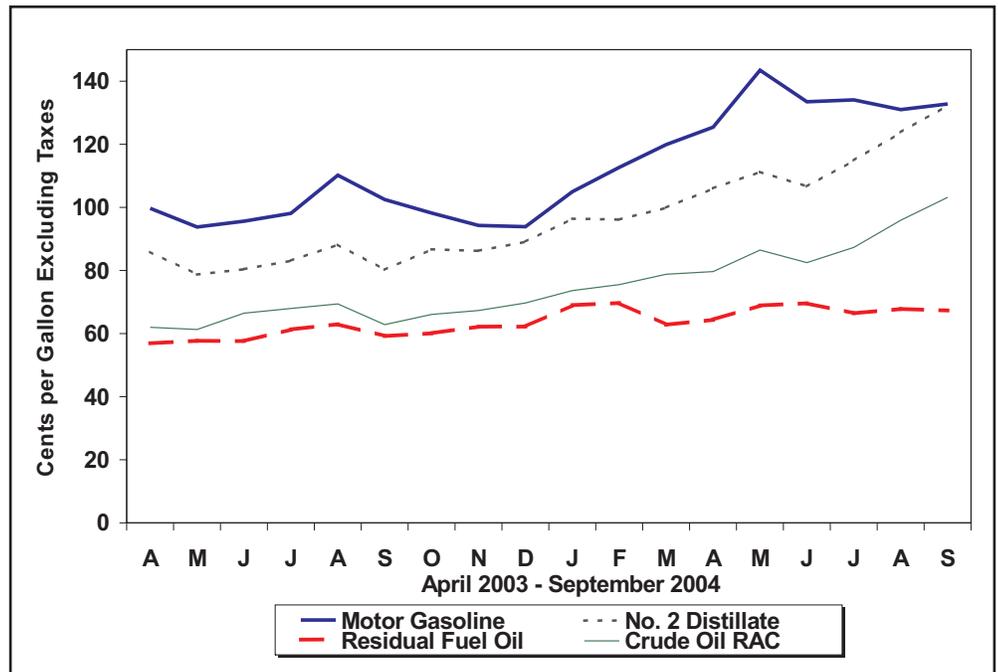
Highlights

International crude oil prices rose significantly during September, spurred by severe weather in the Gulf of Mexico and political factors arising from various issues. At the beginning of the month, saboteurs set off an explosion damaging the pipeline carrying oil from Kirkuk, Iraq to Ceyhan, Turkey, disrupting shipments on the line that had just been restored the previous week. The incident was the latest of many attacks on production and shipping structures that have hampered the full return of Iraqi oil production and exports. During the second week of the month, Hurricane Ivan bore down on the Gulf of Mexico, shuttering offshore oil production facilities, ports, and refineries throughout the Gulf Coast region until the storm passed. According to the U.S. Minerals Management Service, shut-in oil production reached a high of 82.9 percent of the region's daily production on September 16. Although that number quickly abated, a cumulative 12.9 million barrels of oil, or 2.1 percent of the annual production of oil in the region was shut in for the period between September 11 and September 30. Notably, the region accounts for 30 percent of all U.S. crude oil production. In part because of the storm, and in part because of estimations that it is already pumping approximately 28.0 million barrels per day, the September 15 announcement by the Organization of Petroleum Exporting Countries (OPEC) to raise official production rates 1.0 million barrels per day to 27.0 million barrels per day had little effect on prices in international markets. Rising prices were also underpinned by a Russian court's decision at mid-month to uphold the government's seizure of five refineries owned by YUKOS as part of an ongoing tax dispute. The action came on the heels of a ruling earlier in the month freezing company funds. These events

highlighted concern that oil production and shipments from the world's second largest exporting country could be hampered by the dispute. Oil prices in world markets were also affected late in the month by rising political tensions in Nigeria. Rebels threatened to disrupt oil well and pipeline operations in the Niger Delta region in response to attacks on them from government forces and other militia groups. Although a truce had been called by the participants by the close of September, market watchers perceived it as rather tenuous.

In U.S. markets, refined product prices experienced substantial increases in September, thanks in large part to rising crude oil prices. Hurricane Ivan had a substantial effect on market activity in the United States. Besides the closures of offshore oil production facilities, the Louisiana Offshore Oil Port (LOOP) was shut down twice in September: the first time was during the initial strike of Hurricane Ivan; the second time was at

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					
	September 2004		August 2004		September 2003		September 2004		August 2004		September 2003	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	145.2	58.5	145.4	60.8	126.5	63.9	132.8	319.6	131.0	334.7	102.5	317.0
Conventional	141.1	34.0	141.3	35.8	119.2	36.8	129.5	215.2	127.5	229.6	96.0	212.2
Regular	138.7	27.6	138.8	29.0	116.5	28.9	128.0	183.8	126.0	198.1	94.5	180.3
Midgrade	147.7	3.6	148.0	3.8	126.1	4.4	133.8	11.1	132.4	11.1	101.0	11.3
Premium	156.7	2.9	157.3	3.0	133.5	3.4	140.5	20.4	139.3	20.5	106.4	20.6
Oxygenated	147.3	1.7	146.0	1.7	125.4	2.4	135.8	9.2	132.5	7.7	109.5	8.7
Regular	145.2	1.4	143.8	1.4	122.9	2.0	134.6	7.5	131.6	6.3	108.8	6.9
Midgrade	154.0	0.2	153.2	0.2	130.4	0.3	136.0	1.1	132.7	0.9	106.8	1.1
Premium	164.3	0.1	162.5	0.1	142.7	0.2	148.9	0.7	144.1	0.5	121.2	0.7
Reformulated	151.0	22.7	151.6	23.2	137.5	24.8	140.0	95.2	139.1	97.4	116.3	96.1
Regular	146.9	16.8	147.4	17.3	133.8	18.2	137.4	75.3	136.4	77.7	113.1	75.9
Midgrade	158.2	2.6	158.7	2.6	143.1	3.0	145.2	5.2	144.9	5.2	126.2	5.7
Premium	166.7	3.3	167.6	3.3	151.4	3.5	151.6	14.7	151.5	14.4	129.5	14.5
Aviation Gasoline	189.2	0.1	185.8	0.1	158.9	0.1	165.8	0.6	168.1	0.6	134.9	0.6
Kerosene-Type Jet Fuel	133.3	46.3	127.2	47.7	81.7	45.4	132.5	13.8	126.9	16.3	80.8	11.8
Propane (Consumer Grade)	86.7	2.6	88.1	2.6	53.8	2.7	80.6	37.4	83.0	33.3	56.7	33.7
Kerosene	W	W	125.8	0.2	NA	NA	139.9	1.5	127.9	1.4	82.7	2.1
No. 1 Distillate	147.3	0.1	137.6	0.1	96.9	0.2	145.7	0.6	136.6	0.4	93.2	0.6
No. 2 Distillate	134.7	20.0	127.7	20.3	87.9	17.7	132.4	140.4	123.8	135.0	80.2	134.3
No. 2 Fuel Oil	129.9	2.1	122.6	2.2	81.4	2.2	126.8	15.4	118.8	15.6	77.3	19.4
No. 2 Diesel Fuel	135.3	17.9	128.3	18.1	88.9	15.5	133.1	125.0	124.4	119.4	80.7	115.0
Low Sulfur	137.8	12.3	130.2	11.9	90.8	11.0	133.8	108.5	125.3	102.9	81.0	100.3
High Sulfur	130.0	5.7	124.6	6.2	84.0	4.5	127.8	16.5	119.3	16.5	78.8	14.6
No. 4 Fuel^a	110.1	0.1	106.4	0.1	70.2	0.2	111.5	0.0	95.4	0.0	78.1	NA
Residual Fuel Oil	77.2	9.2	73.2	9.1	64.6	10.3	67.3	5.1	67.8	6.3	58.6	5.5
Sulfur Content not > 1 %	88.3	3.4	79.8	2.9	72.0	3.2	74.8	2.2	75.2	3.0	62.6	2.1
Sulfur Content > 1 %	70.7	5.8	70.1	6.2	61.2	7.1	61.3	2.8	60.8	3.2	56.1	3.4

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."

the end of the month when a much weakened version of Ivan returned to the Gulf of Mexico region. The LOOP is the major U.S. port facility for delivery of offshore and foreign crude oil. Overall, U.S. imports of crude oil in September 2004 fell 6 percent from the September 2003 level. Further, many companies shut down or sharply curtailed operations at refineries in the Gulf Coast states of Mississippi, Louisiana, and Alabama because of the storm. Notably, refinery utilization rates fell sharply during the second half of the month. Despite the beginning of a period of scheduled maintenance on refining facilities (which commonly occurs at this time of year), the utilization rate was noticeably lower than September 2003 level. Crude oil and finished product prices, particularly No. 2 distillate prices, were also influenced by supply reports

showing either noticeable declines or uncharacteristically slow growth for this time of year. Monthly EIA stocks data show gasoline inventories were more than 6 percent lower than last year at this time, and nearly 3 percent lower than last month. Distillate stocks were not only more than 6 percent lower than the September 2003 level, but were nearly that much lower than the August 2004 level. Demonstrating demand for distillates was on the rise, monthly data show demand increasing 4.8 percent in September. A look at New York Harbor spot market prices for gasoline and No. 2 fuel oil sheds further light on price trends during September, and accentuates the sustained pattern of higher product prices. The September 2004 monthly average for regular gasoline was \$1.261 per gallon compared with the average price of 87.5 cents per gallon last year,

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a difference of 38.6 cents per gallon. The average prices for No. 2 fuel oil show similarly substantial changes: In September 2004 the average price was \$1.257 per gallon, while the September 2003 price was 82.0 cents per gallon, a change of 43.7 cents per gallon. The spot market price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma averaged \$45.94 per barrel in September 2004, \$44.90 per barrel last month, and \$30.34 per barrel in September 2003.

Additional September 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 dramatically during September. After opening at \$42.23 per barrel, its lowest point for the month, the price saw comparatively little movement during the next two weeks. That trend changed dramatically in the aftermath of Hurricane Ivan. The price began to rise in the days just before the storm's landfall at Alabama's Gulf Coast shoreline, as companies evacuated production facilities in the Gulf of Mexico. It remained on that upbound track during next two weeks, reaching its high of \$49.76 per barrel on September 28. Closing the month at \$49.56 per barrel, the price was \$7.33 per barrel higher than when it began September.

- Monthly average crude oil prices rose moderately in September. The average domestic crude oil first purchase price increased 38 cents (0.9 percent), to \$40.48 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$1.00 (2.7 percent), to \$38.14 per barrel. The average landed cost of foreign crude oil climbed 58 cents (1.5 percent), to \$39.90 per barrel.
- The average refiner acquisition cost for domestic crude oil increased \$1.23 (3.0 percent), to \$42.77 per barrel. The average cost of imported crude oil to U.S. refiners rose 94 cents (2.4 percent), to \$40.51 per barrel, while the composite refiner acquisition cost for crude oil increased \$1.05 (2.6 percent), to \$41.34 per barrel.

Motor Gasoline

Following the lead of crude oil prices, the daily spot price for regular gasoline at New York Harbor rose sharply in September. Opening at its lowest level for September, \$1.130 per gallon, the price registered modest changes during the first half of the month. When the possibility of storm-related damage to oil production and refining facilities in, and along the coast of the Gulf of Mexico forced temporary closures at mid-month, the price began to rise rapidly. On September 28, the price reached \$1.350 per gallon, its highest point for the month. Easing slightly during the next few days, the price closed September at \$1.340 per gallon, 21 cents higher than its opening level.

- September national average gasoline prices show modest changes from August levels. The average price for retail sales of motor gasoline by refiners fell 0.2 cent to \$1.452 per gallon, while the average wholesale price rose 1.8 cents to \$1.328 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets dropped 0.3 cent to \$1.443 per gallon. The average wholesale price for gasoline increased 1.8 cents to \$1.332 per gallon. The average dealer tank wagon (DTW) price rose 1.4 cents to \$1.376 per gallon, while the average rack price increased 1.8 cents to \$1.321 per gallon. The average bulk sale price rose 1.4 cents to \$1.235 per gallon. Reformulated gasoline prices were 4.0 cents more than conventional gasoline prices at retail, and 5.0 cents higher at wholesale. Oxygenated gasoline prices were 9.2 cents higher than conventional gasoline prices at retail, and 4.1 cents more at wholesale.
- Sales of motor gasoline by refiners declined in September. Total sales fell 17.4 million gallons per day (4.4 percent), to an average of 378.1 million gallons per day. Retail sales decreased 2.3 million gallons per day (3.8 percent), while wholesales dropped 15.1 million gallons per day (4.5 percent). Rack sales accounted for 69.1 percent of wholesales, while DTW and bulk sales made up 17.2 percent and 13.7 percent, respectively. Reformulated gasoline accounted for 31.2 percent of total motor gasoline sales, while oxygenated gasoline made up 2.9 percent of sales.

No. 2 Distillate

The daily spot price for No. 2 fuel oil at New York Harbor rose firmly in September. After opening at \$1.124 per gallon, its lowest level for the month, the price remained fairly quiet during the next few weeks. Like the trend seen in other products' prices, the No. 2 fuel oil price began to rise at mid-month because of severe weather. Notably, however, the price rose more sharply than gasoline prices because of the reported high demand for diesel fuel, and continued to increase through the end of September. Closing the month at \$1.393 per gallon, the price was nearly 27 cents above its opening level.

- September monthly average prices for No. 2 distillates rose considerably from August levels. The national average residential sales price jumped 9.5 cents to \$1.593 per gallon. The average wholesale price climbed 8.7 cents to \$1.331 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 8.3 cents, while the average No. 2 diesel fuel wholesale price increased 8.8 cents. The difference between low- and high-sulfur diesel fuel prices was 1.4 cents at retail and 5.0 cents at wholesale.
- Refiner sales of No. 2 distillates increased again in September. Total sales rose 5.1 million gallons per day (3.3 percent), to 160.4 million gallons per day. Sales of No. 2 fuel oil fell 300,000 gallons per day (1.7 percent), while sales of No. 2 diesel fuel increased 5.4 million gallons per day (3.9 percent). Low-sulfur diesel fuel accounted for 84.5 percent of all refiner diesel fuel sales, and 75.3 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- National average residual fuel oil prices show a range of changes in September. Refiner prices for low-sulfur residual fuel oil jumped 8.5 cents to 88.3 cents per gallon at retail, but dropped 0.4 cent to 74.8 cents per gallon at wholesale. The average refiner re-

tail price for high-sulfur residual fuel oil inched up 0.6 cent to 70.7 cents per gallon, while the wholesale price increased 0.5 cent, to 61.3 cents per gallon. Including data reported by a sample of residual fuel oil marketers, the average price for low-sulfur residual fuel oil climbed 5.6 cents to 81.9 cents per gallon at retail, but declined 1.4 cents to 73.1 cents per gallon at wholesale. The retail price for high-sulfur residual fuel oil rose 0.4 cent to 70.1 cents per gallon, while the wholesale price increased 0.9 cent to 64.7 cents per gallon.

- Refiner sales of residual fuel oil fell in September. Total sales dropped 1.1 million gallons per day (7.1 percent). Low-sulfur residual fuel oil sales decreased 300,000 gallons per day (5.1 percent), while high-sulfur residual fuel oil sales declined 800,000 gallons per day (8.5 percent).

Other Products

- September monthly average prices for the rest of the surveyed products show mixed changes from August levels. Refiner prices for propane fell 1.4 cents per gallon at retail, and 2.4 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price increased 6.4 cents per gallon, while the average retail price rose 4.9 cents per gallon. The average wholesale propane price decreased 2.2 cents per gallon. Kerosene-type jet fuel, No. 1 distillate, and No. 4 distillate prices increased at both retail and wholesale. Aviation gasoline prices rose at retail but fell at wholesale, while the price for kerosene increased at wholesale.
- Refiner sales of the products included in this section varied in September. Sales of kerosene-type jet fuel and aviation gasoline declined at both levels, while No. 1 distillate increased at both the retail and wholesale. Sales of propane were flat again at the retail level, but increased at wholesale. No. 4 distillate sales rose at retail and declined at wholesale, while kerosene sales increased at wholesale.