

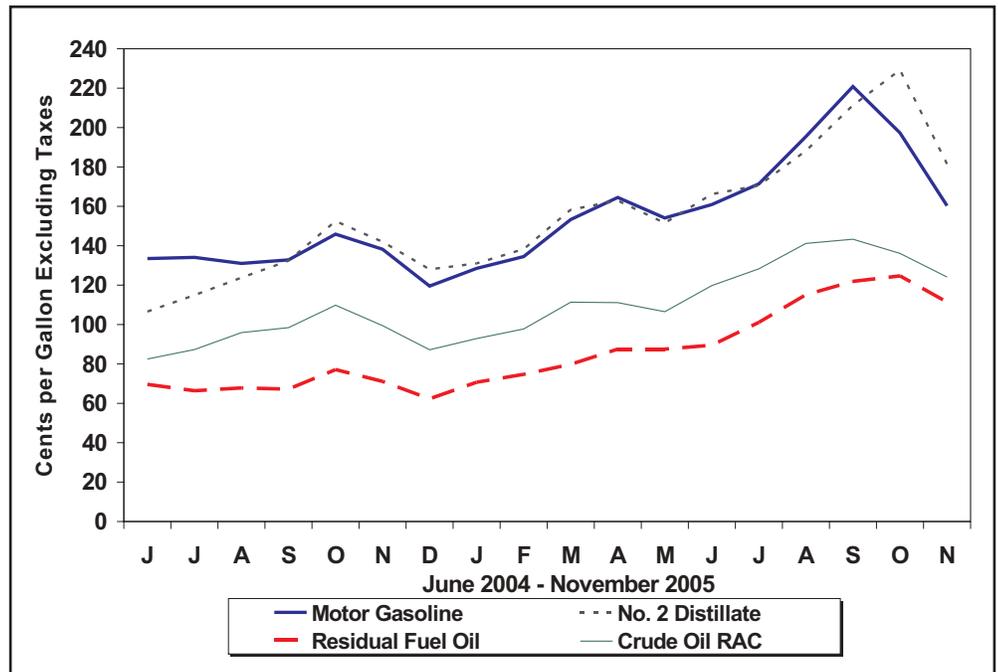
Highlights

International crude oil prices continued to decline in November. Higher stock levels in Atlantic Basin markets, weather trends, and the continuing aftereffects of hurricanes in the U.S. Gulf Coast region contributed downward pressure on prices throughout world markets. Warm temperatures and less favorable refining margins in Europe and North America contributed to rising crude oil inventories and caused oil prices in those markets to register more appreciable declines than seen in other regional markets. Reports that the Organization of Petroleum Exporting Countries (OPEC) had not yet determined whether any adjustment to production output was needed along with Saudi Arabia's intention to maintain current production and supply rates to customers in December also weighed on prices. Underscoring other evidence of robust stock levels and lagging demand, the OPEC offer to supply an extra 2 million barrels per day, if needed to quell prices following the storms in the Gulf of Mexico was viewed as unnecessary at this point. The group's next scheduled meeting is in Kuwait City, Kuwait on December 12, when production rates were expected to be a topic of discussion. In addition to the issues already mentioned, falling natural gas prices also affected November crude oil prices. Comparatively warm temperatures in northern hemisphere markets have dampened demand and tempered earlier expectations and predictions of high gas prices during the 2005-06 heating season.

In the United States, crude oil and refined product prices declined at all market levels during November. The combination of both October's and November's upstream price declines and more supplies arriving in regional markets continued to pressure retail prices lower. Other

issues also contributed to lower prices for refined products. Following the storms in September and October, imports of refined products increased 33.5 percent and 15.0 percent, respectively, from year-ago levels. Coupled with less vigorous demand for products including gasoline and distillates, inventories registered increases and prices fell. Monthly stocks data show gasoline inventories increased 2.3 percent in November, while distillate stocks rose 7.2 percent. Additionally, news of the continuing recovery of oil production, refining, and transportation operations in the Gulf Coast region helped calm market prices. At the beginning of the month, the Minerals Management Service (MMS) reported that shut-in oil production in the Gulf of Mexico amounted to 66.67 percent of normal daily production, and for the period between August 26 and November 1, the shut-in production amounted to 13.82 percent of yearly oil production in the region. By November 30, these measurements had changed to 36.48

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					
	November 2005		October 2005		November 2004		November 2005		October 2005		November 2004	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	182.3	60.5	226.3	58.5	155.1	57.0	160.3	323.6	197.3	317.5	138.3	307.9
Conventional	177.4	34.2	223.4	34.0	148.8	32.6	156.5	214.2	194.4	206.8	133.9	200.8
Regular	174.9	29.0	221.1	28.9	146.4	26.8	155.2	186.5	193.1	180.7	132.6	173.1
Midgrade	185.9	3.0	231.5	2.9	156.0	3.3	161.3	10.9	197.4	10.9	138.5	10.5
Premium	198.6	2.3	243.5	2.1	165.9	2.5	168.3	16.7	206.9	15.3	144.1	17.2
Oxygenated	182.0	2.6	218.8	2.2	154.0	3.5	167.5	11.1	195.7	10.4	142.1	11.8
Regular	179.2	2.1	215.9	1.8	151.3	2.8	166.2	9.2	194.4	8.6	140.6	9.6
Midgrade	192.1	0.3	232.0	0.2	159.9	0.5	165.5	1.1	193.9	1.0	142.4	1.1
Premium	199.2	0.2	236.6	0.1	170.7	0.3	182.8	0.9	211.8	0.8	155.4	1.1
Reformulated	189.4	23.6	231.4	22.3	165.0	20.9	167.8	98.3	203.5	100.3	147.2	95.3
Regular	185.2	18.1	227.7	17.1	161.1	15.5	164.9	81.4	200.7	82.1	144.5	76.7
Midgrade	197.5	2.6	238.6	2.4	172.2	2.6	177.1	3.8	213.8	3.7	154.7	4.9
Premium	207.8	2.9	247.8	2.7	180.5	2.8	182.6	13.1	216.4	14.5	159.4	13.7
Aviation Gasoline	220.6	0.1	272.8	0.1	187.0	0.1	199.9	0.5	254.9	0.4	169.0	0.5
Kerosene-Type Jet Fuel	185.6	41.9	236.1	42.2	146.6	45.7	181.5	17.1	235.1	14.6	145.2	13.2
Propane (Consumer Grade)	NA	2.8	148.2	2.7	103.6	1.9	103.5	34.1	111.9	33.6	88.3	47.4
Kerosene	219.7	0.3	235.3	0.2	154.3	0.3	198.2	3.0	226.9	1.9	149.2	2.9
No. 1 Distillate	206.7	0.4	245.2	0.2	161.9	0.2	200.1	2.3	233.6	1.3	154.9	2.1
No. 2 Distillate	191.7	19.0	234.5	19.0	148.6	19.5	181.5	142.9	229.2	144.4	141.9	139.8
No. 2 Fuel Oil	183.2	2.0	217.5	1.7	142.4	2.6	174.2	20.6	205.8	19.0	139.4	19.3
No. 2 Diesel Fuel	192.7	17.0	236.2	17.3	149.6	16.8	182.7	122.3	232.8	125.4	142.2	120.5
Low Sulfur	196.8	11.7	242.2	11.6	152.3	11.6	183.4	106.4	234.7	110.0	142.9	102.6
High Sulfur	183.4	5.2	223.8	5.7	143.7	5.2	177.7	15.9	219.2	15.4	138.5	17.9
No. 4 Fuel^a	W	W	181.7	0.2	W	W	W	W	W	W	W	W
Residual Fuel Oil	120.4	11.4	127.9	10.1	82.5	10.7	111.4	4.3	124.7	3.8	71.2	5.8
Sulfur Content not > 1 %	134.3	4.4	142.7	3.6	96.6	3.6	126.5	1.9	139.6	2.0	88.6	2.4
Sulfur Content > 1 %	111.7	7.0	119.8	6.5	75.2	7.1	99.3	2.4	108.8	1.8	59.2	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."

percent of daily production, and 17.51 percent of yearly production for the period between August 26 and November 30. Despite the relatively slow recovery of crude oil production operations, prices declined in large part due to news of well-set inventories. The price for benchmark West Texas Intermediate (WTI) crude oil hit a five-month low at mid-month following the release of weekly inventory data showing stocks above their 5-year average range. While refinery operations increased during November, they remained substantially below the average 94.4 percent utilization rate seen in November 2004. Average spot market prices for various products in November at New York Harbor reflect price trends and the general atmosphere in U.S. markets. The November 2005, the WTI crude oil price

averaged \$58.32 per barrel, compared with \$62.2 per barrel last month and \$48.47 per barrel in November 2004. In October 2005, the average price for regular gasoline was \$1.713 per gallon, but this month the price dropped 24.1 cents to \$1.472 per gallon. In November 2004, the average price was \$1.267 per gallon. The average price in November 2005 for No. 2 fuel oil was \$1.689 per gallon, while the average price in October was \$1.893 per gallon, a difference of 20.4 cents. The November 2004 price was \$1.384 per gallon, and 30.5 cents lower than the November 2005 price.

Additional November 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 WTI crude oil continued to decline during November. After opening at \$59.80 per barrel, the price rose to month's high of \$61.70 per barrel on November 3, due to technical market factors. It returned to a downward path primarily because of reports showing inventories at robust levels. The price reached a five-month low of \$56.20 per barrel on November 17. Although it rebounded moderately following a spate of cold weather in the Northeast and forecasts calling for below-normal temperatures in that region, the price closed the month at \$57.33 per barrel, \$2.47 below its opening level for November.

- November monthly average crude oil prices fell considerably from October levels. The average domestic crude oil first purchase price decreased \$3.80 (6.7 percent) to \$53.17 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil declined \$4.95 (9.4 percent), to \$47.63 per barrel. The average landed cost of foreign crude oil dropped \$4.55 (8.4 percent), to \$49.79 per barrel.
- The average refiner acquisition cost for domestic crude oil declined \$4.26 (7.0 percent), to \$56.52 per barrel. The average cost of imported crude oil to U.S. refiners dropped \$5.34 (9.7 percent), to \$49.97 per barrel, while the composite refiner acquisition cost for crude oil decreased \$5.04 (8.8 percent), to \$52.13 per barrel.

Petroleum Products

Motor Gasoline

While the daily spot price for regular gasoline continued to decline in November, its descent was not as profound as seen in October. Opening at \$1.516 per gallon, the price moved to the month's high of \$1.551 per gallon on November 3 during a rally driven by market technical factors. The price eased fitfully during the following weeks as stocks remained adequate to meet demand and the market focused on distillate demand and inventories. The low for the month was reached on November 29 when the price hit \$1.413 per gallon. Closing at \$1.442 per gallon, the price was 7.4 cents below its opening level for November.

- Monthly average gasoline prices underwent substantial declines again in November. The average price for retail sales of motor gasoline by refiners fell 44.0 cents to \$1.823 per gallon, while the average wholesale price decreased 37.0 cents to \$1.603 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets declined 45.6 cents to \$1.808 per gallon. The average wholesale price for gasoline fell 36.8 cents to \$1.608 per gallon. The average dealer tank wagon (DTW) price dropped 36.8 cents to \$1.709 per gallon, while the average rack price fell 35.4 cents to \$1.581 per gallon. The average bulk sale price declined 41.8 cents to \$1.531 per gallon. Reformulated gasoline prices were 9.4 cents above conventional gasoline prices at retail, and 9.1 cents higher at wholesale. Oxygenated gasoline prices were 4.3 cents more than conventional gasoline prices at retail, and 10.7 cents more at wholesale.
- Refiner sales of motor gasoline increased modestly in November. Total sales rose 8.1 million gallons per day (2.2 percent) to an average of 384.1 million gallons per day. Retail sales increased 2.0 million gallons per day (3.4 percent), while wholesales climbed 6.1 million gallons per day (1.9 percent). Rack sales explained 70.1 percent of wholesales, while DTW and bulk sales accounted for 14.0 percent and 15.9 percent, respectively. Reformulated gasoline made up 31.7 percent of total motor gasoline sales, while oxygenated gasoline accounted for 3.6 percent of sales.

No. 2 Distillate

With the market turning its focus from gasoline demand to winter heating needs, the daily spot price for No. 2 fuel oil at New York Harbor showed a less pronounced decline than other refined products' prices in the complex during November. Opening at \$1.755 per gallon, the price moved to the month's high of \$1.760 on November 3 due to market technical issues. The price continued to move down during the next few weeks, but also experienced a short-lived increase in the latter part of the month following a period of cold weather. After reaching its low of \$1.586 per gallon on November 29, the price closed at \$1.610 per gallon, 14.5 cents below the month's opening level.

- Monthly average prices for No. 2 distillates fell across the board in November. The national average residential sales price declined 15.1 cents to \$2.305 per gallon. The average wholesale price plummeted 46.5 cents to \$1.828 per gallon. The average price for

No. 2 diesel fuel at company-operated retail outlets tumbled 51.4 cents, while the average wholesale price for No. 2 diesel fuel dropped 49.9 cents. The difference between low- and high-sulfur diesel fuel prices was 8.6 cents at retail, and 5.1 cents at wholesale.

- Refiner sales of No. 2 distillates varied in November. Total sales declined 1.5 million gallons per day (0.9 percent), to 161.9 million gallons per day. Sales of No. 2 fuel oil increased 1.9 million gallons per day (9.2 percent), while sales of No. 2 diesel fuel fell 3.4 million gallons per day (2.4 percent). Low-sulfur diesel fuel made up 84.8 percent of all refiner diesel fuel sales, and 72.9 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Monthly average residual fuel oil prices fell in all sales categories in November. Refiner prices for low-sulfur residual fuel oil declined 8.4 cents to \$1.343 per gallon at retail, and by 13.1 cents to \$1.265 per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil dropped 8.1 cents to \$1.117 per gallon, while the wholesale price fell 9.5 cents, to 99.3 cents per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil declined 5.9 cents to \$1.330 per gallon at retail, and 9.9 cents to \$1.229 per gallon at wholesale. The retail

price for high-sulfur residual fuel oil decreased 9.3 cents to \$1.112 per gallon, while the wholesale price fell 4.6 cents to \$1.049 per gallon.

- Residual fuel oil sales by refiners rose in November. Total sales increased 1.8 million gallons per day to 15.7 million gallons per day. Low-sulfur residual fuel oil sales rose 700,000 (12.5 percent), while high-sulfur residual fuel oil sales climbed 1.1 million gallons per day (13.3 percent).

Other Products

- Prices for the remaining surveyed products generally declined during November. Refiner prices for propane fell 11.1 cents per gallon at retail, and 8.4 cents per gallon at wholesale. Including data from a sample of propane marketers, the average residential propane price rose 1.3 cents per gallon, while the average retail price increased 3.8 cents per gallon. The average wholesale propane price fell 7.6 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 distillate declined at both the retail and wholesale levels.
- Refiner sales of these products increased for the most part in November. Sales of propane, aviation gasoline, kerosene, and No. 1 distillate rose at both the retail and wholesale levels. Kerosene-type jet fuel sales fell at retail but increased at wholesale.