

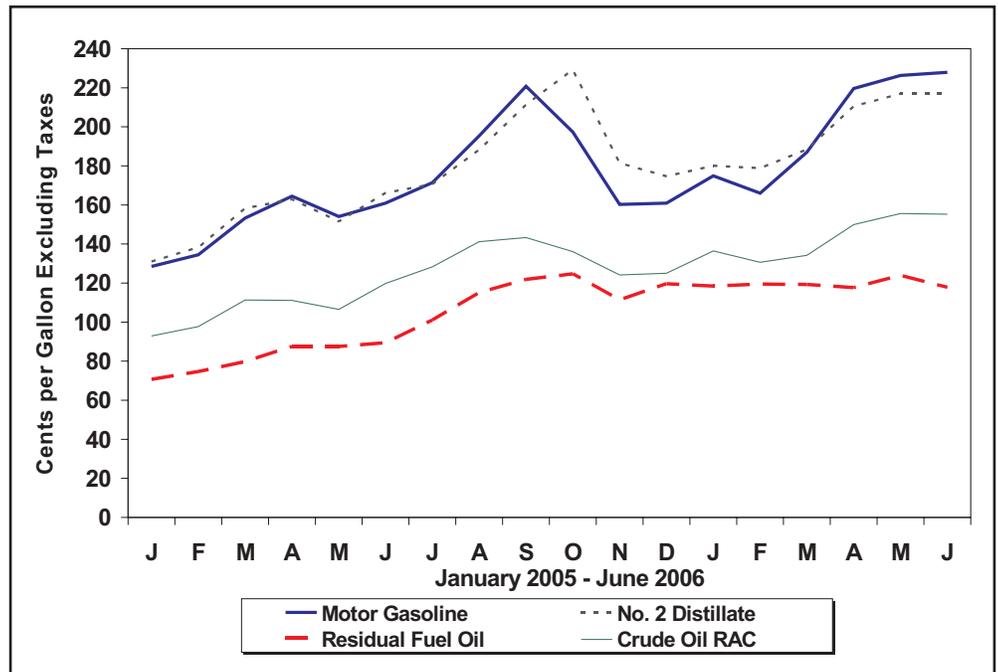
# Highlights

World crude oil prices were volatile during June, with values for many benchmark streams rising significantly during the second half of the month, thanks to several issues. At the start of June, the Organization of Petroleum Exporting Countries (OPEC) voted to maintain the group's current official rate of production. While that decision had little effect on prices, another kidnapping incident in Nigeria helped to unsettle prices. Eight foreign oil workers were abducted from an offshore oil rig on June 2, but were released on June 5. The short duration of the incident limited its impact on oil prices. Nevertheless, since February, this and other incidents have contributed to a significant reduction to Nigeria's crude oil normal production levels and stirred concerns about security for the oil industry in the region. Requirements for cleaner fuels in various international markets contribute to interest in crude oil streams like those from Nigeria because of their low sulfur content. Prices remained unsettled during the following week due to remarks by Iranian officials regarding the possibility of interrupting oil exports in response to a dispute with Western nations over Iran's nuclear fuel program. Crude oil prices moved to lows at mid-month, due at least in part to technical factors; investors started to withdraw from oil and other commodities due to fears of inflation and the accompanying slowdown in economic growth. Prices returned to an upward path during the latter half of June. Disruptions to refining operations coupled with sharply rising gasoline prices in the United States, along with more words in the dispute with Iran firmly supported prices. Further, reports of a sizeable increase in China's demand for oil in May supported prices. The substantive growth in crude oil demand from China seen during the past few years

has often helped underpin prices during restive periods in the oil market.

In the United States, crude oil and refined products prices remained unsettled during June. Inclement weather, refinery outages, and solid demand all contributed support for prices especially during the latter half of the month. At the start of the month, in addition to international political issues, stormy weather in Texas and an oil spill in Corpus Christi Harbor led to interruptions in production operations at several refineries, supporting higher product prices. Soaring prices for ethanol, a blending component used in some gasoline formulations to meet clean air standards, also affected gasoline prices in some regional markets as well as in gasohol, a popular product in Grain Belt states. Spot market prices for ethanol in Chicago opened the month at \$3.613 per gallon, and \$4.041 per gallon at New York Harbor. The prices reached as high as \$5.750

**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 2006		May 2006		June 2005		June 2006		May 2006		June 2005	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	243.9	60.6	246.1	58.8	172.1	63.4	227.9	331.0	226.3	322.0	160.9	343.4
<b>Conventional</b> .....	234.9	35.0	236.5	34.1	168.0	36.1	221.0	230.8	218.2	223.7	158.1	230.7
Regular .....	232.6	29.9	234.2	29.2	165.8	30.0	219.1	203.5	216.6	196.4	156.7	198.5
Midgrade .....	243.9	2.9	245.4	2.8	174.1	3.4	229.6	9.5	224.3	10.3	161.7	12.6
Premium .....	253.5	2.3	255.9	2.1	184.7	2.7	237.7	17.8	232.9	16.9	169.6	19.6
<b>Oxygenated</b> .....	250.0	1.5	242.4	1.4	171.7	2.0	233.2	7.6	223.3	6.8	159.9	9.2
Regular .....	248.4	1.3	240.8	1.2	170.0	1.7	232.4	6.2	222.5	5.5	158.8	7.5
Midgrade .....	257.1	0.1	249.2	0.1	176.0	0.2	234.1	0.9	224.3	0.9	159.9	1.1
Premium .....	267.8	0.1	258.7	0.1	184.6	0.1	242.3	0.5	232.0	0.4	173.5	0.7
<b>Reformulated</b> .....	256.7	24.1	260.5	23.2	177.9	25.3	244.6	92.6	246.3	91.6	167.1	103.5
Regular .....	253.1	18.9	256.9	18.3	174.2	19.2	242.5	76.3	244.0	75.8	164.8	84.3
Midgrade .....	264.6	2.5	268.7	2.4	185.1	2.9	251.5	3.5	253.5	3.5	172.6	4.7
Premium .....	274.7	2.7	278.3	2.5	194.1	3.2	255.1	12.9	258.4	12.3	179.0	14.5
<b>Aviation Gasoline</b> .....	306.0	0.1	301.3	0.1	212.1	0.1	277.0	0.6	274.3	0.7	195.8	0.7
<b>Kerosene-Type Jet Fuel</b> .....	215.7	43.8	215.7	41.6	164.8	49.7	213.3	14.4	213.2	13.7	164.4	15.5
<b>Propane (Consumer Grade)</b> .....	129.5	1.9	129.0	1.7	98.6	2.4	106.6	34.0	103.2	31.4	82.6	31.2
<b>Kerosene</b> .....	246.9	0.0	255.2	0.0	W	W	219.5	0.5	NA	1.0	169.2	0.7
<b>No. 1 Distillate</b> .....	236.2	0.1	236.0	0.2	175.6	0.1	206.6	0.8	210.1	0.7	175.3	0.4
<b>No. 2 Distillate</b> .....	224.9	17.7	225.4	18.4	168.6	21.4	216.9	139.3	216.9	138.6	166.2	142.6
No. 2 Fuel Oil .....	210.8	0.9	212.8	1.1	166.9	1.9	198.4	13.6	201.3	14.1	159.7	17.9
No. 2 Diesel Fuel .....	225.7	16.8	226.2	17.3	168.8	19.5	218.9	125.7	218.7	124.4	167.1	124.7
Low Sulfur .....	230.4	12.0	231.7	11.2	171.3	13.2	221.2	109.6	220.5	107.8	167.9	109.5
High Sulfur .....	213.8	4.8	216.1	6.1	163.7	6.4	203.0	16.1	206.6	16.6	161.6	15.3
<b>No. 4 Fuel<sup>a</sup></b> .....	W	W	W	W	W	W	W	W	W	W	131.6	0.0
<b>Residual Fuel Oil</b> .....	129.6	8.7	131.9	9.0	101.2	10.3	117.8	4.0	123.9	5.0	89.5	7.4
Sulfur Content not > 1 % .....	148.1	2.2	143.5	2.3	108.6	4.1	125.4	1.6	125.9	3.2	98.4	3.0
Sulfur Content > 1 % .....	123.5	6.6	128.0	6.7	96.2	6.2	112.6	2.3	120.4	1.8	83.6	4.5

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

<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."

and \$4.300 per gallon in New York and Chicago, respectively, on June 20. Ethanol prices eased as the month wound down, especially on the East Coast as news of imminent arrival of cargos reached markets. Prices were also spurred by reports of demand for gasoline heating up just ahead of the long July 4 holiday weekend. June monthly supply data show a decrease in gasoline stocks from May levels, while demand registered a 1.37 percent month-on-month increase. Another spate of refinery problems along with heavy rains helped to drive oil product prices higher during the last two weeks of the month. Due to an oil spill, the Calcasieu Ship Channel in Louisiana was shut down on June 21, limiting production at three refineries through

the end of the month. In the Northeast, the spot market price for the benchmark No. 2 heating oil at New York Harbor jumped following a brief disruption on a refined products pipeline. Concerns of washouts in the region due to extensive flooding from heavy rains prompted the 1-day shutdown of a section of the Pennsylvania-New York pipeline. Prices closed the month on the upswing, receiving an additional boost from reports showing the U.S. economy growing at a robust rate during the first quarter of the year.

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

## Crude Oil

Influenced by a variety of issues, the daily spot price for WTI crude oil at Cushing, Oklahoma, remained on a changeable course during June. After opening at \$71.42 per barrel, the price rose during the first days of the month following news of more troubles in Nigeria and the ongoing standoff between Iran and the West. The price dropped following the release of report showing a rise in U.S. crude oil inventories, and reached its low of \$68.48 per barrel on June 13. However, as worries about gasoline supplies began to emerge, the price rose firmly during the latter half of the month. Closing at its highest level for the month, \$73.94 per barrel, the price was \$2.52 higher than its opening level for June.

- Monthly average crude oil prices for June generally show small changes from May levels. The average domestic crude oil first purchase price inched up 9.0 cents (0.1 percent) to \$64.40 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil declined in June, falling \$2.31 (3.7 percent), to \$60.66 per barrel. The average landed cost of foreign crude oil decreased \$1.24 (1.9 percent), to \$63.41 per barrel.
- The average refiner acquisition cost for domestic crude oil increased 54.0 cents (0.8 percent), to \$67.67 per barrel. The average cost of imported crude oil to U.S. refiners decreased 42.0 cents (0.7 percent), to \$63.97 per barrel, while the composite refiner acquisition cost for crude oil dropped 16.0 cents (0.2 percent), to \$65.19 per barrel.

## Petroleum Products

### *Motor Gasoline*

At New York Harbor, the daily spot price for regular gasoline decreased during the first half of June, only to take back that ground and more during the second half of the month. Opening at \$2.045 per gallon, the price rose considerably in reaction to reports of outages at refining facilities in Texas and Louisiana. The price began to retreat following the release of weekly inventory data showing an increase in stock levels for the sixth straight week. It reached its low of \$1.941 per gallon on June 19. With ongoing refinery problems and robust

demand going into the long July 4 holiday weekend, gasoline prices climbed firmly throughout the second half of June. The price reached the month's high of \$2.198 per gallon on June 29, then closed the month at \$2.187 per gallon, 14.2 cents above June's opening level.

- In a switch from the large increases seen during recent months, monthly average prices for finished gasoline show only modest changes in June. The average price for retail sales of motor gasoline by refiners declined 2.2 cents to \$2.439 per gallon, while the average wholesale price rose 1.6 cents to \$2.279 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets dropped 1.3 cents to \$2.422 per gallon. The average wholesale price for gasoline rose 1.8 cents to \$2.284 per gallon. The average dealer tank wagon (DTW) price decreased 0.3 cent to \$2.377 per gallon, while the average rack price climbed 3.1 cents to \$2.281 per gallon. The average bulk sale price rose 0.5 cent to \$2.123 per gallon. As in May, reformulated gasoline prices were much higher than conventional gasoline prices in June. Reformulated gasoline prices were 20.3 cents more at retail, and 22.7 cents higher at wholesale. Oxygenated gasoline prices were 7.6 cents higher than conventional gasoline prices at retail, and 11.1 cents more at wholesale.
- Refiner sales of motor gasoline rose in June. Total sales increased 10.8 million gallons per day (2.8 percent) to an average of 391.6 million gallons per day. Retail sales climbed 1.8 million gallons per day (3.1 percent), while wholesales increased 9.0 million gallons per day (2.8 percent). Rack sales accounted for 71.3 percent of wholesales, while DTW and bulk sales made up 13.9 percent and 14.8 percent, respectively. Reformulated gasoline made up 29.8 percent of total motor gasoline sales, while oxygenated gasoline accounted for 2.3 percent of sales.

### *No. 2 Distillate*

Overall, the daily spot price for No. 2 heating oil at New York Harbor eased slightly in June. Opening at \$1.962 per gallon, the price began to decline in earnest during the second week of the month as already plentiful inventories continued to register increases. The month's low was reached on June 19, when the price hit \$1.828 per gallon. The price rose modestly after that point. During the last few days of the month a brief disruption on a pipeline in the Northeast helped propel the price to its high of \$2.057 per gallon on June 30, 9.5 cents above the month's beginning level.

- June No. 2 distillate prices show only slight changes from May levels. The national average residential sales price dropped 0.1 cent to \$2.472 per gallon, while the average wholesale price rose 0.1 cent to \$2.177 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 0.5 cent, while the average wholesale price for No. 2 diesel fuel increased 0.5 cent. The difference between low- and high-sulfur diesel fuel prices was 16.1 cents at retail, and 16.6 cents at wholesale.
- Overall, sales of No. 2 distillates by refiners increased modestly in June. Total sales rose 200,000 gallons per day (0.1 percent), to 157.1 million gallons per day. Sales of No. 2 fuel oil fell 600,000 gallons per day (3.9 percent), while sales of No. 2 diesel fuel increased 800,000 gallons per day (0.6 percent). Low-sulfur diesel fuel made up 85.3 percent of all refiner diesel fuel sales, and 77.4 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

- Monthly average prices for residual fuel oil declined for the most part during June. Refiner prices for low-sulfur residual fuel oil rose 4.6 cents to \$1.481 per gallon at retail, but fell 0.5 cent to \$1.254 per gallon at wholesale. The average refiner retail price for high-sulfur residual fuel oil decreased 4.5 cents to \$1.235 per gallon, while the wholesale price declined 7.8 cents, to \$1.126 per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil increased 1.7 cents to \$1.386 per gallon at retail, but fell 1.5 cents to \$1.229 per gallon at wholesale. The retail price for high-sulfur residual fuel oil dropped 4.8

cents to \$1.232 per gallon, while the wholesale price decreased 5.3 cents to \$1.133 per gallon.

- Residual fuel oil sales by refiners mostly fell in June. Total sales declined 1.3 million gallons per day (9.3 percent), to 12.7 million gallons per day. Low-sulfur residual fuel oil sales decreased 1.7 million gallons per day (30.9 percent), while high-sulfur residual fuel oil sales increased 400,000 gallons per day (4.7 percent).

### *Other Products*

- Price trends for the remaining surveyed products were mixed in June. The refiner retail price for propane rose 0.5 cent per gallon, while the wholesale price increased 3.4 cents per gallon. Including data from a sample of propane marketers, both the average residential price and the average retail price for propane fell 2.0 cents per gallon. The average wholesale propane price increased 3.0 cents per gallon. Prices for kerosene-type jet fuel and aviation gasoline rose at both the retail and wholesale levels. Prices for No. 1 distillate increased at retail but fell at wholesale. The retail sales price for kerosene declined in June.
- Refiner sales of these products were also mixed in June. Sales of propane and kerosene-type jet fuel increased at retail and wholesale, while kerosene sales declined at both levels. Sales of aviation gasoline rose at retail but fell at wholesale, while No. 1 distillate sales declined at retail but increased at wholesale.