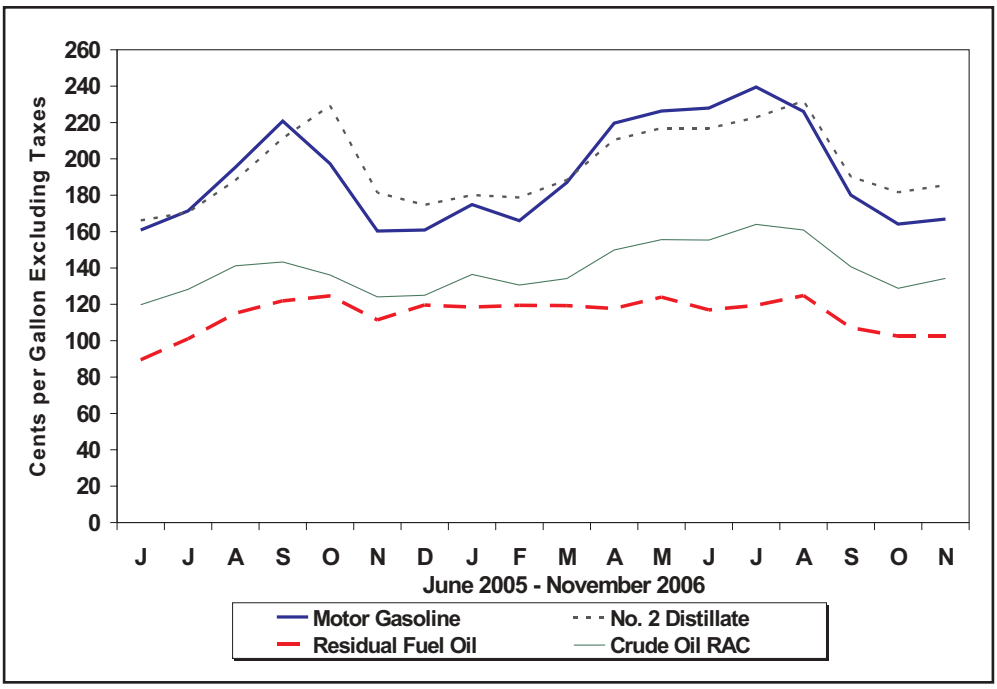
Highlights

Although world crude oil prices registered only moderate changes through most of November, they experienced appreciable increases during the last week of the month. Production rates for Organization of Oil Exporting Countries (OPEC), political issues in Nigeria and the Middle East, and economic concerns all influenced November price trends. While OPEC implemented the first production cut in two years on November 1, some members said the group might need to make more cuts beyond the 1.2 million barrels-per-day reduction to underpin sliding prices. While talk of further cuts provided a modest boost to prices early in the month, another attack on oil industry infrastructure in Nigeria also bolstered prices. Following a warning of the possibility of more attacks on oil production facilities issued on November 3 by the U.S. Consulate in Lagos, Nigeria, militants in the Niger Delta region commandeered the Tebidaba oil flow station November 6, holding foreign oil workers hostage and halting about 50,000 barrels per day of oil output. Nigerian oil production is estimated to have declined about 500,000 barrels per day in 2006 thus far, due to assaults on industry facilities and personnel. After softening at mid-month owing to slower demand, prices began to rise firmly, continuing to increase through the end of the month. Initially, news of bad weather causing a suspension of crude oil loadings from the Trans-Alaska Pipeline at Valdez, Alaska coupled with more talk of OPEC cutting production levels supported the rise. Prices also responded to another attack on oil facilities by Nigerian militants and to assaults on industry facilities in Iraq. Additionally, a drop in the value of U.S. dollar to a 20-month low compared with the euro late in the month focused attention on, and concerns about the U.S. economy. Some also saw it as another reason to trim production in order to preserve revenue income from oil sales.

In the United States, mild weather and robust inventories dampened prices for crude oil and refined products through much of November. Lower demand due to a heavy volume of refinery maintenance accompanied the ongoing influence of ample inventories on crude oil prices. Scheduled maintenance and unexpected outages were coupled with delays in getting facilities back on line following repair work. Warm temperatures in key regions also contributed to slower demand for petroleum products and natural gas and helped restrain prices. Notably, despite robust distillate inventories overall, shortages of ultra low-sulfur diesel fuel in Midwestern markets (particularly during the first half of the month) propelled prices higher until demand began to ease and product supplies improved.

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 2006		October 2006		November 2005		November 2006		October 2006		November 2005	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	178.6	57.6	178.7	59.0	182.4	59.1	166.9	306.6	164.1	309.0	160.1	316.3
Conventional	175.6	32.5	175.3	33.8	177.9	33.5	164.3	204.0	161.3	207.2	156.4	209.4
Regular	173.3	27.7	172.6	28.8	175.3	28.4	162.6	177.5	159.7	181.4	155.1	182.3
Midgrade	183.9	2.7	185.4	2.8	186.7	2.9	169.9	9.2	165.9	9.3	160.7	10.9
Premium	195.1	2.2	196.6	2.3	199.1	2.3	179.0	17.2	176.5	16.5	168.3	16.2
Oxygenated	183.1	2.5	183.9	1.9	185.4	2.8	171.6	11.7	170.2	10.4	167.4	10.4
Regular	180.7	2.1	181.6	1.7	182.3	2.3	170.3	9.7	168.8	8.4	166.2	8.6
Midgrade	191.9	0.2	194.5	0.1	195.5	0.3	171.3	1.0	169.4	1.1	165.4	1.0
Premium	201.7	0.2	204.3	0.1	205.1	0.2	183.8	1.0	184.0	0.9	182.4	0.8
Reformulated	182.5	22.6	183.3	23.2	188.8	22.7	172.1	91.0	169.8	91.5	167.4	96.4
Regular	178.4	16.5	179.4	17.0	184.7	17.4	169.4	75.0	167.0	74.7	164.5	79.8
Midgrade	186.7	3.3	185.9	3.4	196.6	2.5	178.4	3.3	177.8	3.2	176.9	3.8
Premium	201.7	2.8	203.4	2.9	207.0	2.8	186.6	12.6	183.0	13.5	182.4	12.9
Aviation Gasoline	235.0	0.1	238.5	0.1	218.6	0.1	214.3	0.5	212.0	0.5	199.3	0.5
Kerosene-Type Jet Fuel	179.7	41.0	183.2	41.0	185.3	42.3	177.5	14.7	181.5	16.9	181.4	15.5
Propane (Consumer Grade)	131.5	3.6	131.1	2.7	NA	NA	101.2	45.3	100.3	42.9	103.3	37.5
Kerosene	248.2	0.0	248.2	0.0	210.1	0.2	195.7	2.1	194.0	1.9	196.5	2.6
No. 1 Distillate	216.0	0.2	207.0	0.2	210.7	0.3	219.0	1.5	205.5	1.1	199.8	2.4
No. 2 Distillate	191.5	18.2	189.2	18.4	191.5	18.8	185.5	139.5	181.6	144.7	181.6	134.2
No. 2 Fuel Oil	187.6	1.6	184.3	1.3	183.2	2.0	170.6	16.0	172.2	14.8	175.2	18.8
No. 2 Diesel Fuel	191.9	16.6	189.6	17.0	192.5	16.7	187.4	123.5	182.7	129.9	182.6	115.5
Low Sulfur	196.1	12.0	192.6	12.5	196.5	11.5	189.3	108.9	183.9	114.8	183.3	100.2
High Sulfur	180.7	4.6	181.4	4.6	183.5	5.2	173.8	14.7	173.3	15.2	178.0	15.3
No. 4 Fuel[a]	W	W	W	W	W	W	136.7	0.2	141.3	0.1	W	W
Residual Fuel Oil	108.4	11.2	109.3	10.8	120.4	11.4	102.5	7.0	102.5	6.6	111.4	4.3
Sulfur Content not > 1 %	117.1	3.2	120.1	2.6	134.3	4.4	117.9	2.1	107.7	2.9	126.5	1.9
Sulfur Content > 1 %	105.0	8.1	105.9	8.2	111.7	7.0	NA	NA	98.5	3.7	99.3	2.4

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 shortage was attributed to refinery outages and high demand for the product at the end of the harvest season. Although prices experienced relatively modest changes during most of the month, they rose firmly during the last week of the month. Loading delays due to bad weather at the port of Valdez, Alaska beginning on November 19 led to a temporary cut back in production operations at the North Slope fields when storage facilities at the port reached capacity. While loadings resumed at a normal pace by November 24, an unexpected drawdown in finished product stocks reported in weekly government inventory data underpinned prices. Further, delays in refinery restarts and more unexpected outages contributed to higher prices. In the closing days of November, forecasts for cold weather in the Eastern region of the country helped sustain higher price levels throughout the oil products complex. A look at selected monthly average spot market prices sheds light on November oil market activity. Notably, despite higher inventory levels compared with year-ago levels, prices are on par with those seen last year at this time. While the November 2006 average spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma was $59.08 per barrel, barely more than the October 2006 average of $58.89 per barrel, the range was appreciably wider: $7.07 in November compared with $4.22 in October. The average price for November 2005 was $58.32 per barrel. The New York Harbor spot market price for regular gasoline averaged $1.506 per gallon in October 2006, but rose to $1.588 per gallon this month, marking an increase of 8.2 cents. Last year at this time, the price was $1.472 per

gallon. The November 2006 New York Harbor monthly average price for No. 2 fuel oil was $1.648 per gallon, registering only a fractional change from last month's level. The November 2005 price was $1.689 per gallon, 4.1 cents higher than the current price.

Additional November 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 followed a path made up of mostly moderate changes during November. Opening at $58.72 per barrel, the price moved within a comparatively limited range during the next several weeks due to the absence of compelling issues. On November 17, the month's low was marked when the price reached $55.90 per barrel. However, the price increased firmly during the last week of the month in response to series of events including loading problems in Alaska, geopolitical problems and predictions of cold temperatures in the near future. Closing November at $62.97 per barrel, its highest point, the price was $4.25 above its opening level.

- November monthly average crude oil prices show only slight changes from October levels. The average domestic crude oil first purchase price fell 84 cents (1.6 percent) to $52.42 per barrel.

- The average free-on-board (f.o.b.) cost of imported crude oil remained flat at $50.72 per barrel. The average landed cost of foreign crude oil declined 75 cents (1.4 percent), to $52.00 per barrel.

- The average refiner acquisition cost for domestic crude oil decreased $1.36 (2.4 percent), to $55.44 per barrel. The average cost of imported crude oil declined 19 cents (0.4 percent) to $52.52 per barrel, while the composite refiner acquisition cost for crude oil fell 58 cents (1.1 percent), to $53.51 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor rose fitfully during November. Opening at $1.474 per gallon, the price moved quickly to its low of $1.460 per gallon on November 2, due to solid inventories. Nevertheless, the price increased during the ensuing weeks as reports showed stock drawdowns amid persistent refinery operation issues and firm demand for gasoline. Along with the complex as a whole, the price began to increase noticeably just prior to the Thanksgiving holiday, supported by both fundamental and technical factors. Closing at the month's highest level, $1.749 cents per gallon, the price was 27.5 cents above its beginning point for November.

- Monthly average prices for finished gasoline show modest increases across the board in November. The average price for retail sales of motor gasoline by refiners barely changed, rising to $1.786 per gallon, while the average wholesale price rose 2.8 cents to $1.669 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets inched up 0.8 cent to $1.787 per gallon. The average wholesale price for gasoline rose 2.9 cents to $1.675 per gallon. The average dealer tank wagon (DTW) price increased 1.6 cents to $1.729 per gallon, while the average rack price climbed 3.7 cents to $1.669 per gallon. The average bulk sale price rose 2.3 cents to $1.579 per gallon. The spread between reformulated and conventional gasoline prices was 6.1 cents at retail, and 7.6 cents at wholesale. Oxygenated gasoline prices were 6.8 cents higher than conventional gasoline prices at retail, and 7.3 cents more at wholesale.

- Refiner sales of motor gasoline fell again in November. Total sales declined 3.8 million gallons per day (1.0 percent) to an average of 364.2 million gallons per day. Retail sales fell 1.4 million gallons per day (2.4 percent), while wholesales declined 2.4 million gallons per day (0.8 percent). Rack sales accounted for 74.1 percent of wholesales, while DTW and bulk sales made up 14.6 percent and 11.3 percent, respectively.

No. 2 Distillate

During most of November, the daily spot price for No. 2 heating oil at New York Harbor showed only moderate changes in response to ample stocks and warm temperatures as the heating season progressed. Opening the month at $1.639 per gallon, the price dropped to its low of $1.575 per gallon on November 1, thanks to mild temperatures. Weekly inventory reports showed that stock levels of distillate fuels continued to be higher than year-ago levels throughout the month. However, in late November, a prediction for a spate of cold weather helped drive the price higher. The price reached its highest point, $1.785 per gallon, on the last day of November, closing the month 14.6 cents above its opening level.

- No. 2 distillate prices show small increases in all categories of sale in November. The national average residential sales price rose 3.6 cents to $2.335 per gallon, while the average wholesale price increased 4.0 cents to $1.870 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 2.1 cents, while the average wholesale price for No. 2 diesel fuel climbed 4.8 cents. The margin between low- and high-sulfur diesel fuel prices was 9.6 cents at retail, and 12.8 cents at wholesale.

- Overall, refiner sales of No. 2 distillates fell in November. Total sales decreased 5.3 million gallons per day (3.3 percent), to 157.7 million gallons per day. Sales of No. 2 fuel oil rose 1.5 million gallons per day (9.3 percent), while sales of No. 2 diesel fuel declined 6.8 million gallons per day (4.6 percent). Low-sulfur diesel fuel accounted for 86.3 percent of all refiner diesel fuel sales, and 76.7 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Trends for residual fuel oil prices were mixed in November. Refiner prices for low-sulfur residual fuel oil decreased 3.0 cents to $1.171 per gallon at retail, but rose 10.2 cents to $1.179 per gallon at wholesale. The average refiner price for high-sulfur residual fuel oil eased 0.9 cent to $1.050 per gallon at retail. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil fell 3.4 cents to $1.193 per gallon at retail, but increased 7.7 cents to $1.160 per gallon at wholesale. The retail price for high-sulfur residual fuel oil decreased 0.2 cent to $1.052 per gallon, while the wholesale price declined 0.6 cent to 96.3 cents per gallon.

- Refiner sales of residual fuel oil rose overall during November, with total sales increasing 800,000 gallons per day (4.6 percent), to 18.2 million gallons per day.

Other Products

November prices for the remaining surveyed products show mixed trends. Refiner prices for propane inched up 0.4 cent per gallon and 0.9 cent per gallon at the retail and wholesale levels, respectively. Including data from a sample of propane marketers, the average residential price rose 1.3 cents per gallon, while the average retail price increased 4.2 cents per gallon. The average wholesale propane price rose 0.5 cent per gallon. Prices for kerosene and No. 1 distillate increased at both levels, while prices for kerosene-type jet fuel did the opposite. Aviation gasoline prices fell at retail, but rose at wholesale, while the wholesale price for No. 4 distillate declined at wholesale.

- Refiner sales of the remaining surveyed products also varied in November. Sales of propane, No. 1 distillate, and kerosene increased at both retail and wholesale. Kerosene-type jet fuel sales were flat at retail and fell at wholesale. Sales of aviation gasoline rose at retail but declined at wholesale, while sales of No. 4 distillate increased at wholesale.