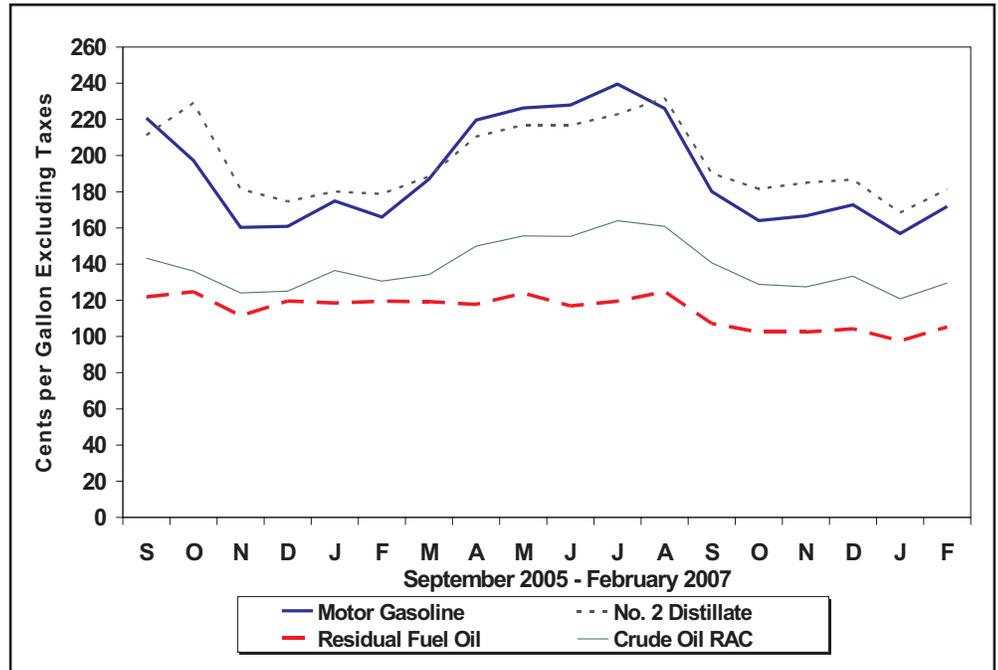


Highlights

Following the volatility seen during January, international crude oil prices traveled on a more moderate path in February. Robust demand for refined products, cold weather in the United States, production problems, and political issues underpinned prices. At the start of the month, predictions of more cold weather in the U.S. combined with calls for strikes by Nigerian oil workers unions over security issues, and escalating tensions between the West and Iran bolstered prices. Further support came from the Organization of Oil Exporting Countries (OPEC) implementing its latest round of production cuts on February 1. Later, comments from OPEC leaders suggesting the unlikelihood of additional cuts in the near future, along with less supportive U.S. inventory data led prices for many key crude oil streams moderately lower. Nevertheless, prices saw firm upward movement again during the latter part of the month on a variety of fundamental and political issues. BP Oil's offshore Northstar oil field was shut down after a leak in a gas pipeline was discovered, causing a production loss of about 40 thousand barrels of oil per day. Tensions between the United States and Iran also heated up when the U.S. declared financial sanctions against several Iranian companies. At the same time, the U.S. consulate in Nigeria issued a warning that militants may be planning attacks outside the oil producing region. Additionally, a February 21 deadline set by the United Nations for a halt to uranium enrichment went unheeded by Iran. At the end of the month, a nearly 9 percent drop in China's Shanghai stock market and a report that the U.S. economy grew at a less than expected rate during final quarter of 2006 led prices for some benchmark streams to close February at modestly lower levels.

Crude oil and refined product prices in the United States increased during February. Many issues drove the increase including robust demand for products, especially gasoline, refinery and pipeline outages, and continued cold weather. Prices throughout the complex received a boost early in the month from forecasts for continued cold weather and expectations that weekly supply reports would show declines in stock levels of, and vigorous demand for distillate fuel oil. However, despite decreases in distillate inventories, the perception that the product's overall stock level was comfortable enough to meet demand through the end of the heating season moderated prices. In comparison, gasoline prices were more volatile. Robust demand and declining inventories combined with both planned maintenance and unexpected refinery outages at various facilities pressured gasoline prices higher in markets across the country throughout the

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					
	February 2007		January 2007		February 2006		February 2007		January 2007		February 2006	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	184.7	57.0	178.9	54.7	183.5	58.6	171.9	310.1	156.9	298.2	166.0	311.8
Conventional	179.4	34.7	173.2	33.2	179.6	33.1	167.4	221.0	151.6	210.6	163.2	208.4
Regular	177.4	29.7	170.8	28.4	177.2	27.9	165.8	192.7	150.2	183.5	161.9	181.8
Midgrade	186.7	2.8	182.2	2.6	187.5	3.0	174.0	10.6	154.4	9.5	168.1	10.8
Premium	197.2	2.3	193.2	2.2	198.4	2.2	181.0	17.8	165.4	17.6	174.2	15.8
Reformulated	192.8	22.3	187.9	21.5	189.4	23.3	182.9	89.1	169.6	87.6	172.0	93.4
Regular	188.4	17.1	183.3	16.5	185.5	17.8	179.9	73.4	166.4	72.5	169.3	76.9
Midgrade	202.4	2.5	197.2	2.4	196.5	2.6	189.4	3.2	178.4	3.1	180.4	3.7
Premium	212.6	2.7	208.2	2.6	206.8	2.8	198.8	12.5	186.9	12.0	185.7	12.8
Aviation Gasoline	228.5	0.1	217.9	0.1	232.4	0.1	216.7	0.4	199.5	0.5	209.6	0.4
Kerosene-Type Jet Fuel	179.0	40.8	175.7	39.4	185.5	41.0	176.7	16.1	173.0	15.4	182.5	15.7
Propane (Consumer Grade)	155.2	4.3	NA	3.3	138.8	4.2	103.3	50.9	99.5	48.6	97.4	40.6
Kerosene	NA	0.2	194.0	0.2	218.8	0.2	194.2	3.3	180.6	2.3	184.7	2.4
No. 1 Distillate	202.3	0.3	199.5	0.3	198.2	0.3	208.0	1.8	195.6	1.8	182.8	3.3
No. 2 Distillate	190.0	23.2	180.2	20.1	186.9	18.0	181.3	150.8	168.5	141.7	178.8	143.9
No. 2 Fuel Oil	203.1	1.4	189.4	1.2	185.5	2.0	172.4	22.8	160.6	19.6	171.1	26.6
No. 2 Diesel Fuel	189.1	21.8	179.7	18.9	187.0	16.0	182.9	128.0	169.8	122.1	180.6	117.3
Ultra Low Sulfur	192.0	10.4	182.4	9.3	—	—	185.6	95.5	173.1	83.2	—	—
Low Sulfur	192.3	6.4	184.2	5.3	191.2	10.9	178.6	14.5	165.4	21.5	182.3	99.8
High Sulfur	179.0	5.0	168.2	4.3	178.0	5.0	171.7	18.0	159.1	17.4	171.0	17.5
No. 4 Fuel^a	W	W	W	W	W	W	132.8	0.3	116.8	0.4	W	W
Residual Fuel Oil	112.3	13.0	105.7	12.6	125.4	10.7	105.2	7.2	97.6	8.5	119.5	3.8
Sulfur Content not > 1 %	121.4	4.3	117.2	3.8	137.8	3.5	117.2	3.1	101.5	4.7	122.2	2.5
Sulfur Content > 1 %	107.8	8.7	100.7	8.8	119.5	7.2	96.3	4.1	93.0	3.9	114.6	1.3

Dash (—) = No data reported.

NA = Not available.

W = Withheld to avoid disclosure of individual company data.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Beginning January 2007, oxygenated gasoline is included in conventional gasoline. Year-ago values only include the product displayed.

Notes: In January 2007, ultra low-sulfur diesel fuel was added.

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."

month. Further, the temporary closure of the TEPPCO products pipeline after a leak was discovered on February 20 underpinned prices. Transportation operations on the line, which typically carries 240,000 barrels of gasoline, diesel, and other refined products each day from Texas to New York, was shut down in Ohio, Pennsylvania, and New York markets though February 23. At about the same time, fog delayed traffic in the Houston Ship Channel for a few days, which was also seen as supportive of prices. A look at some spot market prices helps to illustrate the changes gasoline and distillate prices experienced between January and February. At New York Harbor, the February 2007 monthly average spot market price for regular gasoline was \$1.640 per gallon, a 20.9-cent increase (14.6 percent) from the previous month's average of \$1.432 per gallon. In Los Angeles, the monthly average spot market price for the regular grade of California Reformulated

Gasoline (CA RFG) was \$1.691 per gallon in January 2007, and \$2.019 per gallon in February 2007, an increase of 32.8 cents (19.4 percent). Other regional markets experienced similar price trends. Also at New York Harbor, the February 2007 No. 2 fuel oil monthly average price climbed 16.6 cents (10.8 percent) to \$1.693 per gallon, from the January 2007 average of \$1.528 per gallon. The change in average spot prices for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma, were not as large as those seen for gasoline or No. 2 fuel oil. The average January 2007 spot price for was \$54.51 per barrel, while the February 2007 price averaged \$59.23 per barrel, an increase of \$4.72 (8.7 percent).

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

Crude Oil

Supported by rising prices for other petroleum products and weather trends, the daily spot price for WTI crude oil at Cushing, Oklahoma increased during February. After opening at \$58.17 per barrel, the price immediately dropped to the month's low of \$57.35 per barrel on February 1. It continued to seesaw during the next several weeks, pressured by a variety of issues. In the latter part of the month, the price began to rise steadily, underpinned by declines in gasoline and distillate stocks, refinery outages, and geopolitical concerns. Closing the month at its highest point, \$61.78 per barrel, the price was \$3.61 higher than its opening level for February.

- Monthly average crude oil prices rose in February. The average domestic crude oil first purchase price increased \$3.61 (7.3 percent) to \$52.93 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$3.21 (6.7 percent) to \$51.31 per barrel. The average landed cost of foreign crude oil increased \$2.62 (5.2 percent), to \$52.94 per barrel.
- The average refiner acquisition cost for domestic crude oil rose \$2.65 (5.0 percent), to \$55.75 per barrel. The average cost of imported crude oil climbed \$4.19 (8.5 percent) to \$53.70 per barrel, while the composite refiner acquisition cost for crude oil rose \$3.68 (7.3 percent), to \$54.42 per barrel.

Petroleum Products

Motor Gasoline

The daily spot price for regular gasoline at New York Harbor increased substantially during February. Opening at \$1.486 per gallon, the price registered the month's low of \$1.482 per gallon on February 1. The price experienced significant gains during the coming weeks, thanks to unexpected refinery and pipeline outages, firm demand, and declining stocks. Following another reported decline in stocks, the price closed the month at its highest level, \$1.868 per gallon, 38.2 cents above February's opening point.

- Monthly average prices for finished gasoline increased across the board in February. The average price for retail sales of motor gasoline by refiners rose 5.8 cents to \$1.847 per gallon, while the average

wholesale price jumped 15.0 cents to \$1.719 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets increased 5.9 cents to \$1.828 per gallon. The average wholesale price for gasoline rose 14.9 cents to \$1.725 per gallon. The average dealer tank wagon (DTW) price increased 11.9 cents to \$1.799 per gallon, while the average rack price jumped 18.1 cents to \$1.722 per gallon. The average bulk sale price increased 8.3 cents to \$1.582 per gallon. Reformulated gasoline prices were 12.8 cents more than conventional gasoline prices at retail, and 14.5 cents higher at wholesale.

- Refiner sales of motor gasoline rose in February. Total sales increased 14.2 million gallons per day (4.0 percent) to an average of 367.1 million gallons per day. Retail sales rose 2.3 million gallons per day (4.2 percent), while wholesales climbed 11.9 million gallons per day (4.0 percent). Rack sales accounted for 72.6 percent of wholesales, while DTW and bulk sales explained 14.2 percent and 13.2 percent, respectively.

No. 2 Distillate

Due to ongoing cold weather, declining inventories and refinery problems, the daily spot price for No. 2 heating oil rose during February. Opening at \$1.681 per gallon, the price remained comparatively steady during the following weeks before dropping to its low of \$1.627 per gallon on February 15. The decrease was led by the perception of adequate supplies through the end of the winter season, in addition to forecasts for a warming trend in the near future. Nevertheless, the price rose during the latter part of February, supported by additional stock declines and the increase in prices seen throughout the complex, particularly for gasoline. Closing at its highest point, \$1.781 per gallon, the price was 10.0 cents above February's opening level.

- February monthly average No. 2 distillate prices increased from January levels. The national average residential sales price rose 7.5 cents to \$2.386 per gallon, while the average wholesale price climbed 12.5 cents to \$1.827 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 4.1 cents, while the average wholesale price increased 13.1 cents. The difference between ultra low- and low-sulfur diesel fuel prices was 6.0 cents at retail, and 4.6 cents at wholesale. Prices for low- and

high-sulfur diesel fuel diverged by 9.3 cents at retail, and 8.9 cents at wholesale.

- Refiner sales of No. 2 distillates climbed in February. Total sales rose 12.2 million gallons per day (7.5 percent), to 174.0 million gallons per day. Sales of No. 2 fuel oil increased 3.4 million gallons per day (16.3 percent), while sales of No. 2 diesel fuel rose 8.8 million gallons per day (6.2 percent). Ultra low-sulfur diesel fuel accounted for 70.7 percent of all refiner diesel fuel sales, while total diesel fuel sales made up 86.1 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices also increased in all categories of sales in February. Refiner prices for low-sulfur residual fuel oil rose 4.2 cents to \$1.214 per gallon at retail, and 15.7 cents to \$1.172 per gallon at wholesale. The average refiner price for retail sales of high-sulfur residual fuel oil increased 7.1 cents to \$1.078 per gallon, and 3.3 cents to 96.3 cents per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil climbed 5.3 cents to \$1.243 per gallon at retail, and 12.4 cents to \$1.136 per gallon at wholesale. Prices for high-sulfur residual fuel oil increased 7.3 cents to \$1.079 per gallon at retail, and 4.1 cents to 96.4 cents per gallon at wholesale.

- Refiner sales of residual fuel fell slightly in February. Total sales declined 900,000 gallons per day (4.3 percent) to 20.2 million gallons per day. Low-sulfur residual fuel sales decreased 1.1 million gallons (12.9 percent), while high-sulfur residual fuel oil sales inched up 100,000 gallons (0.8 percent).

Other Products

- Most prices for the remaining surveyed products increased in February. The refiner average wholesale price for propane rose 3.8 cents per gallon. Including data from a sample of propane marketers, the average residential price barely changed, rising 0.2 cent per gallon, while the average retail price registered a nominal increase of 0.3 cent per gallon. The average wholesale price for propane rose 3.9 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate rose at both the retail and wholesale levels. Wholesale prices for kerosene and No. 4 distillate also increased in February.
- Refiner sales of these products increased for the most part during February. Sales of propane, kerosene-type jet fuel, and No. 1 distillate rose at both the retail and wholesale levels, while sales of aviation gasoline did the opposite. Kerosene sales dropped at retail, but rose at wholesale, while sales of No. 4 distillate fell at wholesale.