

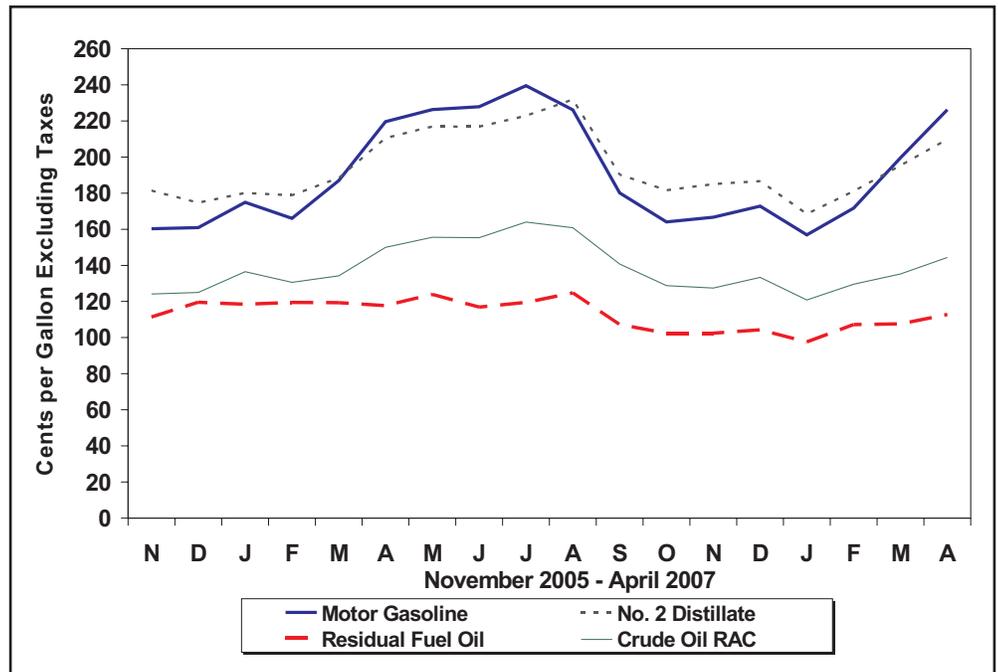
# Highlights

International crude oil prices remained volatile in April. Concern about gasoline supplies in the United States and political matters affecting oil producing regions kept prices at robust levels throughout the month. The standoff between Britain and Iran over the seizure of fifteen British sailors in the Persian Gulf on March 23 continued through April 4, when Iran released the sailors. The incident fed into general worries of shipping and supply disruptions in the region due to political issues and caused oil prices to rise sharply at the end of March. In addition to that incident, Iran's continuing unyielding stance regarding its nuclear fuels program also supported prices. Although there was an overall assertive tone within the market, prices also experienced some downturns. At mid-month, news of a scheduled June loading of Nigerian Forcados dampened prices for many other key oil streams. The announcement meant a resumption of exports from a field that had been shut down more than a year due to political unrest in the region. Additionally, reports that crude oil supplies at Cushing, Oklahoma, (a major oil trading hub and delivery point for the benchmark West Texas Intermediate (WTI) crude oil) had reached record levels for two weeks running moderated prices. Nevertheless, the downturn was short-lived. Reports of an outbreak of civil strife in Nigeria shortly before national elections were scheduled to take place on April 21, and the arrest of 172 suspected militants in Saudi Arabia on April 27 spurred price higher. Government sources in Saudi Arabia stated the arrests were made because of plots to attack oil facilities, military bases, and public figures.

In the United States, crude oil and refined product prices remained at high levels throughout April. Many of the same issues that

drove prices significantly higher in March—supply concerns, demand, and refinery operations—remained in play during April. Gasoline prices continued to grow as weekly inventory data showed declines throughout the month. During the year so far, numerous refinery outages, many of them unplanned, have hampered production. Another spate of outages in April compounded fears about stock levels going into the summer driving season and spurred prices higher. At the same time, high prices for gasoline in Europe have checked exports to the U.S. reducing yet another source of the product. As concern about supply levels increased, gasoline cracks (the margin between the cost of crude oil and gasoline) and retail prices reached their highest levels since Hurricanes Katrina and Rita in 2005.

**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					
	April 2007		March 2007		April 2006		April 2007		March 2007		April 2006	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	240.4	57.4	213.8	57.4	233.4	59.4	226.2	320.9	199.6	316.5	219.6	319.6
<b>Conventional</b> .....	234.0	35.2	206.4	35.0	230.4	34.3	221.0	230.0	193.4	225.1	216.3	218.9
Regular .....	231.8	30.4	204.2	30.0	228.4	29.3	218.9	201.6	191.6	197.3	214.7	192.0
Midgrade .....	243.3	2.6	214.9	2.7	237.8	2.9	226.8	10.2	199.4	10.0	223.0	11.0
Premium .....	254.5	2.1	225.7	2.2	248.2	2.1	240.8	18.2	210.5	17.8	231.7	15.8
<b>Reformulated</b> .....	250.6	22.2	225.3	22.5	237.6	23.7	239.3	90.9	214.7	91.3	227.5	93.1
Regular .....	246.5	17.3	221.0	17.4	234.4	18.4	236.3	75.8	211.6	76.2	225.4	77.6
Midgrade .....	259.9	2.4	234.9	2.4	245.0	2.5	248.3	3.0	222.4	3.1	233.5	3.5
Premium .....	269.9	2.5	245.2	2.6	253.1	2.7	255.9	12.2	232.1	12.1	239.8	11.9
<b>Aviation Gasoline</b> .....	297.3	0.1	262.7	0.1	286.9	0.1	278.6	0.4	246.1	0.4	265.4	0.5
<b>Kerosene-Type Jet Fuel</b> .....	203.8	41.0	187.2	40.4	204.8	42.1	202.0	15.7	184.6	16.5	203.2	13.6
<b>Propane (Consumer Grade)</b> .....	127.4	3.8	NA	3.5	129.7	1.9	106.8	39.6	104.9	39.3	102.2	35.0
<b>Kerosene</b> .....	231.2	0.1	232.5	0.1	251.6	0.0	204.2	1.1	194.3	1.4	218.2	0.6
<b>No. 1 Distillate</b> .....	221.0	0.2	208.2	0.2	218.4	0.2	230.6	0.4	218.4	0.7	203.0	1.0
<b>No. 2 Distillate</b> .....	219.7	26.3	205.5	25.4	214.1	17.5	209.8	143.7	195.3	148.5	210.5	133.7
No. 2 Fuel Oil .....	210.2	0.9	205.0	1.1	208.4	1.3	190.8	11.7	178.1	19.7	197.2	15.2
No. 2 Diesel Fuel .....	220.0	25.4	205.5	24.3	214.6	16.2	211.5	131.9	197.9	128.9	212.2	118.5
Ultra Low Sulfur .....	224.5	12.2	209.9	11.7	—	—	215.5	98.7	202.5	93.8	—	—
Low Sulfur .....	225.5	7.8	209.6	7.7	219.2	10.8	207.2	17.5	194.2	16.5	213.8	101.7
High Sulfur .....	201.8	5.4	188.4	4.8	205.2	5.4	191.5	15.6	178.1	18.5	202.5	16.8
<b>No. 4 Fuel<sup>a</sup></b> .....	W	W	W	W	W	W	137.8	0.2	138.3	0.3	W	W
<b>Residual Fuel Oil</b> .....	120.3	12.2	115.0	11.5	127.8	9.6	112.8	8.6	107.6	7.3	117.7	4.4
Sulfur Content not > 1 % .....	125.6	3.7	122.1	3.8	139.7	2.5	122.6	3.3	117.1	3.0	120.2	2.3
Sulfur Content > 1 % .....	118.0	8.5	111.4	7.7	123.6	7.1	NA	NA	100.8	4.2	114.9	2.1

Dash (—) = No data reported.

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: 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."

Notably, despite rising prices, data show that demand remained firm compared to last month and last year at this time. Refinery operations have also affected crude oil prices, since demand has dropped due to the lower rate of refinery runs. As noted earlier, crude oil stock levels reached record levels in Oklahoma at mid-month. Some viewed the situation and its impact on prices as not accurately reflecting conditions in regional or world oil markets and called into question the designation of WTI as the U.S. benchmark crude oil stream. Finally, weather trends also played a role in product price trends. Cold temperatures and rain in the Northeast unpinning demand for heating oil in the region, past the expected downturn in demand for the product. Conversely, the same cold, wet weather softened demand from the agricultural sector for other distillates during the typical spring planting season.

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

## Crude Oil

Supported by ongoing political concerns and high gasoline prices, the daily spot price for WTI crude oil at Cushing, Oklahoma remained above the \$60-dollar-per-barrel range throughout April. Opening at \$65.94, the price was supported by the dispute between Britain and Iran over the detention of British naval personnel. The resolution of that situation during the following week, along with market technical factors, led to a decline and the price

reaching the month's low of \$64.51 per barrel on April 9. Later, news that crude oil supplies were at historic highs at Cushing, Oklahoma also moderated the price. A combination of factors, including high gasoline prices and political issues lifted the price at the end of the month. The high of \$66.45 per barrel was struck on April 27. Closing the month at \$65.78 per barrel, the price was 16 cents lower than its opening level for April.

- Monthly average crude oil prices rose in April. The average domestic crude oil first purchase price increased \$3.25 (5.9 percent) to \$58.20 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$3.03 (5.5 percent) to \$58.58 per barrel. The average landed cost of foreign crude oil increased \$2.71 (4.7 percent), to \$59.98 per barrel.
- The average refiner acquisition cost for domestic crude oil increased \$3.27 (5.7 percent), to \$61.13 per barrel. The average cost of imported crude oil climbed \$4.14 (7.4 percent) to \$60.40 per barrel, while the composite refiner acquisition cost for crude oil rose \$3.85 (6.8 percent), to \$60.65 per barrel.

## Petroleum Products

### *Motor Gasoline*

Continuing worries about supplies and growing demand kept the daily spot price for regular gasoline at New York Harbor on an unsettled course during April. After opening the month at \$2.046 per gallon, the price quickly dropped to its low of \$1.966 per gallon on April 3 the day before the release of weekly inventory data. While the price receded modestly at mid-month, it returned to a firm, upward path amid news of more refinery problems and more decreases in inventories during the latter part of April. The growing concern about inventory levels and production rates led the price to its highest point, \$2.290 per gallon, on the last day of the month, 24.4 cents above April's opening level.

- Monthly average prices for finished gasoline experienced large increases again in April. The average price for retail sales of motor gasoline by refiners climbed 26.6 cents to \$2.404 per gallon. The average wholesale price also increased 26.6 cents, rising to \$2.262 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets

jumped 27.1 cents to \$2.390 per gallon. The average wholesale price for gasoline rose 25.9 cents to \$2.261 per gallon. The average dealer tank wagon (DTW) price increased 26.5 cents to \$2.354 per gallon, while the average rack price jumped 27.1 cents to \$2.262 per gallon. The average bulk sale price rose 23.5 cents to \$2.094 per gallon. Reformulated gasoline prices were 15.3 cents more than conventional gasoline prices at retail, and 16.5 cents higher at wholesale.

- Refiner sales of motor gasoline rose in April. Total sales increased 4.4 million gallons per day (1.2 percent) to an average of 378.3 million gallons per day. Retail sales remained flat, while wholesales climbed 4.4 million gallons per day (1.4 percent). Rack sales accounted for 71.3 percent of wholesales, while DTW and bulk sales made up 13.6 percent and 15.0 percent, respectively.

### *No. 2 Distillate*

Along with the support gained from gasoline prices, unseasonably cool temperatures underpinned the daily spot market price for No. 2 heating oil at New York Harbor during April. Opening at \$1.871 per gallon, the price experienced only modest changes until news of refinery outages combined with cold weather in the Northeast lifted the price to its highest level since the beginning of September 2006. It dropped back to the month's low of \$1.810 on April 17, mostly due to market technical factors. Following the general upward trend of product prices in the complex, the No. 2 heating oil price rose during the latter part of the month. Surpassing its earlier high point, the price reached \$1.914 per gallon on April 27. Closing the month at \$1.897 per gallon, the price was 2.6 higher than its opening point for April.

- Monthly average prices for No. 2 distillates rose across the board in April. The national average residential sales price increased 3.9 cents to \$2.481 per gallon, while the average wholesale price jumped 14.3 cents to \$2.105 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets climbed 15.8 cents, while the average wholesale price increased 13.5 cents. Ultra low-sulfur diesel fuel prices were 2.4 cents higher than low-sulfur diesel fuel at retail, and 6.0 cents more at wholesale. The difference between low- and high-sulfur diesel fuel prices was 21.7 cents at retail, and 17.0 cents at wholesale.

- Overall, refiner sales of No. 2 distillates decreased in April. Total sales fell 4.0 million gallons per day (2.3 percent), to 169.8 million gallons per day. Sales of No. 2 fuel oil declined 8.2 million gallons per day (39.6 percent), while sales of No. 2 diesel fuel increased 4.2 million gallons per day (2.7 percent). Ultra low-sulfur diesel fuel accounted for 70.5 percent of all refiner diesel fuel sales, while total diesel fuel sales made up 92.6 percent of all refiner No. 2 distillate sales.

### *Residual Fuel Oil*

- April residual fuel oil prices rose from March levels. Refiner prices for low-sulfur residual fuel oil increased 3.5 cents to \$1.256 per gallon at retail, and 5.5 cents to \$1.226 per gallon at wholesale. The average refiner price for retail sales of high-sulfur residual fuel oil rose 6.6 cents to \$1.180 per gallon. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil increased 3.0 cents to \$1.285 per gallon at retail, and 6.0 cents to \$1.196 per gallon at wholesale. Prices for high-sulfur residual fuel oil climbed 7.1 cents to \$1.180 per gallon at retail, and 5.5 cents to \$1.083 per gallon at wholesale.
- Refiner sales of residual fuel increased moderately in April, with total sales climbing 2.0 million gallons per day (10.6 percent) to 20.8 million gallons per day.

### *Other Products*

- Prices for the remaining surveyed products generally increased during April. The refiner average retail price for propane fell 10.4 cents per gallon, while the wholesale price rose 1.9 cents per gallon. Including data from a sample of propane marketers, the average residential price inched up 0.6 cent per gallon, while the average retail price declined 4.8 cents per gallon. The average wholesale price for propane rose 2.0 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate increased at both the retail and wholesale levels, while prices for kerosene fell at retail, but rose at wholesale. The wholesale price for No. 4 distillate fell slightly in April.
- Refiner sales of these products varied in April. Sales of kerosene-type jet fuel, aviation gasoline, and kerosene rose at retail but fell at wholesale. Propane sales increased at both retail and wholesale, while sales of No. 1 distillate fell at both levels. Sales of No. 4 distillate fell again at the wholesale level during April.