

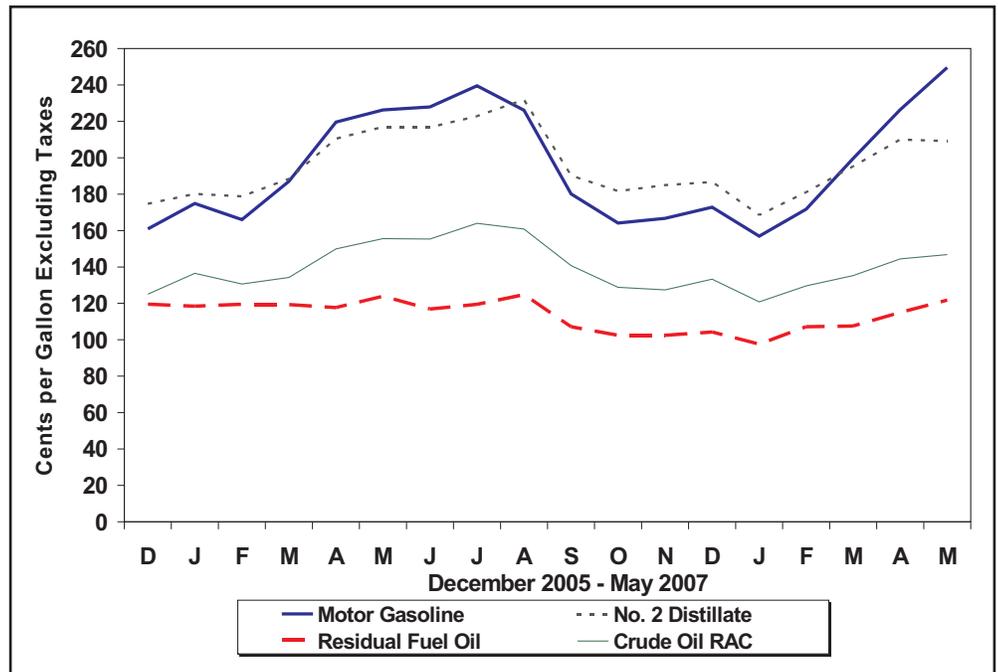
Highlights

Tight gasoline supplies and ongoing political issues continued to influence international crude oil prices in May. Prices dropped at the start of the month, in response to a preliminary contract agreement reached on May 3 that helped avert an oil workers strike in Belgium. Antwerp, Belgium is a major European oil processing and export center with approximately 800,000 barrels-per-day in refining capacity. Statements that Royal Dutch Shell's planned resumption of exports of Nigerian Forcados was still in the offing also pressured prices lower, as did an announcement that the U.S. Department of Energy would not accept bids for the purchase of crude oil for the Strategic Petroleum Reserve (SPR). Despite those events, oil prices increased in the middle of May in response to continued civil unrest in Nigeria and another spate of refinery outages in the United States. A nearly week-long protest in the Niger delta region halting the flow of crude oil to export facilities caused the country's production outages to rise to 900,000 barrels per day. At the same time, more refinery outages in the U.S. increased concern about extant low gasoline inventories and spurred gasoline prices higher, and pulled crude oil prices upwards with them. Shortly afterwards, the issue of Iran's nuclear fuel program re-emerged in the news, underpinning the rise in prices. Nevertheless, by the end of May, a cancelled strike by Nigerian oil workers and a modestly more positive outlook for U.S. gasoline inventories helped crude oil prices to retreat from their mid-month highs.

With the exception of gasoline, petroleum product prices in the United States held fairly steady in May. Along with refinery operations, record-setting low gasoline inventories influenced prices for all products. Retail

pump prices reached post-Hurricane Katrina highs in mid-May because of continuing low stock levels. Reports of more refinery outages exacerbated market fears of gasoline shortages later this summer, helping to support higher price levels in all sales categories. In recent months, refinery maintenance, both planned and unplanned, has affected gasoline prices, particularly in advance of the switch to formulations required for use during warm weather months. A look at retail outlet prices for regular gasoline at the regional level released in this publication's Table 28 provide evidence of the dramatic changes occurring in gasoline prices across the country. The change in price from April 2007 to May 2007 at the U.S. level was 27.7 cents per gallon. In PADD I, the change was 21.2 cents per gallon while the increase in PADD II was nearly double that at 40.8 cents per gallon. In PADD III, IV, and V, prices rose 21.1 cents per gallon, 38.9 cents per gallon, and 15.1 cents per gallon.

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					
	May 2007		April 2007		May 2006		May 2007		April 2007		May 2006	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	266.9	58.9	240.5	57.5	246.1	58.8	249.6	330.5	226.4	318.2	226.3	322.0
Conventional	263.1	35.7	234.2	35.2	236.5	34.1	246.6	237.9	221.3	227.0	218.2	223.7
Regular	261.2	31.1	232.0	30.5	234.2	29.2	244.5	210.0	219.2	198.6	216.6	196.4
Midgrade	271.8	2.5	243.4	2.7	245.4	2.8	259.3	10.4	226.8	10.5	224.3	10.3
Premium	281.0	2.0	254.7	2.1	255.9	2.1	264.2	17.5	241.1	17.9	232.9	16.9
Reformulated	272.6	23.2	250.5	22.2	260.5	23.2	257.3	92.6	239.1	91.2	246.3	91.6
Regular	268.7	18.2	246.4	17.3	256.9	18.3	254.4	77.5	236.0	76.0	244.0	75.8
Midgrade	281.6	2.4	260.0	2.4	268.7	2.4	266.1	2.9	248.4	3.0	253.5	3.5
Premium	291.9	2.6	269.9	2.5	278.3	2.5	273.9	12.1	256.1	12.1	258.4	12.3
Aviation Gasoline	309.5	0.1	296.9	0.1	301.3	0.1	304.2	0.5	277.9	0.5	274.3	0.7
Kerosene-Type Jet Fuel	210.7	39.6	203.9	40.9	215.7	41.6	207.9	17.0	202.1	15.0	213.2	13.7
Propane (Consumer Grade)	128.8	2.9	127.4	4.0	129.0	1.7	110.9	36.4	106.7	39.3	103.2	31.4
Kerosene	W	W	236.1	0.1	255.2	0.0	208.0	0.6	204.8	1.1	NA	1.0
No. 1 Distillate	218.7	0.1	220.7	0.2	236.0	0.2	232.6	0.3	230.3	0.3	210.1	0.7
No. 2 Distillate	218.2	26.2	219.9	26.6	225.4	18.4	209.2	146.8	210.0	141.8	216.9	138.6
No. 2 Fuel Oil	208.2	0.7	210.3	0.9	212.8	1.1	194.7	8.1	191.0	10.9	201.3	14.1
No. 2 Diesel Fuel	218.4	25.6	220.2	25.8	226.2	17.3	210.0	138.8	211.6	130.9	218.7	124.4
Ultra Low Sulfur	222.4	13.1	224.4	12.6	—	—	213.1	102.9	215.8	97.1	—	—
Low Sulfur	220.1	7.5	225.7	7.8	231.7	11.2	204.6	19.4	206.6	17.6	220.5	107.8
High Sulfur	205.4	5.0	202.2	5.3	216.1	6.1	197.0	16.5	191.8	16.3	206.6	16.6
No. 4 Fuel^a	W	W	W	W	W	W	148.3	0.2	137.8	0.2	W	W
Residual Fuel Oil	129.9	11.1	120.9	13.0	131.9	9.0	121.8	8.5	115.0	8.0	123.9	5.0
Sulfur Content not > 1 %	135.4	3.0	125.8	4.6	143.5	2.3	128.7	3.6	124.4	3.4	125.9	3.2
Sulfur Content > 1 %	127.8	8.1	118.2	8.4	128.0	6.7	116.7	4.9	108.4	4.7	120.4	1.8

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."

Besides rising gasoline prices, crude oil prices have also been affected by facilities problems, albeit in a different way. More specifically, many recent refinery outages in the region have colored the price for the U.S. benchmark, West Texas Intermediate (WTI). Because the outages curbed demand, crude oil stocks at Cushing, Oklahoma (the physical delivery point for WTI) reached the saturation point in April and remained at robust levels in May. However, the expectation that crude oil demand will increase as refineries come back online, coupled with the outlook for continued robust gasoline demand in coming months supported crude oil prices. Distillate supplies, like crude oil inventories, are robust and had a tempering effect on prices. Distillate prices were unperturbed by the volatility in gasoline prices despite changes stemming from new fuel specification regulations coming in June. A look at some New York

Harbor spot market prices also illustrates the trends in petroleum product prices during May. For regular gasoline, the May 2007 monthly average price was \$2.245 per gallon, a 14.0-cent increase (6.6 percent) from April's average price of \$2.105 per gallon. The average price in May 2006 was \$2.042 per gallon. The May 2007 No. 2 fuel oil monthly average price rose 2.0 cents (1.1 percent) to \$1.884 per gallon, from the April 2007 average of \$1.864 per gallon. The average spot price for WTI crude oil at Cushing, Oklahoma, fell in May to \$63.45 per barrel, down 53 cents from the April 2007 price of \$63.98 per barrel. Last year at this time, the average price was \$70.84 per barrel.

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

Crude Oil

Influenced by combination of factors including robust inventories and rising refinery inputs, the daily spot market price for WTI crude oil at Cushing, Oklahoma remained on a stable path during May. Opening at \$65.78 per barrel, the price moved to its low of \$61.48 per barrel on May 7 following a reported increase in stock levels and market technical factors. After a period of relative quiet, the price rose on growing concern about production in Nigeria and rising gasoline prices. The month's high was reached on May 21 when the price registered \$66.25 per barrel. While the price eased through the end of the month, the decrease was moderated by news of more unrest in Nigeria's oil producing region and worries about repercussions from Iran's continuation of its nuclear fuels program. The price closed May at \$64.02 per barrel, down \$1.76 from the month's opening level.

- Monthly average crude oil prices increased again in May. The average domestic crude oil first purchase price rose 70 cents (1.2 percent) to \$58.90 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased 40 cents (0.7 percent) to \$59.73 per barrel. The average landed cost of foreign crude oil rose 38 cents (0.6 percent), to \$61.12 per barrel.
- The average refiner acquisition cost for domestic crude oil climbed 91 cents (1.5 percent), to \$62.04 per barrel. The average cost of imported crude oil rose \$1.04 (1.7 percent) to \$61.44 per barrel, while the composite refiner acquisition cost for crude oil increased 99 cents (1.6 percent), to \$61.64 per barrel.

Petroleum Products

Motor Gasoline

Anemic stocks accompanied by news of numerous refinery outages led to volatility in the daily spot market price for regular gasoline at New York Harbor during May. Opening at \$2.290 per gallon, the price dropped during the first week of the month due to the absence of additional refinery outages and the averted Belgian oil workers strike. The decline was short-lived however. After the month's low of \$2.132 per gallon was reached on May 7, the price jumped nearly 20 cents during the following week as a result of supply worries and refinery

problems. Based on a spate of new refinery outages and the ongoing concerns about supply levels, the price hit its high of \$2.379 per gallon on May 17. The price remained at elevated levels up to the holiday weekend, then dropped firmly the following Monday on easing worries about inventories. Closing the month at \$2.161 per gallon, the price was 12.9 cents below its opening point.

- In a repeat of April trends, May monthly average prices for finished gasoline show large increases in all sales categories. The average price for retail sales of motor gasoline by refiners jumped 26.4 cents to \$2.669 per gallon, while the average wholesale price climbed 23.2 cents to \$2.496 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets rose 27.5 cents to \$2.666 per gallon. The average wholesale price for gasoline climbed 22.8 cents to \$2.491 per gallon. The average dealer tank wagon (DTW) price increased 22.5 cents to \$2.580 per gallon, while the average rack price surged 25.1 cents to \$2.515 per gallon. The average bulk sale price increased 18.7 cents to \$2.281 per gallon. Reformulated gasoline prices were 6.6 cents higher than conventional gasoline prices at retail, and 10.6 cents more at wholesale.
- Refiner sales of motor gasoline increased in May. Total sales rose 13.7 million gallons per day (3.6 percent) to an average of 389.4 million gallons per day. Retail sales increased 1.4 million gallons per day (2.4 percent), while wholesales climbed 12.3 million gallons per day (3.9 percent). Rack sales accounted for 69.9 percent of wholesales, while DTW and bulk sales made up 13.3 percent and 16.8 percent, respectively.

No. 2 Distillate

Now firmly in the product's off-season, the daily spot market price for No. 2 heating oil at New York Harbor experienced only modest changes compared with other product prices in the complex. Opening at \$1.897 per gallon, the price followed the general downward trend before reaching its low of \$1.808 per gallon on May 7. Continuing to draw support from the rest of the complex, the price rose gradually through mid-month until reaching the month's high of \$1.949 per gallon on May 21. The price closed May at \$1.892 per gallon, less than 1 cent below its opening level.

- Monthly average prices for No. 2 distillates generally show modest changes in May. The national average residential sales price declined 0.6 cent to \$2.474 per gallon, while the average wholesale price inched up 0.1 cent to \$2.107 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 3.3 cents, while the average wholesale price declined 1.2 cents. Ultra low-sulfur diesel fuel prices were 3.1 cents more than low-sulfur diesel fuel at retail, and 7.2 cents higher at wholesale. The difference between low- and high-sulfur diesel fuel prices was 11.7 cents at retail, and 9.1 cents at wholesale.
- In total, refiner sales of No. 2 distillates increased in May. Total sales climbed 4.7 million gallons per day (2.8 percent), to 173.2 million gallons per day. Sales of No. 2 fuel oil fell 3.0 million gallons per day (25.3 percent), while sales of No. 2 diesel fuel rose 7.7 gallons per day (4.9 percent). Ultra low-sulfur diesel fuel accounted for 70.6 percent of all refiner diesel fuel sales, while total diesel fuel sales made up 94.9 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices increased across the board in May. Refiner prices for low-sulfur residual fuel oil climbed 9.6 cents to \$1.354 per gallon at retail, and 4.3 cents to \$1.287 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil increased 9.6 cents to \$1.278 per gallon at retail, and 8.3 cents to \$1.167 per gallon at the wholesale level. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil climbed 7.4 cents to \$1.356 per gallon at retail, and 9.6 cents to \$1.300 per gallon at wholesale. Prices for high-sulfur residual

fuel oil rose 10.9 cents to \$1.290 per gallon at retail, and 9.6 cents to \$1.182 per gallon at wholesale.

- Refiner sales of residual fuel declined in May. Total sales fell 1.4 million gallons (6.7 percent) to 19.6 million gallons per day. Low-sulfur residual fuel sales decreased 1.4 million gallons (17.5 percent), while high-sulfur residual fuel oil sales declined 100,000 gallons (0.8 percent).

Other Products

- In general, prices for products included in this section increased during May. The average retail price for propane sales by refiners rose 1.4 cents per gallon, while the wholesale price climbed 4.2 cents per gallon. Including data from a sample of propane marketers, the average residential price rose 4.9 cent per gallon, while the average retail price increased 2.4 cents per gallon. The average wholesale price for propane rose 4.2 cents per gallon. Prices for kerosene-type jet fuel and aviation gasoline increased at both retail and wholesale, while No. 1 distillate prices declined at retail, but rose at wholesale. Prices for kerosene and No. 4 distillate increased at wholesale during May.
- Refiner sales of these products were mixed in May. Sales of propane and No. 1 distillate declined at both the retail and wholesale levels, while sales of aviation gasoline did the opposite. Kerosene-type jet fuel sales fell at retail, but rose at wholesale. Sales of kerosene and No. 4 distillate declined at wholesale.