

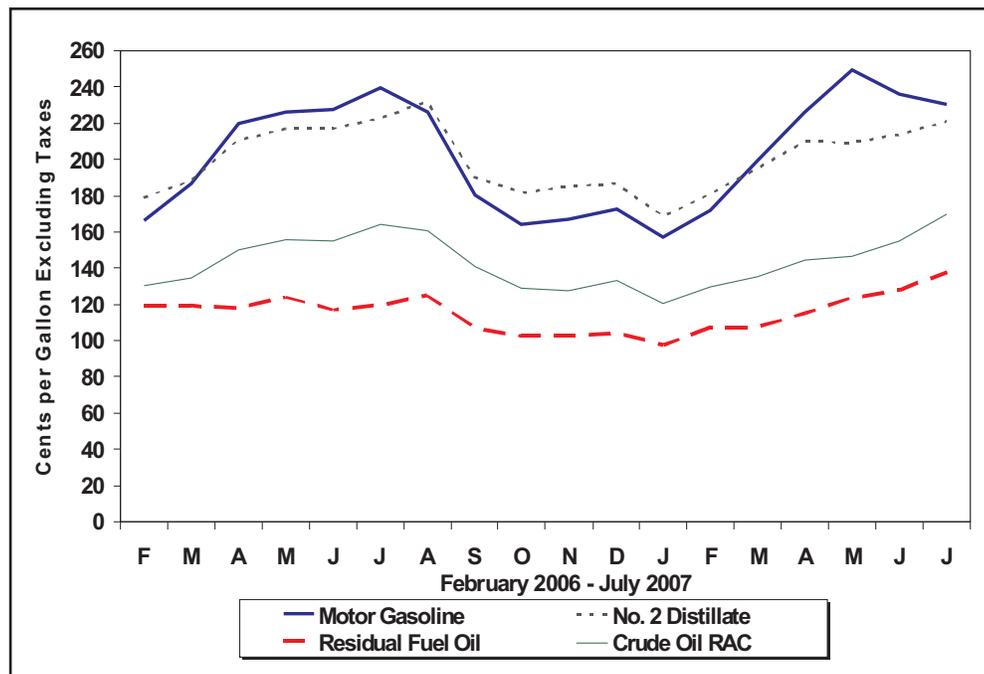
Highlights

Supported by a combination of issues, international crude oil prices continued to climb in July. Fundamental factors including inventory levels, refinery operations, and more political unrest in Nigeria combined with market technical factors contributed to crude oil price trends. Early in the month, a resumption of attacks on oil industry property and personnel by Nigerian rebels supported rising prices. Exports from the world's eighth largest oil producer remain significantly below historical levels as a result of the continuing assaults on industry infrastructure and operations. As a strike by Brazilian oil workers over pay and promotions in the state-run oil company, Petrobras, set to begin on July 5 was averted, tensions between Iran and U.S. began to heat up again. News that Iran intends to build centrifuges to process uranium for its nuclear fuels program along with U.S. naval maneuvers in the region underpinned rising oil prices. Lower production from North Sea fields also pressured prices in July. In addition to seasonal maintenance on facilities, the July 1 closure of the damaged Central Area Transmission System (CATS) natural gas pipeline restricted both crude oil and gas output from several fields connected to it. The pipeline remained closed through the end of the month. Declines in crude oil inventories at Cushing, Oklahoma, the physical delivery point for West Texas Intermediate (WTI) crude oil, also supported higher prices. Because of lower demand due to refinery maintenance in the region earlier in the year, stocks had risen to very robust levels, which moderated the price for this benchmark stream. Expectations of increased crude oil demand as refineries return from maintenance procedures also moved prices higher. Many market observers believe the balance between supply and

demand later this year will be precarious enough to send oil prices appreciably higher. Statements late in the month from Iran individually, and the Organization of Petroleum Exporting Countries (OPEC) as a whole, assuring that they would supply more oil, if deemed necessary, had a short-lived and modest effect on prices. Prices ended the month on the upswing, due to supportive economic news and trends in world stock markets. Additionally, a reported increase in speculative buying in oil markets, and an expected decrease in crude oil stocks in the U.S. bolstered prices.

Crude oil and refined product price trends in the United States were mixed during July. While crude oil prices rose steadily throughout the month, gasoline prices retreated from near-record levels early in July. Supply data showing declines in stocks underpinned crude oil prices while rising refinery

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					
	July 2007		June 2007		July 2006		July 2007		June 2007		July 2006	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	248.8	58.9	257.0	61.0	252.8	61.4	230.7	321.3	236.1	327.8	239.5	319.1
Conventional	246.4	35.8	253.3	36.5	245.5	36.0	228.8	231.4	233.6	234.2	234.0	221.7
Regular	244.2	31.1	251.0	31.8	243.5	30.9	226.5	202.3	231.6	205.5	232.3	197.0
Midgrade	256.3	2.6	264.0	2.6	253.6	2.9	239.0	11.3	241.4	11.1	241.9	8.1
Premium	265.4	2.2	273.2	2.2	263.3	2.2	247.9	17.9	252.1	17.6	249.5	16.7
Reformulated	252.6	23.1	262.4	24.5	263.4	23.7	235.6	89.8	242.2	93.6	252.5	90.3
Regular	248.3	18.0	258.2	19.2	259.8	18.6	232.6	75.3	239.1	78.0	250.2	74.8
Midgrade	261.5	2.4	272.0	2.5	271.1	2.5	243.1	2.8	251.5	2.9	258.9	3.4
Premium	273.0	2.7	283.2	2.8	281.3	2.6	253.4	11.7	259.2	12.7	265.2	12.1
Aviation Gasoline	305.3	0.1	297.8	0.1	310.3	0.1	299.8	0.5	292.4	0.5	287.3	0.7
Kerosene-Type Jet Fuel	218.5	42.2	213.2	42.9	217.8	44.0	216.7	15.1	211.4	16.5	217.3	13.7
Propane (Consumer Grade)	127.8	3.5	130.9	2.3	136.8	1.5	115.9	31.7	109.4	34.7	110.8	32.2
Kerosene	W	W	W	W	NA	NA	228.7	0.5	215.7	0.6	225.8	0.9
No. 1 Distillate	233.2	0.1	223.8	0.1	239.9	0.1	243.0	0.2	223.1	0.4	235.7	0.4
No. 2 Distillate	229.8	22.8	222.3	24.2	231.1	25.0	221.0	141.5	213.8	148.2	222.8	135.7
No. 2 Fuel Oil	217.6	0.4	210.2	0.5	214.2	0.9	207.1	9.4	201.4	9.5	199.9	12.3
No. 2 Diesel Fuel	230.0	22.4	222.6	23.7	231.7	24.1	222.0	132.1	214.7	138.8	225.1	123.4
Ultra Low Sulfur	232.8	12.2	225.4	12.8	—	—	223.7	104.6	216.6	106.6	—	—
Low Sulfur	228.7	7.4	222.9	7.1	235.3	19.2	215.7	20.4	210.0	20.9	227.8	108.0
High Sulfur	221.9	2.8	212.5	3.8	217.3	4.9	215.3	7.1	204.7	11.3	206.0	15.4
No. 4 Fuel^a	W	W	W	W	W	W	163.9	0.3	154.2	0.2	151.0	0.3
Residual Fuel Oil	141.5	11.2	135.7	10.3	127.8	10.0	137.8	7.5	128.0	6.7	119.5	7.2
Sulfur Content not > 1 %	153.9	2.3	142.1	3.4	145.1	2.0	146.1	3.0	135.7	2.2	128.4	2.2
Sulfur Content > 1 %	138.3	8.9	132.5	6.9	123.3	7.9	132.1	4.4	124.3	4.5	115.8	5.1

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."

utilization and the perception that current supplies were adequate to meet demand pulled gasoline prices down. Notably, distillate prices were less volatile than gasoline prices and remained at robust levels throughout the month. At the start of July, continuing and new refinery problems supported product prices, especially in Midwestern markets. After reaching their high points during the second week of the month, gasoline prices tumbled in markets across the country. The decline was largely due to the perception that growing supplies (from rising production and imports) were sufficient to meet demand during the remainder of the summer. Prices continued to drop on expectations of rising refinery runs and the accompanying increase in inventories. Refining margins, which have been quite robust in recent months, shrank significantly during July. At the start of the

month the WTI 3-2-1 crack spread was nearly 50 cents per gallon, but fell to about 22 cents per gallon by the close of July. Nonetheless, news of an increase in the gross domestic product (GDP) during the second quarter of the year buoyed oil product prices late in the month. At the same time, inventory data showed another drop in crude oil stocks at both the national level and at Cushing, Oklahoma, continuing the downward trend seen since the beginning of July. Prices for all major products ended the month on the increase in regional markets around the country on the expectation of continued robust demand and falling supply levels.

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

Crude Oil

Rising steadily throughout the month, the daily spot price for WTI crude oil at Cushing, Oklahoma reached record levels by the end of July. Opening the month at its lowest point, \$70.47 per barrel, the price continued on its upward path, driven by news of falling inventory levels, particularly at Cushing. Late in the month, data showing significant growth in the U.S. economy during the second quarter of 2007 helped underpin the price. Closing at \$78.20 per barrel, the price was \$7.73 higher than its opening level for July.

- July monthly average crude oil prices rose from June levels. The average domestic crude oil first purchase price increased \$6.80 (10.9 percent) to \$69.15 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$3.90 (6.0 percent) to \$68.46 per barrel. The average landed cost of foreign crude oil increased \$3.50 (5.3 percent), to \$69.63 per barrel.
- The average refiner acquisition cost for domestic crude oil jumped \$7.08 (10.9 percent), to \$72.03 per barrel. The average cost of imported crude oil climbed \$5.51 (8.5 percent), to \$70.65 per barrel, while the composite refiner acquisition cost for crude oil rose \$6.08 (9.3 percent), to \$71.15 per barrel.

Petroleum Products

Motor Gasoline

After reaching its high early in July, the daily spot market prices for regular gasoline at New York Harbor eased as news of refinery restarts and inventories were seen as adequate to meet demand for the remainder of the driving season. After opening at \$2.230 per gallon, the price rose to its high of \$2.329 per gallon on July 10 following reports of refinery problems and international political tensions. Despite refinery and pipeline problems in the Midwest, and an unexpected stockdraw seen in inventory data at mid-month, the price fell firmly from its earlier high. The price reached the month's low of \$1.973 per gallon on July 24 on news of plentiful

gasoline supplies and rising refinery use. While the price firmed again at the end of the month, closing at \$2.079 per gallon, it was 15.2 cents below July's opening level.

- Monthly average prices for finished gasoline fell in all sales categories again in July. The average price for retail sales of motor gasoline by refiners declined 8.2 cents to \$2.488 per gallon, while the average wholesale price dropped 5.4 cents to \$2.307 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets fell 6.5 cents to \$2.500 per gallon. The average wholesale price for gasoline declined 5.1 cents to \$2.311 per gallon. The average dealer tank wagon (DTW) price dropped 7.2 cents to \$2.373 per gallon, while the average rack price fell 5.0 cents to \$2.311 per gallon. The average bulk sale price declined 2.3 cents to \$2.207 per gallon. Reformulated gasoline prices were 2.2 cents more than conventional gasoline prices at retail, and 6.5 cents higher at wholesale.
- Total refiner sales of motor gasoline decreased 8.6 million gallons per day (2.2 percent) to an average of 380.2 million gallons per day in July. Retail sales dropped 2.1 million gallons per day (3.4 percent), while wholesales fell 6.5 million gallons per day (2.0 percent). Rack sales made up 71.7 percent of wholesales, while DTW and bulk sales accounted for 13.0 percent and 15.3 percent, respectively.

No. 2 Distillate

At New York Harbor, the daily spot price for No. 2 heating oil experienced relatively modest changes during July. Opening at \$2.023 per gallon, the price was on the rise, underpinned by news of refinery outages and international political tensions. The price marked the month's high on July 10 when it reached \$2.112 per gallon. Reports of rising refinery operations and the expectation of increasing stocks damped the price during the latter part of the month and led to its low of \$2.019 per gallon on July 24. Regaining ground at the end of the month, the price closed July at \$2.095 per gallon, 7.3 cents above its opening level.

- Prices for No. 2 distillate increased across the board in July. The national average residential sales price climbed 5.0 cents to \$2.541 per gallon,

while the average wholesale price increased 7.2 cents to \$2.224 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets rose 6.1 cents, while the average wholesale price climbed 7.2 cents. Ultra low-sulfur diesel fuel prices were 5.2 cents more than low-sulfur diesel fuel at retail, and 5.5 cents higher at wholesale.

- Refiner sales of No. 2 distillates decreased in July. Total sales fell 8.2 million gallons per day (4.8 percent), to 164.3 million gallons per day. Sales of No. 2 fuel oil dropped 200,000 gallons per day (2.3 percent), while sales of No. 2 diesel fuel declined 8.0 million gallons per day (4.9 percent). Ultra low-sulfur diesel fuel accounted for 75.6 percent of all refiner diesel fuel sales, while total diesel fuel sales made up 94.0 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices increased in July. Refiner prices for low-sulfur residual fuel oil jumped 11.8 cents to \$1.539 per gallon at retail, and 10.4 cents to \$1.461 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil rose 5.8 cents to \$1.383 per gallon at retail, and by 7.8 cents to \$1.321 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 9.5 cents to \$1.513 per gallon at retail, and 7.9 cents to \$1.412 per gallon at wholesale. Prices for high-sulfur residual fuel oil rose 5.8 cents to \$1.384 per gallon at retail, and 9.4 cents to \$1.342 per gallon at wholesale.

- Overall, refiner sales of residual fuel increased in July. Total sales rose 1.7 million gallons (10.0 percent) to 18.7 million gallons per day. Low-sulfur residual fuel sales fell 300,000 gallons (5.4 percent), while high-sulfur residual fuel oil sales climbed 1.9 million gallons (16.7 percent).

Other Products

- Prices for the remaining surveyed products were mostly on the rise in July. The average retail price for propane sales by refiners dropped 3.1 cents per gallon, while the wholesale price climbed 6.5 cents per gallon. Including data from a sample of propane marketers, the average residential price fell 7.0 cents per gallon, while the average retail price decreased 8.0 cents per gallon. The average wholesale price for propane rose 6.1 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate increased at both the retail and wholesale levels. Prices for kerosene and No. 4 distillate rose at the wholesale level.
- Sales of these products were mixed in July. Kerosene-type jet fuel and No. 1 distillate sales fell at both retail and wholesale, while sales of aviation gasoline did the just the opposite. Propane sales increased at retail, but declined at wholesale. Sales of kerosene declined at wholesale, while No. 4 distillate sales rose in the same category.