

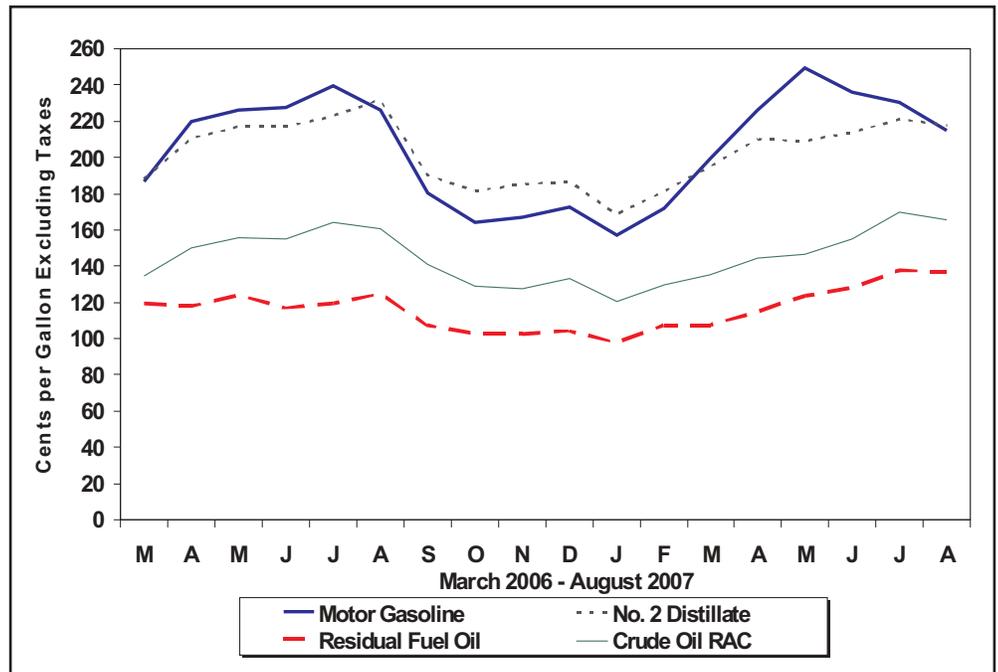
Highlights

International crude oil prices were unsettled during August. The high prices seen in late July for many benchmark streams faded as worries about the impact of the crumbling sub-prime mortgage sector in financial markets on world economies seeped into commodities markets. Concern that less robust economies would dampen demand overrode recent talk of tightness between the oil supply and demand drove prices lower. Both the International Oil Agency (IEA) and U.S. Energy Secretary Samuel Bodman expressed concern about the rate of oil supply from Organization of Petroleum Exporting Countries (OPEC) compared with expected growth in global oil demand. Despite those concerns about the future of the world oil balance, prices encountered additional downward pressure from U.S. supply data showing increases in gasoline and distillate stocks and a rising refinery utilization rate. While prices were lifted by storms in the Gulf of Mexico at mid-month, they returned to a downward path fueled by continuing credit worries as soon as the threat to oil production infrastructure abated. Nevertheless, the rapid generation of two category 5 hurricanes in an important oil producing region provided some support for prices. By the end of the month prices were on the firmly on the rise, thanks to larger-than-expected declines in crude oil and gasoline inventories in the United States and another potential storm brewing in the Atlantic Ocean.

Monetary affairs, refinery operations, inclement weather, and product stock levels exerted influence upon crude oil and refined product prices in the United States during August. Prices for petroleum products fell considerably at the beginning of the month in response to the financial market worries and

additional indications of a wider slowdown in economic growth. A revised forecast for a less active Atlantic hurricane season also shaped the downturn in prices. Nevertheless, storms brewing in the Gulf of Mexico and the North Atlantic at mid-month pushed prices upward. As concern heightened about the storms' probable paths, operators shuttered and evacuated oil production facilities in the region. The first of the storms, Tropical Storm Erin made landfall in Texas on August 16. While it contributed to extent flooding in the region, it did not cause damage oil industry facilities. Hurricane Dean, a category 5 storm, followed soon afterwards, but made landfall along Mexico's Yucatan Peninsula on August 21. At the height of the storm, production of about 43,881 barrels of oil per day (3.4 percent) were shut-in. Despite the severity of the Hurricane Dean, U.S. oil and gas production returned to normal levels within one week, according to the U.S. Department of

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					
	August 2007		July 2007		August 2006		August 2007		July 2007		August 2006	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	231.9	60.3	248.8	58.9	248.6	62.0	215.1	329.8	230.7	321.1	226.0	334.7
Conventional	230.2	36.8	246.3	35.8	243.3	37.1	214.6	238.3	228.8	231.4	221.8	234.1
Regular	228.0	31.8	244.1	31.1	241.0	31.9	212.3	208.1	226.5	202.3	220.0	206.7
Midgrade	239.3	2.7	256.2	2.6	253.4	3.0	226.0	11.6	239.0	11.3	230.2	10.3
Premium	249.3	2.4	265.3	2.2	263.3	2.3	233.1	18.6	247.9	17.9	238.2	17.1
Reformulated	234.5	23.5	252.6	23.1	256.4	23.4	216.6	91.5	235.6	89.7	235.7	93.1
Regular	230.1	18.2	248.3	18.0	252.7	18.3	213.6	76.3	232.5	75.1	232.7	77.3
Midgrade	243.2	2.5	261.5	2.4	264.7	2.4	223.4	2.9	243.1	2.8	245.4	3.4
Premium	255.1	2.9	273.0	2.7	275.1	2.6	233.4	12.3	253.4	11.7	251.9	12.4
Aviation Gasoline	282.3	0.1	305.3	0.1	305.8	0.1	282.8	0.6	299.8	0.5	284.1	0.7
Kerosene-Type Jet Fuel	215.8	42.9	218.5	42.2	222.9	44.7	215.0	15.1	216.7	15.1	221.5	13.7
Propane (Consumer Grade)	138.9	2.2	127.8	3.5	136.8	1.8	116.7	36.0	115.9	31.7	111.3	36.1
Kerosene	246.8	0.0	236.2	0.0	NA	NA	222.2	0.7	226.1	0.6	229.3	1.0
No. 1 Distillate	232.3	0.1	233.2	0.1	252.8	0.1	237.3	0.5	243.0	0.2	242.4	0.6
No. 2 Distillate	227.8	24.5	229.9	22.7	241.0	26.8	218.0	153.0	221.0	141.5	231.5	142.1
No. 2 Fuel Oil	215.0	0.5	217.6	0.4	221.2	0.9	202.1	10.5	207.1	9.4	206.2	12.7
No. 2 Diesel Fuel	228.0	24.0	230.1	22.3	241.7	25.9	219.2	142.5	222.0	132.1	234.0	129.3
Ultra Low Sulfur	229.6	13.2	232.8	12.2	—	—	220.8	113.6	223.7	104.4	—	—
Low Sulfur	227.4	8.2	228.7	7.4	244.9	21.0	213.0	22.2	215.7	20.4	236.4	114.9
High Sulfur	221.5	2.6	222.6	2.8	228.1	4.9	212.3	6.6	215.3	7.3	214.7	14.4
No. 4 Fuel^a	189.7	0.2	W	W	W	W	151.8	0.3	163.9	0.3	142.4	0.2
Residual Fuel Oil	146.0	10.1	141.5	11.2	130.3	10.8	136.7	9.5	137.8	7.5	124.6	8.5
Sulfur Content not > 1 %	158.4	2.4	153.9	2.3	145.1	2.6	143.6	3.6	146.1	3.0	130.9	3.9
Sulfur Content > 1 %	142.2	7.7	138.3	8.9	125.5	8.2	132.6	5.9	132.1	4.4	119.2	4.6

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."

Interior's Minerals Management Service, leading petroleum product prices lower. Mexican production operations were reported to have quickly resumed as well. Notably in Midwestern markets, pipeline problems and delays coupled with refinery outages in the region contributed to short supplies of refined products, particularly of diesel fuel, underpinning prices in the region. Prices across the country were firmly on the rise at the end of August, as weekly stocks data showed another round of decreases in crude oil and gasoline inventories in addition to news of more refinery problems.

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

Crude Oil

On average, the August daily spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma dropped significantly from July's level. After opening the month at its highest level, \$78.20

per barrel, the price moved immediately into a period of decline. The downturn was seen at least in part as a result of pressure emanating from the turmoil in financial markets. Following the dissipation of storms in the Gulf of Mexico and the release of inventory data showing an increase in U.S. crude oil stocks, the price reached the month's low of \$69.30 per barrel on August 22. Supported by reports of falling gasoline stocks and the prospect of more inclement weather in the Gulf Coast region, the price rose through the end of the month, closing August at \$73.98 per barrel.

- Monthly average crude oil prices declined in all categories of sales in August. The average domestic crude oil first purchase price fell \$1.45 (2.1 percent) to \$67.78 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil decreased \$3.31 (4.8 percent) to \$65.87 per barrel. The average landed cost of foreign crude oil dropped \$2.79 (4.0 percent), to \$67.61 per barrel.
- The average refiner acquisition cost for domestic crude oil declined 46.0 cents (0.6 percent), to \$71.57 per barrel. The average cost of imported crude oil fell \$2.46 (3.5 percent), to \$68.26 per barrel, while the composite refiner acquisition cost for crude oil decreased \$1.75 (2.5 percent), to \$69.45 per barrel.

Petroleum Products

Motor Gasoline

The daily spot market price for regular gasoline at New York Harbor followed an unsettled path through August. Opening at \$2.079 per gallon, the price fell sharply in response to rising inventories, higher refinery utilization rates, and fears of a general economic slowdown. At mid-month, a combination of issues including refinery outages and the threat of storms in the Gulf of Mexico led the price firmly upwards. Once it was evident that Hurricane Dean would not significantly affect U.S. oil operations, the price tumbled, falling to the month's low of \$1.903 per gallon on August 21. Nonetheless, it rose quickly in reaction to weekly supply data showing another sizeable decline in gasoline stocks. It reached the month's high of \$2.140 per gallon on August 29. Pulling back from that point, the price closed August at \$2.068 per gallon, about a penny lower than its opening level.

- August monthly average prices for finished gasoline show significant decreases in all categories of sales. The average price for retail sales of motor gasoline by refiners fell 16.9 cents to \$2.319 per gallon, while the average wholesale price dropped 15.6 cents to \$2.151 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets tumbled 17.9 cents to \$2.321 per gallon. The average wholesale price for gasoline fell 15.5 cents to \$2.156 per gallon. The average dealer tank wagon (DTW) price declined 16.2 cents to \$2.211 per gallon, while the average rack price decreased 15.1 cents to \$2.160 per gallon. The average bulk sale price declined 15.8 cents to \$2.048 per gallon. Prices for reformulated gasoline were 1.0 cent more than conventional gasoline prices at retail, and 2.1 cents higher at wholesale.
- Refiner sales of motor gasoline increased in August, rising 10.1 million gallons per day (2.7 percent) to an average of 390.1 million gallons per day. Retail sales increased 1.4 million gallons per day (2.4 percent), while wholesales rose 8.7 million gallons per day (2.7 percent). DTW sales accounted for 12.9 percent of wholesales, while rack and bulk sales made up 71.7 percent and 15.3 percent, respectively.

No. 2 Distillate

Thanks to comfortable stock levels and the time of year, daily spot price for No. 2 heating oil at New York Harbor was comparatively stable during August. Opening at its highest point, \$2.095 per gallon, the price declined firmly during the initial days of the month, falling to its low of \$1.929 per gallon on August 6. The price fluctuated moderately in the coming weeks, pressured by factors including other products price trends, weather concerns and inventory news. It began to rise more firmly during the latter part of the month as the market reacted to refinery problems and declining stockpiles. Closing August at \$2.037 per gallon, the price was 5.8 cents below the month's opening level.

- No. 2 distillate prices fell modestly in August. The national average residential sales price declined 3.6 cents to \$2.507 per gallon, while the average wholesale price decreased 2.8 cents to \$2.196 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets inched down 0.9 cent, while the average wholesale price fell 2.5

cents. Ultra low-sulfur diesel fuel prices were 4.3 cents more than low-sulfur diesel fuel at retail, and 5.4 cents higher at wholesale.

- Refiner sales of No. 2 distillates rose firmly in August. Total sales increased 13.1 million gallons per day (8.0 percent), to 177.4 million gallons per day. Sales of No. 2 fuel oil climbed 1.2 million gallons per day (12.0 percent), while sales of No. 2 diesel fuel jumped 11.9 million gallons per day (7.7 percent). Ultra low-sulfur diesel fuel accounted for 76.2 percent of all refiner diesel fuel sales, with total diesel fuel sales making up 93.8 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil price trends were mixed in August. Refiner prices for low-sulfur residual fuel oil increased 4.5 cents to \$1.584 per gallon at retail, but fell 2.5 cents to \$1.436 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil rose 3.9 cents to \$1.422 per gallon at retail, and 0.5 cent to \$1.326 per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil rose 4.8 cents to \$1.561 per gallon at retail, but dropped 0.3 cent to \$1.409 per gallon at wholesale. Prices for high-sulfur residual fuel oil increased 2.8 cents to \$1.412 per gallon at retail, but fell 2.1 cents to \$1.321 per gallon at wholesale.

- Refiner sales of residual fuel rose in August. Total sales increased 900,000 gallons (4.8 percent) to 19.6 million gallons per day. Low-sulfur residual fuel sales rose 700,000 gallons (13.2 percent), while high-sulfur residual fuel oil sales increased 300,000 gallons (2.3 percent).

Other Products

- Prices for other surveyed products were most often on the decline in August. The average retail price for propane sales by refiners increased 11.1 cents per gallon, while the wholesale price climbed 0.8 cent per gallon. Including data from a sample of propane marketers, the average residential price fell 2.0 cents per gallon, while the average retail price increased 5.5 cents per gallon. The average wholesale price for propane rose 0.9 cent per gallon. Prices for kerosene-type jet fuel, aviation gasoline, and No. 1 distillate fell at both retail and wholesale, while prices for kerosene rose at retail but dropped at wholesale. The wholesale price for No. 4 distillate declined in August.
- Sales of these products varied in August. Sales of propane, aviation gasoline, and kerosene fell at retail, but rose at wholesale. Kerosene-type jet fuel and No. 1 distillate sales increased at both levels, while sales of No. 4 distillate sales also increased at wholesale.