

Highlights

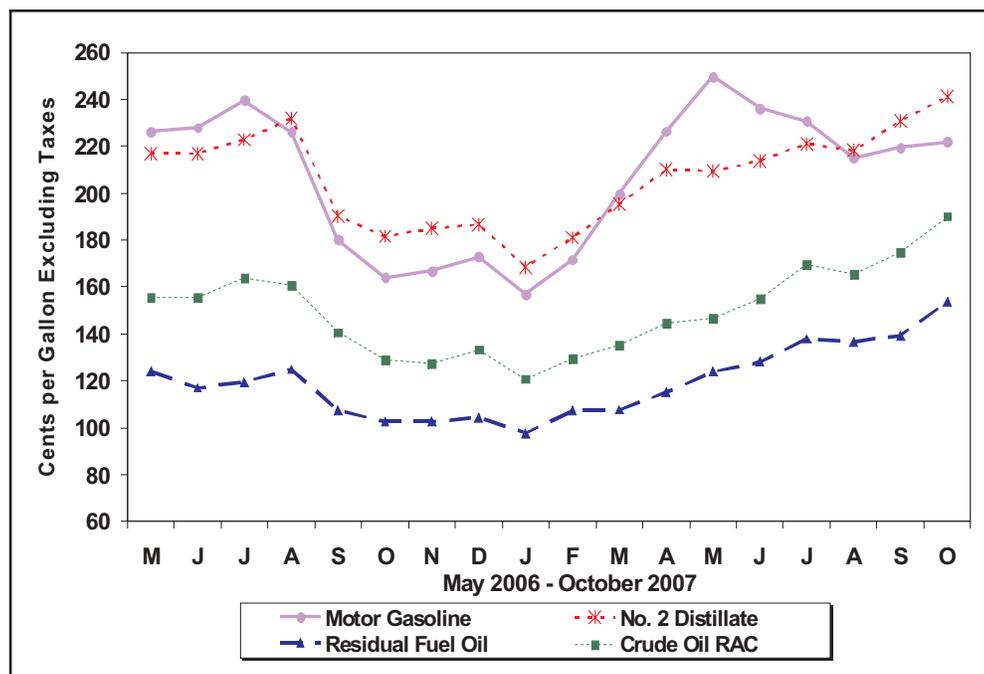
International crude oil prices continued to rise during October. Although prices moderated at the start of the month from end-September levels, they began a steady increase on news of declining petroleum product inventories in European markets and news of a fire at a crude oil gathering center at Prudhoe Bay, Alaska. An initial estimate put production losses from the October 6 fire at 30,000 barrels, though that was later revised downwards to 10,000 to 20,000 barrels. Political issues also pressured oil prices. Throughout the month, tensions between the United States, Turkey, and Iraq waxed due to Kurdish rebel activity in southeastern Turkey. The Kurds, who have a large presence in Northern Iraq, seek an independent homeland that would include Turkish territory. The U.S., which has military bases in Turkey, cautioned the Turkish government against actions against the rebels that would include incursions into Iraq. As the month wore on, prices for benchmark crude oil streams began to repeatedly mark record highs.

Rising prices for other commodities including precious metals also supported oil product prices, as did news citing the softening value of the U.S. dollar against other currencies. Statements by officials associated with the Organization of Petroleum Exporting Countries (OPEC) suggested a possibility of the group increasing production again to help quell soaring prices. While that possibility was later downplayed, reports indicated that the group increased output ahead of November 1, the starting date of its most recent official production increase. While tensions between Turkey and Kurdish militants abated for a short period, news that Turkish troops crossed over into Iraqi territory on October 21 reestablished support for rising oil prices through the end of the

month. Further, the U.S. government's growing pressure on Iran via new sanctions served to increase the political premium on crude oil prices. At the close of the month, U.S. oil product inventory data showing unexpectedly large declines helped sustain soaring crude oil prices.

In the U. S., crude oil and petroleum product prices rose from their already robust levels in October. Inventory levels, demand, supply issues, and refinery operations all exerted influence over prices. Early in the month, along with technical factors, supply data showing only small, expected changes in inventories moderated prices following the substantial increases seen in September. Additionally, at the start of the heating season, normal to above-average temperatures checked heating fuels' prices, particularly in the Northeast. Expectations of ample diesel fuel supplies coupled

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					
	October 2007		September 2007		October 2006		October 2007		September 2007		October 2006	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	235.0	58.0	233.7	58.0	178.9	60.2	221.9	323.4	219.5	320.6	164.1	309.1
Conventional	233.1	34.9	233.8	35.0	175.5	35.1	220.6	232.3	219.6	230.6	161.3	207.2
Regular	230.8	30.1	231.6	30.2	172.9	29.8	218.9	203.6	217.6	202.4	159.6	181.5
Midgrade	242.5	2.6	242.3	2.6	185.7	2.9	223.0	11.5	227.2	10.8	165.8	9.2
Premium	253.3	2.2	252.5	2.2	196.8	2.3	238.9	17.2	238.4	17.4	176.5	16.5
Reformulated	237.8	23.0	233.7	23.0	183.7	23.3	225.1	91.1	219.3	90.0	169.8	91.6
Regular	233.2	17.9	229.3	17.8	179.2	17.9	222.0	76.0	216.3	75.0	167.1	74.8
Midgrade	247.8	2.4	242.5	2.4	192.9	2.5	232.5	2.8	225.9	2.8	177.8	3.2
Premium	258.8	2.7	253.8	2.8	203.5	2.9	242.6	12.3	235.7	12.2	183.0	13.5
Aviation Gasoline	285.5	0.1	290.0	0.1	238.5	0.1	276.9	0.5	283.0	0.5	212.0	0.5
Kerosene-Type Jet Fuel	237.6	40.9	225.1	39.7	183.2	41.0	235.1	17.8	225.5	14.0	181.3	17.1
Propane (Consumer Grade)	149.6	3.2	142.9	2.7	131.0	2.7	135.2	44.2	124.8	40.2	100.3	42.9
Kerosene	NA	NA	W	W	255.5	NA	256.5	1.3	244.9	0.7	193.5	1.8
No. 1 Distillate	259.1	0.1	241.5	0.1	206.8	0.2	269.9	0.8	253.8	0.4	205.1	1.1
No. 2 Distillate	249.9	23.9	237.9	23.1	191.0	25.5	241.2	164.5	230.7	147.0	181.7	145.2
No. 2 Fuel Oil	NA	0.4	231.6	0.4	190.3	0.8	226.0	13.0	213.3	11.3	171.6	14.0
No. 2 Diesel Fuel	249.9	23.5	238.0	22.7	191.1	24.7	242.5	151.5	232.1	135.7	182.7	131.2
Ultra Low Sulfur	252.3	13.1	239.6	12.9	—	—	244.0	120.7	233.7	107.4	—	—
Low Sulfur	249.1	7.7	238.0	7.6	193.5	19.8	236.6	24.3	225.3	21.5	184.0	115.5
High Sulfur	240.9	2.7	229.5	2.3	181.3	4.9	236.4	6.5	228.1	6.8	173.4	15.7
No. 4 Fuel^a	W	W	W	W	W	W	172.6	0.3	159.6	0.2	123.8	0.1
Residual Fuel Oil	157.3	10.2	145.0	10.7	109.3	10.8	153.6	9.2	139.3	7.9	102.5	6.6
Sulfur Content not > 1 %	166.1	2.6	161.0	2.1	120.1	2.6	164.7	3.2	147.4	3.2	107.7	2.9
Sulfur Content > 1 %	154.2	7.6	141.0	8.6	105.9	8.2	147.7	6.0	133.7	4.7	98.5	3.7

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."

with wet weather affecting demand for the product during the height of the harvest season, curbed distillate prices in Midwestern markets. While prices in West Coast markets were underpinned by a spate of refinery troubles early in October, they were later tempered by more positive refinery operations news. Nevertheless, rising crude oil prices, influenced by international political and monetary issues, underpinned other prices as October wore on, as did less favorable news regarding product inventories. More specifically, unexpected declines in petroleum product stock levels reported in weekly inventory data coupled with a drop in imports encouraged higher prices. More refinery outages and supply shortfalls in some regional markets also spurred prices. Monthly average prices from some key markets

help illuminate the overall trend in prices for petroleum products across the U.S. during October. The average spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma was \$85.80 per barrel this month, up \$5.89 (7.3 percent) from September's average of \$79.91 per barrel. The October 2007 average price is also \$26.91 (45.7 percent) higher than the year-ago average of \$58.89 per barrel. The October 2007 price for regular gasoline at New York Harbor averaged \$2.169 per gallon, 6.7 cents (3.2 percent) higher than last month's average of \$2.102 per gallon. The October 2007 average price also reflects a 66.2-cents (44.0 percent) increase from the October 2006 average of \$1.506 per gallon. The average prices for No. 2 fuel oil

Petroleum Products

Motor Gasoline

Following the general unsettled trend seen in the market, the October daily spot price for regular gasoline at New York Harbor increased from September's already robust levels. After opening at \$2.083 per gallon, the price immediately dropped to the month's low of \$2.029 per gallon on October 1 as the market saw inventories as adequate following the high demand summer driving season. Nevertheless, the price returned to an upward bound course as the month continued, underpinned by refinery outages, growing supply concerns, and surging crude oil prices. The price closed the month at its highest point, \$2.364 per gallon, 28.1 cents above the opening level for October.

- October monthly average prices for finished gasoline show small changes from September levels. The average price for retail sales of motor gasoline by refiners climbed 1.3 cents to \$2.350 per gallon, while the average wholesale price increased 2.4 cents to \$2.219 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets inched downward 0.2 cent to \$2.343 per gallon. The average wholesale price for gasoline rose 2.3 cents to \$2.223 per gallon. The average dealer tank wagon (DTW) price increased 3.2 cents to \$2.278 per gallon, while the average rack price increased 0.6 cent to \$2.223 per gallon. The average bulk sale price climbed 5.0 cents to \$2.126 per gallon. Prices for reformulated gasoline were 3.1 cents higher than conventional gasoline prices at the retail level, and 2.9 cents higher at wholesale.
- Refiner sales of motor gasoline increased slightly in October, rising 2.8 million gallons per day (0.7 percent) to an average of 381.4 million gallons per day. Retail sales were flat, while wholesales climbed 2.8 million gallons per day (0.9 percent). DTW sales made up 13.5 percent of wholesales, while rack and bulk sales accounted for 70.9 percent and 15.6 percent, respectively.

at New York Harbor show the same sort of year-on-year change. While the October 2007 average price of \$2.282 marks an increase of 10.3 cents (4.7 percent) from last month's average of \$2.179 per gallon, the difference from the October 2006 price of \$ 1.648 was a more substantial 59.9 cents (36.3 percent).

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

Crude Oil

At Cushing, Oklahoma, the daily spot price for WTI crude oil was volatile during October. After opening at \$81.64 per barrel, the price eased from late-September levels thanks to an abatement of pressure from political factors, growth in the U.S. dollar's value, and anticipation of the end of the North Atlantic hurricane season. The price reached the month's low of \$78.97 per barrel on October 8. Shortly after that point, however, the price entered a period of significant growth supported by declining inventories and the decreasing value of the dollar. By mid-month, the price was setting new record highs repeatedly as the perception of tight supplies permeated the market. Supply worries along with various international political events underpinned the price through the end of the month. The month's high of \$94.16 per barrel, set on October 31, also marked a new record high. That price also marked a \$12.52 increase from the month's opening level.

- Monthly average crude oil prices increased in all sales categories again in October. The average domestic crude oil first purchase price rose \$6.16 (8.4 percent) to \$79.32 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil increased \$4.97 (6.9 percent) to \$77.20 per barrel. The average landed cost of foreign crude oil rose \$3.87 (5.3 percent), to \$77.36 per barrel.
- The average refiner acquisition cost for domestic crude oil increased \$6.30 (8.3 percent), to \$82.14 per barrel. The average cost of imported crude oil climbed \$6.39 (8.8 percent), to \$78.61 per barrel, while the composite refiner acquisition cost for crude oil rose \$6.38 (8.7 percent), to \$79.85 per barrel.

No. 2 Distillate

Despite a warm start to the heating season, the daily spot price for No. 2 heating oil at New York Harbor rose significantly during October. The price opened the month at \$2.199 per gallon, then fell to its low of \$2.136 per gallon on October 2 following a spate of warm temperatures in the Northeast and ample stocks. Nevertheless, an unexpected inventory decrease reported in weekly stocks data coupled with robust crude oil prices underpinned a firm rise in the price for heating oil during the second week of the month. The price continued to increase throughout the remainder of the month, spurred higher by concern about inventory and production levels, and cooler temperatures towards the end of October. The price closed the month at its highest level, \$2.506 per gallon, 30.7 cents above October's opening point.

- October No. 2 distillate prices rose appreciably in all sales categories. The national average residential sales price jumped 15.0 cents to \$2.759 per gallon, while the average wholesale price increased 10.4 cents to \$2.429 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets climbed 10.8 cents, while the average wholesale price rose 10.4 cents. Ultra low-sulfur diesel fuel prices were 4.9 cents higher than low-sulfur diesel fuel at retail, and 5.6 cents more at wholesale.
- Refiner sales of No. 2 distillates increased in October. Total sales climbed 18.3 million gallons per day (10.7 percent), to 188.4 million gallons per day. Sales of No. 2 fuel oil increased 1.8 million gallons per day (15.0 percent), while sales of No. 2 diesel fuel rose 16.5 million gallons per day (10.4 percent). Ultra low-sulfur diesel fuel made up 76.5 percent of all refiner diesel fuel sales, while total diesel fuel sales accounted for 92.9 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices rose significantly in October. Refiner prices for low-sulfur residual fuel oil increased 5.1 cents to \$1.661 per gallon at retail, and 17.3 cents to \$1.647 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil climbed 13.2 cents to \$1.542 per gallon at retail, and 14.0 cents to \$1.477 per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil rose 7.0 cents to \$1.665 per gallon at retail, and 14.1 cents to \$1.579 per gallon at wholesale. Prices for high-sulfur residual fuel oil jumped 12.8 cents to \$1.546 per gallon at retail, and 12.5 cents to \$1.483 per gallon at wholesale.
- Refiner sales of residual fuel oil increased modestly in October. Total sales rose 800,000 gallons (4.3 percent) to 19.4 million gallons per day. Low-sulfur residual fuel oil sales increased 500,000 gallons (9.4 percent), while high-sulfur residual fuel oil sales rose 300,000 gallons (2.3 percent).

Other Products

- For the most part, prices for the remaining surveyed products increased in October. The average retail price for propane sales by refiners rose 6.7 cents per gallon, while the wholesale price increased 10.4 cents per gallon. Including data from a sample of propane marketers, the average residential price jumped 13.5 cents per gallon, while the average retail price rose 11.2 cents per gallon. The average wholesale price for propane climbed 10.1 cents per gallon. Prices for kerosene-type jet fuel and No. 1 distillate increased at both retail and wholesale, while aviation gasoline prices fell at both levels. Prices for kerosene and No. 4 distillate also increased at wholesale during October.
- Sales of the products included in this section were on the rise during October. Sales of propane, kerosene-type jet fuel, aviation gasoline, and No. 1 distillate rose at both the retail and wholesale levels. Sales of kerosene and No. 4 distillate increased at the wholesale level.