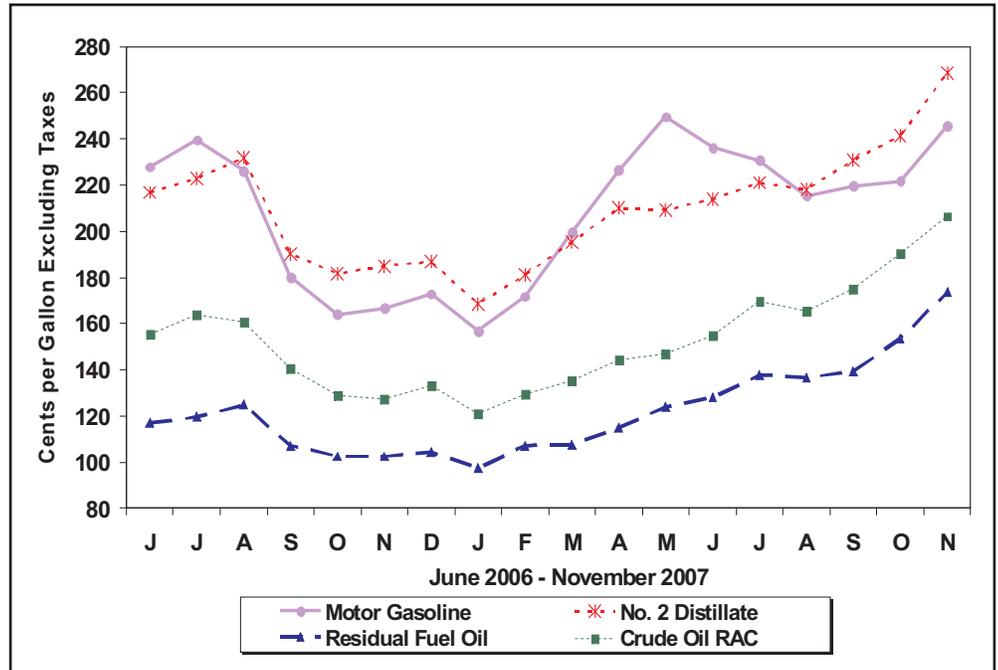


# Highlights

International crude oil prices climbed higher in November, amid a volatile market driven by economic worries and supply concerns. The month began with prices on the upswing in response to weekly reports showing U.S. crude oil inventories falling once again and to ongoing concern about the impact of credit market woes on world economies and monetary valuation trends. Political issues including the conflict between Kurdish rebels and Turkey, Iran's nuclear fuels program, and a state of emergency in Pakistan all served to underpin rising oil prices during the initial part of the month. Additionally, storm-related closures of production facilities in the North Sea (adding to brewing concern about tight oil supplies in the winter months ahead) supported rising prices. Although prices dropped firmly at mid-month following the release of an International Energy Agency (IEA) monthly report containing a downward revision to its forecast for world oil demand in coming months, they rebounded quickly on expectations of a crude oil supply drawdown in the United States. At the same time, the falling value of the U.S. dollar also helped lead prices higher, with many key streams hitting record-setting nominal highs during the week of November 18. Shortly after those highs were struck, however, prices began to retreat on increasing speculation of whether the Organization of Petroleum Exporting Countries (OPEC) would increase its production levels during the group's upcoming meeting on December 5. Additional downward pressure arrived from a smaller-than-expected decrease in U.S. crude oil stocks reported in government inventory data during the final days of the month.

Crude oil and refined products prices were unsettled in U.S. markets during November. Worries about the overall economy and the dollar's value compared with other currencies influenced price trends for petroleum products throughout the month, while existing inventory levels and speculation about supplies during the coming winter months also underpinned prices. At the beginning of November, crude oil prices climbed when imports from Mexico were delayed due to bad weather. Leading up to the Thanksgiving holiday, gasoline prices rose thanks to robust demand and lean inventory levels. Spot market prices for gasoline climbed as the days of supply (a measure of the adequacy of inventories) fell close to the long-term lows seen at the end of this past summer. Retail gasoline prices also rose to levels more typically seen during the high-demand summertime months. The rise in gasoline and other product prices widened refining margins after they

**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					
	November 2007		October 2007		November 2006		November 2007		October 2007		November 2006	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	261.4	56.7	235.0	58.0	178.8	58.9	245.8	317.7	221.8	323.0	166.7	308.5
<b>Conventional</b> .....	259.5	34.2	233.1	34.9	175.9	33.9	244.2	227.9	220.6	231.8	164.2	207.0
Regular .....	257.5	29.8	230.8	30.1	173.7	28.9	242.7	200.6	218.9	203.1	162.5	180.8
Midgrade .....	268.7	2.4	242.5	2.6	183.6	2.8	247.4	11.3	223.0	11.5	169.8	9.2
Premium .....	279.5	2.0	253.3	2.2	195.3	2.3	261.4	15.9	238.9	17.2	179.4	16.9
<b>Reformulated</b> .....	264.3	22.5	237.8	23.0	182.6	22.7	249.7	89.8	225.0	91.2	171.9	90.2
Regular .....	260.0	17.6	233.2	17.9	178.4	17.4	246.9	75.8	221.9	76.0	169.2	74.4
Midgrade .....	273.8	2.3	247.8	2.4	191.2	2.4	257.2	2.6	232.4	2.8	178.1	3.3
Premium .....	285.2	2.5	258.8	2.7	201.5	2.8	266.7	11.4	242.4	12.4	186.2	12.5
<b>Aviation Gasoline</b> .....	306.7	0.1	285.5	0.1	235.3	0.1	302.0	0.4	276.9	0.5	213.9	0.5
<b>Kerosene-Type Jet Fuel</b> .....	268.3	39.5	237.7	40.9	179.9	40.3	265.7	17.4	235.1	17.8	177.4	16.3
<b>Propane (Consumer Grade)</b> .....	181.1	3.6	155.5	3.4	130.8	3.8	147.1	45.6	135.2	44.2	101.3	44.5
<b>Kerosene</b> .....	319.7	0.1	280.1	0.0	241.4	0.1	285.4	1.6	252.5	1.6	194.4	1.9
<b>No. 1 Distillate</b> .....	279.6	0.2	259.1	0.1	216.7	0.2	298.7	1.3	269.9	0.8	220.9	1.6
<b>No. 2 Distillate</b> .....	278.4	22.9	250.0	23.9	192.3	23.8	268.4	156.6	241.3	164.0	184.9	143.7
No. 2 Fuel Oil .....	277.3	1.0	NA	0.4	192.1	1.0	256.9	17.2	226.0	13.0	169.9	15.6
No. 2 Diesel Fuel .....	278.5	21.9	249.9	23.5	192.3	22.8	269.8	139.4	242.6	151.0	186.7	128.1
Ultra Low Sulfur .....	280.0	12.2	252.3	13.1	—	—	270.6	113.8	244.0	120.7	—	—
Low Sulfur .....	277.3	8.2	249.0	7.9	195.5	18.0	266.7	21.3	236.9	24.8	188.5	113.2
High Sulfur .....	272.0	1.5	240.9	2.5	180.5	4.9	262.7	4.3	235.7	5.4	173.6	14.9
<b>No. 4 Fuel<sup>a</sup></b> .....	W	W	W	W	W	W	200.0	0.2	172.6	0.3	129.3	0.3
<b>Residual Fuel Oil</b> .....	180.3	9.6	157.3	10.2	108.7	11.1	173.6	10.0	153.6	9.2	102.5	7.3
Sulfur Content not > 1 % .....	183.2	2.0	166.1	2.6	117.6	3.0	184.3	3.4	164.7	3.2	115.9	2.4
Sulfur Content > 1 % .....	179.6	7.5	154.2	7.6	105.3	8.0	168.2	6.6	147.5	6.0	95.9	4.9

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."

had dropped to their lowest levels in 2007 during October. Tight distillate supplies in Europe continued to restrain exports to the United States. Outages at European refineries have curbed production and inventories recently, driving prices for distillate products in that market higher. Those circumstances also provided some support for distillate prices in U.S. markets. In many parts of the country, heating oil prices were supported by the arrival of colder weather. Stocks of distillate products typically used for space heating remained firmly below year-ago levels in November, as did total distillate stocks. After Thanksgiving, oil

product prices declined across regional markets as demand eased and supplies were seen as satisfactory. In Midwestern markets, diesel fuel prices eased as demand from the agricultural sector declined as the harvest season wound down. Gasoline prices retreated firmly in markets throughout the country as transportation demand dropped after the holiday. A comparison of average spot market prices helps to illustrate the cost trends for some major oil products. The average spot price for West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma was \$94.77 per barrel this month, \$8.97 (10.5 percent) higher than October's

average of \$85.80 per barrel. The average price last year at this time was \$59.08 per barrel, \$35.69 (60.4 percent) below the current average price. At New York Harbor, the spot price for regular gasoline averaged \$2.424 per gallon in November. That average was 25.6 cents (11.8 percent) higher than last month's average of \$2.169 per gallon. The November 2006 average price of \$1.588 per gallon was 83.6 cents (52.7 percent) lower than the November 2007 average. The average price for No. 2 fuel oil at New York Harbor increased 30.4 cents (13.3 percent) to \$2.587 per gallon in November from last month's average of \$2.282 per gallon. The November 2006 average price was \$1.645 per gallon, marking a difference of 93.8 cents (56.9 percent) from the current price.

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

## Crude Oil

The daily spot price for WTI crude oil moved along an unsettled path during November. Opening at \$94.16 per barrel, the price was underpinned during the early days of November by economic worries and political tension in the Middle East. The price dipped at mid-month following forecasts for a decrease in world crude oil demand. The price rebounded quickly, thanks to economic concerns and worries about supply levels. Supported by the falling value of the U.S. dollar and concerns about short supplies during the coming months, the price reached a record-setting high on November 20 when it reached \$99.16 per barrel. The price declined firmly during the last week of the month on more talk of whether OPEC would increase production, economic issues, and a smaller-than-expected decline in the level of crude oil supply reported in weekly inventory data. Closing the month at its lowest point, \$88.60 per barrel, the price was \$5.56 lower than November's opening level.

- Monthly average crude oil prices rose again in November. The average domestic crude oil first purchase price climbed \$7.82 (9.9 percent) to \$87.14 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil rose \$4.87 (6.2 percent) to \$82.90 per barrel. The average landed cost of foreign crude oil increased \$4.64 (5.9 percent), to \$83.56 per barrel.

- The average refiner acquisition cost for domestic crude oil rose \$7.03 (8.6 percent), to \$89.17 per barrel. The average cost of imported crude oil climbed \$6.91 (8.8 percent), to \$85.52 per barrel, while the composite refiner acquisition cost for crude oil increased \$6.89 (8.6 percent), to \$86.74 per barrel.

## Petroleum Products

### *Motor Gasoline*

At New York Harbor, the daily spot price for regular gasoline moved along a volatile path during November. After opening at \$2.364 per gallon, the price rose firmly during the next few weeks due to declining supplies, transportation issues and the volatility of the market overall. Although the price gave back the increase as it followed the downward track of crude oil prices at mid-month, it returned to an upward path leading up to, and through the Thanksgiving holiday. The price reached the month's high of \$2.510 per gallon on November 23. Dropping firmly after that point, the price closed the month at \$2.242 per gallon, its lowest level for November and 12.2 cents below its opening level.

- Following last month's small changes, monthly average prices for finished gasoline surged in November. The average price for retail sales of motor gasoline by refiners jumped 26.4 cents to \$2.614 per gallon, while the average wholesale price increased 24.0 cents to \$2.458 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets climbed 26.4 cents to \$2.608 per gallon. The average wholesale price for gasoline increased 24.1 cents to \$2.464 per gallon. The average dealer tank wagon (DTW) price rose 24.4 cents to \$2.522 per gallon, while the average rack price increased 24.0 cents to \$2.463 per gallon. The average bulk sale price jumped 23.3 cents to \$2.358 per gallon. Prices for reformulated gasoline were 4.5 cents higher than conventional gasoline prices at retail, and 3.5 cents more at wholesale.
- Refiner sales of motor gasoline fell in November. Total sales dropped 6.6 million gallons per day (1.7 percent) to an average of 374.4 million gallons per day. Retail sales declined 1.3 million gallons per

day (2.2 percent), while wholesales fell 5.3 million gallons per day (1.6 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.

### **No. 2 Distillate**

The daily spot price for No. 2 heating oil at New York Harbor rose to new heights during November, thanks to the overall volatility of the market and to forecasts for colder weather in the Northeast. Opening at \$2.506 per gallon, the price continued the upward climb seen throughout October, driven by tight supplies, lower imports of distillate fuels, and colder temperatures. Like other product prices, the No. 2 heating oil price dipped at mid-month, reaching its low of \$2.485 per gallon on November 13. Expectations of inventory drawdowns and robust crude oil prices drove the price upward again after that point, despite warmer-than-normal temperatures in the Northeast. The price reached its high of \$2.694 per gallon on November 23, then fell firmly through the end of the month as the market reacted to economic and crude oil supply issues. Closing at \$2.499 per gallon, the price was less than one cent below its opening level for November.

- No. 2 distillate prices also rose significantly in November. The national average residential sales price climbed 27.6 cents to \$3.035 per gallon, while the average wholesale price jumped 26.7 cents to \$2.696 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets surged 29.3 cents higher, while the average wholesale price increased 27.3 cents. Ultra low-sulfur diesel fuel prices were 4.0 cents more than low-sulfur diesel fuel at retail, and 2.1 cents more at wholesale.
- Refiner sales of No. 2 distillates were mixed in November. Total sales fell 8.3 million gallons per day (4.4 percent), to 179.5 million gallons per day. Sales of No. 2 fuel oil rose 4.8 million gallons per day (35.8 percent), while sales of No. 2 diesel fuel decreased 13.1 million gallons per day (7.5 percent). Ultra low-sulfur diesel fuel made up 78.1 percent of all refiner diesel fuel sales, while total diesel fuel sales accounted for 89.9 percent of all refiner No. 2 distillate sales.

### **Residual Fuel Oil**

- Residual fuel oil prices rose substantially in November. Refiner prices for low-sulfur residual fuel oil rose 17.1 cents to \$1.832 per gallon at retail, and 19.6 cents to \$1.843 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil jumped 25.4 cents to \$1.796 per gallon at retail, and 20.7 cents to \$1.682 per gallon at wholesale. Including data reported by a sample of residual fuel oil marketers, average prices for low-sulfur residual fuel oil climbed 20.6 cents to \$1.870 per gallon at retail, and 24.5 cents to \$1.824 per gallon at wholesale. Prices for high-sulfur residual fuel oil rose 25.3 cents to \$1.799 per gallon at retail, and 21.8 cents to \$1.696 per gallon at wholesale.
- Overall, refiner sales of residual fuel oil rose marginally in November. Total sales increased 200,000 gallons (1.0 percent) to 19.6 million gallons per day. Low-sulfur residual fuel oil sales fell 400,000 gallons (6.9 percent), while high-sulfur residual fuel oil sales increased 500,000 gallons (3.7 percent).

### **Other Products**

- Prices for the remaining surveyed products increased appreciably in November. The average retail price for propane sales by refiners climbed 25.6 cents per gallon, while the wholesale price increased 11.9 cents per gallon. Including data from a sample of propane marketers, the average residential price rose 17.9 cents per gallon, while the average retail price jumped 21.3 cents per gallon. The average wholesale price for propane increased 12.0 cents per gallon. Prices for kerosene-type jet fuel, aviation gasoline, kerosene, and No. 1 distillate rose firmly at both the retail and wholesale levels. The wholesale price for No. 4 distillate also rose substantially in November.
- Sales of the products included in this section were mixed in November. Sales of propane and No. 1 distillate rose at both retail and wholesale, while sales of kerosene-type jet fuel and aviation gasoline declined at both levels. Sales of kerosene increased at retail but remained flat at wholesale, while No. 4 distillate sales dropped at the wholesale level.