



# Petroleum Market Report

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Energy Information Administration  
Office of Oil & Gas

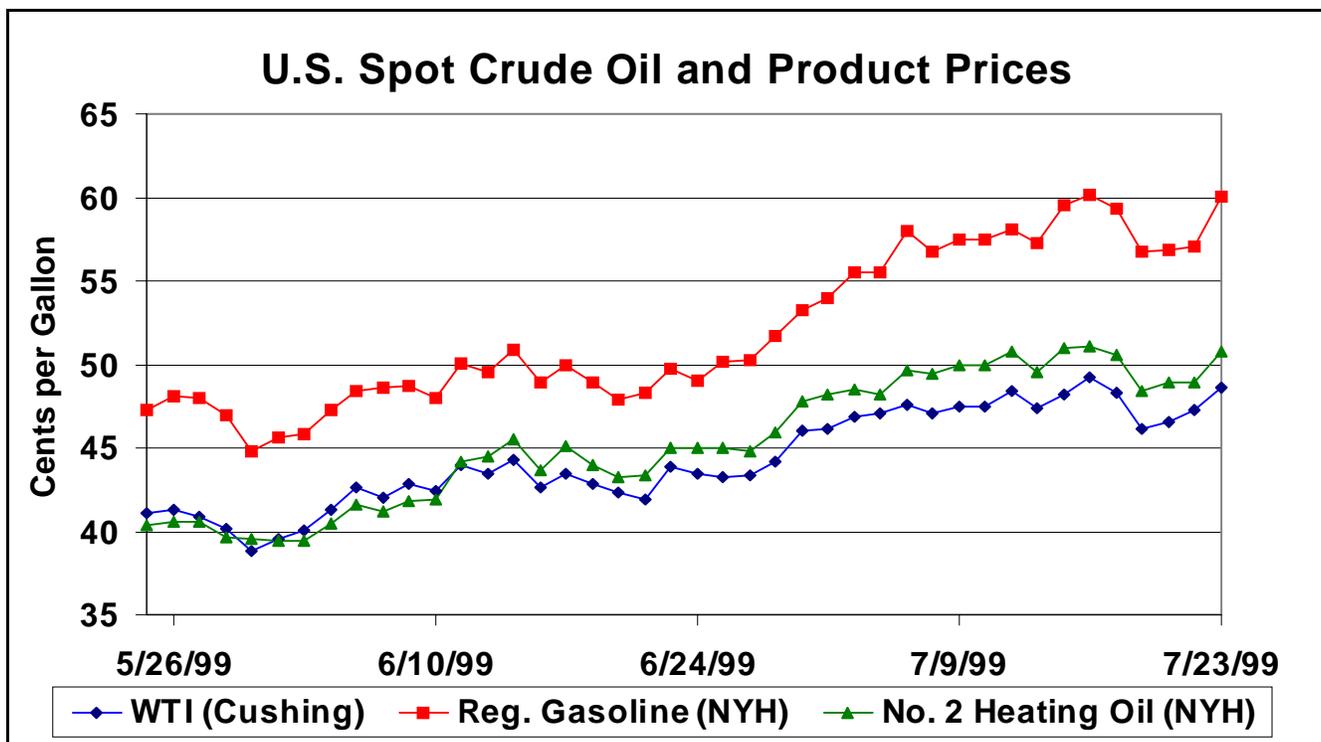
## MARKET SUMMARY

U.S. and world petroleum markets were sharply impacted last week by statements from Venezuelan officials, first implying potential increases in crude oil production, then promising continued output discipline. The result was a price drop early in the week to the low \$19-per-barrel range for WTI spot and futures, then a return by Friday to near the previous week's 20-month high. Additional factors influencing U.S. markets included scattered refinery problems, a large crude oil stockbuild reported by API, and EIA's inability to publish weekly statistics due to computer systems problems.

**Crude oil** - prices retreated from the previous week's close, the highest level since November 1997, with NYMEX dropping as low as \$19.22 per barrel intraday Wednesday under pressure from a number of factors. PDVSA President Roberto Mandini's statement that OPEC should not allow WTI to rise over \$22 was a major downward catalyst, along with August NYMEX contract expiration and a larger-than-expected API stockbuild. Prices began to recover on Thursday, as first Venezuelan government officials, then other OPEC and Mexican oil ministers, reiterated their commitment to the output cuts currently in place.

**Gasoline** - though slightly weaker overall, continued to outdistance crude oil prices last week, further expanding refining margins on tightness due to a number of refinery problems. Both Valero's Texas Cit refinery and Mobil's Beaumont facility experienced cat cracker problems, while West Coast conditions were still difficult following a nearly-continuous series of refinery mishaps since February.

**Distillate** - prices kept pace with those for crude oil, falling and partially recovering to finish slightly lower for the week. A small stock gain reported by API for the previous week kept inventories near the previous year's relatively high levels.



## **CHRONOLOGY OF RECENT MARKET EVENTS**

- 7/23 - rising** - crude and product prices posted strong gains, led by gasoline, continuing to recover losses from earlier in the week. Markets found support in assurances from Mexico's energy minister that it will maintain output cuts, along with reported problems at Mobil's Beaumont refinery.
- 7/22 - rising** - spot and futures prices rose marketwide for the first time this week, on statements by Venezuelan government officials countering Tuesday's comment by PDVSA's president. The partial recovery left WTI slightly under \$20 per barrel, below last week's elevated levels.
- 7/21 - mixed** - NYMEX prices dropped for a third day, while changing differentials pushed some spot prices higher. A larger-than-expected crude oil stockbuild in the weekly API report was the catalyst, with EIA unable to publish data due to systems problems.
- 7/20 - falling** - all prices fell sharply under the combined influence of NYMEX August crude expiration, expectations for the weekly API and EIA reports, and a statement from the president of PDVSA. The afternoon comment from Roberto Mandini, that producers should raise output if WTI exceeds \$22 per barrel, accelerated selling in the afternoon.
- 7/19 - falling** - prices declined across the board in profit-taking, following Friday's multi-year highs and ahead of Tuesday's NYMEX August crude oil contract expiration. A weekend cat cracker shutdown at Valero's Texas City refinery had limited market impact.
- 7/16 - rising** - a further surge in prices ahead of the weekend took WTI spot and futures prices to yet another 20-month high, despite reported comments from Venezuela's oil minister about potential OPEC action in September. Products lagged behind crude, but also hit new multi-year records.
- 7/15 - rising** - gasoline led all prices higher in late-day gains, as the California Air Resources Board recommended approval of a Chevron request for a waiver to sell conventional gasoline during refinery repairs. WTI prices again surpassed \$20 per barrel, after falling back on Wednesday.
- 7/14 - falling** - crude and product prices dropped, reversing Tuesday's rise, on anticipation, then confirmation, that EIA's delayed weekly supply report would not confirm the crude oil stockdraw reported by API. EIA's data, released just before the NYMEX close, showed a small crude build.
- 7/13 - rising** - all prices moved higher ahead of an expected crude oil stockdraw in the weekly API and EIA supply reports, sending WTI crude oil spot and futures prices to a close over \$20 per barrel for the first time since November 1997. Reports of a cat cracker shutdown at Chevron's Richmond, California refinery added further support to gasoline prices.
- 7/12 - mixed** - spot and futures prices posted very little change, with crude oil down slightly and most products barely higher amid a lack of news. Sunoco's Point Breeze refinery returned to full operations, while Mobil began restarting a cat cracker at its Joliet, Illinois plant.