



Petroleum Market Report

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Energy Information Administration
Office of Oil & Gas

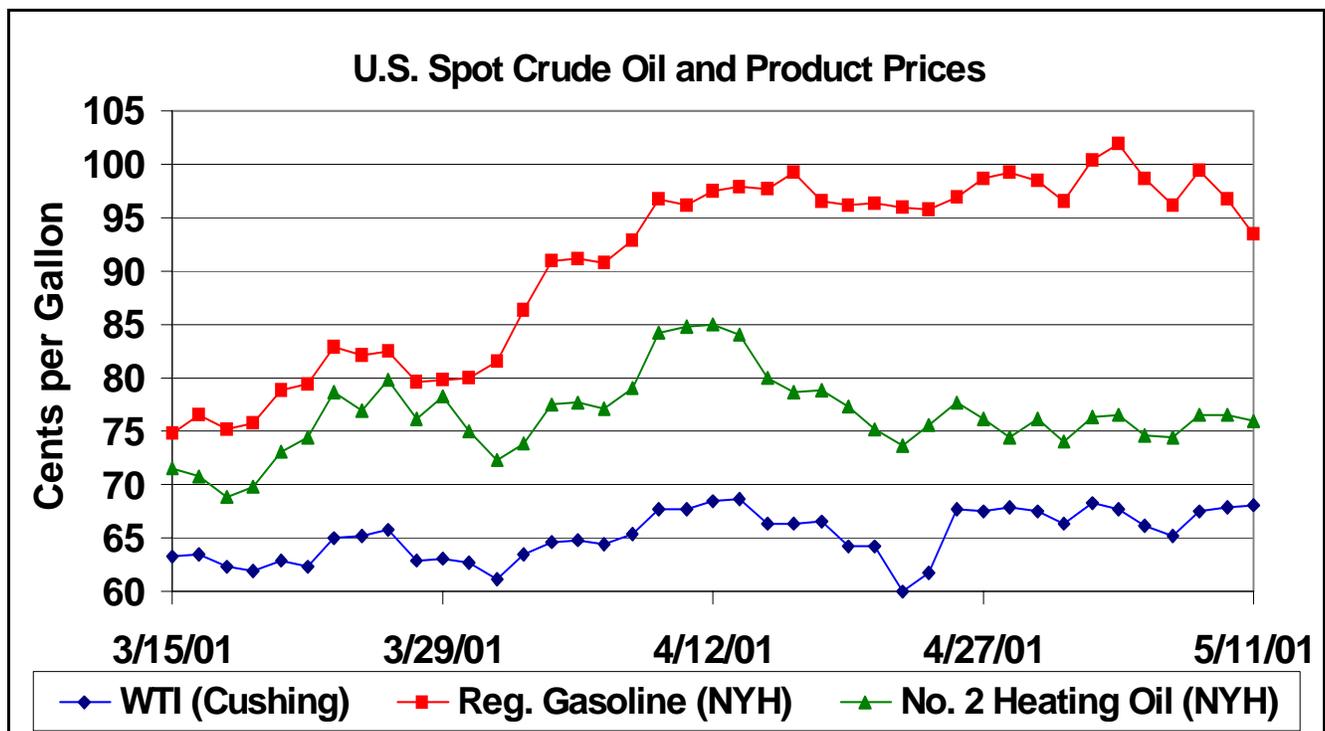
MARKET SUMMARY

Improvements in the status of U.S. refinery operations last week, following a number of recent incidents, allowed gasoline prices to drop solidly from peaks seen the week before, while crude oil and distillates saw little change. On the international front, several OPEC members were joined by Mexico in calling for no change in oil production at this time, but acknowledging the possible need for an increase later in the year. Unrest in Nigeria briefly interrupted crude oil exports from two terminals. The International Energy Agency, in its monthly report, reduced its 2001 world oil demand forecast by 160,000 barrels per day.

Crude oil - WTI spot and futures prices traded within a narrow range of just over \$1 per barrel for the second straight week, as markets displayed unusual stability well ahead of the June OPEC meeting. Prices reached their low for the week on Tuesday, ahead of expected stockbuilds in the weekly reports, then rose on a smaller-than-expected build and Nigerian export concerns. The small gain in U.S. stocks left inventories squarely within the average range, and 16 million barrels higher than a year ago.

Gasoline - NYMEX futures prices rose briefly Monday to new contract highs, then fell sharply for most of the remainder of the week. The only increase seen was on Wednesday, following a smaller-than-expected weekly stockbuild and a problem at Sunoco's Point Breeze (Philadelphia) refinery. With Sunoco announcing that the refinery would run at full capacity during repairs, and Orion finally restarting its Norco cat cracker after numerous delays, New York Harbor spot conventional regular gasoline fell to its lowest level in more than a month.

Distillate - prices closely followed those for crude oil, finishing with futures and most spot prices up modestly for the week. U.S. inventories (as of May 4) remained at the low end of the average range, and slightly higher than a year ago.



CHRONOLOGY OF RECENT MARKET EVENTS

- 5/11 - mixed** - product prices fell strongly, led by gasoline, while crude oil was slightly higher. Despite continued unrest in Nigeria, U.S. markets continued to focus on refinery activity, where the news has been largely positive all week.
- 5/10 - mixed** - crude oil and distillate prices rose slightly, attributed to export problems in Nigeria, while gasoline fell as U.S. refinery operations improved. Sunoco said its Point Breeze refinery would run at full capacity during repairs, while Orion said it had restarted its Norco FCC unit after delays.
- 5/9 - rising** - gasoline led all prices higher, boosted by moderately bullish weekly stocks data and a problem at Sunoco's Point Breeze (Philadelphia) refinery. Gasoline inventories grew less than expected during the week ending May 4, while crude oil and distillate stocks showed little change. Mexico's energy minister joined with OPEC in saying that no output increase is needed at present.
- 5/8 - mixed** - all but heating oil futures prices fell for a second day, ahead of the weekly API and EIA supply reports, expected to show crude and product stockbuilds. A statement by the Saudi oil minister that output might be raised in the third quarter of the year was also seen as a factor.
- 5/7 - mixed** - most prices dropped, led by gasoline, with only NYMEX June heating oil futures up slightly. Gasoline briefly rose to a contract high, before falling in profit-taking, aided by President Bush's statement that he is "very concerned" about rising gasoline prices, but will resist "quick fixes."
- 5/4 - mixed** - crude oil and NYMEX heating oil prices eased, while gasoline and spot distillates finished higher, in a mix of pre-weekend profit-taking and new refinery problems. Marathon Ashland's Minnesota refinery suffered a power failure, while units at refineries in Chicago and Belgium suffered unexpected outages.
- 5/3 - rising** - prices climbed strongly, reversing Wednesday's declines, largely attributed to delayed restarts of units at several refineries. PDVSA announced that a large cat cracker at a Venezuelan refinery would be down 2-3 weeks more after failing to restart, while other refineries in the U.S. and Great Britain also have delayed their expected returns to service.
- 5/2 - falling** - all prices fell solidly following the release of weekly API and EIA supply data showing higher-than-expected crude oil and product inventories. In particular, a large and unexpected crude oil stockbuild was seen as a bearish influence marketwide.
- 5/1 - mixed** - distillate and NYMEX crude oil prices rose, while others, especially gasoline, moved lower, generally in anticipation of the weekly EIA and API supply reports. Expectations of a stockdraw in crude oil and a build in gasoline pushed those prices upward and downward, respectively.
- 4/30 - mixed** - crude oil and gasoline prices increased, while distillates continued Friday's downturn, in the last day of trading for May NYMEX product futures contracts. A fire at Tosco's Wood River refinery on Saturday shut down a 100,000-barrel-per-day crude unit for at least two weeks.