

Highlights

Following January's gains, international crude oil prices decreased during February. Pressure from plentiful stocks of crude oil and finished products, along with abundant wellhead production, prompted price declines during the first half of the month. Lackluster demand for petroleum products and warmer-than-normal winter temperatures in Northern Hemisphere markets helped sustain glutted product inventories and exerted considerable pressure on prices. Further, Organization of Petroleum Exporting Countries (OPEC) wellhead production remained well above the group's quota during February. As refining margins began to deteriorate again, refiners in Europe and North America reduced runs in addition to closing facilities ahead of schedule for periodic maintenance. During the latter part of February, various factors helped stem the decline of crude oil prices. In addition to the refinery closures and production cuts, an announcement by Venezuelan officials to adhere to the revised OPEC crude oil production quota provided some support to prices. Further, talk concerning the possibility of an additional round of reductions to current OPEC production quotas, prior to the organization's scheduled meeting in March, helped to lift prices.

Price trends for petroleum products in the United States were mixed during February. During the initial two weeks of the month, prices waned due to the effects of unseasonably warm temperatures, copious product stockpiles, and comparatively slack demand for finished products. As a result of sagging prices, numerous refining facilities were put into turnaround or instituted reduced production runs. By mid-February the national refinery utilization rate had dropped to its lowest level since October

1998, when a similarly heavy schedule of maintenance took place. Amid February's springlike temperatures, prices for heating fuels hit record-setting lows. At the New York Mercantile Exchange (NYMEX), the contract price for No. 2 fuel oil for March delivery sank to its lowest level since its inception in November 1978, with a price of 29.5 cents per gallon on February 16. Spot market prices for distillate fuels across the country followed suit, also reaching long-term lows. During the second half of the month, a number of factors contributed to a sustained rise in prices for crude oil and finished products. In addition to rumors of more cutbacks in refinery runs and promised crude oil production cuts, the Department of Energy unveiled a royalty-in-kind payment plan for government-owned property wherein lessees pay their fees by providing crude oil to the Strategic Petroleum Reserve (SPR). The DOE also announced a plan to lease storage space in

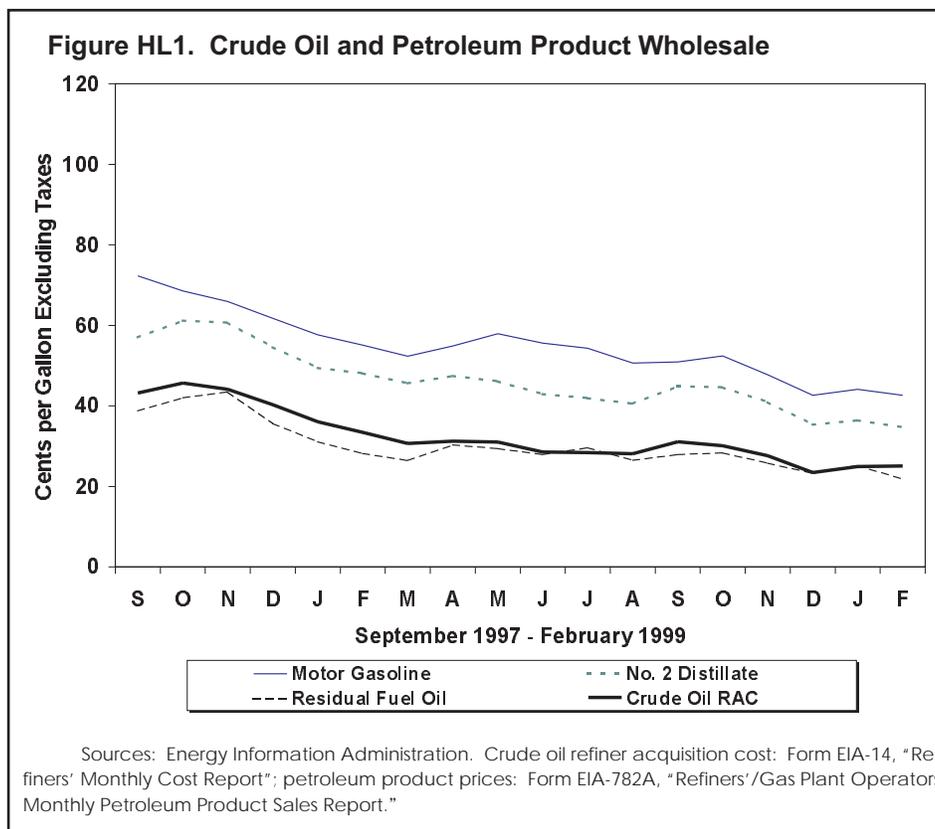


Table HL1. U.S. Refiner Prices and Volumes of Petroleum Products

(Prices: Cents per Gallon Excluding Taxes, Volumes: Million Gallons per Day)

Products	Sales to End Users						Sales for Resale					
	February 1999		January 1999		February 1998		February 1999		January 1999		February 1998	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
Motor Gasoline	57.0	63.2	59.2	59.5	69.0	62.3	42.6	289.2	44.1	265.0	55.1	285.9
Conventional	53.1	38.4	55.2	35.5	66.5	36.5	38.5	187.5	40.1	171.3	51.9	189.5
Regular	48.6	25.9	50.6	23.3	62.7	25.5	36.2	139.5	37.8	126.7	49.9	146.9
Midgrade	58.6	6.2	59.9	6.2	71.7	5.7	42.4	14.9	44.2	13.4	55.6	14.8
Premium	66.4	6.3	68.1	5.9	79.6	5.3	46.5	33.0	47.6	31.2	60.3	27.7
Oxygenated	59.9	3.3	62.5	3.3	74.3	3.8	50.2	11.4	51.1	10.9	61.7	10.2
Regular	56.2	2.5	58.8	2.4	70.7	2.9	47.9	8.3	49.0	7.9	60.0	7.7
Midgrade	66.8	0.5	68.7	0.5	81.0	0.6	51.8	1.3	52.4	1.3	63.6	1.3
Premium	76.8	0.4	79.1	0.4	90.7	0.4	59.7	1.7	60.2	1.7	71.1	1.2
Reformulated	63.4	21.5	65.5	20.7	72.2	22.0	50.1	90.4	51.5	82.9	61.4	86.2
Regular	58.3	13.9	60.4	13.3	67.4	14.6	46.4	59.9	47.7	54.6	57.9	57.7
Midgrade	68.9	3.7	70.7	3.7	77.7	3.6	55.4	10.0	57.0	9.2	65.1	10.3
Premium	76.3	3.9	78.2	3.8	85.6	3.7	58.6	20.5	59.8	19.0	70.2	18.3
Aviation Gasoline	85.0	0.1	87.0	0.1	101.1	0.1	78.9	0.5	80.9	0.4	92.0	0.5
Kerosene-Type Jet Fuel	36.3	47.4	37.8	43.2	49.9	47.9	35.0	13.9	36.9	14.1	50.2	11.4
Propane (Consumer Grade)	39.3	4.5	42.5	4.3	44.7	4.9	26.2	36.3	26.5	47.7	33.1	38.9
Kerosene	46.8	0.6	47.2	0.8	68.2	0.3	38.4	3.0	42.6	4.6	51.6	3.9
No. 1 Distillate	NA	NA	NA	NA	57.7	0.6	44.7	2.5	46.9	4.1	56.4	1.7
No. 2 Distillate	40.4	25.1	42.1	22.5	53.3	24.1	34.7	129.9	36.4	118.1	48.1	119.4
No. 2 Fuel Oil	40.4	3.9	45.2	3.8	53.8	3.0	33.0	38.1	36.3	34.8	47.7	35.3
No. 2 Diesel Fuel	40.4	21.2	41.4	18.7	53.3	21.1	35.5	91.8	36.5	83.3	48.3	84.2
Low Sulfur	42.2	14.0	43.5	12.6	54.7	13.6	35.9	78.1	36.8	69.6	48.6	69.2
High Sulfur	36.8	7.2	37.1	6.1	50.6	7.5	33.0	13.7	34.8	13.7	46.7	15.0
No. 4 Fuel^a	38.6	0.5	39.4	0.5	48.7	0.4	29.7	0.3	34.4	0.2	43.6	0.2
Residual Fuel Oil	25.8	16.2	27.2	17.1	32.7	13.5	21.8	17.7	25.2	18.0	28.2	10.2
Sulfur Content not > 1 %	30.6	4.4	32.4	4.4	39.6	3.1	21.9	5.3	27.6	7.6	30.7	4.1
Sulfur Content > 1 %	24.0	11.9	25.4	12.8	30.6	10.4	21.7	12.3	23.5	10.4	26.6	6.2

NA = Not available.

^a Includes No. 4 fuel oil and No. 4 diesel fuel.

Notes: Motor gasoline averages and totals prior to October 1993 include leaded gasoline.

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."

SPR facilities. By the close of the month, news of refinery fires in California, Illinois, and Texas, reduced product production, and forecasts for colder weather added further support to increasing prices.

More February 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 West Texas Intermediate (WTI) crude oil at Cushing, Oklahoma lost ground on average during February, principally in reaction to the ongoing abundance of product. After closing January on an up-

swing, the price drifted down during the first half of February as the market looked for signals that decreases in wellhead production and supplies of crude oil would soon take place. After reaching the low of \$11.38 per barrel on February 16, the price rose steadily during the final two weeks of the month, achieving the high of \$12.61 per barrel on February 25. Closing the month at \$12.31, the price was at near parity with its opening level.

- February monthly average crude oil prices show only nominal changes from last month's levels. The average domestic crude oil first purchase price fell 11 cents (1.3 percent), to \$8.48 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil dropped 16 cents (1.8 percent), to \$8.93 per

barrel. The average landed cost of foreign crude oil dipped 12 cents (1.2 percent), to \$9.95 per barrel.

- February refiner crude oil acquisition costs remained virtually unchanged from January levels. The monthly average acquisition cost for domestic crude oil remained essentially flat at \$10.97 per barrel. The average cost of imported crude oil to U.S. refiners inched up 6 cents (0.6 percent), to \$10.22 per barrel. The composite refiner acquisition cost of crude oil rose 5 cents (0.5 percent), to \$10.52 per barrel.

Petroleum Products

Motor Gasoline

At New York Harbor, the February daily spot price for unleaded regular gasoline sank throughout the first half of the month as bearish fundamental conditions governed market prices. Opening the month at 35.3 cents per gallon, the price continued on a downward course until reaching the low of 29.0 cents per gallon on February 16. After that, a combination of factors including refinery fires and cutbacks in runs due to poor margins supported a steady rise. After reaching the high of 34.5 cents per gallon on February 25, the price closed the month at 33.6 cents per gallon.

- Prices for gasoline fell in all categories of sales during February. The average price for retail sales of motor gasoline by refiners fell 2.2 cents, to 57.0 cents per gallon, while the average wholesale price decreased 1.5 cents to 42.6 cents per gallon. Including data reported by a sample of motor gasoline marketers, the national average retail price at company-operated retail outlets declined 2.0 cents to 55.8 cents per gallon. The average wholesale price declined 1.4 cents to 43.0 cents per gallon. The average dealer tank wagon (DTW) price fell 1.6 cents to 51.1 cents per gallon while the average rack price dropped 1.7 cents to 39.4 cents per gallon. The average bulk sales price remained flat at 35.5 cents per gallon. The difference between reformulated and conventional gasoline prices was 8.1 cents at retail and 9.3 cents at wholesale. The variation between conventional and oxygenated gasoline prices was 7.6 cents at retail and 10.6 cents at wholesale.
- Sales of finished motor gasoline by refiners grew in February. Total sales rose 27.9 million gallons per

day (8.6 percent), to an average of 352.4 million gallons per day. Retail sales increased 3.7 million gallons per day (6.2 percent), while wholesales rose 24.2 million gallons per day (9.1 percent). Rack sales made up 62.8 percent of total wholesales, while DTW and bulk sales accounted for 24.6 percent and 12.7 percent, respectively. Reformulated gasoline (RFG) comprised 31.8 percent of total motor gasoline sales, while oxygenated gasoline made up 4.2 percent of sales.

No. 2 Distillate

The daily spot price for No. 2 heating oil at New York Harbor hit a record-setting low in February, as the cumulative effects of mild winter temperatures and brimming stockpiles took their toll. The price matched the downward trend seen for other product prices during the first half of the month, falling decisively before reaching its low of 28.4 cents per gallon on February 16. It rallied during the next few weeks, reaching a high of 32.7 cents per gallon on February 25, before closing the month at 32.3 cents per gallon.

- February monthly average prices for No. 2 distillate declined moderately from January levels. The national average residential price fell 0.7 cent to 79.7 cents per gallon. The average wholesale price declined 1.8 cents to 35.9 cents per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets fell 1.1 cents, while the average wholesale price dropped 1.2 cents. The differences between low- and high-sulfur diesel fuel prices were 1.8 cents at retail and 1.9 cents at wholesale.
- Refiner sales of No. 2 distillate rose across the board during February. Total sales of No. 2 distillate increased 14.4 million gallons per day (10.2 percent), to 155.0 million gallons per day. Sales of No. 2 fuel rose 3.4 million gallons per day (8.8 percent), while No. 2 diesel fuel sales climbed 11.0 million gallons per day (10.8 percent). Low-sulfur diesel fuel sales accounted for 81.5 percent of all refiner diesel fuel sales, and 59.4 percent of all refiner No. 2 distillate sales.

Residual Fuel Oil

- Residual fuel oil prices fell in all categories of sales during February. Refiner prices for low-sulfur residual fuel decreased 1.8 cents to 30.6 cents per gallon at retail, and 5.7 cents to 21.9 cents per gallon at wholesale. High-sulfur residual fuel prices fell 1.4 cents to

24.0 cents per gallon at retail, and 1.8 cents to 21.7 cents per gallon at wholesale. Including data reported by the sample of residual fuel oil marketers, the average low-sulfur price dropped 3.0 cents to 30.7 cents per gallon at retail, and 5.1 cents to 22.5 cents per gallon at wholesale. The average price for high-sulfur residual fuel oil fell 1.6 cents to 24.4 cents per gallon at retail, and 1.6 cents to 21.6 cents per gallon at wholesale.

- Residual fuel oil sales by refiners were mixed in February. Total sales fell 1.2 million gallons per day (3.4 percent), to 33.9 million gallons per day. Low-sulfur residual fuel sales declined 2.3 million gallons per day (19.2 percent), while high-sulfur residual fuel sales rose 1.0 million gallons per day (4.3 percent).

Other Products

- Prices generally declined for products included in this section. Refiner propane prices dropped 3.2 cents per gallon at retail, and 0.3 cent per gallon at wholesale. Including data from the sample of propane marketers, the average residential propane price rose 1.8 cent per gallon. The average retail price for propane fell 0.7 cent, while the average wholesale price dropped 0.1 cent per gallon. Prices for kerosene-type jet fuel, kerosene, aviation gasoline, and No. 4 distillate decreased at both levels, while the price for No. 1 distillate fell at wholesale.
- February sales of the above products were varied. Refiner sales of kerosene declined at retail and wholesale, while aviation gasoline sales rose at both levels. Kerosene-type jet fuel and propane sales increased at retail but fell at wholesale. Sales of No. 4 distillate sales declined at retail and increased at wholesale, while sales of No. 1 distillate fell at wholesale.

