

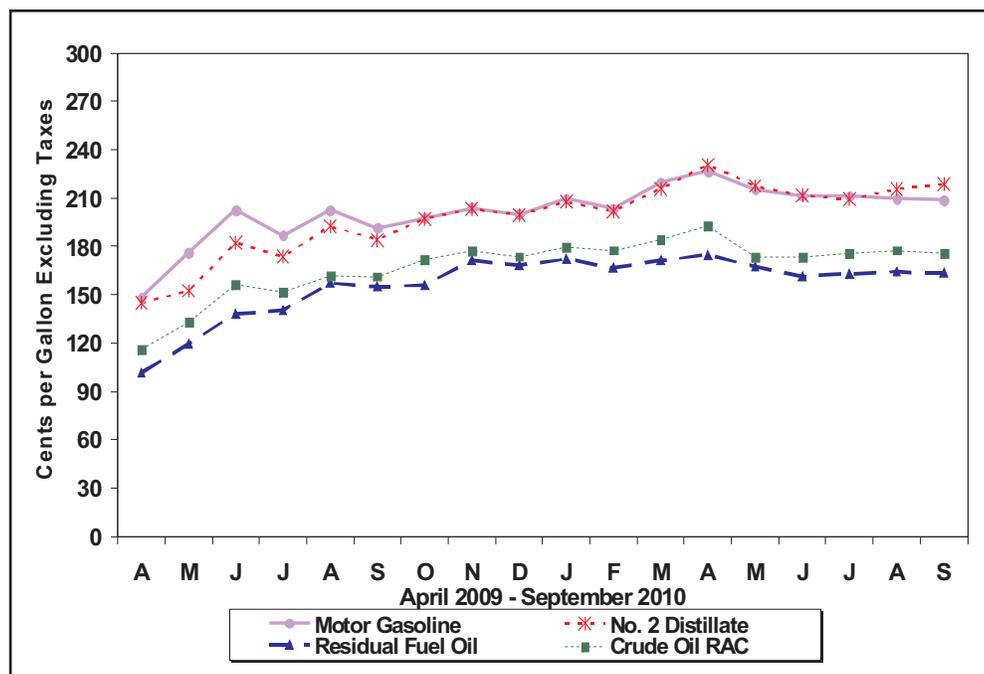
# Highlights

International crude oil prices were on the rise during September. In addition to more positive economic news and supportive trends in financial markets, indications of an increase in demand during recent months helped move prices higher. More specifically, an EIA forecast report covering world demand for oil in 2010 showed a modest increase, with most of the increase in demand seen as coming from China, the Middle East, and Brazil. A number of factors coming into play shortly after that—the release of Chinese economic data, supportive trends in U.S. financial markets, new global banking regulations, and a leaking crude oil pipeline in the United States—helped bolster prices. Although renewed worries about sovereign debt problems in Europe moderated oil values during the latter part of the month, prices for key streams were at their highest levels at the end of the month, thanks in part to supportive economic data from China and the United States. Political turmoil stemming from a strike by police and military personnel in Ecuador, an Organization of Oil Exporting Countries (OPEC) member, also encouraged the upward movement of prices. Ecuador exports about 300,000 barrels of crude oil per day, making it a mainstay of the country's economy. Also of note, during the closing days of September, the start of labor strikes affecting operations at the Fos-Lavera oil hub near the port city of Marseille, France delayed oil deliveries to terminals.

With familiar issues continuing to influence price trends in U.S. markets during September, values for crude oil and most refined products experienced less volatility and moved gradually upwards over the course of the month. Supply and demand factors along with economic matters remained the principal issues driving the movement of

prices. Supportive economic news from home and abroad lifted prices moderately at the start of the month, while an explosion and fire at a PEMEX refinery in Northern Mexico helped underpin prices as the market weighed whether the incident would appreciably boost gasoline exports from the United States. The shutdown of a major crude oil pipeline on September 9 also helped move prices higher. Enbridge Energy Partners' Line 6A, which carries 670,000 barrels per day of crude oil from Canada to Midwestern refineries and on to Cushing, Oklahoma, halted operations after a leak was discovered near Romeoville, Illinois. News of the shutdown caused prices, especially in Chicago and other Midwestern markets, to increase. Prices were tempered when the pipeline resumed operations on September 17, and later by weekly inventory data showing an increase in combined crude oil and refined products stocks to record-setting levels.

**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					
	September 2010		August 2010		September 2009		September 2010		August 2010		September 2009	
	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume	Price	Volume
<b>Motor Gasoline</b> .....	221.9	43.9	225.0	45.1	208.6	48.7	208.8	312.1	209.5	328.2	191.5	314.2
<b>Conventional</b> .....	218.9	29.1	219.7	29.8	199.1	30.9	207.9	215.4	207.1	228.4	186.4	217.8
Regular .....	216.8	25.8	217.5	26.4	196.8	27.3	206.1	189.5	205.4	201.8	184.9	192.6
Midgrade .....	229.8	1.7	230.8	1.7	210.9	1.8	212.8	9.1	209.4	9.3	185.9	9.2
Premium .....	240.8	1.7	242.4	1.7	222.3	1.8	225.4	16.8	225.5	17.3	204.8	16.0
<b>Reformulated</b> .....	227.9	14.7	235.5	15.2	225.1	17.8	210.8	96.7	215.2	99.8	202.8	96.4
Regular .....	223.3	11.5	230.8	11.9	220.2	13.9	208.0	81.4	212.3	84.6	199.6	82.1
Midgrade .....	238.4	1.3	246.4	1.3	236.6	1.6	217.5	1.9	221.6	2.0	213.7	2.1
Premium .....	248.0	1.9	256.4	2.0	246.9	2.3	227.1	13.4	232.9	13.2	222.8	12.1
<b>Aviation Gasoline</b> .....	289.3	0.1	296.7	0.2	268.4	0.2	280.5	0.5	284.2	0.5	259.2	0.4
<b>Kerosene-Type Jet Fuel</b> .....	214.8	33.5	215.8	36.1	183.4	38.0	213.1	21.3	213.8	23.8	182.2	18.8
<b>Propane (Consumer Grade)</b> .....	128.3	4.3	121.1	3.8	107.5	4.4	115.1	24.5	108.4	22.3	92.3	27.3
<b>Kerosene</b> .....	289.8	0.0	277.2	0.0	NA	NA	216.3	1.5	212.5	1.0	185.7	1.3
<b>No. 1 Distillate</b> .....	261.9	0.1	270.5	0.0	235.0	NA	249.4	0.4	241.2	0.2	215.8	0.5
<b>No. 2 Distillate</b> .....	227.0	14.9	226.2	13.7	198.0	17.9	218.6	156.1	215.5	156.0	184.1	150.7
No. 2 Fuel Oil .....	234.6	0.2	237.9	0.2	197.2	0.5	209.3	6.6	204.1	7.2	177.4	14.1
No. 2 Diesel Fuel .....	226.9	14.6	226.0	13.4	198.0	17.4	219.0	149.4	216.1	148.8	184.8	136.6
Ultra Low Sulfur .....	228.8	11.0	227.7	11.0	200.5	12.9	219.2	141.2	216.6	137.2	185.3	120.2
Low Sulfur .....	220.8	3.4	217.5	2.2	191.8	3.3	217.4	6.1	211.4	8.3	180.8	14.8
High Sulfur .....	224.3	0.2	224.7	0.2	188.2	1.2	210.9	2.2	205.4	3.3	179.5	1.6
<b>No. 4 Fuel<sup>a</sup></b> .....	W	W	W	W	W	W	W	W	W	W	W	W
<b>Residual Fuel Oil</b> .....	164.5	7.7	167.6	6.8	154.0	7.8	163.5	11.6	164.2	11.4	154.9	9.5
Sulfur Content not > 1 % .....	188.3	2.1	189.5	2.2	168.9	1.9	172.0	2.5	170.5	2.4	153.1	2.6
Sulfur Content > 1 % .....	155.8	5.6	157.1	4.6	149.1	5.9	161.2	9.1	162.5	9.1	155.6	7.0

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.

Note: Beginning January 2007, oxygenated gasoline is included in conventional gasoline.

Note: 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*. Total volumes may not equal the sum of the components due to rounding.

Source: Energy Information Administration Form EIA-782A, "Refiners'/Gas Plant Operators' Monthly Petroleum Product Sales Report."

Preliminary data covering consumption of finished products in the United States show gasoline use fell 2.7 percent in September, while consumption of distillate fuels climbed 5 percent from August's level. Notably, refining margins, the difference between the cost of crude oil and refined products prices, expanded appreciably during September, due in large part to more robust distillate prices. Prices were on the upswing during the closing days of month on positive news from Wall Street, supportive economic data, including a drop in unemployment numbers, and news of civil unrest in

Europe and Latin America. Finally, though not having a direct effect on prices, the U.S. Department of Interior's Royalty-In-Kind program came to a close at the end of September. The program allowed oil and gas producers to supply products directly to the federal government in lieu of monetary payments in public lands lease agreements with the Department of Interior.

Additional September 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 experienced comparatively moderate changes during September. After opening at its lowest point for the month, \$71.93 per barrel, several issues influenced the direction of the price. Initially elevated by the approach of Hurricane Earl towards the U.S. East Coast, the price was dampened by troubling economic news once the threat of the storm abated. The closure of Enbridge's crude oil pipeline briefly lifted the price again at mid-month, while data showing robust crude oil inventories led the price back down again. Supportive news from financial markets coupled with more positive economic reports helped push the price higher during the final week of the month. The price closed September at its highest level, \$79.95 per barrel, \$8.02 higher than where it began the month.

- September monthly average crude oil prices declined in all sales categories. The average domestic crude oil first purchase price fell 84 cents (1.2 percent), to \$71.23 per barrel.
- The average free-on-board (f.o.b.) cost of imported crude oil dropped 19 cents (0.3 percent), to \$71.12 per barrel. The average landed cost of foreign crude oil fell 89 cents (1.2 percent), to \$72.54 per barrel.
- The average refiner acquisition cost for domestic crude oil decreased \$1.34 (1.8 percent), to \$74.87 per barrel. The average cost of imported crude oil fell 30 cents (0.4 percent), to \$73.20 per barrel. The composite refiner acquisition cost for crude oil declined 73 cents (1.0 percent) \$73.85 per barrel.

## Petroleum Products

### *Motor Gasoline*

The daily spot price for regular gasoline at New York Harbor moved along a less volatile path during September. After opening the month at its lowest level, \$1.896 per gallon, the price was lifted by the threat of Hurricane Earl to the East Coast during the earliest days of September. Despite the end of the "driving season" following the Labor Day weekend, the price continued to see modest increases through mid-month because of various issues including the fire at the PEMEX refinery and the Enbridge pipeline leak. Later, news of the restart

of Line 6A helped lead the price downward, as did evidence of continuing sluggish demand and rising stock levels. At the end of the month, the price was on the rise again, thanks to supportive economic and financial market news, in addition to the industry moving towards the fall refinery maintenance season. The price closed the month at its highest level, \$2.076 per gallon, 18.0 cents higher than where it began September.

- Monthly average prices for finished gasoline decreased for the most part during September. The average price for retail sales of motor gasoline by refiners fell 3.1 cents to \$2.219 per gallon, while the average wholesale price decreased 0.7 cent to \$2.088 per gallon. Including data reported by a sample of motor gasoline marketers, the national average price at company-operated retail outlets declined 2.2 cents to \$2.244 per gallon. The average wholesale price for gasoline fell 0.8 cent to \$2.086 per gallon. The average dealer tank wagon (DTW) price decreased 3.0 cents to \$2.152 per gallon, while the average rack price inched up 0.6 cent to \$2.090 per gallon. The average bulk sales price fell 3.6 cents to \$1.964 per gallon. Reformulated gasoline prices were 7.0 cents higher than conventional gasoline prices at retail and 2.9 cents more at wholesale.
- Refiner motor gasoline sales decreased in September. Total sales declined 17.3 million gallons per day (4.6 percent) to an average of 356.0 million gallons per day. Retail sales fell 1.2 million gallons per day (2.7 percent), while wholesales decreased 16.1 million gallons per day (4.9 percent). DTW sales formed 11.0 percent of wholesales, while rack and bulk sales accounted for 75.5 percent and 13.5 percent, respectively.

### *No. 2 Distillate*

After surpassing the price for regular gasoline in early August, the daily spot price for No. 2 heating oil at New York Harbor continued to grow during September. Opening at its lowest level for the September, \$1.966 per gallon, the price received a boost from the threat of Hurricane Earl during the initial days of the month. Similar to prices for other products in the complex, the No. 2 heating oil price was bolstered by news of Enbridge pipeline leak in Illinois. Notably, however, the heating oil price maintained the ground it gained while other prices gave back the increase. It rose sharply during the final days of the month when inventory reports

showed an unexpected decrease in distillate stocks. With data showing lower refinery utilization and heading into the fall facility maintenance season providing additional support, the price closed the month at its high point, \$2.239 per gallon, 27.3 cents above its opening level for September.

- In contrast to gasoline prices, monthly average prices for No. 2 distillates increased in most categories of sales. The national average residential sales price climbed 4.4 cents to \$2.641 per gallon, while the average wholesale price rose 3.0 cents to \$2.185 per gallon. The average price for No. 2 diesel fuel at company-operated retail outlets moved in opposition to the general trend, falling 0.4 cent, while the average wholesale price rose 2.9 cents.
- Refiner sales of No. 2 distillates were mixed in September. Total sales rose 1.3 million gallons per day (0.8 percent), to 170.9 million gallons per day. Sales of No. 2 fuel oil continued to fall, dropping 600,000 gallons per day (8.1 percent), while sales of No. 2 diesel fuel climbed 1.9 million gallons per day (1.2 percent). Ultra-low sulfur diesel fuel made up 92.7 percent of all refiner diesel fuel sales, while total diesel fuel sales accounted for 96.0 percent of all refiner No. 2 distillate sales.

### ***Residual Fuel Oil***

- Monthly average residual fuel oil fell for the most part during September. Refiner prices for low-sulfur residual fuel oil dropped 1.2 cents to \$1.883 per gallon at retail, but rose 1.5 cents to \$1.720 per gallon at wholesale. Refiner prices for high-sulfur residual fuel oil decreased 1.3 cents to \$1.558 per gallon at retail, and fell 1.3 cents to \$1.612 per gallon at wholesale. Including data reported by a sample of residual fuel oil

marketers, average prices for low-sulfur residual fuel oil dropped 0.3 cent to \$1.900 per gallon at retail, but increased 1.9 cents to \$1.775 per gallon at wholesale. Prices for high-sulfur residual fuel oil declined 2.1 cents to \$1.592 per gallon at retail, and 0.6 cent to \$1.626 at wholesale.

- Sales of residual fuel oil by refiners rose in September. Total sales increased 1.1 million gallons per day (6.0 percent), to 19.3 million gallons per day. Low-sulfur residual fuel oil sales were essentially flat, while high-sulfur residual fuel oil sales increased 1.0 gallons per day (7.3 percent).

### ***Other Products***

- The direction of prices for the remaining surveyed products varied in September. The refiner retail price for propane climbed 7.2 cents per gallon, while the wholesale price rose 6.7 cents per gallon. Data from a sample of propane marketers show the average residential price increased 4.8 cents per gallon, while the average retail price rose 5.2 cents per gallon, and the average wholesale price climbed 7.4 cents per gallon. Prices for kerosene-type jet fuel and aviation gasoline fell at both the retail and wholesale levels, while kerosene prices did just the opposite. No. 1 distillate prices fell at retail, but rose at wholesale.
- September refiner sales of the products included in this section also show mixed trends. Sales of propane, kerosene, and No. 1 distillate increased at both the retail and wholesale, while sales of kerosene-type jet fuel fell at both levels. Aviation gasoline sales declined at retail, but increased at wholesale.