



This Week in Petroleum 9-06-07

Posted by [Robert Rapier](#) on September 6, 2007 - 3:00pm

Topic: [Supply/Production](#)

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Another week, another all-time low on gasoline inventories. [As I wrote last week](#):

Gasoline inventories were not this low following Hurricane Katrina, and yet we have had an uneventful summer. It is very possible that we will not dig ourselves out of this hole for a long time. In the short term, an upturn in gasoline prices is inevitable.

I have been closely watching [OPIS](#) reports this week, and gas prices have ticked up most days. I don't have the numbers in front of me, but I think gas is at least a dime higher than it was a week ago. (It occurs to me that if I would ever act on my predictions and buy some futures, I could make a little money).

[This week's inventory report saw another gasoline draw](#):

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) fell by 3.9 million barrels compared to the previous week. However, at 329.7 million barrels, U.S. crude oil inventories remain above the upper end of the average range for this time of year. Total motor gasoline inventories dropped by 1.5 million barrels last week, and are well below the lower end of the average range.

"Well below" may be an understatement. Looking at my records, there haven't been too many weeks on record where gasoline inventories have been lower on an absolute basis (and never on a days of supply basis). In fact, the last time gasoline inventories were this low on an absolute basis was the week **after** Hurricane Katrina. Incidentally, this week's gasoline inventory is 191.1 million barrels. The lowest number on record was on August 29, 1997 at 185.6 million barrels.

The next few weeks will be interesting. We are at the end of peak driving season, but we will soon be heading into fall turnaround season where gasoline production will drop. [Winter gasoline](#) is also right around the corner. This time of year typically sees gasoline prices fall (prompting conspiracy calls when it also happens to be an election year) but with inventories where they are we probably won't see that typical price drop. In my opinion, we can't afford to see it. Last fall prices fell, and demand picked up. We can't afford for demand to pick up with inventories setting where they are.

I predict that prices will continue to rise. I think they have to. I also think we will see the

ramifications of present inventory levels for quite some time. On the other hand, we did go into the end of 2003 with inventories in this range, so we do have some history suggesting that levels can recover without requiring sharply higher prices. But don't bet on it.

Update: [Conoco Sweeny, Texas Refinery To Shut Gasoline Unit](#)

NEW YORK -(Dow Jones)- ConocoPhillips (COP) plans to shut a key gasoline production unit at its Sweeny refinery in Texas on Thursday to make emergency repairs, according to a filing with state environmental regulators.

A plug valve in the reactor associated with the fluid catalytic cracker is the source of the problem, said the report to the Texas Commission on Environmental Quality. The shutdown, said to begin at 11 a.m. CDT Thursday, is seen lasting about 36 hours. The report didn't indicate how long repairs might take or when the unit would return to normal operations.

The Sweeny refinery is able to process about 247,000 barrels of crude oil a day.

That's not going to help matters any.



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