



This Week in Petroleum 12-5-07

Posted by [Robert Rapier](#) on December 5, 2007 - 11:00am

Topic: [Supply/Production](#)

Tags: [eia](#), [gas inventories](#), [gas prices](#), [oil inventories](#), [oil prices](#), [twip](#) [[list all tags](#)]

Update following the release:

Big surprises all around this week:

[Summary of Weekly Petroleum Data for the Week Ending November 30, 2007](#)

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) **dropped by 8.0 million barrels** compared to the previous week. At 305.2 million barrels, U.S. crude oil inventories are in the upper half of the average range for this time of year. **Total motor gasoline inventories increased by 4.0 million barrels** last week, and are below the lower end of the average range. Both finished gasoline inventories and gasoline blending components inventories increased during this period. Distillate fuel inventories increased by 1.4 million barrels, but are in the middle of the average range for this time of year. propane/propylene inventories decreased by 0.5 million barrels last week. Total commercial petroleum inventories decreased by 3.8 million barrels last week, and are in the upper middle of the average range for this time of year.

U.S. crude oil imports averaged nearly 9.4 million barrels per day last week, **down 980,000 barrels per day** from the previous week. Over the last four weeks, crude oil imports have averaged 10.0 million barrels per day, or 121 thousand barrels per day more than averaged over the same four-week period last year. Total motor gasoline imports (including both finished gasoline and gasoline blending components) last week averaged nearly 1.2 million barrels per day. Distillate fuel imports averaged 299,000 barrels per day last week.

I don't recall ever seeing a crude inventory drop that large. If I had a little more time today, I would check the history, but that drop should certainly rank up there among the biggest. (Note: I did go back and check, and there was a drop of just over 8 million barrels in the 2nd week of December last year).

Interestingly, the markets aren't reacting much to this drop, or to the news from OPEC suggesting that [they won't increase output](#). The inventory news is offset a bit by the fact that

there was a gain at Cushing, but you would think this combination of news would put oil back up over \$90. The price briefly popped up above \$90, but as I write this, oil has dropped back to \$88.72. A month ago, it seemed like every bit of news drove prices higher, but it now looks like we are operating in a different environment.

What a volatile week it's been. In last week's TWIP, with oil trading in the mid-\$90's, I wrote that I expected it to drop back into the \$80's soon. Following last week's inventory report, WTI did take a dive, but then a [pipeline explosion in Minnesota](#) - in which two people were killed - drove prices right back over \$95. But the price could not be sustained, and signs of increasing supplies and softening demand, coupled with the possibility that OPEC would bump up production at their December 5th meeting, resulted in a drop into the \$80's by the end of the week. This was the [steepest weekly decline in more than two years](#).

Will They or Won't They?

Overshadowing this week's inventory report is the OPEC meeting on December 5th. There have been so many conflicting statements – at times even originating from the same country – that it is hard to determine whether members will agree to increase production rates beyond the current quotas.

At one point Saudi oil minister Ali al-Naimi said "There is absolutely ample supply." At another time, he said that "the field is wide open" regarding the possibility of an increase. Here are some excerpts from a couple of news stories on the upcoming meeting:

[Oil Prices Edge Up Ahead of OPEC Meeting](#)

Prices rose and fell throughout the day as differing statements were reported from delegates of the Organization of Petroleum Exporting Countries arriving in Abu Dhabi, United Arab Emirates, for Wednesday's meeting.

Oil prices have dropped about \$10 in one week on the belief that OPEC has all but decided to boost production. But the price drop itself has raised questions about whether oil ministers will follow through.

Recent OPEC comments have been divided, with ministers from Venezuela and Qatar suggesting there's no need to boost supplies, while ministers from Indonesia, Nigeria and Kuwait say they're still open to increases.

Saudi Oil Minister Ali al-Naimi, possibly the most influential member of the cartel, has struck a neutral tone, telling reporters this weekend that "the field is wide open."

Another article offered up predictions by analysts not only of the inventory report, but also of whether OPEC would increase production:

[Oil rises, ends slide as OPEC hike seen unlikely](#)

A Reuters poll of 23 banks, traders and funds on Monday showed 12 participants did not

expect OPEC to raise output. Late last week, a similar poll had 18 out of 24 participants expecting an increase of around 500,000 barrels per day.

A poll of analysts by Reuters ahead of U.S. inventory data to be released on Wednesday showed crude stockpiles likely fell 800,000 barrels in the week to Nov. 30 due to the pipeline disruption. Distillate stocks were seen down 300,000 barrels and gasoline inventories up 1.3 million barrels.

It's funny how perception drives oil prices. A pipeline blows up, traders perceive a shortage, and the price spikes. Then, perceptions that OPEC will boost supplies drive prices back down. And the irony of course is that the pressure on OPEC to boost production is easing as prices fall - yet prices are falling because they are expected to boost production. That makes it hard to predict how strongly the market is going to react if they don't.

But at this point it appears that most members have come out against a production increase. If they decide against an increase, and the Fed cuts interest rates in a few days, we may yet make another run at \$100 before the year is out.

Upcoming EIA Conference

Doug MacIntyre of the EIA dropped a note to inform us of an upcoming EIA conference on important energy issues. Doug was the former author of TWIP, and is now heading the division that does the EIA's Short-Term Energy Outlook.

Robert,

Since this blog item is about the data EIA puts out every week, I hope you and your readers don't mind if I plug an EIA Conference that will be held in Washington, DC on April 7-8. Session topics are varied, but include Peak Oil and other topics your readership might be interested in. The conference itself is free and has some very big names that have already agreed to be speakers. For more info, go to:

http://www.eia.doe.gov/eia_conference_2008.html

Doug MacIntyre, EIA

Right now, I am scheduled to be in the U.S. during the first part of April, and I am hopeful that I can attend.



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