



This Week in Petroleum 12-12-07

Posted by [Robert Rapier](#) on December 12, 2007 - 11:00am

Topic: [Supply/Production](#)

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Updated: You would think if last week's large inventory drop was due to fog-induced delays, all of that crude would show up this week. Not so, as another drop in crude inventories was recorded:

U.S. commercial crude oil inventories (excluding those in the Strategic Petroleum Reserve) dropped by 0.7 million barrels compared to the previous week. At 304.5 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 1.6 million barrels last week, but are near the lower end of the average range. Both finished gasoline inventories and gasoline blending components inventories increased during this period. Distillate fuel inventories decreased by 0.8 million barrels, but are in the lower half of the average range for this time of year.

If gasoline inventories continue to improve, we may yet avoid \$4 gasoline in the spring. But I still wouldn't count on it. More from the report:

U.S. crude oil imports averaged nearly 10.1 million barrels per day last week, up 689,000 barrels per day from the previous week. Over the last four weeks, crude oil imports have averaged 9.9 million barrels per day, or 86 thousand barrels per day more than averaged over the same four-week period last year.

Well, on the other hand the sharp rise in crude imports would tend to support the fog story. Refinery utilization fell, which would help keep crude inventories up, but lower gasoline inventories:

U.S. crude oil refinery inputs averaged nearly 15.3 million barrels per day during the week ending December 7, down 172,000 barrels per day from the previous week's average. Refineries operated at 88.8 percent of their operable capacity last week. Gasoline production moved higher compared to the previous week, averaging nearly 9.2 million barrels per day. Distillate fuel production fell last week, averaging 4.2 million barrels per day.

Just as last week's report was largely overshadowed by the OPEC meeting, this week's report will come on the heels of the Fed's announcement on interest rates. (Update: [The Fed cut interest rates by a quarter point](#)). [Here are the expectations](#):

U.S. gasoline stockpiles probably rose for a fifth time last week, gaining 1.5 million barrels, based on the median estimate of 10 analysts surveyed by Bloomberg.

Supplies of distillates probably climbed 500,000 barrels, their second gain, while crude oil inventories probably rose 50,000 barrels after dropping 7.9 million barrels a week earlier when the Houston Ship Channel was shut by fog.

Investors will be more focused on the Fed announcement, Excel's Waggoner said. While a quarter-point cut is a "foregone conclusion" there is a chance the bank may lower rates by a half point, which would weaken the dollar and may slow the decline in oil prices, he said.

I think that *if* the reason for last week's large decline in crude inventories was due to delayed offloading of shipments because of the fog, we will probably see a larger increase than 50,000 barrels of crude this week.

However, next week's report should be interesting, because on Monday [an ice storm shut down the terminal at Cushing, Oklahoma](#) - the delivery point for NYMEX crude:

NEW YORK, Dec 11 (Reuters) - The largest crude oil terminal at the delivery point for NYMEX crude oil futures at Cushing, Oklahoma, and two major pipelines at the hub were still shut Tuesday after an ice storm hit the area Monday, a spokesman for the terminal said.

Enbridge Energy Partners LP's 16.7 million barrel crude oil terminal and the Spearhead and Ozark crude oil pipelines operated by parent company Enbridge Inc were shut Monday, Enbridge spokesman Larry Springer said.

"They went down about 1:00 (Central Time)," said Springer.

Spearhead transports 125,000 barrels per day (bpd) of crude oil from the Chicago area to Cushing. The Ozark line can carry approximately 200,000 bpd from Cushing to Wood River in southern Illinois.

Springer said that the crude oil terminal at the Cushing was also closed due to power outages.

I am all too familiar with the devastation that can be caused by Oklahoma ice storms. I have been through a couple of bad ones. Oil futures are rallying on the news.

Note: [As I announced on my blog earlier this week](#), I will be traveling from December 16th until

January 13th with intermittent Internet access. During this time, I *hope* to put up a post reviewing the year in energy, one on the results of [my \\$1,000 bet](#) (which I think I will win by the skin of my teeth), finalize [my ethanol FAQ](#), and take a look back at [the resolutions I made for 2007](#) (I fell woefully short of my reading goal). I probably won't cover [This Week in Petroleum](#) during this time, as I am unlikely to be around a computer when the report comes out.



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