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Oil Prices Edge Higher

By AP/MADLEN READ

(NEW YORK) — Oil prices rose slightly Monday, after reports of a U.S. citizen missing in Iran added to fears that the standoff between Iran and the West could escalate into a conflict that would disrupt crude supplies.

However, they finished below \$66 a barrel, slipping from earlier highs after Iran's chief international negotiator called for an end to "the language of force" in the dispute over the 15 British sailors and marines captured in contested waters of the Persian Gulf, and said there was no need to put the crew — which has been held captive for 11 days — on trial.

Crude oil futures on the New York Mercantile Exchange are nearly 7 percent higher than they were on March 22, right before the British sailors were captured.

"Even if you subtract this one current situation from the equation, we still have had a demonstration that the whole Middle East is very fragile," said Citigroup Global Markets energy analyst Tim Evans, adding that he thinks there are very few factors that could drive prices lower and many more that could push prices even higher. "Without a hit over the head, we're not going to develop the amnesia to believe that the oil is going to flow with no problem. We've now recognized the risk."

Iran is located along the Strait of Hormuz, through which tankers ship about 17 million barrels of crude oil a day, according to the U.S. Energy Information Administration. That accounts for two-fifths of the world's crude oil traded by tanker, and about one-fifth of total oil production.

Light, sweet crude for May delivery rose 7 cents to settle at \$65.94 a barrel on Nymex, ending slightly below a six-month settlement high of \$66.03 reached last Thursday. They had risen as high as \$66.69 a barrel earlier in the session.

Brent crude for May on London's ICE Futures exchange rose even more, adding 64 cents to settle at \$68.74 a barrel, after surging as high as \$69.58 a barrel.

The U.S. State Department lifted prices Monday after it said it is seeking information from Iran about a private American citizen reported missing while on a business trip to the Islamic republic several weeks ago.

The fear that Iran could disrupt the oil trade is causing traders to add a risk premium, especially as they see less of a cushion after the Organization of Petroleum Exporting Countries' production cuts.

The cuts began late last year, and many member nations were hesitant to comply. Some market participants are skeptical about Iran's intentions in drawing out the conflict with Britain.

"One thing is certain, this little stunt beats the pants off promises to cut oil production, in terms of its ability to push prices higher," wrote Peter Beutel of Cameron Hanover in a note. "Iran never really wanted to cut its own production, anyway. It now has the best of all worlds. It has Saudi Arabia producing less oil, it has historically high oil prices and it has center stage in the world's media. This may be as it good as it is going to get for Iran."

Energy prices also remain volatile due to ongoing conflict in Nigeria. On Monday, officials said gunmen seized two foreign workers from their work compound in southern Bayelsa state. The region has seen dozens of foreigners kidnapped over the past year, and Africa's largest oil producer holds elections next month, which could bring about more political turbulence.

In other Nymex trading, heating oil futures for May delivery fell 1.44 cent to settle at \$1.8625 a gallon; gasoline futures for May fell 1.52 cent to settle at \$2.0428; and natural gas prices fell 5.9 cents to settle at \$7.671 per 1,000 cubic feet.

Gasoline prices slipped Monday, but have been soaring in recent weeks with traders betting that demand will be high and supplies will be tight going into the summer driving season. U.S. gasoline inventories have been steadily declining for nearly two months, according to the EIA.

Consumers have been seeing high prices at the pump: the average cost of a gallon of unleaded regular gasoline in the United States was \$2.685 on Monday, according to AAA, up more than a cent from a day earlier and nearly 12 cents higher than a year ago.