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## Oil Hits \$100 a Barrel for the First Time

By [CLIFFORD KRAUSS](#)

HOUSTON — Oil prices briefly reached \$100 a barrel on Wednesday, a long-awaited milestone in an era of rapidly escalating energy demand and tightening supplies.

Crude oil futures for February delivery hit \$100 on the [New York Mercantile Exchange](#) shortly after noon when a single trader bid up the price by buying a modest lot and then sold it immediately at a small loss. Prices eased somewhat in later trading, settling at \$99.62.

But while the trader was apparently looking for vanity bragging rights, the spike in crude prices of \$3.64 for the day reflected deeper worldwide trends, including the surge in energy demand from China, India and the oil-producing countries themselves.

“We’re starting the year with a bang,” said Fadel Gheit, senior energy analyst for Oppenheimer & Company. “It’s the same usual suspects: the bad, bad world out there, a cold winter and declining oil inventories.”

The immediate impetus for the price rise appeared to come from an attack by rebels in the Nigerian oil center of Port Harcourt and rough weather in the Gulf of Mexico that slowed Mexican oil exports.

The price of oil has been flirting with the \$100 mark for months, and in recent weeks there has been added price pressure because of turbulence in Pakistan following the assassination of former Prime Minister [Benazir Bhutto](#), which may threaten further unrest in the Middle East.

There is no shortage of explanations for the escalation of oil prices by about 60 percent over the last year. The price of a barrel was below \$25 as recently as 2003 and, almost unimaginably, below \$11 in 1998, a time when there was a glut in the world oil markets.

Booming economies in recent years have led to more consumption of oil-derived products like gasoline, jet fuel and diesel. Political tensions in countries like Nigeria, Venezuela and Iran have threatened world supplies, while important fields in Mexico, the United States and other countries are aging and producing less.

Big oil companies, though flush with cash from record profits, are having trouble finding promising new fields to increase supplies. Newly found fields in the deep waters of the Gulf of Mexico and off the coast of Brazil will take years to develop.

The Bush administration has further tightened supplies by announcing that it would add to the nation’s Strategic Petroleum Reserve in the coming weeks, a move that some leading Democrats have urged President Bush to call off to ease the tight oil market.

Investors and hedge funds have contributed to the run-up in prices. Oil, like other commodities, has become a perceived safe

haven for traders who are skittish about the weakening dollar and fallout from the American credit crisis.

“There is a momentum for higher prices because of the lack of cushions and because surprises are everyday events,” said Larry Goldstein, a director of the Energy Policy Research Foundation. “When anything goes wrong now, it gets immediately priced in not by pennies, nickels or dimes but by dollars.”

Oil is now within reach of its inflation-adjusted high, reached in April 1980 in the aftermath of the Iranian revolution when oil prices jumped to the equivalent of \$102.81 in today’s money. The brief stab at \$100 on Wednesday broke the previous intraday trading record of \$99.29, reached on Nov. 21. The price at the end of the day, \$99.62, surpassed the record close of \$98.18, set on Nov. 23.

Other commodities also rose, spurring more speculation that inflation could be a problem this year. Spot gold climbed over \$860 an ounce, and soybeans, wheat, platinum, heating oil and natural gas soared.

Unlike the oil shocks of the 1970s and 1980s, the current spike in oil prices has not caused a recession or contracted consumer spending in a major way so far. But it has widened the trade deficit and raised concerns about inflation at a time when a growing number of economists fear a recession may be coming.

Energy experts are divided about how high oil prices can go, with some predicting that an economic slowdown will ultimately ease demand pressures.

“We’re going to see sharply higher gasoline prices this spring, we’re going to see sharply higher heating oil and diesel prices immediately,” said Tom Kloza, chief oil analyst at the Oil Price Information Service. But he added, “If I had to bet what we would see first, \$115 oil or \$85 oil, I’d bet \$85.”

Gasoline prices have so far lagged behind the rise in the price of oil, currently at a nationwide average of \$3.05 a gallon for regular grade, according to AAA, the automobile club. That is below the all-time peak in May of \$3.23 a gallon, but 73 cents higher than at this time a year ago.

Mr. Gheit said if there is a recession “oil prices will definitely go down because demand will go down and the speculators will take a dip as a leading indicator and they will jump first and that will cause a meltdown.”

Of the trader who sent oil to \$100 in New York on Wednesday, Mr. Gheit added, “He’s probably going to frame the ticket and sell it on [eBay](#) for \$100,000.”

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