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Subject: EIA Weekly Oil Inventory Report: Crude Oil Unchanged, Gasoline and Distillate Builds - Prices Mixed

The Energy Information Administration (EIA) has just issued its weekly oil inventory and imports report for the week ending Friday October 31, attached. The EIA's report shows no net change in crude oil, a 1.1 million barrel (mb) build in gasoline and a net 1.2 mb build in distillates. The market was expecting a 1.1 mb build in crude oil, a 0.8 draw in gasoline and a 1.4 mb build in distillates.

The New York Mercantile Exchange December gas futures price for crude oil is now trading \$68.20 per barrel, down \$2.30. Natural gas for December is now trading \$7.25 per MMBtu, up \$.04. Basis is increasing in many areas.

While imminent chilly weather likely to boost heating demand, the supply picture for natural gas remains bearish, with storage expected to maintain a healthy rebuilding pace this week. Coming off five straight above-average builds to natural gas storage, this week could offer a sixth bearish net injection to maintain a healthy pace towards pre-winter inventories. Early forecasts for the EIA's Weekly Natural Gas Storage Report — to be released Thursday (11/6) with data covering through October 31 — point to a build in the mid 30s billion cubic feet (Bcf), slightly higher than the 31-Bcf five-year average for this week but 10 Bcf below the 45-Bcf build reported in the same week last year. Assuming a build of 35 Bcf, total stocks would approach 3.43 Tcf, about 100 Bcf above the five-year average but still 107 Bcf shy of last year's record high levels, which were already over 3.5 Tcf at this point.

For the next few days, the direction of energy prices is likely to be tied to anticipated space heating demand in the highest consuming areas (Midwest and East) from coming cooler-than-normal weather. The National Oceanic and Atmospheric Administration's 6-1-day weather anomaly map is below, showing blue for cooler-than-normal weather.

