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Oil Jumps on Report `Total War' Declared on Nigerian Producers

By Alejandro Barbajosa

Feb. 17 (Bloomberg) -- Crude oil rose for a second day after the BBC reported that Nigerian militants would declare ``total war'' on foreign oil companies, rekindling concern about supplies from Africa's top producer.

The Movement for the Emancipation of the Niger Delta gave oil companies until midnight tonight to leave the region, the British Broadcasting Corp. reported on its Web site, citing an interview with Major-General Godswill Tamuno. Jomo Gbomo, a self-described member of the rebel movement told Bloomberg News in an e-mail that Tamuno isn't a member of MEND and there was no such deadline.

``The threat is fresh and direct, and therefore significant to the ongoing stability of the oil-rich region,'' said Tim Noest, a broker at ADM Investor Services International in London. ``The light, sweet Nigerian crude grade that could be affected is also highly attractive.''

Crude oil for March delivery climbed as much as $1.29, or 2.2 percent, to $59.75 a barrel on the New York Mercantile Exchange, where it was up $1.14 at 2:07 p.m. London time. Prices are rebounding from a drop of as much as 6.9 percent earlier this week and from yesterday's seven-week low of $57.55, after the U.S. reported the nation's oil supplies surged last week. Oil is still down 16 percent from an August record $70.85.

As much as 9 percent of Nigeria's oil production was interrupted last month when rebels blew out pipelines and kidnapped oil-company workers. Militants have said previously that oil companies should leave Nigeria. Last month, they vowed to cut Nigeria's oil export capacity by 30 percent in February.

Already Rising

Oil prices were already rising before the Nigerian threat on speculation talks between Russia and Iran, the world's fourth largest oil producer, may fail to ease tension over the Islamic Republic's nuclear program.

``The market is nervous already because Iran is coming more into the picture with the talks with Russia next week,'' said Anette Einarsen, an oil analyst at Nordea Bank AB in Oslo. ``Now with Nigeria, the risks are getting higher. If we see any disruptions to oil production, prices could easily go back up.''

Royal Dutch Shell Plc's venture has halted 106,000 barrels a day, or about 5 percent of the country's total output, since an attack by MEND on its Trans-Ramos pipeline on Jan. 11. The same day the militants abducted four foreign workers, whom they released unharmed 19 days later.

Iran and Russia

Iranian and Russian officials will meet Feb. 20 to discuss Russia's offer to enrich uranium for Iran, aimed at breaking an impasse between the Middle Eastern nation and the countries that charge its nuclear program is a means to make weapons. The Nymex exchange will close the day of the talks for President's Day.

``People just don't want to be short over a three-day period when there may be some Iranian news,'' said Tony Machacek, a Bache Financial Ltd. broker ``Any potential OPEC cutback or geopolitical tension is going to have a supportive effect on the market.''

Brent crude for April settlement added $1.26, or 2.1 percent, to $60.05 a barrel on London's ICE Futures exchange.

Iran's pursuit of nuclear energy may result in United Nations sanctions. The country, the world's fourth-largest oil producer, could react by cutting oil exports. The International Atomic Energy Agency meets on March 6, when it may formalize Iran's referral to the UN Security Council.

``If the problem in Iran is not resolved immediately, we are worried that global oil prices will rise again because Iran is an OPEC member,'' Purnomo Yusgiantoro, Indonesia's energy minister, said in Jakarta today.

OPEC's Output

Speculation that the Organization of Petroleum Exporting Countries, the source of more than a third of the world's oil, might reduce crude production after a 12 percent drop in prices this month also helped for the rebound since yesterday. OPEC meets in Vienna on March 8 to discuss whether to keep pumping close to capacity or cut output next quarter, when demand in industrialized nations usually falls with the end of the heating season.

``OPEC's next move will be to cut, it's just a matter of when,'' said Hakan Kocayusufpasaoglu, ABN Amro's director of commodity derivatives in London. ``It's not in their very best interest to have very high prices, either, because that destroys demand for their oil. Supply is sufficient at the moment. It's further out that people are worried about.''

Prices may fall for a fifth week next week, a Bloomberg News survey showed, since growing U.S. stockpiles should be able to meet demand. Twenty-one of 49 analysts, traders and brokers questioned, or 43 percent, said prices will drop. Fourteen, or 29 percent, forecast a gain and 14 expected little change. The same percentage of respondents predicted a decline last week.

U.S. crude supplies rose 12 percent above their five-year seasonal average last week. Gasoline was 5.8 percent higher and heating oil 20 percent higher.

--With reporting by Karl Maier in Khartoum and Paul George in London. Editor: King (dst, ldk)