Oil Above $97

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The price of oil rose above $97 a barrel Wednesday on expectations of a sharp fall in U.S. crude stockpiles.

By early afternoon in Europe, benchmark crude for January delivery was up $1.06 to $97.10 a barrel in electronic trading on the New York Mercantile Exchange.

The contract rose $2.22 on Tuesday after TransCanada said the southern leg of its Keystone XL pipeline should be operational early next month. The pipeline would move oil out of Cushing, Oklahoma, the physical delivery point for futures on U.S. benchmark oil, to Port Arthur, Texas. That should lead to greater demand for the oil, which costs less than the crudes imported into the Gulf region.

Meanwhile, U.S. crude supplies are expected to have fallen last weeks after 10 consecutive weeks of gains, which might point to stronger demand.

Analysts polled by Platts, the energy information arm of McGraw-Hill Cos., expected crude oil stocks to show a decline of 1.25 million barrels while gasoline stocks were seen increasing 2 million barrels.

A report released late Tuesday by the industry-funded American Petroleum Institute, however, said the draw in crude stocks totaled 12.4 million barrels last week. The U.S. Energy Department's report, the market benchmark, will be released later Wednesday.

Investors are also looking to a meeting of the Organization of Petroleum Exporting Countries in Vienna on Wednesday for an update on production levels. OPEC is expected to keep intact its daily output target of 30 million barrels a day, although the group may come under pressure to reduce production if some supply sources currently experiencing disruptions return to normal.

For its part, Iran indicated at the meeting that it would return to full production once international sanctions are scaled back after a long-term deal to ensure it cannot produce atomic weapons is reached with six world powers, probably in the middle of next year.

"We will produce 4 million (barrels a day) even if the price drops to $20," Iranian oil minister Bijan Namdar Zanganeh told reporters.

Iran is currently thought to export around 1 million barrels of crude oil a day — down from 2.2 million barrels in late 2011 — selling mostly to Asian countries like India, China and South Korea, which have received waivers from the United States.

Brent crude, a benchmark for international oils, was down 96 cents at $111.66 a

barrel on the ICE Futures exchange in London.

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