U.S. light crude for April delivery settled at a record \$104.52, up \$5, beating the previous settlement high of \$102.59 set last week. After the settlement, crude prices rose as high as \$105.58, topping the previous all-time intraday high of \$103.95 set Monday.

In its weekly report, the Energy Information Administration said crude stocks fell by 3.1 million barrels last week. Analysts were looking for a rise of 2.3 million barrels, according to a Dow Jones poll. Oil was up \$2.05 to \$101.57 a barrel just prior to the inventory report's release at 10:30 a.m. ET.

The severe and unexpected decline was perhaps caused by last week's fog in the Gulf Coast region.

"It looks like some oil was lost in the fog," said senior Alaron Trading analyst Phil Flynn. "Analysts didn't think it would affect supply, but it did."

Distillates, used to make heating oil and diesel fuel, fell by 2.4 million barrels while gasoline supplies rose by 1.7 million barrels. Analysts were looking for a 1.9 million barrel decline in distillate supplies and a 900,000 barrel rise in gasoline stockpiles.

Refinery usage was higher than the previous week, operating at 85.9% capacity last week, in line with analysts' expectations.

But gasoline demand, attracting more attention as traders anticipate the upcoming summer driving season, remained low, averaging just 9.1 million barrels per day over the past month and only 0.4% above the demand during the same period last year.

Oil prices were also supported by OPEC's decision not to raise crude output beyond current levels at its Wednesday meeting in Vienna, Austria.

Libyan National Oil Corp. chairman Shokri Ghanem said the cartel decided not to adjust oil production because demand has steadily weakened and is expected to continue to weaken at least until July.

But not all analysts believe OPEC is solely focused on demand.

"OPEC is more interested in the price than they are in selling oil," said Flynn. "But by trying to keep prices over \$100 a barrel, they're going to end up selling less oil at a higher price."

The cartel's decision came despite President Bush's pleas Tuesday that OPEC consider the "consequences of high energy prices."

"I think it's a mistake to have your biggest customers' economies slowing down as a result of higher energy prices," he said.

OPEC's recent supply policies are a 180-degree reversal from previous decisions when they used to increase oil supplies out of fear of high oil prices, Flynn argues. But they may come to regret it.

"This will be looked back on as a major blunder, because it will bite them down the road" he said. "This will only inspire America to produce more oil and alternative fuels, and make other countries look past the cartel for oil."

Oil prices have risen nearly five-fold since 2002. Most analysts blame rising demand and tight supply. That has also attracted floods of investment money, and exaggerated the effects of supply disruptions.

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