

## (BN) Natural Gas Rises to \$4 for First Time Since 2011 on Supply View

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By Naureen S. Malik and Christine Buurma

March 21 (Bloomberg) -- Natural gas futures rose to \$4 per million British thermal units in New York for the first time in 18 months on speculation that a government report will show a larger-than-average withdrawal from inventories of the heating fuel amid cold weather.

Gas has surged 19 percent this year as winter storms brought below-normal temperatures, widening a year-on-year supply deficit to the most since April 2008. Energy Information Administration data today may show stockpiles dropped by 70 billion cubic feet in the week ended March 15, according to the median of 25 analyst estimates compiled by Bloomberg. The five-year average change is a decrease of 26 billion.

"We might see a stronger withdrawal than the market is anticipating because it was a lot colder last week than people think," said Phil Flynn, senior market analyst at Price Futures Group in Chicago. "There's no end in sight to this weather. The market is just looking for an excuse to get through the \$4 level."

Gas for April delivery jumped 3.6 cents, or 0.9 percent, to \$3.996 per million British thermal units at 10:02 a.m. on the New York Mercantile Exchange after rising to \$4.003, the highest intraday price for a front-month contract since Sept. 15, 2011. Trading volume was 12 percent above the 100-day average for the time of day.

Gas inventories declined by 145 billion cubic feet to 1.938 trillion in the week ended March 8, falling below 2 trillion for the first time since May 2011, according to the EIA, the Energy Department's statistical arm. Supplies were 18.5 percent below year-earlier levels after being at a surplus at the end of December.

#### Storage Report

The EIA's weekly stockpile report is scheduled for release at 10:30 a.m. today in Washington.

MDA Weather Services in Gaithersburg, Maryland, said temperatures may linger for most of the lower 48 states through March 30. About 50 percent of U.S. households use gas for heating, according to EIA data.

The low in Chicago on March 28 may be 28 degrees Fahrenheit (minus 2 Celsius), 7 lower than the usual reading, according to AccuWeather Inc. in State College, Pennsylvania. New York City may drop to 34 degrees, 5 below normal.

Marketed gas production will average an all-time high of 69.6 billion cubic feet a day this year, down from 70.02 billion estimated in February, the Energy Information Administration said in its monthly Short-Term Energy Outlook, released March 12 in Washington. Output will rise 0.7 percent from 2012, setting a record for a sixth straight year amid gains at shale deposits such as the Marcellus in the Northeast.

#### Well Disruptions

Cold weather has reduced output during the winter as water produced with gas crystallizes and blocks flows from wells.

“As natural gas production in the United States shifts inland, well freeze-offs have become a greater supply disruption risk during the winter,” the EIA said in the report.

The boom in oil and natural gas production helped the U.S. cut its reliance on imported fuel. America met 84 percent of its energy needs in the first 11 months of last year, government data show. If the trend continued through 2012, it will be the highest level of self-sufficiency since 1991.

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