

**Natural Gas Futures Jump Above \$5 as Cold Forecast for U.S.**  
**2009-10-05 21:46:40.834 GMT**

By Reg Curren

Oct. 5 (Bloomberg) -- Natural gas in New York rose above \$5 per million British thermal units for the first time in almost nine months as below-normal temperatures forecast for the eastern two-thirds of the U.S. will lift heating-fuel demand.

Cold weather will advance into the Midwest and be in place through at least Oct. 14, according to a six-to-10-day outlook from MDA Federal Inc.'s EarthSat Energy Weather of Rockville, Maryland. Gas demand is highest in the winter, when fuel use exceeds production and imports.

"The weather forecasts are very bullish for gas and that's the main reason we're up today," said Peter Linder, president of the DeltaOne Energy Fund in Calgary. "Production is declining, we're getting winter and we're still not drilling."

Natural gas for November delivery rose 26.9 cents, or 5.7 percent, to settle at \$4.987 per million Btu at 2:52 p.m. on the New York Mercantile Exchange. Gas earlier touched \$5.008 and then reached \$5.07 in after-hours trading, the highest intraday price since Jan. 14.

About 72 percent of Midwest households rely on gas for heating.

"Low temperatures in both Minneapolis and Chicago are expected to fall to freezing, elevating heating demand," the forecaster said.

Total U.S. daily marketed gas production fell by about 1 percent in July to 59.8 billion cubic feet a day from 60.5 billion in June, the Energy Department's Energy Information Administration said in a report last week.

There were 712 gas rigs operating in the U.S. last week, a decline of 56 percent from a peak of 1,606 on Sept. 12, 2008, according to Baker Hughes Inc. Output may be as much as 5 percent lower in December from a year earlier, said Cameron Horwitz, an analyst at SunTrust Robinson Humphrey Inc. in Houston.

#### Gas Fund

U.S. Natural Gas Fund, the world's largest exchange-traded fund in gas, said after trading on Oct. 2 that it issued shares worth \$79 million, the first new units since July.

The \$4 billion fund said the new shares are backed by a total return swap with an investment-grade counterparty.

**"Traders are getting more comfortable that the UNG is able to navigate these waters," said Chris Jarvis, president of Caprock Risk Management LLC, based in Hampton Falls, New Hampshire. "The risk is dissipating with clarity."**

The Alameda, California-based fund backs its shares with natural gas contracts or swaps, and had been unable to expand its holdings on the Nymex and the Intercontinental Exchange Inc. because of limits on energy speculation.

#### CFTC Authority

Proposed legislation would give the Commodity Futures Trading Commission new authority to police over-the-counter commodity swaps such as wheat and natural gas as well as derivatives traded on foreign exchanges.

**The prospect of an early start to winter, combined with a recovery in economy that would lift demand at factories, steel mills and chemical plants, is also helping to boost prices, Jarvis said.**

U.S. homeowners may see lower heating bills this winter as an ample supply of gas depresses prices for the fuel, according to the America Gas Association.

Natural gas stockpiles in the U.S. rose to a record 3.589 trillion cubic feet in the week ended Sept. 25 as the worst recession since the 1930s curbed demand from industrial consumers.

Inventories topped the prior record of 3.545 trillion set in November 2007, the Energy Department said.

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