



## Natural Gas Gains After Prices at 6-Year Low Attract Buyers

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By Reg Curren

Feb. 27 (Bloomberg) -- Natural gas rose for the fourth day this week in New York as an earlier decline to a six-year low prompted speculators and utilities to make purchases.

Falling futures this year may be giving consumers and investors the chance to profit from storing gas now and selling it next winter. Gas fell to its lowest price since November 2002 after a Commerce Department report showed the U.S. economy contracted 6.2 percent in the fourth quarter, the biggest drop since 1982.

"From a valuation standpoint, people are going to start biting at these levels," said **Chris Jarvis**, president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "If you're a speculator, natural gas at \$4 is a good buy. If you need to hedge it's a good opportunity for end users."

Natural gas for April delivery rose 12.1 cents, or 3 percent, to settle at \$4.198 per million British thermal units at 3:30 p.m. on the New York Mercantile Exchange. It earlier touched \$3.916, the lowest price since Nov. 15, 2002. Gas futures dropped 5 percent in February, the eighth consecutive monthly decline.

The fuel is down 69 percent from a 2008 high of \$13.694 per million Btu reached on July 2.

"Gas broke below \$4 and the couple of times it has, it has ratcheted back up," said **Tom Orr**, research director at Weeden & Co. in Greenwich, Connecticut. "Below \$4 it probably triggers some buy programs."

Prices fell to \$3.984 per million Btu on Feb. 24 before settling at \$4.236.

The number of oil and natural gas rigs operating in the U.S. fell to the lowest since January 2005 this week, according to data published by Baker Hughes Inc.

Gas rigs fell 4.7 percent to 970 in the U.S. as lower prices discouraged exploration and production companies from seeking additional supplies. The count was down 40 percent from a peak of 1,606 on Sept. 12.

Gas output from all U.S. companies probably will decline by 3 percent to 5 percent this year as producers scale back drilling in the Barnett Shale in north Texas, the Rocky Mountains and other regions, Keith Hutton, chief executive officer of XTO Energy Inc., said on Feb. 19.

XTO, which gets 80 percent of its output from natural gas, cut capital spending by 16 percent this month. The company plans to spend \$3.2 billion on exploration, development and pipelines, down from a November estimate of \$3.8 billion.

**EOG Resources Inc.** expects its gas production to drop 1 percent this year, and said Feb. 5 that its exploration rigs would drop to 45 from 73 in 2008.

**Devon Energy Corp.**, the largest independent oil and gas producer, said it plans to spend about \$3.5 billion to find and develop new gas deposits, less than half the \$8.5 billion expended in 2008.

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