



Natural Gas Declines on Signs Report to Show Swelling Surplus

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By Mario Parker

April 29 (Bloomberg) -- Natural gas futures fell in New York before a government report tomorrow that may show a bigger- than-average stockpile gain.

The Energy Department will probably say that gas in storage increased 81 billion cubic feet in the week ended April 24, according to the median of 16 analyst estimates compiled by Bloomberg. The typical gain is 69 billion cubic feet, department figures show. Supplies in last week's report were 23 percent higher than the five-year average.

"There's plenty in storage right now and you have the shoulder season, which is the weakest time of the year," said Chris Jarvis, president of Caprock Risk Management LLC in Hampton Falls, New Hampshire. "There's no compelling argument for natural gas."

Natural gas for June delivery fell 3.7 cents, or 1.1 percent, to settle at \$3.403 per million British thermal units at 2:59 p.m. on the New York Mercantile Exchange. Prices have fallen 39 percent this year.

"Right now everybody is in a holding pattern," Jarvis said.

Gas usage by factories may drop 7.4 percent this year as the recession cuts demand, the Energy Department said in a report on April 14. Industrial and power-plant consumption each account for 29 percent of U.S. gas usage.

Industrial gas consumption "seems to be what all eyes are on," said Carl Neill, an energy analyst at Risk Management Inc. in Chicago. "There's no real trade right now. Nothing gets it going, there's too much supply."

GDP Report

The U.S. gross domestic product dropped at a 6.1 percent annual pace in the first quarter, weaker than forecast, after contracting at a 6.3 percent rate in the last three months of 2008, the Commerce Department said today in Washington.

"We got a negative GDP report today," Neill said. "Everybody is very negative on this market. It's just been in the steepest downtrend of any commodity."

Devon Energy Corp. Chief Executive Officer J. Larry Nichols said yesterday that falling natural gas prices will stabilize late this year or early 2010 as drilling cutbacks reduce supply. Devon is the largest independent U.S. oil and gas company.

Chesapeake Energy Corp., the second-biggest independent producer, said earlier this month it has curtailed about 400 million cubic feet a day of gas output.

The number of gas rigs operating in the U.S. has dropped 54 percent since September as prices collapsed, data published by Baker Hughes Inc. showed.

Gas rigs fell by 18, or 2.4 percent, to 742 last week, the lowest since the week ended Feb. 7, 2003. The count is down from a peak of 1,606 on Sept. 12.

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