

15:41 12Mar2009 RTRS-NYMEX-Natural gas rises 5 pct on big storage draw, crude

- * Traders view weekly storage data as slightly bullish
- * NYMEX crude futures soar nearly \$5/barrel pre-OPEC meet
- * Cash gas slips despite cool late-week weather
- * Weak economy still weighs on sentiment

NEW YORK, March 12 (Reuters) - U.S. natural gas futures rose more than 5 percent on Thursday, lifted by a larger-than-expected weekly drawdown from winter inventories and a big jump in crude futures, traders said.

"With the fear bubble popping, driving equity markets higher along with crude, coupled with the 'production destruction' that has taken place for natural gas supplies, we believe a floor has been put in place for natural gas prices," said Caprock Risk Management's Chris Jarvis.

"Once the market fully appreciates the amount of production destruction taking place, a weak injection season will quickly be factored in, which should help propel gas prices higher over the short-term," Jarvis added.

But some traders cautioned ongoing concerns about the slowing economy cutting into industrial demand could continue to weigh on sentiment.

Front month April futures on the New York Mercantile Exchange <NGJ9> rose 19.7 cents, or 5.19 percent, to settle at \$3.995 per million British thermal units after trading between \$3.759, a contract low and the lowest level for a front month contract since November 2002, according to Reuters data, and \$4.04.

Other months ended higher as well, with May futures <NGK9> rising 19.6 cents, or 5.08 percent, to settle at \$4.055 and summer months ending up about 20 cents each.

The NYMEX 12-month Henry Hub strip jumped 18.4 cents to finish at \$4.839, after easing 5.2 cents on Wednesday to \$4.655, its lowest level since December 2002.

NYMEX front month crude futures <CLH9>, meanwhile, rose \$4.70, or more than 11 percent, on Thursday to settle at \$47.03 a barrel.

In the cash market, gas for delivery at Henry Hub <NG-W-HH>, the NYMEX delivery point in Louisiana, slid 5 cents on average to \$3.87.

Late Hub cash deals were done at about a 3-cent premium to the front month contract, easing slightly from deals done late Wednesday at about a 7-cent premium.

Gas on the Transco pipeline at the New York city gate <NG-NYCZ6> fell 8 cents on average to \$4.61, while Chicago gas <NG-CHGC> was 13 cents lower at \$3.92.

On the storage front, most traders agreed Thursday's 112 billion cubic feet withdrawal was slightly bullish, noting it was above Reuters survey estimates for a 98 bcf withdrawal as well as the five-year average drop of about 91 bcf for that week.

The number was also in line with last year's adjusted drop of 113 bcf.

The report, from the U.S. Energy Information Administration, showed total domestic gas inventories of 1.681 trillion cubic feet rose to 271 bcf, or 19 percent, above last year, but slid to about 13 percent above the five-year average. [ID:nPRWPI54]

Early withdrawal estimates for next week's EIA report range from 29 bcf to 60 bcf versus an adjusted 85 bcf withdrawal for the same week in 2008.

If drawdowns for the rest of winter match the five-year average pace, inventories will end the heating season at 1.555 tcf, about 15 percent above average and a comfortable level to start the April-through-October stock building season.

Some industry analysts expect stocks to end winter even higher, possibly near the record high of 1.695 tcf, as the slowdown in economic activity trims first quarter consumption.

Temperatures in key gas consuming cities New York and Chicago were seen below normal late this week before turning back above normal, with lows briefly in the teens degrees Fahrenheit in Chicago before warming up to the 30s F in both cities, according to forecaster DTN Meteorlogix.

Houston, Los Angeles and Miami were seen a mix of above and below normal

for the period, with lows in the South and West expected to range from the high-40s to the high-60s F, the forecaster said.

The latest National Weather Service six to 10-day outlook issued Wednesday called for near-normal readings for the eastern third of the nation except for below-normal readings along the East Coast. Above-normal readings were expected for the western half of the country.

After breaking above \$4 on Thursday, chart traders pegged next April resistance at the remaining \$4.38-4.402 gap and then in the \$4.50 area. Support was seen in the mid to high-\$3.70s, near spot lows from mid-November 2002.

Henry Hub open interest on March 11 fell 7,711 contracts to 662,680.

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