# Natural Gas Drops to a 10-Year Low; Oil Rises

CHRIS KAHN, AP Energy Writer

NEW YORK (AP) — The price of natural gas dropped to the lowest level in a decade as a mild winter comes to a close with a huge surplus of the fuel on hand.

Natural gas supplies typically shrink in the winter as homes and business crank up the heat. But relatively warm weather, combined with a boom in production, has left storage facilities bloated with more gas than normal.

Natural gas futures fell by 5.4 cents Wednesday to $2.302 per 1,000 cubic feet in New York. That's the lowest price since Feb. 15, 2002, and down 69 cents from the start of the year.

Independent commodities trader Stephen Schork said that natural gas could drop even further in coming weeks, possibly below $2 per 1,000 cubic feet, if demand declines as usual between peak seasons for heating and air conditioning.

"There's just too much out there," Schork said. "And there won't be enough demand to solve the supply issue this summer."

Supplies have been growing in recent years as drillers have learned to use a controversial drilling technology called fracking to tap vast reserves of natural gas trapped in shale formations under several states. The production boom has pushed natural gas supplies near capacity in the U.S.

The government said last week that supplies were 45 percent larger than average for this time of year. Its next report will be released on Thursday.

While supplies grew, demand dropped this winter because of mild weather. January in the U.S. was the fourth warmest in the last 118 years, according to the National Weather Service. In the Northeast in February, temperatures were close to a record high.

More than half of U.S. homeowners use natural gas for heat, and the drop in price has been a big relief this winter. Natural gas heating bills dropped 13 percent this winter, according to the Energy Information Administration, and heating a home with natural gas cost half as much as propane and a third as much as heating oil.

U.S. chemical companies also have benefited by using natural gas as a raw material.

Meanwhile, oil prices rose Wednesday after the government said that U.S. supplies grew less than expected last week. Traders also remain cautious about potential supply problems in the Persian Gulf, as Western nations confront Iran over its nuclear program.

Western leaders fear that Iran is building a nuclear weapon, though Iran denies it. The oil-rich country says it will allow international inspectors back into its facilities, though French Foreign Minister Alain Juppe said Wednesday that he is not convinced Iran is ready to compromise.

Benchmark West Texas Intermediate, which is used to price oil produced in the U.S., added $1.46 to end at $106.16 per barrel in New York. Oil dropped $2.02 per barrel on Tuesday to a two-week low.

Brent crude, which prices foreign oils that are imported by U.S. refineries, increased by $1.14 to finish at $123.12 per barrel in London.

The EIA said that U.S. energy demand remains weak. Average petroleum demand has fallen 6.1 percent so far this year and gasoline demand is 7.8 percent lower than a year earlier.

Gasoline pump prices fell less than a penny to $3.761 per gallon, according to auto club AAA, Wright Express and Oil Price Information Service. A gallon of regular unleaded is still 48.5 cents higher than it was at the beginning of the year.

That's made for political theater in Washington and the presidential campaign. On Wednesday, Congressional Republicans and oil industry leaders called for more U.S. gas production to combat rising prices. President Obama meanwhile was in North Carolina, promoting fuel-efficient cars and tax incentives he said will help reduce dependency on foreign oil.

In other energy trading, heating oil added 3.12 cents to finish at $3.2194 per gallon and gasoline futures rose by 5.75 cents to finish at $3.2874 per gallon.

*Follow Chris Kahn on Twitter at* http://twitter.com/ChrisKahnAP *[1]*

**Source URL (retrieved on *08/21/2014 - 1:06am*):**
http://www.chem.info/news/2012/03/natural-gas-drops-10-year-low-oil-rises?qt-most_popular=0

**Links:**
[1] http://twitter.com/ChrisKahnAP