

THE SCHORK REPORT



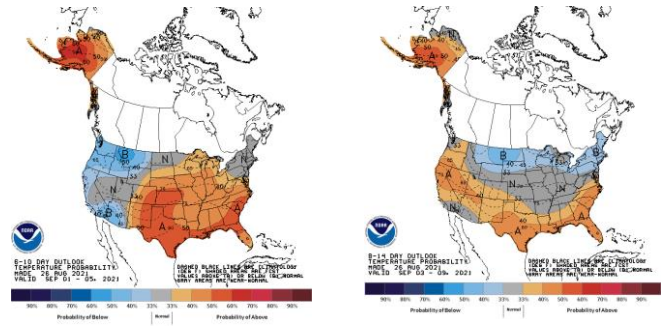
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, August 27, 2021

www.schorkgroup.com

EIA Weekly Natural Gas Status Report				
Storage Δ (Bcf)	EIA 13-Aug	Seasonally Adjusted Norm	EIA 20-Aug	Bias
L48	46	44 ± 13	29	Bullish
South Central	5	(3) ± 1	(14)	Bullish
Salt	(3)	(5) ± 1	(15)	Bullish
Nonsalt	9	2 ± 1	1	Neutral
Midwest	24	25 ± 9	25	Neutral
East	16	21 ± 7	16	Neutral
Mountain	3	3 ± 1	0	Bullish
Pacific	(1)	(0) ± (0)	1	Neutral

NOAA Outlook



Temperature 6-10 Day

Temperature 8-14 Day

Omnium Gatherum

PRICES WERE MIXED YESTERDAY... NYMEX Henry Hub natural gas futures exploded to the upside on a confluence of events... a bullish update from the EIA, options expiration on the September futures, and a short squeeze. Oil markets pulled back following Wednesday's moon shot.

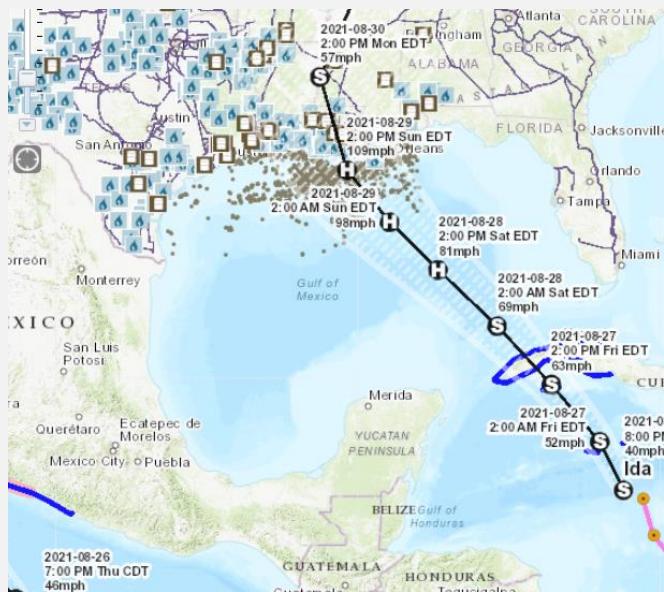
EIA Natural Gas Review

Yesterday, the EIA reported the twenty-second injection of the season into L48 natural gas underground storage. Stocks rose by a meager 29 Bcf to 2.851 Tcf for the week ended August 20th. This report typically yields a 46 Bcf ±17 Bcf injection. The number came in well above market expectations which ranged from 37 Bcf on the Platts' survey to 41 Bcf on the Dow Jones' survey. We were on the low-end of estimates at 37 Bcf. We are now two-thirds of the way through the season and as of last week's injection, the market has replaced only 50% of last winter's 2.208 Tcf delivery.

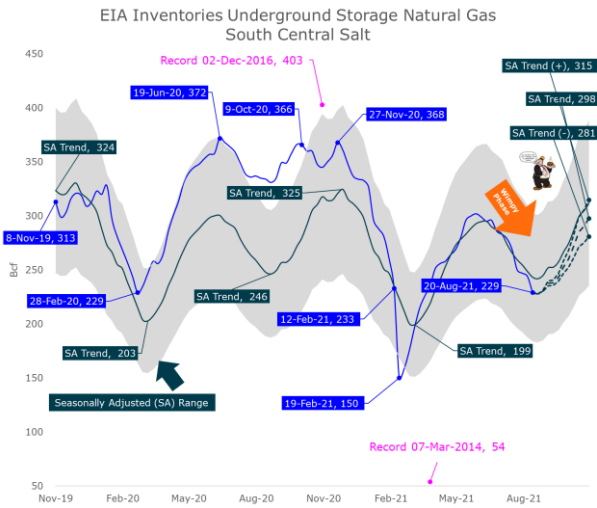
After back-to-back light deliveries of 3 Bcf each, the Salts (South Central Region) reported a massive 15 Bcf delivery for last week. Over the last three months, a net of 73 Bcf of gas has been delivered from this market area. This delivery is 17.7% above normal. However, owing to a robust injection of 152 Bcf in the preceding four months, this season's net refill of 79 Bcf is 58 Bcf (276%) above the five-year average, 35 Bcf (80%) above the seasonally adjusted time series but 27 Bcf (25%) below last year's COVID-added pace. This region is on trend to begin winter with ≈298 Bcf in the ground, 47 Bcf or 13.6% below the five-year mean.

Note Bene: Ida bears down on Gulf of Mexico production. According to the National Hurricane Center (NHC), Tropical Storm Ida is forecast to hit the northern Gulf coast at or near major hurricane intensity this Sunday.

(Source: EIA)

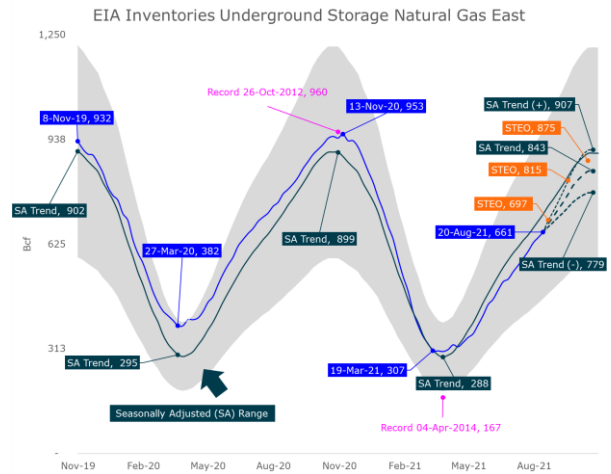


According to the EIA, Gulf of Mexico federal offshore oil production accounts for 17% of total U.S. crude oil production and federal offshore natural gas production in the Gulf accounts for 5% of total U.S. dry production. Over 45% of total U.S. petroleum refining capacity is located along the Gulf coast, as well as 51% of total U.S. natural gas processing plant capacity.



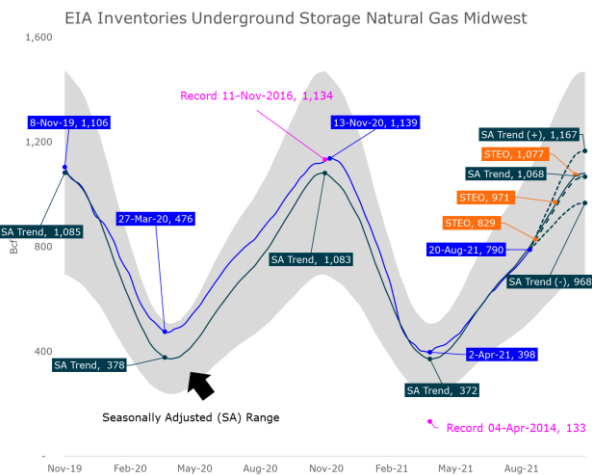
In the Nonsalt Region, a reasonable 1 Bcf was injected. All told, the entire South Central market area reported a substantial delivery of 14 Bcf. This season's hitherto refill narrowed to 300 Bcf, 38 Bcf (15%) above the five-year average and 10 Bcf (3%) above the seasonally adjusted time series.

7½%. This season's refill to date is a meager 356 Bcf which is 57 Bcf (14%) below the five-year average and 70 Bcf (16%) below the historical time series. The market has replaced 55% of last winter's 648 Bcf drawdown and is on pace to enter winter at 843 Bcf or 32 Bcf below the EIA's forecast of 875 Bcf.

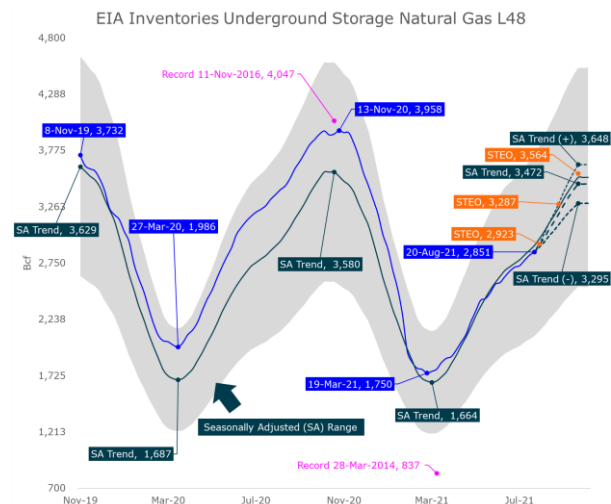


Bottom Line

This season's refill to date in the L48 is 1.101 Tcf, 139 Bcf (-11%) below the five-year mean, 146 Bcf (-12%) below the seasonally adjusted trend, and a whopping 333 Bcf (-23%) below last year's COVID pace. We are now two-thirds of the way through the season and the market has replaced only 50% of last winter's 2.208 Tcf delivery. The early consensus range for next week's report is an inadequate addition in between the low-20s Bcf and into the mid-teens Bcf! In this light, the probability of topping the EIA's end-of-season forecast of 3.564 Tcf plunged from 62% to 50%!



Storage in the Midwest reported the twentieth injection of the season, a normal 25 Bcf was added which pushed inventories to 790 Bcf. This season's refill is up to 392 Bcf which is 16 Bcf (4%) below the five-year average and 40 Bcf (10%) below the seasonally adjusted time series. The market has replaced 53% of the 741 Bcf of gas that was delivered last winter. As illustrated, season to date injections have tracked closely to our model's time series analysis. As is such, the Midwest is zeroed in on an end-of-season balance of 1.068 Tcf of gas in the ground, i.e. within 9 Bcf of the EIA's 1.077 Tcf forecast and within 28 Bcf of the five-year mean of 1.096 Tcf.



For a second straight week, storage in the East rose by a light 16 Bcf. Over the last two weeks, the deficit to the seasonally adjusted trendline moved out by 95 basis points from a three-month low to a four-week high of

Therefore, with a little more than two months left in the season there is now a 50/50 chance the market will head into next winter at a 394 Bcf (-9.9%) deficit to a year ago and a 173 Bcf (-4.6%) deficit to the five-year average.