

THE SCHORK REPORT



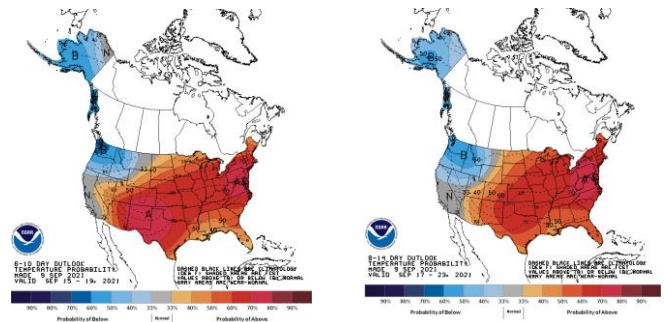
FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, September 10, 2021

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EIA Weekly Natural Gas Status Report				
Storage Δ (Bcf)	EIA 27-Aug	Seasonally Adjusted Norm	EIA 03-Sep	Bias
L48	20	65 ± 18	52	Neutral
South Central	(22)	10 ± 2	(5)	Bullish
Salt	(15)	3 ± 1	(6)	Bullish
Nonsalt	(8)	7 ± 2	1	Bullish
Midwest	22	31 ± 11	30	Neutral
East	17	20 ± 7	25	Neutral
Mountain	2	0 ± 0	0	Neutral
Pacific	2	2 ± 0	0	Neutral

NOAA Outlook



Temperature 6-10 Day

Temperature 8-14 Day

Note Bene: Peak Stupidity. National Economic Council Director Brian Deese assures Americans that inflation is not a problem... *um...* as long as you give up protein.



[realclearpolitics](https://www.realclearpolitics.com)

Tortured logic! Will Mr. Deese now tell us is that if we had ham, we could make a ham and cheese sandwich if we had cheese.

In his defense, we have to remember, when it comes to gauging inflation, economists like to use "core inflation" which exclude those "volatile" categories of food and energy prices. So, Mr. Deese is just parroting the Keynesian script... inflation is only a problem if you like to eat, read with the lights on, and keep your thermostat at a temperate setting.

Omnium Gatherum

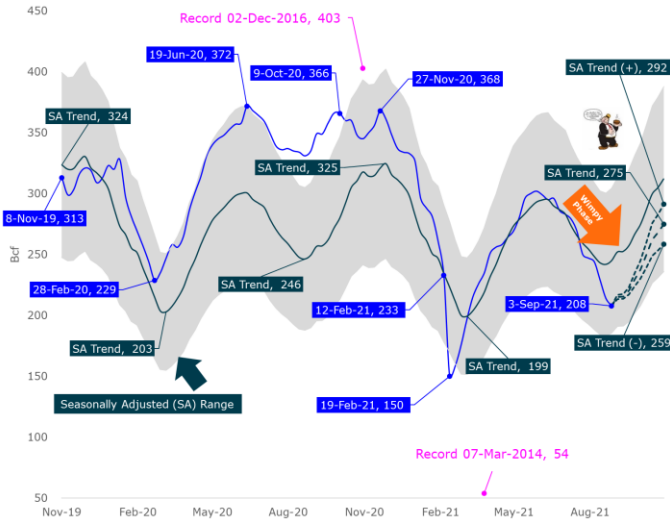
PRICES WERE MIXED YESTERDAY... October Henry Hub gas futures on the NYMEX shrugged off a larger than expected storage update from the EIA and rallied to the highest high, \$5.047/MMBtu, since July 2014. This close was also the highest for a front-month contract since February 2014. Yesterday's weekly oil update was moot—even though we saw a historic drop in crude oil production because of Ida—in the wake of the [news](#) that China will tap oil from its strategic reserve for the explicit purpose "to ease the pressure of rising raw material prices". China has an estimated 220 MMbs in reserve (a third of the U.S. SPR). The statement from China's National Food and Strategic Reserves Administration did not provide the size of the planned oil release.

Hmm, given that OPEC+ [scoffed](#) at last month's plea to increase production, will Biden now follow Xi's lead (someone has to lead) and tap the U.S. SPR?

A Natural Gas Review

Yesterday, the EIA reported a reasonable injection into L48 natural gas underground storage. Stocks rose by 52 Bcf to 2.923 Tcf for the week ended September 03rd. The typical injection for this report is 70 ±23 Bcf. However, all bets were off given extant disruptions to Gulf of Mexico oil and gas activities left in Ida's wake. According to the Bureau of Safety and Environmental Enforcement (BSEE), 93% or 2.069 Bcf/d of natural gas production in the Gulf was shuttered through the EIA week. To this point, yesterday's report came in well above the consensus. The whisper number ranged from a 33 Bcf mean on the Platts' survey to a 42 Bcf mean on The Desk's survey. We were at 42 Bcf.

EIA Inventories Underground Storage Natural Gas South Central Salt

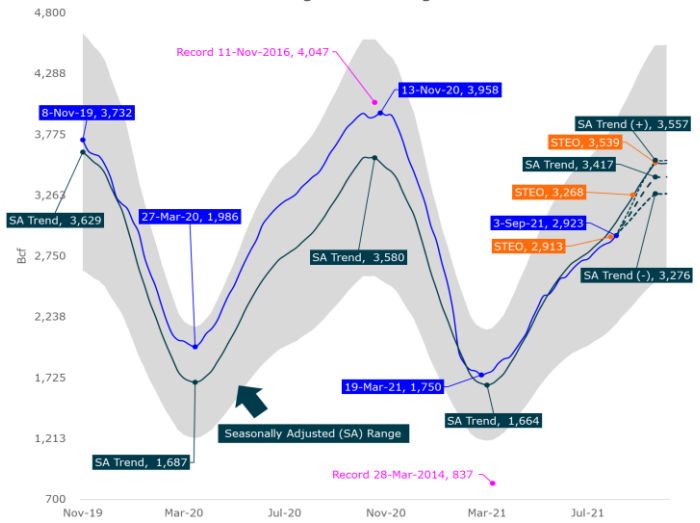


Storage in the Salts (South Central Region) fell atypically, by 6 Bcf to 208 Bcf. Over the last three months, i.e. since the start of the *Wimpy Phase* of the season, a net of 94 Bcf of gas has been *borrowed* from this market area. **This delivery is 35 Bcf or 59% above normal!** Therefore, since the start of the dog days of summer, the trend in end-of-season storage in the Salts has crashed from a seasonally adjusted norm of 318 Bcf, to 275 Bcf, a 13½% downgrade! In the Nonsalt Region, a de minimis 1 Bcf was injected. All told, an atypical delivery of 5 Bcf came out of the entire South Central market area. This season's hitherto refill narrowed to 273 Bcf, 33 Bcf (11%) below the seasonally adjusted time series.

Storage in the Midwest reported the twenty-second injection of the season, a normal 30 Bcf was added. Inventories rose to 842 Bcf but the deficit to the seasonally adjusted norm rose by 5 basis points, from 2.86% to a new 27-month high of 2.91%. This is worrisome, just before the 04th of July holiday, injections were aping the seasonally adjusted trend and were on track to hit an end-of-season storage balance of 1.083 Tcf. Today, injections have decoupled and are now on track to finish the season at 1.056 Tcf, 1.8% below the EIA's recently revised (lower) forecast of 1.075 Tcf and 3.7% below the five-year mean of 1.096 Tcf.

Storage in the East rose by a strong 25 Bcf to 703 Bcf. The deficit to the seasonally adjusted trendline improved for the first time in four weeks with the shortfall narrowing from a five-week high of 8.2% to 7.3%. This season's hitherto refill is a meager 398 Bcf which is 59 Bcf (13%) below the five-year average and 72 Bcf (15%) below the historical time series. The market has replaced 61% of last winter's 648 Bcf drawdown and is on pace to enter winter at 841 Bcf or 25 Bcf (2.95%) below the EIA's forecast recently revised (lower) forecast of 866 Bcf.

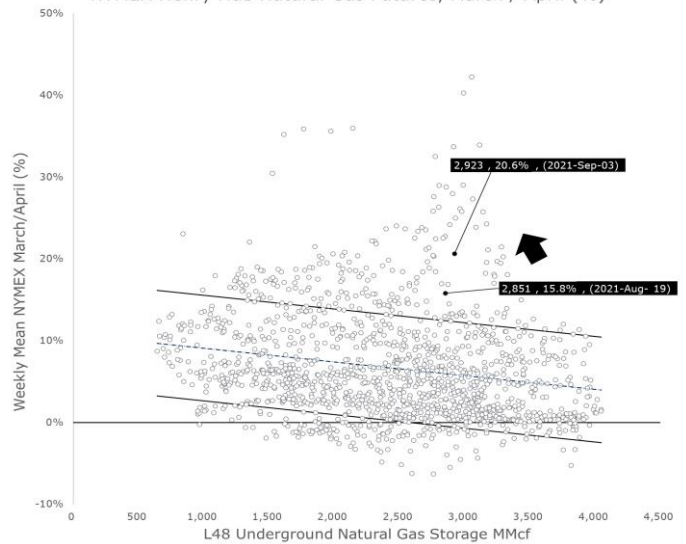
EIA Inventories Underground Storage Natural Gas L48



Bottom Line

We are more than 70 percent of the way through the season and the market has only replaced 53 percent of last winter's 2.208 Tcf delivery. In light of Ida, next week's report will be another crapshoot. As of yesterday's update from the BSEE, 71 of the 560 manned production platforms (13%) in the Gulf of Mexico are still evacuated. An estimated 77% (1.72 Bcf/d) of gas production is shuttered. The DOE estimates that 299,000 customers in Louisiana are still without electricity. The early consensus is looking for a solid injection in the high 70s Bcf to low 80s Bcf.

Storage Demand L48 Underground Natural Gas Storage NYMEX Henry Hub Natural Gas Futures, March / April (%)



At this juncture in the season, natural gas inventories are... ahem... challenged. Over the last four weeks, the call on of end-of-winter storage of L48 natural gas (X-axis) has surged. As of last week's injection, the March 2022/April 2022 backwardation (Y-axis) has ballooned from a 15.8% premium to a 20.6% premium. Through the first four trading days of this week, the premium is averaging a three-year high—since James Cordier's hubris extinguished his client's funds—of 21.9%.