THE SCHORK REPORT

FUNDAMENTAL + TECHNICAL ANALYSIS OF THE ENERGY MARKETS

Friday, March 03, 2023

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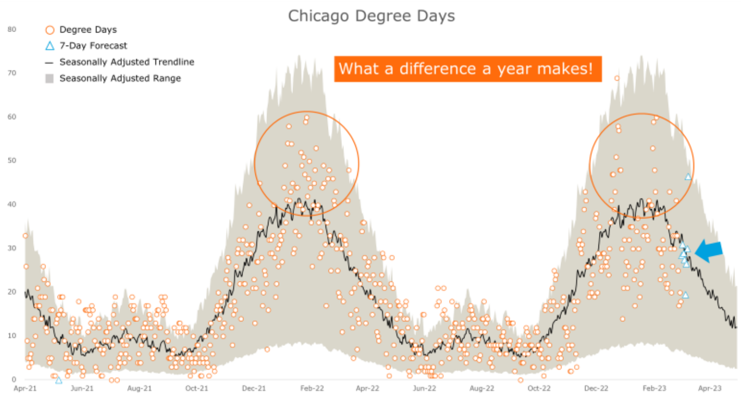
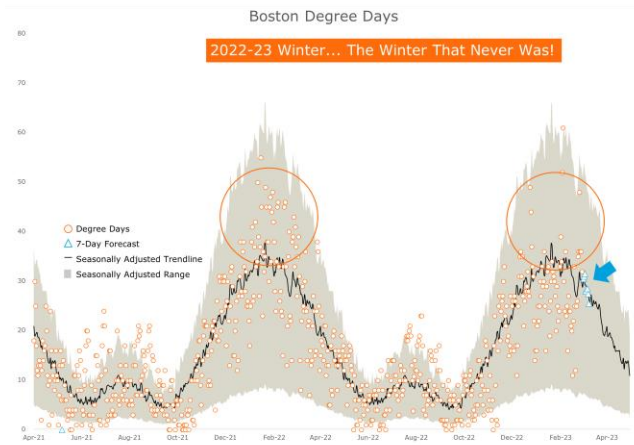
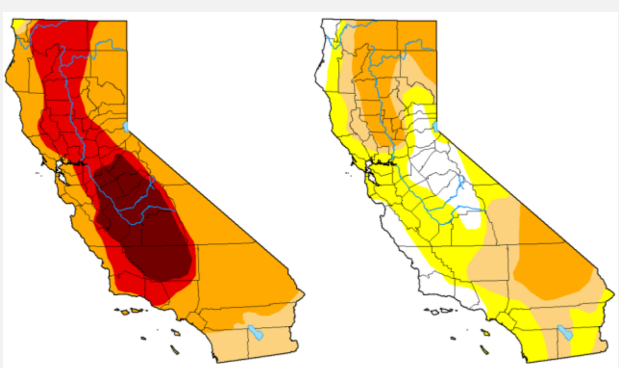




Nota Bene: Nature (not [banning]() gas stoves) heals itself. Thanks to copious amounts of precipitation this winter in California, drought conditions for a large swath of the state has improved immensely.

We have been in California this week, LA earlier in the week, Silicon Valley now. Whether in southern or northern California, this week's relentless downpour has, outside of Hurricane Sandy, been like nothing we have ever experienced.

Per the [U.S. Drought Monitor](), the heavy rains and snow have improved "…California soil moisture and streamflow levels, while the snow has increased mountain snowpack to much above-normal levels… Most California reservoirs have refilled with water levels near or above average…"



Source: [USDM]()

[**2022-October-25**]() [**2023-Februay-28**]()

"According to USDM statistics, central California's Sierra Nevada mountains and foothills are now free of drought and abnormal dryness for the first time since January 2020."

Omnium Gatherum

ENERGY PRICES WERE MIXED YESTERDAY… Oil forged higher, while NYMEX natty moved lower, thus ending the longest winning streak (six sessions) since last June.

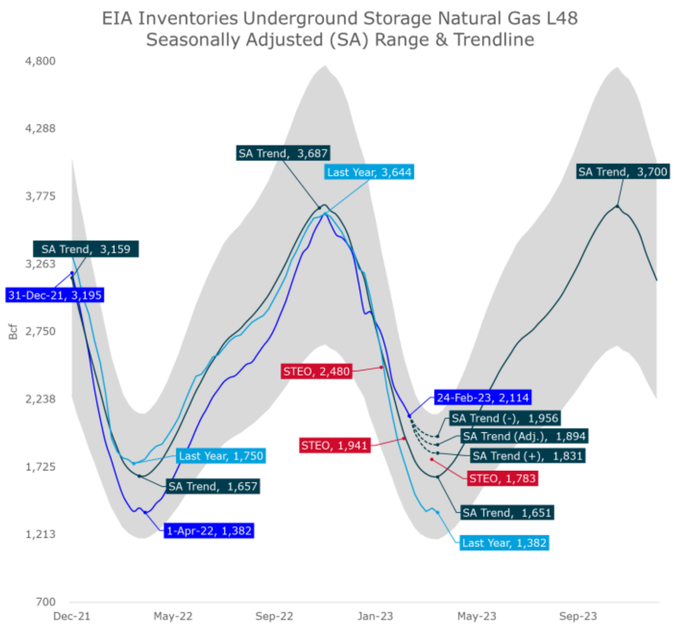
EIA Natural Gas Recap

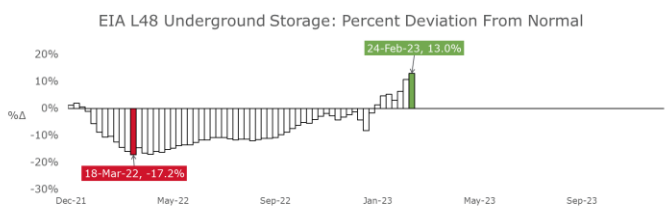
Yesterday, the EIA reported a relatively meager 81 Bcf delivery (withdrawal) of natural gas from L48 underground storage. The typical delivery for this report is 111 ±32 Bcf. As of last Friday, February 24th, storage inched lower to 2.114 Tcf.

The South Central area reported a measly 4 Bcf delivery. For this part of the season, you are expecting a delivery on the order of 39 ±9 Bcf. This winter's delivery is up to only 306 Bcf, which is 271 Bcf (47%!) below last year's pace and 135 Bcf (31%!) below the five-year (interpolated) mean. At a minimum—based on our seasonally adjusted model—you expect a delivery of at least 394 Bcf. Therefore, this season's current delivery is 88 Bcf (22%) below normal.
As a result of this subpar delivery, the comparison to our model's (base case) seasonally adjusted time series has morphed since the end of last winter from a 21% deficit to a 26% surplus.

On the breakdown, storage in the Salts fell by an indiscernible 1 Bcf to 261 Bcf. This winter's delivery to date is a wretched 66 Bcf which is slightly more than a third of last season's 189 Bcf injection. Since last July the comparison to our model's (base case) seasonally adjusted time series has switched from a 34% deficit to an 18% surplus.

The Nonsalt portion of the South Central market area posted a pathetic 3 Bcf delivery… the norm is 18 ±4 Bcf. The season-to-date delivery of 240 Bcf is not even half of last year's 497 Bcf refill. The market's surplus to our model's seasonally adjusted norm (base case) moved out to a Covid era high (since October 2020) of 149 Bcf.





Since the end of last winter, L48 storage has switched from a 17% deficit to our model's seasonally adjusted norm (base case) to a 13% surplus.

The Midwest posted a typical delivery of 31 Bcf. Inventories dropped to 544 Bcf. This season's delivery is up to 540 Bcf which is 135 Bcf (20%) below last year's pace, 59 Bcf (10%) below the five-year interpolated mean and 84 Bcf (14%) below our model's (base case) seasonally adjusted norm.
Unless we see a drastic change in the weather, storage is on track to finish winter somewhere in between 407 Bcf and 443 Bcf. The EIA's latest forecast of 408 Bcf.

The East reported a normal delivery of 28 Bcf which pulled storage down to comfortable 451 Bcf. At this point last year, storage was 358 Bcf. We are now three quarters of the way through the season and the market has only had to deliver two thirds (431 Bcf) of last year's 653 Bcf refill.

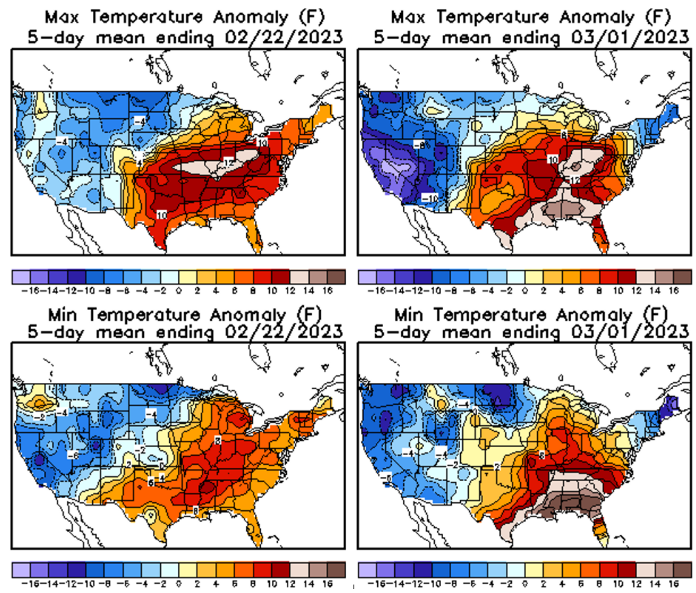
The market's surplus to our model's seasonally adjusted norm (base case) moved out to a Covid era high (since December 2020) of 70 Bcf. Storage is on track to finish winter somewhere in between 319 Bcf and 354 Bcf. The EIA's latest forecast of 312 Bcf.

Bottom Line

This season's hitherto refill is 1.530 Tcf and is 471 Bcf (-24%) below last year's pace, 228 Bcf (-13%) below the five-year interpolated mean and 310 Bcf (-17%) below our model's seasonally adjusted base case. We are now three quarters of the way through winter and the market has delivered 68% of last summer's 2.262 Tcf refill.

Next Thursday's update (for the week ended today) will be stronger as winter actually made an appearance this week in the New York and New England markets (see below). The typical delivery is 102 ±30 Bcf.

There is now better than a 50/50 chance the market ends winter above the EIA's 1.783 Tcf forecast.



Source: NOAA

First 5 Days EIA 24-Feb **First 5 Days EIA 03-Mar**