



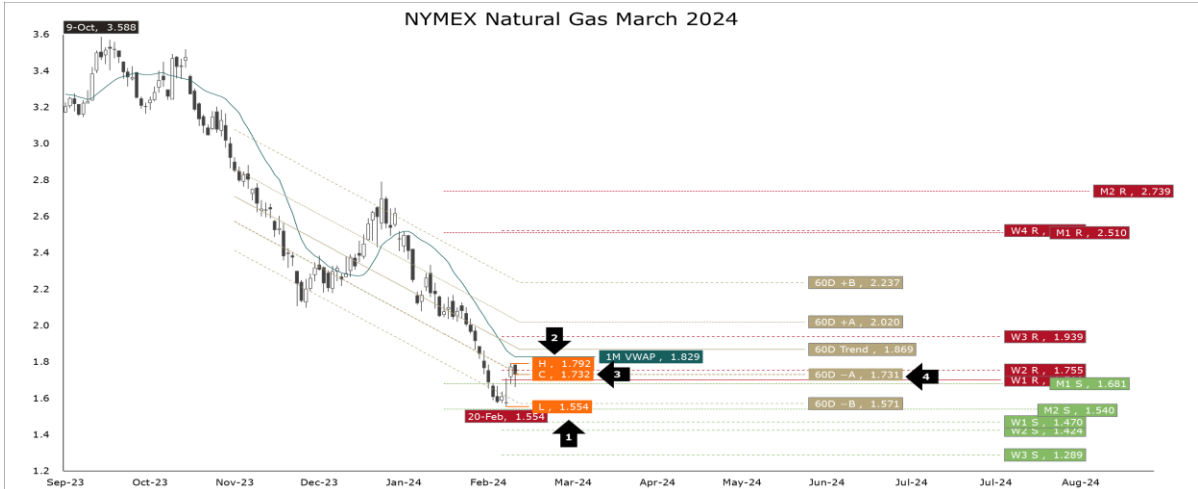
## Chesapeake Cannot Do It By Itself

At the start of this abbreviated trading week on Tuesday, NYMEX gas for March 2024 delivery bottomed at a fresh life-of-contract low of \$1.554 (arrow 1). The contract finished the day's session at \$1.576 before things got interesting when the market spiked in after-hours trading and hit a high of \$1.720 in the 6 PM hour. In overnight trading prices held firm and rallied through Wednesday, reaching a high of \$1.792 (arrow 2). The contract settled today 1 tick above our \$1.731 inner support limit of the 60-day Channel (arrow 4) at \$1.732 (arrow 3).

In retrospect, the start of the post-close rally on Tuesday coincided with the release of [Chesapeake's full-year 2023 results and 2024 guidance](#). The company is slashing 2024 capital expenditure by about one-fifth to ≈\$1.30 billion through rig count reductions and deferring completion of turn-in-lines (the point at which new wells start to deliver gas to the pipeline network).

That said, the Chesapeake headline is not bullish in and of itself. After all, the contango (discount) on the front end of the curve has continued to move out. This does not happen in markets where there is a concern about looming production cuts. In other words, Chesapeake needs all its brethren to join in to end one of the greatest bear runs in the 30-year history of NYMEX trading.

With three sessions remaining in the life of the March 2024 futures contract (the final contract of the winter strip), the odds the contract expires next Tuesday at a new all-time low of \$1.323 are virtually nil, while the odds of settling above \$2.000 are little better than nil... 200:1, a probability of 0.5%. For the week ahead, we switched to the April 2024 contract. The trend in the bearish 60-day channel for this



## L48 storage... Ugly (for bulls) and getting uglier!

Today, the EIA reported another ugly delivery out of L48 underground storage. For the week ending February 16<sup>th</sup>, 60 Bcf of natural gas was withdrawn. The typical delivery for early February is 170 ± 39 Bcf. Net of a 5 Bcf revision to the prior week's report, storage now stands at 2.470 Tcf. With three-quarters of the season over, this is a huge number. Given the warmth in the forecast into March, we calculate a 60% probability that storage will finish the season above 2.0 Tcf!