



## The Models are Converging: What does it mean for energy?

Posted by [Prof. Goose](#) on September 21, 2005 - 1:47pm

Topic: [Supply/Production](#)

A quote from a [Bloomberg article](#) (thanks Dave):

"Rita is developing into our worst-case scenario," said John Kilduff, vice president of risk management at Fimat USA in New York. "This is headed right into our other major refining center just after all the damage done to facilities in Louisiana. From an energy perspective it doesn't get any worse than this."

This is why Rita is going to be a huge deal for energy. With supply and demand at such a knife's edge because of peak oil, and the damage that Katrina has just wrought, more supply outages, refinery problems, and the like, are going to be very problematic and could drive prices higher.

We have already used up some of the SPR. We have already asked the world for its help once, and it flooded the market as best it could. However, this time around, one has to wonder, with OPEC demonstrating that it has no more light sweet oil to give yesterday, what the world can do for us if Rita does a lot of damage to the major oil infrastructure. Matt Simmons, on CNBC this morning, said that Rita could be another "Pearl Harbor" for the United States, though I think that's a bit strong.

I would also recommend [a post by DarkSyde over at DKos](#) as a good primer for you folks new to all of this stuff.

Technorati Tags: [peak oil](#), [oil](#), [Rita](#), [Hurricane Rita](#), [gas prices](#).

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[If Rita turns to Galveston or up to the TX/LA border, I would be more inclined to agree with him though after what our industry insider said yesterday.](#)

**Update [2005-9-21 12:30:35 by Prof. Goose]:**[Here's a piece](#) Ben brought to my attention that confirms what our insider said yesterday and discusses the refining disaster that could occur if a hurricane hits one of Valero's refineries.

Speaking of supply, [the KAC/UCF GOMEX numbers](#) are out this morning. The shut-in predictions are (<10days, 10-30days, 30-60days)

Oil: 23.4%, 8.1%, 6.8%; Nat Gas: 33.6%, 14.7%, 6.8%

After reading the weather boards this morning (like <http://easternuswx.com>) and [looking at the models](#), there's definitely a trend a bit to the south and a convergence of the models around the Matagorda Bay area. (Under the fold is the "tourney" description of Matagorda).

[A glance at the MMS map \(warning .pdf\)](#) from yesterday shows that there's not a bunch of rigs here, but there are a few, as our insider pointed out yesterday. There is, however, a lot of

infrastructure. As far as I can tell, Matagorda's not quite the LOOP (or even Galveston), but it's an offload facility. It is also a pipeline head, as demonstrated in [this map](#) and [this map](#) (more maps [here](#).)

As far as I can tell, the real weather problem is if Rita imitates Katrina in terms of strength and size (i.e. remaining at a cat 4 or 5 level for 2 or 3 solid days) she will probably be bringing with her a cat 4 or 5 storm surge even if her wind strength at time of landfall is cat 3. We learned from Katrina that the storm surge devastation went way out east of her center--the same could happen with Rita. Therefore, even if Rita should landfall a good 50 - 100 miles south of Galveston, the results there could still be devastating given the expected size of this hurricane. After all Mobile Bay was 100 miles from landfall. How that will affect the Galveston infrastructure, which is quite important, is something I am doing digging on at this very moment. Of course, at this range, we could still be looking at a hit of Corpus Christi, which would also be bad in many ways.

Touristy description of Matagorda:

Matagorda Bay is a large bay on the Texas coast, located between Calhoun and Matagorda counties. The Colorado River empties into the bay on its way to the Gulf of Mexico. The bay is separated from the gulf by Matagorda Peninsula. The city of Port O'Connor is located on its shores.

Matagorda Bay has several named extensions. Lavaca Bay extends westward to the mouth of the Lavaca River, and is home to the city of Port Lavaca. Tres Palacios Bay extends northeast to the mouth of the Tres Palacios River, and connects to the city of Palacios. Other inlets include Turtle Bay, Carancahua Bay, Keller Bay, and Cox Bay.



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