



Is no news good news, or bad?

Posted by [Heading Out](#) on September 25, 2005 - 9:55pm

Topic: [Supply/Production](#)

We are still in the phase of finding out, after Rita's landfall, exactly what the level of damage will be. Today's [MMS report](#) has 100% of the oil shut down with 81% of the platforms still evacuated and 68% of the rigs. The 17-miles of road leading to the LOOP terminal are still underwater. One can take the Valero [comment](#) that it will take between two weeks and a month for repairs to be completed at their refinery at face value.

Further it is not unreasonable to expect that there may be serious off-shore damage

Energy Industry analyst Jon Kilduff of FIMAT told CNN there are reports of some missing semi-submersible offshore rigs, but no details were available.

Kilduff said that, even in the best case scenario, it will take "10 to 14 days" days to return refineries to full operations. He warned that structural damage is not the only concern; refineries depend on electrical power that may have been affected by the storm.

The news from the [Houston Chronicle](#) (hat tip to Halfin) that tankers were being brought in to ensure that existing gasoline supplies get distributed is encouraging.

The north Houston and Pasadena terminals that supply Shell stations were open again today with enough gasoline to fill up at least 30 tankers with 270,000 gallons of fuel. The tanker drivers have instructions to start with gas-needy I-45, I-10 and Highway 290.

Exxon Mobil was bringing in tanker trucks from as far away as New Jersey and Illinois. Company officials said they delivered 531,000 gallons of gasoline to 14 retail stores in the Houston area on Saturday, the equivalent of the normal daily demand for the entire Houston market.

But, and I am sorry to be a curmudgeon on this, that gets us through a few days. If the refineries are down for a month then the already weakened stock positions will get worse. And further, as the [Guardian](#) points out, the supplies are not reaching everyone:

The principal problem was a petrol shortage in an area that is usually the hub of the US oil industry. Long lines of cars formed outside Houston petrol stations yesterday. The shortage also affected salvage work. In Port Arthur, where the levees stood up to the

storm surge but torrential rain left extensive flooding, a policeman said the local force was hamstrung by shortages. "We've got no gas. We're just about ready to burglarise some of the transport businesses to get some," said the officer, who did not want his name used. "We're attempting to find fuel wherever we can," a police spokeswoman, Wendy Billiot, said, confirming that petrol could be commandeered. "If it's necessary, we are considering that option."

We should now be seeing the refineries starting to produce the heating oil for the winter. If a significant part of that possible production has to be redirected to the production of gasoline then that heating oil stock build-up will not take place.

And in this regard I think I would rather be called wrong by suggesting that there may be a problem with heating oil this winter as a result, than sit complacently saying that there won't be a problem, The United States is, I believe, the only nation that stores most of its fuel in crude form, rather than as refined product, and that means that if the refineries can only produce at a certain rate, if the reserve stocks aren't there then it is going to be a cold winter. I think it might be better to know that now, that when calling the fuel oil salesman in December, only to be told that there isn't any.

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