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Hurricane Damage Assessment Made Simple

Last Fall, in the Days and Hours Leading Up to Hurricanes Katrina and Rita, we recall dozens of frantic calls and e-mails to and from traders around the country searching for some sliver of intel that might give them an edge, a better angle for some exotic hedge, or some other buffer against the incredible risk about to descend on the Gulf production region. Unfortunately for a lot of folks, the grapevine or the real-time news feeds were not good enough; lots of traders took some serious hits.

Well, 2006 will be different. We're happy to announce that we've identified your next best early warning system for the Gulf production region. This week we demoed a new system by Houston-based **Weather Insight** that we think should remove most of the guesswork (and Hail Mary trades) often associated with active hurricane seasons.

The system is called the **Premium Tropical Weather Service** and we think it's a winner. Company chief Steve Mitchell tells us this one-of-a-kind system allows traders to track the probable paths of major disturbances, all the while assessing (in real time) the impact of these storms (temperature, wave height, wind speed) on any production assets, *anywhere*.

And last time we checked, this year should be a doozy. "I haven't heard any forecaster counter that," Mitchell says, "so I think our timing is quite good for traders."

One big thing this outfit has going for it is that its weather data comes from **Wilkens Weather** – they're like the EarthSat of the Gulf of Mexico. Every rig and operating company in the region gets its primary weather feed from this outfit and as such will base their evacuation decisions on Wilkens data. So you're combining the Wilkens data, and all available public (or otherwise) rig or platform status reports, plus production volumes and other data (per rig, per block of rigs etc), and adding in the impact (short-term or otherwise) on production volumes from killer wind fields or wave height damage. Suddenly, you have a pretty significant edge on calling things.

The demo puts you in the middle of the Gulf, with a hurricane raging. Concentric circles tell the story of the various wind fields, going out from 25 mph to 125 mph. Attached to the eye of the storm you see various color-coded lines taking slightly different paths toward the coast, with probability percentages next to each line, suggesting where the hurricane will hit. You'll also see a smattering of blue dots in the map representing ships and buoys. Click on any of them and you'll get a live buoy report (wind, wave height and temp).

But there's more. "The red dots you see on the map are all the production rigs. The black dots represent the on-shore refining capacity, shown in barrels per day. This screen can also be heavily customized. If a trader is only interested in certain key assets, you can key in what you want to track either on- or offshore, plug in a distance radius around the asset, 50 or 500 miles whatever.

"You can also create tracking profiles," Mitchell says. Another useful feature of the application will tell you immediately, or project for you based on a hurricane or model weather path, how much production or refining might be affected.

If you click the "production affected" button, a grid will pop up and show you the hard numbers, based on assets you designate or you can see all assets affected based on a particular storm path trajectory and force – exactly how many barrels of production could be shut in on a short-term basis, per day.

"The application will tell you in either barrels or Bcf how much might be shut in per day, and additionally it will give you a probability of those assets' susceptibility to long-term damage and what those volumes might be. Since this is a live application, the data will change based on storm position and intensity.

So where it might show you 5 Bcf being shut in for X assets right now based on 25 mph winds, it will also tell you what it might look in three hours or 16 hours when the winds are at 55 mph or 155 mph. The difference in these time periods might be the difference between 1 and 5 Bcf or 2,000 and 200,000 barrels of oil. This system will help traders better assess what the damage might be, and for how long."

You will see the exact same principles at work for refining assets; once winds get to a certain level, it will tell you which assets will go off line, what their capacities are and so on. Although Mitchell had shown us mostly the views of the Gulf of Mexico for this new application, you can also click on alternate regions – Eastern Pacific, Western Pacific, Atlantic Ocean or wherever these nasty storms might be pummeling offshore energy assets in the US.

We only had the high-level demo of this application, so we recommend you have a closer look. Last time we checked, hurricane season begins next month.

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