They got it!

Stevens: Escopeta has its Jones Act waiver to bring jack-up rig to Alaska

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Escopeta Oil has received its Jones Act waiver to bring a jack-up drilling rig into Cook Inlet.


Escopeta Oil President Danny Davis confirmed he had the waiver in hand. Homeland Security issued it June 27, he told Petroleum News, and granted it in the interest of national security.

"Pretty soon Cook Inlet will be out of gas (see chart, page 9). The two military bases near Anchorage need it, and the people in Southcentral Alaska need it. And we're hoping to find it — plus a lot of oil," Davis said.

"The Maritime administration, the Department of Homeland Security, the Department of Defense and the Department of Energy all signed off on this," he said. "And we had excellent support from our Congressional delegation in Washington, D.C., the governor, and the mayor of the Kenai Peninsula Borough and his liaison, Bill Popp."

The Jones Act waiver is "a one-time waiver, to bring the jack-up to Alaska only. When it leaves, Songa is taking the Tellus to the Middle East," he said so the Jones Act won't be a factor.

The Jones Act requires U.S. flagged vessels be used between U.S. ports. Escopeta and its partner in its Cook Inlet acreage, Centurion Gold Holdings, have to use a foreign-flagged vessel to transport the Songa Offshore Tellus jack-up from the Gulf of Mexico to Alaska because there are no American-flagged vessels.
“capable of moving a rig like this,” Davis said.

Hong Kong-based Coscol (HK) Investment & Development Co.'s 520-foot-long Tai an kou heavy lift vessel will be doing the job. It will take 60 days to reach Alaska from Port Arthur, Texas where the Tellus is currently being refurbished.

Initially Escopeta, operator of the 130,000 acres it and partner Centurion own in the Cook Inlet Basin, was expecting the Tellus to be ready to load in June, but Moduspec USA did a rig inspection on June 23 and told Escopeta that Songa needed more time to complete the refurbishment. Consequently, the jack-up will head to Alaska in December instead of June (see adjacent sidebar).

Escopeta plans to spud the first of three 2007 inlet wells using the jack-up in March at its East Kitchen prospect.

“What we’ll move it to our Kitchen prospect, and then do a delineation well at East Kitchen or Kitchen depending on what we’ve found,” Davis said.

Entris, the company handling the permitting for Escopeta, is “finishing the permitting as we speak,” Davis said.

Bob Warthen, general manager of Escopeta’s new Alaska affiliate Escopeta Energy Co., is working with the state to unitize the two prospects into a single Kitchen unit.

**Estimate 1.7 billion barrels of oil, 7.5 tcf of gas**

How much oil and gas do Escopeta and Centurion hope to find?

“In our Kitchen prospects alone we think we have 1.7 billion barrels of oil and 7.5 tcf of gas in un-risked, in-house reserves — 450 million barrels and 2.5 tcf at East Kitchen and 1.3 billion barrels and 5 tcf at Kitchen.” Davis said.

The Kitchen prospects are offshore the Kenai Peninsula in 70 feet of water close to the Kenai industrial complex north of Nikiski. Escopeta has almost 12 years of work in the prospects, including the reprocessing of seismic by Houston-based Apex Metalink with its proprietary technology.

Kitchen and East Kitchen are east of the Middle Ground Shoal field where XTO Energy is doing additional development work to improve on the 12 million barrels of reserves it bought from Shell Oil in 1998. Shell developed the east flank of the Middle Ground Shoal structure in the 1960s and it moved on to the west flank in the late 1980s.

If Escopeta’s theories on oil migration in the inlet are correct, the oil in the Middle Ground Shoal structure migrated from east to west, filling Escopeta’s Kitchen prospect traps first before moving on to Middle Ground Shoal and then on to subsequent traps. “The theory on migration of oil is that the migrating oil finds a path, and then travels along that path, not deviating from it,” Warthen said. “When it leaves the source area, it migrates up dip and fills the deepest traps first. As these are filled the oil continues to migrate updip filling the shallowest traps in turn.”
He said Middle Ground Shoal is about 80 to 85 percent filled while structures farther along the migration path are less filled, supporting the idea that the Kitchen structures were filled before Middle Ground Shoal.

If that is true, the Kitchen structures would likely contain a great deal of oil and gas, a state geologist told Petroleum News.

Warthen has worked Cook Inlet since 1967, first for Union Oil (Unocal, now Chevron) where he was a regional geologist for 26 years, and then as a consultant.

After he took an early retirement from Unocal in 1992, he began working all the available data on the inlet, developing a basin map that identified acreage later acquired by Escopeta as having high oil and gas potential. Escopeta now owns some 130,000 acres of oil and gas leases in the Cook Inlet basin and Warthen has gone from consultant to part owner and executive.

Current Cook Inlet production is from Tertiary formations: dry gas from Sterling, Beluga and upper Tyonek; oil from the lower Tyonek and Hemlock. There is no production from the older Cretaceous and Jurassic in the upper Cook Inlet basin, although surface oil seeps are known from the Jurassic Tuxedni formation.

The Tuxedni, said Warthen, has been identified by the USGS as the source rock for all of the oil present in the Hemlock.

Davis said potential deep gas below the Tertiary is a separate prospect. The objectives at Kitchen and East Kitchen are the major producing Cook Inlet formations, the Sterling, Beluga, Tyonek and Hemlock. Escopeta does not attribute any reserves to pre-Tertiary, he said, but considers them a very viable future target.

USGS theories hold that only 4 percent of the volume of oil that theoretically generated from Cook Inlet source rock has been identified. If Escopeta’s approach bears fruit, it will fill in many of the blanks in Cook Inlet knowledge, with a payoff for the company.

“We believe that these prospects are among the missing giants postulated by the U.S. Department of Energy in its recent report on Cook Inlet,” Warthen said.

Bill Rutter Jr. of Rutter and Wilbanks, another Cook Inlet player, said most of the inlet wells “have only been drilled into the top of the structure. But you don’t know how much oil and gas is in a structure until you drill down the sides of it, drill deeper.” Escopeta’s Kitchen wells will be drilled to 16,000-17,000 feet as compared to an average vertical depth of approximately 12,000 feet for the deepest inlet wells.

ASRC Energy Services will be the main contractor on the Kitchen prospects. It will oversee Inlet Drilling crews that were trained for the Tellus by Songa.

A fourth well onshore in January

ASRC Energy will also oversee a fourth well for Escopeta in 2007, which will be
drilled first, in January, at the Houston independent’s North Alexander prospect.

The natural gas prospect lies onshore on the northwestern edge of the Cook Inlet basin along the western margin of the Susitna River drainage. The prospect is six to 10 miles north of the Stump Lake gas field, and six to nine miles east of the Lewis River gas field, both of which have established gas production.

North Alexander will be drilled using either a Nabors rig or one Escopeta brings in from Canada. “It all depends on what kind of price I can get from Nabors,” Davis said.

Escopeta estimates the three objectives at North Alexander — the Beluga and Tyonek formations (sandstones, siltstones and pebble conglomerates) and the shallower Sterling sandstones — hold almost 400 billion cubic feet of gas.

Well depth will be approximately 9,500 feet.