Thirty days and counting for Kitchen

Corps of Engineers 30 day public notice period begins for Escopeta’s proposed Cook Inlet exploration with Tellus jack-up rig

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Petroleum News

On April 5, the U.S. Army Corps of Engineers posted a notice on its Web site for a 30-day public comment period on Escopeta Oil and Gas’ proposed exploration of the Kitchen unit, which is about 13 miles north of Nikiski in Cook Inlet.

The Houston independent and its partner, South Africa-based Centurion Gold Holdings, have secured the Tellus jack-up drilling platform from Songa Offshore and are transporting it to Cook Inlet this summer where local crews from Kenai-based Inlet Drilling will operate the rig under the management of ASRC Energy Services.

Escopeta plans to drill four wells over the next two years, starting in early August. The 115,200-acre project area is on state leases in section 22, township 9 north, range 11 west, Seward Meridian, latitude 60.8581 degrees N and longitude 151.1994 degrees W. The Tellus will be supplied by aircraft and marine vessels out of Nikiski.

In addition to drilling, the company is looking at acquiring or shooting additional seismic in 2007.

The first Kitchen well will take about 90 days to drill and test, Bob Warthen told Petroleum News March 23. A long-time Cook Inlet geologist, Warthen is a partner in Escopeta Oil and general manager of Alaska operations for the company’s new Alaska affiliate, Escopeta Oil of Alaska.

To reduce “hazards of winter sea ice” the Tellus will not be drilling from Dec. 1 to March 15, Escopeta said in its Corps paperwork. During those periods the drilling platform could be leased by other oil companies or towed to Seldovia and...
According to Escopeta President Danny Davis one company that has talked to him about using the jack-up is another small Texas independent. Midland-based Rutter and Wilbanks, which owns the Cook Inlet Northern Lights prospect (former names were Tyonek Deep and Sunfish)

“We’re hoping to use the jack-up next summer,” Bill Runch Jr told Petroleum News March 24.

“I congratulate Danny Davis for biting the bullet and getting a rig up here. There hasn’t been a jack-up in Cook Inlet for 15 years or so and there are a lot of prospects that need drilling. ... It’s a new day for Alaska” because of the increase in oil and gas prices, he said.

Rutter 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.”

The Tellus rig would be drilling in 45 to 120 feet of water and, according to a March interview with Escopeta officials, wells would be 16,000 to 17,000 feet deep as compared to an average vertical depth of approximately 12,000 feet for the deepest Cook Inlet wells.

Escopeta’s primary geological targets are the Beluga, Tyonek and Hemlock formations.

**Minimizing marine mammal impact**

Escopeta told the Corps it is developing a mitigation program to minimize contact with Beluga whales, which would include marine mammal monitoring that could result in a reduction of drilling activities when mammals are in the area. The company is also exploring ways to minimize the acoustic effects of platform operations and drilling activities.

During the public comment period people can request the Corps hold a public hearing to consider Escopeta’s application, which was filed on its behalf by permitting contractor Entrix.

Escopeta has also filed for a certification of consistency under the Alaska Coastal Management Program with the Alaska Department of Natural Resources’ Office of Project Management and Permitting and for state water quality certification with the state Department of Environmental Conservation’s Division of Water.

Although the paperwork filed by Escopeta with the Corps refers to the three Kitchen prospects as the “Kitchen unit,” the adjacent Kitchen, East Kitchen and South Kitchen prospects have not yet been formally unitized with the State of Alaska. However, on March 16, Warthen met with state Division of Oil and Gas officials about unitizing the three prospects into a single unit. State and company officials told Petroleum News they expect that to happen before the Tellus arrives in Alaska.
Jones Act a hang-up

The major impediment to Escopeta’s plans is getting an exemption to the federal Jones Act. Without such a waiver the company could be fined by the U.S. Customs Service for using a foreign-flagged vessel to transport the Tellus from the Gulf of Mexico to Alaska. The Jones Act requires U.S. flagged vessels be used between U.S. ports.

The most common exemptions are obtained through Congressional action or at the request of the Secretary of Defense or the Secretary of Homeland Security and only in the interest of national security. But one of the strongest supporters of the Jones Act in Congress is Alaska’s own Sen. Ted Stevens, who is known for opposing exemptions.

According to Customs’ Office of Regulation and Rulings, Customs can also issue an administrative “non-enforcement order,” which would have the same effect as a waiver. The law does not require the Secretary of Defense to sign off on a Customs non-enforcement order, per a 2002 report in American Maritime Officer (www.amo-union.org/newspaper/morgue/12-2002-Sections/News/jonesact.htm).

Bill Popp, special assistant to the Kenai Peninsula Borough mayor, DNR Commissioner Mike Menge and Alaska Gov. Frank Murkowski are all looking at ways to help Escopeta obtain a waiver.

“We’re going to continue to push on it as hard as we can in all sectors,” Menge told Petroleum News.

Menge and the governor stressed that it’s difficult to obtain a Jones Act exemption through Congress.

However, a former ARCO Alaska executive told Petroleum News that the last jack-up rig in Cook Inlet was transported by a foreign-flagged vessel from the inlet to the Gulf of Mexico and that “Customs only ended up fining us what would be about a four or five day charge for leasing the Tellus. It might be less expensive to just pay the fines than to try to get an exemption.”

When asked why Escopeta chose to use a foreign-flagged heavy lift vessel to transport the Tellus to Alaska, Davis said no U.S. flagged ships were available.

Escopeta could have chosen a slower U.S. flagged barge but the current day rates for jack-ups worldwide — $135,000 to $140,000 per day in the Tellus class — necessitated using a faster vessel to make the trip north.

Hong Kong-based Coscol (HK) Investment & Development Co.’s 520-foot-long Tai an kou heavy lift ship will pick up the Tellus in late May from the Gulf of Mexico where it is being refurbished and bring it to the port of Homer. From there it will be moved into and around the inlet by tug. Davis said between 50 and 70 jobs will be created for just the drilling portion of Escopeta’s exploratory operations.
