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Department of Homeland Security Grants Jones Act Waiver To Escopeta Oil and Centurion Gold Holdings, Inc. to Begin Drilling For “Alaska’s Missing Giants”

- Find could increase U.S. oil reserves on a BOE basis by 10% -

July 31, 2006 (Houston)... Escopeta Oil’s President Danny Davis is convinced that he knows where two huge, untapped oil and natural gas fields are in the Cook Inlet Basin, Alaska and his company recently became the first independent oil company in history of the American oil and gas business to receive a waiver from the U.S. Department of Homeland Security to use a foreign flag vessel to move a jack-up drilling rig from Texas to Alaska to start drilling.

No significant exploration activities have been conducted in the waters of the Cook Inlet in more than 40 years. But the U.S. Department of Energy and the U.S. Geological Survey have published and along with many others, strongly believe that there are two “missing giants” in the area and under the leases held by Escopeta and Centurion and that presently only a fraction of the total oil in the Cook Inlet Basin has been discovered and produced.

Escopeta and Centurion are one of the Cook Inlet’s largest leaseholders with more than 130,000 acres under contract. The company has spent 13 years operating in the area and studying geological structures and oil and gas migration patterns and now is confident that it has pinpointed significant oil and gas reserves in two areas know as “Kitchen” and “East Kitchen”. Davis places the potential discovery level at over to 2 billion barrels of oil BOI.

“Every barrel of oil and mcf of natural gas that we produce from Cook Inlet is one less barrel we need to beg from the Middle East,” said Davis. “American demand for crude oil and natural gas has far outpaced the supply being produced and we
have to seek out a combination of options to meet the rising need while also lessening our reliance on foreign nations during these politically unstable times, and we must do it now.”

Several major energy companies, including ConocoPhillips, Shell, Chevron and Pioneer Natural Resources own lease positions in the Cook Inlet Basin and will possibly use the rig after Escopeta’s drilling efforts are complete in 2008.

In order to drill in the #1 East Kitchen well, Escopeta and its business partner, Centurion Gold Holdings, Inc. (CGII, traded on NASDAQ) needed to transport a jack-up rig to the Alaskan waters. From the Gulf of Mexico but the Jones Act required that U.S. vessels be used when moving cargo from one American port to another. However, the only ship that could meet Escopeta’s timeline and handle the heavy jack-up rig was the Tai An Kou a Chinese vessel owned by Coscol, due to the fact that there are no American owned or flagged heavy lift vessels. Facing long-shot odds, Davis appealed to the Department of Defense, Department of Energy, and the Maritime Administration and to U.S. Department of Homeland Security and to President Bush for a waiver of the Jones Act. On June 27, 2006, Davis received a letter granting a waiver from the Jones Act from the Secretary of Homeland Security, Michael Chertoff. Davis considers the waiver “The first move by the United States government in over 30 years to get behind and support American oil companies drilling for American oil.” I am very proud of these agencies and their insight.”

“We requested the views of the Department of Defense, the Department of Energy, and the Maritime Administration with respect to your waiver request,” Secretary Chertoff’s letter read. “Having carefully considered your request in light of the factual circumstances that have been presented, along with the views of these concerned Government entities, none of which have objected, and Congress persons, we find that such a waiver is in the interest of national defense. Therefore, your request for a waiver of the Jones Act is granted.”

According to the letter, approval was given based on declining, oil and gas production in the United States and the Cook Inlet Basin. The reliance of south-central Alaska on gas for power and heating, the potential for major oil and gas discoveries in the area, in addition to other supporting factors, were considered when granting the waiver.
"We are extremely proud to be the first independent oil company to receive a Jones Act Waiver," said Davis. "A ten percent increase in U.S. reserves would represent an extremely powerful step forward for Alaska, as well as the United States. Escopeta and Centurion are poised to discover the largest oil and gas field to be found in the United States in the last 40 years."

The rig will begin the voyage from the Gulf of Mexico and sail around the tip of South America, since the Panama Canal is too narrow, to the first drilling location located in 70 feet of water in the Cook Inlet Basin. Drilling on the #1 East Kitchen location is scheduled for March 2007.