

Deep-water rig needed in Inlet

TIM BRADNER
ECONOMY

(04/10/10 17:51:19)

State and community leaders have finally focused on the serious threat we face with pending natural gas shortages in Southcentral Alaska, and it's about time.

For years Tony Izzo, Joe Griffith and Jim Posey, all seasoned local utility managers, have warned about this, taking their message to innumerable Chamber of Commerce meetings and legislative hearings. Few took it seriously. Until now.

Here's some background for those who have been gone for a decade or who believe the tooth fairy heats our homes:

For years we had big surpluses of natural gas in Southcentral and some of the cheapest natural gas prices in the nation. Times have changed. The gas fields are being depleted, and prices are rising. There's still not enough new exploration.

The latest assessment is that by 2014 we could run short of gas on an annual supply basis. This means we won't produce enough gas annually to meet our annual requirements. It means we either bring in gas from somewhere else or curtail consumption. Not a pretty picture.

State legislators are addressing this, and they have some good ideas. House Speaker Mike Chenault of Nikiski has a bill that would expand incentives for new gas exploration. Sen. Tom Wagoner of Kenai proposes a grant of incentives for explorers drilling for deep gas that many geologists suspect lies under Cook Inlet. Rep. Mike Hawker of Anchorage has a bill that would assist development of natural gas storage facilities, which are badly needed.

State Sens. Lesil McGuire and Bill Wielechowski, both of Anchorage, would supercharge the planning for a stand-alone "bullet line" to pipe North Slope gas and provide incentives for new industrial plants, like gas-to-liquids, to share the pipeline cost with the utilities. We need that as a backup in case the big pipeline stumbles.

Chenault has another bill to clarify authority for the Alaska Natural Gas Development Authority, a state agency, to work with local utilities in securing gas supplies, and to give ANGDA preapproval on financing to help utilities do a group

purchase of gas either from Cook Inlet or the North Slope.

All are good ideas. I hope they are all approved. There is one idea, however, I haven't heard talked about, at least in recent years. I believe the state could expedite exploration of some very promising prospects in Cook Inlet by contributing to the cost of bringing in a special rig capable of deep-water drilling.

All geologists agree there is more gas to be discovered in Cook Inlet, and everyone agrees we should encourage more exploration here before building multibillion-dollar bullet lines from the Slope.

One of the most promising and unexplored parts is an area in the middle of Cook Inlet where the water is deep. A mobile drilling structure, like a jack-up rig, is needed. A jack-up rig is floated into place, then steel legs are lowered to the sea floor and it mechanically jacks itself above the water to create a stable drilling platform. We've had jack-up rigs in the Inlet before, but it was more than 20 years ago.

If we could get one here now a lot of prospects could be drilled for both oil and gas, some in areas where there are confirmed shows.

A small independent company, Escopeta Oil and Gas, is working to bring a jack-up rig to Cook Inlet to explore. The company has lined up a drill unit, but given the recession and our peculiar local issues that concern investors, like the Inlet's endangered beluga whales, Escopeta is having its troubles.

A few years ago then-Gov. Frank Murkowski suggested that the state chip in to help bring a jack-up rig north. The idea didn't sell with the Legislature, however, and Murkowski dropped it to work on bigger issues like the gas pipeline.

This idea makes sense. It's a discrete, one-shot contribution that involves less than we're now spending on bullet line studies. The payback could be pretty quick.

There's a long tradition of the state helping facilitate infrastructure (in this case, a drill rig that can drill in deeper parts of the Inlet), and this deal could be structured in a way similar to the assistance we provided Agrium Corp. a few years ago. We gave Agrium a \$5 million grant to investigate a coal-to-liquids project at the company's plant near Kenai, with the understanding that it would be repaid if the project went ahead. Unfortunately it did not, but it was a good effort.

This is similar. We're spending a lot of money now on assuring energy for Cook Inlet. Why not take this extra step?

Tim Bradner writes for an Alaska economic reporting service. He also consults for private clients and writes for business publications. His opinion column appears

every month in the Anchorage Daily News.

Print Page

Close Window

**Copyright © Sun Apr 11 14:25:32 UTC-0800 20101900 The Anchorage Daily News
(www.adn.com)**