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Arco's Inlet find is big-league

Well-plumbed area may yield 750-million-barrel prize for oil firms, state coffers

By KIM FARARO

Daily News business reporter

Arco announced Tuesday that two of its recent oil discoveries may be among the largest fields ever found in Alaska.

The company said its Sunfish discovery in Cook Inlet might be in a field that could produce up to 750 million barrels of oil. That would make the field the largest in Cook Inlet. It would be the third largest producible field in the state, after the North Slope's giant Prudhoe Bay and Kuparuk River fields.

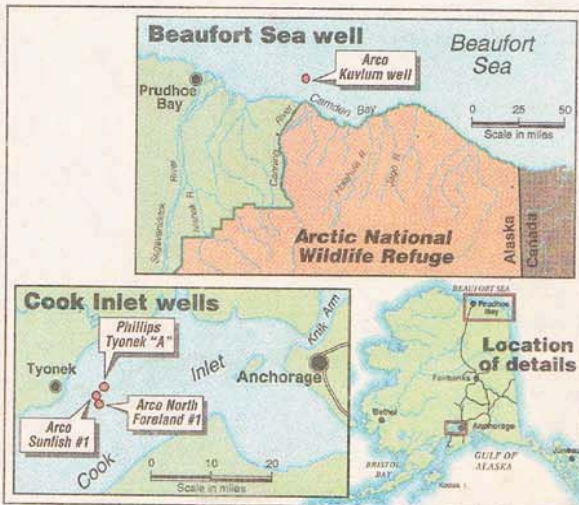
The other discovery, the Kuvlum in the Beaufort Sea, could be even bigger than the Cook Inlet find. But the company's Kuvlum estimates are more tentative because Arco has done less drilling there. Arco said the field could produce between 1 billion and 6 billion barrels of oil, though it said there was less than a 1 percent chance that it could yield the higher amount.

The state's largest field, Prudhoe Bay, is a 12-billion-barrel find, the biggest ever discovered in North America. Kuparuk is the state's second-largest field; it is expected to produce 1.8 billion barrels.

The Los Angeles-based company and its partners had announced the discoveries before, but didn't say how large they thought the fields could be.

The news was greeted with excitement by state officials, who have suffered through a year and a half of mostly bad oil news of declining oil fields, of staff cutbacks at major oil companies and of companies leaving the state to explore overseas.

State petroleum economist Chuck Logsdon said the Cook Inlet find, which could



KEVIN POWELL and RON ENGSTROM / Anchorage Daily News

come on line as early as 1996, would give the state some breathing room as it searches for money to replace declining revenue from Prudhoe Bay.

"It's not going to replace Prudhoe Bay, but it will cushion the blow," he said. Oil taxes and royalties, mostly from Prudhoe Bay, fund about 85 percent of the state budget.

Logsdon estimated the Cook Inlet field could generate \$130 million a year at today's prices if it yields 750 million barrels. He said the field also would create long-term jobs, helping offset the loss of jobs — including some at Arco — as North Slope oil fields have declined. Arco said it could place up to five oil platforms in Cook Inlet to drain the new discovery.

About 25 to 50 people work on a typical Cook Inlet platform.

A jubilant Jim Eason, director of the state's Division of Oil and Gas, said he hoped the news might cause companies that have left the state to reconsider their decisions.

"It's big enough to make a lot of them look again at what they walked away from, although it's not clear if they'll come back," Eason said.

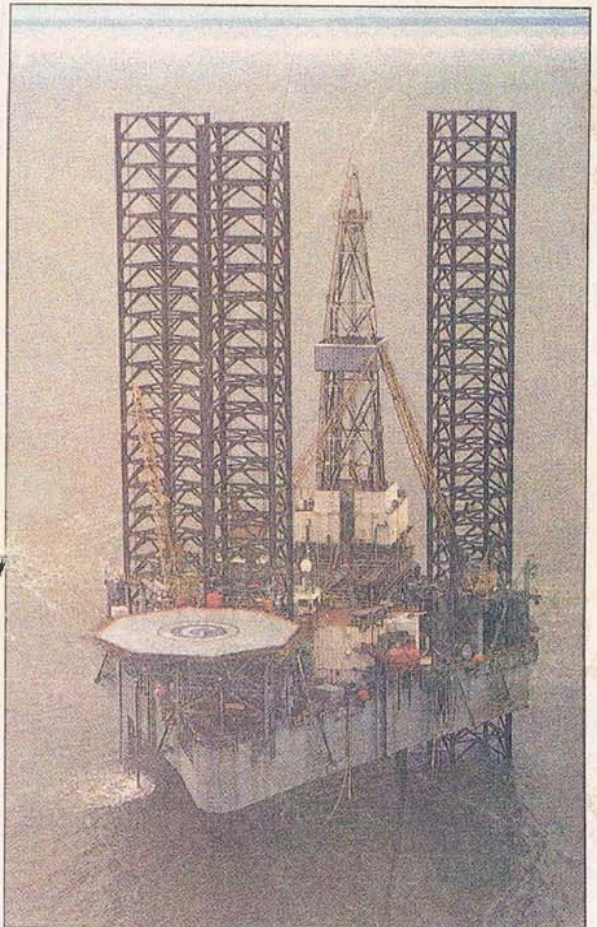
The Kuvlum discovery has always been less exciting for the state because it sits in federal waters and the bulk of the public revenue it would generate would go to the U.S. government. Arco also has said it could not produce from the field

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ALASKA'S TOP OIL FIELDS

1. Prudhoe Bay (North Slope)
12 billion barrels recoverable
2. Kuparuk (North Slope)
1.8 billion barrels recoverable
3. McArthur River (Cook Inlet)
Almost 600 million barrels recoverable

Sources: Arco, Dept. of Natural Resources



ADELE T. CHAVEZ / Daily News file photo

The Arco Sunfish No. 1 drilling platform in Cook Inlet

OIL: Companies say Inlet, Beaufort discoveries big

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unless it holds at least a billion barrels of oil because it is so remote and in a hostile environment complete with giant icebergs that could gouge any pipeline to shore not buried deep enough.

The announcement of the potential at the Cook Inlet field should end months of frenzied rumor-mongering in the oil industry and on the Kenai Peninsula, which depends heavily on oil taxes and oil jobs. At the height of the furor, some had speculated that the field was as large as Prudhoe Bay.

Although the field is substantially smaller, it is still a big surprise because it defies conventional wisdom in the Oil Patch: that the

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biggest oil fields in the Cook Inlet area were found long ago. The McArthur River field, discovered in 1965, has been the largest Cook Inlet field. It is expected to produce 600 million barrels of

crude by the end of its life. Roger Herrera, a former executive at BP Exploration (Alaska) Inc., said he didn't expect the Cook Inlet discovery to be so big. "To find the biggest field of all this late

in the exploratory evolution of that field is truly extraordinary."

The discoveries are crucial to Arco, which has staked much of its future on the state and must replace its huge Prudhoe Bay reserves to stay in the big leagues that it broke into with the field's discovery. The company owns 22 percent of the crude produced from the mammoth field.

The importance of the Cook Inlet field to Arco was evident in January, when the company and its partner, Phillips Petroleum Co., anted up \$66 million in a state lease sale to snatch all the acreage they thought covered the field. Arco had worried — as it turned out needlessly — that competitors

might have snatched the holdings away and delayed the field's production.

Pam Parks, head of the Arco team drilling new wells to figure out how big the field is, said Sunfish's importance became obvious to her when she recently received a call from company chairman Lodwick M. Cook, who was checking in on the team's progress. Parks said Cook rarely follows delineation of a field so closely. She said the field is particularly important to the company because it could generate cash to develop other, possibly larger and more difficult fields such as the Kuvlum.

Large discoveries would also shore up Arco's belief that there are still substantial amounts of oil to be

found in Alaska despite the exodus of other oil companies to such places as the former Soviet Union.

Eugene Nowak, energy group director of the stock brokerage firm Dean Witter, said the announcement showed that Arco's exploration efforts in Alaska were sound investments.

Arco owns the Sunfish field with Phillips, which has a 40 percent share. It shares the Kuvlum discovery with five oil companies: Phillips, Union Texas Petroleum, Total Minatome Corp., Murphy Oil USA Inc. and Mobil Exploration & Production U.S. Inc.

The Associated Press contributed to this story.