

Gas *in the Gulf?*

Discovery, believed to contain at least 1 trillion cubic feet, may reignite exploration interest

By **KIMBERLY QUILLEN**
Times-Picayune

NEW ORLEANS — For years, the search for oil and gas has led energy companies to points around the globe. But last week, McMoRan Exploration Co. gave the industry a reason to consider coming back to the Gulf of Mexico.

McMoRan said Monday that it drilled more than 28,000 feet beneath the ocean floor to make what may be one of the largest discoveries in the shallow waters of the Gulf in recent decades. The Davy Jones prospect covers 20,000 acres and is believed to contain at least one trillion cubic feet of natural gas.

The find is notable not only because of its size, but because it is located in a section of the Gulf believed to be largely tapped out and was discovered by a New Orleans company that, when compared with the industry giants, is fairly small.

"It's a major find that's out of scale for a company of that size," said Peter Ricchiuti, assistant dean at Tulane University's A.B. Freeman School of Business.

The discovery taps into what McMoRan believes is a large zone of energy-bearing sands located so deep beneath the Gulf of Mexico seabed that traditional wells have not reached it. The possibility that such a vast rich zone exists raises hopes for exploration throughout the Gulf, which has seen drilling activity decline in recent years as energy companies have increasingly turned to international markets.

The discovery is expected to bolster particular interest in energy exploration in the shallow waters of the Gulf where McMoRan made its find.

"It's got huge buzz in the energy business because this was really an area thought to be completed," Ricchiuti said. "This was the dead sea, and the only area of excitement was the deepwater. If it's true, if this has legs, you're going to see the majors come back here."

Interest in the Gulf's deep waters, generally defined as 1,000 feet of water or more, could also get a boost.

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"Could this bring more people back to the Gulf of Mexico in general? Absolutely," said Neal Dingmann, an analyst with Wunderlich Securities in Houston.

McMoRan's theory is "those zones run clear from onshore all the way to the deepwater," Dingmann said. "It wasn't that they hit just one well, but it really connected the dots,"

opening up a potential new play in the Gulf to companies that are willing and able to drill to great depths.

Another, much deeper, layer

McMoRan, working with Energy XXI and other partners, made the Davy Jones discovery in 20 feet of water 10 miles off the coast of Louisiana.

Most of the major oil companies have, over time, moved farther out — into the Gulf or international markets — in search of new discoveries. McMoRan, on the other hand, has made a strategy out of drilling deep beneath the ocean floor in the Gulf's shallow waters — more than 25,000 feet below the sea floor.

The idea is "there is another whole layer of dead dinosaurs under there," Ricchiuti said. "If, in fact, there's a whole other play in the Gulf of Mexico at a lower level, ostensibly you could redrill the whole Gulf of Mexico."

Activity could benefit Mobile energy sector

Mobile-area business leaders hope that big Gulf discoveries like McMoRan's will help grow a local oil and gas service industry that already has a significant economic impact.

"As more and more oil and gas activity takes place offshore, our community has an excellent chance to provide more products and services to companies that are drilling," said Steve Russell, director of business expansion and retention for the Mobile Area Chamber of Commerce.

Along with local businesses that perform work for the oil and gas industry, the chamber last fall formed Alabama Offshore, dedicated to growing the sector locally. Its Web site is www.offshorealabama.com.

Since the group's founding, membership has grown from 130 to 150 companies, Russell said. They include companies that are 100 percent focused on oil and gas, like ExxonMobil, and those such as Mobile's Atlantic Marine shipyard, which has in the past repaired drilling rigs.

Others, such as Aker Solutions and Technip in south Mobile County, provide hundreds of jobs for people making equipment that serves the industry.

Aker is a tenant of the Alabama State Port Authority, where state docks Director Jimmy Lyons said there is plenty of additional property ideal for additional suppliers. The docks and chamber representatives have been in contact with several, he said.

The chamber estimates the oil and gas industry supports about 900 jobs in Mobile County, with an average salary of \$58,000.

— Kaija Wilkinson