

**CITY OF WASILLA
RESOLUTION SERIAL NO. 11-06**

A RESOLUTION OF THE WASILLA CITY COUNCIL SUPPORTING THE REQUEST FOR A JONES ACT WAIVER BY ESCOPETA OIL COMPANY, LLC, TO MOVE THE JACK-UP DRILLING RIG, SPARTAN 151, ABOARD THE TAI AN KOU FROM THE GULF OF MEXICO TO THE COOK INLET, ALASKA.

WHEREAS, Escopeta Oil Company, LLC (“Escopeta”), is seeking a Jones Act waiver to use a foreign heavy-lift vessel, TAI AN KOU, to bring a jack-up drilling rig from the Gulf of Mexico to the Cook Inlet, Alaska; and

WHEREAS, Title 46, United States Code Appendix, Section 883, provides in part that no merchandise shall be transported between points in the United States in any vessel other than a vessel built in, documented under the laws of, and owned by citizens of the United States; and

WHEREAS, the TAI AN KOU is a foreign-owned and foreign-flag vessel and thus requires a Jones Act waiver to carry the jack-up drilling rig from the Gulf of Mexico to the Cook Inlet, Alaska; and

WHEREAS, a Jones Act waiver is warranted because there are no American flagged heavy-lift vessels available and capable to do this job; and

WHEREAS, a Jones Act waiver was previously granted in 2006 by the United States Department of Homeland Security, Customs and Border Protection to move the jack-up rig to Alaska aboard the aforementioned vessel; and

WHEREAS, the project did not proceed on the original timeline; and

WHEREAS, the intent and circumstances surrounding this project and vessel have not changed; and

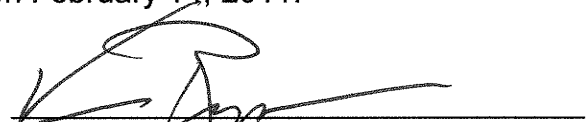
WHEREAS, the jack-up-rig, the Spartan 151, is an American manufactured rig that will be manned and operated by resident Alaskan workers, thus creating many new direct jobs within the area; and

WHEREAS, Alaska's need and demand for natural gas has increased; and

WHEREAS, the City of Wasilla is one of the Alaskan communities that will be negatively impacted by a shortage of Cook Inlet natural gas, which is used to generate electrical power used in our homes and businesses.

NOW, THEREFORE, BE IT RESOLVED, the Wasilla City Council hereby supports the request for a Jones Act waiver by Escopeta Oil Company, LLC, to move the jack-up drilling rig, Spartan 151, aboard the TAI AN KOU from the Gulf of Mexico to the Cook Inlet, Alaska.

ADOPTED by the Wasilla City Council on February 14, 2011.


VERNE E. RUPRIGHT, Mayor

ATTEST:


KRISTIE L. SMITHERS, MMC, City Clerk

[SEAL]

VOTE: Harris, Holler, Katkus, Menard, Sullivan-Leonard and Woodruff in favor.



**CITY OF WASILLA
LEGISLATION STAFF REPORT**

RESOLUTION SERIAL NO. 11-06: SUPPORTING THE REQUEST FOR A JONES ACT WAIVER BY ESCOPETA OIL COMPANY, LLC, TO MOVE THE JACK-UP DRILLING RIG, SPARTAN 151, ABOARD THE TAI AN KOU FROM THE GULF OF MEXICO TO THE COOK INLET, ALASKA.

Agenda of: February 14, 2011

Date: January 31, 2011

Originator: Deputy Clerk for Dianne Woodruff

Dianne Woodruff

Route to:	Department	Signature/Date
	Chief of Police	
X	Finance Director	<i>[Signature]</i> 2/2/11
X	Interim Deputy Administrator	<i>[Signature]</i>
X	City Clerk	<i>[Signature]</i>

REVIEWED BY MAYOR VERNE E. RUPRIGHT: _____

[Signature]

FISCAL IMPACT: yes \$ or no

Funds Available yes no

Account name/number: N/A

Attachments: Email from Mr. Webb with attachments (12 pp)

SUMMARY STATEMENT:

On January 17, 2011, Mr. Bruce Webb notified the Wasilla City Council regarding the need for a Jones Act Waiver in order to move a jack-up drilling rig from the Gulf of Mexico to the Cook Inlet and asked for our support.

It is my belief that moving the jack-up drilling rig to the Cook Inlet will meet the goals of Escopeta Oil Company, LLC, as well as being conducive to meeting local area goals by providing local jobs and investigating additional power sources for the area.

I believe you will find that attached resolution to be self explanatory and ask for your support in the adoption of Resolution Serial No. 11-06.

RECOMMENDATION: Approve the adoption of Resolution Serial No. 11-06.

Amanda Charles

From: Bruce Webb [bruce@webbpetro.com]
Sent: Monday, January 17, 2011 7:05 PM
To: mayor@muni.org; SullivanD@ci.anchorage.ak.us; Verne E. Rupright; Mary J Bixby; wwwasmc@muni.org; warrenkeogh.district1@gmail.com; noelwoods@mtaonline.net; ronarvin@mtaonline.net; markewing@mtaonline.net; cindybettine@mtaonline.net; jimcolver@mtaonline.net; vernhalter@mtaonline.net; wkeogh@mtaonline.net; clerk; FlynnPP@muni.org; Ossiander@gci.net; StarrWE@muni.org; halle@muni.org; HarrietDrummond@alaska.com; TrainiD@muni.org; Gray-JacksonE@muni.org; honemanps@muni.org; GutierrezM@Muni.org; JohnstonJ@Muni.org; ChrisBirch@gci.net
Cc: escopeta@swbell.com
Subject: RESPONSE FROM THE MAYOR OF KENAI
Attachments: image001.gif

Importance: High

Perhaps this is something the Anchorage and Wasilla Assembly might submit for a Resolution?

The jack-up rig means new natural gas exploration, jobs, hopefully new natural gas reserves and supply, State royalties, new income for local support companies, potential new tax revenues, and a host of other trickle-down benefits.

From: Patricia Porter [mailto:kenaimayor10@msn.com]
Sent: Monday, January 17, 2011 6:32 PM
To: Bruce Webb
Subject: Re: Jack-Up Rig coming to Cook Inlet... JONES ACT WAIVER

Bruce,

I have requested a Resolution for our next council meeting. I am hopeful our council will approve your request on February 2.

Pat Porter
Kenai Mayor

----- Original Message -----

From: Bruce Webb
To: mayor@muni.org ; SullivanD@ci.anchorage.ak.us ; mayor@ci.wasilla.ak.us ; cityofwasilla@ci.wasilla.ak.us ; dcarey@borough.kenai.ak.us ; kenaimayor10@msn.com ; pporter@ci.kenai.ak.us ; wwmas@muni.org ; wwwasmc@muni.org ; warrenkeogh.district1@gmail.com ; noelwoods@mtaonline.net ; ronarvin@mtaonline.net ; markewing@mtaonline.net ; cindybettine@mtaonline.net ; jimcolver@mtaonline.net ; vernhalter@mtaonline.net ; wkeogh@mtaonline.net ; clerk@ci.wasilla.ak.us ; FlynnPP@muni.org ; Ossiander@gci.net ; StarrWE@muni.org ; halle@muni.org ; HarrietDrummond@alaska.com ; TrainiD@muni.org ; Gray-JacksonE@muni.org ; honemanps@muni.org ; GutierrezM@Muni.org ; JohnstonJ@Muni.org ; ChrisBirch@gci.net ; mboyle@alaska.com ; bob@molloyforcouncil.com ; cpajoe@altrogco.com ; ryan@marquisforkenai.com ; terry@bookeyforkenai.com ; briangabriel@acsalaska.net ; cfreas@ci.kenai.ak.us ; pa12gary@hotmail.com ; hvsmalley@yahoo.com ; rtauri@gci.net ; suemccl@gmail.com ; cpierce@gci.net ; linda@clerkworksak.com ; mako@xyz.net ; bsmith@xyz.net ; ragweb@gci.net
Cc: escopeta@SWBELL.NET
Sent: Monday, January 17, 2011 3:14 PM
Subject: Jack-Up Rig coming to Cook Inlet... JONES ACT WAIVER

Dear Mayors, Assembly, and City Council Members,

Attached is a letter from Escopeta Oil and Gas regarding the federal Jones Act waiver that is required to bring a jack-up drilling rig to the Cook Inlet. A Jones Act waiver is necessary when a foreign flagged-vessel is used to transport goods

and supplies from one U.S. port to another U.S. port. It is not required if a foreign flagged-vessel is used from a foreign port to a U.S. port. Currently, there are no U.S. flagged heavy-lift vessels capable of hauling a Jack-up drilling rig.

Escopeta had received a Jones Act waiver under the Bush administration back in 2006, when it began endeavor of trying to get a jack-up rig to the Cook Inlet to drill for oil and gas. It was determined, at that time, the waiver was in the best interests of the United States, the State of Alaska, and in the interests of nation security and energy policies. At the time this waiver was issued, it was for the exact same project in the Cook Inlet, but using a different rig and different heavy-lift vessel.

Despite the current energy conditions, reliance on foreign oil, and grim outlook for natural gas deliveries in the Cook Inlet, the Obama administration has determined that a new waiver is required, simply because the rig and vessel have changed – not the project or needs of the United States or Alaska.

The attached letter requests that you send a letter in support of Escopeta's quest for a new Jones Act Waiver. The jack-up rig is currently at a dock in Galveston, Texas where it is being modified for cold weather. It is scheduled to be put on a vessel and headed to Alaska, around the tip of South America by the end of February or early March, and arriving in Cook Inlet late May or early June of this year.

As you are well aware, the Cook Inlet is reaching a critical threshold in the natural gas demand vs. deliverability and this is going to have dire consequences to more than half of the state's population who rely on natural gas for electrical generation and inexpensive home heating. This project will also create many jobs and sources of tax revenue, not to mention more oil and gas production.

I urge you to read the attached letter and write a response to the two federal agencies who are in charge of issuing the necessary waiver. Thank you for your time and assistance.

Regards,

-Bruce Webb
Lifelong Alaskan resident

From: Escopeta Oil [mailto:escopeta@swbell.net]
Sent: Monday, January 17, 2011 11:17 AM
To: Bruce Webb
Cc: stevepna@hotmail.com
Subject: JONES ACT WAIVER



Danny S. Davis

5005 Riverway, Suite 440 • Houston, Texas 77056
Office: 713.623.2219 • Fax: 713.439.1205
E-mail: escopeta@swbell.net



January 17, 2011

Governor Parnell, all Representatives & Senators, Mayors and Alaska Lawmakers
State of Alaska

Re: Jones Act Waiver to move Escopeta's Spartan 151 Rig from Gulf of Mexico,
to Cook Inlet Alaska

Dear All,

I wanted to write to all of you together and keep you informed of Escopeta's timeline to transport its Jack-Up Rig to the Cook Inlet as planned. The 151 is presently in port in Galveston, Texas, at the Gulf Copper Dock to begin winterization. This work scope should take from 45 to 50 days with the jack-up being loaded out in late February or early March to head to Cook Inlet.

The biggest obstacle we now face is the ratification of our existing Jones-Act Waiver or the issuance of another waiver. I am copying to each of you, correspondence Escopeta has had with Homeland Security and U.S. Customs and Border Protection, as well as letters of support for the waiver. I do not think I need to expound on how important it is for all of us to get our jack-up to Alaska.

The future of additional large supplies of natural gas for Anchorage and the military bases, as well as job creations, only become real when the jack-up arrives and drills.

We are on our way, but I need your help and support with Washington, D.C. to achieve this goal. Please write to the address below your letter of support:

Mr. Glen E. Verb
Director, Board Security and Trade Compliance
Office of International Trade, Regulations and
Filings
U.S. Customs and Border Protection
Washington, D.C. 20229

Mr. Richmond Beevers
Regulations and Rulings
U. S. Customs and Immigration
Mint Annex 799 9th Street NM
Washington, D.C. 20229

Please send your letters as soon as possible, this is a very serious matter, time is of importance to us all.

Thank you,

A handwritten signature in black ink, appearing to read "D. S. Davis", written over a light blue circular stamp.

Danny S. Davis



**U.S. Customs and
Border Protection**

NOV - 8 2010

Mr. Danny S. Davis
Chief Executive Officer
Escopeta Oil & Gas Development
5005 Riverway
Suite 440
Houston, TX 77056

Dear Mr. Davis:

This is in response to your e-mail correspondence of November 8, 2010, attaching your letter of November 5, 2010, in which you provide "advice and notice" to U.S. Customs and Border Protection (CBP) of your intent to transport the Spartan 151 drilling rig from the Gulf of Mexico for delivery to Cook Inlet, Alaska in the Spring of 2011 aboard the non-coastwise-qualified vessel, TAI AN KOU. You further state in your letter that you seek no ratification from CBP based on your assertion that the waiver to the Jones Act, 46 U.S.C. § 55102, granted to your company in 2006, remains in full force and effect.

We hereby notify you that, inasmuch as Jones Act waivers address specific vessels undertaking specific voyages, they are neither open-ended nor transferable. Regardless of whether the voyage contemplated in your 2006 waiver took place or not, it would not be applicable to the present situation and your request must be processed as a new request for waiver, under procedures established through CBP. To date, your request for a waiver is still pending at the Department of Homeland Security and has yet to be either granted or denied. A waiver to the Jones Act for your contemplated voyage is therefore not in effect at this time.

Accordingly, please be advised that the waiver issued in 2006 is inapplicable to the voyage now under consideration and will provide no protection from Jones Act penalties assessed by CBP in the event that you elect to proceed absent the granting of a new waiver by the Secretary of Homeland Security.

Sincerely,

A handwritten signature in black ink that reads "Glen E. Vereb".

Glen E. Vereb
Director, Border Security and Trade Compliance Division
Office of International Trade, Regulations & Rulings
U.S. Customs and Border Protection



November 5, 2010

Mr. Richmond Beevers
Regulation and Rulings
U.S. Customs and Immigration
Mint Annex, 799 9th Street N.W.
Washington, D.C. 20229

Re: Formal Notice of Movement of Jack-up-Rig (Spartan 151) to Alaska Using the Vessel TAI AN KOU Pursuant to Jones Act Waiver Granted to Escopeta Oil Company LLC by Homeland Security in June 2006

Dear Mr. Beevers,

Escopeta Oil Company LLC hereby advises that the vessel, TAI AN KOU, approved to transport the captioned jack-up rig to Alaska pursuant to the existing, valid Jones Act Waiver granted to Escopeta Oil Company LLC by Homeland Security in June of 2006, will transport the Spartan 151 from the Gulf of Mexico for delivery to Cook Inlet, Alaska in the Spring of 2011. This advice and notice seeks no ratification from US Customs based on the fact that the Waiver granted in 2006 is in still in full force and effect.

The Waiver is still in effect and valid. It has never been cancelled, or revoked. Further, the specific circumstances regarding the use of this vessel (the SAME vessel) and movement of the rig have not changed, nor have the route, departure, and destination information. There is no American vessel capable of moving the rig, which was true in 2006 and still true today. Be advised that the jack-up-rig, the Spartan 151, is an American manufactured rig that will be manned and operated by resident Alaskan workers thus creating many new, direct jobs within the area plus creating the normal, beneficial economic ripple effect of numerous support businesses and personnel utilized throughout the Anchorage and greater southwest Alaska area.

Alaska's need and demand for natural gas have both increased and have now become critical. Severe brown outs occurred last year. Also, for the second season, Anchorage area consumers have been requested to participate in energy conservation drills – to prepare for anticipated gas production short falls.

As you are aware, Escopeta's drilling program is estimated to produce 4 (+/-) Trillion cubic feet (TCF) of natural gas over the ensuing years, plus in excess of 400 Million barrels of oil (MMBO). This will diminish if not eliminate the critical energy needs so necessary and

November 5, 2010
Mr. Richmond Beevers
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economically important to consumers and the concomitant industrial and commercial growth throughout the region. Further it will serve to alleviate national security concerns facing both Elmendorf Air Force Base and Fort Richardson. New facilities and programs at the bases, well known to DHF, make the need for reliable and abundant gas supplies from Cook Inlet all the more urgent.

Lastly, Escopeta's efforts will serve to keep natural gas prices relatively low in the Anchorage area, though prices there are currently three times that of prices in the continental United States.

Please acknowledge receipt of this notification.

Thank you for your attention to this matter.

Sincerely,



Danny S. Davis, CEO

Cc: The Honorable Janet Napolitano
Secretary
Department of Homeland Security
Washington, DC 20528

SEAN PARNELL, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF OIL & GAS

550 WEST 7TH AVENUE, SUITE 1100
ANCHORAGE, ALASKA 99501

PHONE: (907) 269-8800

FAX: (907) 269-8938

November 23, 2010

Mr. Richmond Beevers
Regulations and Rulings
U.S. Customs and Immigration
Mint Annex, 799 9th Street NW
Washington, D.C. 20229

Dear Mr. Beevers:

It is my understanding that Escopeta Oil Company, LLC (Escopeta) is seeking a Jones Act waiver to use a foreign heavy-lift vessel to bring a jack-up drilling rig from the Gulf of Mexico to the Cook Inlet, Alaska. Escopeta is a small independent oil company who is attempting to explore for natural gas and oil in state waters in the Cook Inlet basin. Because so much of the population of Alaska lives in or near this area, new oil and gas resources are vital to our economy and livelihood. Escopeta has evidently identified a foreign vessel capable of carrying a jack-up drilling rig. A Jones Act waiver is warranted because there are no American flagged heavy-lift vessels available and capable to do the job.

Please consider Escopeta's request and grant the Jones Act waiver. If you have any questions or need more information about oil and gas exploration and development here in Alaska, please feel free to call me at 907-269-8781.

Thank you.

Sincerely,

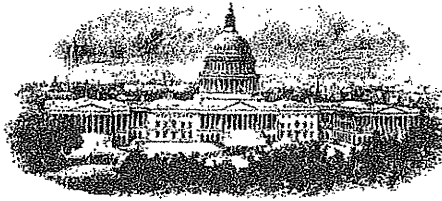


Kevin Banks
Director, Division of Oil and Gas

cc: John Katz, Director, State & Federal Relations
Thomas Irwin, Commissioner, Department of Natural Resources
Danny Davis, Escopeta Oil Company, LLC

"Develop, Conserve, and Enhance Natural Resources for Present and Future Alaskans."

DON YOUNG
CONGRESSMAN FOR ALL ALASKA
WASHINGTON OFFICE
2111 RAYBURN BUILDING
TELEPHONE 202-225-5765



COMMITTEE ON
RESOURCES
COMMITTEE ON
TRANSPORTATION
REPUBLICAN
POLICY COMMITTEE

Congress of the United States
House of Representatives
Washington, DC 20515

November 2, 2010

The Honorable Janet Napolitano
Secretary
Department of Homeland Security
Washington, DC 20528

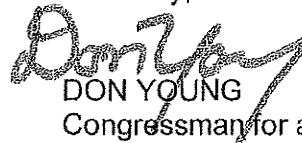
Dear Madame Secretary:

Thank you for your service to this nation. At this time, I bring your attention to an important issue that affects the energy needs of Alaska and respectfully request your response to an attached letter from Escopeta Oil Company, LLC (Escopeta). Natural gas supplies in Alaska are dwindling and if new reserves are not found, Alaskans may be forced to import additional supplies to meet our energy needs.

Escopeta is attempting to transport a jack-up rig from the Gulf of Mexico to Cook Inlet, AK to explore for new natural gas reserves. The rig is expected to be loaded in a few months time for drilling in spring 2011. Please confirm that the Jones Act waiver granted by the previous Administration is still in good standing as there is no American flagged heavy-lift vessel available to transport a jack-up rig of this size to Alaska.

Thank you for considering my request.

Sincerely,


DON YOUNG
Congressman for all Alaska

DY/jp
Enc.



September 1, 2010

Janet Napolitano
Secretary, US Department of Homeland Security
Washington, D.C. 20528

Re: Request for Ratification of Previous Waiver of Jones Act to Move Jack-Up Rig to Alaska

Dear Ms. Napolitano,

This letter is to request a ratification and reconfirmation of the Jones Act waiver granted to Escopeta Oil Company LLC in June of 2006 by then Secretary Michael Chertoff to transport a jack-up rig from The Gulf of Mexico to Cook Inlet, Alaska utilizing a foreign vessel. A copy of the 2006 waiver letter is attached hereto as well as Escopeta's reply letters dated July 12, 2006 and November 10, 2008, which contain pertinent information.

Escopeta has recently executed contracts to move the Spartan 151 jack-up rig to Alaska utilizing the offshore heavy lifting vessel MV Eagle or, as a back-up, the Falcon, both Norwegian flagged vessels belonging to Offshore Heavy Transport. There are no American flagged heavy lifting vessels in the world capable of moving the rig. These contracts are of course contingent upon obtaining Homeland Security's approval/ratification of its previous waiver of the Jones Act. The total value of these contracts is in excess of \$250,000,000. The rig is scheduled to be loaded by February/March 2011 in time for drilling to commence in the Cook Inlet in the Spring, thus time is of the essence. As you may know, Alaska is anticipating brown outs in its major cities to include Fort Richardson, Elmendorf Air Force Base, and Anchorage due to a shortage of natural gas, which Escopeta will remedy with its drilling activities at Cook Inlet.

The previous delay in moving a jack-up rig to Alaska involved the failure of the company previously engaged to get its jack-up rig rebuilt to Alaska standards and ready to move. In any event, Escopeta now stands ready to go, subject to Homeland's ratification of its previous waiver.

We respectfully request your ratification as soon as possible and certainly within thirty days so we can keep our schedule, our contracts in force, move the rig on time, and find the much needed supply of natural gas for the citizens of Anchorage.

Janet Napolitano
Secretary, US Department of Homeland Security
September 1, 2010
Page 2

If you or any of your staff need additional information please advise and we will provide immediately.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Davis', with a stylized flourish at the end.

Danny S. Davis, CEO

Secretary

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

June 27, 2006

Jeanne M. Grasso, Esq.
Blank Rome LLP
600 New Hampshire Avenue, NW
Washington, D.C. 20037

Dear Ms. Grasso:

Thank you for your May 19, 2006 letter wherein you requested, on behalf of Escopeta Oil Company, LLC ("Escopeta"), a waiver of the Jones Act so that the TAI AN KOU, a foreign-owned and foreign-flag vessel, may be used to transport a jack-up drilling rig (the "Tellus rig") to Cook Inlet, Alaska, from Port Arthur, Texas.

We requested the views of the Department of Defense, the Department of Energy, and the Maritime Administration with respect to your waiver request. 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 Congresspersons, we find that such a waiver is in the interest of national defense. Therefore, your request for a waiver of the Jones Act, as described below, is granted.

In your correspondence, you described certain pertinent facts, including:

- Due to the declining oil and gas production and supplies in Cook Inlet, there is a need for one-time movement of the Tellus rig from Port Arthur to Cook Inlet to facilitate the exploration and production of natural gas;
- Fort Richardson and Elmendorf Air Force Base rely on Cook Inlet natural gas for power generation and heating;

- tip of Africa, as the rig is too large to be transported through the Panama Canal;
- Only 11 heavy-lift semi-submersible vessels are currently active world-wide and that all of these vessels are foreign-owned and foreign-flagged;
- By using the Tellus rig, Escopeta will try to address the anticipated energy shortage through exploration in several projects in the Cook Inlet area;
- The movement of the Tellus rig is scheduled to begin in mid-July 2006 and to be completed in September 2006; and
- Senators Stevens and Murkowski and Congressman Young expressed support of the above facts in letters sent to the Secretary of Defense, copies of which we have received.

Title 46, United States Code (U.S.C.) Appendix, section 883 (46 U.S.C. App. § 883) provides in part that no merchandise shall be transported between points in the United States embraced within the coastwise laws, either directly or via a foreign port, or for any part of the

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transportation, in any vessel other than a vessel built in, documented under the laws of, and owned by citizens of the United States.

The coastwise laws generally apply to points in the territorial sea, which is defined as the belt, three nautical miles wide, seaward of the territorial sea baseline, and to points located in internal waters, landward of the territorial sea baseline.

The navigation laws administered by U.S. Customs and Border Protection (including 46 U.S.C. App. § 883) can only be waived under the authority provided by the Act of December 27, 1950 (Pub. L. 81-891, 64 Stat. 1120; note preceding 46 U.S.C. App. § 1). This statute provides that "[t]he head of each department or agency responsible for the administration of the navigation and vessel inspection laws is directed to waive compliance with such laws upon the request of the Secretary of Defense [and] [t]he head of such department or agency is authorized to waive compliance with such laws . . . either upon his own initiative or upon the written recommendation of the head of any government agency, whenever he deems that such action is in the interest of national defense."

Thank you for your interest in the Department of Homeland Security.

Sincerely,



Michael Chertoff

cc: Michael Hokana, Maritime Administration
Alice Lippert, Department of Energy
Adam Yearwood, Department of Defense
