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Southern Utes christen deep-water energy system

Floating production facility part of \$2B project

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Courtesy of LLOG Exploration Co.

Members of the Southern Ute Indian Tribe and the Growth Fund's Red Willow Production Co. attended the christening for Delta House, a 296-foot semi-submersible floating production system last week in Ingleside, Texas.

Tribal Council members of the Southern Ute Indian Tribe and members of the Growth Fund's Red Willow Production Co. attended the christening of Delta House, a 296-foot-tall semi-submersible floating oil and natural-gas production system, last week in Ingleside, Texas.

The floating production system will be placed in the Mississippi Canyon about 53 miles offshore southeast of Venice, Louisiana, as early as the end of July, said Bob Zahradnik, operating director of Southern Ute Growth Fund.

The tribe became involved as a partner in the \$2 billion project in 2004, when it began funding the exploration of oil wells. The \$2 billion budget includes the cost of building the floating system, exploring and drilling wells, creating subsea systems, pipelines, funding leases, insurance and overhead costs.

"Delta House was one of the most cost-effective deep-water production facilities ever built," Zahradnik said. "We are very proud of the fact that we built this for much less than a major oil company would have."

The idea for the project started with the oil reserves, he said. Red Willow Production Co., an affiliate of the Southern Ute Indian Tribe, entered into an exploration agreement with Houston Energy and Helis Oil and Gas Co. The exploration program led to the oil reserves, which eventually justified construction of the production facility, he said.

The floating production system is a big ship used to process oil and gas, Zahradnik said.

Once the floating production system has been placed in the Mississippi Canyon, it has to be anchored. Then it is just a matter of completing the 15 wells. Five wells have been drilled to date, he said.

Once the wells have been drilled, cased and completed, Delta House can begin processing oil and natural gas from them.

"A lot of work still has to be done," Zahradnik said. "Everything offshore takes longer than you would expect."

The floating production system will produce 80,000 barrels of oil and 200 million standard cubic feet of gas daily. It has a peak production capacity of 100,000 barrels of oil and 240 million standard cubic feet of gas per day.

There will be one natural gas line and one oil line leading back to shore, Zahradnik said.

The first production of oil and natural gas is estimated to be in early 2015, he said.

Once Delta House begins processing oil and gas, it will provide a "substantial portion" of the Growth Fund's future profit, he said.

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