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Attorney drills into the thick of major global energy deals

BY FORD GUNTER
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A Houston firm recently teamed up with a Chinese national oil company to form only the fourth oilfield services company of its kind.

Two international oil giants have joined forces to drill in Caribbean waters once tapped by a company led by former President George H.W. Bush.

And Houston attorney Don Looper was involved in both deals.

In the latter, BPC Ltd. of Australia and Statoil-Hydro ASA of Norway are embarking on the first major drilling project in the Bahamas in more than two decades, in an area once drilled in the 1950s by Zapata Oil, which was co-founded by Bush.

BPC, which was originally Bahamas Petroleum Corp., is chaired by Australia resident Alan Burns.

Burns studied geology, figured there must be oil near the Falkland Islands, then set about finding it. He was successful and sold the assets for a tidy profit.

"In the early 2000s, again he looked around the world, and determined there were large formations in the Bahamas that should also contain large deposits of oil," says Looper, who co-founded the 90-attorney Looper, Reed & McGraw PC 24 years ago.

Burns hired a few specialists and went back to run some 1980s seismic data — which was salvaged from a Hurricane Katrina-ravaged warehouse in New Orleans — and records of wells drilled by Zapata.

One of those Zapata wells was said to be the deepest offshore well between Cuba and the United States at the time

Bush had partnered Zapata with John D. Rockefeller's Standard Oil and worked out of Marathon Key in the Florida Keys, without any major success.

Now Bush — and others — might be surprised to learn that BPC and Statoil believe there could be multiple 500 million-barrel-plus fields in the area, Looper says.

As a tip of the hat, BPC named one of its five 1,000-square-mile leases "Zapata."

"There is a lot of drilling and exploration in Northern Cuban waters," Looper says. "This project really does appear to be the beginning of the next major oil find in this hemisphere."

Looper, who specializes in complex acquisitions and joint ventures, headed up the legal team that served as outside counsel on the BPC/Statoil-Hydro agreement.

Looper's firm is also general counsel for the newly formed Integrated Tubing Ltd., only the fourth coil tube drilling company in the world.

He also oversaw the joint venture between Houston-based Well Site International Services Inc. and China National Petroleum Corp., the largest Chinese oil company.



Bush

Looper says WSI Services, which focuses on pipe distribution and services, has a material office in China and has therefore developed relationships with Chinese pipe manufacturers.

When the patents on manufacturing coil tubing expired in December 2007, CNPC announced it was going to start producing the product. After 18 months of negotiations, CNPC is building an \$80 million to \$90 million manufacturing facility in China, and WSI will be CNPC's exclusive distributor in North and South America, as well as retain the rights to be a distributor elsewhere. Mitsubishi Corp. will supply the metals.

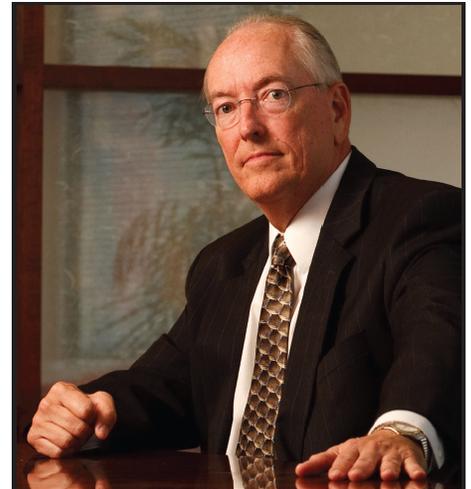
Twenty percent of all coil tubing is used in drilling oil wells, according to Looper.

"For directional drilling, coil tubing has become the metal of choice to put on the bottom of the drill bit so it can turn a sharper corner and save a lot of time and money," he says.

There are only three other companies in the world that make coil tubing, which is steel tube that unrolls flat and stiff from a spool. Through acquisition, Weatherford International Ltd. and Tenaris SA have two of the three coil tubing operations in the world, and each have major exclusive agreements with Halliburton Co. and Schlumberger Ltd., respectively.

"The rest of the world is out there playing second fiddle to being supplied with coil tubing," Looper says. "CNPC is the largest corporation in China. They decided they were not going to be in a maybe-or-maybe-not-get-supplied situation."

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MICHAEL STRAVATO/HBJ

Don Looper of Looper Reed & McGraw: 'This project really does appear to be the beginning of the next major oil find in this hemisphere.'

THE CUBA CONNECTION

When oil prices soared to \$140 a barrel in 2008, the domestic drilling debate reached a critical mass that spanned the election and, in light of the flagging economy and its detrimental impact on renewables, still continues.

One aspect of the dialog is the fear that China and Russia are drilling for oil in Cuba, potentially oil from reservoirs that extend into American waters but are off-limits to American drillers.

According to Jeremy Antonini, an analyst at Rigzone, a Houston-based oil and gas information clearinghouse, the Cuba hype is just that — hype.

The last activity in Cuban waters was in 2004, Antonini says, when Madrid-based Repsol YPF SA contracted a deepwater semi-submersible from Ocean Rig ASA and drilled a \$10 million to \$16 million well, the Yamagua 1. After spending a reported \$50 million in all, Repsol reported in late July that it found some potentially oil-bearing sands, but estimated only a 20 percent probability that the well would be economically viable to proceed.

"Nothing else has been announced since, so it was almost certainly a dry hole, especially given the level of coverage it saw in Cuban media and its bearing on potential drilling offshore Florida," Antonini says. "That is the only offshore drilling there since the '90s when Petrobras drilled some dry holes."

Ford Gunter