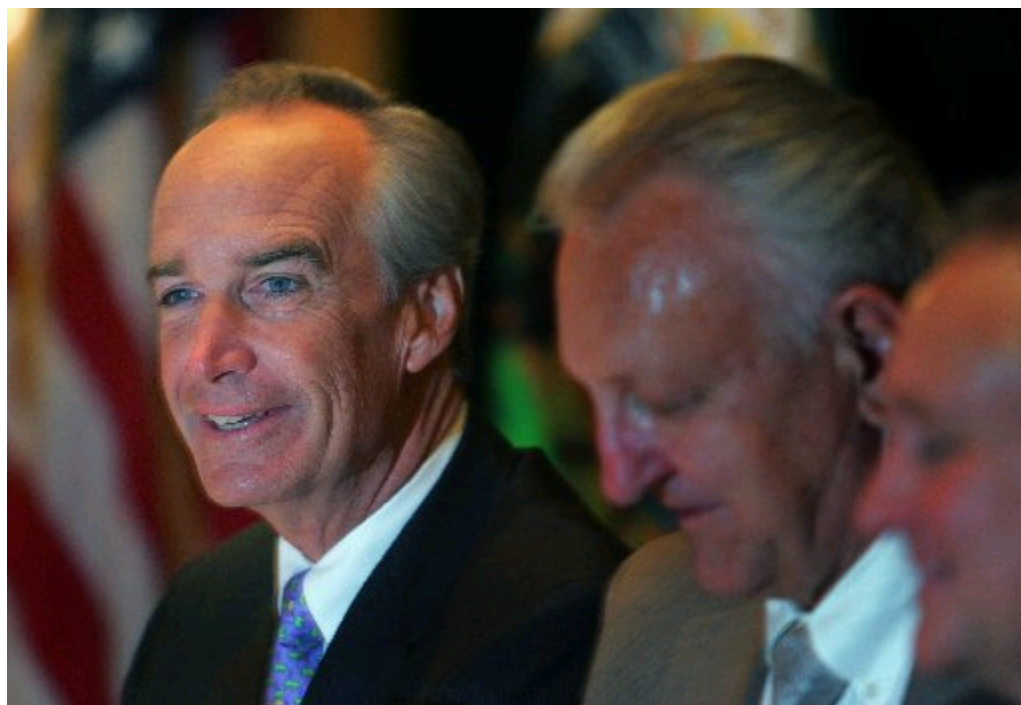


## Energy companies bid \$487 million on Gulf of Mexico tracts

Posted by [kquillen](#) August 20, 2008 13:41PM



JENNIFER ZDON/THE

TIMES-PICAYUNE The U.S. Secretary of the Interior, Dirk Kempthorne, left, officially opened the Minerals Management Services' oil and gas lease sale for the western Gulf of Mexico Wednesday morning.

An annual sale of oil and gas tracts in the western Gulf of Mexico drew more than \$487 million in high bids on Wednesday, more than the area has generated in a decade.

Members of the energy industry packed the ballroom at the Royal Sonesta hotel on Wednesday to watch Minerals Management Service officials, including Secretary of the Interior Dirk Kempthorne, read from a list of 423 bids on 3,412 offshore drilling blocks. The level of bidding -- which peaked at \$61.1 million for a single tract in the Alaminos Canyon region -- at times drew gasps of surprise from the crowd.

Lease Sale 207, which offered about 18 million acres between nine and 250 miles off the coast of Texas, is the latest in a series of high-stakes auctions by the agency that oversees drilling in federal waters. The skyrocketing price of oil and gas has spurred energy companies to explore for fuel deposits in regions once deemed too risky and expensive, such as the deepest waters of the Gulf of Mexico. With improved technology, companies have also uncovered signs of greater fuel stores in waters once thought to hold far less.

Lease sales have generated \$9.5 billion in high bids so far this year, Kempthorne said. In March, the MMS saw record bidding for Lease Sale 206, which pulled \$3.7 billion in high bids for the right to drill 28.5 million acres in the central Gulf.

- [Click here to see how much energy companies are bidding on western Gulf of Mexico drilling tracts](#)

Much of Wednesday's bidding occurred in waters between 800 and 1,600 meters deep. However, the shallow High Island region held the most sought-after tract. Seven companies contended for High Island Area 469, where waters are less than 200 meters deep. Most of the other territories received just a single bid, although some received two or three.

Shallower realms are typically thought to be prime spots for natural gas discoveries, while deeper regions tend to hold oil. That is why Eric Smith, associate director of the Entergy-Tulane Energy Institute at Tulane University, was not surprised by the concentration of bidding for parcels in deeper waters.

"The continuing trend is a focus on deep water and a focus on oil," he said.

While Smith was impressed by the overall sum of high bids, he said he was disappointed by the lack of rivalry for most of the tracts. However, he said outdated government estimates of underwater fuel reserves are partly to blame for the prevalence of single bids. Exploration companies rely largely on private data to gauge whether bidding on a certain tract would be worth their while.

"I don't think they have the same technology on all the same tracts," Smith said. "It could be a matter ... that people were more focused on the particular tracts that they were interested in. It's what they can afford."

ExxonMobil Corp. dominated Wednesday's sale, placing 130 high bids worth \$127.3 million. Chevron came close behind with \$127 million in high bids for 20 tracts.

McMoRan Exploration of New Orleans made one high bid of \$2.2 million for Brazos Area 23. Otherwise, Louisiana companies did not have much of a presence at Wednesday's sale. Shell Oil Co., a major employer in the state, made 15 bids worth about \$20.2 million.

The current demand for offshore drilling areas has created a difficult environment for smaller companies that are attempting to compete with world powerhouses that can offer top dollar, said Randall Luthi, director of the Minerals Management Service.

"I think you'll see some of the smaller companies enter into joint bids" during future auctions, Luthi said. "That's a way for them to compete."

More exploration opportunities could open in the years ahead if Congress decides to follow President Bush's call to lift sanctions on drilling untapped parts of the Outer Continental Shelf. Bush lifted an executive ban last month, and the Republican party has pushed to end the Congressional moratorium. Democrats have opposed the measure in favor of developing alternative fuel sources and tapping emergency fossil fuel reserves.

If Wednesday's lease sale is any indication, the energy industry would flock to any new drilling opportunities.

"It just shows that there is serious interest in leasing viable potential properties offshore and that people haven't given up trying to find oil and gas in the Gulf of Mexico," Smith said.



Source: Minerals Management Service

THE TIMES-PICAYUNE

*Jen DeGregorio can be reached at 504.826.3495 or [jdegregorio@timespicayune.com](mailto:jdegregorio@timespicayune.com).*

Categories: [Breaking News](#), [Energy](#), [Oil and Gas](#)

## Comments

Footer