

BOEM's Lease Sale 256 Reflects Operator Enthusiasm Despite Challenges Created by COVID

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NOVEMBER 30, 2020



On November 18, 2020, the Bureau of Ocean Energy Management (BOEM) held Lease Sale 256 which had been delayed since August to allow for additional market analysis given the challenges

created and/or exacerbated by COVID-19, including low oil prices and uncertain demand recovery. The results of the sale were better than anticipated and were far better than the results from BOEM's March 2020 lease sale, which received approximately \$93 million in high bids.

Twenty-three companies participated in the sale submitting bids well over \$135 million for 14,862 unleased blocks located anywhere from three to 231 miles offshore. Lease Sale 256 generated nearly \$121 million in high bids for 93 tracts covering around 79 million acres in the western, central and eastern planning areas of the Gulf of Mexico. While these tracts ranged in water depth from nine to 11,000 feet, the 75 deepwater (2,600-5,200 ft.) and ultradeepwater tracts (>5,200 ft.) attracted the most attention.

Shell Offshore lead the pack with 21 high bids on blocks in the Alaminos Canyon area near its deepwater Perdido Hub platform and in the Mississippi Canyon, Green Canyon, and Atwater Valley areas. Equinor Gulf of Mexico LLC won seven high bids totaling \$22,158,274, followed by BP Exploration & Production Inc. with 10 high bids totaling \$17,130,319.25, Chevron U.S.A. Inc. with 10 high bids totaling \$17,098,072, and EnVen Energy Ventures, LLC with 13 high bids totaling \$7,699,000.

The highest bid placed by divisions of Equinor and Repsol was for nearly \$12 million on an ultradeepwater block in the Walker Ridge area. BP placed the second-highest bid of \$7 million for a block in the deepwater Green Canyon area near its Mad Dog and Atlantis production platforms, as well as the fifth-highest bid for a block in the Mississippi Canyon near its Thunder Horse and Nakika production platforms.

Commentators believe that the results of Lease Sale 256 reflect industry confidence in the continued development of offshore assets and underscore the Gulf of Mexico's resilience and ongoing value to the energy sector.

One day prior to the Lease Sale 256, the BOEM proposed offering approximately 78.2 million acres for a region-wide Gulf of Mexico lease sale (Lease Sale 257) tentatively scheduled for March 2021. The proposed Lease Sale 257 will be the eighth offshore sale under the 2017-2022 Outer Continental Shelf (OCS) Leasing Program and will include all available unleased areas in federal Gulf of Mexico waters, totaling approximately 14,594 blocks.

A full summary of the bid results from Lease Sale 256 appears on BOEM's website.