Eastern Gulf Sale 181 is important to US gas supply

AS MUCH AS ONE THIRD of the increase in US natural gas demand expected by 2015 must be met by new supply from the US Gulf of Mexico. And the Eastern Gulf needs to play a critical role in meeting this challenge.

That's what makes it important that the proposed Eastern Gulf of Mexico OCS Lease Sale 181 be held as scheduled in December.

"We can't bet everything on the Central and Western Gulf offshore Louisiana and Texas," said **Paul Kelly**, Senior Vice President, **Rowan Companies Inc** and Chairman, IADC Government Affairs Committee at a January hearing in Pensacola, Fla on the proposed sale.

Mr Kelly cited the forecast of a 1999 study by the **National Petroleum Council** indicating that US natural gas demand will grow from today's 22 tcf/year to as much as 32 tcf/year by 2015.

"On the Shelf, producers are having a hard time just staying even," said Mr Kelly. "That's why we need deep water. More than half of what we need (from the GOM) hasn't been discovered yet."

The NPC study estimated that 47% of the 7-10 tcf/year increase in gas demand would be used for electricity generation. About 19% of the increase would go for residential use, 11% for commercial consumption and 23% for industrial demand.

The estimates of demand growth could even be conservative because the study assumed only a 2.5%/year growth in gross domestic product (GDP).

Much of the supply must come from the Gulf of Mexico, and much of that must come from deep water, according to the study.

According to the NPC study, 14% of the new supply will come from the Rocky Mountain region; 13% from the Ark-La-Tex area; and 14% from Canada. About 6% could come from LNG, said the study.

But the biggest share—33%—of the additional demand must be met by supplies from the Gulf of Mexico.

SALE 181 PARTICULARS

Sale 181 will be the 11th lease sale in the Eastern Gulf and the first Eastern Gulf sale proposed since 1988. The sale area includes a small portion of the EGOM planning Area 15 miles or more due south of the coast of Alabama and, as requested by the state of Florida, 100 miles or more due south of the Florida Panhandle.

The sale area consists of 1,033 lease tracts covering 5.9 million acres. A total of 39 tracts in the sale area are now leased.

Unocal began the first production in the EGOM Planning Area in early 1999. In June 1998, **President Clinton** withdrew from leasing until 2012 all of the EGOM outside the Sale 181 area.

IADC has strongly supported the proposed sale. In addition to testimony by Mr Kelly at the January MMS hearing and at a field hearing on the draft Environmental Impact Statement, a letter to the MMS Regional Director signed by **Brian T Petty**, IADC Senior Vice President-Government Affairs, stressed that American consumers would benefit from the sale.

Eastern Gulf of Mexico discoveries

Area/block	Well no	Date drilled	Operator
Destin Dome 160	001	01/85	Shell
Pensacola 948	001	02/85	Sohio
Pensacola 948	002	06/87	Tenneco
Destin Dome 111	001	06/87	Amoco
Destin Dome 56	001	06/87	Chevron
Pensacola 996	001	04/88	Texaco
Destin Dome 56	002	02/89	Chevron
Destin Dome 1	001	01/89	Gulfstar
Destin Dome 2	001	01/89	Gulfstar
Pensacola 881	001	01/89	Gulfstar
DeSoto Canyon 133	001	02/93	Amoco
Destin Dome 57	001	11/95	Chevron
DeSoto Canyon 177	001	02/97	Amoco

Source: US Minerals Management Service

Also, in early February, IADC Vice Chairman **C Stedman Garber Jr** and other industry leaders met with US Vice President **Dick Cheney** to stress the importance of the sale.

"I think it was a day well spent, but it is clear that there is a lot of work that must be done to preserve Lease Sale 181," said Mr Garber after the meeting.

There is still strong opposition to the sale. Florida Governor **Jeb Bush**, in a letter to the **US Department of Interior,** opposed the sale.

To put environmental risk in perspective, in his testimony at the Draft EIS hearing, Mr Kelly outlined the capabilities of mobile offshore drilling units and explained advances in technology.

The fact that 40 of 180 MODUs working in the Gulf of Mexico now are working in depths greater than 1,000 ft is evidence of the extraordinary technical advances of the past few years, he said.

"This technology will have comfortable application to the Sale 181 area and will not present any challenges the industry has not already met," he said.

The schedule of steps in Sale 181 include:

- November 2000—Draft EIS available for public review;
- January 2001—Draft EIS public hearings;
- June 2001—Final EIS available to public;
- June 2001—MMS sends CZM Consistency Determinations to states;
- July 2001—Proposed Notice of Sale available to public; beginning of 60 day comment period by states;
- October 2001—Final Notice Of Sale available to public;
- December 2001—Lease sale held.

THE EGOM AREA

The Eastern Gulf of Mexico Planning Area extends along the Gulf's northeastern coast for some 1,120 km (700 miles) from Baldwin County, Alabama, southward to the Florida Keys. The area includes about 76 million acres, with water depths ranging from tens of meters to over 3,000 m (9,900 ft).

Seaward of the state/federal boundary (roughly 9 miles off the Florida coast) the area extends southward for more than 480 km (300 miles).

Since the late 1980s, a limited amount of OCS activity has taken place in this planning area because of administrative deferrals and annual congressional moratoria.

In 1995 MMS estimated that between 7.5 and 8.7 tcf of natural gas and 1.6 and 2.5 billion bbl of oil and condensate are contained in the Eastern Gulf of Mexico.

Drilling has been done in the Eastern Gulf of Mexico offshore Alabama and Florida for more than three decades, according to MMS.

The first of 10 lease sales held offshore Florida occurred in 1959 and resulted in the issuance of 23 leases. Additional lease sales were held in the Eastern Gulf in 1973, 1976, 1978, 1981, 1982, 1983, 1984, 1985, and 1988.

Currently, according to MMS, there are 146 active leases in the Eastern Gulf of Mexico Planning Area. To date, 47 exploratory wells have been drilled in the EGOM; 13 of these wells discovered natural gas, condensate, and crude oil.

Exploratory drilling started in the Eastern Gulf of Mexico in the mid-1970s with the drilling of Destin Dome Block 162, located 64 km (40 miles) south of Panama City, Fla. The well was drilled by **Exxon** from the drillship Glomar Banks. After 2 years of drilling and 15 dry holes, exploration ground to a halt.

The 1980s ushered in three Eastern Gulf lease sales and renewed industry interest in this area. In the late 1980s, **Chevron USA** and **Gulfstar** made natural gas discoveries in the area.

In October 1995, 73 oil and gas leases located south of 26° N latitude were returned to the Federal Government as part of a litigation settlement.

Consequently, no active Federal gas and oil leases exist off southwest Florida. Likewise, no active leases exist in the Straits of Florida Planning Area or off Florida's east coast (South Atlantic Planning Area).

A half dozen discoveries in the Destin Dome area show that the region has much potential. But development and further exploration have been plagued by obstacles and delays.

In mid 2000, Chevron USA and partners filed a lawsuit against the US government for denying the companies "timely and fair review" of plans and permits, and an appeal concerned with its Destin Dome 56 Unit. The companies are partners in a proposed natural gas development project centered on federal offshore leases in the Destin Dome 56 field, 25 miles south of Pensacola.

According to the US Department of Energy, the field contains reserves of up to 2.6 tcf of natural gas. ■