

# Use It or Lose It



Big Oil not using drilling leases in the Gulf of Mexico



**NATURAL  
RESOURCES**  
COMMITTEE • DEMOCRATS  
RANKING MEMBER, EDWARD J. MARKEY

NOTE: This report has not been officially adopted by the Committee on Natural Resources and may not necessarily reflect the views of its Members.

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## Big Oil not using drilling leases in the Gulf of Mexico

Oil and gas companies are not exploring, developing or producing on almost 3,700 federal drilling leases that cover more than 20 million acres in the Gulf of Mexico and could contain as much as 18 billion barrels of oil.<sup>1</sup> The so-called “Big Five” oil companies, ExxonMobil, BP, Shell, Chevron, and ConocoPhillips, hold full or partial shares in more than 1,500 of these idle federal drilling leases spanning almost 8 million acres (see chart below), according to previously undisclosed data obtained from the U.S. Department of Interior by the Democratic staff of the House Natural Resources Committee at the request of the Committee’s Ranking Member Rep. Edward J. Markey (D-MA).<sup>2</sup>

Oil companies have failed to explore, develop or produce these leases while simultaneously calling on Congress and the Interior Department to lease more federal offshore lands. This issue, which has been hotly debated in recent years, came up in last Tuesday’s presidential debate when Republican nominee Mitt Romney wrongly accused President Obama of curtailing oil and gas drilling off America’s coasts and on public land. In fact, oil and gas production from public lands is higher than it was during the last three years of the George W. Bush administration,<sup>3</sup> and the Obama administration is trying to further boost production through “use it or lose it” policies for idle federal drilling leases. Oil and gas companies are currently not using 72 percent of the total acres leased offshore and 56 percent of the total acres leased onshore.<sup>4</sup>

“Here’s what happened,” President Obama explained during the second presidential debate. “You had a whole bunch of oil companies who had leases on public lands that they weren’t using. So what we said was, you can’t just sit on [these leases], decide when you want to drill, when you want to produce, when it’s most profitable for you. These are public lands. So if you want to drill on public lands, you use it or you lose it.”

Company	Number of fully or partially owned idle leases	Idle leases 5-8 years old	Idle leases more than 9 years old	Total acreage of idle leases	Average price paid for original leases
BP Exploration & Production Inc.	548	228	25	2,510,480	\$303
Chevron U.S.A. Inc.	325	100	36	1,491,654	\$379
Shell Offshore Inc.	261	75	30	1,364,371	\$559
ExxonMobil Corporation	268	21	12	1,443,184	\$161
ConocoPhillips Company	251	86	3	1,193,207	\$485

<sup>1</sup> U.S. Department of the Interior, Oil and Gas Lease Utilization, Onshore and Offshore Updated Report to the President, May 2012, available at <http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&pageid=296238>.

<sup>2</sup> The definition of idle, or inactive, leases used in this report is the same definition used by the Department of Interior. According to the department, idle leases are those leased areas that are not producing and have no approved exploration or development plan. Certain activities such as geophysical and geotechnical analysis, including seismic and other types of surveys, may be going on in some of these areas.

<sup>3</sup> EIA, Sales of Fossil Fuels Produced from Federal and Indian Lands, FY2003 to FY2011, March 2012, available at: <http://energy.gov/sites/prod/files/eia-federallandsales.pdf>

<sup>4</sup> Ibid 1.

The Interior Department data obtained over the last several months by the Natural Resources Committee's Democratic staff show the extent of this problem on a company by company basis. Specifically, the data provided to the Committee shows:<sup>5</sup>

- **131 oil and gas companies fully or jointly hold 3,684 leases in the Gulf of Mexico that are not undergoing exploration, development, or production.**<sup>6</sup> As noted above, these idle leases cover 20.7 million acres and are estimated to contain as much as 18 billion barrels of technically recoverable oil.<sup>7</sup> The Big Five oil companies hold nearly 8 million acres in idle offshore leases, almost 40 percent of the idle leased acreage in the Gulf. BP alone is sitting on more than 2.5 million acres in the Gulf. See Appendix A for a complete list of companies and data on their idle leases.
- **About half of the leases in deepwater have been idle for at least five years.** Despite lobbying Congress for more access to deepwater leases, oil and gas companies already hold deepwater leases covering more than 16.6 million acres in the Gulf of Mexico where there is currently no exploration, development or production. Almost half of these deepwater leases have been idle for at least five years, and 13 percent have been idle for at least nine years, even though deepwater leases expire after 10 years (although the primary lease term can be extended). The Big Five oil companies hold a combined 612 full or partial idle deepwater leases that are at least five years old, and 103 full or partial deepwater leases that are at least nine years old.<sup>8</sup> See Appendix B for data on the number of years leases have been idle.
- **80 percent of idle leases were originally purchased for less than \$300 an acre.**<sup>9</sup> About 80 percent of idle leases in the Gulf (1,902 leases in total) were originally purchased for less than \$300 an acre and 55 percent were sold for \$100 an acre or less. In 2011, the Interior Department increased the minimum bid for Gulf leases in at least 400 meters of water to \$100 per acre, up from \$37.50, to ensure that taxpayers receive fair market value for offshore resources and to provide leaseholders with additional impetus to invest in leases that they are more likely to develop. Sixty-three idle leases were sold for more than \$5,000 an acre, but these were outliers, representing only 1.5 percent of the total. See Appendix C for data on the price paid by the top 10 companies for their idle leases.

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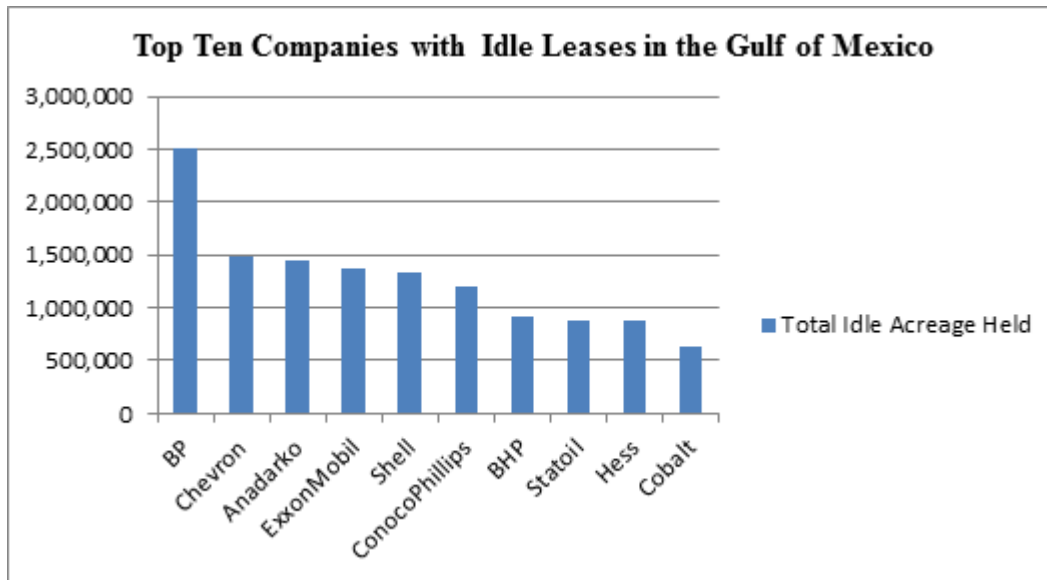
<sup>5</sup> The data used in this report for original leases is current as of July 2012. The data used in this report on current leases is current as of October 2012.

<sup>6</sup> This report excludes from its analysis a number of leases that were indefinitely suspended by the Interior Department because of military operations and lawsuits by the state of Florida to block drilling in certain areas. Most of these leases were originally suspended during the 1980s and 1990s and continue to be suspended.

<sup>7</sup> According to the Interior Department's May 2012 report, there are a total of 25.7 million acres of inactive leasing in the Gulf of Mexico, the Pacific and Alaska combined. The data presented here covers just the Gulf of Mexico.

<sup>8</sup> The Big Five companies (as well as other companies) share some leases together. The numbers provided here represent the combined full and partial holdings of the Big Five, not the total number of leases, some of which the companies share together.

<sup>9</sup> The dollar amounts presented here are in nominal terms and have not been adjusted for inflation.



The Obama administration has put in place new incentives to spur development of currently idle offshore drilling leases. Specifically, the Interior Department has imposed escalating rental rates for offshore leases, raising the cost of sitting idle, raised the minimum required bid in offshore lease auctions to \$100 an acre, and shortened lease terms for shallower water in an attempt to get oil companies to follow through with oil production on leases they purchase.<sup>10</sup> However, this new minimum bid price may still be too low to provide sufficient economic incentives for oil companies to begin production, given that companies currently are sitting on 629 leases in the Gulf that were purchased for between \$100 and \$300 an acre.

Natural Resources Committee Ranking Member Markey and Energy and Minerals Subcommittee Ranking Member Rep. Rush Holt (D-NJ) introduced legislation in 2011, called the “USE IT Act” (H.R. 927), that provides stronger incentives for oil and gas companies to stop squatting on leases without producing. House Republicans, however, have voted to allow oil companies to stay idle and keep their leases. This past summer, on June 21, House Republicans voted down an amendment derived from H.R. 927 that was offered by Rep. Holt and would have required oil companies to relinquish idle leases so those leases can be re-sold to other companies that are ready to drill.<sup>11</sup> And last year, on May 12, House Republicans defeated another amendment requiring the Secretary of the Interior to cut in half the number of idle offshore oil and gas leases.<sup>12</sup>

Federal policy should encourage expeditious development of areas that are already leased to the oil industry and that have the necessary infrastructure in place for drilling. Yet the Republican Majority in the House of Representatives has instead prioritized opening huge new regions to offshore oil and gas drilling all along the East and West coasts and in the Arctic without requiring proper safety reviews and before passing legislation to prevent oil spills, as

<sup>10</sup> Ibid 1.

<sup>11</sup> See House Roll Call 397, 06/21/2012, defeated 164-256

<sup>12</sup> See House Roll Call 319, 05/12/2012 defeated 180-243

recommended by the BP Spill Commission and other independent investigations into the BP spill.<sup>13</sup>

The Interior Department recently issued a five-year offshore leasing plan that would make available more than 75 percent of recoverable offshore oil and gas resources,<sup>14</sup> and in 2011 the Department held three of the top five largest onshore lease sales in its history.<sup>15</sup> Before calling for opening new areas off the East and West coasts for unsafe drilling, the oil industry should focus on getting the most out of the thousands of leases—containing billions of barrels of oil—that are leased but not being developed. It's time for oil companies to use it or lose it.

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<sup>13</sup> National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, Deep Water: The Gulf Oil Disaster and the Future of Offshore Drilling, Report to the President, January 2011 available at [http://www.oilspillcommission.gov/sites/default/files/documents/DEEPWATER\\_ReporttothePresident\\_FINAL.pdf](http://www.oilspillcommission.gov/sites/default/files/documents/DEEPWATER_ReporttothePresident_FINAL.pdf).

<sup>14</sup> DOI Press Release, Interior Finalizes Plan to Make All Highest-Resource Areas in the U.S. Offshore Available for Oil & Gas Leasing, June 28, 2012, available at <http://www.doi.gov/news/pressreleases/Interior-Finalizes-Plan-to-Make-All-Highest-Resource-Areas-in-the-US-Offshore-Available-for-Oil-and-Gas-Leasing.cfm>

<sup>15</sup> Ibid 1.

## Appendix A. Number of idle leases and acreage for all companies in the Gulf of Mexico

	Company	Total number of fully or partially owned leases	Number of leases fully owned	Number of leases partially owned	Total acreage of idle leases
1	BP Exploration & Production Inc.	548	310	238	2,510,480
2	Chevron U.S.A. Inc.	325	207	118	1,491,654
3	ExxonMobil Corporation	268	241	27	1,443,184
4	Shell Offshore Inc.	261	184	77	1,364,371
5	Anadarko US Offshore Corporation	323	145	178	1,340,361
6	ConocoPhillips Company	251	173	78	1,193,207
7	BHP Billiton Petroleum (Deepwater) Inc.	243	73	170	913,641
8	Statoil Gulf of Mexico LLC	243	70	173	885,428
9	Hess Corporation	224	68	156	885,400
10	Eni Petroleum US LLC	156	87	69	651,683
11	Cobalt International Energy, L.P.	213	6	207	629,478
12	Maersk Oil Gulf of Mexico LLC	181	75	106	614,419
13	Petrobras America Inc.	126	77	49	550,827
14	Apache Corporation	140	82	58	532,731
15	Nexen Petroleum Offshore U.S.A. Inc.	164	23	141	447,987
16	Murphy Exploration & Production	101	46	55	412,368
17	TOTAL E&P USA, INC.	206	0	206	400,116
18	Repsol E&P USA Inc.	96	45	51	352,368
19	Stone Energy Offshore, L.L.C.	76	34	42	330,836
20	Noble Energy, Inc.	67	43	24	303,768
21	LLOG Exploration Offshore, L.L.C.	83	31	52	272,485
22	Marathon Oil Company	66	30	36	270,892
23	Ecopetrol America Inc.	94	16	78	238,419
24	Plains Offshore Inc.	85	20	65	217,657
25	Woodside Energy (USA) Inc.	77	6	71	203,801
26	Newfield Exploration Company	37	16	21	141,501
27	Hunt Oil Company	24	24	0	138,240
28	Natural Gas Partners Assets, LLC	25	25	0	125,094
29	Maxus (U.S.) Exploration Company	38	9	29	118,283
30	Castex Offshore, Inc.	32	18	14	114,724
31	Samson Offshore, LLC	48	7	41	106,123
32	Energy Resource Technology GOM, Inc.	20	15	5	93,953
33	McMoRan Oil & Gas LLC	26	3	23	89,344
34	Energy Partners, Ltd.	23	13	10	75,635
35	Marubeni Oil & Gas (USA) Inc.	21	10	11	74,304
36	W & T Offshore, Inc.	14	14	0	68,910
37	Tana Exploration Company LLC	13	13	0	64,726
38	Rocksource Gulf of Mexico Corporation	13	9	4	62,091
39	ATP Oil & Gas Corporation	10	9	1	54,266
40	Arena Energy, LP	11	11	0	53,092
41	Energy XXI GOM, LLC	28	8	20	48,621
42	Byron Energy Inc.	11	9	2	46,775
43	Dynamic Offshore Resources, LLC	11	8	3	45,800

	Company	Total number of fully or partially owned leases	Number of leases fully owned	Number of leases partially owned	Total acreage of idle leases
44	Davis Offshore, L.P.	9	6	3	41,857
45	Stephens Production Company, LLC	29	1	28	37,474
46	Century Exploration New Orleans, Inc.	8	8	0	35,639
47	Royal Offshore, LLC	9	5	4	35,126
48	Walter Oil & Gas Corporation	10	4	6	33,372
49	Mariner Energy Resources, Inc.	10	5	5	32,342
50	Red Willow Offshore, LLC	24	0	24	30,198
51	Petsec Energy Inc.	9	0	9	27,475
52	Entek USA General LLC	5	5	0	26,960
53	Deep Gulf Energy	12	1	11	26,016
54	Ridgewood Energy Corporation	43	0	43	18,658
55	Focus Exploration, LLC	5	1	4	18,432
56	Northstar Offshore Energy Partners, LLC	4	4	0	17,500
57	SWEPI LP	3	3	0	17,280
58	AnaTexas Offshore, Inc.	3	3	0	16,419
59	Marlin GOM I, L.L.C.	5	2	3	16,266
60	HE&D Offshore, L.P.	17	1	16	14,976
61	Houston Energy, L.P.	14	0	14	13,994
62	ANKOR E&P Holdings Corporation	8	0	8	13,006
63	Sonangol Exploration & Production	10	0	10	12,672
64	ILX Prospective Leases, LLC	21	0	21	11,866
65	Bois d' Arc Exploration LLC	3	0	3	10,938
66	Contango Operators, Inc.	3	2	1	10,842
67	Tri-C Resources, LLC	2	2	0	10,000
68	Hall-Houston Exploration	2	1	1	9,032
69	Helis Oil & Gas Company, L.L.C.	5	0	5	8,359
70	OOGC AMERICA, INC.	10	0	10	7,488
71	Virgin Offshore U.S.A., Inc.	3	1	2	7,466
72	Zenergy, Inc.	2	1	1	7,439
73	GOME 1271 LLC	9	0	9	7,238
74	Moncrief Offshore LLC	15	0	15	7,170
75	GCER Offshore, LLC	2	1	1	6,995
76	Galvez Energy Corporation	1	1	0	5,760
77	Gulf Energy Exploration Corp.	1	1	0	5,760
78	Pyramid GOM, Inc.	1	1	0	5,760
79	Endeavor Natural Gas Offshore, LLC	1	1	0	5,549
80	SandRidge Offshore, LLC	1	1	0	5,431
81	Republic Exploration LLC	2	1	1	5,292
82	Baron Petroleum Company	1	1	0	5,000
83	GoMex Energy Offshore, Ltd.	1	1	0	5,000
84	Hilcorp Energy GOM, LLC	1	1	0	5,000
85	Juniper Exploration, L.L.C.	1	1	0	5,000
86	KNIGHT RESOURCES, INC.	1	1	0	5,000
87	OPEN CHOKE EXPLORATION, LLC	1	1	0	5,000
88	Peregrine Oil & Gas II, LLC	1	1	0	5,000

	Company	Total number of fully or partially owned leases	Number of leases fully owned	Number of leases partially owned	Total acreage of idle leases
89	Gasper Rice & Associates, Inc.	1	1	0	4,688
90	Tarpon Offshore, L.P.	2	1	1	4,500
91	Seven D Oil & Gas, Inc.	1	1	0	4,071
92	Grimes Energy Company	3	0	3	4,000
93	PetroVal, Inc.	3	0	3	4,000
94	CL&F Resources LP	3	0	3	3,765
95	JX Nippon Oil Exploration (U.S.A.) Ltd.	2	0	2	3,668
96	KOA Energy LP	2	0	2	2,950
97	Warren American Offshore, LLC	2	0	2	2,650
98	INPEX Gulf of Mexico Co., Ltd.	3	0	3	2,592
99	Offshore Paragon Petroleum, Inc.	1	1	0	2,572
100	Pisces Energy LLC	1	1	0	2,500
101	SPN Resources, LLC	1	0	1	2,500
102	EOG Resources, Inc.	1	0	1	2,160
103	Samsung Oil & Gas USA Corp.	2	0	2	2,000
104	Texas Standard Oil & Gas, LP	3	0	3	2,000
105	GOM Offshore Exploration I, LLC	1	0	1	1,728
106	Harvest Operating, LLC	1	0	1	1,667
107	STX Energy E&P Offshore Management	3	0	3	1,650
108	PROBE RESOURCES US LTD.	1	0	1	1,638
109	Tenkay Resources, Inc.	3	0	3	1,563
110	Keangnam USA Corporation	3	0	3	1,555
111	Montecito Offshore L.L.C.	2	1	1	1,547
112	Breton Energy, LLC	1	0	1	1,448
113	Petrodome EC, LLC	1	0	1	1,386
114	SCL Resources, LLC	3	0	3	1,375
115	Badger Oil Corporation	1	0	1	1,274
116	Maritech Resources, Inc.	1	1	0	1,250
117	Venari Resources LLC	1	0	1	1,152
118	BREPS Petroleum LLC	1	0	1	833
119	Samchully Energy and Environment	3	0	3	778
120	Leni Gas & Oil US Inc.	2	0	2	725
121	MCX Gulf of Mexico, LLC	1	0	1	668
122	HDO Gulf Energy Company, LLC	1	0	1	576
123	Hanwha Resources (USA) Corporation	3	0	3	518
124	SK Gas America Ltd.	3	0	3	518
125	WillSource Enterprise, L.L.C.	1	0	1	47
126	CGM, L.P.	1	0	1	37
127	Olympic Energy Partners, LLC	1	0	1	37
128	Gordy Oil Company	1	0	1	36
129	B. E. Quinn III	1	0	1	32
130	GWR Oil & Gas, L.L.C.	1	0	1	32
131	Robertson Hastings Royalties, L.L.C.	1	0	1	16
<b>Total</b>		<b>5,424</b>	<b>2,390</b>	<b>3,034</b>	<b>20,712,792</b>



## Appendix B. Lease holdings and years idle for deep, medium and shallow water<sup>16</sup>

*Amount of acreage leased in deep, medium and shallow water for the top 10 companies with the most idle leases in the Gulf of Mexico*

Company	Acreage in Deep Water	Acreage in Medium Water	Acreage in Shallow Water
BP	2,398,639	92,929	18,912
Chevron	1,280,534	23,040	188,081
Anadarko	1,242,441	89,280	8,640
ExxonMobil	1,206,470	190,080	46,634
Shell	1,295,759	68,612	0
ConocoPhillips	824,567	351,360	17,280
BHP	725,293	152,018	36,330
Statoil	788,615	55,548	41,265
Hess	871,000	5,760	8,640
Cobalt	591,462	38,016	0
<b>Total for top ten</b>	<b>11,224,780</b>	<b>1,066,643</b>	<b>365,781</b>

*Years idle for leases in deep, medium and shallow water combined*

Company	Idle leases more than 10 years old	Idle leases between 9-10 years old	Idle leases between 5-8 years old	Idle leases less than 5 years old
BP	6	19	228	295
Chevron	12	24	100	189
Anadarko	33	44	137	109
Exxon Mobil	4	8	21	235
Shell	18	12	75	156
ConocoPhillips	3	0	86	162
BHP	15	28	55	145
Statoil	5	4	70	164
Hess	9	34	122	59
Cobalt	7	6	81	119
<b>Total for top ten</b>	<b>112</b>	<b>179</b>	<b>975</b>	<b>1,633</b>
<b>Total for all companies</b>	<b>295</b>	<b>282</b>	<b>1,578</b>	<b>3,269</b>

<sup>16</sup> The primary term for a lease in deepwater is 10 years; the primary term in medium water is 7-8 years; and the primary term in shallow water is five years.

*Years idle for leases in deepwater only*

Company	Idle leases more than 10 years old	Idle leases between 9-10 years old	Idle leases between 5-8 years old	Idle leases less than 5 years old
BP	6	16	231	265
Chevron	12	24	99	145
Anadarko	33	44	137	86
Exxon Mobil	4	8	18	195
Shell	18	12	75	141
ConocoPhillips	3	0	86	98
BHP	15	28	55	101
Statoil	5	4	69	140
Hess	9	32	124	55
Cobalt	7	6	81	107
<b>Total for top 10</b>	<b>112</b>	<b>174</b>	<b>975</b>	<b>1,333</b>
<b>Total for all companies</b>	<b>295</b>	<b>274</b>	<b>1,575</b>	<b>2,249</b>

### Appendix C. Prices paid by the top 10 companies with the most idle leases in the Gulf of Mexico

Company	Purchased for Less than or Equal to \$100/acre	Purchased for Between \$101-\$300/acre	Purchased for Between \$301-\$500/acre	Purchased for Between \$500-\$1,000/acre	Purchased for between \$1,001-\$5,000/acre	Purchased for more than \$5,001	Total Acreage Purchased	Average bid per acre	Minimum bid per acre	Maximum bid per acre
BP	309	53	16	18	13	5	2,510,480	\$303	\$38	\$11,459
Chevron	203	46	18	12	18	6	1,491,654	\$379	\$30	\$8,939
Anadarko	204	54	13	24	17	1	1,443,184	\$259	\$38	\$5,901
ExxonMobil	108	144	8	8	1	0	1,364,371	\$161	\$27	\$1,346
Shell	128	61	10	21	24	7	1,340,361	\$559	\$40	\$15,710
ConocoPhillips	105	101	1	10	14	6	1,193,207	\$485	\$38	\$17,917
BHP	118	77	22	18	13	2	913,641	\$332	\$39	\$12,064
Statoil	34	36	7	8	20	4	885,428	\$836	\$42	\$11,897
Hess	25	21	7	2	11	7	885,400	\$1,514	\$42	\$16,150
Cobalt	39	36	14	6	12	2	629,478	\$543	\$42	\$11,342
<b>Total</b>	<b>1,273</b>	<b>629</b>	<b>116</b>	<b>127</b>	<b>143</b>	<b>40</b>	<b>12,657,204</b>	<b>\$537</b>		