This drilling rate is 7% more than the 1,000 wells drilled during the final months of 1996. Despite the slowdown in drilling by Shell Oil and several other major operators, there are still 234 undrilled leases scheduled to expire in 1997, and 3,406 undrilled leases will expire in the 1998-2006 period.

**Flex-trend action off**

The Flex trend, an area of the US Gulf of Mexico just beyond the continental shelf where depths build quickly to the 1,500 ft contour, has held much of the exploration and development interest for the past 15 years. However, this area is quickly becoming the least interesting in the US Gulf.

Producers are focusing on two plays: deepwater, in depths beyond 1,500 ft, and shallow water under 600 ft. Only 226 deepwater leases and 110 shallow water leases expired in 1996-2006 time frame in the US Gulf of Mexico. In water depths of 600-1,500 ft. By contrast, there are 1,692 expiring leases in the sub-600 ft range, all of which are expiring before 2002, and 1,802 leases are due to expire between 1,500 and 2,000 ft.

There are 3,674 leased tracts undrilled in the US Gulf of Mexico, of which 1,802 are in water depths of more than 1,500 ft. Despite the new and upgraded mobile drilling units coming on market, several contractors are estimating that US Gulf will be short at least 3/8 drilling units.

Will operators elect to push up drilling day rates by as much as 20-40% over current rates to encourage newbuilding, or will drilling contractors reinvest new earnings in new construction without the necessary term contracts? More likely, both will give way some, but don't expect these efforts to satisfy deepwater mobile rig demand. The lessons of the 1980s have left an impression forever.

Presently, day rates are continuing to rise slowly, even as contract lengths stretch out. That slow creep could change somewhat later this year if producers are not happy with the prospects of surrendering large numbers of longer-term leases in deeper waters undrilled. There are 234 undrilled leases scheduled to expire in 1997, and 3,406 undrilled leases will expire in the 1998-2006 period.

**All acreage leased**

The rate of leasing drives virtually all other activities in the US Gulf of Mexico, and tendencies by various companies provide an insight into how opportunities are perceived. The highlights of gross leaseholding acreage in all water depths in the US Gulf of Mexico by 136 operators are as follows:

- Shell holds 12% of leased federal acreage in the US Gulf of Mexico - about 3.7 million acres. Shell also ranks first in primary term acreage, producing acreage and producible acreage.
- BP ranks second in leaseholding, at 7% of all leased acreage, but is a relative newcomer in terms of producing and producible acreage. The firm ranks second in primary term holdings, but 21st in producing acreage and 26th in producible acreage for major operations.

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**Rig dilemma**

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