

2014's Top 10 Oil Producers in the Gulf of Mexico



The last few years have seen major oil and gas companies pushing further and further out into the American Gulf of Mexico, but which companies are having the best luck in these deep waters?

While luck does certainly play some part in the development of offshore energy production, the vast majority—and that really can't be overstated— of the process relies on scientific, precise and safety-driven processes that ensure companies are making the most of their acreage. While the Gulf of Mexico has long been a substantial area for American energy production, recent years have shown a substantial decline in both daily and annual production of crude oil.

According to data from the U.S. Energy Information Administration (EIA), Gulf of Mexico-based crude oil production fell from roughly 1.537 million barrels per day in 2003 to 1.257 million barrels in 2013, constituting a decline of more than 18 percent. However, as *Exploration World* reported last year, a recent ramping up of efforts in the region is indicating a renewal in production levels in the not-too-distant future.

"We are re-shooting all of our large fields to make sure that we haven't missed anything," said Matt McCarroll, chief executive of Fieldwood Energy LLC, according to *Reuters*.

So to keep track of which companies are having the greatest success in the region, *Exploration World* took a look at the 2014 production data from the U.S. Department of the Interior's Bureau of Safety and Environmental Enforcement. We compared the data—released to the public on Feb. 2—to the 2013 numbers to get a feel for the changes the last year have brought. The following takes into account only the total oil output of each company, including both crude and condensate.

10. Eni Petroleum Co. – *11.565 million barrels, 5.1 percent increase over 2013*

This Italian oil company was able to eke out a place in the Gulf of Mexico's top 10 oil producers with a 5.1 percent gain over 2013, taking them from the 12th spot to the 10th. In January, at the World Economic Forum in Davos, Eni's CEO Claudio Descalzi urged oil and gas companies not to shy away from making investments amid the severe oil price downturn, warning that the opposite end of the market swing could bring serious ramifications.

“Eni itself intends to reduce its costs this year, he said, though the company will press on with all its planned projects in Africa, where costs are relatively low. He didn't detail how much the company is planning to cut back,” the *Wall Street Journal* published in January.

9. Hess Corp. – *14.553 million barrels, 7.5 percent increase over 2013*

The Tubular Bells project in the Gulf of Mexico was codeveloped by Hess Corp. and Chevron. (Hess Corp.)

2014 was a relatively good year for Hess Corp. despite oil price downturns in the 3rd and 4th quarters. The business reported a loss of \$8 million net income in the 4th quarter of 2014, but still managed to rake in a total of \$2.317 billion net income for the year.

Perhaps most important to Hess Corp.'s 2014 evaluation is the success of their flagship project Tubular Bells. The deepwater Gulf of Mexico, Hess-operated project developed alongside Chevron came online in November to an estimated production capacity of 50,000 barrels of net oil equivalent per day.

8. LLOG Exploration Offshore – *14.827 million barrels, 7.7 percent increase over 2013*

Despite a gain of about 7.7 percent net oil production in 2014, LLOG Exploration Offshore was unable to advance in the rankings, maintaining its spot in 7th place. In October, *Offshore* reported that a joint venture between LLOG and Blackstone Energy Partners had completed the installation of the Delta House FPS in Mississippi Canyon 254 in 4,500 feet of water. Initial production is expected in the first half of 2015 to a total production capacity of up to 100,000 barrels per day of

oil and 240 million cubic feet per day of natural gas.

7. Freeport-McMoRan Oil & Gas – *19.148 million barrels, 451.3 percent increase over 2013*

While Freeport-McMoRan didn't have a particularly good year financially, their production levels in the Gulf of Mexico dramatically improved, increasing by more than 451 percent in 2014 over 2013 and taking them from 25th place to 7th. Also the largest publicly-traded copper mining company in the world, the overall drop in commodities hit the company particularly hard, seeing net losses of \$2.85 billion for the 4th quarter. Despite that, *Seeking Alpha* published an article on Feb. 11 calling Freeport-McMoRan "well-positioned for future growth," emphasizing management's ability, operating margins and long-term portfolio profitability.

6. Fieldwood Energy – *20.196 million barrels, N/A*

A young company, Fieldwood Energy LLC did not have a presence in the Gulf of Mexico before 2014, according to the U.S. Department of the Interior— hence no rate of change. In February 2014, Fieldwood closed a \$705 million acquisition of SandRidge Energy's Gulf of Mexico business as that company diverted focus to onshore production. This, combined with Fieldwood's 2013 acquisition of \$3.75 billion worth of shallow-water assets from Apache Corp., gained Fieldwood "the largest assets base in the shallow Gulf of Mexico," according to *Houston Business Journal*.

"A year ago, it would've been hard to say we anticipated this growth," Fieldwood CEO Matt McCarroll told that publication. "When we started a year ago, we didn't necessarily think we'd be back in the Gulf."

5. Anadarko Petroleum Corp. – *20.520 million barrels, 16.9 percent decrease over 2013*

Despite oil's 2014 price slump, Anadarko reported a relatively strong year. While their production levels in the Gulf of Mexico decreased by nearly 17 percent, the company reported an overall increase in liquids production of about 26 percent and a replacement rate above 160 percent. And though the company reported a net loss of about \$395 million in the 4th quarter, they were "able to produce free cash flow of \$150 million," according to *The Motley Fool*.

"Our operational performance in 2014 was outstanding and Anadarko's employees delivered a tremendous year across the board," CEO Al Walker told *The Motley Fool*.

The company was also able to point to the successful startup of the Lucius spar in the Gulf of Mexico to a production capacity of 80,000 barrels of oil per day.

4. BHP Billiton Petroleum (GOM) – *34.182 million barrels, 5.4 percent decrease over 2013*

Overall, 2014 was a pretty strong year for BHP Billiton. Its petroleum division reported pre-tax, pre-financial costs income of \$5.870 billion for 2014. Meanwhile the business saw global production increase from 236 million barrels of oil equivalent in 2013 to 246 million in 2014.

In the Gulf of Mexico specifically, the company's Atlantis development— operated by BP (56 percent interest)—saw production levels nearly doubling in 2014 as three new producing wells were brought online. The company expects increases in production at Atlantis for the next few years.

3. Chevron U.S.A. – *43.919 million barrels, 18.4 percent decrease over 2013*

A view of the Jack/St. Malo FPU from the flare boom. (Chevron)

2014 was a bigger year in the Gulf of Mexico for Chevron than nearly any other company. Some major announcements from Chevron Corp. included discoveries at the Guadalupe and Anchor prospects, as well as the successful ramp-ups of Jack/St. Malo and Tubular Bells, which brought online an additional production volume of 94,000 and 50,000 barrels of oil per day respectively. The production growth from these developments was offset somewhat by natural field declines.

Looking to the future, another Chevron subsidiary in the Gulf—Union Oil Company of California—pulled the trigger on a joint venture with Hess Corp. to develop the Stampede project to an estimated additional production of 80,000 barrels of crude oil per day.

“Chevron has a long-term commitment to the U.S. Gulf of Mexico, a core focus area where we expect significant production growth over the next two years,” a Chevron spokesman said.

Globally, Chevron Corp. reported net income of \$3.471 billion for the 4th quarter— \$19.241 billion for the year.

2. BP Exploration & Production – *84.112 million barrels, 24.2 percent increase over 2013*

BP had a rough fiscal year. Reporting a net loss of about \$4.407 billion, the company isn't in the strongest financial position and rumors are running rampant over the possibility of a merger or acquisition with another larger company like Shell or ExxonMobil.

Despite their fiscal performance, BP had a very strong rate of growth in production for the Gulf in 2014, increasing 24.2 percent over 2013. After the close of the 2014 fiscal year, the company announced that it had agreed to a new ownership and operating model with Chevron and ConocoPhillips for multiple fields in the deepwater Gulf of Mexico.

BP also holds a 42.5 percent interest in the aforementioned Guadalupe discovery along with Chevron and Venari Resources.

1. Shell Offshore – 89.420 million barrels, *8.02 percent increase over 2013*

A top-down view of Shell's Auger platform in the Gulf of Mexico. (Royal Dutch Shell)

With such an extensive background in offshore developments, it's not particularly surprising that Shell would top off our list of the most prolific oil producers in the Gulf for 2014. Shell Offshore— a subsidiary of Royal Dutch Shell—saw a production increase of over 8 percent in 2014 from their 2013 output of around 82.783 million barrels.

In 2014, Shell announced the final investment decision (FID) for the Coulomb phase 2 project in the Gulf. The company also started front end engineering and design (FEED) for the Vito deepwater project. Shell's year was dotted with successful bidding gaining the company new acreage in the region, along with discoveries in the Norphlet play with the Gettysburg W well and east of the Vito discovery with their Power Nap well.

Some of the company's biggest news in the area came from the successful startup on the Cardamom subsea development. With natural field declines leading to decreasing production at Shell's 20-year-old Auger platform, the future of the rig was coming into question. So when Cardamom came online to an added production capacity of 50,000 barrels of oil equivalent per day piped to the Auger platform—increasing Auger's total production capacity to 130,000 barrels of oil equivalent per day—it was big news.

Another flagship project, the Mars B development produced first oil in February 2014 through the Olympus tension leg platform to a production capacity of about 100,000 barrels of oil equivalent per day.

“2014 was a strong year for Shell in the Gulf of Mexico as we started up two major deep-water projects – Mars B and Cardamom,” Shell spokeswoman Sally Donaldson said. “These projects boosted our production in the region and they are expected to generate substantial value in the coming years.”

“Our strategy is delivering with good performance on our three themes of financial performance, capital efficiency and project delivery,” CEO Ben van Beurden said to investors. “These will remain Shell's priorities in 2015, as we continue to balance growth and returns.”