

# Gulf of Mexico Offshore Auction Falls Short of Expectations

Article By:

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On August 29<sup>th</sup>, the Bureau of Ocean Energy Management (BOEM) held the first auction for offshore wind areas in the Gulf of Mexico. Sheppard Mullin's preview of the auction can be accessed [here](#). The auction concluded after just two rounds of bidding, with only the Lake Charles area off the coast of Louisiana being awarded. The two Texas areas available in the auction, Galveston I and II, received no bids.

While the Biden Administration [press release](#) touted the lease sale as “an important milestone for the Gulf of Mexico region,” both bidder participation and pricing were below pre-auction expectations.

Of the 15 entities qualified to bid as of the issuance of the [Final Sale Notice](#), only two participated. This low ratio of bidders to qualified entities continues a trend that has its roots in the Carolina Long Bay and California auctions held last year.

Pricing for Lake Charles landed at \$5.6M, less than \$55/acre. This pricing fell far short of per acre pricing in the 2022 auctions; California's auction for the Morro Bay and Humboldt Call Areas landed at over \$2,000 per acre after New York Bight brought approximately \$9,000 per acre (the highwater mark in the U.S.) and Carolina Long Bay fetched approximately \$2,800 per acre. The final figures also fell firmly below [BOEM estimates](#), which assumed aggregate values for the three areas between \$150M and \$500M, indicating pricing between \$500 and roughly \$1,600/acre.

While there was excitement surrounding the auction due to the areas' proximity to existing oil and gas infrastructure and hydrogen hubs, factors such as inflation, hurricane risk, challenging sea floors and Gulf wind speeds that fall short of those on the east coast may have all played a role in the lack of interest and the low per acre pricing.

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