

# Uncertain future for deepwater oil in Mexico's Perdido Basin: Houston consensus

*The economics and political science of deepwater oil production in Mexico*

HOUSTON, TX, UNITED STATES, July 22, 2022 /EINPresswire.com/ -- This report identifies the factors of success for deepwater oil operations. In addition to geological potential, technology and capital, successful operations require a supportive institutional environment. Why, after 30 years, has Pemex failed to convert exploration in deepwater areas in Mexico into producing fields?

The focus is on the Perdido Basin, which is located near the US-Mexico maritime boundary.

Seeking answers, the researchers applied macroeconomic tests to the regions on each side of the boundary. Making use of the scores by the Heritage Foundation in its [Index of Economic Freedom](#), the report compares the institutions such as Rule of Law, Judicial Effectiveness and Government Integrity.



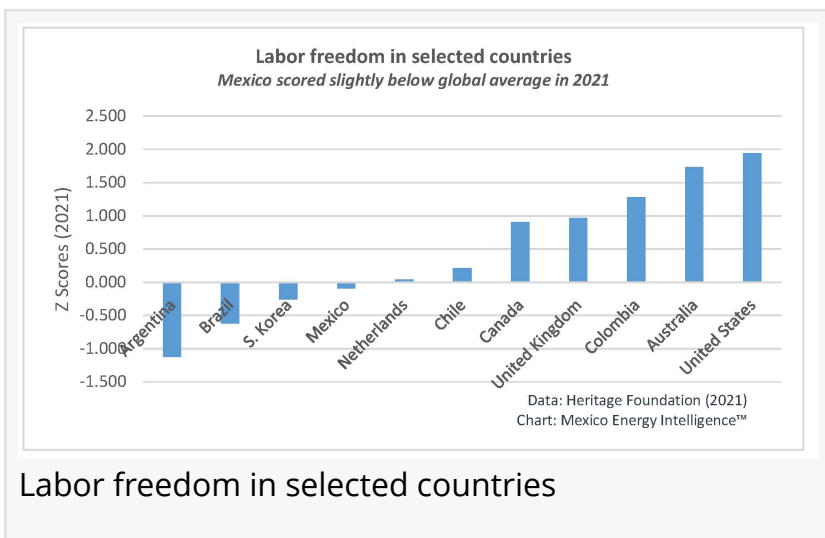
The findings of the report provide a systematic framework for understanding complex, interlocking issues"

*George Baker*

Unexpectedly, it is the institution of Labor Freedom where the most marked difference between the U.S. and Mexico is found. This finding points to the Pemex workplace, which, in the language that the Foundation applies to

national economies, is repressed. An authoritarian workspace limits the diversity of ideas. A restrictive legal framework during 75 years made partnerships impossible. Two years after the passage of the Energy Reform in 2014, Pemex negotiated an equity partnership with the Australian mining company BHP Billiton in the deepwater Trión block.

"We downloaded the Foundation's database in Excel and compared the scores of Mexico's economic institutions not only to those of the U.S. but also to the global average," says George Baker, the principal researcher involved in the 2-year study. The findings of the report provide a systematic framework for understanding complex, interlocking issues, he adds.



An [audio introduction to the report](#) is available and [sample pages](#) may be downloaded.

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## OUTLOOK FOR DEEPWATER DEVELOPMENT IN MEXICO WHAT FACTORS AFFECT SUCCESS IN THE PERDIDO BASIN?

IN OUR REPORT ISSUED IN 2004 (MEI 679), we asked about “Pemex’s future production in deep water: What is Plan B?” Seventeen years later, without the first barrel of oil from a deepwater reservoir, we ask this question again, only this time taking into account the change that has taken place with the award to private oil companies of licenses in deepwater petroleum provinces.

In the present report, we make use of the dataset of THE HERITAGE FOUNDATION’S *Index of Economic Freedom 2020*. The document provides scores on 12 institutions across 180 countries. We sought insights about the economies of the deepwater regions of the Gulf of Mexico.

We updated our thinking in a second way by ordering our observations in the categories of a macroeconomic theory of economic growth in which institutions are included in the predictive equation along with the traditional components of TECHNOLOGY (A), CAPITAL (K) and LABOR (L).

We want to know, first, why, after having drilled some three dozen wells in the Perdido Area (Annexes B and C), Pemex has brought none of the discoveries into the next stage of development.

Weight must be given to differences in physical capital, as there is midstream infrastructure on the American side. Weight must also be given to human capital, as Pemex lacks project managers on staff with full-cycle experience in deepwater projects. We manipulated the data to look for unexpected institutions that shape the economic and entrepreneurial environment and that might have explanatory and predictive value in Mexico’s deepwater basins, with attention on the Perdido Area.

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