

Mexico's Oil Investment Outlook Jinxed by Cárdenas-era Regime Shift, Finds Houston's Baker Energy Consultancy

Everyone in Mexico's oil space recognizes the year 1938 but few realize that the regime change of 1940 misaligned Mexico with the global oil industry.

HOUSTON, TX, UNITED STATES, November 11, 2025 /EINPresswire.com/ -- In its latest analysis ([MEI 997](#)), the Baker energy consultancy identifies a pivotal but underexamined turning point in Mexico's oil governance: the constitutional and legislative overhaul of November 9, 1940, which abolished the legal figure of concession and redefined the state's role in upstream development.

The report traces today's problematic outlook back to this regime change, which replaced centuries of concession-based mineral development with a state-controlled model. The constitutional amendment, enacted in the final weeks of President Lázaro Cárdenas's administration, prohibited future oil concessions.

That same day, the Petroleum Act of 1940 formally assigned the duties of exploration and extraction to the federal government.

"This legal shift has had a more enduring impact on Mexico's oil market than did the 1938 expropriation of the assets of 17 oil companies," says George Baker, lead author of the report. "It severed Mexico from the incentive structures that drive international oil investment."

Oil companies would not return to Mexico for 75 years.

When the companies did return in 2015, they soon learned that the Energy Reform that allowed private investment in oil properties had preserved the 1940 framework on which a politically vulnerable regulatory regime had been attached. Within a decade, the report notes, most

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international companies would again leave Mexico with losses--only this time voluntarily. Investors who remain face [daunting regulatory and financial challenges](#).

The report argues that fusing the roles of mineral owner and developer created a structural conflict of interest—as is evident when the same official serves as both energy minister and chair of Pemex. This dual role of judge and jury, the authors suggest, has hindered transparency, accountability, and investor confidence.

"In preparing this report, we dedicated space to a survey of events that led up to the expropriation in 1938 and Mexico's subsequent disengagement from the global oil industry," recalls Baker. He adds, "Borrowing from geology and geophysics, we imagined historical periods as stratigraphic layers and regime changes as deformations."

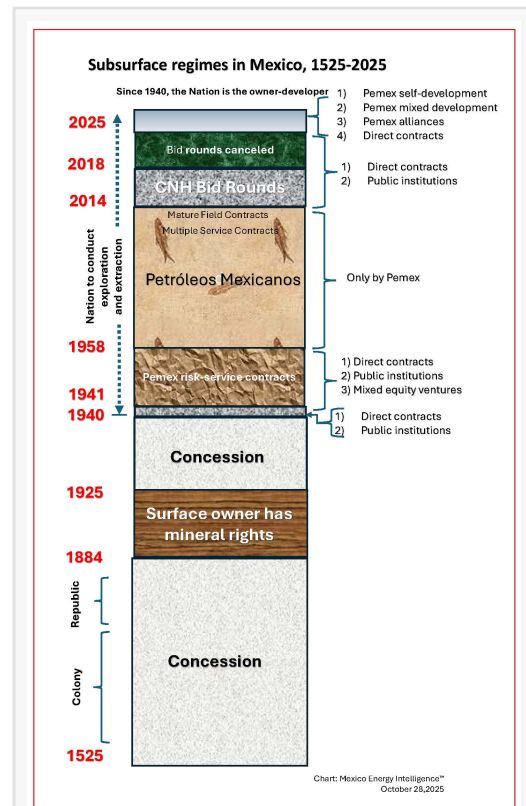
The report concludes that restoring investor trust will require reckoning with the legacy of the 1940 regime change, which discarded the legal figure of concession that had governed mineral development in Mexico for most of four centuries. "Until then, Mexico's upstream is stalled," laments Baker, "and the current government's expectations that investors will finance new exploration prospects in 'mixed contracts' with Pemex are misplaced."

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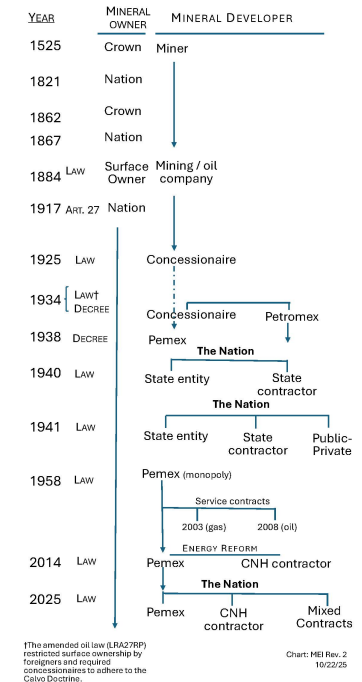
MEI 997 Stratigraphy of subsurface regimes in Mexico

"Course correction will require fresh ideas. An interdisciplinary team at Baker & Associates is finalizing a new approach.," says Baker.

The public-interest edition of this report is available on request.

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