

**REVIVING THE *DEAD SEA*; THE THIRTY-YEAR
EFFORT TO TAP OIL IN THE DEEPWATER GULF OF
MEXICO**

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risks with rewards. This reform is not well appreciated even within the industry.

This paper analyzes the relationship between technological innovation and government policy in driving oil exploration and production into the deepwater Gulf of Mexico. It was a 30-year effort to revive oil development in a body of water many observers once wrote off as the *Dead Sea*.

KEYNOTE ADDRESS

Oil is a misunderstood industry in the United States. It has long been a politicized subject. Witness the continuing debates over offshore drilling, where people stake out extreme positions to service agendas not entirely related to oil. The chants of *Drill, Baby, Drill!* by Republican partisans frequently have been met by the refrain *Spill, Baby, Spill!* from environmental activists. Both slogans misrepresent what the offshore oil industry is all about.

The oil industry itself bears some responsibility for this misrepresentation; it has not been good at presenting and humanizing its own history. In the absence of compelling narratives with which people can identify, we end up with abstractions and stereotypes recycled so frequently that they become truisms used to arm opposing sides of partisan and ideological warfare.

One of the most compelling narratives has been the march of innovation into ever deeper waters and new geological environments offshore. The most significant additions to world hydrocarbon reserves and production in the next 30 years will come from offshore and increasingly from deepwater (beyond 1,000-foot depths). The Gulf of Mexico is where the deepwater business began, and it remains one of the most vital sources of oil and gas for the United States. On an oil equivalent basis, output from the Gulf exceeds Texas and Alaska, and it accounts for approximately one-third of total U.S. production. About 75 percent of Gulf of Mexico oil and more than 40 percent of its natural gas come from deepwater, and the oil percentage is bound to increase in the future.

Most accounts of deepwater treat it as a new development in the U.S. oil industry, when suddenly, in the 1990s, the industry developed the technical capacity and strategic vision to succeed in deepwater. But these accounts ignore how the deepwater play is the result of a longer process of historical development. The deepwater story includes half-century of cumulative knowledge and innovation, which is fairly well-known within the industry, although not outside of it. It also includes a major reform in the U.S. federal leasing system that enabled the industry to exploit its capabilities and balance