Capital Investment Decisionmaking and Trends in Petroleum Resource Development in the U.S. Gulf of Mexico

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This report examines the factors that impact the oil and gas exploration and capital markets, beginning with a general overview of the oil and gas industry and product demand and supply. The report then provides background information on oil and gas resources and describes the defining characteristics of exploration and capital markets. The factors that impact supply and demand and investment decisions are then reviewed. The authors use this information to relate “conventional expectations” concerning these factors to future investment trends in the Gulf of Mexico. The “conventional expectation” is a subjective characterization by the authors of the perceptions, opinions, and analyses prevailing among those who follow the oil and gas industry. The report concludes with a summary outline of the fiscal systems used in the exploration and production industry.

Many factors impact the demand for and supply of oil and natural gas, influence how and where energy companies invest their capital, and determine the manner in which countries compete to attract foreign investment. The relationship between the various factors and their relative importance is subject to interpretation, argument, and debate. World oil supply derives from the investment decisions of individual companies, the political decisions of countries in regard to licensing and degree of foreign investment, and a multitude of exogenous variables that influence system dynamics, including price, inventory levels, geopolitics, market psychology and manipulation, OPEC policy, exchange rates, unexpected events, and resource availability.

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