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Pemex Produces Record Amount of Crude Oil in First Quarter

by LADB Staff

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In early May, the state-run oil company PEMEX announced that crude oil production for January-March reached 2.85 million barrels per day, a record for that quarter. The report also noted that output in January-March was 6.4% higher than during the same period in 1995. In a press conference detailing the PEMEX performance for the first quarter, PEMEX director Adrian Lajous said the increased production allowed the firm to boost export revenues to US\$2.29 billion in January-March, a 28% jump relative to the first quarter of 1995.

Lajous said the increase in revenues also resulted from higher world prices for crude oil. Mexican crude oil, which sold for an average of US\$14.82 per barrel in October of 1995, increased to US\$16.17 per barrel in January of this year and then to US\$18.17 per barrel by March. The average price of US \$16.97 per barrel for Mexican crude in January-March was about US\$1.17 higher than in the same three-month period last year.

Lajous said domestic demand for oil during the quarter was constrained by relatively slow growth in the Mexican economy, which in turn increased the supply of crude available for export. PEMEX is required by law to ensure that domestic needs are met before increasing exports. On average, PEMEX ships about 51% of its daily production out of the country. Roughly 80% of the total, about 1.5 billion bpd, is exported to the US market. In fact, demand for Mexican crude oil increased significantly in January-March because of a particularly severe winter in major consuming countries, particularly the US. Still, the Zedillo administration is projecting a domestic economic recovery in the second half of the year, which Lajous said will increase domestic demand for oil.

According to Lajous, PEMEX's operating profits totaled 30.3 million pesos (US\$4.07 million) in the January-March quarter, an increase of 60% from the first quarter of 1995. In addition to price increases, PEMEX attributed the rise in profits to a reduction in operating expenditures during January-March, which were down about 18% from last year. Lajous projected that Mexican production of crude oil for all of 1996 would average 3 million bpd. If accurate, output would increase significantly in the last three quarters of the year, since production in the first quarter was only 2.85 million bpd. According to Lajous, a large portion of the crude oil extracted in the last three quarters of the year will be for the export market.

On the downside, the increased production during the first quarter has already resulted in a decline of about 2.4 billion barrels in Mexico's reserve of crude oil. According to Lajous, Mexico's reserves of crude stand at about 62.6 billion barrels, which represents a 48-year supply, based on current extraction rates. This compares with 65 billion barrels estimated by PEMEX at the end of 1995. Indeed, PEMEX statistics indicate that Mexico's supply of crude oil has fallen gradually in recent years from a peak of 72.5 billion barrels in 1984. The decline in the reserves has caused some concern in Mexico. For example, former presidential candidate Cuauhtemoc Cardenas said PEMEX's

statistics are overly optimistic, since they take into account both proven and expected reserves. Cardenas, who has been an outspoken critic of Mexico's crude- oil export policies, told an audience at Universidad Autonoma Metropolitana (UAM) that PEMEX's proven reserves are actually only about 17 billion barrels, which only guarantees reserves for about 35 years. "By the year 2000, the level of proven reserves will decline to 12 billion barrels," said Cardenas, who ran for president in 1988 and 1994.

Cardenas, a leader of the Democratic Revolution Party (PRD), said the government should carefully manage the remaining reserves of crude oil to ensure a stable political, social, and economic future for Mexico. "We should not increase extraction in order to guarantee an adequate reserve of crude oil for the United States," he said.

Cardenas's father, former president Lazaro Cardenas (1934-1940), nationalized Mexico's petroleum industry in 1936. Cardenas also took the opportunity at the UAM forum to criticize the Zedillo administration for proceeding with its plan to privatize the country's petrochemical plants. "We would be turning over to foreigners key decisions that affect the economic and strategic security of our country," he said. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on May 13, reported at 7.43 pesos per US\$1.00] (Sources: Agence France- Presse, 05/02/96; Reforma, 05/03/96; El Financiero International, 05/06/96; La Jornada, 04/30/96, 05/03/96, 05/09/96; Excelsior, 05/10/96)

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