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PEMEX Faces Criticism for Possible 'Overexploitation' of Crude Oil, Natural Gas

by LADB Staff
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Former PEMEX engineers and business executives caution that the state-run oil company PEMEX is proceeding with "overexploitation" of some of its oil resources, without allocating adequate resources to develop new oil fields. Separate articles published by the weekly business newspaper El Financiero International and the business analysis newsletter Tendencias Economicas y Financieras have warned that PEMEX is boosting output of crude oil and natural gas from a few productive oil wells, while failing to allocate adequate budgets for exploration and drilling from other potentially productive resources.

Indeed, recent statistics released by PEMEX show a tendency to increase production this year. According to the oil company, output in January-May averaged 2.847 million barrels per day, an increase of 6.7% from the same period in 1995. Similarly, the data showed that PEMEX produced about 4.264 million cubic feet of natural gas in January-May of this year, an increase of almost 17% from the first five months of 1995. In a recent press conference, PEMEX director Adrian Lajous Vargas acknowledged that production continued to increase during June, although he did not provide any statistics.

The strongest critics of PEMEX oil-exploitation policies have come from the national association of business managers (Asociacion Nacional de Dirigentes de Empresa, ANDE), which suggests that the oil company has taken a short-sighted approach by failing to provide adequate funds for exploration and drilling. "This policy has led PEMEX to overexploit its most productive fields, while paying less attention to potentially promising sites," said ANDE president Aurelio Tamez.

According to El Financiero International, PEMEX obtains about 40% of its total oil production from only two giant fields, Cantarell and Abuktun. These two fields, along with another 72 sites, account for about 90% of Mexico's total production of crude oil. "Production increases may be causing overexploitation of key fields, which would damage the fields to such a degree that large amounts of recoverable oil may be lost forever," said the newspaper. PEMEX has estimated its proven reserves of crude oil at the equivalent of 48 years of production. However, some engineers suggest that PEMEX may not be able to gain access to a large portion of this oil, which is located at 400 sites that are either closed or underutilized.

Meanwhile, the Tendencias article suggested that the Zedillo administration is pushing for the rapid extraction of hydrocarbon resources to increase fiscal resources and meet the government's financial commitments. Any earnings from exports of crude oil were pledged by Zedillo as collateral for a financial-rescue package engineered by US President Bill Clinton's administration in early 1995 (see SourceMex, 02/01/95). Earlier this year, Mexico paid off about US$7 billion of the loan provided by the US, but continues to have a debt of US$3.5 billion, which is still backed by the oil revenues (see SourceMex, 07/31/96).
PEMEX export statistics suggest that the increase in production is linked in part to a growth in sales to overseas customers. In January-May, PEMEX sold about 1.51 million bpd of crude on international markets. The sales brought PEMEX more than US$4 billion in revenues, an increase of US$898 million from the same time last year. Earlier this month, PEMEX director Lajous reported exports of crude oil in January-June at about 1.544 million bpd, about 265,000 bpd higher than in the same period a year ago. For June alone, exports reached a record of 1.714 million bpd. According to Lajous, roughly 1.210 million bpd of all the crude oil exported during June about 78.4% of the exports was sold to the US market. (Sources: El Financiero International, 07/15/96; Agence France-Presse, 07/10/96, 08/01/96; New York Times, 08/02/96; La Jornada, 08/02/96, 08/06/96)

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