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PEMEX Admits Hydrocarbon Reserves are Smaller than Anticipated

by LADB Staff

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In a report released in March, the state-run oil company PEMEX acknowledged that the country's reserves of hydrocarbons are not as large as originally estimated. PEMEX executives, speaking at the ceremony to commemorate the nationalization of the Mexican petroleum industry, said current reserves are sufficient to guarantee supplies of hydrocarbons for another 43 years, or through the year 2040. This is still much lower than estimates released in a preliminary report in early March, when PEMEX said the country had sufficient reserves to last through the year 2055.

According to PEMEX, the country's reserves of hydrocarbons currently stand at about 62 billion barrels. The total includes 48.472 billion barrels of crude oil and condensates, and about 14 billion barrels of natural gas. PEMEX executives acknowledged that hydrocarbon reserves have declined by about 13% since 1987. In fact, total reserves as of year-end 1996 were about 2% lower than they were at year-end 1995. Last year's decline in reserves coincides with a surge in crude-oil production, which averaged 2.85 million barrels per day in 1996. The 1996 output represented an increase of more than 9% from the daily average in 1995.

PEMEX disputes New York Times estimates

In an interview with the daily newspaper *Novedades*, PEMEX executives took the opportunity to dispute a report in *The New York Times*, which said the state-run oil company had overstated the country's proven crude-oil reserves by about 30% since the 1970s. The *New York Times* report, published in mid-March, was based on a study of PEMEX's own statistics released over the past year.

But PEMEX executives suggested that *The New York Times* report was based on incomplete data. PEMEX executives explained that the company's higher estimate takes into account the use of modern technology for secondary recovery of crude oil, which could in the end boost total supplies. According to PEMEX, Mexico's proven reserves of crude oil off the Gulf of Mexico in the Bay of Campeche are estimated at about 23 billion barrels. This about 8 billion barrels higher than the estimate of 15 billion barrels reported in *The New York Times*. "An independent auditor concluded that our estimates are reasonable," PEMEX said in a statement. "(These methods) are based on evaluation principles generally accepted at the international level."

Still, PEMEX acknowledged that the estimates are not conclusive, since an inventory of Mexico's crude-oil reserves will continue for the next two years. According to PEMEX, a final report is expected sometime in 1999. Crude-oil production expected to remain heavy in 1997. Meantime, PEMEX continues to extract crude oil at a rapid pace. In a report published in mid-March, PEMEX said production of crude oil averaged 2.939 million bpd in January, or an average increase of 37,000 bpd from the daily average reported in December 1996. In fact, earlier this year Antonio Ceballos

Soberanis director of the PEMEX subsidiary Pemex Exploracion y Produccion forecast that crude-oil production for all of 1997 would average 3.83 million bpd.

Some leaders of the opposition Democratic Revolution Party (PRD), led by Cuauhtemoc Cardenas, have called for the government to reduce the rate of production to extend the country's reserves. Marking the anniversary of the nationalization of the Mexican oil industry in 1938, Cardenas renewed his call for the government to reduce crude-oil exports and focus its policies on developing the domestic refining industry. According to PEMEX statistics, Mexico exported an average of 1.54 million bpd of crude oil in 1996, which is more than half of the average daily production of 2.85 million bpd. "The expropriation of the oil industry must remain a symbol of our fight to remain a sovereign nation," said Cardenas, whose father, Lazaro Cardenas, ordered the nationalization of the country's oil resources.

For now, the Zedillo administration is unlikely to make any moves to reduce crude-oil exports, which continue to produce heavy revenues for the Mexican Treasury. Largely because of increased crude-oil exports and higher international prices, PEMEX attained pretax profits equivalent to US \$21 billion in 1996, an increase of 32% from 1995. The price of Mexican crude oil last year averaged US\$18.94 per barrel, an increase of 21% from 1995. According to the SHCP, prices remained favorable for Mexican crude-oil exports during the first quarter of 1997. The SHCP was anticipating crude oil to sell at an average of US\$14.50 per barrel in January-March, but instead the price remained at about US\$17 per barrel. Because of the higher average prices, PEMEX revenues from exports of crude oil were US\$300 million above projections.

The SHCP estimates that, if current trends continue, total earnings from crude-oil exports for 1997 could rise to about US\$1.5 billion above original projections. The Zedillo administration has not said how the increased revenues would affect the federal budget. However, a resolution passed by the Chamber of Deputies in early April called on the Zedillo administration to use the unexpected revenues from crude exports to boost spending on domestic social welfare and agricultural-support programs, rather than on foreign-debt reduction. (Sources: El Nacional, 01/28/97, 03/12/97; Notimex, 03/16/97; The New York Times, 03/18/97; La Jornada, Novedades, 03/19/97; El Financiero International, 04/07/97; El Economista, 03/13/97, 04/09/97)

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