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## **Mexico Business Briefs: Mining Concessions, PEMEX Profits, Oil-Gas Projects**

by LADB Staff

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### *Government opens bids for development of six mining sites*

In early August, the Secretaria de Comercio y Fomento Industrial (SECOFI) launched an auction for exploration and development rights for six mining sites in central and northern Mexico. Under Mexican mining laws, foreign and domestic companies will be allowed to participate in the auction. SECOFI said interested parties must present their bids along with relevant documentation to the government by early October.

The successful bidder will then be required to compile a full geological and environmental study before being allowed to proceed with the development phase of the project. The six sites open for bids include semi-developed mines in Durango, Sonora, and Baja California Sur states. The mines in Durango contain exclusively gold and copper, while the properties in the two other states contain those two metals, plus zinc and lead. The six sites are among the 43 mining properties SECOFI will open to private investment by year-end 1997. "We decided to start with a package of some of the medium and small-sized properties," said Trade Secretary Herminio Blanco. "Others will follow in the coming weeks."

All applications will be reviewed by a committee comprising experts from SECOFI, the Secretaria de Hacienda y Credito Publico (SHCP), and the Secretaria de la Controlaria Nacional de la Federacion y Administracion, (SECODAM). According to SECOFI statistics, President Ernesto Zedillo's administration has awarded almost 4,000 mining concessions between January 1995 and June 1997. While many of those concessions involved relatively small lots, they covered more than 8 million ha.

### *PEMEX reports decline in net profits in January-June*

The state-run oil company PEMEX reported net profits of about 8 billion pesos (US\$1.03 billion) during January-June, a decline of 22.5% relative to the same period in 1996. PEMEX director Adrian Lajous Vargas attributed the reduced profits to lower global oil prices during the first half of the year. The average price of Mexican crude oil during the second quarter of the year was US\$15.38 per barrel, or more than US\$2.10 below the average price during April-June 1996.

Still, Lajous said international prices were still relatively strong in the first quarter of 1997, which helped reduce the impact of the lower prices in the second quarter. According to Lajous, PEMEX compensated for the decline in prices by increasing production and exports. The oil company raised output to 2.981 million barrels per day in April-June, compared with 2.958 million bpd in the first quarter of this year. Similarly, PEMEX increased average exports to about 1.7 million bpd in the second quarter of the year, compared with 1.6 million bpd in January-March. Lajous said Mexico's total crude-oil exports for April-June were about 8% higher than in the first quarter, which helped

boost total revenues by about 5%. Crude-oil exports for January-June averaged 1.67 million bpd, providing income of about US\$5.18 billion.

Lajous said PEMEX's financial performance during January- June was also affected by losses of US\$246 million in its refining division. However, these losses were offset by net profits in the exploration and production, gas and basic petrochemical, and secondary petrochemical divisions.

### ***PEMEX receives US\$1 billion in loans for two major projects***

In early August, PEMEX obtained US\$1 billion in three- and five-year loans from 26 major international financial institutions to finance the completion of the Burgos and Cantarell projects. According to PEMEX, the two projects are a top priority for the company, since they are expected to help boost Mexico's capacity to produce crude oil and natural gas.

The Burgos project involves exploration and expansion of natural-gas fields near the border between Tamaulipas and Nuevo Leon states. The Burgos basin currently produces about 470 million cubic feet of gas. Expansion would allow production to increase to 600 million cubic feet daily by 1998 and to 1.4 million by the year 2001. Furthermore, the development of the Burgos reserve will allow Mexico to reduce reliance on imports of natural gas from Texas and other US states.

PEMEX said the Cantarell project, located offshore in Campeche state, is crucial for Mexico to maintain its current production of crude oil. As of the beginning of this year, Cantarell had proven crude-oil reserves equivalent to 12.23 billion barrels. According to PEMEX, the project requires investments of about US\$5 billion between now and the year 2000. Earlier this year, PEMEX projected that investments of US\$1 billion in Cantarell in 1997 would help boost Mexico's crude-oil production from that source to about 1.223 million bpd by year-end, compared with output of 1.074 million bpd at the end of 1996.

The Cantarell site is also an important source of natural gas. According to some estimates, gas production from that source could reach 900 million cubic feet daily by the year 2000. "Cantarell remains a strategic project for the future of the Mexican petroleum industry," PEMEX said in a recent statement. [Note: Peso-dollar conversions in this article are based on the Interbank rate in effect on Aug. 13, reported at 7.77 pesos per US\$1.00] (Sources: Notimex, 03/16/97; El Nacional, 04/25/97; The News, El Universal, 07/30/97; El Financiero International, 08/04/97; Reuter, 08/06/97; La Jornada, 03/06/97, 07/30/97, 08/08/97; El Economista, 07/30/97, 08/05/97, 08/08/97, 08/13/97; Excelsior, 07/30/97, 08/13/97)

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