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## **Multinational Group to Construct Nitrogen Injection Plant in Campeche Sound**

by LADB Staff

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In mid-October, the state run oil company PEMEX awarded a US\$1 million contract to a multinational consortium to construct the world's largest nitrogen injection plant. The plant, which will be constructed on the Atasta Peninsula near the Cantarell oil field, will supply 1.2 million cubic feet of nitrogen daily to PEMEX subsidiary Pemex Exploracion y Produccion for use in drilling operations offshore in the Gulf of Mexico. In addition to a 40-megawatt plant, the contract calls for construction of 100 km of land- and ocean-based pipelines connecting the plant with offshore oil wells.

### *Technology intended to boost oil output in Campeche Sound*

According to PEMEX spokespersons, the nitrogen produced at the plant will be injected into oil wells in the Campeche Sound to draw out supplies located deep underground. PEMEX said the use of such technology in drilling operations could boost Mexico's crude-oil production to 2 billion barrels per day. The nitrogen will be used as a substitute for water or natural gas. The Campeche Sound accounts for 80% of Mexico's total reserves of crude oil. The Cantarell oil field alone contains about 35 billion barrels, or roughly 57.5% of Mexico's total proven reserves.

PEMEX said the 15-year contract for construction of the nitrogen plant was awarded to a consortia involving Mexican engineering company Ingenieros Civiles Asociados (ICA) and five other partners. The other companies are BOC Holdings (Britain), Flour Daniel (US), Linde AG (Germany), Marubeni (Japan), and Westcost Energy (Canada). Project attracts some opposition. The nitrogen-plant contract has generated controversy. A number of environmental groups object to the project, citing concerns that any leakages of nitrogen could cause irreparable damage to the area's ecology. In an attempt to ease these concerns, PEMEX said the winning consortia will be required to take steps to protect the environment during the numerous stages of the project.

Another concern was raised by George Baker, an expert on Mexico's energy sector. Baker questioned whether the proposed technology could be applied to a project of the magnitude of Cantarell, which requires the daily injection of 1.2 billion cubic feet of nitrogen into oil wells. According to Baker, the nitrogen-injection system works best in small-scale operations, such as one currently under way in the North Sea area of Europe. The announcement of the concession has also been marred by complaints from competing consortia about irregularities in PEMEX's decision-making process to award the contract. One of the two losing consortia British-Dutch oil company Shell and four partners has asked for a review of the process. The third consortium included Mexico's Bufete Industrial and five other partners. (Sources: Reuter, 10/08/97, 10/10/97; La Jornada, 10/11/97; El Economista, 10/13/97, 10/14/97; Excelsior, 10/14/97)

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