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PEMEX, Exxon Agree to Process Heavy Crude at Texas Refinery

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In late September, the state-run oil company PEMEX formalized an agreement with Exxon Corp. to supply 65,000 barrels of heavy crude oil per day to the US company for processing at its refinery in Baytown, Texas. Under the accord, Exxon committed to construct a new coking plant to process Maya-grade crude oil in exchange for an increased supply of Mexican heavy crude.

Exxon officials said the new coking plant, whose construction will be financed entirely by the US company, will be operational by the second half of 2001. This is the fourth agreement signed by PEMEX with multinational oil companies to gain access to their refineries in Texas and the Caribbean to process as much as 375,000 bpd of Maya-grade crude oil. PEMEX, through its subsidiary Pemex-Comercio Internacional, has entered into processing agreements with Clark USA, Coastal Corp. and Shell Oil Co.

The refineries will process Maya crude into unleaded gasoline and other high-value products like diesel, lubricants, and petrochemicals. "The agreements ensure a that we will have a sure destination for Maya crude," said Eduardo Martinez del Rio, director of Pemex-Comercio Internacional. PEMEX has more direct participation in the agreement with Shell Corp., since the Mexican company acquired a 50% share of the Shell refinery in Deer Park, Texas, just outside Houston.

Under the 1992 accord, the two companies originally agreed to process 100,000 bpd of Maya crude (see SourceMex, 09/02/92). Accords also signed with two other companies The agreements with Coastal and Clark, similar to the Exxon accord, involve simple lease arrangements and a commitment by the multinational oil companies to construct new coking facilities to handle increased volumes of Mexican crude.

Under the PEMEX-Clark USA accord, the US company will process 150,000 to 200,000 bpd of Maya crude at its refinery in Port Arthur, Texas, beginning in 2001. In August of this year, PEMEX concluded a similar arrangement with US-based Coastal Corp., whereby the company's refinery in Aruba, the Netherlands Antilles, will process 100,000 bpd of Maya crude beginning in 2000. Earlier this year, PEMEX attempted to reach a similar agreement with Mobil Oil Co., but the two companies were unable to finalize the accord (see SourceMex, 02/18/98).

In addition to the contracts signed with the four US-based refineries, PEMEX is trying to boost its domestic capabilities to process unleaded gasoline. In mid-September, it awarded a contract to a Mexican-German-South Korean consortium to expand and upgrade the company's Cadereyta refinery in Nuevo Leon state (see SourceMex, 09/16/98).
Similarly, PEMEX recently moved to expand its oil-extraction capabilities. In early October, the company signed a financial agreement with Export-Import (Eximbank) of Japan for US$1 billion for modernization and expansion of the Cantarell Complex oil field in Campeche Sound. This is the largest loan that PEMEX has ever received from a single institution. The agreement was formalized by PEMEX Director Adrian Lajous Vargas and Japan Eximbank vice president Kensaku Aomoto in Mexico City. The Cantarell oil fields hold an estimated 13.5 billion barrels, one of the world's largest proven reserves of crude oil. Cantarell produces about 1.3 million bpd. (Sources: Excelsior, Bloomberg news service, 10/01/98; The News, 10/02/98; El Financiero International, 08/10/98, 10/05/98)

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