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## **PEMEX Discovers Natural Gas Reserve in Deep Waters of Gulf of Mexico**

*by LADB Staff*

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The state-run oil company PEMEX discovered a large supply of natural gas during exploratory activities in the Noxal-1 oil reserve in the deep waters of the Gulf of Mexico. The government announced the discovery earlier this year, citing the potential for the reserve to replace the rapidly dwindling Cantarell reserve in the Gulf of Mexico (see SourceMex, 2006-03-22). The natural gas reserves were discovered as engineers were probing for crude oil at the well, in an area known as Coatzacoalcos Profundo, 102 km northeast of the central coast of Veracruz state, said Carlos Morales Gil, director of the PEMEX subsidiary Pemex Exploracion y Produccion (PEP).

Morales said the discovery could net as much as 245 billion cubic feet of natural gas for PEMEX. Energy analyst David Shields, whose syndicated column is published in several newspapers in Mexico, said PEMEX discovered the natural gas after drilling four exploratory wells. In three previous wells, the state-run oil company found only "salt water," he said. Along with the discovery of natural gas, PEMEX announced that the Noxal-1 reserves in the Coatzacoalcos Profundo contain about 10 billion barrels of crude-oil equivalent.

The discovery of the new reserves assures PEMEX of an "optimistic" future," the company said in a statement, referring to concerns about the dwindling supplies at Cantarell. Some analysts said President Vicente Fox's administration might have embellished the discoveries a little in an attempt to boost the presidential campaign of Felipe Calderon, a member of the governing Partido Accion Nacional (PAN).

"As if this was a pre-electoral promotion, the PEP director general launched a media campaign to announce the discovery of the gas reserves at Noxal-1," said Shields. "The truth is that it is impossible to know the potential of a new reserve with information obtained from just one well." Even if the reserve estimates are accurate, "PEMEX could have difficulties gaining access to the reserves because of the prohibitive drilling and extraction costs in waters that deep," Shields noted.

Because of costs and other logistical factors, PEMEX does not anticipate gaining access to the natural gas before 2010, Morales said. PEMEX has plans to eventually conduct exploration activities in seven other sites in the Coatzacoalcos Profundo area, including the Lakach, Latay, Bekan, Leech, Chukan, Kahan, and Holok wells, said the PEP. The PEP director acknowledged that a principal obstacle for developing these exploration projects in the deep waters of the Gulf of Mexico is the limited equipment available to PEMEX. The company is paying about US\$150,000 per day to lease the equipment to probe deep-water reserves. The costs are high because there are only 30 exploration units available for lease, said the Mexico City daily newspaper La Jornada. (Sources: Fuerza Informativa Azteca, Notimex, 06/12/06; La Cronica de Hoy, El Financiero, La Jornada, El Universal, 06/13/06; Spanish news service EFE, 06/15/06; Diario Olmeca-Villahermosa, 06/20/06, 06/21/06)

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