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PEMEX Announces New Discovery in Deep Waters of Gulf of Mexico

By Carlos Navarro

The state-run oil company PEMEX has announced the discovery of a large reserve of crude oil in the deep waters of the Gulf of Mexico, a development that adds credibility to the theory that a massive supply of oil exists in the region just south of Mexico's maritime border with the US. PEMEX discovered the new reserve while conducting tests on the Supremus-1 well, about 250 km east of Matamoros, Tamaulipas state. President Felipe Calderón, who announced the discovery on Oct. 5, said tests indicate the well might contain between 75 million and 125 million barrels of reserves.

Reserve near another recently discovered field

This is the second time this year that PEMEX has discovered a major reserve in the region. Exploratory drilling in the nearby Trion-1 well in August resulted in the discovery of a crude reserve of about 350 million barrels. PEMEX had been conducting tests in the Perdido Fold Belt, which includes the Trion-1 and Supremus-1 wells.

Calderón said the findings are supported by new drilling and scientific studies, and the presence of huge reserves next to each other supports the theory that a "huge oil system" exists in the region. The total amount of oil in the Perdido Fold Belt is estimated at between 4 billion and 13 billion barrels, the president said.

If the estimates were added to Mexico's total oil supplies—which included proven, potential, and possible reserves—the total would increase to between 46 billion and 55 billion barrels. In a best-case scenario, if the 13 billion barrels of crude become proven reserves, the supply in the area would "more than double the proven reserves" of PEMEX, Calderón said.

The strong emphasis on deepwater exploration is key to preserving the viability of Mexico's oil industry. The country's leading source of crude oil, the Cantarell Reserve, has dwindled significantly since 2004, when production reached a peak of 3.4 billion barrels per day (bpd). The sharp decline in Cantarell led to some forecasts that Mexico could become a net importer of oil by 2030). Mexico's reserves had been declining since 1979, but the Calderón government said the trend was reversed in 2010, when proven reserves increased because of investments made in exploration.

Many critics have accused former President Vicente Fox (2000-2006) of overexploiting Cantarell to boost the government's coffers and fund a bloated bureaucracy. It was also under Fox that Mexico intensified exploration efforts in the deep waters of the Gulf of Mexico.

Calderón continued the effort to boost deepwater exploration, with his long-term energy plan for 2012-2026 proposing a major expansion in drilling. The plan, however, assumes that Mexico will be able to obtain the necessary investments and technology to accomplish that goal. Under Calderón's watch, PEMEX has also discovered large reserves of natural gas in the Gulf of Mexico.

Private investment needed to extract oil

The energy-reform package approved by the Congress in 2008 to allow private investment in PEMEX projects has enabled the company to begin discussions with US companies and Brazil's Petrobras about developing partnerships to access the oil in the Gulf of Mexico. Mexico badly needs capital and technology to access the deepwater reserves.

The policy of seeking private partners to conduct strategic activities is likely to be expanded during the administration of President-elect Enrique Peña Nieto, who takes office on Dec. 1, 2012. In comments to reporters shortly after he won his party's presidential nomination, Peña Nieto emphasized that that private investment is needed in PEMEX to keep the company viable.

Peña Nieto reiterated that position during a trip to Europe. He mentioned the possibility of promoting changes to the Constitution that would facilitate private investment beyond what is allowed under the reforms approved in 2008. He has been careful, however, not to give the impression that he wants to privatize the state-run oil company.

"This is a national company, one where the state maintains control, ownership, and regulation of hydrocarbons," the president-elect told a group of business leaders in Spain on Oct. 15. "We must keep these conditions. Never, and I emphasize this, have I ever indicated that I promote the privatization of a national enterprise."

With timely private investment, PEMEX expects to be extracting oil from the Perdido Fold Belt, where the Trion-1 and Supremus-1 reserves are located, in the near term. "We project that we could be incorporating production from the region within five or six years," said Carlos Morales, director of the PEMEX subsidiary Pemex Exploración y Producción (PEP).

But experts suggest that PEMEX lacks the technology and cannot shoulder the cost of exploiting deepwater reserves on its own. "It would cost billions of dollars to get a production system going to take the oil to market," George Baker, a Houston-based oil analyst, said in August when the Trion-1 discovery was announced.

Morales pointed out that the reserves contained in the Perdido Fold Belt, and particularly those in the newly discovered Supremus-1 well, are entirely inside Mexico's territorial limits. "These are not transborder reserves," Morales told reporters.

Concerns had arisen in recent years that Mexico could lose deepwater reserves to US or multinational companies through the "efecto popote" (drinking-straw effect) if it did not move quickly on development projects in the Gulf of Mexico. But an agreement reached with the US earlier this year, and the clear demarcation of reserves through the recent discoveries in the Perdido Fold Belt, have eased some of these concerns.

Some US experts believe that new data obtained from the Supremus-1 and Trion-1 wells could provide impetus for the US and Mexico to move forward with implementation of a bilateral agreement governing extraction of reserves in the deep waters of the Gulf of Mexico. The Supremus-1 could "justify" the agreement on exploitation of transborder fields, Baker said in an interview with the Mexican news agency Notimex.