

## PEMEX CORPORATIVO

*Petróleos Mexicanos (PEMEX)* is the national oil company responsible for the exploration, development, refining, transportation, storage, distribution and marketing of crude oil, natural gas and oil products. It also has exclusive jurisdiction over basic petrochemicals. *PEMEX* is the largest company in Mexico and one of the world's largest corporations.

*PEMEX Corporativo*, the central corporation, is governed by an eleven-member Board of Directors which includes six government representatives appointed by the president and five representatives of the Petroleum Workers Union.

*PEMEX* has long been criticized for inefficiency, corruption and environmental damage. The Mexican government responded in 1992 by restructuring *PEMEX* into four semi-autonomous subsidiaries:

- *PEMEX Exploración y Producción*, Exploration and Production
- *PEMEX Refinación*, Refinery
- *PEMEX Gas y Petroquímica Básica*, Gas and Basic Petrochemicals
- *PEMEX Petroquímica*, Petrochemicals

Two other "entities", *PEMEX Internacional* and the *Instituto Mexicano del Petróleo (IMP)*, Mexican Petroleum Institute, also fall under the *PEMEX* umbrella, but are not full operating divisions.

As part of the reorganization, the head office of *PEMEX Petroquímica* was moved to Coatzacoalcos, Veracruz, and the *PEMEX Exploración y Producción* headquarters has been moved to Villahermosa, Tabasco.

This decentralization means that Canadian companies wishing to do business with *PEMEX* now must deal with several distinct entities. But

each now has more autonomy and should be more capable of making effective procurement decisions.

*PEMEX* is a major contributor to Mexico's export earnings, bringing in some US \$7 billion in 1994. Crude oil exports averaged 1.3 million barrels per day, while 1.4 million barrels were sold domestically.

## PEMEX EXPLORACIÓN Y PRODUCCIÓN

Exploration and production of Mexico's petroleum reserves is the responsibility of *PEMEX Exploración y Producción*. Primary production is by far the most important activity within *Petróleos Mexicanos (PEMEX)*, the national oil company, accounting for more than half of consolidated revenues, and almost all of the profit in 1994. This subsidiary earned pre-tax profits of N \$43 billion pesos in 1994. This performance reflects the fact that inefficient operations have greater consequences in the manufacture of higher value-added products. Also, the divisions producing final products bear the brunt of government-imposed price controls. In contrast, half of crude oil production is sold abroad at world prices.

### Exploration

Exploration activities by *PEMEX* have fallen off in recent years. The number of wells drilled fell steadily from 171 in 1991 to 72 in 1994. The depth of exploratory wells typically exceeds

4,000 metres. Recently *PEMEX* has been awarding drilling contracts to private companies. These have included both Mexican and American corporations as well as some joint ventures.

### Oil Production

Oil production has remained fairly constant in recent years. Production in 1994 averaged 2.68 million barrels per day, almost precisely the same level as a decade earlier. Production has been maintained largely on the strength of the *Cantarell* project in the Gulf of Campeche, which produces more than one million barrels per day of heavy crude oil.

Mexico produces three grades of crude oil: *Istmo*, *Maya*, and *Olmecca*. Domestic consumption is mostly *Istmo* grade. In May 1994, *PEMEX* was considering marketing a new grade of oil that would compete with Arabian light crude. The new grade, called *Pijije*, is being extracted at Dos Bocas, where the extra-light *Olmecca* grade is also extracted.

In March 1995, the *Secretaría de Energía (SE)*, Secretariat of Energy, announced plans for *PEMEX* to increase crude oil production by about 100,000 barrels per day, to generate additional revenues for the government to deal with the country's economic crisis. Petroleum exports in the first four months of 1995 were up by 29.3 percent to US \$2.1 billion, compared to the same period in 1994.

**PEMEX Oil Production by Type, 1994**

Name	Description	Degrees API	Sulphur by weight (percentage)	Share of production by volume (percentage)
Maya	heavy	22.0	3.3	47
Istmo	light	33.6	1.3	36
Olmecca	very light	39.3	0.8	17

Source: *Petróleos Mexicanos (PEMEX), Memoria de Labores, 1994.*