

The level of proven reserves has been decreasing, and even then many observers question the official reserve statistics. Foreign participation in the petroleum industry has been increasing, both in the form of financing and direct participation in downstream activities. Therefore, *Pemex* will have to do a better job of proving its reserves. Another consideration is that wells will have to become deeper as the shallower areas are depleted. In addition, the recently-privatized natural gas distribution system will bring natural gas to market that was previously burned off. To supply this market, *Pemex* will need technology that allows it to improve exploitation of natural gas from offshore sites.

Currently, the marine-based oil and gas industry produces about 80 percent of Mexico's crude oil and more than 36 percent of its natural gas. These proportions will increase as land reserves continue to decline. Most oil and gas fields are located in the Campeche Sound on the Gulf of Mexico. Some of the Campeche wells are extremely prolific by world standards, with some wells producing 7,000 barrels per day. The most important oil and gas fields are: *Ablatún, Balam, Caan, Cantarrel, Chac, Ixtoc, Ku* and *Taratunich*.

*Pemex Exploración y Producción*, *Pemex's* exploration and production subsidiary, is under pressure to increase output. Higher extraction levels are needed to finance Mexico's foreign debt and to respond to political opposition to the privatization of *Pemex's* petrochemical plants. To help meet 1996 production goals, *Pemex* has implemented a technological innovation program designed to increase production and efficiency. The company also wishes to establish better safety and environmental standards.

The lack of domestic capability in this sector creates excellent opportunities for foreign suppliers. Mexican companies like *Proveedora y Manufacturadora* and *Braulio Zavala Co.*, are active in this market, but they are not capable of delivering adequate integral maintenance. They are also short of capital, especially since the devaluation of the peso in December 1994.