

5.1 PEMEX'S ACTIVITIES DURING 1989

As a result of the stabilization of world oil prices in 1989, PEMEX continued work begun on old projects and began several new projects. PEMEX's financial situation was improved by the increases in the price of crude oil in 1989. Total PEMEX revenues increased 24% in 1989 to \$20.5 billion, of which \$14.2 billion corresponded to sales income. Of these, 47% were from internal sales and 53% from export sales. PEMEX paid \$11.8 billion taxes to the Federal Government. The oil giant is the most important single source of income to the State, both through direct income and value added tax payments, as well as through taxes levied on fuel and hydrocarbon sales. Given the tight conditions of the international credit market, Mexico is also highly dependent on the foreign exchange earned by PEMEX to cover payments on imports and on its debt. The company's total foreign currency income amounted to \$3.2 billion, of which \$1.2 billion were used to cover its foreign investment and foreign exchange operational needs, as well as payments on its foreign currency debt. The remaining 60.5% was put at the disposition of the country's general foreign exchange needs.

During 1989, work progressed in 467 projects in the areas of exploration, exploitation, refining, petrochemicals, transportation, distribution and administration; 81 projects were completed for a total investment of \$411 million. Additionally, the projects in the execution phase are valued at \$9.2 billion and 14 new projects were undertaken for an estimated investment of \$103 million. Of total disbursements of \$542.4 million in 1989, 42% were channeled to construction, 42% to purchases of domestic equipment and materials, 7% to foreign purchases, 4% to project engineering and 5% to administrative expenses.

Among the projects completed were five drilling platforms, the gas dehydration system in three compression platforms, the Cuenca de Papaloapan gas separation system, the installation of a 52,660 HP turbocompressor, a 38km gas pipe and a 3km oil and gas pipe, two propane-propylene fractioning plants, one petrochemicals plant in Texmelucan, eight projects related to the pipe transportation system, three projects in the warehousing and distribution areas and several other projects related to pollution control, security, navigation, telecommunications, research, housing and hospitals.

PEMEX also created a new company "Petroleos Mexicanos Internacional" (PMI) in charge of international marketing activities. This will allow PEMEX to achieve better purchase and sales efficiency by taking advantage of trading and other opportunities open to an international oil firm.

5.1.1 Exploration, Development and Research

Exploration remained a priority activity in 1989. Exploration drilling was focused on discovery of new fields to increase hydrocarbon reserves and to evaluate areas with possible oil potential. During this year, 98 exploratory locations were defined, of which 39 were approved for drilling. In 1989, 42 exploratory wells were completed, of which 14 were confirmed as productive, five for gas and nine for oil. Therefore, 41% of these explorations were successful, an average reported to be above the average international standard. Exploration in 1989 led to the discovery of six oil producing fields and four of gas in the areas of the Sonda de Campeche marine zone, Chiapas-