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Mexico's oil production drops from two million barrels for the first time in almost 40 years

The global oversupply and the Pemex crisis bring pumping to a minimum since 1980



IGNACIO FARIZA

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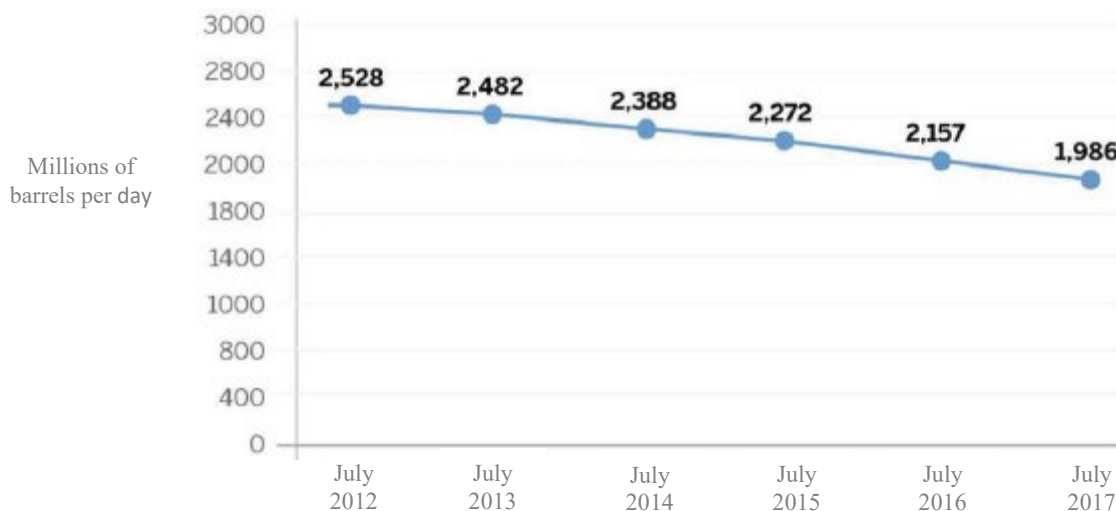




**Three fishing boats, in front of an oil platform in Ciudad del Carmen (Campeche).
D. VILLA**

Mexico's oil crisis continues to take its toll. The North American country, eleventh world producer of crude oil, extracted 1.99 million barrels per day last July, the lowest data recorded since 1980, when it averaged 1.94 million barrels per day. The data, was made public this Wednesday by Pemex, is almost 9% lower than the registered in the same month of the previous year. Behind this fall a combination of factors emerges ranging from the depletion of some strategic deposits or low oil prices in international markets due to excess supply to the smallest investment to prioritize profitability over production volume.

Production of liquid hydrocarbons



Source: Pemex

In the first seven months of the year, Pemex has pumped 2.1 million barrels per day on average, compared to the almost 2.2 extracted between January and July 2016. The Mexican Government expects that production average of crude oil be around 1.9 million barrels in all of 2017, almost 200,000 less than a year before. The decline in production has been shaking the sector in Mexico for years, but the trend has been exacerbated in the last three years, when the state oil company took the most drastic measures to reduce the pumps.

The fall of oil at 45 Dollars evidence the failure of the strategy of the OPEC

“Pemex has taken measures of reduce of the investment and increase efficiency that are necessary, but they entail a drop in the production. It will cost to reverse the trend”, predicts Javier Estrada, director of Oil and Gas at the consulting firm PwC in Mexico. According to his data, in 2018 crude oil production will be between 1.7 and 1.9 million barrels per day and will bottom out between next year and the next. "The measures take longer to be profitable than is thought, although the energy reform [approved in 2013] is on the right way and is attracting investment”, he assesses.

Supertankers wandering to the waiting for clients due to the low prices of the oil

The price of crude oil in international markets, one of the factors behind of the severe oil crisis that has been shaking Mexico for years, has been installed since end of 2015 in a band of between 30 and 60 dollars, compared to more than 100 of the years previous. At that price, and given the rise of fracking oil in the United States, traditional producers such as Mexico are having profitability problems in some of their installations. Slightly more than a half of the oil produced by the Latin American country is heavy, which it requires a more

exhaustive refining process and is less profitable. The rest is divided between light and superlight, those with the highest market value.

Mexico's proven oil reserves converge to 8,560 million of barrels. At the current rate of extraction and in the unlikely event that the North American country did not discover new deposits, the North American country would have enough crude oil for the next 11 and a half years. Marine regions from the northwest - where the great deposit of Ku-Maloob-Zaap is located and the hen that laid the eggs of gold, Cantarell- and southwest produce three quarters of the oil that is extracted in Mexico. By States, the waters of the Gulf of Mexico in Campeche, Tabasco and, to a lesser extent, Veracruz, continue to concentrating the bulk of the reserves. It is not surprising that they are also the federal entities that have suffered the most from the Mexican oil crisis in the recent years.