

Pemex to Spend \$200 Million Looking for Shale Gas

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MEXICO CITY - Mexico's state-owned oil company Petroleos Mexicanos, or Pemex, is embarking on a three-year, \$200 million program to look for shale gas at two promising sites, including an extension of the Eagle Ford shale formation in Texas, a member of Mexico's National Hydrocarbons Commission said Tuesday.

Commissioner Guillermo Dominguez said the seismic studies to be carried out are designed to determine whether the rich petroleum deposits found in shale rock formations in the U.S. extend into Mexico. He said one of the two "large blocks" to be studied is an extension of the Eagle Ford shale rock formation that runs from Texas into Mexico. The other site is just down the Gulf of Mexico near Tampico.

Mr. Dominguez said that shale gas development in Mexico will take five to eight years. In the meantime, Pemex can import cheap natural gas from the U.S. as demand rises. "If we're on the sidelines of this business for now, then it's better that we import it," he said at an energy conference.

Pemex is currently producing less natural gas than in the recent past, and importing increasing quantities of the fuel as industry clamors for cheap energy to stay competitive.

A shortage of natural gas in Pemex pipelines has forced the company to issue "critical alerts" and ration the fuel to industry in the central and western parts of the country as low pipeline pressure can damage the network. Mexico's Energy Ministry said it is expanding pipeline capacity in coming years so gas can move from where it is being produced to where it is needed without complications.

Mr. Dominguez, a former Pemex executive now working for the government's energy watchdog, also joined a growing chorus of voices saying that Pemex needs some fundamental changes to keep up with the demand of a growing population and a growing economy.

"Mexico needs to have an orderly debate about what it wants to do with its petroleum industry, without allowing nationalist passions to cloud our vision of the future," he said, adding that the country should take advantage of the change in administration to pursue changes.

President-Elect Enrique Pena Nieto takes office Dec. 1 and is already laying the groundwork for a variety of legal overhauls on issues like labor laws and more private participation in the energy industry.

Mr. Dominguez said that Pemex doesn't need to be privatized, but that there is room for additional players in the oil industry to help Pemex meet the country's energy needs. He said there is also nothing wrong with having more competition in the energy market and that a stronger Pemex need not fear such competition.

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