



U.S. Embassy—Mexico City Oil and Gas Factsheet

Important Facts:

- Mexico is a major non-OPEC oil producer (7th in the world) and among the largest sources of U.S. oil imports (3rd). In 2011, the United States imported 1.1 million bbl/d of crude oil from Mexico, behind Canada and Saudi Arabia.
- Petroleos Mexicanos (Pemex), the state-owned oil and gas company, is by law responsible for all domestic hydrocarbon exploration and drilling (Art 27 & 28 of the Constitution).
- Mexico is a net importer of natural gas, mostly via pipelines from the United States, and its natural gas demand is rising due to record low costs of natural gas. (Mexico ties its natural gas prices to the Henry Hub price).
- Mexico imports over 40% of its gasoline from the United States. U.S. exports of gasoline to Mexico accounted for almost 60 percent of the overall growth in total U.S. motor gasoline exports from 2007 to 2011.

Mexico is one of the top ten largest oil producers in the world and the third-largest source of U.S. oil imports.

Mexico is an important partner in the U.S. energy trade. The energy relationship between Mexico and the United States is key for both countries' economies. Mexico is currently the United States' third-largest oil supplier (last year it was ranked 2nd) and the United States is Mexico's #1 supplier of gasoline and natural gas.

Mexico is a large but declining net crude exporter, and is a net importer of refined petroleum products. Although Pemex cites 13.8 billion barrels of proven oil reserves, the Oil & Gas Journal notes Mexico had 10.2 billion barrels of proven oil reserves at the end of 2011.

Top Ten Oil Producers 2011

Saudi Arabia	10,520
Russia	10,270
United States	9,680
China	4,073
Iran	4,252
Canada	3,483
Mexico	2,983
United Arab Emirates	2,813
Iraq	2,642
Nigeria	2,458

(Thousand Barrels per Day)

Source: CIA World Factbook

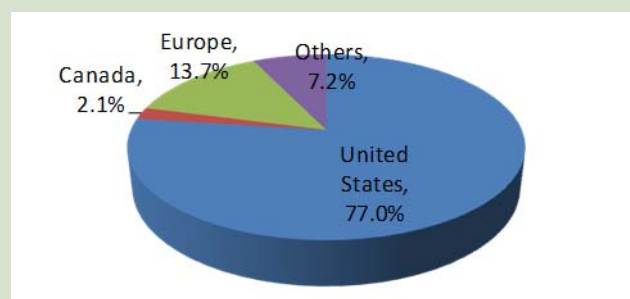
US Crude Oil Imports, 2011

	2012	2001	RanK 2012	Rank 2001
Canada	2,453	1,356	1	2
Saudi Arabia	1,423	1,611	2	1
Mexico	956	1,394	3	3
Venezuela	857	1,291	4	4
Iraq	460	795	6	6
Colombia	419	260	8	9
Nigeria	404	842	4	5
Algeria	133	11	7	29

(Thousand Barrels per Day)

Source: EIA

Mexico's Crude Oil Exports, August 2012



Source: Pemex

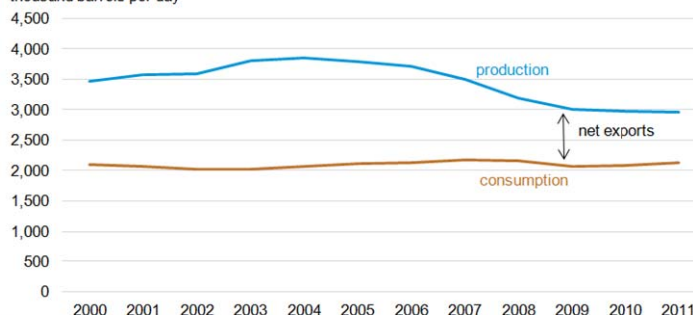
Incoming President Enrique Peña Nieto Calls for Energy Reforms

Press Reports Reforms May Include:

- **The modernization of Pemex to include private sector investment and more autonomy**
- **More flexibility to allow an increase of private sector participation in the energy sector**

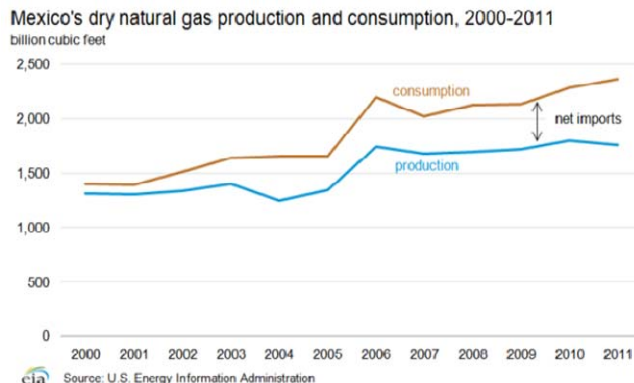
The amount of oil produced in Mexico has fallen by about 24% since 2004 due to under-investment and natural production declines from Cantarell and other offshore fields. The oil sector generated 16% of Mexico's export earnings in 2011, a proportion that has declined over time. More significantly, earnings from the oil industry (including taxes and direct payments from Pemex) accounted for 34% of total government revenues in 2011. Declines in oil production have a direct impact upon the country's economic output and the government's fiscal health, particularly as refined product consumption and import needs grow.

Mexico's oil production and consumption, 2000-2011
thousand barrels per day

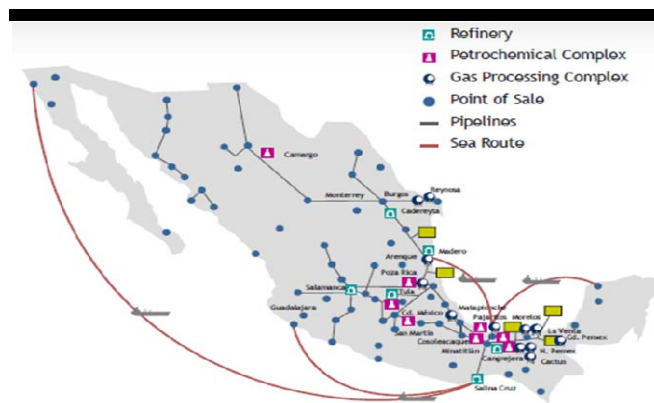


Source: U.S. Energy Information Administration, *International Energy Statistics*

Mexico is a net importer of natural gas, mostly via pipelines from the United States, and its natural gas demand is rising due to greater use of the fuel for power generation.



According to the Oil & Gas Journal, Mexico had 17.3 trillion cubic feet (Tcf) of proven natural gas reserves as of the end of 2011, a sharp increase of more than 5 Tcf from the year before. The southern region of the country contains the largest share of proven reserves. However, the northern region will likely be the center of future reserves growth, as it contains almost ten times as much probable and possible natural gas reserves as the southern region.

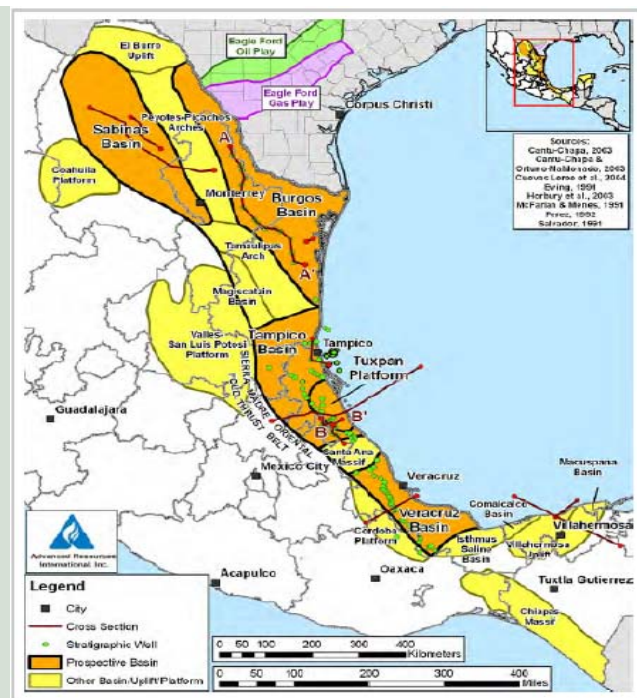


Constraints:

- Most of Mexico's electricity generation comes from conventional thermal plants, the fuel source for which is increasingly natural gas;
- Limited gas pipelines, though Mexico is bidding out up to six thousand kilometers of pipelines over the next few years;
- Pemex is more focused on producing oil due to the low natgas prices

Mexico has one of the world's largest shale gas resource bases, which could support increased levels of natural gas reserves and production.

According to an initial EIA assessment of world shale gas resources, Mexico has an estimated 681 Tcf of technically recoverable shale gas resources — the fourth largest of any country examined in the study (see chart).



Recent events:

- Oct 2012: SENER is investing over \$240 million to determine potential shale gas reserves;
- Pemex plans to offer bids on shale gas blocks in 2014
- Energy reforms could include the opening of shale gas to the private sector, but will it include non-associated liquids, such as shale oil?

Trans-boundary Agreement on Hydrocarbons in the Gulf of Mexico and Mexico's Deepwater Oil Discoveries

- The Agreement is awaiting U.S. Congressional action; implementation of the Agreement would enhance the bilateral relationship by enabling joint exploration of the boundary area and facilitating commercial cooperation between U.S. companies and PEMEX, and it would strengthen collaboration between our environment and safety regulatory bodies.
- Pemex announced it found oil in two deepwater wells, Trion and Supremus, which are 25-30 miles from the U.S. – Mexico trans-boundary region. Pemex estimates oil reserves of 125 million barrels and 500 million barrels for Supremus and Trion, respectively.

