

Mexico Strikes Large Oil Deposits

By George C. Wilson
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Mexico apparently has struck rich oil formations on land along the Gulf of Mexico.

U.S. government and industry executives said yesterday that Mexico's newly found oil, if exported to the United States, could help break the grip of the Mideast oil cartel.

President Ford is expected to discuss this urgent topic when he meets with Mexican President Luis Echeverria on Oct. 21, although State Department officials said this was not the reason for setting up the meeting in the first place.

Said one government energy executive with access to the new information about Mexico's oil discoveries: "If that oil wasn't on the agenda in the beginning, it will be now."

Preliminary estimates are that three Mexican fields some 800 miles south of Houston contain up to 20 billion barrels of high grade oil—or double the amount believed to be under Alaska's North Slope.

One American oil company geologist who has been analyzing industry intelligence about the area said yesterday that the yields of test wells plus the geological formations along Mexico's Gulf coast look exciting enough

to be another Persian Gulf of petroleum.

Such optimism aside, U.S. industry sources estimate that three fields that already have proved rich in oil will boost Mexico's exports of oil from 200,000 barrels a day in 1975 to almost 2 million barrels a day by 1980 and hold at that level for three years before starting to decline.

The North Slope is expected to start producing oil in 1977 and rise to 2 million barrels a day.

Mexico's 2 million barrels would comprise one-third of the oil the United States is importing now to meet the daily consumption of 16 mil-

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lion barrels of crude oil and refined products. (Imports averaged 5.895 million barrels a day for the four-week period ended Sept. 20, according to the Federal Energy Administration.)

The Mexican oil, said one administration official, "could be very, very significant." An industry official said that Mexican oil could ease U.S. supply shortages but presumably would not reduce appreciably the world price for oil.

But there are big question marks hanging over Mexico's oil field, which is about 35 miles long and three miles wide in the states of Tabasco and Chiapas: Will the Mexican government develop them at full speed or stretch out production to make the oil last? Will Mexico sell oil to the United States, Japan or Europe if a surplus is indeed produced? And will Mexico reject U. S. overtures and join the Organization of Petroleum Exporting Countries?

Right now Mexico is virtually self-sufficient in oil — with industry analysts estimating production and consumption at about 650,000 barrels a day (Palmer Publications' "World Petroleum Report" put 1973 production at 465,000 barrels a day and consumption

at 560,000, but production has been rising lately.)

So, with its own needs for oil covered and its economy in need of outside income, Mexico is expected to take advantage of today's high prices and sell its extra petroleum on the world market.

American, Japanese and other foreign oil executives know this, of course, and are vying to buy the Mexican oil.

Administration and congressional officials who specialize in national energy problems said in interviews that U. S. negotiators will have to tread carefully as they approach Mexico about buying its new-found oil.

"We don't want to push them into joining OPEC," said one official. He declined to be quoted for fear of polarizing Mexican politics on the oil export question.

But that same government official said it makes the most sense economically for Mexico to send its oil to the nearest customer — the United States.

Mexico nationalized oil operations long ago and put them under a government corporation called Petroleos Mexicanos, or PEMEX.

PEMEX recently discovered the new oil deposits by going back to some old ground along the Gulf of Mexico that had proved dry in previous drilling, according to an industry

geologist studying the information. But this time PEMEX drilled deeper, right through a thick layer of volcanic rock, and found rich oil formations.

Also, he said, what was thought to be three separate fields called Sitio Grande, Cactus and Samaria are actually connected in a vast formation that looks highly promising for oil.

The magazine "World Oil" said in its August issue that 50 of the 412 development wells that PEMEX plans for 1974 will be drilled in those three promising areas. It added that PEMEX plans to be producing a total of 767,000 barrels of oil a day by the end of 1976, making Mexico "fully self-sufficient"

One U.S. oil industry's intelligence report predicted that Mexico's oil production will keep climbing after 1976 so the country will have almost 2 million barrels a day for export by 1980.

Mexico, according to industry officials, seems intent on going it alone on its oil development rather than letting American firms in on the action. PEMEX, they add, has had little trouble borrowing money from banks in the United States, Japan and Canada—another indication that world bankers believe Mexico has a bright future in oil.



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Map shows location of new oil discovery in Mexico.