

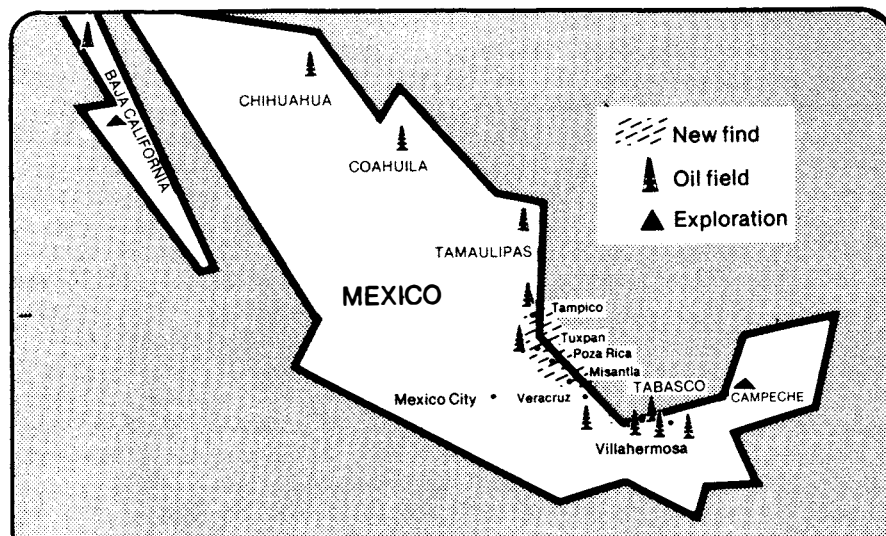
which has kept the developing sector in rural backwardness, and link up with the EMS. This is the way to strengthen the failing dollar, this is the way to revitalize your domestic industry. Mexico is a capital goods market you can scarcely afford to lose."

The big oil grab

If performance to date is a yardstick, then everything indicates that America is going to be left out in the cold. The policy course originally charted by Energy Secretary James Schlesinger, who last year sabotaged Mexican natural gas sales to a half dozen U.S. gas companies, is still hegemonic in Washington.

The dominant response in the U.S. press to Mexico's new oil finds has been one of glee at the prospect of somehow seizing the oil as America's "strategic reserve," and using it to break up the Organization of Petroleum Exporting Countries (OPEC). But the fact of the matter is that, although Mexico is not now a member of OPEC and has no immediate plans to join, President López Portillo has stated time and again that "neither now nor in the future will we be scabs" against OPEC.

Similarly, schemes such as Senator Edward Kennedy's calls for World Bank participation in Mexican oil activities ignore the fundamental reality that Mexico's oil industry has been nationalized for over 40 years, and is as jealously guarded as that nation's



How much oil does Mexico really have?

Based on rapid development of the prolific Reforma fields in the Southeast states of Tabasco and Chiapas, President Lopez Portillo announced startling new official oil reserves statistics in his State of the Union address three months ago. He revealed proven reserves of 20 billion barrels, probable of 37 billion, and potential of 200 billion.

Entirely *outside* these estimates, the state oil company Pemex, noted for its conservative handling of oil statistics, revealed the following new discoveries in back-to-back announcements last week:

- 100 billion potential oil reserves plus 40 trillion cubic feet of gas in a field, called "Chicontepec," stretching 75 miles long and 17 miles wide in northern Veracruz state. The formation involved, a vast area of oil-bearing pockets with little porosity, is found at shallower levels than previously exploited, deeper oil in the same region. Pemex director Diaz Serrano announced that up to 16,000 individual wells will be drilled in a 13 year program, to begin immediately.
- 80 billion potential oil reserves plus 30 trillion cubic feet of gas in deposits offshore from the Chicontepec field, in a basin of tertiary formations called "Bejuco-La Baja." The estimated depth of the field is 1,800 meters below sea level, and its full extension remains to be fully explored.

How quickly will "potential" turn to "probable" and then "proven"? The "transition rate" is picking up fast. The "proven" category is largely a function of putting new fields into production — and Pemex is doing this with astonishing speed. The original 1982 production goal of 2.2 million barrels per day will now be met in early 1980 (current production is close to 1.5 million per day).

What must be emphasized is that all the Mexican figures are *conservative*, and can only be revised upwards as more information becomes available. Though potential reserves represent the total oil estimated to exist in known fields, only part of which is recoverable, Mexico's recovery rates are running a very respectable 40 to 50 percent. This is somewhat higher than the international average. According to informed oil sources in Mexico, new Soviet technology may soon boost recovery rates in some Mexican fields as high as 80 percent.