

U.S. Embassy—Mexico City

Oil & Gas Factsheet



Mexico is one of the top ten largest oil producers in the world. Although production has declined, recent reform could reverse this trend.

Important Facts:

- Mexico is a major non-OPEC oil producer (9th in the world) and among the largest sources of U.S. oil imports (3rd). In 2013, the United States imported 850,000 barrels per day of crude oil from Mexico, behind Canada and Saudi Arabia.
- The United States is Mexico's #1 supplier of gasoline and natural gas.
- Mexico's Congress has approved an energy reform that ends the monopoly of Petróleos Mexicanos (Pemex), the state-owned oil and gas company, and allows private companies to participate in the sector.
- Mexico has the sixth-largest technically recoverable shale gas reserve in the world at 545 trillion cubic feet. As of 2013, it had 17 trillion cubic feet of proven reserves (EIA).

Mexico is an important partner with the United States in energy trade. Mexico is the United States' third-largest oil supplier and Mexico is a net importer of natural gas, mostly via pipelines from the United States. Mexico also imports over 40% of its gasoline from the United States.

Mexico is a large but declining net crude exporter and is a net importer of refined petroleum products. Mexico's National Hydrocarbons Commission (CNH) reports 13.4 billion barrels of proven oil reserves, while the U.S. Energy Information Agency reports that Mexico had 10.1 billion barrels of proven oil reserves at the beginning of 2014.

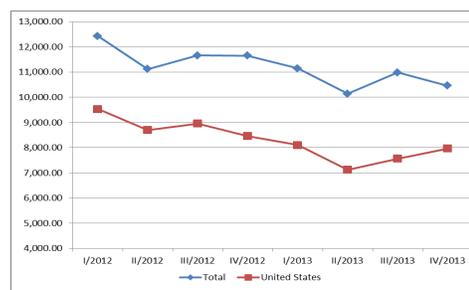
Top Ten Oil Producers, 2013

United States	12,316
Saudi Arabia	11,592
Russia	10,498
China	4,459
Canada	4,097
Iran	3,422
United Arab Emirates	3,230
Iraq	3,058
Mexico	2,908
Kuwait	2,812

U.S. Crude Oil Imports, 2012-2013, ITA

Country	2012	2013
Canada	887,674	937,582
Saudi Arabia	432,972	483,567
Mexico	356,715	310,402
Venezuela	333,972	275,461
Colombia	147,428	133,781

Mexico's Crude Oil Exports, 2012-2013, SIE

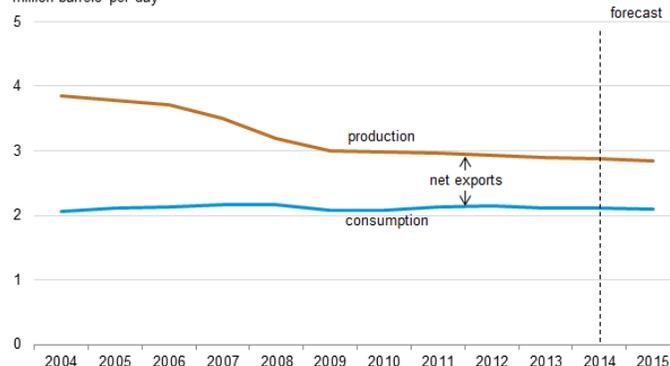


Implementing Legislation Will Finalize Constitutional Energy Reform

- **Mexico will maintain ownership of all hydrocarbons in the subsoil.**
- **The reform promotes competition and partnerships between state and private companies in the energy sector**

Revenue from the oil industry (including taxes and direct payments from Pemex) accounted for 32% of the total federal budget in 2013. Mexican oil production has fallen by 24% since 2004 due to under-investment and natural production declines from offshore fields (EIA). In response, President Peña-Nieto introduced a constitutional reform, passed by Congress in December 2013, which allows the private sector to enter into competitive contracts that include profit-sharing, production-sharing, and license contracts with the government or with Pemex for the exploration and extraction of hydrocarbons. Implementing legislation is expected to pass Mexico's Congress in August 2014. The reforms are intended to increase productivity in the sector and ultimately lower energy costs.

Mexico total oil production and consumption, 2004-15
million barrels per day



Source: U.S. Energy Information Administration

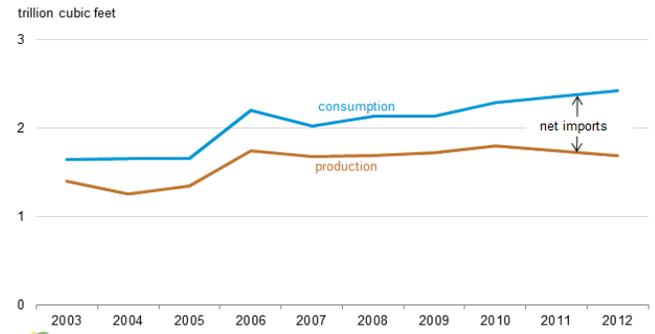
Mexico is a net importer of natural gas, mostly via pipelines from the United States, and its natural gas demand is rising due to greater use for power generation.

According to the Oil and Gas Journal, Mexico had 17 trillion cubic feet (Tcf) of proven natural gas reserves as of the end of 2013. 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.

Challenges:

- Increasing demand for natural gas as most of Mexico's electricity generation comes from conventional thermal plants;
- Limited gas pipelines, but Mexico is building two major cross-border pipelines and increasing compression to increase natural gas imports by about 3 billion cubic feet by 2016;
- Low natural gas prices have shifted the current focus toward producing more oil than natural gas.

Mexico's dry natural gas production and consumption, 2003-12



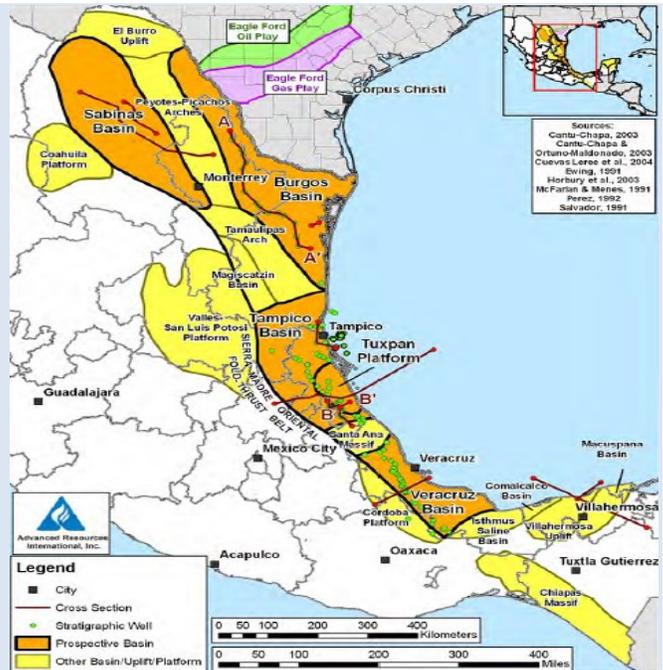
Source: U.S. Energy Information Administration



Mexico has one of the world's largest shale gas resource basins, 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 545 Tcf of technically recoverable shale gas resources—the sixth largest of any country examined in the study (see chart, [EIA](#)).

With the implementation of the energy reform, new acreage will be identified and put up for bid by SENER and CNH for private participation. This will presumably include development of shale gas and non-associated liquids, such as shale oil. However, it remains to be seen if the contracts offered will be competitive enough to attract private investment.



Trans-Boundary Agreement on Hydrocarbons in the Gulf of Mexico

The Agreement entered into force on July 18, 2014. Implementation of the Agreement will enhance the bilateral relationship by enabling joint exploration of the boundary area and facilitating commercial cooperation between U.S. companies, Pemex, and other private sector entities. It also will strengthen collaboration between our environment and safety regulatory bodies.

