

Shale: An opportunity to escalate natural gas production

Mexico has the opportunity to open to new technological options

Mexican hydrocarbon reserves have decreased significantly, and gas importation has increased to more than 80% of total consumption, showing an alarming reliance on this fuel.

The Energy Reform was a fundamental step towards modernization for Mexico and the oil work rounds carried out until now have paved the way to consolidate knowledge and best practices based on the experience of the businesses the country is attracting through biddings.

Looking for energy assurance

To this regard, a future bidding for the exploitation of non-conventional resources during Work Round Three represents an important opportunity to maximize natural gas production with the extraction of shale gas through fracking, and in doing so, leverage energy assurance to uphold national consumption. Today, Mexico's prospective shale gas resources are in the sixth position globally (545 trillion cubic feet), based on the information provided by the US Energy Information Administration [2015].

Oil and gas reserves have decreased during the last 14 years. Particularly, proven and potential natural gas reserves (2P) dropped 12.4% from January 1, 2016, to January 1, 2017, based on the data provided by the National Hydrocarbon Commission.

Clear and transparent policies

The upcoming bidding of Round Three –planned for 2018, since the original 2.5 bidding was postponed – will help attract investments to exploit resources properly to have an adequate technological infrastructure, since integration is more efficient through this type of bidding lowering elevated upstream costs. This requires clear policies to generate a transparent optimization to include companies from several productive sectors and align their interests.



One of the probable effects of this type of development is the impact on farming or cattle lands where wells are drilled to extract natural gas, crude or condensed products, as communal landowners will have to sell or lease their properties; they could even be expropriated in the interest of the nation.

Environmental issues and effective regulation

Another aspect is the discussion about the non-conventional shale gas extraction process using fracking techniques due to the risk of potential environmental impact for using the hydraulic fracture method: groundwater table pollution, excessive use of water competing with surrounding communal lands, subsoil openings, air pollution, and methane emissions or induced seismic activity.

The corresponding regulations were recently submitted for approval on March 15, 2017. This is a good opportunity to apply and supervise the compliance of these provisions, as well as realize the full optimization of shale gas. The Safety, Energy and Environmental Department will play a key role in providing legal and environmental certainty to stakeholders and communities at large.

Profitability and growth

Profitability is another important matter. Let's not forget Mexico will need the technology and the expertise of those who win the biddings. Substantial profits are not expected immediately, and the dollar and crude oil prices will be an important factor in the strengthening process of this industry.

This is an opportunity for Mexico. Acknowledging good economic times are gone will open new paths to innovative ways of doing things, including technological advances, and learning from others' experiences will help us achieve the energy maturity we're looking for.

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