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From Dr. Frank Clemente

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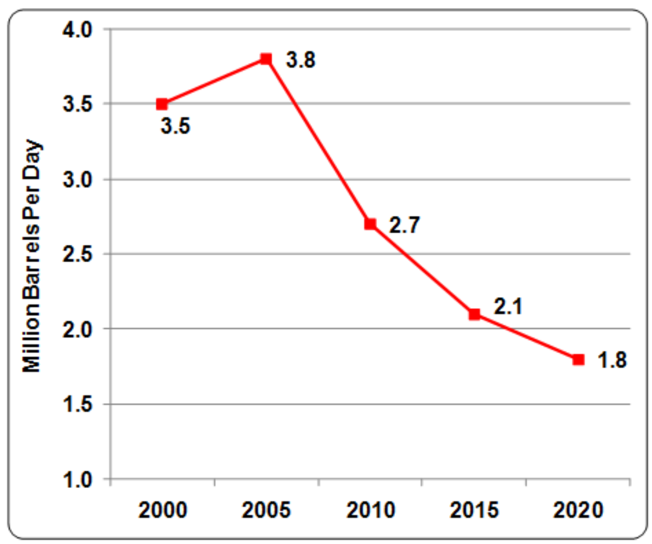
# Mexico's Declining Oil Production Will Impact the United States

**In 2008, the United States imported more than 10 percent of its oil from Mexico – over 1.3 million barrels per day (Mb/d).***

In 2005, Mexico produced 3.7 Mb/d of oil and sold 1.7 Mb/d to the United States. By 2020, however, Mexican production will only be about 1.8 Mb/d and one of our most stable and secure sources of oil supply will be gone. Both the United States and Mexico will have to adjust to the harsh geological reality of depletion. Peak oil is staring us in the face.

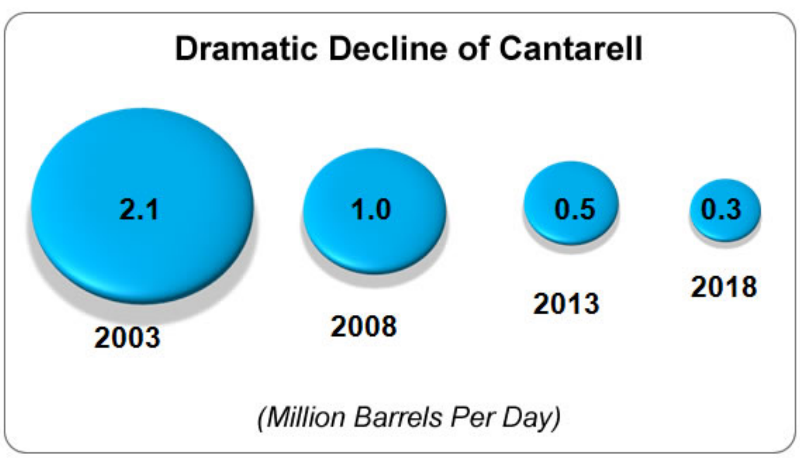
**Mexico's Declining Oil Production**
*(Million Barrels Per Day)*




Cantarell, not so long ago the world's second-largest oilfield, has traditionally accounted for 60 percent of Mexican production. But Cantarell is in terminal decline and Mexico's future is deteriorating before our eyes -- revenues from oil sales account for 40 percent of Mexico's federal budget.

The potential confrontation between growing demand and declining supply will impact not only Mexico but the United States as well. The National Academy of Sciences recently warned:

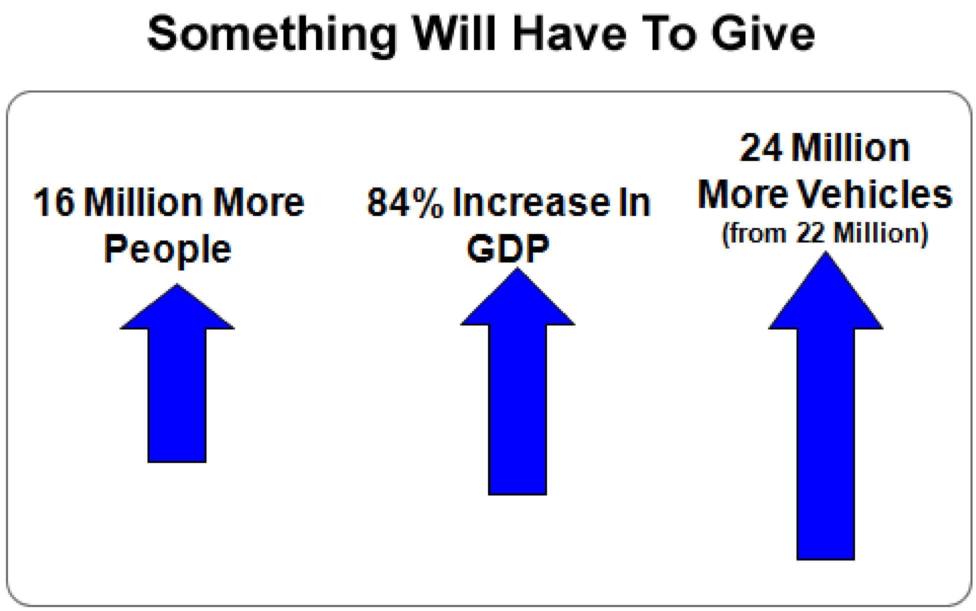
***"The security and sustainability of our nation's energy system have been perennial concerns since WWII... especially our growing dependence on imported petroleum."*** *[1]*




*(Continued on reverse)*

(Continued from front)

There is little question that with the demise of Mexico as a key supplier, America's fragile oil supply chain will become even more tenuous. North Sea production is in established decline and Canada's potential over the next decade is increasingly limited given the cancellation of so many tar sands facilities because of the economy.




Our own deepwater production is very expensive (e.g. Jack Field). Brazil is the only bright spot in our hemisphere and costs are rising there too. We will have to go farther afield for supply and it will be at increased risk and intense competition from China and other nations. Our oil situation has continued to deteriorate while camouflaged by the recession and the decline of our most stable sources of supply is worrisome indeed.

**There is little hope that Mexico can have a resurgence in oil production. Two other oil regions hold 70% of Mexico's non-Cantarell reserves and are in decline as well.** [2]

- **Ku-Maloob-Zaap field will peak in 2011**
- **Chicontepec basin will peak in 2016**

**References:**

* Archived data taken from http://www.eia.doe.gov/
[1] National Academy of Sciences, America's Energy Future, 2009
[2] Pipeline and Gas Journal, August, 2008

**About Frank Clemente, Ph.D.**

Dr. Clemente is a Professor at Penn State University where he specializes in research on the socioeconomic aspects of energy policy. His work has appeared in *World Oil*, *Public Utilities Fortnightly*, *Oil and Gas Journal* and a variety of other energy related media. *The materials presented here are solely the responsibility of the author and do not represent Pennsylvania State University in any manner.*