

# THE WALL STREET JOURNAL.

## UPDATE: Mexico's Pemex To Evaluate Collaboration With Cuba

April 12, 2012

By Anthony Harrup

- Two state oil companies sign letter of intent
- Pemex to attend workshop in Havana to assess possibilities
- Pemex questioned as candidate for Cuban exploration

(Adds background on Cuban oil exploration and comment from analysts.)

By Anthony Harrup  
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Mexican President Felipe Calderon said Thursday that Mexico and Cuba have agreed to evaluate the possibility of Mexican state oil monopoly Petroleos Mexicanos, or Pemex, participating in oil exploration projects in Cuba.

Calderon, on a state visit to the Caribbean island, said in a message via his Twitter account that the two governments signed a nonbinding letter of intention to evaluate the possibility. The letter was signed by Pemex's exploration and production unit, and Cuban state oil company Cupet.

An eventual agreement between Pemex and Cupet would join Mexico, a major crude exporter that doesn't allow private or foreign oil companies to own or share its oil, with communist Cuba, an importer that does allow such companies as it seeks to secure its own energy supplies.

Cuba, which imports about two-thirds of its oil needs from Venezuela, has been courting foreign oil companies to explore in its waters, where it's estimated to have billions of barrels of undiscovered petroleum reserves. The area has been divided into 59 blocks, of which many are still unassigned.

Details of the agreement between Mexico and Cuba were few, and there was some doubt as to whether it would actually lead to any deals. Mexico's Energy Ministry said in a release that a workshop will be held in the near future in the Cuban capital Havana, during which Pemex can analyze options for collaboration with its Cuban counterpart, either in projects currently being developed or in new areas.

Juan Carlos Hidalgo, a policy analyst for Latin America at the Cato Institute, said he was surprised that a conservative such as Calderon would be engaging Cuba, but also thought Cuba would have greater interest in the Chinese or Brazilians, which have greater experience in exploration than Pemex.

Philip Peters, a Cuba analyst at the Lexington Institute in Washington, said Cuba still has interest in bringing others on board as it pursues its upstream goals, although the sketchiness of the information makes it hard to say whether an agreement with Pemex would come to anything.

It was also unclear whether an eventual deal could have implications for Mexico under the Helms-Burton act--the controversial U.S. legislation of the mid-1990s that aims to sanction foreign companies doing business with Cuba-- since close to 80% of Pemex's crude exports go to the U.S.

Pemex has a 9.5% stake in Spanish oil company Repsol YPF SA (REP.MC), which has rights to drill six blocks in Cuba and a production-sharing arrangement with Cupet. Repsol has avoided the restrictions of Helms-Burton by bringing drilling equipment from China.

The Helms-Burton law "hasn't deterred foreign oil companies from going to Cuba, but it has certainly been an annoyance," pushing up their costs, Hidalgo said.

Pemex is one of the world's largest oil companies, producing over 2.5 million barrels a day of crude oil. It has begun its own deep-water exploration in the Gulf of Mexico as it seeks to restore production that has fallen from a record 3.4 million barrels a day in 2004.

Mexico nationalized its oil industry in 1938, and Pemex is the only producer of oil and gas in the country. The firm contracts out exploration and production work to private oil service companies, but keeps all rights to any oil or gas produced. Aside from its Repsol stake, Pemex has a joint-venture refinery with Royal Dutch Shell (RSDA.LN) in Deer Park, Texas.

In 2008, Pemex officials said they had turned down an offer by Brazilian state oil company Petrobras (PBR) to join Petrobras in a deep-water project on the U.S. side of the Gulf of Mexico, because of Mexico's restrictive energy laws.

Calderon and other Mexican government officials are visiting Cuba and Haiti before traveling to Cartagena, Colombia, for this weekend's Summit of the Americas.

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