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Mexican Government Set to Award Fracking Contracts in Northeast

by Carlos Navarro

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The Mexican government is preparing to open shale gas and oil fields in the northeastern areas of the country to private companies. The natural gas is contained within rock formations and would be extracted via the controversial method of hydraulic fracturing, commonly known as fracking. Energy Secretary Pedro Joaquín Coldwell told participants at an energy forum at Rice University in Houston that the bidding process, which was put on hold two years ago, could be reopened after the first quarter of 2017.

Speaking to an audience composed of energy company executives, academics, and legal experts, Coldwell said President Enrique Peña Nieto's administration had intended to include the opening of the shale fields with the projects launched through the energy reforms approved by Congress in 2013 and 2014 ([SourceMex, Dec. 18, 2013](#), and [Aug. 6, 2014](#)).

The administration has put in motion projects dealing with exploration in shallow and deepwater sites ([SourceMex, Oct. 14, 2015](#), and [June 29, 2016](#)), as well as with the privatization of service stations ([SourceMex, July 13, 2016](#)). The energy reforms have thus far brought in about US\$22 billion in investments from nearly 60 energy companies, Coldwell told participants. The investments include US\$10 billion for 10,000 kilometers of pipelines, US\$7 billion in exploration and production, and US \$2.5 billion for new seismic maps to track oil and gas reserves.

However, the development of gas and oil fields in northeastern Mexico and other parts of the country was put on hold because of the slump in global oil and gas prices in 2014 ([SourceMex, Nov. 19, 2014](#), and [Jan. 7, 2015](#)). "We thought the industry wouldn't be interested," Coldwell said. The administration also considered two other factors in its decision to delay concessions, he added: the absence of specific environmental regulations governing fracking and the lack of sufficient pipelines needed to move natural gas.

A potential bounty

However, the potential bounty of gas and oil in the shale fields of northeast Mexico—particularly the Burgos Basin in Tamaulipas, Nuevo León, and Coahuila states—made it difficult for the Peña Nieto government to delay development of the area's hydrocarbon resources much longer. According to a PEMEX estimate released in 2014, there are as many as 141 trillion cubic feet of viable shale gas reserves in Mexico, almost nine times greater than the country's "conventional gas" reserves.

The US Energy Information Administration (EIA) has ranked Mexico sixth in the world in terms of technically recoverable shale gas, behind China, Argentina, Algeria, the US, and Canada. Mexico is ranked eighth in terms of technically recoverable shale oil reserves.

However, the fields cannot be developed without the significant participation of private companies, which bring capital and technology to the costly and complex process. Previous administrations, particularly former President Vicente Fox's government, brought private entities into gas and oil

projects in northeast Mexico under personal services contracts ([SourceMex, June 26, 2002, Feb. 19, 2003, Jan. 28, 2004](#)). While the contracts have helped PEMEX gain some access to gas in the northeastern fields, they provided insufficient incentives to bring in the type of investments needed to gain full access to the vast reserves of gas in the area.

Coldwell said the Mexican government is finally ready to move with the process, with auctions beginning by the end of the first quarter of 2017. "Everything will be ready by March," he said.

Detractors speak up

The administration's plan to proceed with exploitation of reserves via hydraulic fracturing faces strong opposition from the Alianza Mexicana contra el Fracking (AMCF) and community leaders. While the AMCF has not made a public statement about Coldwell's comments in Houston, other signs of opposition have emerged in northern and northeast Mexico, the area where some limited fracking activity has already occurred and where major projects are targeted.

In February 2016, the AMCF issued a statement opposing plans by the federal hydrocarbons commission (Comisión Nacional de Hidrocarburos, CNH) to give PEMEX permission to conduct exploratory fracking operations in the northern mountains of Tamaulipas and in the area near Poza Rica in Veracruz state. The CNH's decision was supported by Mexico's environmental safety agency (Agencia de Seguridad, Energía y Ambiente, ASEA).

The AMCF's criticisms were directed especially at ASEA director Carlos Salvador de Regules Ruiz-Funes, who it says has ignored several academic and scientific studies warning about the problems associated with fracking. "Regules Ruiz-Funes did not consider the problem of water shortages and contamination caused by the test wells," said Gloria Tobón de Garza, of the Asociación de Usuarios del Agua de Saltillo, a consumer group based in Saltillo that is one of the member organizations of ASEA.

The concerns about water shortages caused by test wells have become a reality in some areas. In the Coahuila municipality of Jiménez, representatives of the Palmira and Emiliano Zapata communal farms known as ejidos have filed a complaint with the Latin American Water Tribunal about shortage of water in their communities, which they attribute to fracking. The Latin American Water Tribunal is an independent entity based in San José, Costa Rica.

The residents of the ejidos, who said they are feeling increasing pressure to sell land to private energy companies, charged that authorities have misled them about their true intentions.

"In 2015, the federal government insisted that Jiménez was not among the municipalities where fracking would be allowed, a promise that gave us some peace of mind," Julio Mendoza, legal affairs secretary for the Central Campesina Cardenista, told The Huffington Post. "However, the private companies and municipal governments have launched a campaign to try to convince ejidos about the virtues of fracking and the benefits that residents would receive if they sell their land."

AMCF, a coalition of 43 environmental, human rights, and community organizations, has launched several efforts to fight fracking in Mexico in order to preserve the environment and the integrity of local communities. Fracking involves the boring of deep holes through the layer of shale, followed by the blasting out of millions of gallons of water, sand, and hazardous chemicals to split up rock and extract the gas contained inside. In addition to chemical contamination from dissolved

chemicals and other pollutants, the heavy use of water diverts the vital liquid from other needs, such as agriculture and municipal supplies.

Information scarce

Fracking has been used on a limited basis in Mexico for more than a decade, but it was not fully and openly recognized until energy reforms were approved in 2013. Even so, the government continues to provide very little information about the process to communities that would be potentially affected. The AMCF has managed to obtain a list of fracking sites around the country, but very little other information from the government. According to data provided to the AMCF, 934 wells have been drilled in Mexico with some sort of fracking technology. The wells are located primarily in Veracruz state, the Burgos Basin, and the northern mountains of Puebla.

“We do not have the exact location of these sites, on which ejido they are located, or whether they are situated next to an aquifer,” said AMCF researcher Francisco Cravioto Lagos. “This is important information to measure impact. The only information that PEMEX has given is a table with a listing of wells.”

Cravioto said the information about the sites is important because the AMCF wants to conduct environmental impact studies on each of the wells.

Public officials in some local communities where the wells might be located have also expressed concern about the lack of information coming from the government. “People don’t know what ‘fracking’ is, and there is little concern about the issue because it’s not visible yet,” Gabino Vicente, a delegate in the community of Santa Úrsula in Oaxaca state, said in an interview with Inter Press Service (IPS). “Fracking is sort of a hidden issue. There is very little information about the process.”

San Juan Bautista Tuxtepec, where Santa Úrsula, is located, is one of seven municipalities in Oaxaca and Veracruz where PEMEX has conducted exploration for gas over the last several years through a project known as Papaloapan B. The project will involve 24 geological studies and the exploratory drilling of 120 wells, with investment on the project estimated at US\$680 million.

The AMCF points out that the government has allowed multinational companies like BJ Services, Halliburton, Dowell Schlumberger, and Baker Hughes to conduct limited fracking operations in the north (Coahuila, Nuevo León, and Tamaulipas) and in the south (Veracruz, Puebla, and Tabasco).

“The dominant discourse from the supporters of fracking is that PEMEX owns gas reserves that cannot be exploited without investment,” said Claudia Campero, a campaign specialist with Food & Water Watch and Blue Planet, organizations that are part of the AMCF.

The AMCF has demanded that the Mexican government ban fracking altogether, following the example of France, Bulgaria, and several municipal and regional governments around the world, including the state of New York.

In addition to a ban on fracking, the AMCF presented four other related demands to the government, including a guarantee that the protection of human rights be a guiding principle in the planning and implementation of energy policies. Additionally, the coalition said, the state must guarantee the right to water to all communities, as spelled out by the Mexican Constitution and the United Nations. A third demand was a guarantee of safe environment to all communities, as spelled out by the Constitution. The AMCF also demanded a change in Mexico’s legal and institutional

frameworks to ensure that the development of renewable energy respects the human rights of local residents.

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