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Mexican Report Fed by Oil Company

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By off-the-record telephone calls and selective distribution on an internal memorandum, a major United States oil company has brought to the world's attention the discovery of what the company says is a major oil field in Mexico.

The Government of Mexico has said that newspaper accounts of a field with 18 billion to 20 billion barrels of oil — twice the reserves of Prudhoe Bay, Alaska — were exaggerated, but it has not released other estimates. The memorandum that inspired the initial press accounts said that its conclusions were partly based on information obtained indirectly from officials of PEMEX, Mexico's state oil monopoly.

O.P.E.C. Seen as Target

These events have raised two questions: Why did the company, which has refused to acknowledge its role publicly, inspire the news accounts? And how reliable is the estimate?

In an off-the-record conversation, a source close to the company has said that it had nothing to gain from the disclosure and that its only motive was to try to undermine the solidarity of the Organization of Petroleum Exporting Countries, the international oil cartel.

With a unity that has surprised many analysts, the organization's 12 nations have worked together to raise crude oil prices, now roughly \$11 for a 42-gallon barrel. Last summer, in the face of excess supply that appeared to be leading to price cutting, several members of the organization curtailed production.

White House Had to Ask

"The O.P.E.C. stranglehold is threatening the world economy," the source said. "Psychologically, it's not a bad idea to remind O.P.E.C. countries there might be oil elsewhere. We just wanted to give them a gentle reminder that new oil fields still can be found."

Analysts were unable to suggest any way in which the

memorandum would benefit from a reduction of world oil prices. Indeed, there was some tentative speculation that the company might suffer a shrinkage of profits in the late 1970's and that such a squeeze might hurt other major United States companies more.

The company made a memorandum on the Mexican discoveries available selectively to the press and to United States Government agencies, including the Interior and State Departments. "The White House finally asked for a copy," an informed source said with a chuckle.

The copies that went to the Government agencies were photocopied that bore no signature and no letterhead. The names of company personnel were deleted. The company known to have compiled the memo rebuffed tonight a request that it acknowledge authorship. The memo was made available to the press on the condition that its origin not be disclosed.

The fact that PEMEX's oil-exploration program was yielding promising results had been discussed in fragmentary reports in trade publications and in a Central Intelligence Agency memorandum that circulated among Federal agencies in late summer.

Then, on Sept. 12, Platt's Oilgram, a respected trade daily, reported: "Estimates in Mexico's Chilapa and Tabasco oil fields now range as high as 18 billion to 19 billion barrels."

That was an eye-catching item to anyone interested in oil. The estimate of proven reserves at Prudhoe Bay, Alaska, is 9.6 billion, and that is regarded as a big field. Including Alaska, United States reserves in 1973 were 41.8 billion barrels. Some of the larger fields in the Middle East run to 13 billion barrels, although the very largest, Ghawar in Saudi Arabia, is estimated at 75 billion.

Prices Could Drop

Government officials were quoted as having said that if Mexico decided to export substantial quantities of oil, there would be a significant effect on price—particularly in light of expected production from the

North Sea and the potential that oil men assign to such regions as the Aegean Sea, Egypt, the South China Sea, the northern continental shelf of Australia, the continental shelf of the East Coast of the United States and the Gulf of Alaska.

That was just the message the authors of the memorandum wanted to send to the O.P.E.C. countries, particularly the more populous, revenue-hungry nations that led the campaign that quadrupled oil prices from 1973 to 1974.

Some United States officials, however, have expressed concern that the publicity about Mexico may strengthen the position of Mexican nationalists and harden Mexico's attitude toward the United States.

A White House official said that when President Ford meets on Monday with President Luis Echeverria Alvarez of Mexico, Mr. Ford will discuss oil but only within the broad framework of worldwide economic conditions. Mr. Ford, it is understood, will avoid asking for any special Mexican oil deal for the United States, even though the Mexican fields lie only about 800 miles across the water from Gulf Coast refineries in Texas and Louisiana.

Mexico States Position

Reacting to press speculation about exports to the United States at cut-rate prices, Mexican officials said on Tuesday that Mexico would give "special priority to the needs of developing countries, above all those of Latin America"—but without any concessions from the prevailing high prices.

"Mexico rejects any suggestion that she might play a role of weakening the common front of the oil-exporting nations," said Horacio Flores de la Peña, the Minister of National Patrimony. He also said Mexico would send an observer to meetings of the Organization of Petroleum Exporting Countries.

Analysts here believe that any significant volume of exports from Mexico, whether of crude oil or refined products, would help to prevent world prices from rising and might even contribute to an eventual decline.

The critical questions are how much oil Mexico has and how eager she is for the dollar earnings it could bring. There is a general belief that Mexi-

co's development needs will impel her to seek maximum oil revenues.

Estimates Considered Plausible

As for the size of the field, initial reactions from oil-industry sources here tend to support the reported estimates as plausible, though possibly premature and certainly subject to verification.

"We are aware that a significant discovery has been made," said Robert O. Anderson, chairman of Los Angeles-based Atlantic Richfield Company. "It has been distorted to some extent by comparison with the Persian Gulf."

In a telephone interview Mr. Anderson said in response to a question that he did not expect PEMEX to sell below market prices.

The major oil company's memorandum, distributed with the company's letterhead and personnel names blanked out, is an excellent example of how the craft of oil intelligence is practiced.

From Many Sources

The cautiously stated conclusions of the memorandum are based partly on trade journal reports, partly on PEMEX's own annual reports and partly on information gleaned through industry friends, former schoolmates and former associates who have contacts within PEMEX.

The memorandum's summary paragraph reads as follows:

"Our consensus conclusion is that the reported large reserves most likely are on the order of the 18 billion barrels or so reported by Platt's. We would assign an extremely high chance of the reserves being in excess of 10 billion barrels and would not be surprised to see them turn out to be in the 15-20 billion barrel range."

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