



Written by [Kurt Williamsen](#) on January 29, 2009

Experts Warn of Oil Price Rise

Oil prices dropped from \$141 per barrel to below \$40, but experts say that this decline is going to end in 2009, according to 24/7 Wall Street. When oil prices tumbled, OPEC made an attempt to reduce production, calling on OPEC nations to produce less, but its efforts were largely unsuccessful because, it is speculated, some OPEC nations bucked the cartel and kept production high, maintaining falling prices. About the only thing that kept the prices at U.S. pumps from falling even lower than they did is that some California refineries shut down for routine yearly maintenance.

OPEC and other oil-producing countries, such as Russia, desperately need oil prices to climb to sustain their economies, and so OPEC is pushing to enact significant production cuts to raise oil prices. Russia, a major oil exporter and a non-OPEC nation, has said it will work in conjunction with OPEC to drive up prices.

What makes the price jump likely over time is that production from Mexico's Cantarell oil field has dropped significantly and rapidly, a trend many experts predict is the beginning of the end for the Cantarell field. And the Cantarell field is the second-largest oil field in the world. Mexico's energy minister said last year that, unless Mexico taps new oil fields, it may be forced to import crude by 2011.

Mexico has abundant untapped oil fields, but they are in deep water in the Gulf of Mexico, and Pemex, Mexico's state-owned oil company, sends most of its profits directly to the government, instead of investing in new technologies. This means it doesn't have the infrastructure, the technological wherewithal, or the money to drill deep. And though Pemex does offer private contracts to foreign companies, it does not get involved in partnerships with foreign companies that have the technology and the investment capital to drill its deep reserves.

The Cantarell field produced 18 percent less oil in 2007 than in 2006, and its declines have continued. In December 2008, Mexico's energy minister said that the country's oil production was down by 600,000 barrels since 2004 because of the diminishing production at Cantarell, and its production





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dropped by 200,000 barrels just in 2008, according to latinpetroleum.com. Mexico's total oil production now stands at about 2.8 million barrels.

Without the money or know-how to tap its deep-water oil supplies, to offset its production declines, Mexico is beginning to ramp up production at its Chicontepec oil field, but each well in that field produces only hundreds of barrels a day, versus about 6,000 per day per well at Cantarell. It won't be until approximately the year 2021 that the Chicontepec field is producing the 600,000 barrels per day that the Cantarell field has already lost in production.

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