

San Antonio energy company inks \$617M deal with Mexico's oil company



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In a deal with Pemex, San Antonio-based Lewis Energy State would invest up \$617 million to develop the Olmos field in Coahuila, an extension of Eagle Ford Shale, where this well is located.

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Mexico's nationally held oil and gas company has signed a deal with San Antonio-based Lewis Energy to develop part of the Eagle Ford Shale that extends into Mexico.

State-owned Petroleos Mexicanos, also known as Pemex, said the deal would have Lewis Energy invest upward of \$617 million. That money would be used to develop the Olmos field in the Mexican state of Coahuila, an extension of the same geologic formations that drillers target in the Eagle Ford Shale that runs across South Texas.

Pemex's goal is to produce upward of 117 million cubic feet a day of natural gas from the field by 2021.

The deal appears to be one of the first for an American oil and gas company to tap into Mexican shale, though Lewis Energy has a long history in the country. It has been doing work for Pemex in the Olmos field since at least 2004 and has drilled at least some shale wells in Mexico.

The privately held company operates primarily in South Texas, where it was among the earliest companies to drill in the Eagle Ford. It has hundreds of wells, according to its website. It also operates in Colombia.

Mexico has deep-water oil and gas fields, shallow water, conventional onshore fields and shale. Mexican shale is the least understood of its assets, but it's the area that companies operating in the Eagle Ford and the Permian Basin in West Texas have been watching most closely.

Lewis' deal comes as part of Mexico's liberalization of its oil and gas industry, which was dominated by Pemex for nearly 80 years until it was opened in 2014. Pemex has been beset by financial and production issues, leading to declining oil and gas output in the energy-rich country, as well as shortages of fuel in Mexico.

The sweeping energy reform is intended to boost production and fuel electricity generation. The overhaul of Mexico's oil and gas industry extends beyond its onshore and offshore oil and gas fields.

Multiple companies — including San Antonio-based refiners Valero Energy Corp. and Andeavor — have taken advantage of the opening of Mexico's fuels market to announce plans for projects to build fuel infrastructure and, in Andeavor's case, gas stations in Mexico. Other oil and gas companies, such as like Exxon Mobil and BP, have also announced intentions to enter the Mexican fuels market.

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