

# MEXICO

Pt.4

*New times, new opportunities*

**W**ithin a month after Hurricane Dean paralyzed oil activities in the Bay of Campeche, which cost PEMEX up to US\$1.5 billion in lost production, the Mexican Congress and Senate approved a long awaited fiscal reform package aimed at reviving the financial muscle of Mexico's national oil company. This massive success for President Calderon, in a country that has historically struggled to achieve fiscal reform, is destined to mark the start of a new age for the Mexican oil and gas industry.

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## Entering Mexico with a Canadian mindset

"After a frustrating period of trying to work remotely from Canada with KOCKEN representatives in Mexico, we decided that we needed to have a direct presence in Mexico, because it was too difficult to do business from abroad," started William Famulak, Vice President of KOCKEN Sistemas de Energia Inc. KOCKEN's interest in Mexico was based on a market opportunity for separation technology. "At the time, only three principal suppliers of separation technology were trusted by PEMEX, and it was clear that PEMEX was looking for a more diverse offering of separation technology, which plays an important role in its exploration program," analyzed William Famulak.

In an attempt to get a handle on the information and obtain accurate feedback, KOCKEN decided to move Engineering and Sales activities to Veracruz. It turned out that establishing a local presence was exactly what needed to be done. "We learned very quickly that as much as we didn't like dealing with agents, our clients didn't like dealing with them either," noted Mr Famulak. Also, by employing Mexican staff and reinvesting in the local environment, KOCKEN has shown that the company is not just operating in Mexico to repatriate profits to Canada. According to William Famulak, KOCKEN has secured contracts because, even though it is a Canadian company, it is able to offer more than 70% national content on a contract while meeting international quality, safety and technology standards.

While separation technology brought KOCKEN into the Mexican market, it is not the company's real area of focus. "To be honest, it is really run of the mill technology and quite a saturated market globally, with few improvements to be made in the future. But right now, we are starting to introduce new technologies in the Mexican market," stated Willam Famulak. However, he explained that while KOCKEN's technology is installed in the main global markets, gaining acceptance for innovative technologies remains a huge challenge in Mexico.

KOCKEN is particularly interested in introducing its gas dehydration technology to the market. This process incorporates an azeotropic distillation process in the glycol regeneration system that is 100% environmental friendly, with zero nominal emissions. It is using conventional methods to dehydrate gas, which means there is no learning curve for the operators. There is only an add-on process, which requires no human interface in order to make it work, while a self-regulating loop changes the process from high emissions to zero emissions. Currently, this technology, which is successfully imple-

mented in other parts of the world, is not available in Mexico. "My number one goal is the implementation of this process in Mexico," highlighted Famulak.

It is especially important in the State of Veracruz, which is primarily producing gas. An average gas dehydrator, processing 50 million cubic feet per day, has as much as 25 MMSCF per year of VOC emissions. In other part of the world, companies take advantage of the credits program administered by the United Nations, in which carbon credits are measured in units of certified emission reductions (CERs), with each CER equivalent to one tonne carbon dioxide reduction. In Mexico, PEMEX can take advantage of its internal carbon credit trading program. According to Famumak, PEMEX understands the value of reducing carbon emissions; it is just a problem of getting it implemented. "I believe this has to be the country's number one objective for sustainable development, the Mexican oil and gas industry creates more emissions than any other industry. We

need to offer equipment that is more efficient and environmentally friendly to eliminate these inefficiencies and lost resources. There are job-sites where they are flaring 1.5 billion cubic feet of gas per day. Millions and millions of BTUs are lost, while PEMEX is paying royalties to burn the gas. PEMEX is burning money. This is why we need to focus on smarter production rather than more production."

KOCKEN's main objective is to capture 70% of the gas dehydration market in the State



**William Famulak, Vice President of KOCKEN Sistemas de Energia Inc.**

of Veracruz. William Famulak considers this a conservative number for two reasons. "First, we are really good at it, and second, we can honestly make the difference by eliminating emissions in the area of production. We are talking about millions and millions and millions of cubic feet of emissions per year that we can process properly and safely, because our equipment is conventional, safe and proven."

By default, KOCKEN has also become an expert in stabilization of crude oil. At the moment, the company's equipment is present in three of Mexico's five significant crude oil processing facilities. A mismatch in standards applied to the process to be implemented proved to be a hurdle in the approval process. For example, PEMEX has a specification stating that the vapour pressure of the crude oil cannot exceed 10, while KOCKEN's standard is 7.5, which results in less volatile crude. "We are not changing the equipment specifications, but we have found ways to refine the process inside the specifications," explained William Famulak. "This is quite impressive, especially since our equipment is operating 30% more efficiently than the stated requirements. This advantage comes directly from our experience as a Canadian company."