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~~GENOVACIA~~
MEXICO CITY
MEXICO, D. F.

Bob Lomas

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August 3, 1954

Dear Jimmy:

I received a few days ago your letter of July 26. It is now three weeks since we are back and I need not tell you that we are enjoying the weekends in Cuernavaca. I am still spending from Monday noon to Friday noon in Mexico City. I have been in the office almost every day for an hour or so and I have been spending the afternoons getting up-to-date in my correspondence, which I had neglected completely for over three months. I am beginning really to think of writing some, or at least making notes preliminary to writing, but I am not making any promises in that respect either to myself or to anyone else. I will let nature take its course. I have been seeing a good deal of my Mexican and American friends in order to keep in touch with things and a good many of my friends in business here are seeking me out asking my advice and counsel about things, which I am glad to give for what it is worth, but I have about definitely made up my mind that I will not join any Boards here which my friends have in mind, as I think it will be better for me to keep myself free. If they want my advice they can have it for nothing in the future, as they have had it in the past.

I am feeling quite fit and have no indications of a return of the ulcer or any pain, but I am still on the diet, which is pretty strict, and according to the last letter from Dr. Jordan she does not contemplate any change in this. Marion is quite well. We had rather an upset yesterday, as Mrs. Edelen, who had just spent a weekend with us about 10 days ago, died very suddenly, but we learned from the family that she had a very bad heart condition so that it was not unexpected by them. Things are very much the same here.

Last night there was a meeting in the Presidencia and they decided what they were going to do about our tariffs. I am not going to go into this here, as I shall see that you get some of the reports covering the developments in the last weeks. I hope that they have had the courage to face up to the issue and give us the full increase now and in one amount, rather than in two bites as they had been planning. I have done what I could to see that the thing is done right, by the government since I came back.

I am going to confine this letter to just a preliminary word about your letter of July 26 and the enclosure. I imagine that the McGraw-Hill letter is largely based on information which they get in

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New York from the Wilhelms here. I do not think that their reporting has improved and I do not think that their sources of information here are good or that their understanding is good. I think that most of the information they get is from certain Mexican officials. I think that the best people here fight shy of the Wilhelms.

I note what you say concerning Prince and Morrison and their plans. I am not able to make any useful comment so far as the American end is concerned, because I do not have information which is adequately worth while. Anything, however, that involves the bringing of gas from Mexico into the United States or which involves American or foreign interests having any active part in any gas development is just in the same situation as it has been for years, so far as the basic situation is concerned. The Mexicans do not want any foreigners in the business in Mexico, and so far have kept them out, except those suckers who have been willing to believe that they could get the best of the Mexicans. Ed Pauley, who has always thought he had the inside track in Mexico and is producing some gas in the north of Mexico, has not been able to do anything towards selling it either in the United States or here. Bill Pawley, who of course is an entirely different type of man, had a scheme for bringing gas from Mexico into the United States and had the financial backing to really do something, and the President and the Minister of Finance here were all for it because Pemex needs money desperately for exploration and development. Bermudez played with Bill Pawley for a while, but the Americans finally gave up in disgust because they could not come to any reasonable terms with Pawley.

There is one big change, however, in the situation here so far as gas is concerned. I think it is the Texas Eastern which has been talking with the government about a gas contract covering the sale of several hundred million cubic feet a day to Texas Eastern. It looks as though there is a real possibility that this deal may go through. Pemex, in anticipation of the possibility of the contract going through, is building a big plant near the border to extract certain elements from the gas before it crosses the border and the plant involves an investment of some 5 million dollars. It should be finished early next year, I am told. As Pemex could not have any possible use for such a plant in the north of Mexico near the border unless it intends to export gas, it looks as though a gas contract is in the offing, and all the present indications are that it will be a contract between Pemex and Texas Eastern. I think this latter is the name of the American company, but I will check on this and be writing you further. As a matter of fact, the chances that this gas contract will be signed are more real than anything that has been in the offing here for years.

The reason there is this radical change on the part of the higher Mexican authorities and of Bermudez of Pemex is that Pemex

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needs foreign exchange desperately. Its sources for foreign private credits have been drying up. There is no doubt that Pemex has found several new fields in the south which are promising. Several of the more responsible foreign oil men here and some at home who know the situation here tell me that two of these fields are really promising. Pemex needs money to develop the fields and bring them into production, and they simply do not have the money and the government is not in a position to give Pemex the large sums which it needs.

I do not think that this has any connection with what you write concerning Prince. So far, however, as the World Bank being interested in anything connected with Mexican oil or gas is concerned, I doubt whether there is anything to that. I have not the slightest indication that the Bank is even thinking in the vaguest way of anything like that. So far as the F.O.A. is concerned, that is another matter, because I don't know anything of their operations in this part of the world, but I think if they were planning anything or having any interest in this part of the world, I would be likely to know about it.

It is not quite clear to me what type of information with regard to the Prince plans you might think I could give from here. If you will give me a more specific idea of what you and Nat are thinking, I can gather discreet information here. I shall of course not mention anything concerning your letter to anyone.

I have been delaying writing to your Father until things here were settled concerning the company rates. I think that we shall have a pretty definite settlement this week and after it is over, I will be writing to your Father and send you a copy.

I hope that your Mother and Edna are having a pleasant trip to Europe. Marion and I are hoping very much that we may see you all here later in the year. It looks as though we will have the big shindig in connection with the inauguration of the Patla plant in the latter part of September, or more likely in October. We should know more about that in the near future.

Marion joins in love and good wishes to you and June, and give my best to Nat.

Cordially and faithfully yours,

Let me know what you want, I think I can get any information you want

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