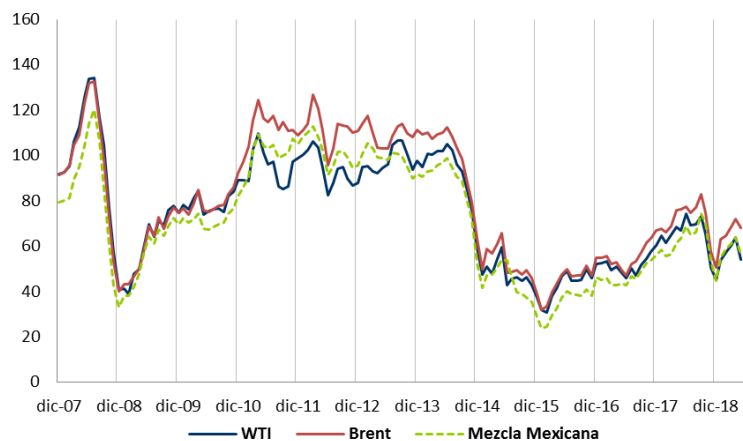


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Crude oil prices



| | | |
|-----------------------------|-----------------|-------|
| Crude oil Price* US/BD | WTI | 54.17 |
| | BRENT | 59.34 |
| | MME | 49.32 |
| NG price* US/MMBTU | Henry Hub 2.15 | |
| Mx crude production MMbd | 1,674 (July-19) | |
| Mx NG production MMpcd | 4,872 (July-19) | |
| US crude production MMbd | 12.10 (May-19) | |
| FX Rate** | 20.03 | |

* 23/08/2019 **28/08/2019
Source: EIA, Pemex BDI, Banxico, and CNH

Oil & Gas

Mexico reaches deal with pipeline companies- *NGI*

Mexican utility Comisión Federal de Electricidad “CFE” has reached new contract terms with three pipeline companies, ending a conflict that began in early July and allowing for the start of commercial natural gas delivery on the Sur de Texas-Tuxpan marine pipeline. In July, the CFE filed arbitration requests with the developers of seven stalled pipelines in an attempt to amend the force majeure clauses of the 25-year firm capacity agreements built into the original contracts, which it claimed were “abusive.” The CFE has said it reached agreements with three of the four pipeline companies, with only Mexican company Fermaca yet to commit to a new plan.

López Obrador said the new agreement would save Mexico \$4.5 billion, without specifying details. Among the pipelines in the agreement is the 2.6 Bcf/d Sur de Texas-Tuxpan pipe, a crucial outlet for Texas natural gas and fundamental to reliable gas service in the southeast of Mexico. The \$2.5 billion marine pipeline owned by IEnova and TC Energy Corp. is ready to enter service but has remained stalled as the pipeline spat continued.

IEnova said “through this agreement, a new tariff structure has been agreed to which will extend the life of the contract by 10 years.” The agreement “satisfies the interests of both parties and allows for a benefit to the CFE while conserving the integrity of the contracts.” The new terms include fixed natural gas transport fees, longer contract terms, new force majeure clauses and an end to the arbitration requests.

CFE said the agreement would allow marketing arms CFenergía and CFE Internacional to market 8.2 Bcf/d, 63% destined to power plants and the remaining 37% to industry. Beyond TC and IEnova, the third developer that reached agreement was Grupo Carso, who’s CEO Carlos Slim was instrumental to brokering the truce. “From our perspective, I’d like to say that we have the

privilege of being able to pay fixed fees during the length of the contract, which will allow us to finance more projects, join more projects and invest more, which is very important for us,” Slim said.

CNH approves Koban development plan– CNH

The National Hydrocarbons Commission “CNH” approved the development plan for the Koban field to Pemex Exploration and Production. Koban field is part of Okom-02 allocation, located in shallow waters of the Gulf of Mexico off the coast of Tabasco state.

The field has an area of 13.66 km², 2P reserves of 19.8 million barrels of condensate and 114.37 million cubic feet of natural gas. The plan presented by Pemex includes the drilling and completion of four wells, the construction of a pipeline and a platform, as well as 22 minor repairs, for which USD \$401.02 million will be invested; 77.48% will be used for development (drilling of wells and construction of facilities), 13.14% for production (intervention of wells and operation of facilities) and 9.38% for abandonment. With this investment, the operator plans to recover 100% of the 2P reserves of condensates and natural gas.

Pemex gets to keep its blocks – *El Economista*

Pemex failed to comply with the exploration plans in 57% of its total allocations and had to be withdrawn to be tendered, but it will keep them to avoid "slowing down" the country's oil exploration. Pemex will have another three years to carry out exploratory work in 12 assignments located in deep waters, in addition to 22 in shallow waters and 22 in terrestrial fields after the Ministry of Energy publishes the new ordinance.

The 64 new assignments are in some cases, the same as Pemex already had, but in others they were reconfigured, covering both the 52 areas in which the state was in breach of the minimum activities and the remaining 37 assignments that Pemex could keep.

After CNH announced at the beginning of the week that Pemex had less than a month, or until August 27th, to fulfill minimum work and discovery requirements for 52 blocks awarded to it during Round Zero or risk losing them, SENER stepped in and granted the NOC special permission to keep these blocks for at least three more years.

SENER was able to do this through special reassignment of the blocks in question to Pemex. A majority of CNH commissioners voted in favor of this notion, with the lone dissenting vote belonging to Commissioner Sergio Pimentel.

CNH approves Cibix and Teekit plans – *CNH, Bnamericas*

The National Hydrocarbons Commission “CNH” approved the development plan for the deepwater Teekit field, corresponding to assignment AE-0008-4M-Amoca-Yaxché-06. The project is only 23 km offshore from the Dos Bocas maritime terminal (pictured), off the coast of the states of Veracruz and Tabasco, and has an area of 18.64 km², where production is planned to be crude of 26° API.

The plan proposal considers extracting, at the economic limit of the assignment (2038), 20.3Mboe and around 10.1 Bcf of hydrocarbon gas from three of the six plays in the field, by drilling and completing four development wells, four major repairs “RMA” and 13 minor repairs “RME”, with a total investment of nearly US\$370 million, including abandonment activities. Of this investment,

69.02% will go to drilling of wells and construction of facilities, 22.47% to intervention at wells and operation of facilities, and 8.51% are for abandonment (capping of wells and dismantling of facilities).

The CNH also approved a separate PEP plan to develop the AE-0056-2M-Mezcalapa-06 assignment in the Cibix field. Following the initial discovery, the assignment was given 22 years of validity from August 27, 2017. The site, located onshore 13 km southeast of Comalcalco, Tabasco state, covers nearly 13 km² and is based on findings from the Cibix-1 exploratory well.

The proposal of the plan projects extraction, at the economic limit of the assignment (in 2033), of 13.17Mboe and 32.91Bcf of gas from the deposits of the upper Miocene age field, by drilling and completion of six development wells, 20 RMA and 159 RME, with a total investment of around US\$184 million, which includes abandonment activities. Of that amount, 21% will be used for the development of the field (drilling of wells and construction of facilities), 77% are for production, and 2% go to abandonment activities.

CNH approves Rabsa development plan– CNH, Bnamericas

The National Hydrocarbons Commission “CNH” approved a program to strengthen the existing project at the A-0284-M-Rebasa assignment, located onshore, roughly 20 km east of Coatzacoalcos, Veracruz. The 2008 discovery reached peak output of 20,000b/d in the 2015-2016 period, but has since entered decline. Pemex said the modification to the plan would recover 20.1Mboe and 36.6Mcf of natural gas, through seven new wells, 68 RMA and 136 RME for an investment of US\$516 million.

Murphy Sur will invest USD \$78.5 million in Mexican deep water – CNH

The National Hydrocarbons Commission “CNH” approved the adjustment to Murphy Sur exploration plan for the deepwater block CS 5. The block was awarded by the operator during the 1.4 round, and is located in Salina del Istmo and the Gulf of Mexico, 120 km off the coast of Tabasco. It has an area of 2,573 km² and total depth between 450 to 1,540 meters.

The operator successfully completed this year the drilling of the Cholula-1EXP exploratory well where light crude oil was found, as a result presented an adjustment to the exploration plan.

The modification would allow for two possible additional developments: a baseline and an incremental operational scenario, connected to the Cholula-1EXP exploratory well. The plan includes the incorporation of 32 new prospective areas, bringing the total prospective areas in the assignment to 34. Should beneficial discoveries emerge from the exploratory well, Murphy Sur now has green light for an incremental scenario that would involve drilling three production wells between 4Q20 and 1Q22. With the proposed modifications, the operator will make will invest USD \$78.5 million and up to USD \$226.3 million if the incremental scenario is met.

Mexican regulator approves Pemex oil refinery construction, with environmental conditions

– Reuters

The environmental regulator for Mexico’s oil industry had approved the construction of a refinery for state oil company Pemex, but imposed conditions to mitigate the environmental impact of the \$8 billion project. Mexican President AMLO has said the facility planned for the Gulf Coast port of Dos Bocas in his home state of Tabasco would help Mexico wean itself off its growing reliance on fuel imports, one of his signature campaign pledges. Environmental regulator ASEA approved the

project after reviewing a report prepared by Pemex that offered a mostly positive environmental assessment of the refinery's construction despite predicting a "severe" impact on air quality.

ASEA said Pemex, while building the project, must monitor local water quality, rescue and relocate affected wildlife and protect a mangrove forest, among other mitigation measures. Slated for completion by 2022, the refinery is expected to process up to 340,000 barrels per day of heavy crude oil. AMLO tapped the oil company to oversee the project after deeming bids from engineering groups were too expensive, putting more pressure on Pemex, the world's most indebted oil company that has struggled to reverse declining output.

However, the project has been repeatedly criticized by investors and ratings agencies due to concerns it will divert funds away from Pemex's more profitable exploration and production business. Ratings agency Moody's has said the new refinery could exceed the budget by \$2 billion to \$4 billion due to the government's "limited know-how" on such projects.

Pemex agrees salary rises with oil workers union – Reuters

Mexico's state oil company Pemex had agreed with the oil workers union to raise salaries and benefits while seeking to manage the heavily indebted company's delicate financial situation. "Taking into consideration the project that is rescuing the company that belongs to Mexicans, a 3.37% increase of ordinary salaries and a 1.80% increase of benefits was agreed," Pemex said in a statement.

The company said both parties had agreed to "harmonize the company's expenses to remain within the austerity framework that distinguishes the current administration", but gave no further details. Mexican consumer prices rose 3.9% in the year through June, down from the previous month, the national statistics agency said earlier this month.

Cairn gearing up for drilling offshore Mexico – Cairn Energy

UK-based oil and gas company Cairn Energy will drill three wells in Mexican waters this year, two as operator and one as a partner. Cairn holds three licenses offshore Mexico, in Block 7 (Cairn 35%), Block 9 (Cairn operator 65%), and Block 15 (Cairn operator 50%), covering a total acreage position of 2,080 km² in a highly prolific, yet under-explored region.

The first well in our Mexico program will be drilled on Block 7, operated by ENI. The Operator is progressing all required permits. A site survey will complete shortly and well selection and preparations are well advanced to commence drilling in Q3 2019. An additional well is planned on Block 7 in 2020. The second well will be on Block 9 and operated by Cairn. The exploration plan has been approved and a rig contract is in place with Maersk for the Maersk Developer Semi-Submersible Drilling Rig and a group services package with Schlumberger for onshore and supply base operations. Drilling operations are expected to commence in Q3 2019 targeting the Alom prospect, followed by an additional well targeting the Bitol prospect in Q4 2019 (also Cairn operated). This will be the third well in our Mexico program.

On Block 15, the exploration plan was submitted in 4Q 2018 and an environmental baseline survey completed in 1Q 2019. Cairn said that further evaluation of the block is ongoing.

Three consortiums go for Maloob E and I contracts – Pemex

Pemex has launched an international public tender for an engineering, procurement and construction contract of two drilling platforms in the bay of Campeche: Maloob-E and Maloob-I to improve recovery and stem declines at the Maloob field. Three consortiums qualified for the tender: Grupo R and Micoperi, CICSA and Protexa, ICA and Galem Energy.

The amount of the contract will be around USD \$350 million. Presentation and opening of proposals is scheduled for 10 September, with results published on 24 September. Once signed, the contract would run for 550 days.

Mexico's AMLO celebrates Eni oil output– ENI Press Release, Bloomberg

Mexican President AMLO celebrated output by Italy's Eni under the oil-industry opening that he spent years deploring.

Eni has started the early production phase from the Miztón field in Area 1, located in the Campeche Bay offshore Mexico. This is the first step in the development of Area 1, estimated to hold 2.1 billion of oil equivalent in place (90% oil) in the Amoca, Miztón and Tecoalli fields. Eni acquired Area 1 in a competitive bid round in September 2015.

Production from the Miztón field platform, located in 34 meters of water depth, is sent through a multiphase sealine to Eni's Onshore Receiving Facility (ORF) in Sanchez Magallanes, State of Tabasco. After separation at ORF, production is delivered to Pemex's San Ramón plant for treatment. Production has started from the Miztón 2 well that has shown a very good productivity index; the early production phase now is expected to produce up to 15,000 barrels of oil per day. Full field production will start in early 2021 utilizing a Floating Production, Storage and Offloading facility (FPSO) and reaching a plateau of 100,000 barrels of oil equivalent per day. The Plan of Development for Area 1 also includes two additional platforms on the Amoca field and one on the Tecoalli field.

Eni Chief Executive Officer Claudio Descalzi commented: "We have achieved production startup in less than two and half years after Eni started its first well in Area 1 and in less than one year from the approval of the Plan of Development. This is in line with the expectations of the Mexican Government to increase the country's overall production. Eni is the first international company to start offshore production in Mexico after the Energy Reform, and we look forward to continue working with the Mexican authorities"

Power/Renewable Energy

Third stage of the ENGIE Tres Mesas wind farm was inaugurated – El Economista

Tres Mesas is a wind energy park located in the municipality of Llera, which is composed of 45 wind turbines that generate 148.5 MW. Tres Mesas complex has already had two-phase operation since 2016 and for its construction it was funded by GBM Infraestructura and Goldman Sachs who invested USD \$234 million dollars.

The third phase of the Tres Mesas wind farm was inaugurated and launched. This third phase of the project will have an additional generation capacity of 51.8 megawatts. The estimated investment for this phase was USD \$80 million.

Tres Mesas III Wind Farm consists of 15 towers that reach a height of 112 meters, with rotors of 136 meters in diameter.

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