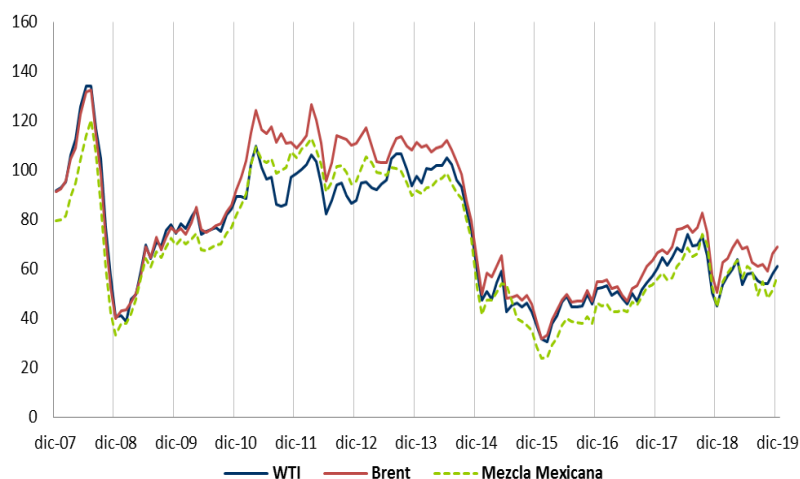


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**Crude oil prices**


Crude oil Price* US/BD	WTI	53.78
	BRENT	59.31
	MME	49.15
NG price* US/MMBTU	Henry Hub 1.95	
Mx crude production MMbd	1,724 (Jan-20)	
Mx NG production MMpcd	4,984 (Jan-20)	
US crude production MMbd	12.87 (Nov-19)	
FX Rate**	18.91	

\* 20/02/2020      \*\*25/02/2020  
Source: EIA, Pemex BDI, Banxico, and CNH

## Oil & Gas

### Pemex reports fourth quarter results – Pemex

Pemex posted a \$345.5 billion peso (USD \$18.3 billion) loss for 2019, nearly doubling the previous year's loss. Crude production in the fourth quarter from Pemex alone was 1,693 thousand barrels per day “Mbd”, compared with 1,723 Mbd in the fourth quarter of 2018. Including production from private sector partners, total production was 1,712 Mbd bpd compared with 1,741 Mbd in the same quarter below the company's hopes of hitting 1.8 MMbd.

- During 4Q19, Pemex total crude oil production amounted to 1,712 Mbd. This is a decrease of 29 Mbd as compared to the same period of 2018, mainly due to the natural decline of some mature fields and increase in water flow of wells at some shallow water offshore fields. Pemex natural gas production (without nitrogen) amounted to 3,767 million cubic feet per day (MMcfd), a 19 MMcfd increase as compared to 4Q18. In 2019 total hydrocarbon production averaged 2,405 Mboed, which represents a 111 Mboed or 4.4% decrease, as compared to 2018.
- During 4Q total revenues from sales and services decreased by 21.6%, as compared to 4Q18. This is mainly due to a 20.0% decrease in domestic sales, and a 23.4% decrease in export sales, which corresponds to a 5.0% reduction of exported crude oil volume, in addition to a USD \$8.4 per barrel decline in the average price of the Mexican Oil Export Mix. For 2019, total sales decreased by 16.5%, as compared to 2018, as a result of a 15.3% decrease in export sales, and a 17.5% decline in domestic sales.

- In 4Q19, Pemex recorded a net loss of MXN \$169.8 billion; this represents a 7.9% increase as compared to 4Q18. For 2019, Pemex recorded a MXN \$346.1 billion net loss an increase of 91.8% compared to a MXN \$180.4 billion net loss in 2018.
- Pemex total financial debt stood at \$105.2 billion pesos last year (MXN 1,983.2 billion), down 0.6% compared to \$105.79 billion posted at the end of 2018. Pemex's debts to its service providers in 2019, meanwhile, rose on the year by almost a quarter to USD \$9.8 billion.

### **CNH approved to Pemex the drilling of Paki-1EXP and Chi-1EXP wells – CNH**

CNH recently approved a Pemex Exploración y Producción “PEP” plan to drill two exploratory wells in the shallow-water Uchukil field, located in the state of Tabasco. The PEP wells could add 97Mboe in prospective reserves, at a combined cost of USD \$54.5 million.

- Paki-1EXP: Pakai has a prospective reserve of 47Mboe, with a 51% geological probability of success. The high potential of success owes in part to the presence of nearby productive wells that share similar features; including the Tecolli well that is just over 2km away. Paki drilling will take 71 days, (39 for drilling and 32 for completion), beginning on May 5. The total expected investment is USD \$29.2 million.
- Chi-1EXP: PEP is drilling the Chi well in shallow waters off Tabasco State, about 17km from the Dos Bocas maritime terminal, in Cuenca del Sureste. If successful, the Chi well site could yield 50.1Mboe, with a 23% geological probability of success. Chi drilling will take 57 days, (32 drilling and 25 days for completion), starting on February 22. The total expected investment is USD \$25.3 million.

### **CNH approves CNOOC's deep offshore well plans – CNH**

CNH has approved an amended plan submitted by China Offshore Oil Corporation “CNOOC” for exploratory wells, which could see the company move toward production from deep offshore waters by 2021. The A1 block granted during the fourth tender of round one is located in deep waters of the Gulf of Mexico, within the oil province of Cinturón Plegado Perdido. CNOOC is currently performing processing, reprocessing of seismic data, and geological studies of the block.

CNOOC's plan is contingent on the findings from its first exploratory well, Ameyali-1EXP, which it plans to drill in April-July this year, under its modified plan. What it finds will lead it to pursue one of three scenarios.

Should Ameyali-1EXP show a promising amount of oil, CNOOC would undertake a process of evaluation through 2020 with the goal of drilling a delimiter well, Ameyali-1DEL, next year. If Ameyali-1EXP turns up oil but it appears to be insufficient to be commercially viable on its own, CNOOC would likely pursue drilling a second exploratory well in adjacent areas about 5km away. These follow-on wells would be either Ameyali Sur-1EXP, to the southwest of the first well or it might drill Tlami-1EXP in an area to the east. In a third option, CNOOC could drill both Ameyali-1EXP and then Ameyali Sur-1EXP before making a decision to begin drilling a delimiter well only toward 2022.

Regardless of the wells drilled or the drilling sequence, the operator intends to continue with geochemical and integrated seismic studies, which it launched in 2019 and will continue

conducting through February of 2022. It should be noted that there is a chance that the Ameyali discovery will be extended towards a Pemex assignment, being able to repeat the situation experienced with Zama.

### **Eni makes oil find in Block 10 – *Eni Press Release***

Eni has announced a new oil discovery on the Saasken exploration prospect in Block 10, located in the Salina Basin, Offshore Mexico. According to preliminary estimates, the new discovery may contain between 200 and 300 million barrels of oil in place.

Saasken-1 well, is the sixth consecutive successful well drilled by Eni offshore Mexico in the Sureste Basin. It is located approximately 65 km off the coast, and was drilled by the Valaris 8505 semisub in a water depth of 340 meters and reached a total depth of 3,830 meters. An intensive data collection has been carried out on the well and the data acquired indicate a production capacity of more than 10,000 barrels of oil per day.

Eni said that the discovery is opening a potential commercial outcome of Block 10 since several other prospects located nearby may be clustered in a synergic development. The Block 10 Joint Venture, composed by Eni, operator with a 65% stake, Lukoil 20% and Capricorn 15%, will work to appraise the discovery and to exploit nearby synergies in order to start the studies for a commercial development.

Eni is currently producing approximately 15,000 barrels of oil equivalent per day “boed” from Area 1 and expects to reach a plateau of 100,000 boed in the first half of 2021. Eni is also planning an important exploration campaign in the other licenses held in Mexico.

Currently, Eni holds rights in eight exploration and production blocks (six as the Operator), all located in the Sureste Basin in the Gulf of Mexico.

### **Mexico's Enermex plans new fuel terminal to service Mexico City region in 2020 – *S&P Global Platts***

Fuel importer and wholesaler Enermex will expand its storage and distribution capacity in the Mexico City region in the fourth quarter when it begins operating a storage terminal. The terminal, located in the State of Mexico, will initially be able to hold 245,000 barrels of diesel and gasoline, with a total expected capacity of 1 million barrels after ramp-up, said Francisco Chavez, the company's commercial manager. Enermex plans to start operations in 2021 in three more terminals: one in the Guadalajara region, one in the gulf port of Tuxpan and one in the Southern state of Tabasco, next to the new refinery that is being built by the new administration of President AMLO. In 2022, Enermex plans to begin operations in three more locations – Manzanillo, Aguascalientes and Salina Cruz.

The company buys from Pemex and also from large refining firms like Valero and Trafigura. However, when it is more economical to do so, the company sometimes imports through rail or ship. Enermex, founded in 2005 with Mexican capital, currently operates eight terminals with about half a million barrels of storage capacity. It supplies fuels, mainly diesel, to many of the biggest national and international brands across the country.

### **Pemex has decided not to award additional work to EMGS – *Offshore Energy Today***

Electromagnetic Geoservices “EMGS” has been forced to implement a cost-cutting program due to the detrimental effect of Pemex’s decision not to award it any more work under a two-year acquisition program from last year.

EMGS had been advised by Pemex that the company would not, in the near to medium future, receive additional acquisition work under the two-year acquisition contract announced to the market on June 4, 2019. EMGS was in June 2019 awarded the final contract for a multi-year survey with the Mexican oil company Pemex. The two-year contract in the Gulf of Mexico had a value of approx. USD \$73.3 million with a minimum value of approx. USD \$29.3 million.

According to EMGS, the decision by the customer not to order additional acquisition work, at least for the near to medium future, will have a material detrimental effect on the company’s revenue and profitability going forward. The company will immediately initiate a comprehensive cost reduction program to adjust its operational cost base to the new confirmed backlog level.

### **Mounting feud over Zama wards off private investment in Mexico – *Bnamericas***

A spat between Mexico’s national oil company Pemex and Talos Energy could slow development of one of the country’s most promising oil patches, while broadly discouraging private investment in oil exploration.

The Zama field in offshore Block 7 was discovered by a consortium led by Talos in 2017. Last month an independent assessment estimated that it contains 670Mboe (2C) and up to 1,100Mboe in prospective reserves (3P). About 94% of that is estimated as high-quality oil, with an average of 28° API.

Over the last four months Pemex, a minor partner in the consortium, has mounted a campaign to take over operator rights of Zama from Talos. This move would be based on Pemex’s adjacent field as the hydrocarbons extend into both fields. Given Pemex’s control over the adjacent field, the company was expected to drill an exploratory well, Asab-1, at Zama that could validate its claim. So far it has failed to do so, even though by contract with CNH, drilling the well is required by the end of 1Q20.

Absent a counterclaim based on findings by Pemex, Talos’ independently-verified claim indicates that 60% of the field’s reserves belong in its Block 7 assignment. That should bolster Talos’ assertion to maintain its role as operator of Zama. Pemex’s claim to serve as operator of Zama is slowing the development of the field.

Talos consortium profile has already changed. An initial minority partner in the field, Sierra Oil & Gas has sold its stake in the site to Wintershall DEA, while last August Premier Oil put its stake on sale.

### **Pemex delays operation of 5 wells in Ixachi, its most important field – *El Financiero***

Pemex has delayed its plans in the Ixachi field, located in Veracruz, considered by Pemex as the most important field in its strategy to increase crude oil production.

The company had planned that five wells in Ixachi would go into operation last December. However, this did not happen and the oil company has changed the plans. Within the last Pemex schedule, only the start-up of a single well is contemplated until next March.

In June of last year, CNH approved to Pemex the development plan for Ixachi, in which the oil company planned to invest just over USD \$6,400 million and to drill 47 wells. So far, the field already has three. According to Pemex's plans, Ixachi will reach its maximum production peak in 2022, with 82 thousand barrels per day of oil and 638 million cubic feet of gas.

### **Grupo R and Shell Mexico sign service contract – *Grupo R Press Release***

Grupo R signed a contract with Shell Mexico for the lease of the La Muralla IV platform to operate in the deep waters of the Gulf of Mexico. La Muralla IV is a sixth-generation semi-submersible drilling unit designed to operate at 10,000ft water depth

The integrated contract model signed between Shell and Grupo R will provide Shell with the drilling rig, as well as the support team to drill three wells (with an extension possibility) in deep water since the third quarter of 2020. The hiring of Grupo R is part of Shell Mexico's strategy to accelerate deep-sea exploration in Mexican territory, strengthening the national oil industry with competitive, efficient and shared risk contracts.

### **CNH approves Shell to drill Max-1EXP deep-water well – *CNH***

CNH approved Shell Mexico to drill Max-1EXP deep-water well. The Max-1EXP well has a water depth of 2,511 meters and will be drilled to a total depth of between 6,970 and 7,100 meters. Shell expects to find prospective resources of 291 million boe.

The total drilling cost will be USD \$91.8 million, of which USD \$84.8 million will be used in drilling the well and USD \$7.0 million in abandonment activities. The drilling will take 96 days, beginning on March 12 and ending on June 7, 2020.

### **CNH approved Ek-Balam modification plan to Pemex – *CNH***

CNH approved the modification plan at Ek-Balam. Pemex wants to recover an estimated 385 million barrels of oil and 94.6 billion cubic feet of gas. That output would entail drilling 22 wells, 23 terminations, seven major repairs, 148 minor repairs, and more infrastructure work for USD \$5.65bn by 2039. Of the approved wells, 11 are expected to be drilled this year, seven scheduled for 2021 and four in 2022.

After entering production in the early 1990s, Ek-Balam underwent “a very quick decline”. That led to subsequent phases of production in the mid-1990s, and then again in 2006, aimed at injecting water into the wells to lift output. Since then, recovery has been fitful at the Ek-Balam field. Now under assignment CNH-M1-Ek-Balam/2017, the field produced 51,420b/d of oil and 11,677Mcf of gas as of November.

### **Grupo R gets Hokchi drilling contract off Mexico – *Grupo R Press Release***

Grupo R has signed an offshore service contract with Hokchi Energy, a subsidiary of Argentinean firm Pan American Energy. Grupo R would be using the Cantarell III jack-up rig to drill wells during the Hokchi field development campaign off the coast of the State of Tabasco, Mexico.



The Cantarell III self-elevating platform was built at the Keppel Fels shipyard in Singapore. It is of KFels B-Class design with capacity to drill in water depth of up to 400 feet and up to 30,000 feet of drilling depth. It has the capacity to accommodate up to 150 personal. The rig arrived off the Campeche coast on January 27, 2020 and would start drilling operations on March 15. Hokchi lies within the Comalcalco sub-basin, located in the northwestern part of the Salinas basin.

## Power/Renewable Energy

### **Engie México firing on all cylinders with solar, wind, pipeline projects – Bnamericas**

Engie started the construction on a new 16km stretch of pipeline in the Yucatán Peninsula as well as its developments with renewables partner Tokyo Gas.

Based in Mexico City, Engie México is working on a wide range of natural gas pipeline, solar and wind projects via multiple subsidiaries including Gasoductos del Bajío and Energía Mayakan, as well as its JV with the North American subsidiary of Tokyo Gas, Heolios EnTG.

Engie's Mayakán pipeline functions as a key and growing role in feeding gas to Mexico's Yucatán Peninsula, an area of high demand and limited access to natural gas. Working with the Mexican government in its drive to expand gas distribution to the tourism-heavy region, Engie was given a contract to build a 16km stretch to connect Mayakán to the Sistrangas national pipeline network.

With a price tag of US\$25mn, the duct – due to start operating in August this year and known as Cuxtal I – will have initial capacity of 240Mf3/d and help secure supply, according to state-owned power utility CFE. Mayakán, which currently transports to the peninsula gas processed at federal oil company Pemex's Nuevo Pemex facilities in Tabasco state, has capacity of 250Mf3/d.

Cuxtal I will link Nuevo Pemex to the company's Cactus processing plant in Chiapas State, on the Sistrangas system.

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