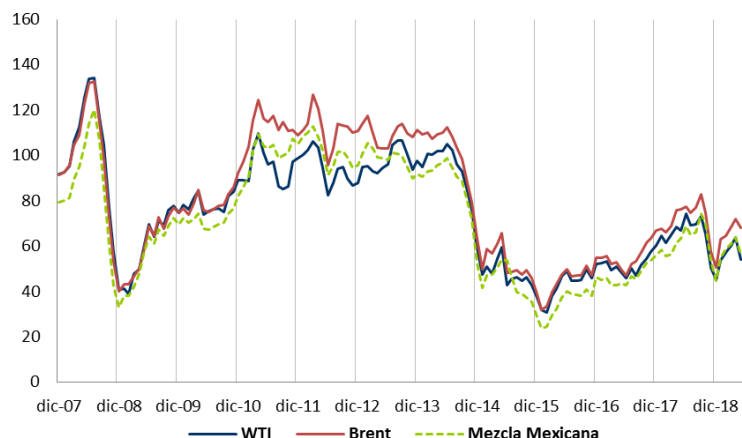


Table of Contents

| | |
|---|----------|
| Oil & Gas | 3 |
| • Pemex oil exports rise 17.8% in May, output down slightly – <i>Reuters</i> | 3 |
| • IEnova signs new long-term terminal services agreement with Marathon Petroleum – <i>IEnova Press Release</i> | 3 |
| • Repsol hires Maersk Valiant drillship for Mexico drilling – <i>Offshore Energy</i> | 4 |
| • Mexico's Pemex to stick to areas it knows best, pass on deepwater: CFO – <i>Reuters</i> .. | 4 |
| • Shell to invest up to USD \$2.4 billion in Mexican deepwater oil projects – <i>Shell Press Release</i> | 4 |
| • Mexican oil regulators to cancel October auctions for Pemex joint ventures – <i>Reuters</i> | 4 |
| • BP will invest USD \$97 million in exploratory works in shallow Mexican waters – <i>Oil & Gas Magazine</i> | 5 |
| • Petrofac will invest USD \$167 million in El Santuario- Golpe – <i>Oil & Gas Magazine</i> | 5 |
| • PC Carigali will invest up to USD \$91 million in exploration work in deep waters – <i>Oil & Gas Magazine</i> | 5 |
| • IEnova and TransCanada announced the completion of the Texas-Tuxpan gas pipeline - <i>Expansion</i> | 5 |
| • Fitch downgrades Pemex to 'BB+' following sovereign downgrade – <i>Fitch Press Release</i> | 6 |

| | |
|---|----------|
| Power/Renewable Energy | 6 |
| • Atlas Renewable Energy inaugurates Guajiro solar plant – <i>Atlas Press Release</i> | 6 |
| • Prodiel and Sinohydro will build “El Llano” photovoltaic park in Aguascalientes - <i>Bnamericas</i> | 6 |
| • Acciona and CaixaBank sign first green letter of credit – <i>Acciona Press Release</i> | 7 |

Crude oil prices


| | | |
|-----------------------------|-------------------|-------|
| Crude oil Price* US/BD | WTI | 57.30 |
| | BRENT | 67.43 |
| | MME | 59.91 |
| NG price* US/MMBTU | Henry Hub 2.27 | |
| Mx crude production MMbd | 1.674 (April-19) | |
| Mx NG production MMpcd | 4,7952 (April-19) | |
| US crude production MMbd | 11.90 (March-19) | |
| FX Rate** | 19.22 | |

* 21/06/2019 **25/06/2019
Source: EIA, Pemex BDI, Banxico, and CNH

Oil & Gas

Pemex oil exports rise 17.8% in May, output down slightly – Reuters

Pemex's crude oil exports jumped by 17.8% in May compared to April, while oil output eased slightly. Exports of Maya crude, the only type Pemex has been selling for a year, rose to 1.2 million barrels per day (bpd) from 1.02 million bpd in April, when they dipped sharply.

Meanwhile crude output at Pemex, which is saddled with financial debt of some \$106 billion, eased 0.7% to 1.66 million bpd from 1.68 million bpd the previous month, the data showed. Andres Manuel Lopez Obrador has promised to revive the company, cutting its tax bill and lifting oil production by at least 50% by the end of his administration in 2024.

IEnova signs new long-term terminal services agreement with Marathon Petroleum – IEnova Press Release

TP Terminals, a joint venture between IEnova and Trafigura controlled by IEnova, announces the execution of a long-term Terminal Services Agreement with a subsidiary of Marathon Petroleum Corporation "MPC" for 650 thousand barrels, approximately equivalent to 30% of the new capacity (2.2 million barrels) of the marine terminal for the receipt, storage, and delivery of gasoline, diesel and jet fuel in Manzanillo, Colima.

IEnova will be responsible for the project implementation, including permitting, engineering, procurement, construction, financing, operations and maintenance. With an investment of approximately USD \$285 million, the terminal is expected to begin commercial operations, subject to the timing of issuance of the permits, in the 1Q/2021. The remaining 70% of the terminal's new capacity has been contracted with BP and Trafigura. Subject to executing certain agreements, BP and Trafigura will have the option to acquire up to 49% of the equity of the terminal. IEnova will always maintain at least 51% of the equity.

Repsol hires Maersk Valiant drillship for Mexico drilling – *Offshore Energy*

Repsol's Mexican subsidiary, Repsol Exploración Mexico hired Maersk Valiant drillship for a two-well project. Repsol will deploy the 7th generation drillship delivered in 2013 at offshore Blocks 10 and 29 in the Gulf of Mexico. "The contracts have an expected duration of 138 days and are set to start in March 2020. In addition to the firm workscope, the contracts include two one-well options.

The Maersk Valiant is currently warm-stacked in Port Fourchon, Louisiana. Maersk Drilling did not provide the dayrate for the deal. Bassoe Offshore estimates it to be around \$175,000.

Mexico's Pemex to stick to areas it knows best, pass on deepwater: CFO – *Reuters*

Chief Financial Officer Alberto Velazquez emphasized that Pemex has no plans to invest in costly and technologically complex deepwater projects in the Gulf of Mexico, but will instead focus its exploration and production budget on the country's shallow water and onshore potential.

The vast majority of Pemex's current production comes from shallow water areas clustered around the southern rim of the Gulf of Mexico, off the coast of the states of Veracruz, Campeche and Tabasco. While the company has drilled wells and made discoveries in Mexican territorial waters in the deepwater Gulf, and has a joint venture partnership in one project with Australia's BHP Billiton, it has yet to produce any oil or gas there. Pemex's current crude production averages less than 1.7 million barrels per day, down nearly a half from peak output of about 3.4 million bpd in 2004. President AMLO has pledged to raise Pemex output to 2.4 million bpd by the end of his term in 2024.

Shell to invest up to USD \$2.4 billion in Mexican deepwater oil projects – *Shell Press Release*

Mexico's oil regulator approved exploration plans for four deepwater areas operated by Royal Dutch Shell, committing the oil major to invest at least USD \$791 million. The plans stipulate that the Shell could invest up to USD \$1.06 billion in the four blocks, mostly dedicated to drilling at least six new wells.

One of the blocks is in the Perdido Fold Basin, which straddles the U.S.-Mexico maritime border in the Gulf of Mexico, while the other three are further south in the Salina Basin. CNH, approved Shell exploration plans for five other deepwater areas in the same two basins which included investment commitments of at least USD \$397 million and as much as USD \$1.316 billion.

Shell could invest up to USD \$2.4 billion in the nine deepwater areas over the next four years and will drill at least 13 wells in the projects. The blocks are not expected to begin producing oil and gas until 2026 at the earliest. Shell won exploration and production rights to the nine deepwater blocks at an auction run by the CNH in early 2018.

Mexican oil regulators to cancel October auctions for Pemex joint ventures – *Reuters*

Mexico's oil regulator announced the cancellation of auctions scheduled for October to pick joint venture partners for state-run energy company Pemex in seven onshore areas. The auctions have already been postponed twice since last year. The decision on whether or not the projects would go forward has been eagerly awaited by the industry given Mexican President AMLO's pledge to revive Pemex, the world's most indebted oil company.

The cancellation was requested by Pemex, and marks a fresh blow to an energy reform enacted by Mexico's previous government that allowed the firm to partner with private oil companies for the first time in a bid to reverse declining crude output. Pemex has seen its crude production fall for more than a dozen years. The joint ventures have been seen as a way to help reverse the slide by luring significant outside investment from private partners.

BP will invest USD \$97 million in exploratory works in shallow Mexican waters – *Oil & Gas Magazine*

The National Hydrocarbons Commission “CNH” approved BP exploration plan, in which million will be invested. The block Area 34 CS awarded during the 3.1 round is located in shallow waters of the Gulf of Mexico in the province of Cuenca del Sureste. The plan objective is to evaluate the oil potential and define the location for the drilling of an exploratory well. At the moment BP does not contemplate the drilling of a well until more geological information is obtained. However, in case of reaching a decision to drill a well, it would be carried out during the 2Q/2022. Of the USD \$97 investment planned, 74% would be allocated to the eventual drilling of an exploratory well and USD \$14.4 million to the investment of the exploratory works.

Petrofac will invest USD \$167 million in El Santuario- Golpe – *Oil & Gas Magazine*

The National Hydrocarbons Commission “CNH” approved Petrofac the modification to the work program for El Santuario-Golpe, where it will invest USD \$167.07 million.

The area is located 30 km west of the city of Comalcalco in Tabasco and was operated under a CIEP contract that migrated to a production sharing contract in December 2017. The objective of the modification program is to perform geological and petrophysical characterization of the deposits, major well repairs, construction and maintenance of facilities.

PC Carigali will invest up to USD \$91 million in exploration work in deep waters – *Oil & Gas Magazine*

The National Hydrocarbons Commission “CNH” approved PC Carigali exploration plan in which at least USD \$41.1 million will be invested. The deepwater block is located in the Southeast Basin and was awarded to the Malaysian company during the 2.4 tender. The objective of the exploration plan is to evaluate the oil potential in the block and identify exploratory prospects for the incorporation of hydrocarbon reserves.

The operator presented two scenarios where the incremental would include the drilling of an exploratory well where the total investment would rise to USD \$91.4 million.

INova and TransCanada announced the completion of the Texas-Tuxpan gas pipeline - *Expansion*

TC Energy Corporation, and INova, announced the completion of the construction of the Texas-Tuxpan gas pipeline, with a capacity to transport 2,600 million cubic feet of natural gas daily. The project represents approximately a USD \$2,500 million investment. The pipeline is expected to increase the country's current natural gas import capacity by 40% and will provide cleaner and more efficient fuel for electric power generation and industry development. The pipeline is 772 km long, 42 inches in diameter and runs from the city of Brownsville, Texas, to Tuxpan, Veracruz.

Fitch downgrades Pemex to 'BB+' following sovereign downgrade – *Fitch Press Release*

Fitch Ratings downgraded Pemex long-term foreign and local currency Issuer Default Ratings “IDRs” to 'BB+' from 'BBB-'. The rating outlook is negative. The downgrade applies to approximately USD \$80 billion of notes outstanding.

This rating action follows the downgrade of Mexico's sovereign foreign and local currency long-term IDRs to 'BBB' from 'BBB+' and the revision of the sovereign's outlook to stable from negative. The downgrade of Mexico's IDRs reflects a combination of the increased risk to the sovereign's public finances from Pemex's deteriorating credit profile together with ongoing weakness in the macroeconomic outlook, which is exacerbated by external threats from trade tensions, some domestic policy uncertainty and ongoing fiscal constraints.

Pemex's negative outlook reflects the potential for further deterioration of the company's stand-alone credit profile “SCP” to below 'CCC'. Although Pemex has implemented some cost cutting measure and received moderate tax cuts from Mexico, the company continues to severely underinvest in its upstream business, which could lead to further production and reserves decline. The very high level of transfers from Pemex to the Mexican government continues to significantly pressure Pemex's cash flow generation and reinvestment ability.

Power/Renewable Energy

Atlas Renewable Energy inaugurates Guajiro solar plant – *Atlas Press Release*

Atlas Renewable Energy, inaugurated its first solar energy project in Mexico, the Guajiro Solar Plant. The plant is located in Nopala de Villagrán, in the State of Hidalgo and has a capacity of 129 MWp, equivalent to generating 300 GWh annually. Atlas Renewable Energy invested more than USD \$118 million, with the participation of Bancomext, who provided long-term financing in the amount of USD \$88.5 million.

The Guajiro solar plant has a power purchase agreement “PPA” with the Federal Electricity Commission “CFE”. The project reached commercial operation on May 1st, 2019. According to the company's own calculations, the plant will provide clean energy to more than 120,000 families per year. The plant has more than 370,000 panels, and spans over 410 hectares.

Atlas Renewable Energy is a renewable energy generation company that develops, builds, and operates renewable energy projects with long-term energy contracts across Latin America. The current company portfolio is 1.2GW of contracted projects in development, construction, or operational stages; Atlas Renewable Energy is part of the Energy Fund IV, founded by Actis, a leading private equity investor in the energy sector of emerging markets. Actis has allocated more than USD \$600 million of equity in Atlas Renewable Energy to invest in long-term renewable energy contracted projects.

Prodiel and Sinohydro will build “El Llano” photovoltaic park in Aguascalientes - *Bnamericas*

The consortium formed by Prodiel and Sinohydro, a subsidiary of the Powerchina Group, has been selected by the French company NEOEN to build the “El Llano photovoltaic” park in

Aguascalientes (375 MW). This project was awarded during the third Mexican public renewable energy auction, held in November 2017, with a contract to sell the electricity produced at less than \$19 per MW/hour.

The project, which begins construction in 2019 and operations in 2020, will have a full EPC scope including the photovoltaic plant, the 400kV substation, a 3 km high voltage line and a maneuvering substation, as well as the O&M during the first 20 years of life of the plant. In its 800 hectares, more than one million solar panels will be installed, which will generate a total of 880.5 GWh of energy per year, equivalent to an annual consumption of 441,000 Mexican families.

Acciona and CaixaBank sign first green letter of credit – *Acciona Press Release*

Acciona has arranged the first green letter of credit in the European financial system with CaixaBank for a total of US \$129 million. The green letter of credit under which CaixaBank guaranteed the payments undertaken by Acciona was used to supply photovoltaic modules for the construction of the Puerto Libertad photovoltaic plant in the state of Sonora, Mexico.

The 405 MWp plant is already in commercial operation and produces enough electricity to supply 583,000 homes. Acciona is one of the main players in the Mexican renewable energy industry, with 1,145 MW of company-owned capacity; of which 740 MW correspond to wind farms and the remainder to the Puerto Libertad photovoltaic plant, one of the largest in Latin America. Acciona has also built over 1,100 MW of wind capacity for third parties in Mexico.

The use of a green letter of credit linked to sustainability factors is part of Acciona's strategy to drive and support investment flows into projects that contribute to progress in a way that is compatible with mitigating climate change.

This is a free newsletter industry update courtesy of Marcos y Asociados Consultoría Energética, SAPI de CV

If you have not subscribed or if you do not wish to receive this publication any more, please go to the following link info@marcos.com.mx

The editor is not responsible for the information. The information included was gathered from public sources (Bloomberg, Oil and Gas Magazine, Oil and Gas Journal, Shale: Oil and Gas Business Magazine, El Economista, El Financiero, Reforma, Reuters, EIA, The Wall Street Journal, Expansion among others) and it is subject to their accuracy and truthfulness.