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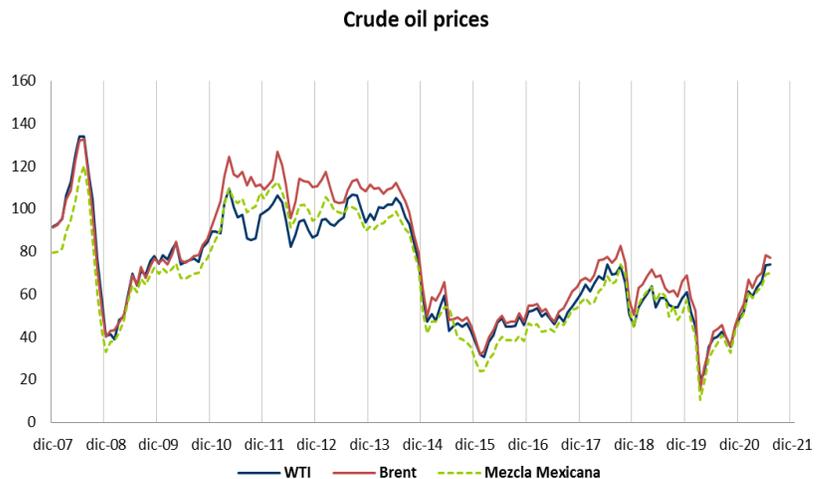
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This month in review

* 26/08/2021

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Crude oil price MME US/BD	64.57
NG price HH* US/MMBTU	4.18
Mx crude production MMbd - June	1.68
Mx NG production MMpcd - June	4,721
US crude production MMbd - May	11.23
FX Rate**	20.35



Source: EIA, El Reforma, Pemex, Banxico, and CNH

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Oil & Gas - Mexico

Hokchi moves forward with offshore Mexico development plan – *Bnamericas*

Hokchi Energy started operations at a new processing facility that will take in 35,000b/d of oil and 13Mcf of natural gas. This will allow it to start deliveries in Paraíso, Tabasco state. Construction of the plant, which is part of Hokchi's development plan for its round 2, area 2 contract in the Salina basin, started in 2019. The strategy also involves building two marine platforms, which were completed earlier this year, and 100 km of marine pipelines.

According to CNH, Hokchi invested USD \$40 million in area 2 in January-July this year. Last year, it invested USD \$343 million, and it has spent USD \$870 over the lifetime of the project. In December 2020, Hokchi told the CNH it planned to invest USD \$250 million to spud three production wells and three injection wells using the project's central and satellite platforms this year. In total, Hokchi plans to spud 14 wells to produce some 148Mboe.

Fire erupts at Pemex platform in Gulf of Mexico – Reuters

A fire that struck an offshore oil platform operated by Pemex cut the company's production by 444,000 barrels per day due to the lack of natural gas to re-inject into crude fields, a company document showed. The blaze, occurred at the E-Ku-A2 platform at Pemex's Ku-Maloob-Zaap oil field in the Bay of Campeche. The platform is part of Pemex's main shallow-water production complex Ku Maloob-Zaap that represented 40.9pc of the total 1.77mn b/d crude output in June. The fire is the latest in an increasing rate of accidents across Pemex's operations this year. The number of accidents was up by 88pc in the first half of this year, compared with 2020, while the severity of those accidents also increased, according to Pemex's second quarter results report. The fire, the second at a Pemex offshore platform in less than two months, have put a spotlight on Pemex's safety protocols given past refinery outages and Fire erupts at Pemex platform in Gulf of Mexico

Norwegian oil company Equinor leaves Mexico – Expansión

Equinor (formerly Statoil) has decided to leave Mexico and made this decision public on June. Norwegian company's plans have been modified and seek to prioritize business in renewable energy, Mexico has been left out. The oil company, will continue with investments in oil assets, but will prioritize projects in countries such as Brazil and Canada.

Equinor won area 1 and 3 in the Salina Basin in the Gulf of Mexico. The Norwegian company was made of both contracts, in equal parts, with the British BP and the French Total. Equinor is in the early stages of the process of transferring area 3, which it was operating, and continues to evaluate the options to get rid of area 1, which is operated by the English company BP. Both contracts are valid until 2052 and together Equinor and its partners have invested USD \$42 million of the approximately USD \$460 million committed in the investment program.

The two fields in which Equinor has a stake are in the exploratory phase, that is, without certainty as to whether they will be productive or not. This is not the only move of its kind. A few weeks ago Equinor and the French company Total announced their departure from Venezuela, with the sale of the stake (30.3% and 9.7%, respectively) that they had in the oil operator Petrocedeno.

BHP allocates USD \$258 million for Trion projects – BHP Press Release

The BHP Board has approved USD \$258 million in capital expenditure to move the Trion oil project in Mexico into the Front End Engineering Design phase. The focus of these studies will be on completion of the engineering, commercial arrangements and execution planning required to progress to a Final Investment Decision from mid-calendar year 2022. BHP holds a 60% participating interest in and operatorship of blocks AE-0092 and AE-0093 containing the Trion discovery located in the deep-water Gulf of Mexico offshore Mexico. Pemex holds a 40% interest in the blocks.

Pemex owed nearly USD \$3bn to suppliers/contractors – *Bnamericas*

Pemex still owes more than 57.1bn pesos (USD \$2.84bn) to 150-plus suppliers and contractors. The accumulation of debt comes despite efforts made by the cash-strapped hydrocarbons company to reach agreements with many of its suppliers and contractors made over the last year. The company did manage to accelerate its debt reduction efforts, with the amount owed dropping 5.2% in the last four months, shrinking from \$60.3bn pesos at end-March to \$57.1bn pesos at the end of July, according to Pemex transparency data. Among those companies listed as awaiting payment some were: Samson Control, Rockwell, Siemens, Halliburton, Cotemar, Praxair and Apollo Chemicals.

Hokchi Energy increase crude oil production – *Shallow and Deepwater Mexico*

Hokchi Energy increased their crude oil production from 9,000 to more than 14,000 barrels per day by incorporating the Hokchi-11DES producing well. With the incorporation of the production of this third well, the operator continues with the execution of the Development Plan for the Marino Hokchi field, located in shallow water in the Gulf of Mexico. The area's total production is delivered to Pemex's facilities.

The development plan includes the construction of two production platforms, which have been installed already, and the drilling of 14 wells: seven producers and seven water injectors. Six wells have been drilled, of which three are producers, and three are injectors. The plan also includes a hydrocarbon processing plant located in Paraíso, Tabasco, a water injection plant, and another for electricity generation -all under construction- and more than 100 kilometers of marine pipelines already lying on the seabed.

Mexico probing Vitol over false import documents – *Reuters*

Mexico's government is investigating the world's largest independent energy trader Vitol over "irregularities" in the documenting of its refined oil products entering Mexico that could lead to criminal charges for tax evasion.

The probe of Vitol is part of a drive to investigate alleged import tax violations in Mexico that targets companies including fuel providers and energy traders. Raquel Buenrostro, who heads the Tax Administration Service in Mexico, said some of Vitol's records for imports had discrepancies that the company was unable to clear up. She said that the case involved false documentation but declined to comment further to avoid jeopardizing the investigation.

Pemex can't afford to develop the oil field it fought to control – *Bloomberg*

Pemex fought tooth and nail to wrest control of the country's biggest private oil find from the companies that discovered it. After taking operational control of the Zama megafield last month, Pemex doesn't have the nearly USD \$2 billion needed to develop the prospect over the next five to seven years. One idea that was floated to overcome the funding challenges was a deal in which Talos Energy which remains a minority owner in the project, would facilitate the financing using barrels as collateral. But the suggestion was met with resistance from Pemex's top executives and SENER, who view it as a threat to Mexico's oil sovereignty.

Pemex, SENER and Talos, didn't immediately respond to requests for comment. The victory now seems bittersweet as the world's most indebted oil company struggles to find the money to develop its prize. Talos has said that it could seek legal action over the decision to grant Pemex operatorship, and will focus on developing its assets outside of Mexico.

CNH approved Pantera's E&P modification to the evaluation program – CNH

CNH approved Pantera's E&P modification to the Evaluation Program corresponding to the contract CNH-R02-L02-A7.BG/2017. The contractual area has 445 km² and it is located in the State of Tamaulipas in the Cuenca de Burgos oil province. The modification includes four prospects (Zona Norte, Galaneño Zone, Parritas and Dieciocho de Marzo), one in the Base Scenario and three in the incremental scenario, as well as a prospect of the current program; rescheduling of well drilling, updating of the activity schedule and reconfiguration of evaluation areas. The investments of the modified program consider an amount of USD \$9.93 million and could increase up to USD \$45.55 million.

CNH greenlights Eni appraisal well – CNH

CNH approved a Eni to spud an appraisal well at its block 10 Saasken discovery in Burgos basin. Eni expects to invest USD \$40.4 million at the site to better understand the boundaries of the formation, which it estimates to contain some 200-300Mboe. The well is expected to confirm 86.6Mboe of contingent resources. Saasken is located in one of Mexico's best prospected shallow water areas off the coast of Tabasco and Veracruz states.

These include Zama in block 7, discovered by Talos Energy and Repsol's Polok and Chinwol. Eni recently made a new 150-200Mboe discovery in block 10, named Sayulita, after a successful exploration well. According to Eni, the proximity of these discoveries increases their viability, as several block 10 and other neighboring prospects could be developed together. Activities at the site will take 55 days to complete starting on October 29, CNH. The well is located 800m from the original exploration well through which Saasken was discovered last year.

Eni announces a new oil find offshore Mexico – ENI Press Release

Eni announces an oil find on the Sayulita Exploration Prospect in Block 10 in the mid-deep water of the Cuenca Salina Sureste Basin, Offshore Mexico. Preliminary estimates the new find may contain between 150 and 200Mboe in place. Sayulita-1 EXP, which has led to the find, is the seventh successful well drilled by Eni offshore Mexico in the Cuenca Salina/Sureste Basin and the second commitment well of Block 10. It is located approximately 70 km off the coast and just 15 km away from the previous oil discovery of Saasken that will be appraised toward year-end.

Sayulita-1 EXP found 55 meters of net pay. The data acquired indicate a production capacity for the well of up to approximately 3,000 barrels of oil per day. The Block 10 Joint Venture is composed by Eni (operator, 65%), Lukoil (20%) and Capricorn, a wholly owned subsidiary of Cairn Energy PLC (15%). Eni is currently producing more than 20,000 barrels of oil equivalent per day (boed) from Area 1 on an early production configuration, and expects to ramp-up to 65,000 boed in 2022 and reach a plateau of 90,000 boed in 2025. Eni is present in Mexico since 2006 and holds rights in eight exploration and production blocks (six as Operator).

Mexico's Pemex halts drilling at Valeriana after new seismic analysis – S&P Global Platts

Pemex has stopped drilling Valeriana 1, a high-temperature high-pressure appraisal well located in the state of Tabasco, after new interpretation of seismic studies led to a drastic modification in the design of the wells. Pemex had planned to drill four more exploration wells at the site, a plan that will also likely be modified. The work plan for the site was approved in March 2019 and modified several times. Valeriana is one of the 20 areas Pemex has identified as a priority to stop the decline of its main production complex Ku-Maloob-Zaap, or KMZ.

Tecpetrol to drill onshore exploration well – CNH

CNH approved requests from Argentina's Tecpetrol to drill Forcado 101, an exploration well in the Northern state of Nuevo Leon. Tecpetrol, through its Mexico subsidiary Servicios Múltiples de Burgos, will spend USD \$4.6 million drilling Forcado, where the company has identified 11 mboe in prospective resources. Forcado is located near the border of Tecpetrol's block, which is surrounded by blocks operated by Pemex. If the company strikes oil, the reservoir is likely to extend into one of Pemex blocks, and could be subject to unitization.

CNH clears USD \$360 million Pemex exploration plan for 0151-M-Uchukil concession – CNH

CNH has cleared a request by Pemex exploration and production arm PEP to expand its exploration program for the 0151-M-Uchukil concession off the coast of Tabasco.

According to the regulator, the federal oil company modified the program to add a new well in its base scenario and four optional wells in its incremental scenario, which could be deployed if initial results are promising. With the modifications, the plan includes spudding seven wells under the base scenario, for total investment of USD \$361 million, and eight under the incremental one. In total, investments could reach USD \$790 million. The concession contains several of Pemex's promising "priority" discoveries, including Tlacame, Mulach, Xikin, Uchbal and Tlamatini. It also includes more mature fields Campo Xanab and Campo Yaxché.

Lukoil starts exploration drilling at block 12 in Mexico – Lukoil Press Release

Lukoil started drilling its first exploration well at Block 12 located in the southern area of the Gulf of Mexico. The Yoti West-1Exp well will be drilled by Valaris 8505 semisubmersible rig, which was transported to Block 12 after its successful work at Block 10 (the Sayulita-1EXP well). Water depth at the drilling site is 207 meters.

PEP launches tender to expand Maloob-B platform – *Bnamericas*

PEP launched a tender for engineering works at the Maloob-B platform in shallow waters of the Gulf of Mexico. With the tender, PEP looks to contract a company to carry out EPC on a second expansion to the Maloob-B platform. The company looks to increase its oil and gas reserves at the Maloob-B platform through the addition of six wells drilled on the eastern side of the complex. Maloob is one of three fields within the Ku-Maloob-Zaap (KMZ). KMZ continues to contribute more to PEP's production than any other asset. However, production at KMZ has seen significant declines in recent months. Under the bidding guidelines, an information session for prospective bidders is set for August 19 with the presentation of bids due September 8. Notification of the winning bid is set for September 17.

Woodside and BHP to merge oil and gas portfolios – *Rigzone*

Woodside Petroleum Ltd and BHP Group have announced that they have entered into a merger commitment deed to combine their respective oil and gas portfolios by an all-stock merger.

On completion of the transaction, BHP's oil and gas business would merge with Woodside, and Woodside would issue new shares to be distributed to BHP shareholders, the companies revealed. The expanded Woodside would be owned 52 percent by existing Woodside shareholders and 48 percent by existing BHP shareholders, according to the companies. The deal is subject to confirmatory due diligence, the negotiation and execution of full form transaction documents and the satisfaction of conditions precedent including shareholder, regulatory and other approvals. Both the Woodside and BHP boards of directors have confirmed their support for the transaction, which is expected to be completed in the second quarter of the 2022 calendar year.

Mexico's CFE, TC Energy to join forces on pipeline projects – *Bnamericas*

CFE and Canadian midstream firm TC Energy have agreed to look for ways to finish construction of the controversial USD \$458 million Tuxpan-Tula natural gas pipeline.

The companies signed an agreement to begin negotiations to finish the project. The Tuxpan-Tula pipeline is a 276km project to connect Veracruz State on the Gulf of Mexico with Hidalgo. It has faced opposition from indigenous communities in Veracruz, Hidalgo and Puebla states, and was suspended by a federal judge in 2017.

President AMLO has promised that the pipeline will not be built, or that it will be redirected to avoid passing through significant indigenous landmarks. According to CFE, however, the firm has agreed to "take a more active role that allows for a solution to the social conflicts and to complete the Tuxpan-Tula gas pipeline, which is fundamental to transport natural gas from the Gulf of Mexico to the country's center". The two firms are also looking to develop an underwater pipeline, CFE said, connecting Tuxpan with the Mayakán pipeline in Yucatán peninsula, in a bid to increase natural gas supply in Campeche and Tabasco states. In addition, CFE wants to renegotiate its contracts with TC Energy spanning Mexico's central regions and bring them all together under a single agreement.

Mexico postpones solar energy plans for Maya train – *Bnamericas*

Mexican tourism board Fonatur has decided to postpone plans to develop solar generation capacity to power the flagship 161bn-peso (USD \$8bn) Maya train project in the southeast of the country. Fonatur director Rogelio Jiménez Pons told a press conference late Tuesday that plans to build 200MW of solar capacity to help the project reduce emissions were put on hold until the second half of 2022.

Earlier this year Fonatur asked the finance ministry for \$238 million pesos in funding to study the development of a series of clean energy projects for the train, on lands it owns or could secure. The tourism board had said it would design tender documents that would allow it to move forward with building 10 renewable projects in partnership with state-owned utility CFE and potential lenders. Fonatur originally expected to have these documents ready by 2023.

The initiative came at a time when private investment in renewable projects has been hurt by a long process of rules and permitting changes aimed at strengthening CFE and sidelining private energy producers, which are the main sponsors of wind and solar projects in the country.

U.S. fund GIP acquires Mexico's Saavi Energia – *Reuters*

Global investment firm Actis sold 100% of Saavi Energia, Mexico's largest independent power company; to private equity firm Global Infrastructure Partners "GIP". The terms of the transaction were not disclosed.

Saavi Energía, which has been owned by Actis since 2018, has six combined-cycle plants, a wind farm and three gas compression stations. The firm primarily serves the Mexican energy market, in addition to providing reserve capacity for specific markets in California. GIP's acquisition of Saavi follows its investment in the USD \$325-million term loan in 2020, which will be repaid as part of this transaction. Additionally, it marks GIP's first direct equity investment in Mexico.

CAF to finance Mexico's CFE – *El Economista*

Latin America development bank CAF has approved a revolving line of credit for Mexico's Comisión Federal de Electricidad for USD \$200 million in order to strengthen its liquidity and in support of the economic reactivation of Mexico. CAF, based in Caracas, provides financing for infrastructure and development projects in the region. It is made up of 19 countries -17 from Latin America and the Caribbean, Spain and Portugal- and 13 private banks in the region. It recently incorporated Costa Rica and Mexico as full members.

Brazil's Petrobras sells REMAN refinery, RNEST finds no buyers – Reuters

Petrobras said it has signed a contract to sell the REMAN refinery in the northern state of Amazonas for USD \$189.5 million to Ream Participações S.A., a subsidiary of distributor Atem.

In a separate filing, however, the company said it had failed to secure a buyer for the Abreu e Lima (RNEST) refinery after the interested firms declined to offer a bid. Petrobras said it would end the sale process, and analyze its next steps. For the REMAN refinery, the second it has agreed to sell of eight that were put up for sale, Petrobras said it would receive USD \$28.4 million upfront with the rest paid when the deal closes. The sale still needs to be approved by competition regulator CADE. Petrobras will continue to run the refinery until the deal is completed. The REFAP, REGAP, LUBNOR, and SIX units are still trying to attract buyers.

Petrobras to sell Braskem stake – Reuters

Petrobras has agreed to sell its 36.1% stake in the petrochemical firm Braskem SA. Petrobras previously announced plans of an exit in December 2020 as part of a USD \$25-35bn divestment program for 2021-2025 in a move to exit non-core industries.

Petrobras has hired JPMorgan Chase & Co as adviser to sell its stake in Braskem. Brazilian conglomerate Novonor, formerly known as Odebrecht, resumed the sale of its controlling stake in Braskem in April, but so far it has not found a buyer. Still, Morgan Stanley, Novonor's adviser, has received bids for some of Braskem's assets. The company has plants in Brazil, Mexico and in the United States.

Given the complexity of selling units to different buyers, Petrobras has decided to hire an adviser to analyze potential deals. Petrobras, which is also interested in selling its stake in the company, has favored a sale through a share offering, but Novonor, as a controlling shareholder, prefers an acquisition because it seeks a premium for its voting shares. Two years ago, a deal to sell Braskem to LyondellBasell Industries BV failed as Braskem faced environmental problems related to its mining activities in the northeastern city of Maceio.

PDVSA cedes stake in Dominican oil refinery in debt swap – Reuters

PDVSA has given up its 49% stake in a Dominican refinery as part of a swap for some of its defaulted bonds. The transaction represents a small breakthrough between the company and its creditors as U.S. sanctions, aimed at ousting Venezuelan President Nicolas Maduro, complicate efforts to restructure billions of dollars in debt that PDVSA and the government have defaulted on amidst an economic collapse.

As part of the deal, PDVSA subsidiary PDV Caribe S.A. first swapped its shares in the 34,000 barrel-per-day (bpd) Refidomsa refinery for bonds held by a company named PATSA Ltd, a unit of Dominican cocoa company Grupo Rizek. PATSA then immediately sold the shares to the Dominican government, which already owned the remaining 51% stake in the plant, for 74 million euros (\$88.1 million). The plant is now fully-owned by the Dominican government.

Total and Equinor are said to exit Venezuela oil JV – Bloomberg

TotalEnergies and Equinor are exiting a key venture in Venezuela, adding to an exodus of foreign firms in recent years as the country's energy industry has withered.

The companies transferred to state-owned PDVSA, stakes in the Petrocedeno oil production joint venture. Total and Equinor, which held 30% and 10%, respectively, had been major partners with PDVSA since the 1990s.

The Petrocedeno ventures include operations at an oil field in the Orinoco Belt and a heavy oil upgrader, a facility that blends heavy oil into a more commercial grade. After the move, PDVSA will own 100% of the venture.

Total was among the top four international producers of crude in Venezuela, with its output ranking second among international companies in 2007. After late President Hugo Chavez expropriated oil companies and changed contracts during the early 2000s, Total were one of a handful of foreign firms to keep operations in the country.

After refinery output dropped in Venezuela causing fuel shortages, PDVSA this year decided to integrate some of the Petrocedeno plants into PDVSA refineries, aiming to help boost gasoline production. Total and Equinor were not part of the decisions leading to this integration. A Total representative in Venezuela declined to comment. Equinor did not respond to requests for comment.

Talos Energy pulls out from bidding on Albacora fields, Brazil – NS Energy

Talos Energy has reportedly pulled out from a consortium seeking to acquire the stakes of Petrobras in the offshore Albacora and Albacora Leste fields in Brazil. The US-based oil and gas company was part of a consortium made up of EIG Global Energy Partners, 3R Petroleum Oleo e Gas, and Enauta Participacoes, which submitted a binding offer to the Brazilian firm.

Meanwhile, Petrobras has received a bid for the Albacora and Albacora Leste oilfields from another consortium made up of PetroRio and French infrastructure company Vinci's subsidiary Cobra, as per the sources. Petrobras has a 100% stake in the Albacore field and a 90% stake in the Albacora Leste field partnered by Repsol Sinopec Brasil.

Both the deep-water fields are located in the northern area of the Campos Basin. Last year, Albacore yielded an average of 23.2 thousand barrels of oil per day along with over 408,000m³/day of gas. The Albacora Leste field, on the other hand, produced an average of 30.9 thousand barrels of oil per day in addition to 598,000m³/day of gas.

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

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