



August, 2022

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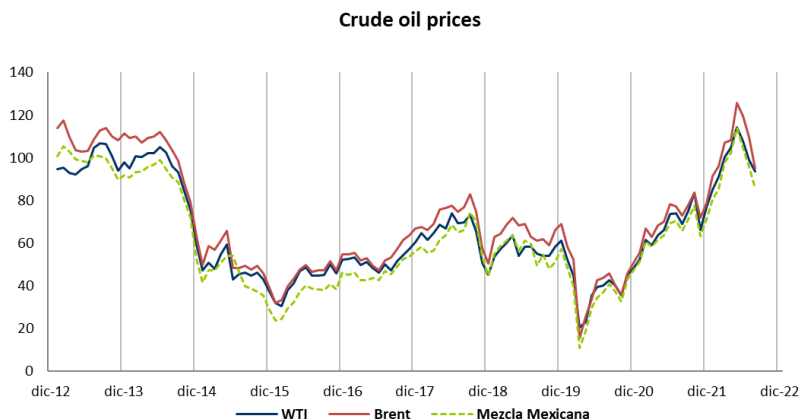
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This month in review

* 30/08/2022 **31/08/2022

Crude oil price MME US/BD	88.65
NG price HH* US/MMBTU	9.12
Mx crude production MMbd – July	1.62
Mx NG production MMpcd – July	4,855
US crude production MMbd - June	11.81
FX Rate*	20.09



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

Oil & Gas - Mexico

BP pulls out of oil, gas exploration in Mexico – *Mexico Business News*

BP won three exploration contracts during the bidding rounds held in 2016 and 2018. Of these contracts, CNH-R01-Lo4-A1-CS/2016 and CNH-R01-Lo4-A3-CS/2016 are deepwater blocks located in the Salina Basin off the coasts of Veracruz and Tabasco, while CNH-R03-Lo1-G-CS-03/2018 involves a play in the shallow waters of Campeche.

In February 2022, BP and Equinor announced they would be handing over corporate, management and operational control of the Salina Basin contracts to TotalEnergies, as both companies revised their upstream portfolios to reflect greater commitments to zero-carbon initiatives. The private players deemed the requirements to develop the exploration acreage to be incompatible with their long-term investment plans. Meanwhile, BP was awarded a third contract in partnership with Total, Hokchi Energy and QPI Mexico. The British company is now expected to conclude its participation in the Round 3 shallow water play by Nov. 26, 2022.

According to the most recent CNH data, BP only invested USD \$36 million, or 16% of the approved investment plan of USD \$219 it made with the regulatory body for the two contracts in which it was the operator, CNH-R01-Lo4-A3-CS/2016 and CNH-R03-Lo1-G-CS-03/2018.

Despite this latest move, BP has stated that it will retain an “indirect participation” in some E&P blocks by virtue of its interest in Hokchi Energy. The British energy company holds a 50% share in the consortium together with the Argentine Pan American Energy Group. Hokchi currently operates its namesake Hokchi field, one of the private sector’s most productive operations, in addition to two further wells at Xaxamani and Tolteca, contributing 20Mb/d as of June 2022. It also remains to be seen what will become of BP’s substantial Mexican downstream portfolio.

The company, operates over 500 gas stations in Mexico and supplies 300MMcf/d of natural gas to industrial clients. Commenting in April 2021, Bernard Looney, CEO, BP, explained that while Mexico would remain an important part of his company's operations, it was no longer a focus of its growth strategy, with BP opting to prioritize hydrocarbons investments in other markets.

CNH authorizes Shell to drill in Mexico's Ultra-Deepwater – *Milenio*

CNH gave Shell the go-ahead to drill an exploratory well in ultra-deep waters off the coasts of Veracruz and Tabasco. The drilling of Aluk-1EXP will take place within contractual area CNH-R02-Lo4-AP-CS-Go4/2018 and is included as part of the incremental alternative scenario of the modification to the original exploration plan, already approved by CNH on February 15, 2022 under resolution CNH.02.002/2022.

Drilling will follow a vertical trajectory with a directional window at a projected depth of between 4825m and 5440m. For this purpose, the Maersk Voyager drillship, with the capacity to drill in water depths of up to 3,658m, has been contracted. The hydrocarbon Shell is seeking to retrieve from Aluk-1EXP is light crude oil of 12° API with a geological success probability of 18, while the estimated prospective resources have been put at 105Mboe. The approved program foresees 96 days of operations: 60 for drilling, 54 for abandonment, a window of 24 days for exploration and 9 days for abandonment once more.

CNH greenlights USD\$150 million Pemex exploration plans – *CNH*

CNH gave the green light to two onshore exploration plans presented by Pemex exploration and production arm PEP totaling investments of USD \$150 million. CNH allowed Pemex to update its exploration plan for the 0125-M-Llave concession in Veracruz state. Pemex will conduct a series of studies and spud up to two wells, Biaqui and Xiko. Total investment could reach USD \$78.8 million if both wells are spudded and detailed geological studies are conducted, CNH expecting up to 10.4Mboe.

CNH also approved an updated exploration plan for the 0177-M-Yuban concession in Veracruz, where PEP expects to spud up to seven exploration wells next year, as well as conduct 20 studies and gather seismic data. The plan could confirm 39Mboe of new resources for a total investment of USD \$71 million.

Investments in Mexican E&P jump almost 7% in July – *Bnamericas*

Investments made under E&P contracts in Mexico reached USD \$11.6bn in July, up by USD \$748mn or 6.92% compared with June. The uptick reported for July by hydrocarbons regulator CNH marks a new reverse in the downward trend seen over the last year.

Cumulative investments from 2015 to June 2022 reached USD \$10.8bn, showing a smaller, but still positive, 1.61% monthly increase from the USD \$10.6bn seen in May. The slowdown is considered a result of Mexico's decision to halt oil and gas rounds under the administration of President AMLO.

As recorded in the CNH hydrocarbons information system (SIH), the bulk of investment in E&P contracts occurred in 2020, with USD \$3.37bn invested that year alone. This was more than the USD \$3.04bn reported in 2019 and USD \$2.45bn in 2021. The USD \$748mn added in July represents the majority of the USD \$827mn invested in contracts in the first seven months of 2022.

Pantera to invest up to USD \$11 million in Pasuku appraisal – CNH

CNH approved an appraisal program put forward by Pantera E&P for its Pasuku discovery. The 17.9km² area designated for evaluation lies within contract CNH-R02-Lo2-A10.CS/2017, located on the southern border of the Macuspana oil region in Tabasco's Southeast Basin.

Pantera's objective is to evaluate the geological potential of the upper Miocene horizon in the lower Amate formation, to determine its volume of hydrocarbons available before defining the productive potential and commercial viability of the reservoirs. Pantera has proposed two different activities based on two potential scenarios. The base scenario seeks to conduct 11 seismic studies before assessing the information acquired, while the incremental scenario proposes 14 further studies and the reprocessing of 3D seismic data before proceeding with the drilling of two further wells, Pasuku-2DEL and Pasuku-3DEL, followed by pressure-production tests and two extended reach tests. The investment required for the base scenario has been set at USD \$78,000, while USD \$11.13 million is to be allocated for the incremental scenario.

In 2019, CNH originally approved Pantera's exploration plans for its Mascupana interests, which stretch across a 347.33km² area around 60km southeast of Villahermosa. CNH also greenlighted Pantera in May 2022 to proceed with exploration plans for Sakb1EXP, Taakin-1EXP, Jobon-1EXP, Pakxuki-1EXP, Jaax-1EXP and Xuup-1EXP. All of these projects fall under the same contract. As of June 2022, Pasuku-1EXP is the only well producing natural gas, contributing 1.113MMcf/d.

Pemex requests USD \$6.5 billion more funding for Dos Bocas refinery – Reuters

Pemex requested almost \$6.5 billion in additional funding from the government to pay for works at the Dos Bocas' refinery this year. The additional funding is to cover works not initially included in the project's proposal, higher construction and startup costs. Mexican President AMLO considers the new refinery a signature project and has argued it will help the country cut a longstanding dependence on gasoline and diesel imports.

The additional funding would take the refinery's price tag to USD \$14.6 billion, far above the original budget of USD \$8.9 billion.

CNH greenlights Pemex Llave, Campeche exploration modifications – CNH

Pemex, received approval to invest an additional USD \$21.5 million-US D\$135million in the onshore Llave field. CNH approved the expansion of the exploration plan for the 1,790km² field, in addition to ruling on PEP plans for the Campeche Oriente field and an extension for Lukoil Upstream México. The contractual area AE-0124-2M-Llave is located onshore 23km south of the port of Veracruz. PEP plans to drill up to five more wells. PEP has already drilled four exploratory wells in the assignment, where Tum-1EXP, drilled in 2021, proved to be a natural gas and condensate producer and Kuun-1EXP 2021 produced both oil and gas. Another well did not produce, and the fourth was stopped on a mechanical failure.

Under the base scenario approved with the extension, PEP will drill one additional well at a cost of USD \$18.9 million, and under the extended scenario it will drill five wells at a cost of USD \$119 million. PEP hopes to extract 7Mboe under the base plan and 50Mboe in the expanded scenario.

CNH also approved, a PEP request to modify its exploration plan for assignment AE-0166-M-Campeche Oriente in shallow waters off the coast of Campeche state. PEP sought to modify its plan to add between one and four exploratory wells for investments under a base plan of USD \$44 million and USD \$187 million in the expanded plan. The assignment covers a surface area of 1,343km² with water depth ranging from 30m to 100m. Under the base scenario, PEP will drill the Mabalnak-1EXP well, which had originally been planned for 2021. The incremental plan would spud two other exploratory wells originally planned for 2021, Akal-401EXP and Leman-1EXP, as well as the Ek-301EXP. All four wells in the modified plan are set for spudding in 2023. Potential resources at the wells range from 16Mboe to 53Mboe.

Pemex plans investments for Ixachi field – *Bnamericas*

Pemex is making infrastructure investments at its Ixachi shallow water gas field off the coast of Tabasco state. The works will involve overhauling the Papan measurement and control station to maximize utilization of the resources produced by the field and to turn secondary output into liquefied petroleum gas (LPG). The move would also allow the station to reduce its methane gas emissions.

Pemex also plans to install a new tank battery at Ixachi, which will more effectively separate the field's output, leading to a higher production of natural gas and condensate, said the executive. Together, these projects would allow Ixachi to reduce its methane gas emissions by 98%. So far this year Pemex has slashed its gas flaring by 44% and increased gas utilization by four percentage points, to 96%, he said. The goal is to end 2024 with a 98% utilization rate. Ixachi is Mexico's second most productive gas field, behind nearby Quesqui. Both are part of the company's "accelerated development strategy" to leverage its existing shallow water and onshore potential and increase condensate output, which has more than tripled over the last two years.

Eni set to invest USD \$480 million to develop Mexico's Area 1 – *CNH*

CNH has approved Eni's updated 2022 investment plan for its promising shallow-water Area 1 contract off the coast of Tabasco state, which involves total outlay of USD \$483 million between June and December 2022. The updated plan adjusts Eni's spudding schedule for several prospects, including speeding up the spudding and completion of the Amoca-7, Amoca-9, Amoca-8, and Amoca-11 wells, with the latter two targeting a shallower area than originally planned.

It also includes the purchase of new seismic information for an area spanning 110km² and pushes back development of two wells originally planned for this year. In total, the plan outlines the intention of extracting 10.5Mb of oil and bringing the area back in line with Eni's production forecasts, from which it started falling behind in February. The area, which currently produces some 16,200b/d of oil and 24Mf3/d of natural gas, contains three discoveries: Amoca, Miztón and Tecoalli, some of the most important private sector discoveries made in recent years, with an estimated 2.1 billion barrels of oil in place. Eni, invested USD \$407 million in 2020 to develop the A1 area off the coast of Tabasco state. It has plans to ramp up production eventually to 100,000b/d by mid-decade.

Pemex in talks to resume business with Vitol – Reuters

Pemex has made progress in talks with global energy trader Vitol about resuming trading ties that broke down last year during a bribery scandal, and the companies must iron out some issues such as compensation for damages Mexico's state oil company suffered. In March 2021, Pemex said it had suspended its commercial relationship with Vitol after the oil trader admitted to paying bribes to retain business in Mexico.

At the time, Pemex also said Vitol had offered compensation for damages but insisted the trader reveal the names of the Mexican officials that allegedly received the bribes and the specific contacts involved. In May Pemex said in a statement that Vitol had previously offered \$22 million in compensation, which also included "work" on the Pajaritos ethanol terminal, without giving further details. Pemex said the offer was not good enough as it did not include the identities of those responsible for the corruption. Later that month, Vitol did reveal the names and since then conversations have been progressing towards resuming trade between the two firms.

Power/Renewable Energy – Mexico

TC Energy, CFE sanction Mexico's 1.3 Bcf/d marine pipeline extension – NGI

Canada's TC Energy Corp. and CFE have reached a final investment decision (FID) to build a 444-mile underwater natural gas pipeline. The 1.3 Bcf/d, \$4.5 billion Southeast Gateway Pipeline would originate onshore in Tuxpan, Veracruz. It then would proceed offshore, making landfall at Coatzacoalcos, Veracruz and Dos Bocas, Tabasco. Dos Bocas is the site of Mexico's new 340,000 b/d Olmeca refinery.

The project is anticipated to be in service by the middle of 2025. The pipeline would essentially be an extension of the 2.6 Bcf/d Sur de Texas-Tuxpan pipeline, which moves natural gas supply from basins in Texas to southern Mexico. That pipeline was placed into service about three years following FID. The Southeast Gateway Pipeline project would provide natural gas supply to underserved areas including the Yucatán Peninsula. It could also feed gas into the proposed Jaltipán-Salina Cruz cross-isthmus pipeline. Costs for the project would be shared.

TC, a major infrastructure developer in Mexico, currently transports 15% of all natural gas in the country. The Calgary-based pipeline giant expects Mexico natural gas pipeline imports to increase to 9 Bcf/d by 2030, from 6 Bcf/d in 2020. The company also sees Mexican natural gas demand rising to 12 Bcf/d from 8 Bcf/d over the same period. TC and CFE also have launched a public-private partnership to develop other natural gas infrastructure throughout Mexico.

The alliance would lump together the TC's Transportadora de Gas Natural de la Huasteca (TGNH) assets, including the Tamazunchale, Tula-Villa de Reyes, and Tuxpan-Tula pipelines. These pipelines would fall under a single take-or-pay transportation service agreement through 2055. The entities also agreed to partner on completing the stalled Tuxpan-Tula pipeline through construction of the central segment, subject to sanctioning at the end of the year. Subject to regulatory approvals, CFE would have the opportunity to hold an equity interest in TGNH too. Regulatory approvals are expected to take two years.

Petrobras wraps up sale of shallow-water fields off Brazil – *Offshore Energy*

Petrobras has concluded the sale of its entire stake in producing shallow-water fields in the Espírito Santo Basin offshore Brazil. The Brazilian giant informed that it has finalised the sale of all its stakes in the producing fields of Peroá and Cangoá and the Malombe discovery to the company 3R Petroleum Offshore, previously known as OP Energia. The company explained that this sale was concluded with a payment of \$8.07 million with the adjustments provided for in the contract. The firm elaborated that this amount was received in addition to the \$5 million paid when the purchase and sale contract was signed. Aside from this amount, Petrobras is expected to receive up to \$42.5 million in contingent payments, depending on future Brent prices and asset development.

Petrobras held 100% interest in the Peroá and Cangoá fields, located in shallow waters, whose average production from January to June 2022 was about 572 thousand m³/day of non-associated gas. In addition, the firm had a 100 per cent stake in the BM-ES-21 exploratory block, situated in deep waters, where the Malombe discovery is located.

The fields' production system is based on up to six wells connected to the unmanned offshore platform PPER-1, which sits at 67 meters of water depth. Among the wells connected to the platform, three are operational in Peorá and one is operational in Cangoá while another well is directly tied to the gas pipeline connecting the platform to the UTGC processing facility onshore.

On the other hand, the Malombe discovery was made in 2011 with the drilling of the 1-ESS-206 exploration well in the BM-ES-21 concession, which was acquired during ANP's 6th bidding round in 2004. Petrobras explained that the development concept for this discovery consisted of a subsea tie-back to the PPER-1 platform. The Brazilian player pointed out that this transaction is in line with its portfolio management strategy and the improved allocation of its capital, aiming to maximise value and provide a greater return to society.

Brazil's antitrust watchdog postpones decision on Petrobras' refinery sale – *Reuters*

Brazil's antitrust watchdog CADE postponed its decision on the sale of Petrobras' Reman refinery to fuel distributor Atem. The delay comes after board member Gustavo Augusto Freitas asked for more time to review the deal. Petrobras sold the refinery, located in the northern state of Amazonas, for \$189.5 million to Ream Participacoes SA, a subsidiary of distributor Atem.

Shell, Ecopetrol make gas discovery at Colombia's deepest offshore well – *Offshore Magazine*

Ecopetrol announced Aug. 10 that the Gorgon-2 exploratory and delimiter well verified the presence of gas in ultradeep waters in the southern Colombian Caribbean, with a water column of about 2,400 m, the largest in Colombia, and a total depth of more than 4,000 m. The well, located approximately 70 km off the Caribbean coast, was drilled with a deepwater vessel.

The well confirms the extension of the gas discovery made in 2017 in Gorgon-1 and ratifies the existence of an offshore gas province in Colombia, in which the discoveries of Kronos (2015) and Purple Angel (2017), which are part of the Southern Caribbean, were also made.

Gas is one of the fundamental energies for the national supply and the energy transition, and it is used daily by more than 10 million Colombian families. This result of the Gorgón-2 well will allow us to advance in the evaluation of these findings in the Southern Caribbean, which in case of an eventual development will allow us to increase Colombia's gas reserves and supply the growing demand for this fundamental energy for the energy transition that Ecopetrol and the country undertook," said Felipe Bayón, president of Ecopetrol.

YPFB will build 12,000 domestic gas installations in Santa Cruz – *Bnamericas*

YPFB will build 12,000 internal facilities in the department of Santa Cruz. The state-owned oil company invests in social impact projects so that household gas reaches Bolivians and reactivates the country's economy, generating direct and indirect jobs through the installation companies with which it works.

The Redes de Gas Santa Cruz – Beni District, in its most recent drawing of work lots for the construction of internal facilities, planned to carry out works in the municipalities of: Boyuibe, Buena Vista, Camiri, Charagua, Cotoca, Cuatro Cañadas, Ascensión de Guarayos, La Guardia, Mairana, Montero, Pampa Grande, Puerto Suárez, San Carlos, San Ignacio de Velasco, San Matías and Santa Rosa del Sara, among others. On that occasion, 51 work lots were raffled off. The Government, through YPFB, accelerates the process of new domestic gas installations throughout the national territory, assigning, through raffles, work lots to installation companies that carry out the new connections for the benefit of the country's population.

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