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Table of Contents

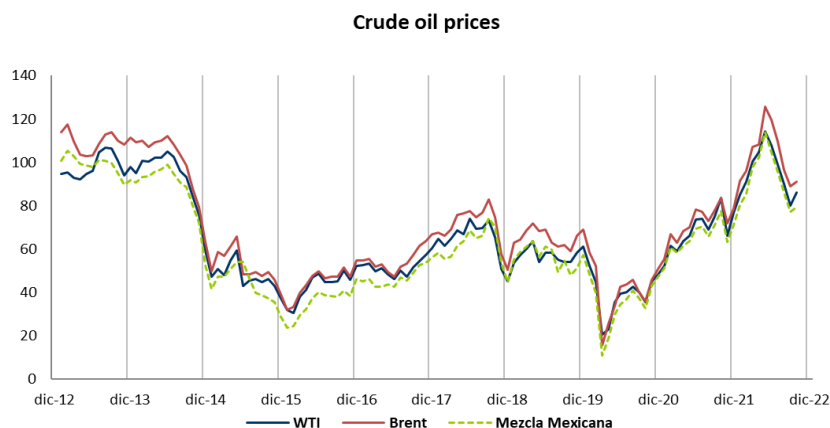
This month in review	3
Oil & Gas - Mexico.....	3
• Pemex reports a third-quarter loss of \$2.58 bln – <i>Reuters</i>	3
• Wintershall Dea expands presence in Mexico – <i>Wintershall Dea Press Release</i>	4
• Borr Drilling secures a 3-year contract in the Gulf of Mexico – <i>Upstream Mexico News</i>	4
• New CNH head – <i>Oil and Gas Magazine</i>	4
• North American NG exports set to rise by 46% as Mexican projects advance – <i>NG15</i>	
• Pemex calls tender for pipeline construction – <i>Oil and Gas Magazine</i>	5
• Pemex signs a contract with Opex for USD 1,477 million – <i>Energy and Commerce</i> .	6
• Mexico's oil output edges down despite private sector growth – <i>Bnamericas</i>	6
• Pemex signs an agreement with Woodside to provide training to workers – <i>Pemex Press Release</i>	7

Power/Renewable Energy – Mexico	7
• CRE approves 3 new power generation permits, rejects 1 – <i>Bnamericas</i>	7
• NFE finalizes agreements with CFE in Mexico – <i>NFE Press Release</i>	7
• Works begin on big CFE power plants, private plants suspended – <i>Bnamericas</i>	8
Oil & Gas - LATAM.....	9
• Petrobras begins teaser stage for Argentina subsidiary sale – <i>Oil and Gas Journal</i>	9
• Ecopetrol's board replaces chief after 24 hours, hurting peso – <i>Reuters</i>	9
• Petrobras awards USD \$3bn P-82 FPSO contract to Sembcorp Marine – <i>NS Energy</i>	9

This month in review

* 27/09/2022 **28/10/2022

Crude oil price MME US/BD*	83.65
NG price HH* US/MMBTU	5.86
Mx crude production MMbd – September	1.61
Mx NG production MMpcd – September	4,842
US crude production MMbd - July	11.80
FX Rate**	19.83



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

Oil & Gas - Mexico

Pemex reports a third-quarter loss of \$2.58 bln – Reuters

Pemex reported a third quarter net loss narrowed to USD \$2.58 billion (52.0 billion pesos), due in large part to increased sales costs as well as currency exchange losses as the peso weakened against the dollar. Results were better than the same quarter of last year, when a 75 billion pesos loss was reported, due to high international oil prices and a significant increase in fuel sales volumes. In January-September, Pemex generated a 196 billion pesos profit, according to the latest results report.

Pemex aims to achieve energy self-sufficiency, meaning all crude produced in Mexico can be refined locally. Current national oil output (including condensates) is 1.85Mb/d. Extra refining capacity is expected to come from further rehabilitation of the six refineries and the start-up of the USD \$12bn-\$16bn Olmecca refinery, which, according to authorities, could start production next year, but experts remain skeptical.

Meanwhile, Pemex presented ambitious goals for its 36 onshore and offshore priority fields in Tabasco and Veracruz states. It said the projects, which produce 402,000b/d, would add 120,000b/d by the end of December. The company has spud 136 wells across the fields.

Pemex claimed it took steps to reduce its debt, which in 2020 peaked at USD \$113bn. Current net debt is USD \$105bn, down 7.2%. Rehabilitation of six refineries added 95,000b/d of extra processing capacity this year and Deer Park added 282,000b/d, for a total average of 1.08Mb/d, according to the firm. Oil production costs for Pemex this year rose by about a quarter to \$18.38 a barrel, compared to average costs last year, due to an increase in contributions to state coffers, CEO Romero said.

Wintershall Dea expands presence in Mexico – *Wintershall Dea Press Release*

Wintershall Dea has signed an agreement with Hokchi Energy, the Mexican subsidiary of Pan American Energy, to acquire a 37% non-operated participating interest in the Hokchi Block, with a conditional option to increase its participation up to 40% at a later stage. Wintershall Dea is thus expanding its presence in Mexico and consolidating its position as one of the leading independent gas and oil companies in the country. Through this acquisition, Wintershall Dea will become the second-largest interest holder in the Hokchi Block after operator Hokchi Energy.

The Hokchi Block was awarded in Mexico's licensing round 1.2 and is operated by Hokchi Energy. The shallow-water block is developed as a subsea tie-back to two offshore platforms, Satellite and Central, and was brought on-stream in May 2020 following an appraisal campaign. The well stream is piped over a distance of 24 km from the two offshore platforms to an onshore processing facility where oil and gas is separated and treated for further sale to the Mexican state company Pemex. The block is a key contributor to the total production led by private companies in Mexico. It currently produces around 26,000 barrels of oil equivalent per day with a planned ramp-up to a gross production of 37,000 barrels of oil equivalent per day by 2023.

Martin Jungbluth, Managing Director of Wintershall Dea in Mexico, underlines the importance of this new asset: "The Hokchi Block is located in the Sureste Basin, where we already have a strong portfolio of promising licences and which is therefore familiar to us. It's near our Zama, Polok and Chinwol discoveries as well as our own operated exploration block 30. We are looking forward to contributing our expertise and working together with the operator to efficiently and safely produce the Hokchi Block."

In Mexico, Wintershall Dea and Hokchi Energy are already partners in Block 2, located in the southeast of the Gulf of Mexico. In Argentina, Wintershall Dea and Pan American Energy have also enjoyed a long-standing partnership. Both companies share a focus on efficient production, technological innovation, social responsibility and the sustainable development of the assets in which they are engaged. The transaction is subject to obtaining government approvals, including from CNH and antitrust agency (COFECE) and is expected to be closed before the end of the first quarter 2023.

Borr Drilling secures a 3-year contract in the Gulf of Mexico – *Upstream Mexico News*

Borr Drilling says that Perfomex, its joint venture company in Mexico, has entered into new contracts for the company's five premium jack-up rigs – Galar, Gersemi, Grid, Njord and Odin – with Opex Perforadora SA de CV and Perforadora Profesional Akal SA de CV, providers of integrated well services to Pemex.

The contracts are effective from October 20, 2022, and will maintain all five rigs contracted until December 31, 2025, for a combined contract value of USD \$715 million, including upfront cash payments of USD \$33 million in total. Further, these agreements incorporate enhanced terms that are expected to improve the economic efficiency of the business.

New CNH head – *Oil and Gas Magazine*

Agustín Díaz Lastra has been appointed new head commissioner of Mexico's hydrocarbons regulator CNH. Díaz previously served on the board of federal oil and gas giant Pemex. The senate opted for Díaz, rather than José Sánchez Pérez, who is the chief administrator of the Tehuantepec isthmus project. CNH will now be able to hold sessions. It has been unable to do so as only three of seven commissioners have been active, so it lacked the minimum quorum.

CNH's track record differs substantially from that of electric power regulator CRE. Whereas CRE has become less responsive to private players and has issued several decisions aimed at increasing the market participation of state-owned companies, CNH has maintained autonomy.

Pemex awards USD \$1.5bn spudding contract – *Bnamericas*

Pemex has awarded OPEX an up to USD\$1.48bn contract for work on several of the Mexican state oil and gas giant's shallow water assets. The 25-month contract involves spudding, completing and repairing a series wells. OPEX will use five jackup rigs to work on what the state firm calls its "new" fields, labeled "priority" fields, off the coast of Tabasco and Veracruz states.

The 39 priority fields produced 399,000b/d during the first half of the year, according to Pemex's latest data. Production almost doubled compared to the same period 2021. The most productive among the 39 in terms of oil output is Quesqui, with production of 140,700b/d in H1, followed by Pokche with 33,700b/d and Ixachi with 33,000b/d. Other significant fields include Mulach, Tlacame, Cheek, Ita and Koban.

North American NG exports set to rise by 46% as Mexican projects advance – *NGI*

Mexico is unlikely to substantially increase its natural gas production over the next five to six years, according to upstream regulator CNH. In its latest "prospectiva" or outlook for oil and natural gas output, the regulator modeled high, low and medium production growth scenarios for each hydrocarbon. The high case scenario for natural gas shows production peaking at 4.73 Bcf/d in 2026, then dropping to 4.26 Bcf/d by 2028. This compares to production of 4.06 Bcf/d recorded in August. Under the medium scenario, production peaks at 4.24 Bcf/d in 2026 before falling to 3.68 Bcf/d in 2028. Finally, under the low scenario, production starts falling immediately to average 3.78 Bcf/d in 2023 before rising slightly to a peak of 3.93 Bcf/d in 2025. Output then drops to 3.4 Bcf/d by 2028.

Mexico's natural gas production is expected to continue its declining trend over the period, IEA researchers said, in line with the CNH modeling. The decline in production, combined with a slow but steady rise in demand, are expected to drive continued growth in U.S. to Mexico gas flows. "North America's net pipeline trade of natural gas "is expected to gradually increase thanks to higher U.S. flows to Mexico," the IEA team said. U.S. exports to Mexico are expected to grow at an annual average rate of 4% over the forecast period, slowing from a previous 8% in 2017-2021. Imports, practically all of which come from the United States via pipeline, accounted for 69% of Mexico's gas consumption as of June 2022, according to CNH data. Excluding gas produced and consumed by Pemex, imports supplied 86% of national demand.

Pemex calls tender for pipeline construction – *Oil and Gas Magazine*

Pemex call for a tender to find a contractor to build multiple pipelines, issuing a tender containing two packages with an estimated combined value of 1.20bn pesos (USD \$59.7 million). The tender, under the ID code PEP-CAT-O-GCSEYP-085-92912-22-1, calls for "the construction of a network of onshore pipelines for the collection, transport and handling of hydrocarbons and congenital water in different production assets." The tender announcement and additional documents state that potential bidders may begin submitting any doubts regarding the contracts on October 10, with clarifications sent on October 13. Presentations and opening of proposals will take place on November 3 with the final decision to be announced on November 28.

The works will involve construction, replacement and dismantling of infrastructure in PEP's pipeline networks located in several productive areas in states on the Gulf of Mexico, beginning in Chiapas, Tabasco and Veracruz states with the Macuspana-Muspac network in the Reforma sector; the Macuspana-Muspac network in the Ciudad Pemex area; as well as the Samaria-Luna, Bellota-Jujo and Cinco Presidentes assets, also in the south. The additional documentation also indicates that the first contract is valued at 717 million pesos and the second at 478 million pesos.

Pemex signs a contract with Opex for USD 1,477 million – *Energy and Commerce*

Pemex confirmed that closed a contract for 25 months with the company Opex which has drilled more than 40 wells in the waters of the Gulf of Mexico. This contract authorizes work related to the drilling, completion and repair of wells in shallow waters, will provide the oil company with five jack-up platforms required on site, as well as personnel and logistics of materials for new fields, for a total of USD 1,477 million.

Through a statement, it was announced that the awarded company is the only one that had the immediate availability of the five jack-up platforms, also complying with the specifications, technical, financial, legal and administrative.

In turn, the Mexican company Opex indicated that during its 30 years' operating in the oil sector it has contributed to the "increase in national oil production of more than 157 thousand barrels of oil per day". The award process was audited for three months by White and Case LLP, one of the most recognized law firms worldwide, with the purpose of independently evaluating its legality and transparency, stressed Pemex.

Mexico's oil output edges down despite private sector growth – *Bnamericas*

Mexico's national oil production fell in September due to lower output by Pemex, according to the latest data by hydrocarbons regulator CNH.

Preliminary data shows total output fell to 1.62Mb/d, a drop of 7,000b/d over the previous month, with output from the company's concessions dropping by 12,000b/d. Output from migrations, which includes fields operated by Pemex and private players, remained flat. At the forefront of this increase has been Hokchi Energy, which increased output at its Hokchi field off the coast of Tabasco state. Production at Pokoch and Ichalkil, operated by Fieldwood Energy, also increased. Eni's Amoca and Miztón fields, meanwhile, recovered from a months-long slump and posted a slight growth.

CNH's figures show that natural gas production also fell slightly to 4.84Bcf/d, while condensate output continued to rise, reaching 229,000b/d. Pemex has been unable to raise output to the levels it promised in its forecasts. Last year, it expected output to average 1.83Mb/d during this year, 12.5% higher than its current average. In the OPEC production deal struck earlier this month, Mexico committed to cut its production to below 1.75Mb/d through the end of next year, although current output is far lower. However, the drop in Pemex output was partially offset by an increase in private companies' output from contracts, which increased by 4,000b/d to 87,000b/d, or 5%. Since the middle of 2021, private contract output has more than doubled. So far this year, it has risen by 40%.

Pemex signs an agreement with Woodside to provide training to workers – *Pemex Press Release*

Pemex and Woodside Energy signed an agreement so that workers from the state production company receive training in Houston, Texas. Pemex personnel will join that company to acquire knowledge in exploration and production strategies to develop the Trion field. Pemex will send workers to the Woodside offices in Houston, Texas, to perform technical functions. Woodside agreed to receive them and cover travel expenses during the project and term of the contract. Pemex will maintain the full payment of their salaries and benefits. Pemex discovered the Trión in 2012. In 2017, BHP Petroleum and Pemex signed an agreement for the development of the deepwater project. In the middle of the year, Woodside Energy Group Ltd and BHP Group Limited announced a merger. The new global energy company will be in charge of the operation of Trion, the deepwater field off the coast of Tamaulipas.

Power/Renewable Energy – Mexico

CRE approves 3 new power generation permits, rejects 1 – *Bnamericas*

Mexican energy regulator CRE has denied a new generation permit for México Lindo Solar, a subsidiary of Energía Aljaval that owns the US\$177mn Yermo solar park in Durango state. CRE also denied three requests to expand the scope of a self-supply permit to Compañía de Energía Mexicana and Iberdrola Energía Monterrey. In addition, approved three new generation permits, one requested by one of state utility CFE's generation subsidiaries, another by Tampico Renewable Energy and the other by Piasa Ingenio Plan de San Luis.

The regulator also approved several requested modifications to existing permits, including those filed by ESJ Renovables, Dolores Wind and Parque Amistad II. In addition, it gave the green light to a new batch of 23 requests by various partners of several self-supply consortiums and cogeneration projects to have their load centers excluded from those permits. A majority of the permits are held by Spanish renewables giant Iberdrola.

NFE finalizes agreements with CFE in Mexico – *NFE Press Release*

- Baja California Sur

In July 2021, NFE commenced commercial operations of an LNG regasification terminal in the port of Pichilingue, La Paz, Baja California Sur. The terminal, which features NFE's proprietary ISOFlex system, is optimally positioned to supply natural gas to CFE's generation facilities in the otherwise resource-stranded region, which include CTG La Paz and CTG Baja California Sur. As part of the agreements, CFE and NFE will extend the term and increase the volume of NFE's gas supply agreement to CFE's power generation facilities in the region. Additionally, NFE will sell its own 135 MW Central Turbogás Amaunet power plant in La Paz to CFE, further enhancing NFE's ability to internally fund strategic growth initiatives that service customers' needs amid a structurally short global LNG market.

- Altamira

NFE and CFE are collaborating on the creation of a new FLNG hub off the coast of Altamira, Tamaulipas. Pursuant to the now finalized agreements, NFE will deploy multiple FLNG units of 1.4 MTPA each that utilize CFE's existing firm pipeline transportation capacity on TC Energy's Sur de Texas-Tuxpan Pipeline to deliver feedgas volumes to NFE. NFE's first FLNG unit, which is under construction at the Kiewit Offshore Services shipyard near Corpus Christi, Texas, is currently expected to achieve mechanical completion in March 2023, and will be delivered to Altamira for commencement of operations soon thereafter. As part of the agreements, CFE would share in the production and marketing of a portion of the LNG volumes from the new Altamira offshore FLNG hub.

Works begin on big CFE power plants, private plants suspended – *Bnamericas*

Construction has started at CFE's USD \$500 million Mérida and USD \$800 million Valladolid combined cycle plants in Yucatán state. The projects have acquired the necessary equipment and works are expected to be finished in mid-2024, according to Mitsubishi, one of the construction contractors. Its partners are Técnicas Reunidas and TSK. These will be two of Mexico's biggest thermoelectric projects and are part of CFE's pipeline of six flagship combined cycle projects expected to involve total investments of 35bn pesos (USD \$1.7bn).

An associated gas pipeline, Cuxtal II, will be built by Engie and is expected to be ready in 26 months. The complementary project is currently in the process of indigenous community consultation. There is currently no news regarding the remaining projects in CFE's flagship package, which includes the 327MW Baja California Sur unit in the state of the same name, the 205MW González Ortega plant in Baja California, the 680MW San Luis Río Colorado unit in Sonora and the 1GW Tuxpan unit in Veracruz. Juandhó suspension.

The USD \$505 million Juandhó combined cycle project in Hidalgo state has been confirmed as suspended by owner Cooperativa LF del Centro. It involves the construction of a 650MW generation unit, as well as 31km of gas pipelines and 12km of transmission lines. The project has reportedly been opposed by the current energy ministry authorities because the supply contract, signed under the previous administration, is considered to be in the public interest.

The USD \$400 million La Esperanza solar park in Campeche state continues to be on hold due to permitting hurdles associated with private renewable plants in Mexico, according to owner Energía Aljaval. The developer will await future political change to ease the permitting for the solar park. The situation is similar to that of many other solar and wind projects across Mexico. Projects continue to run into difficulties and are being put on hold by developers at all stages, from early works to environmental and construction permitting, and even when projects are fully built and ready to generate power.

Petrobras begins teaser stage for Argentina subsidiary sale – *Oil and Gas Journal*

Petrobras has started the disclosure stage, for potential sale of 100% of its stake in Petrobras Operaciones SA (POSA), Petrobras' wholly owned subsidiary in Argentina. POSA's only asset is a 33.6% stake in Rio Neuquén tight gas field in the provinces of Rio Neuquén and Rio Negro. Petrobras holds stakes in POSA through its subsidiaries PIB BV (Petrobras Internacional Braspetro BV), with 95%, and PVIE (Petrobras Valores Internacionais de España), with 5%.

Rio Neuquén's production comes mainly from unconventional reservoirs (tight gas) of the Punta Rosada and Lajas formations. In July 2022, the Rio Neuquen area was producing, through 149 wells, 4.4 MMcfd of natural gas and 2,100 b/d of oil and LNG. Other partners in the Rio Neuquén project include YPF, which holds an operatorship stake of 33.3%, and Pampa Energia, which owns a 33.1% stake. The sale is part of the company's efforts to exit the Argentinian market and make more profitable investments.

Ecopetrol's board replaces chief after 24 hours, hurting peso – *Reuters*

Colombia's state-controlled oil company Ecopetrol replaced the head of its board of directors, just one day after his appointment, hitting its already-weak peso currency. Finance Minister Jose Antonio Ocampo told reporters that Carlos Cano's appointment the day before had been "premature" because the board had not finished its meeting when the announcement was made. The appointment of Cano, the longest-serving board member, was reversed after President Gustavo Petro opposed the decision, according to two sources with knowledge of the talks. Saul Kattan, an economist educated in Colombia and the United States, was appointed, after being nominated by Petro to join Ecopetrol's board earlier this week.

Petro said on Twitter that Ecopetrol "configures its board of directors like any other company, following shareholding." "The majority of shares are the state's," he added. Colombia owns more than 88% of Ecopetrol.

Petrobras awards USD \$3bn P-82 FPSO contract to Sembcorp Marine – *NS Energy*

Petrobras has awarded a contract worth USD \$3.05bn to Sembcorp Marine Rigs & Floaters for the construction of the P-82 floating production, storage, and offloading vessel (P-82 FPSO) for the Búzios field, offshore Brazil. The Búzios field development project is located in the Santos Basin pre-salt area, nearly 180km off the coast of Rio de Janeiro. Slated to be delivered in 1H 2026, the P-82 FPSO is expected to begin commercial operations in 2026. It will be the 10th vessel to operate in the Búzios field.

The new FPSO will have a production capacity of 225,000 barrels of oil per day and a gas processing capacity of 12 million cubic meters per day. It will have a storage capacity of over 1.6 million barrels. Petrobras is the operator of the Búzios field with a stake of 92.6%. It is partnered by Chinese firms CNOOC and CNODC, which have a stake of 3.7% each. According to Petrobras, the P-82 FPSO will be interconnected to 16 wells, of which nine are producers, while seven will be injectors. The production platform will be equipped with carbon capture, usage and storage technology.

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