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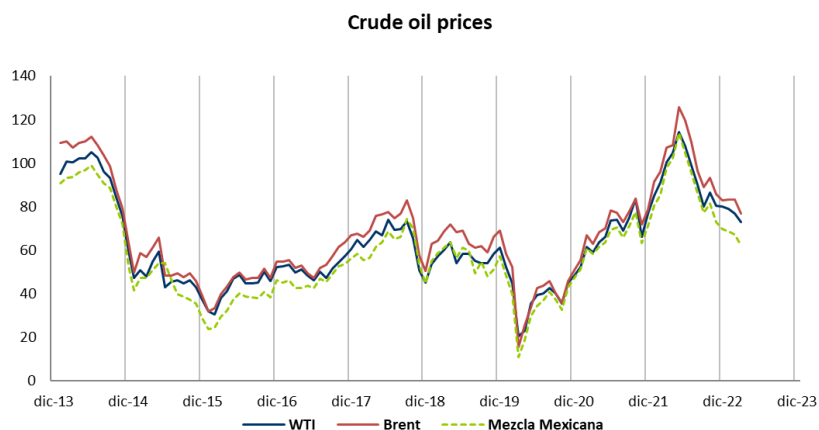
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This month in review

* 27/03/2023 **29/03/2023

Crude oil price MME US/BD*	62.22
NG price HH* US/MMBTU	2.04
Mx crude production MMbd – February	1.64
Mx NG production MMpcd – February	4,286
US crude production MMbd - December	12.10
FX Rate**	18.10



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

Oil & Gas - Mexico

Talos Energy and its partners announce submission of unit development plan for Zama project in Mexico – *Talos Energy Press Release*

Talos Energy and the other Zama Unit Holders Wintershall Dea, Harbour Energy plc and Pemex, announced that Pemex, as operator, submitted the Zama Unit Development Plan (UDP) to CNH for formal approval. The Zama UDP envisages two offshore fixed platforms, 46 dry-tree wells, and oil and gas transportation to new facilities in Terminal Maritima Dos Bocas. The Zama Unit Holders have also finalized agreements for oil and gas marketing and facilities use based on globally recognized market indices and terms consistent with international best practices. Front-End Engineering and Design work is expected to continue while awaiting UDP approval from CNH, expected within the next six months, allowing for a subsequent Final Investment Decision to be made after all regulatory approvals are obtained.

The Zama Unit Holders have formed an IPT to manage project delivery and operations during the construction phase. The IPT is designed to provide technical, operational and execution expertise, leveraging the talents from each of the Zama Unit Holders. The IPT will report to the Zama Unit Operating Committee, which includes representatives from each of the companies. Talos, together with Pemex, Wintershall Dea and Harbour, will co-lead different work groups within the IPT. Talos and Pemex will co-lead the planning, drilling, construction, and completion of all Zama wells and co-lead the planning, execution, and delivery of Zama's offshore infrastructure. Talos, Pemex, and Wintershall Dea will co-lead the project management office.

Zama was discovered in 2017 and fully appraised in 2019 by the Block 7 consortium. Zama is being developed to produce up to 180,000 barrels of oil equivalent per day, which represents over 10% of Mexico's current oil production. Production is expected to be comprised of approximately 94% oil of excellent quality, with API gravities of between 26° - 29°. As per the Unitisation Resolution from March 2022, initial participating interests are Pemex 50.4%, Talos 17.4%, Wintershall Dea 19.8% and Harbour 12.4%.

Eni announces a new discovery offshore Mexico – *Eni Press Release*

Eni announces a new discovery on the Yatzil exploration prospect in Block 7, located in the mid-deep water of the Cuenca Salina in the Sureste Basin, offshore Mexico. According to preliminary estimates, the new finding may contain around 200 million barrels of oil in place.

Yatzil-1 EXP is the second commitment well of Block 7 and the eight successful one drilled by Eni in the Sureste Basin. It is located approximately 65 km off the coast. The well was drilled by the Valaris DPS5 Semisub rig in a water depth of 284 meters and reached a total depth of 2,441 meters. The successful result comes after the Saasken and Sayulita discoveries in Block 10 and confirms the value of Eni's Mexican asset portfolio, contributing to the potential synergic cluster development of several prospects located nearby.

The Block 7 Joint Venture is composed by Eni, which is the operator with a 45% stake, Capricorn 30% and Citla Energy 25%. Mexico, a core country in Eni organic growth, is currently producing more than 30,000 boed from Area 1 phased development project, which is expected to be completed by 2025.

US plans ultimatum in Mexico energy dispute, raising threat of tariffs – *Reuters*

The Biden administration plans to send Mexico an "act now or else" message in coming weeks in an attempt to break a stalemate in an energy trade dispute. The Office of the United States Trade Representative is expected to make what was described as a "final offer" to Mexico negotiators to open its markets and agree to some increased oversight, three people familiar with the talks told Reuters. If not, the U.S. will request an independent dispute settlement panel under the USCMA. The United States and Canada demanded dispute settlement talks with Mexico in July - 250 days ago. Under USMCA rules, after 75 days without a resolution, they were free to request a dispute settlement panel, a third party that rules on the case.

If the panel rules against Mexico and it fails to take corrective action, Washington and Ottawa could ultimately impose billions of dollars in retaliatory tariffs on Mexican goods. The White House has hoped to avoid escalating trade tensions with Mexico. But months of talks have yielded little progress and the administration has run out of less-combative options.

Trade Representative Katherine Tai hinted at possible escalation. U.S. oil companies, such as Chevron and Marathon Petroleum, along with solar and wind power companies, have struggled to get permits to operate in Mexico in recent years. Ron Wyden, a Democrat senator from Oregon and chair of the Senate Finance Committee, told Tai that Mexico was "flouting" its USMCA obligations by shutting out U.S. renewable energy firms. "Eight months have passed. American clean energy producers are still waiting for access. In my view, it's long past time to say enough is enough and escalate this into a real dispute settlement case". U.S. imports from Mexico totaled \$455 billion in 2022 against exports of over \$324 billion, for a record U.S. trade deficit of \$130.5 billion, according to government data.

Chevron to drill a deepwater well near coast of Tabasco – *Bloomberg*

Chevron will invest USD \$120 million to drill a well in the Salina Basin off the shore of Tabasco, in Block 22. Chevron is the main operator with a 37.5% share, the remainder divided between Pemex and INPEX, and hopes to extract heavy crude.

“We are complying with the work programs to which we committed. We still have this year and the next,” said Evelyn Vilchez, CEO Mexico, Chevron. She added that oil production is not the best metric to measure the performance of private oil companies in Mexico: people should consider minimum work programs, investment, employment, oil reserves and technological transfers, along with other metrics. Chevron produced 1.7MMboe/d in 2022 and has a market value of \$304.4 billion.

Oil contracts suffer slowdown in investments at the beginning of 2023 – *Oil and Gas Magazine*

Some players have reduced their projected investments to less than half of the original amount. In addition, CNH reported that so far, private companies have abandoned more than 20 areas granted for exploration and extraction. Some of the companies that have abandoned contract areas include Repsol, Energía, BP, TotalEnergies, Chevron and Exxon.

The investments registered by private oil companies and Pemex migrations as of January 2023 add up to a total of USD \$13,360 million. According to CNH, they increased by just USD \$646 million from one month to the next. After a sharp drop in September, when investment grew 0.56% from one month to the next, oil activities have not been able to resume the pace seen in 2019 and 2020. Most of the investment in contracts was concentrated in 2020 with a total of USD \$3,419 million, while in 2021 USD \$2,819 million were exercised. In 2022, they recorded investments in hydrocarbon exploration and extraction activities in contracts for USD \$1,812 million.

The area with the most investment applied is the Amoca, Tecoalli and Miztón fields of the Italian oil company Eni with an accumulated investment of USD \$2,374 million. In 2nd place is Ek Balam, operated by Pemex, with a total of USD \$2,285 million. In 3rd place the Ichalkil and Pokoch fields with a total investment of USD \$1,616 million followed by Hokchi field with USD \$1,594 million and Woodside Energy with USD \$640 million invested in the Trión deepwater field.

Pemex seeks to reduce gas flaring with new compression unit – *Bnamericas*

Pemex is advancing plans to reduce gas flaring by deploying a gas compression unit at the Ku Alfa platform in the Ku-Maloob-Zaap field. With the unit, Pemex plans to achieve a 98% gas utilization rate at the field, offshore Tabasco and Campeche states.

Pemex also plans to achieve a 98% gas utilization rate across its entire hydrocarbons portfolio. Pemex's most productive oil asset and active since the 1990s, Ku-Maloob-Zaap production has declined over the past years, but the company seeks to stabilize output at around 800,000b/d, or roughly 45% of its oil output. Romero Oropeza said the output plan includes the injection of nitrogen gas into the field, an enhanced oil recovery technique used after primary and secondary recovery options are exhausted.

Woodside on track for final investment decision on Trion – *Reuters*

Woodside Energy announced that it is on track to make a final investment decision on the Trion offshore oil project, which would lead to the first deepwater production in the Mexican side of the Gulf of Mexico. Woodside partnered in 2017 with Pemex, which discovered Trion's reserves five years earlier.

In 2022, the company delayed the financial authorization of the USD \$11 billion project located in Mexico's Perdido Basin but reported that it will decide in 2023. Woodside expects that the project will meet its investment criteria. Trion, in which Woodside has a 60% stake, is expected to produce some 100,000 bpd of oil. "We are very excited about Trion. We've completed the front-end engineering work on that asset, the reservoir is well appraised and we like the fiscal terms," Woodside CEO Meg O'Neill said. Woodside Energy is currently tendering for the project's floating production unit, which is key to understanding Trion's costs and designing the schedule outlook.

Pemex reaches in February the highest production of fuel oil since 2011 – *Oil and Gas Magazine*

Pemex fuel oil production in February 2023 reached 305 thousand barrels per day, reaching levels recorded 11 years ago, when the SNR produced 367 thousand barrels of gasoline per day, this in October 2011. Pemex expects that for the second half of this year, the percentage of the production of the refining by-product will be 27% and in 2024 it is forecast to fall to 17%, upon the start of operation of the coker at the Tula refinery and later with the commissioning of Salina Cruz next year.

Mexico NG production up 6.5% in January, driven by Pemex onshore fields – *NGI*

Natural gas production in Mexico averaged 4.25 Bcf/d in January, up from 3.99 Bcf/d in January 2022. Pemex supplied 4.03 Bcf/d of the total, up from 3.77 Bcf/d, according to CNH. Production from private sector operators averaged 224 MMcf/d, versus 226 MMcf/d a year earlier.

The top five natural gas producing fields, all operated by Pemex, were Quesqui (682 MMcf/d), Ixachi (326 MMcf/d), Maloob (282 MMcf/d), Akal (266 MMcf/d) and Ku (192 MMcf/d).

The country's private sector gas producers include Verdad Exploration Mexico. Verdad in February became the first non-state producer to develop gas in the onshore Burgos Basin and connect to the Cenagas national pipeline network. Pemex has managed to reverse years of consecutive production declines, mainly through development of the onshore Quesqui and Ixachi fields.

Pemex posted a staggering \$9.4 billion loss in the fourth quarter of 2022, but managed to post a 5% year/year increase in natural gas production for the full year. Imports accounted for 68% of Mexico's total gas supply in September 2022, the latest month for which CNH data is available, down from 71% in September 2021. Excluding gas consumed by Pemex, Mexico sourced 82% of its gas via imports in September, versus 88% a year earlier.

CRE grants NFE permits for Tamaulipas power plants – *Business Mexico News*

CRE granted New Fortress Energy two permits for electricity generation. With these permits, NFE can now generate electricity at two of its power plants, one powered by natural gas and the other by diesel, in Tamaulipas.

The power plants will have a combined capacity of over 110MW, generating an estimated 435GWh of electricity annually. The first plant will have a capacity of 47.96MW and comprises 3 turbo generators as well as 5 motor generators. The second plant will have a capacity of 63.28MW and comprises 3 turbogenerators and 16 motor generators. In addition, NFE, announced earlier this March that the company is close to finishing the construction of its LNG facility in Mexico, expected to come online in May 2023. The plant is scheduled to start producing LNG in July 2023. NFE is working to build five more platforms, three of which will be deployed in Mexico: two in Altamira and one in Lakach.

FLGN Altamira is located in the Gulf of Mexico, 25km away from the Altamira port in Tamaulipas. The project involves the installation of two liquefaction systems, FLNG 1 and FLNG 2, each with an operational capacity of 1.4MMTPA for a total nominal capacity of 2.8MMTPA. Moreover, NFE and Pemex have a contract to produce LNG at the previously-abandoned Lakach field. New Fortress stated that it would produce natural gas at Lakach and would be entitled to purchase, at a contracted rate, sufficient volumes for its floating LNG production unit while Pemex would sell the remaining natural gas volumes and all produced condensate to its customers.

Mexico launches geothermal spudding tender in four regions – *Bnamericas*

Mexico's finance ministry is tendering the spudding of seven geothermal wells in four key areas as part of a new exploratory push by public utility CFE.

The process is being overseen by electricity and clean energy institute Ineel, and involves the exploration of four areas with geothermal potential: The Los Negritos area in Michoacán state, San Marcos in Jalisco, Cerro Prieto in Baja California, and Las Tres Vírgenes in Baja California Sur. The call will be financed with funds approved by the World Bank and the Inter-American Development Bank. The total funds to be allocated are USD \$51 million.

The bidding documents specify that on-site visits for interested parties will take place between March 27 and April 1, while consultations will be answered after April 13. Offers will be received through May 12. Mexico currently has almost 1GW of geothermal capacity, the sixth largest in the world after the US, Indonesia, the Philippines, Turkey and New Zealand, according to information service Geoenergy.

Iberdrola's investment in Mexico dropped by 38% in 2022 – *Iberdrola Report*

In 2022, Iberdrola's investment in Mexico's renewable energy sector fell 38% compared to 2021. However, at an international level the Spanish company increased its investments by 13% as its revenue ticked up by 11.7%.

According to a report by the energy giant, at the end of 2022 investment for renewable energy in Mexico stood at US\$16.4 million, 38% less than in 2021 when it invested USD \$26.5 million. However, investments started to tail off earlier, since in 2020 Iberdrola reported investments for USD \$256 million. It was during this period that relations between the Spanish company and the Mexican Government soured due to President AMLO's controversial energy policy, which privileged state companies over private ones. The president furthermore took aim at the company in his morning press conferences. At the close of 2022, Iberdrola reported an installed capacity of 1,335MW in Mexico, the same as in 2021. Nonetheless, onshore wind energy production grew by 7.1% and solar photovoltaic energy rose by 4.1%.

Solarever USA expands solar cell production at Mexico plant – *Global Energy*

Solarever USA is expanding annual production capability to 1.1 GW of solar modules with an eye to supplying the U.S. solar market. This expansion comes via a USD \$35 million investment at their Colima, Mexico plant. Also, this expanded production includes a buildout of their cell capacity (600 MW production line). "This latest investment and expansion of our product line is just the next step in our continuing commitment to the North American Solar market" said Simon Zhao the CEO and founder of Solarever USA.

Oil & Gas - LATAM

Argentina's YPF unveils USD \$5bn capex for 2023, oil growth goal – *Bnamericas*

YPF pegged 2023 capex guidance at USD \$5bn, with around half earmarked for shale asset investment. Outlay in 2022 was USD \$4.2bn, up 59.4% from 2021, helping drive production growth and finance midstream infrastructure projects.

YPF is working to expand its Vaca Muerta footprint beyond core hub concessions Loma Campana, La Amarga Chica, Bandurria Sur and Aguada del Chañar. Shale operations, focused on oil well drilling and completion, is expected to account for USD \$2.3bn of capex, and conventionals USD \$1.1bn. Investment in oil and gas facilities to support increased output is expected to spike this year, at around USD \$700mn. In 2022, YPF's oil and gas production climbed 7.2% and 5%, respectively, to 226,000b/d and 37.5Mm³/d. Officials aim to increase overall hydrocarbons output 5% this year, with oil growing 8% and natural gas 3%. Shale oil production was up 45% last year and shale gas output 47%.

This year, YPF is also looking to carry out exploration work with other firms at the Palermo Aike formation in the Austral basin to assess its potential, and to drill the Argerich-1 exploration well offshore Buenos Aires province.

Over the next five years, YPF aims to double oil production and grow gas production 30%. The strategy involves stabilizing conventionals output and ramping up unconventional. Requisite annual capex is around USD \$5-6bn. By 2027, the company plans to be exporting 35-40% of oil produced, roughly 150,000b/d. YPF expects Argentine exports to - and potentially through - Chile to resume in May via the Otasa duct that is being brought back online, with the target of exporting 70,000b/d by the end of the year.

YPF crude oil exports accounted for USD \$26mn of consolidated revenue of USD \$18.8bn last year. Sales of refined products were USD \$1.52bn. The company's crude output has typically chiefly served the domestic refining market. YPF also exports via a venture it is involved in with Chevron, called CHNC.

Petrobras launches tender focused on the equatorial margin – *Bnamericas*

Petrobras has launched a tender to acquire services for collecting primary socioeconomic data for environmental impact studies regarding drilling in the equatorial margin. The services involve exploration campaigns in blocks POT-M-952 and POT-M-859 in the Potiguar basin, BM-BAR-1 in Barreirinhas, and BM-PAMA-3 and BM-PAMA-8 in Pará-Maranhão.

Petrobras plans to invest some USD \$3bn between 2023 and 2027 in exploration in the equatorial margin, where it intends to drill 16 wells. Dubbed Morpho, the first well will be sunk in block FZA-M-59, in the Foz do Amazonas basin. But drilling is still pending authorization from environmental agency Ibama, which has blocked it in the environmentally sensitive region in recent years. This year, Petrobras had to stop drilling in deep waters off Amapá state, at a cost of more than US\$500,000 per day, and wait for the license to be issued.

Shell and Petrobras join forces for energy transition – *News Now*

Shell and Petrobras, have come together in an effort to explore new upstream and energy transition options, per the MOU recently signed by the two companies.

In accordance with the MOU, the companies will concentrate on oil and gas exploration potential within and outside the pre-salt region, including the Equatorial Margin. Additionally, Shell and Petrobras will exchange best practices and experiences in socio-environmental projects and other efforts to reduce carbon emissions. The five-year agreement will also encompass renewable energy and carbon capture, utilization, and storage. There are also plans to provide credits to offset carbon emissions in order to protect and restore biodiversity.

According to Petrobras, committees with members from both the companies will be built to track the development of numerous studies and discussions. Per the company, projects resulting from the agreement will have official estimates of cost and return, post the completion of technical evaluations by a multidisciplinary team.

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

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