



Energy Fortnightly News

June 15 - 30, 2023

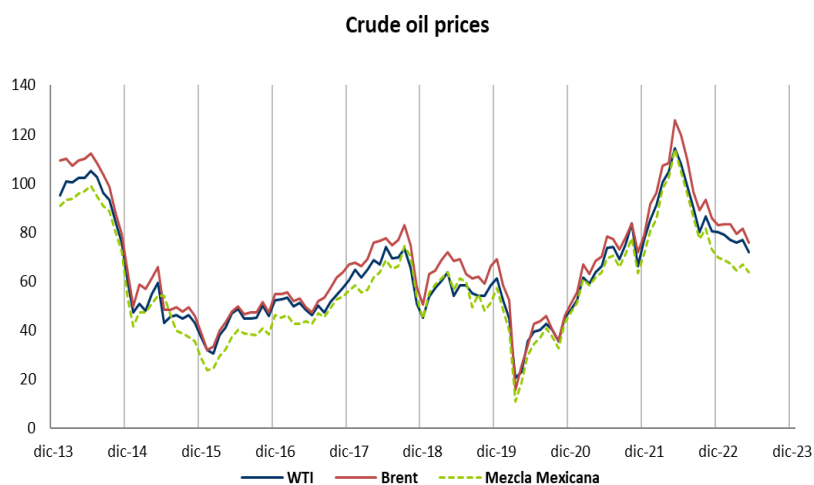
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This month in review

* 27/06/2023

MME US/BD*	62.63
MME US/BD*	68.70
PEF SHCP	
Dif. MME AVG. 2023 vs. MME PEF SHCP	-2.70
NG price HH* US/MMBTU	2.62
Mx crude production MMbd – May	1.67
Mx NG production MMpcd – May	4,335
US crude production MMbd - March	12.69
FX Rate*	17.10



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

Oil & Gas - Mexico

Pantera to invest nearly USD \$80 million in Mexico onshore area – CNH

Pantera E&P will invest an additional USD \$79.2 million to develop its A5.BG contract in Mexico's Tamaulipas state. The new investment plan was approved by CNH and will allow the company to ramp up natural gas production and extract an additional 86.4Bcf₃, reaching a peak output of around 35Mf₃/d in 2026. The increase in oil output is estimated at 435,700b/d.

The plan involves spudding 11 new wells given encouraging results from the first well the company spudded in the area. Costs for 2023-27 are expected to reach USD \$186 million.

Pemex oil production falls 4.67% in May – Oil and Gas Magazine

Pemex crude oil production fell by 4.67% compared to May 2022. In this way, the national oil company remains at historically low levels of oil production. Adding the condensates from the Ixachi and Quesqui fields, the production of the state productive company reached 1.88 million barrels, the same level as April.

Oil production with partners during May was 1.61 million barrels per day, 4.67% less than last year, when 1.69 million barrels of crude per day were extracted. While production without partners was 1.58 million barrels per day, 4.73% less than in 2022 and 0.25% above what was obtained the previous month. Adding the condensates from its new fields, Pemex reached a production of liquid hydrocarbons of 1.88 million barrels per day.

AINDA acquires 4.4% stake in the Hokchi field – CNH

CNH gave the approval of the third amending agreement of the contract CNH-R01-Lo2-A2/2015 derived from the assignment of participation interests of Hokchi Energy, in favor of AINDA Energia & Infraestructura.

The contract is in the modality of shared production. The contractual area is located in shallow waters, off the coast of Tabasco, with an approximate area of 39.59 km². The governing body of the CNH instructed the signing of the third amending agreement to record the assignment of 4.4% of the participation interest of Hokchi Energy in favor of AINDA.

The regulator clarified that this modification does not result in a transfer of corporate control and management of the contract. May 13, 2022, Hokchi Energy assigns 3.6% interest to AINDA and E&P assigns 5% interest to Hokchi. On March 30, 2023, E&P assigns 15% stake to Hokchi; Hokchi ceded 7% to Sierra Blanca, 20% to Sierra Coronado, 3% to Sierra Offshore and 7% to Sierra Perote. With this session, the stakes in the block remain with Hokchi Energy as operator with 55%, Sierra Blanca (Sierra Oil & Gas) with 37% and AINDA with 8%.

Woodside pledges USD \$7.2bn investment in Mexico's Trión field – Bnamericas

Woodside has made a final investment decision (FID) on the Trión deepwater asset off the coast of Tamaulipas state in northeast Mexico. The company stated that it is ready to put USD \$4.8bn into the field, pending the approval of its partner Pemex, which would have to spend USD \$2.4bn of a total investment of USD \$7.2bn, with peak spending expected in 2025. The company's first FID in Mexico led it to "make an extensive risk assessment which supports this new country entry. We have a continued strong relationship with Pemex, our joint venture partner, and we are confident that the development aligns with Mexico's ambition to grow production," Woodside CEO Meg O'Neill said.

The partners expect to extract 479Mboe of contingent resources after having conducted an exhaustive appraisal campaign involving spudding six wells. Production will be undertaken through a new floating production unit with 100,000b/d capacity. The unit could manage 120,000b/d at peak production and will also process 145Mf3/d of gas, handle 140,000b/d of seawater treatment and injection, and produce power through a 60MW generation plant. It will be installed in 2027. A second floating unit will handle offloading and storage, with capacity for 950,000b of oil, which would then be offloaded to conventional tankers. It will be installed in 2028. A gas pipeline will also be installed starting in 2026.

The production strategy involves 12 producer wells, 10 water injectors and two gas injectors, with the spudding campaign set to start in 2026. The partners are expected to file the area's final development plan for review by upstream regulator CNH in the fourth quarter of this year. The plan is expected to outline production starting in 2028. Two thirds of the resources would be produced within 10 years of start-up. According to Woodside, Trión has an internal rate of return for the company of over 16%, with a four-year payback period.

Located in the Perdido Fold Belt and at a water depth of 2,500m, Trión is Mexico's most promising deepwater discovery. It was found by Pemex in 2012, and BHP Billiton (later a part of Woodside) won a tender to partner with Pemex in 2016, as the state-owned firm sought an associate through its farmout model due to its own lack of deepwater experience.

CNH imposes USD \$36 million penalty on Repsol – *CNH*

CNH, established a conventional penalty of US\$36 million for Repsol due to non-compliance with the minimum work program and its increment, regarding Contract CNH-R02-Lo4-AP-CM-Go1/2018. The contractor had 103,500 work units committed in the minimum work program and increment, of which 57,458.82 units were executed and 46,041.18 were not executed. Repsol Exploración México was the operator of the contract, in which PC Carigali Mexico Operations and Ophir Mexico Operations also participated. In September 2022, the contractor submitted to CNH a notification of Irrevocable Resignation to the entire Contractual Area. On November 10, 2022, CNH instructed the initiation and processing of the Early Termination Procedure.

Trafigura Reduces Operations in Mexico – *Bloomberg*

Trafigura Group, one of the world's largest oil traders, is reducing its positions in Mexico due to the government's energy policy, which has been impacting the company's profit margins. Five commercial-trading jobs have been eliminated this month, including the position of director in Mexico held by Katia Eschenbach.

Trafigura's commercial oil and gas team in Mexico is left with only three individuals dedicated to international trading. The squeeze on Trafigura's margins in Mexico can be attributed to policies announced by the government last year to tackle inflation. These policies have created challenges for the company, which previously faced setbacks when its fuel-import license was canceled and it was banned from doing business with Pemex's PMI oil-trading unit amid allegations of corruption and involvement in the contraband of supplies. Although the permits were reinstated, Trafigura's operations have been limited due to the impact of fuel subsidies. Mexico's governmental administration has focused on strengthening state-owned companies, particularly Pemex and CFE. These policies have strained relationships with key trading partners such as the US and Canada, leading to an ongoing energy dispute.

Power/Renewable Energy – Mexico

CFE and Esentia sign USD \$300 million memorandum for gas project – *Reuters*

CFE signed a memorandum of understanding with Esentia Energy Systems to develop natural gas infrastructure with a USD \$300 million investment. The agreement aims to optimize existing pipelines and include new natural gas delivery points to serve CFE power plants and communities. "The agreement will also allow both parties to put an end to various pre-existing legal disputes," the power firm added. In 2019, Esentia, known as Fermaca at the time, was at the center of a months-long dispute with Mexico's government over natural gas pipeline contracts signed under the previous government.

CFE expands NG projects with private companies – *Business Mexico News*

CFE's project portfolio includes the Puerta del Sureste natural gas pipeline in the Gulf of Mexico with Canadian firm TC Energy. CFE also plans to build another pipeline with Grupo Carso from Caborca, Sonora, to Mexicali, Baja California. Additionally, CFE has plans to build liquefied natural gas (LNG) plants for re-export to Asia and the EU alongside US company New Fortress. The commission is also involved in the construction of five combined-cycle power plants, Miguel Reyes Hernández, CEO, CFenergía.

"There's USD \$12 billion invested between strategic generation plants, pipelines and liquefaction plants," says Reyes. The estimated investment in liquefaction projects amounts to USD \$7 billion, USD \$1.3 billion in pipelines and USD \$4 billion in power plants. In addition, the first phase of the liquefaction terminal in Altamira is set to begin operations in August, with plans to build three more units by 2025.

The pipeline CFE is building with Grupo Carso requires an investment of about USD \$800 million. The plant is expected to operate under an agreement similar to the one with TC Energy, with CFE taking care of rights-of-way and possibly contributing "some capital." The liquefied natural gas terminal project in the port of Salina Cruz, together with Semptra Infraestructura, will not begin operating during this administration due to the need for a 300-kilometer pipeline and required rights-of-way, says Reyes.

The AFD grants financing to CFE for the first phase of the PV Power Plant of Puerto Peñasco – *El Economista*

The French Development Agency granted financing in the amount of USD \$98.7 million for the first stage of the Puerto Peñasco photovoltaic power plant with a 20-year term and semi-annual linear amortizations. The objective of both institutions is to promote the expansion of CFE's electricity generation park through clean and renewable sources, as well as to accelerate the energy transition in Mexico.

It is important to highlight that the investment project Central Photovoltaica Puerto Peñasco, Sonora will have a total capacity of 1,000 MW at standard conditions and considers solar irradiation and 190 MW battery-based storage as primary energy, which it will be located in the municipality of Puerto Peñasco Sonora. The CFV Puerto Peñasco integral investment project will be developed in four phases.

Oil & Gas - LATAM

Petrobras wins appeal in multibillion-dollar labor case – *Reuters*

Petrobras has won its appeal in the Supreme Court against a 2018 labor conviction, avoiding billions of dollars in payments. Petrobras was charged in 2018 by Brazil's top labor court for divergences in the minimum salary remuneration agreed between the company and its employees, known as RMNR.

The company was then liable to pay at least 17 billion reais (\$3.57 billion) in salary corrections. The final decision to annul the case comes more than a year after supreme court Justice Rosa Weber asked for its temporary suspension. Petrobras said it was awaiting the full written judgment "to provide information to the market about the decision."

3 firms vying for Petrobras onshore drilling contract – *Bnamericas*

Three companies submitted bids in a tender held by Brazilian oil giant Petrobras for the contracting of onshore drilling services. Lira Serviços offered the lowest bid at 39.4mn reais (US\$8.21mn), followed by Conterp Serviços Técnicos (44.7mn reais) and GM Soluções em Manutenção (46.2mn reais). Eight firms invited to participate in the tender declined to present offers: ACR Serviços de Apoio Administrativo Empresariais, Oil States, Benel Transportes e Logística, Ideal Infraestrutura e Montagem, Braserv Petróleo, Relimpp Serviços Industriais, Perbras and Ensco do Brasil.

The services must be performed, initially, in Bahia's Araçás, Entre Rios, São Sebastião do Passé, Candeias, Esplanada and Cardeal da Silva. The contract will last 510 days. Petrobras will now negotiate the prices with the bidders, and, if a consensus is not reached, a new process can be launched.

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