



Energy Fortnightly News

August 1-15, 2023

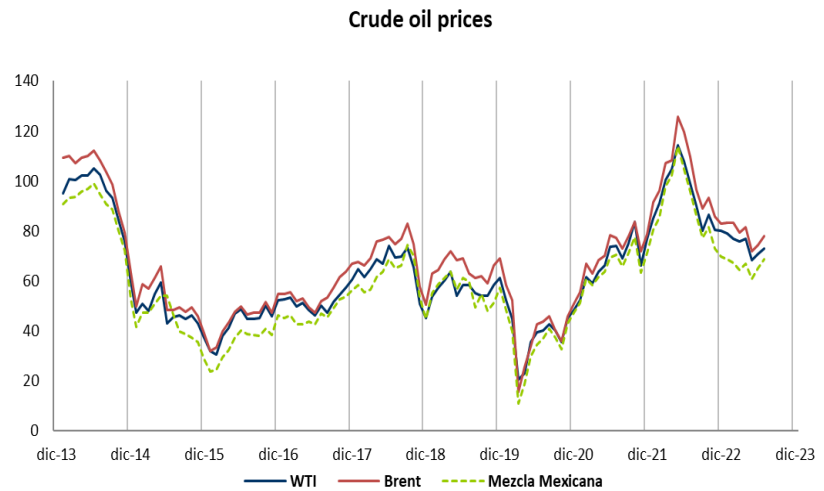
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This month in review

* 14/08/2023

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| MME US/BD* | 79.24 |
| MME US/BD* PEF SHCP | 68.70 |
| Dif. MME AVG. 2023 vs. MME PEF SHCP | 3.44 |
| NG price HH* US/MMBTU | 2.82 |
| Mx crude production MMbd – June | 1.67 |
| Mx NG production MMpcd – June | 4,335 |
| US crude production MMbd - May | 12.66 |
| FX Rate* | 17.06 |



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

Oil & Gas - Mexico

Pemex makes management changes after accidents – *Oil and Gas Magazine*

Pemex announced changes in the marine sub-directions, but without firing the managers responsible for preventive maintenance at Pemex facilities. According to sources inside Pemex, the changes took place on August 3.

Ricardo Padilla Martínez left the sub-directorate of the Northeast Marine Region, to be located in the sub-directorate of Operational and Commercial Coordination. José Luis Guzmán Almazo, is the new deputy director of the Northwest Marine Region, his place as deputy director of Production of the Southwest Marine Region, was covered by Blanca Estela González Valtierra, who was in charge of the Southern Region Production. In the Southern Region, Marcos Torres Fuentes was appointed, who was the technical deputy director of Exploration and Production, now replaced by Carlos Pérez Téllez.

CNH gives green light for TotalEnergies to drill Boox Peek-1EXP – CNH

CNH approved TotalEnergies to drill the Boox Peek-1EXP shallow water exploratory well. Boox Peek-1EXP, is contemplated in the base scenario of the current exploration plan, whose last modification was approved on December 15, 2022, corresponding to the Contract CNH-R03-Lo1-AS-CS-06/2018.

The objective of the well is to determine the fluid characteristics of the reservoir. The prospect will be drilled with a “J” type directional trajectory and will reach a total depth of 4,970 to 4,631 vertical meters.

The drilling, window and completion programs contemplate a total of 90 days: 79 days for drilling (from October 4 to December 21, 2023), and 11 days for abandonment (from December 21, 2023 to January 1, 2024). Prospective expected resources are 83.4 million boe with a probability of geological success of 30%. The well will have a total cost of USD \$72.87 million, of which USD \$68.03 million will be for drilling, and USD \$4.84 million for abandonment.

Pemex board of Directors authorizes CSIEE for Lakach – Pemex

Pemex Board of Directors authorized the signing of the CSIEE Service Contract for the Lakach field. Through agreement CA-068/2023, Pemex directors instructed the Corporate Finance Department to carry out the “actions that are necessary for the implementation of the payment mechanism of the CSIEE of the assignment A-1088-M-Campo Lakach”.

In 2022, Pemex signed a contract with the US company New Fortress Energy to resume gas extraction works in the non-associated gas field in deep waters of the Gulf of Mexico called Lakach, located 90 kilometers from the Port of Veracruz. This project had been suspended for six years, with an initial investment by Pemex of USD \$1.4 billion.

New Fortress agrees to complement this investment with an additional USD \$1.5 billion. The investment is part of a service contract signed by Pemex with the North American company to resume extraction work in Lakach. Lakach represents a reserve of around 900 billion cubic feet, which means an average production of 300 million cubic feet per day over a 10-year horizon.

Pemex reaches technology agreement with Japan for Cadereyta refinery – Bnamericas

Five months after an environmental incident threatened to close Mexican federal oil company Pemex’s Cadereyta refinery in Nuevo León state, the firm announced a collaboration agreement with Japan to help it improve operations and technology. Pemex signed the agreement with the Japan International Cooperation Agency (JICA) and sustainable-solutions firm Adaptex to roll out a plan “for innovative technology to operate with greater energy efficiency, increasing industrial safety and environmental protection in the atmospheric heaters” of the refinery.

Cadereyta is one of six Pemex refineries the Mexican government is seeking to refurbish through a \$37 bn-peso (USD \$2.1bn) plan, a strategy aligned with President AMLO’s energy vision. In March, residents of Nuevo León reported a white, thick column of smoke coming out of the refinery that was allegedly contaminating the sky and affecting their health. This led to the local environment ministry to talk about a possible closure of the plant. Following the incident, Nuevo León governor Samuel García contacted the plant’s director, Héctor Lara, who said the smoke was due to an operational failure that was quickly controlled.

New Fortress to begin operations at floating LNG plant in September – Reuters

New Fortress Energy intends to start operations at the first of three planned floating LNG plants in Altamira, Mexico, in September.

New Fortress and CFE are building a USD \$1.3 billion hub in Altamira in the Gulf of Mexico to convert U.S. and Mexican gas into LNG for export. New Fortress expects to complete and install two remaining floating LNG rigs this month, introduce gas in September and sell its first cargo in October. The facility will produce up to 1.4 million metric tons of LNG per year when fully operational. "Each of the rigs have achieved mechanical completion, and we're in the process of commissioning various systems while the remaining rigs are still in the queue at shipyard," CFO Christopher Guinta said.

Two additional floating LNG plants for Altamira are under construction with operations startup planned for the first quarter of 2025. Altamira's plants will be fed through marine pipelines from Texas and Pemex's system. New Fortress also is finalizing an agreement to sell its La Paz power plant in Mexico to CFE for some USD \$180 million in a transaction to be completed in the first quarter of 2024.

CNH approves USD \$146 million Los Soldados field investment – *CNH*

CNH approved a modification submitted by PEP, to invest USD \$146 million through 2035 in Los Soldados legacy field, in Veracruz state. With the amendment to the field's development plan, PEP will invest USD \$89 million in infrastructure and USD \$57 million in operations to extract up to 5.75 million barrels of oil and 4 billion cubic feet of gas through water injection.

Although the commissioners questioned the plan's extraction forecast, Horacio Ortega of CNH's extraction and supervision unit said the water injection strategy has led to good results in nearby areas, adding that PEP is seeking to begin injecting water in 2024. According to Ortega, PEP failed to invest USD \$36 million in the field between 2019 and 2023 as planned, so the new strategy is focused on maximum recovery. The 70 km² Los Soldados field was discovered in the 1950s. The 2023-35 period would be its fourth stage of extraction.

Power/Renewable Energy – Mexico

Mexico's CFE eyeing more renewable energy projects – *Bnamericas*

CFE is mulling a portfolio of new renewable energy projects to maintain its market share above 50% in the segment. CFE's share stood at 52% in 2022, but the goal is to reach 54%, Jesús Moctezuma Bonilla, the company's strategic planning unit assistant manager said.

"Within the planning unit, we are analyzing various scenarios, including everything that is intermittent solar, wind generation and cleaner technologies, and thermal because having them as a base is necessary. But we are involved there. We are also analyzing other types of projects with other types of technology," Moctezuma said.

Last year, CFE's share of renewables declined for the first time. While between 2017 and 2022, clean energy generation grew 48.4% and thermal generation rose only 1%, last year renewables generation fell 1.8%, the first decline in half a decade. Although the country has shown more interest in natural gas-fired plants, renewable projects such as the 1GW Puerto Peñasco solar park in Sonora state has sparked interest from international players such as French development agency AFD and the European Commission.

Among the possible projects could be wind farms to power the Tehuantepec isthmus rail corridor between Oaxaca and Veracruz states, where the federal government is currently tendering five industrial parks along the 300km link between the Pacific and Atlantic oceans. The goal is to build the parks with help from the US government and private sector, according to officials.

Mexico's CFE lands financing for hydro plants – *El Economista*

CFE recently formalized a long-term loan of USD \$333.6 million with the endorsement of the Multilateral Investment Guarantee Agency of the World Bank Group (MIGA). This development aligns with the objectives outlined in the CFE's Business Plan from 2023 to 2027, aiming to enhance operational and financial capabilities and contribute to sustainable development.

The financing has a 15-year term, including a five-year grace period and a 10-year amortization period, granted by J.P. Morgan Chase Bank, N.A. and HSBC. Banco Santander México played a crucial role as the coordinator and arranger of the loan. The financing was made possible through CFE's Clean Energy Trust Fund, specifically designed to fund electricity generation projects based on clean and renewable technologies.

The core objective of the Integral Program is to replace obsolete electromechanical and auxiliary equipment with more efficient state-of-the-art technology. The upgrade will increase hydroelectric power plants' physical and operational capacity, extend their lifespan and improve efficiency and reliability. CFE aims to boost the total generation capacity by 113MW and increase electricity generation by 1,426GW/h per year.

The long-term loan endorsed aims to finance the rehabilitation and modernization works of five hydroelectric power plants: La Villita, Infiernillo, Ing. Fernando Hiriart Balderrama, Humaya and Ángel Albino Corzo, which are located in Michoacan, Guerrero, Hidalgo, Sinaloa and Chiapas. It will also be used to renew two partial hydroelectric plants: CH Mazatepec and CH Malpaso, in Puebla and Chiapas.

This loan marks the first instance where MIGA has issued a Non-Honoring guarantee for a State-Owned Enterprise in Mexico and worldwide. CFE had to conduct a strict and exhaustive due diligence process in social, environmental, economic and financial matters following World Bank standards, procedures and criteria to obtain this loan.

Oil & Gas - LATAM

Brazil's Petrobras does not intend to sell Braskem stake – *Reuters*

Petrobras is not planning to sell its 36% stake in petrochemical firm Braskem. Petrobras is one of Braskem's main shareholders alongside conglomerate Novonor, which holds a controlling stake in the firm but has sought to sell it to repay creditors after entering bankruptcy protection. The company said it was studying alternatives in the petrochemicals sector as part of its strategic planning.

Petrobras holds contractual rights to buy out Novonor's stake in the firm or exercise tag-along rights in case of a potential sale. Three offers so far have been presented to take control of Braskem: a joint bid from Abu Dhabi's ADNOC and U.S. asset manager Apollo, and separate proposals from Brazilian firms Unipar Carbocloro and J&F.

Ecopetrol makes discovery in Putumayo – Rigzone

Ecopetrol has confirmed the discovery of oil and gas at its Alqamari-2 well in Orito, Putumayo. The Alqamari-2 well was drilled to a depth of 2.8 kilometers in the Putumayo basin, where hydrocarbons were found with a flow daily of over 1,800 barrels of oil. The discovery comprised light oil and gas reaching up to 825,000 cubic feet per day.

Ecopetrol's discovery "has a great competitive advantage since it is located in an area close to fields in production and existing infrastructure", the company said. Further, the discovered resources could quickly migrate to reserves, contributing to Colombia's production, the company added. Alqamari-2 is located in an area of Ecopetrol's direct operation. The company holds 100% of the rights for the Western Area Exploitation Agreement signed with the National Hydrocarbons Agency.

YPF advancing oil export pipeline, terminal project – Bnamericas

The pipeline and export terminal project belonging to YPF is moving forward. The engineering design process is around 90% complete and a public audience on the environmental impact review is due for this half. Known as Vaca Muerta Sur, the project involves building a pipeline of around 600 km that would connect the Vaca Muerta unconventional formation, mainly in Neuquén province, to a future deepwater terminal on the coast of Río Negro province.

If built, the duct and terminal would constitute the third Atlantic outlet for production from the Neuquén basin, which is attracting the bulk of upstream oil investment in the country amid an export push. YPF is planning commissioning for 2026 and mulling a project that could be expanded as production climbs, from initial capacity of 30,000m³/d (188,694b/d) to a maximum of 120,000m³/d. The estimated price tag is USD \$660 million.

YPF reported net income of USD \$380mn for 2Q23, down 53% year-on-year, as capex climbed by 52% to USD \$1.37bn. Revenue fell 12.4% to USD \$4.99bn, amid a drop across every domestic and export revenue segment. Net debt stood at USD \$6.31bn, up USD \$469 million from a year earlier. Cash flow from operations was negative USD \$284 million in the quarter.

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