Energy Fortnightly News

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Table of Contents

Fortnightly review 3

Oil & Gas - Mexico 3

- Pemex's 10 offshore platform tenders – *Bnamericas* 3
- CNH approves US$332 million production plan for Camatl field – *CNH* 4
- CNH approves modification plan to Eni México's contract – *CNH* 4
- Mexico tenders' supervision of US$136 million Reynosa gas pipeline – *Bnamericas* 5
- CNH imposes conventional penalty on Shell – *Energía a Debate* 5
- Calicanto Oil & Gas submitted a request for resignation for an onshore block – *CNH* 6
- Pemex to begin production at Atoyatl field in 2024 – *CNH* 6
- CNH approved modification plan to Bellota field – *CNH* 6
- Pemex owes 101 bn pesos to suppliers and contractors as of September – *Oil and Gas Magazine* 6

Power/Renewable Energy – Mexico 7

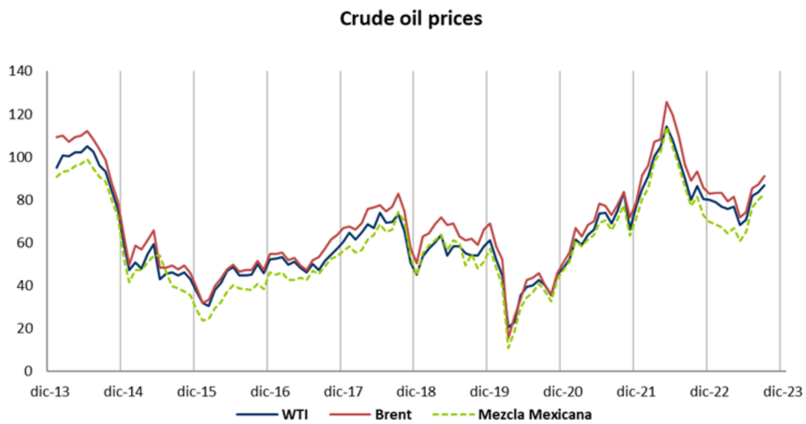
- Enel X expands, electromobility plans in Mexico – *Business Mexico News* 7
- CFE carries out successful liability management operation in the international financial market – *CFE Press Release* 8

- Oil & Gas - LATAM 9
- Oceaneering, Petrobras sign drill pipe riser systems contract – *Oceaneering Press Release* 9
- Petrobras requests licenses to build 10 offshore wind farms with IBAMA – *S&P Global Platts* 9

Fortnightly review

* 12/10/2023

MME US/BD*	78.68
MME US/BD* PEF SHCP	68.70
Dif. MME AVG. 2023 vs. MME PEF SHCP	-8.09
NG price HH* US/MMBTU	3.34
Mx crude production MMbd – *August*	1.66
Mx NG production MMpcd – *August*	4,573
US crude production MMbd - *July*	12.99
FX Rate*	17.91



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

Oil & Gas - Mexico

Pemex's 10 offshore platform tenders – *Bnamericas*

Pemex launched 10 offshore platform tenders this year to increase output in the Campeche Bay. But only three projects have been awarded since the first tender was launched in May, one for a platform at the Utsil field and the other two involving light-structure platforms at two prospect areas.

The seven projects that Pemex has not awarded during the period are located in the Pit, Ayatsil and Kayab fields. The last of these counts with a US$18.7 million accelerated development plan approved by CNH last November to recover almost 500Mb of extra heavy crude oil by 2063. Kayab, Ayatsil, Pit and Utsil are all part of the Campeche Oriente extra heavy oil development project near the Ku-Maloob-Zaap production asset.

- Light-structure platforms

Pemex awarded in a no bidding contest on September 27 two contracts totaling US$160 million to a consortium comprising Eseasa Offshore, Eseasa Construcciones, Pesado Transport and Grupo de Ingenieros Mexicanos. The contracts involve the engineering, procurement and construction of two drilling offshore light-structure platforms at prospects No. 7 and 8 that were assigned to Pemex, along with another 45 prospects in a Gulf of Mexico area close to the coasts of Campeche, Tabasco and Veracruz states, under the Ronda 0 auction of 2015. The first contract was awarded for US$77.8 million, while the second was for US$81.8 million.

Kayab A, B and C platformsFrom the end of July to the end of August, Pemex launched three international tenders to design, procure and construct three offshore platforms at the Kayab field off the coast of Campeche, with first oil expected in 2025. However, the contests have not moved forward since for two reasons.

The first, affecting the Kayab-A platform, was because no participants showed interest during the questions session on July 31. Pemex then programmed another session for August 4, but no more updates have been uploaded on the procurement site. The idea was to award the project on September 8. The second reason affects tenders for the Kayab-B and C platforms, for which PEP said more time would be required to answer the participants' questions. The idea was to award the contracts on October 13, according to the original tender calendar.

- Pit A and B platforms

Just like the Kayab projects, progress on the Pit-A and Pit-B platform tenders Pemex launched in mid-July has been slow. In the tender calendars, Pemex said it hoped to name the winners by August 30 and 31, respectively. But in two notices uploaded on the procurement site on July 27, the national oil company said it needed more time to review the participants' questions, so it postponed the tenders' next stage indefinitely. The octopod-style platforms will be located in the Gulf of Mexico's Pit heavy crude field and twill be 3.1km apart and connected with an electric submarine cable and gas pipelines, according to Pemex.

- PG-Ayatsil-F and PI-Ayatsil-F platforms

For these two projects, Pemex had originally planned on awarding the contracts in August, but also says it needs more time to answer participants' questions and has still not named the winners despite offers being submitted more than two months ago. On August 21 and 26, Pemex received bids for the offshore platforms. For PG-Ayatsil-F, from ICA Fluor Daniel, Industria del Hierro and Operadora CICSA. Operadora CICSA, Construcciones Mecánicas Monclova, Constructora Subacuática Diavaz and Eseasa Offshore submitted offers for PI-Ayatsil-F. The platforms will treat and inject seawater into the Ayatsil field to help recover reserves and production, according to the tender documents.

- Utsil-A

The tender for the Utsil A offshore platform in Campeche Bay was awarded this year. Its design, procurement and construction went to Operadora CICSA, which offered 2.8bn pesos (US$150mn) on July 10.

CNH approves US$332 million production plan for Camatl field – *CNH*

CNH has approved a US$332 million production plan by federal oil and gas company Pemex to reach a daily extraction peak of 14,400b of oil and 6.9 million cubic feet of gas next year at the Camatl field, off Veracruz and Tabasco states. Of the total, Pemex's E&P unit will invest US$275 million in drilling infrastructure.

While the highest extraction period has been forecast for 2024, the idea is to continue production until 2040, reaching an estimated 24.1 million barrels of oil and 11.5 billion cubic feet of gas. Camatl is part of the Uchukil block in the Gulf of Mexico's shallow waters, where Pemex, with support from the AMLO administration, has centered its focus.

CNH approves modification plan to Eni México's contract – *CNH*

CNH approved a modification to Eni México's CNH-R01-L02-A1/2015 contract, which includes fields Amoca, Miztón and Tecoalli off Tabasco and has become the country's second biggest contract after Pemex's Ek-Balam. The modification does not affect the contract's approved development plan, but involves a 2024 budget increase from US$840 million to US$1bn for drilling 10 instead of nine initially planned wells this year, and the construction of installations and operations.

Mexico tenders' supervision of US$136 million Reynosa gas pipeline – *Bnamericas*

Mexico's gas network operator Cenagas seeks to award the supervision of a 2.4 bn-peso (US$136mn) gas pipeline under construction on October 13. The project will replace a pipeline that goes through Tamaulipas state capital Reynosa.

Last month, construction of the new 56km line was awarded to a consortium comprising GA Energy Services, Coopsa Ambiental, Measure Solutions, Nuova Ghizzoni and Sicilsaldo, which bid 2.4bn pesos, much less than the 3.6bn pesos estimated by Cenagas in its request for funds to SHCP. The consortium's offer beat the 2.7bn-peso offer presented by Constructora Arechiga, which did not meet Cenegas expectations, according to tender LO-18-TON-018TON999-I-98-2023.

Branded as the Reynosa bypass gas line, the project will avoid the metropolitan area amid safety concerns sparked by the current pipeline that crosses through the city, according to the project's cost-benefit analysis published by SHCP.

The line will start near the Texas border, where the Texas Eastern Transmission Pipeline Company (TETCO) and Tennessee Gas Pipeline meet. It will then connect with the Anzaldúas station in the eastern outskirts of Reynosa and run west to the Medición 19 station, next to the Burgos gas processing complex. The project's construction involves two interconnections to the TETCO and Tennessee import pipelines, three measurement stations with five skids of three ultrasonic gauge trains, and crossings for water and telecom lines.

CNH imposes conventional penalty on Shell – *Energía a Debate*

CNH imposed a conventional penalty of US $732,026 on Shell Exploración y Extracción de México regarding contract CNH-R02-L04-AP-CS-G02/2018, to which it completely resigned its related area.

The CNH, stated that the conventional penalty is for non-compliance with the Minimum Work Program (PMT) corresponding to the Initial Compliance Guarantee. It is worth remembering that on April 18th, Shell announced in writing to the Commission its intention to resign from this and the area with contract number CNH-R02-L04-AP-CS-G04/2018, both located in deep waters of the Salina Basin, off the coasts of the states of Campeche and Tabasco.

On May 18th, CNH instructed the initiation and processing of the PTA for irrevocable resignation to the entire contractual area regarding the contract, through Resolution CNH.08.01/2023, while the effective date of the resignation stated by Shell was July 19th. PTA concludes due to Shell's resignation of another block. In the same extraordinary session, it was reported the conclusion of the Early Termination Procedure due to irrevocable resignation to the entire contractual area with number CNH-R03-L01-G-CS-04/2018 presented by Shell Exploración y Extracción de México.

On August 31st, the UATAC (Technical Administration Unit for Assignments and Contracts) submitted the Conclusion Report related to the verification of compliance with the Contractual Clauses. It was on November 17, 2022, when Shell notified the CNH of the irrevocable resignation to the entire area. The contractual area covers an area of 798 km² and is located in shallow waters off the coast of Campeche. The contract, under the production-sharing modality, had a term of 30 years from June 27, 2018, the date of its signing.

Calicanto Oil & Gas submitted a request for resignation for an onshore block – *CNH*

CNH has authorized and instructed its administrative units to initiate the early termination process, but has not provided details about Calicanto's resignation from the Block Two round.

The contractual area in question is number four in the Calicanto field, located in the municipality of Huimanguillo, Tabasco, covering an approximate area of 10.575 km². The contract is in the evaluation stage, and its validity expired on November 25, 2021.

Calicanto Oil & Gas notified its resignation from the contractual area on July 17th of last year. During the final transition stage, the Commission will verify that the contractor has fulfilled all contractual obligations, including updating the asset inventory and submitting reports on well abandonment and infrastructure. Furthermore, it will be verified that the contractor is up to date with all other contractual obligations, and consultations will be made with the Ministries of Energy, Economy, and Finance, as well as the Agency of Safety, Energy, and Environment and the Mexican Oil Fund.

Pemex to begin production at Atoyatl field in 2024 – *CNH*

CNH approved modification plan to PEP to initiate early production at the Atoyatl field off Tabasco state. PEP expects to implement a US$317 million investment strategy to begin early production in January. The plan entails three new spudding requests, the conclusion of another four and the construction of an oil and gas pipeline and platform to reach 2.17Mb and 1.39Bf3 by July 2024.

In May 2022, the regulator gave the green light to drill the Atoyatl-1EXP exploratory well to determine if there was a shared deposit under the Miztón field operated by Italian player Eni. Pemex is developing the nearby AE-0149-M-Uchukil assignment.

CNH approved modification plan to Bellota field – *CNH*

CNH approved modification plan to the Bellota field in Tabasco state, for which the operator now plans to invest US$235 million through 2041 to extract 6.51Mb and 47.5Bf3 of gas. In comparison to the previous plan, the operator decided to cancel drilling two of four planned wells, resulting in a decrease of 448 planned minor repairs.

Pemex owes 101 bn pesos to suppliers and contractors as of September – *Oil and Gas Magazine*

As of September, Pemex maintains a total debt with suppliers and contractors for 101,021 million pesos, an increase of 37.20% compared to the last report, according to data from the oil company as of September 30. The debts that Pemex accumulates with national and international supplier companies are beginning to cause a crisis and threaten oil production and the supply of oil products.

The payments made in the ninth month of the year for debts contracted in 2023 amounted to 298,700 million pesos, while the accumulated debts total 95,730 million pesos. The work carried out by suppliers and contractors that are still pending invoicing amounts to a total of 5,290 million 854 thousand pesos.

The pending work to receive invoices in the national oil company's payment system increased from 3,724 million in July to 5,290 million pesos in September, representing a 42.05% increase from one month to another. The total payments made by Pemex as of September 30, 2023, amount to 760,970 million pesos.

Converting Mexico's deepwater potential into Reserves, production – *Business Mexico News*

President AMLO met with Meg O'Neill, CEO, Woodside Energy, which, in partnership with Pemex, is developing Trion, an oil field offshore of Tamaulipas, with an investment of US$11.67 billion.

The Trion field was discovered by Pemex in 2012. However, development was put on hold due to the substantial investment required, along with technological capacity limitations. Now, in partnership with Australian Woodside, both entities anticipate oil production by 2028. "We are in an energy transition, but it will still be necessary to use hydrocarbons rationally for two or three decades," López Obrador noted in his message.

Meg O'Neill, CEO, Woodside Energy, highlighted the significance of Trion as a valuable resource with a mature development concept. The investment aligns with Woodside's strategic goals, exceeding its capital allocation framework targets. It is expected to contribute significantly to the company's cash flow, shareholder returns and future developments in oil, gas and new energy. Woodside's expertise in deepwater project execution further bolsters confidence in the project's success.

This meeting between Woodside Energy's CEO and the Mexican president comes a month after CNH approved the development plan to exploit the Trion field off the coast of Tamaulipas, in which the Australian company planned to invest US$7.2 billion. The state-owned company indicated that it is a non-operator partner with a 40% stake. The field's exploitation is part of President AMLO's energy policy, in which he has pledged to increase oil production to 2MMb/d by 2024, up from the 1.71 million at the beginning of his administration in December 2018.

According to CNH projections, the estimated volume of hydrocarbons to be recovered during the contract's validity period from 2023 to 2052 is approximately 434MMb of oil and 790Bcf of gas. Of this gas volume, 570Bcf will be reinjected into the reservoir, leaving 219Bcf planned for sale and self-consumption. Its projected production will generate an income of MX$80 billion (US$47.7 billion) for the Mexican government.

Power/Renewable Energy – Mexico

Enel X expands, electromobility plans in Mexico – *Business Mexico News*

Enel X has identified opportunities in renewable generation projects and the electrification of public transportation in Mexico. The company is actively involved in electrifying two major bus systems in the country and is considering plans for a substantial wind farm and a battery storage facility in Tamaulipas. These projects could potentially contribute 2MW of installed capacity to the energy grid, doubling the current capacity of the Sonora Plan.

On Oct. 8, the Tamaulipas state government disclosed that Enel's CEO, José Luis Navarro, and Burgos, presented a US$2.5 billion project to the governor of Tamaulipas, Américo Villarreal. The proposal, known as the "Tamaulipas Energy Plan," aims to generate 2,000MW of renewable energy annually.

This includes 1,250MW from wind projects, 175MW from batteries and an expansion of the transmission network infrastructure in collaboration with the CFE. The Sonora Plan alone will produce 1,000MW through five photovoltaic plants, while Tamaulipas is targeting 2,000MW. The plan will be developed in two phases by 2027 and it is expected to create 6,000 direct and indirect jobs.

Enel X is the global business line of Enel Group, operating in the field of energy supply and management services. Currently, Enel X produces clean energy in the Salitrillos area in the city of Reynosa and its plan is to start operations in Nuevo Laredo and the northwestern region of the state from 2024 onwards.

CFE carries out successful liability management operation in the international financial market – *CFE Press Release*

CFE successfully concluded its second Liability Management operation (bond repurchase) in the international financial markets, with a target amount of US $800 million and a maximum amount of up to US 1,000 million.

The operation consisted of the voluntary repurchase of four international bonds previously issued by the CFE in foreign currency, with priority criteria according to the maturity period, with the short-term bond being the one with the highest interest and the long-term bonds being the least preferred.

This second CFE Liability Management operation in the international market had the following objectives: i) reduce the risk of short-term refinancing; ii) improve the debt maturity profile; iii) extend the average life of the debt, in line with the company's productive assets; iv) reduce CFE's level of debt in foreign currency, and v) generate financial savings to direct them to its Investment Program.

In accordance with the rationale for the operation, the CFE accepted all of the offers presented for a nominal amount of 877.5 million dollars for the four bonds. The execution of the bond operation was as follows:

- Bond 4.875% Notes due 2024: a nominal total of 482.6 million dollars was acquired, a figure that represents 55.5% of the total amount in circulation.
- Bond 4.750% Notes due 2027: a nominal total of 325.7 million dollars was repurchased, which means 40.0% of the amount available in the markets.
- Bond 6.125% Notes due 2045: offers were taken for an amount of 16.0 million dollars, an amount that represents 2.6% of the total in circulation.
- Bond 5.750% Notes due 2042: an amount of 53.2 million dollars was repurchased, being 9.4% of the total balance in force prior to the operation.

The results of the operation generated capital savings of US$20.5 million, given that all the bonds were repurchased below par. The CFE will also obtain an accumulated financial saving of US$146.3 million due to avoided interest on the remaining term of the bonds. CFE appointed BNP Paribas Securities Corp., Citigroup Global Markets Inc., Morgan Stanley & Co. LLC and SMBC Nikko Securities America, Inc. as global coordinators of the financial operation.

Oil & Gas - LATAM

Oceaneering, Petrobras sign drill pipe riser systems contract – *Oceaneering Press Release*

Oceaneering International Inc. announced its subsidiary, Marine Production Systems, secured a five-year contract with Petrobras for the operation of three existing drill pipe riser systems to support intervention and completion operations in Brazil. The contract's value could be worth up to $75 million during the five-year contract period.

According to the contract, Oceaneering will provide Petrobras with services for systems such as installation workover control, project management and engineering. Oceaneering will also replace its current umbilicals on the system in 2024, which will be manufactured at its facility in Niteroi, Brazil. Field operations under the contract will begin when the current contract expires or 18 months after the award. Should Petrobras elect to add a fourth system, Oceaneering will have an additional 18 months to build the system, which would be expected to go on hire in June 2025.

Under the terms of the contract, Oceaneering will continue to provide Petrobras with services utilizing three existing drill pipe riser systems with installation workover control systems, or IWOCS, along with project management, engineering and support services. The company will be replacing the umbilicals on the existing systems in 2024.

Petrobras requests licenses to build 10 offshore wind farms with IBAMA – *S&P Global Platts*

Petrobras plans to build 10 offshore wind farms in a move that will turn the country's biggest oil and natural gas producer into the largest developer of offshore wind power in Latin America's top economy. The plans and requests for permits were submitted to federal environment regulator IBAMA. The 10 projects would have installed capacity to generate 23 MW of electricity, the largest volume of potential generation capacity from a single company currently under IBAMA evaluation.

President Gustavo Petro has stopped awarding any new oil and natural gas exploration licenses as part of a pledge to wean Colombia's dependency on fossil fuels, which means oil companies will need to focus on developing the existing 11 offshore licenses. Roa said that Ecopetrol is looking into reviving onshore oil licenses that were previously abandoned by other operators due to issues including conflicts with local communities, which could help shore up the country's overall production.

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