



October 15-31, 2023

Table of Contents

Fortnightly review	3
Oil & Gas - Mexico.....	3
• Mexico's Pemex gets billions more in government support – <i>Reuters</i>	3
• The Woodside oil company concludes the return of a part of Trión in ultra-deep waters – <i>Oil and Gas Magazine</i>	4
• CNH approved Diavaz the 2024 work program for Ébano field – <i>CNH</i>	4
• Talos Energy set to reclaim US\$17 million invested in Zama field – <i>Business Mexico News</i>	4
• Pemex will invest US \$144 million in exploration work in Veracruz – <i>CNH</i>	5
• Mexico's lower house OKs major tax cut for indebted state-run Pemex – <i>Reuters</i>	5
Power/Renewable Energy – Mexico	6
• Invenergy unveils ambitious plans for energy generation in Mexico – <i>Business Mexico News</i>	6
• Mexico to sanction 11 energy companies – <i>Bnamericas</i>	6
• Mexico loses against Iberdrola, fine of 9,145 million pesos suspended – <i>Energy & Commerce</i>	6

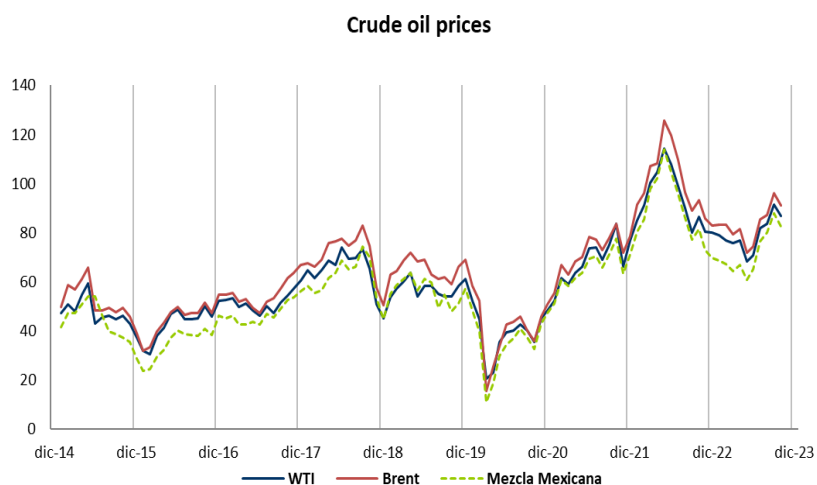
Oil & Gas - LATAM..... 7

- Shell, Ecopetrol strike natural gas in deepwater well offshore Colombia - *World Oil*..... 7
- Petrobras expects to start drilling near Amazon mouth in 2024 - *Reuters* 7
- Brazilian FPSO hits full production record - *Offshore Energy*..... 7

Fortnightly review

* 30/10/2023

MME US/BD*	79.27
MME US/BD*	68.70
PEF SHCP	
Dif. MME AVG. 2023 vs. MME PEF SHCP	-7.65
NG price HH* US/MMBTU	3.33
Mx crude production MMbd – September	1.65
Mx NG production MMpcd – September	4,374
US crude production MMbd - July	12.99
FX Rate*	18.06



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

Oil & Gas - Mexico

Mexico's Pemex gets billions more in government support – Reuters

Pemex registered a net loss in the third quarter as the result of lower sales and operating gains, coupled with foreign exchange losses. Pemex sales in the July through September quarter fell 27%, to 461.8 billion pesos, largely as the result of lower oil and product prices. Exports sales fell 26% and domestic sales were down 21%. Operating profit fell 73%, to 31.7 billion pesos. Earnings before interest, taxes, depreciation and amortization, was 84 billion pesos, compared with 174 billion pesos in the third quarter of 2022. The company posted a net loss of 79.1 billion pesos, compared with a loss of 52 billion pesos in the year-earlier period. Crude oil and condensates production rose 4.4%, to 1.88 million barrels a day, and natural gas production was up 3.1%, at 4.95 billion cubic feet a day. Output of refined products fell 1.9%, to 778,000 barrels a day, which Pemex attributed to maintenance and rehabilitation work on three refineries.

Pemex continues to receive financial support from the federal government for debt payments, the construction of the Olmeca refinery in southern Mexico, and to bolster fertilizer production. CEO Romero Oropeza said that government capital injections to Pemex since 2019 have totaled about 806 billion pesos. Pemex has for decades struggled with a heavy tax burden and previous support - in the form of cash injections and tax cuts - has largely gone toward keeping the world's most indebted energy company alive. In October, Pemex received 55.9 billion pesos from the government to strengthen its financial position, accounts show. Separately, Pemex received 71.7 billion pesos over the quarter for debt amortizations.

Pemex had also received \$5.8 billion for the Olmeca-Dos Bocas refinery by the end of September. The quarterly results come as lawmakers debate a lower tax bill for Pemex, after the lower house last week approved a cut to Pemex's profit-sharing DUC - effectively a tax paid to the government and the largest contribution - to 30% from its current 40%.

The Woodside oil company concludes the return of a part of Trión in ultra-deep waters – *Oil and Gas Magazine*

CNH endorsed the conclusion of the early termination procedure for reduction and return of a part of the contractual area of the Trión oil field, in ultra-deep waters, presented by Woodside Petróleo Operaciones de México. For this block, Woodside is associated with Pemex and both have already presented a development plan for the area they conserved, which was approved on August 29 and involves an investment of US \$10,434 million.

The Trión field is located off the coast of Tamaulipas, with an area of 1,285.20 km², but the determined extraction area in which Woodside will be working with Pemex is only 36.69 km². On September 9, 2022, Woodside, submitted its notice of return of 100% of the area that it was not going to subject to a development program for extraction.

According to the CNH, the contractor is up to date with compliance with its contractual and regulatory obligations in Trión; For this reason, was authorized to complete this process and without any conventional penalty. For his part, Commissioner Néstor Martínez pointed out that operators have the decision to return areas because they become liabilities and they have to pay. Furthermore, a positive part is that after all the exploration work, the information remains in the CNH, which is a benefit for the State.

CNH approved Diavaz the 2024 work program for Ébano field – *CNH*

CNH approved the 2024 work program and budget presented by DS Servicios Petroleros S.A. de C.V., regarding the evaluation program resulting from the discovery of the Ébano-3000EXP well, under Contract CNH-M4-EBANO/2018.

This contract pertains to the exploration and extraction of hydrocarbons under the production sharing modality. It is an onshore field located in the Northeast of Mexico, between Veracruz, Tamaulipas, and San Luis Potosí, in the Tampico-Misantla Petroleum Province. The discovery has an evaluation program, which concludes on December 31, 2024. The budget allocated for these activities was set at US \$ 2.84 million; 66% of this amount will be allocated to well drilling.

Talos Energy set to reclaim US\$17 million invested in Zama field – *Business Mexico News*

Talos Energy will see a return of US \$17.24 million it invested in Zama prior to the unitization of this field with Pemex, according to a resolution approved by CNH. Clause 4.4 of the contract indicates that expenses incurred by either of the two parties in relation to oil activities before the effective date of unitization can be recovered under their contract or allocation.

CNH, commissioners unanimously approved recognizing the oil activities and costs incurred by Talos, associated with contract CNH-R01-Lo1-A7-2015 during the period from October 2020 to March 2022, which was before the date of the unitization of the Zama field. CNH, explained that on June 5, 2023, Talos submitted a request to the CNH for the recognition of oil activities in Zama and the cost, which amounted to US \$23.86 million, covering the period from October 2020 to June 1, 2023. CNH only recognized the period from October 2020 to March 2022, so the amount recognized is 72.2% of the originally requested amount.

In its analysis, CNH considered that the activities and costs incurred during the period from October 2020 to March 2022 were necessary to maintain the continuity of the oil activities under the contract. Furthermore, the costs incurred by Talos were within the Commission's reference ranges. The Commission recognized that it was aware of Talos' operations in Zama at all times since the company submitted monthly reports on oil activities, as required by the contract. The amount requested by Talos and recognized by CNH, US \$17.24 million, encompasses general costs, reservoir engineering, geology, well drilling, geophysics, and other engineering activities, all carried out during the period 2020-2022.

Talos Mexico currently holds a 17.4% interest in the offshore Zama field. Both Pemex and the private consortium led by Talos are collaborating on a significant US \$9 billion investment in the development of the Zama field. Production is slated to commence in 2025, reaching its peak output of 180Mb/d by 2029. However, unresolved matters remain, including operatorship, commercial terms, and redetermination. Given Pemex's limited experience in constructing infrastructure in water depths of 165m, Talos and its partners, Harbour Energy and Wintershall DEA, are best positioned for the initial development phase of the project.

Pemex will invest US \$144 million in exploration work in Veracruz – CNH

CNH approved the modification to the exploration plan presented by Pemex regarding the AE-0130-M-Llave assignment, which contemplates an investment of US \$144.8 million. This is a land exploration assignment, with an area of 980.56 km², located between the states of Veracruz and Oaxaca in the oil province basin of Veracruz.

The reason for the modification to the exploration plan derives from the granting of the First Additional Exploration Period and from the variation in the number of wells to be drilled. The exploratory activities planned to be carried out in the operational, base and incremental scenarios they are: in the first, five exploratory studies (two Identification, evaluation and selection of prospects, one VCD design and two testing of prospects).

In the second, it is proposed to carry out 13 exploratory studies, one of 3D seismic processing as well as the drilling of five prospects: Ameyatl-1EXP, Viko-1EXP, Tajna-1EXP Maki-1EXP and Muumu-1EXP. Considering both operating scenarios and in the event of exploratory success in drilling the prospects of the two operational scenarios, the Pemex estimates the possible incorporation of resources in the order of 37.8 million barrels of crude oil equivalent.

The Investment calculated for the plan, in the period 2024-2025 sit was between 55.30 and 144.83 million of dollars, of which around 95 percent of the resources will be allocated to drilling wells, considering both scenarios.

Mexico's lower house OKs major tax cut for indebted state-run Pemex – Reuters

Mexico's lower house moved to cut a profit sharing rate owed by Pemex to 30%, from its current 40%, as part of a sweeping 2024 tax bill passed by lawmakers, amid attempts to control Pemex's soaring debt.

Pemex's profit sharing rate (DUC), which is effectively a tax paid to the government, has been gradually lowered during President AMLO's administration from a high of 65%. Pemex is the most heavily indebted oil company in the world, facing some US \$110.5 billion in debt and hefty amortizations in 2024.

Invenergy unveils ambitious plans for energy generation in Mexico – *Business Mexico News*

The US company Invenergy is preparing 10 energy generation projects in the coming years, in addition to the five it is currently developing, according to Jonathan Pinzón, Senior VP of Government and International Regulatory Affairs for the company. One of these projects involves an on-site cogeneration plant and another aims at supplying electricity to industries, Pinzón mentioned in a meeting with the media, although he did not disclose the investment amounts that will be allocated.

Among the projects already underway is the "La Toba" solar plant located in Baja California Sur, which has been in operation for a year and features a battery system that can provide energy during the night. "La Toba covers 3% of the demand in Baja California Sur, which is equivalent to providing power to 30,000 homes in the state," emphasized the executive. The plant has the capacity to inject 35MW into the national transmission grid and operates in coordination with an energy storage system, effectively functioning as a single unit.

Invenergy is a global leader in sustainable energy solutions. The company develops, builds, and operates a wide range of renewable and clean energy projects, including wind, solar, and natural gas power generation. The company is known for its innovation and commitment to creating a sustainable energy future.

Mexico to sanction 11 energy companies – *Bnamericas*

CRE approved the start of administrative sanction proceedings against 10 hydrocarbon firms and one electricity company that could result in the suspension of their permits. However, details on the permit holders' names or their alleged violations were not disclosed. In 2018, CRE sanctioned 129 permit holders in the oil and gas sectors with 112mn pesos (US\$6.17mn). In May 2021, it revoked 125 oil-related permits due to inactivity. And in July, it said it will sanction 37 companies in the hydrocarbons segment and begin proceedings against another one.

Once the sanctions are determined, the regulator publishes them in the country's official gazette, where more details on violations and fees are specified. CRE did not discuss other matters during the session, despite a reported backlog of over 1,000 permit requests.

Mexico loses against Iberdrola, fine of 9,145 million pesos suspended – *Energy & Commerce*

The company of Spanish origin Iberdrola will not have to pay a fine of 9,145 million pesos that had been imposed – in May 2022 – by the Energy Regulatory Commission (CRE). With this, the federal government and the regulatory body lost the challenges, and they no longer have any other recourse against it, so the company will not have to pay the penalty, which was imposed by the CRE.

This case, which has already been in litigation for more than a year, began when the Spanish company demanded through an Amparo Trial the discussion, approval and issuance of resolution RES/466/2022, with which on May 25 the CRE He imposed a fine of 9,145 million pesos. That figure is equivalent to 56.4% of income that this firm obtained in Mexico during the first quarter of 2022.

The fine against Iberdrola was filed by the CRE, a regulator that accused the Spanish firm of selling electricity irregularly to companies not authorized in its permits between 2019 and 2020. Likewise, the CRE indicated in a final resolution that Iberdrola It delivered energy to its partners in exchange for economic compensation. Which constitutes a sale that is not allowed under the self-supply figure for which the permit was granted.

Oil & Gas - LATAM

Shell, Ecopetrol strike natural gas in deepwater well offshore Colombia – *World Oil*

Ecopetrol confirmed that the Glaucus-1 well verified the presence of natural gas in the deep waters of the southern Colombian Caribbean, underscoring the significance of the gas reserve in this region of the country. The well is situated 75 km off the Caribbean coast, with a water depth of around 2,340 m. Ecopetrol and Shell, the operator, jointly hold a 50% stake in the COL-5 block, where the Glaucus-1 well is located.

The development of this natural gas reserve in the southern Caribbean has the potential to make a substantial contribution to the country's energy security and support Ecopetrol's ongoing energy transition efforts. Shell operates COL-5 with a 50% stake with Ecopetrol holding the other half. Ecopetrol owns stakes at 11 exploration tracts offshore Colombia in partnership with Shell, Petrobras and Occidental Petroleum.

Petrobras expects to start drilling near Amazon mouth in 2024 – *Reuters*

Petrobras expects to do exploratory drilling next year near the mouth of the Amazon River, along the coast of the state of Amapa, Chief Executive Jean Paul Prates said.

The region is part of Brazil's Equatorial Margin, an area that Petrobras considers its most promising new frontier for oil and gas exploration. Petrobras currently lacks the greenlight from environmental protection agency Ibama to explore the area, but Prates said he expects Petrobras will be drilling off Amapa in the first half of 2024. He still kept open the possibility that the drilling could come later in the year. The Equatorial Margin is a roughly 2,200-km (1,370-mile) stretch of deepwater and ultra-deepwater assets along Brazil's northern and northeastern coast.

The area Petrobras is looking to drill is located south of where Suriname is exploring for oil and close to Guyana, where Exxon Mobil has discovered major oil reserves. Drilling in the region is a controversial topic in Brazil due to the region's biodiversity and proximity to the Amazon rainforest.

Brazilian FPSO hits full production record – *Offshore Energy*

The FPSO, which operates in the Búzios field in the pre-salt layer of the Santos Basin, reached full production of 150 thousand barrels of oil per day (bpd). This output was achieved in record time as it has been 146 days or less than five months since Almirante Barroso began commercial production – on May 31. The company noted that the project's underwater system had reduced the average well interconnection time by 15% by incorporating a new solution for installing rigid pipelines, which has contributed directly to the record ramp-up time.

The platform has been chartered from Modec and is located 180 kilometers off the coast of Rio de Janeiro, at a depth of 1,900 meters. Petrobras is the field operator and has an 88.99% stake in the shared Búzios deposit, alongside its partners CNOOC (7.34%) and CNODC (3.67%).

This is a newsletter industry update courtesy of Marcos y Asociados Consultoría Energética, SAPI de CV.
Contact us: www.marcos.com.mx | info@marcos.com.mx | +52 55 5202 3600 | LinkedIn [Marcos-y-Asociados](#)

If you have not subscribed or if you do not wish to receive this publication any more, please click [here](#).

The editor is not responsible for the information. The information included was gathered from public sources (Bloomberg, Oil and Gas Magazine, Oil and Gas Journal, Shale: Oil and Gas Business Magazine, El Economista, El Financiero, Reforma, Reuters, EIA, The Wall Street Journal, Expansion among others) and it is subject to their accuracy and truthfulness.