Energy Fortnightly News

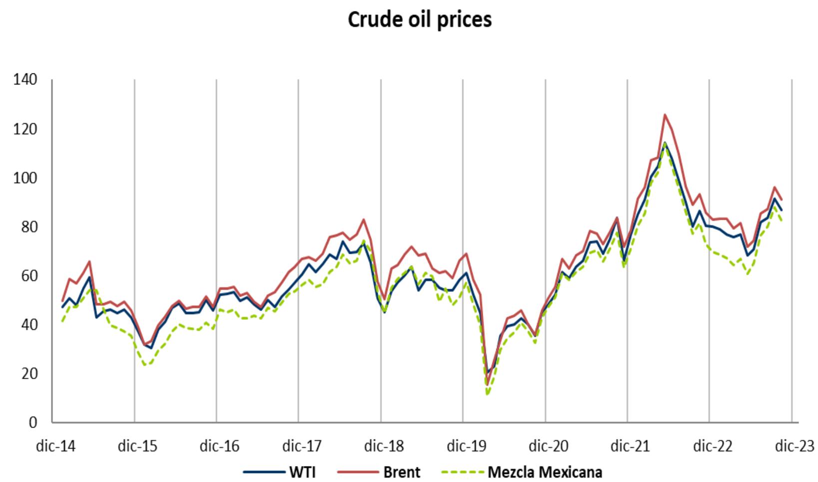
November 1-15, 2023

Table of Contents

Fortnightly review

* 14/11/2023

MME US/BD*	74.11
MME US/BD* PEF SHCP	68.70
Dif. MME AVG. 2023 vs. MME PEF SHCP	-6.93
NG price HH* US/MMBTU	3.11
Mx crude production MMbd – *September*	1.65
Mx NG production MMpcd – *September*	4,374
US crude production MMbd - *August*	13.05
FX Rate*	17.39



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

Oil & Gas - Mexico

Mexico's Pemex, New Fortress Energy scrap deepwater gas project sources – *Reuters*

Pemex and New Fortress Energy have terminated a deal to develop potentially the country's first deepwater natural gas project that was signed a year ago. Now Pemex wants to continue with the development of the Lakach gas field in the Gulf of Mexico and is in talks with other companies. Still, the project that was abandoned once before in 2016 for being too expensive has already cost over a billion dollars.

The Lakach field, some 90 km from the Gulf port of Veracruz, holds an estimated 900 billion cubic feet of natural gas, but rising costs and disagreements over how to develop it have impeded the venture. Last month, Pemex decided to halt the project after NFE wanted to impose conditions Mexican officials considered unacceptable, including NFE buying the natural gas too cheaply from Pemex, one of the sources said. The other source said Lakach had become too expensive for NFE, and observed that it would be challenging for Pemex to move ahead with the project. Neither Pemex nor NFE responded to requests for comment. Production was supposed to start in the first quarter of 2024.

Prior to the current administration, Pemex had already invested $1.4 billion in developing Lakach, but abandoned it. NFE then agreed to complement that initial investment with an additional $1.5 billion. Pemex wanted to develop Lakach with NFE using a service contract, a mechanism used prior to the Mexico's energy sector opening in 2013-14.

Officials at the CNH and Pemex had been at odds over how to develop Lakach and other large fields. In an initial review, officials at the regulator found drilling costs in the Pemex-drafted plan were too high and output was overestimated.

It eventually got the green light from the regulator after Pemex modified the plan. Last week NFE told the U.S. Department of Energy it had begun evaluating a fresh LNG onshore project in the Gulf state of Tamaulipas, and is about to begin operating a floating LNG export terminal off the Tamaulipas port of Altamira.

Diavaz will invest US $66.8 million in the development of the Ébano field – *CNH*

CNH approved Diavaz's 2024 work program for the Ébano field, regarding the development plan for the CNH-M4-ÉBANO /2018 contract.

This is a contract for the extraction of hydrocarbons in the shared production modality. It is an onshore contractual area with an approximate surface area of 1,569.12 km², located in the municipalities of Pánuco, Ébano, and Altamira. The reservoir classification is 10 degrees API black oil. The oil activities for 2024 includes the drilling of 15 wells and their respective completions, 30 minor repairs to recover a volume of 1.91 million barrels of oil and 0.60 billion cubic feet of gas in the period January-December 2024. The investment totals US $66.89 million, with allocations of 53.9% for production, 42.8% for development, and 3.4% for abandonment.

Murphy Sur begins early termination for oil block in Salina Basin – *CNH*

Murphy Sur has requested CNH to initiate the procedure for early termination by partial return and resignation of portions of an offshore oil block, which was assigned to the company during rounds conducted in the previous administration. Murphy Sur and its partners, PC Carigali and Sierra Offshore Exploration, join other companies that have partially or entirely returned contractual areas in their exploration phase, either due to a lack of commercial viability or as a strategic business decision.

The early resignation pertains to contractual area 5 in the Salina Basin, off the coast of Tabasco, covering an area of 2,573km². The contract commenced on March 10, 2017, under a license modality with a duration of 35 years. CNH has instructed the beginning of the procedure for early termination by returning a portion of the contractual area and resigning from two other portions associated with the contract.

Capricorn Energy sells stake in Veracruz shallow water contract to Eni and Citla – *Oil and Gas Magazine*

Capricorn Energy México has agreed to transfer its participation in the contract CNH-R02-L01-A7.CS/2017 to the Italian company Eni México and Citla Energy. CNH approved the transfer of corporate and management control of the area, as well as the modification in the composition of the contractors of the aforementioned contract. In this process, 19.29% of the participation interest will become property of Eni México, S. de R.L. de C.V., while Citla Energy B7, S.A.P.I. de C.V., will acquire 10.71%.

The contract operates under the shared production modality and covers an area in the shallow waters of the Gulf of Mexico, located off the coasts of Veracruz and Tabasco. Last May, Capricorn and Citla had already transferred their entire participation in the CNH-R02-L01-A9.CS/2017 contract to Eni. The contractual area associated with this contract covers an area of 562.37 km² and is located in the shallow waters of the Gulf of Mexico, within the province of Cuencas del Sureste, opposite the state of Tabasco.

CNH approves program modification for Pemex's Tupilco field – *CNH*

CNH has approved the modification to the transition program for the Deep Tupilco Field, specifically associated with the allocation AE-0140-2M-Comalcalco, as proposed by Pemex. The field is in Comalcalco, Tabasco, and has a total surface area of 1,319.57km² and an evaluation area of 30.79km².

The field was discovered with the drilling of the exploratory well Tupilco-3001EXP, with light oil of 40° API density. The goal of the modification to the transition program is to carry out activities that allow for early production continuation. The modification proposal aims to recover a volume of 42.46MMb of oil and 46.69Bcf of gas within one year, from Nov. 2023 to Oct. 2024. The total estimated project cost is US$444.4 million.

Clandestine pipeline taps reach alarming highs in Mexico – *Business Mexico News*

The clandestine pipeline taps documented by Pemex between January and September of this year total 11,140: the highest figure for a similar period since at least 2010, representing an 11.33% increase compared to the same period in 2022.

Pemex acknowledged in its 3Q23 report submitted to the Mexican Stock Exchange that joint efforts with the federal government since 2019 to limit the illicit fuel market in Mexico have not produced sustained improvement. In this report, the state-owned company indicated that there has been an increase in pipeline clandestine taps and illegal fuel trade this year. According to the information request, in 2021, a total of 7,895 clandestine taps were documented between January and September, which is 3,245 (41.1%) less than the figure for 2023. A similar situation was seen in 2020, with 7,783 documented taps, representing 3,357 less (43.13%) compared to this year.

In 2019, the year when the federal government implemented a strategy against the crime known as huachicoleo (fuel theft), there were 10,493 clandestine taps, a 6.17% difference compared to this year. Comparing the most recent data with that of 2018, there is a 0.33% increase, as the figure was 11,103 clandestine taps at that time. 2018 had the highest number of clandestine taps for a January to December period in record. If the current trend continues, 2023 could reach or exceed those figures. The lowest number for the same period was recorded in 2010 when Pemex counted a total of 412 clandestine taps.

Regarding the monthly data for 2023, March had the highest number of clandestine taps with 1,372, followed by January with 1,363, and February with 1,362. In contrast, September recorded 1,139 taps, July 1,045, and August a total of 1,043, making them the months with the lowest records. As for the location of clandestine taps within the country, Hidalgo ranked first with a total of 2,992 taps. Second was Jalisco with 1,715 tapped pipelines, while the State of Mexico took the third spot with 1,342 taps. Veracruz claimed fourth position with a total of 1,204 taps and Puebla ranked fifth with 965 clandestine taps documented between January and September of this year.

Mexico must invest US$110bn in power plants, lines: International Chamber of Commerce – *Bnamericas*

In order for Mexico to maintain 2.4% annual GDP growth over the next 15 years, the country will have to invest 2tn pesos (US$112bn) to deploy some 59,000km of power transmission lines and build infrastructure to generate over 100GW of energy.

This will require the investment of some 132bn pesos per year, according to an analysis from the energy committee of the International Chamber of Commerce México (ICC México), which also warned that the country has a cumulative deficit of 4,370km of power transmission lines that were not built between 2018 and 2022. "One of the main conclusions is that, for every percentage point of GDP growth, 800km per year of transmission lines must be erected," ICC México said in a statement, adding that the infrastructure to be built must focus on combined cycle plants and renewable energy facilities based on solar and wind power.

Engie Mexico invests US$6.8 million in clean energy in Puebla – *Business Mexico News*

Engie will invest US$6.8 million in Puebla to offer clean and affordable energy, says Governor of Puebla Sergio Salomón. The investment will also strengthen the bilateral cooperation between France and Mexico.

Engie's investment, aside from offering clean and affordable energy, is set to benefit the network distribution of natural gas from the metropolitan area and the industrial regions of Huejotzingo and San Martin Texmelucan. Ermilo Barrera, Ministry of Economy of Puebla, explained that a delegation of French entrepreneurs will travel to Puebla to explore the advantages of the region and look for opportunities to contribute to the commercial and investment relationship between Puebla and France. They will also discuss Industry 4.0 and future alliances. The goal is to establish synergies and promote the participation of women in emerging and future companies.

Starlink wins major bid contract with CFE – *Reuters*

Starlink, the satellite internet service of Musk's spacecraft manufacturer SpaceX, has been operating in Mexico for some time. Starlink on Oct. 18 won a tender from the state-owned Federal Electricity Commission (CFE) to provide internet services through December 2026.

The value of the contract is between 887.5 million pesos (US $50.6 million) and 1.77 billion pesos (US $101.3 million). A bid made by Starlink beat those of two other companies because it "offered the best conditions in terms of price," said CFE. According to the draft contract, Starlink's obligation is to provide infrastructure for CFE's rollout of internet access in rural Mexico. President AMLO has made the provision of internet connectivity in isolated areas a priority of his administration.

New Fortress Energy signs FSRU charter deal with Petrobras – Gas *World*

New Fortress Energy has signed a definite agreement to charter the floating storage and regasification unit (FSRU) Energos Winter from Brazil-based Petrobras. Under terms of the deal, the FSRU Energos Winter will be deployed at New Fortress Energy's newest LNG import terminal in Santa Catarina, called Terminal Gas Sul. Commercial operations at the site are hoped to begin ahead of schedule in January 2024.

Andrew Dete, Managing Director of New Fortress Energy, described the terminal as a high-growth opportunity for New Fortress Energy. He further added that connection to the pipeline system in south Brazil offers a diverse and near-term set of opportunities across power and gas supply.
The Energos Winter will be sub-chartered by NFE through the remaining term of the Petrobras charter, with Energos infrastructure and then direct chartered by NFE on a long-term basis with Energos. Energos Infrastructure, the owner of Energos Winter, is owned 80% by funds managed by 20% by New Fortress Energy.

Venezuela, France's M&P sign deal to raise oil production – *Rigzone*

Venezuela signed a contract with Etablissements Maurel & Prom SA that will allow the French driller to triple production following the easing of US oil sanctions, according to people with knowledge of the situation. The contract between the Paris-based company and state-owned Petróleos de Venezuela is the first of its kind for a European energy company in the nation. The agreement offers more operational and financing controls over M&P's jointly-run ventures with PDVSA, according to the people who asked not to be identified discussing private information.

The project will increase oil and gas production in Lake Maracaibo, contributing to enhancing the capabilities of our industry. The deal also sets conditions to repay $914 million in outstanding debt owed to M&P's local subsidiary, the company said in a statement. So far, Chevron Corp. had been the only foreign company that had been granted similar operational benefits. Italy's Eni SpA and Spain's Repsol SA are still in negotiations for similar contracts.

The Biden administration lifted some sanctions on oil and gas operations in the South American country last month after the Nicolas Maduro government and the opposition agreed to work on a deal for better electoral conditions. The major reversal signals that the Latin American country's industry is on the brink of being able to pump 200,000 more barrels of crude a day — a roughly 25 percent jump in production, according to analysts.

Under the deal, M&P aims to increase its current production to 50,000 barrels a day in Zulia state, Venezuela's oil cradle.

The Biden administration lifted some sanctions on oil and gas operations in the South American country last month after the Nicolas Maduro government and the opposition agreed to work on a deal for better electoral conditions. The major reversal signals that the Latin American country's industry is on the brink of being able to pump 200,000 more barrels of crude a day — a roughly 25 percent jump in production, according to analysts.

Under the deal, M&P aims to increase its current production to 50,000 barrels a day in Zulia state, Venezuela's oil cradle.

.