



# Energy Fortnightly News

April 15-30, 2024

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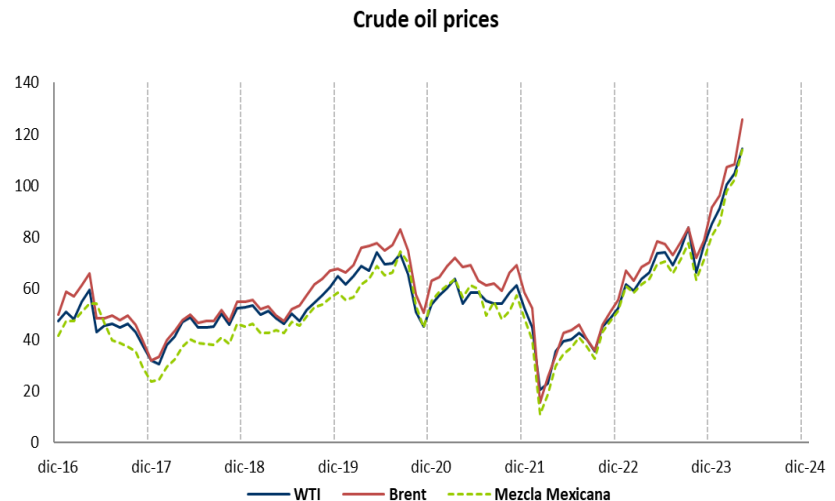
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## Fortnightly review

\* 29/04/2024

MME US/BD*		76.89
MME US/BD*		56.30
PEF SHCP		
Dif. MME AVG.		15.68
2024 vs. MME PEF SHCP		
NG price HH*		2.04
US/MMBTU		
Mx crude production		1.59
MMbd – March		
Mx NG production		3,899
MMpcd – March		
US crude production		13.15
MMbd - February		
FX Rate*		17.18



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

## Oil & Gas - Mexico

### Pemex 1Q 2024 results – Pemex

Pemex profits decreased by 92% year-on-year in the first quarter of 2024, reaching MXN 4.7 billion (\$284 million) due to a decrease in its revenues and an increase in the cost of sales and an EBITA of MXN 92.4 billion.

Total revenues of Pemex, amounted to MXN 405.8 billion in the period, 3% less than those reported between January and March 2023. This was driven by a 2.8% decline in domestic sales and a 3.4% reduction in export sales. Crude oil exports fell 11% to 803,000 barrels a day as Pemex refineries ramped up output. Total hydrocarbon gas production with partners averaged 3,836 MMcfd, a decrease of 312 MMcfd or 7.5% compared to 1Q23 when 4,148 MMcfd were produced.

Pemex processed 985,000 barrels a day of crude, up from 835,000 in the 1Q2023. Gasoline production rose 16% to 314,000 barrels a day, and diesel production increased 45% to 191,000 barrels a day.

Pemex lowered its debt by about \$4.6 billion to \$101.5 billion at the end of March, largely as the result of the company not taking on new debt. The federal government has maintained strong financial support for Pemex and has injected millions of funds to help it clean up its finances. In the first quarter, Pemex received \$4.6 billion in capital contributions. During the quarter, total taxes and duties amounted to MXN 31.9 billion, a decrease of 55.6%. This was mainly due to the tax credit equivalent to 100% of the January 2024 profit sharing right and the decrease in the 2024 DUC rate.

### Mexico decrees expropriation of Air Liquide hydrogen plant – *Reuters*

Mexico's government published an order in its official gazette decreeing the expropriation of a hydrogen plant at a Pemex state oil refinery that was sold to French Firm Air Liquide.

Mexican officials ordered a temporary occupation of the facility in December and in February declared the U-3400 unit at Pemex's Tula refinery in Hidalgo state a public good, preparing the way for its formal expropriation. State-owned oil and gas company Pemex will operate the Air Liquide facility to “produce fuels such as gasoline and diesel with low sulfur content,” the decree states. Oil refineries use hydrogen to reduce the sulfur content in petroleum products, especially diesel.

Details of compensation to be paid are still unclear but talks between the company and the government began in February. The decree says the firm can still appeal the decision in court. The Air Liquide facility started operations in 2011. Previous president Enrique Peña Nieto's administration signed a 20-year supply deal with Air Liquide in 2017 and it has been providing hydrogen to the refinery since then.

### Mexico's pipeline projects to boost US Natgas exports – *Bnamericas*

Mexico's gas pipeline project portfolio is improving the outlook for US natural gas exports.

"We expect US natural gas exports by pipeline to grow by almost 1 Bcf/d over the forecast period, mainly because of increased natural gas exports to Mexico. We expect several pipelines in Mexico – Tula-Villa de Reyes, Tuxpan-Tula, and Cuxtal Phase II connecting to the Energía Mayakan pipeline on the Yucatán Peninsula – to reach full service in 2024-25," said the EIA. The pipelines started partial service in 2022-23 but are not fully operational yet.

Engie partnered with federal power utility CFE to begin works on the US\$1.5bn capacity expansion of the Mayakan natural gas pipeline, also known as Cuxtal II. Engie partnered with federal power utility CFE to begin works last week on the US\$1.5bn capacity expansion of the Mayakan natural gas pipeline, also known as Cuxtal II. “In addition, flows via the Sur de Texas-Tuxpan underwater pipeline are likely to increase slightly in 2024, delivering natural gas from the United States to Mexico's first LNG export project: Fast LNG Altamira,” said EIA.

Along with fueling 48% of Mexico's power generation, natural gas is widely used for heating and cooking and is an important fuel for many industrial processes in the country, but 70% of it is imported from the US, according to a report from Eclac.

In late March, CFE and Engie agreed to double Mayakan's transportation capacity from 250 to 567 million cubic feet per day (mcf/d) by building more than 700km of pipeline. Engie's project would take gas from federal oil company Pemex's Cactus processing plant in Chiapas state and run towards Valladolid in Yucatán state, some 150km from tourist hub Cancún. A further extension will connect the line with Cancún, CFE has said in a statement.

There are two other projects not mentioned by the EIA report, perhaps due to their early stage of construction. The US \$4.5bn Southeast Gateway offshore pipeline in the Gulf of Mexico is led by Canadian midstream firm TC Energy, while the 800km Sierra Madre pipeline is part of Mexico Pacific's US\$14bn Saguaro Energía LNG project, where construction is yet to start in Sonora state's Puerto Libertad port. The first is under construction, while the second is awaiting the green light to begin works. Together, they will add more than 1,500km of gas pipelines to the country's network that will help transport a combined 4.1Bf3/d from the US to their final destinations, namely the Yucatán Peninsula and the northern Pacific coast.

### **CNH approved Pemex's modification plan for UCHUKIL in Tabasco – CNH**

The CNH approved the modification plan presented by PEP regarding the assignment AE-0152-M-UCHUKIL. The assignment is located off the coast of the state of Tabasco.

The modification of the plan includes a base scenario where Pemex plans to conduct 2 exploratory studies and drill the Piix-1EXP well. Meanwhile, the incremental scenario includes 12 exploratory studies and the drilling of the prospects Paax-1EXP, Siwak-1EXP, Laak-1EXP, Halab-1EXP, Maskab-1EXP, Esel-1EXP, and Bal-1EXP. The new plan expects total resources to be evaluated of 536.86 million boe, while the resources to be incorporated would be 17.91 million boe in the base scenario and 86.29 million in the incremental scenario. The total investment considered in the plan for the years 2024 to 2025 is US \$107.61 million in the base scenario and US \$804.38 million in the incremental scenario.

### **Eni will invest US \$109 million in drilling Yopaat-1EXP – CNH**

CNH has approved the request submitted by Eni Mexico to carry out the drilling of the exploratory well in shallow waters Yopaat-1EXP. The prospect is associated with the CNH-R02-L01-A9.CS/2017 contract, situated offshore from the state of Tabasco.

The well will be drilled at a water depth of 520 meters, for which a Valaris DP-5 platform of 6,000 HP will be used. The drilling operation is scheduled to span 107 days for both the primary well and the sidetrack, commencing on May 15 and concluding on August 30 of this year. The total cost of drilling the well and the sidetrack will be US \$109.3 million.

### **CNH approved Pemex to drill Mabalnak-1EXP in Campeche – CNH**

CNH approved Pemex's request to drill the exploratory well Mabalnak-1EXP in Campeche. The prospect is part of the assignment AE-0166-M-Campeche Oriente, off the coasts of the states of Campeche and Tabasco.

The drilling and completion program will take a total of 130 days, starting on May 22 and concluding on September 27, 2024. The total cost will be US \$73.4 million, of which US \$60.4 million are allocated to drilling and US \$13 million to completion.

### **Mexico's Pemex to hand over natural gas project to business magnate – Reuters**

Pemex has agreed to hand over control of its Lakach natural gas project in the Gulf of Mexico to Grupo Carso, a company belonging to Mexican billionaire Carlos Slim. Neither Pemex nor Slim's team immediately responded to requests for comment. Two sources told Reuters that Pemex and Slim's team were in talks over reviving the development of the Lakach field, the Latin American country's first deepwater natural gas field, a plan that has been shelved twice before.

The sources said Pemex considered finding a new partner a top priority to boost the field, hailed as a potential gateway to a new deepwater Mexican gas frontier, after U.S. liquefied natural gas company New Fortress Energy pulled out last year.

## Power/Renewable Energy – Mexico

### CFE's profit fell to 94.2% in the first quarter of the year – *El Economista*

During the first quarter of 2024, the net profit of the Federal Electricity Commission (CFE) decreased 94.2% to 1,869 million pesos.

The reduction in profits occurred despite the fact that the state electricity company's sales had a marginal drop of 0.7% to 147.50 million pesos and that the cost of sales fell 7.3% to 111,976 million pesos. Due to this, the company's operating profit actually grew, from 25,715 million to 30,208 million pesos. However, the deterioration of results came with financial expenses that amounted to almost 19,500 million pesos in contrast to financial income of more than 9,000 million pesos the previous year. The CFE debt stood at 425,728 million pesos, a 3.3% higher than what was observed at the end of 2023.

### Solarever and Huawei announce a commercial partnership in Mexico – *PV Magazine Mexico*

Simon Zhao, director of Solarever, and Zhou Bo, director of Huawei Mexico Digital Power, signed a commercial partnership with the aim of integrating: digital technology, power electronic technology, clean energy development, energy digitization.

The collaboration focuses on the development of energy storage solutions (BESS) for distributed generation and the commercial and industrial sectors, addressing issues such as energy scarcity and intermittency. Solarever Group will incorporate Huawei equipment into its catalog, expanding its offering and benefiting its customers with innovative and reliable solutions.

This alliance between two leaders in technology and energy promises to contribute to the sustainable development of Mexico and provide efficient solutions for present and future energy challenges.

## Oil & Gas - LATAM

### Perenco acquires mothballed Chenre, Bagre oil fields offshore Brazil from Petrobras

Perenco Brazil is acquiring the Cherne and Bagre concessions from Petrobras offshore Brazil for \$10 million. The deal comprises the Cherne and Bagre fields and two fixed platforms, located 30 km from the Pargo Cluster. The PCH-1 and PCH-2 platforms were hibernated by Petrobras in early 2020 and later scheduled for decommissioning.

Following the closing of the transaction, expected in 2025, Perenco Brazil will implement an ambitious redevelopment plan to revitalize the assets, restart production to a target rate of 10,000-15,000 bopd and unlock over 50 MMstb of reserves. A new export pipeline will be laid directly to the greater Pargo Cluster to leverage the new FSO infrastructure, improve efficiency and continue Perenco's strategy of gaining independence in the basin. Perenco Brazil holds a 100% stake in the Pargo Cluster, which comprises the Pargo, Carapeba and Vermelho offshore fields in the shallow waters of Brazil's Campos basin. The Pargo concession area is developed by eight fixed platforms in up to 100 m depth. The Pargo Cluster Development Plan was formally approved by the Brazilian authorities in 2021, along with extension of Perenco's concession rights until 2040.

Current production from the Pargo Cluster is approximately 20,000 bpd, up from 2,800 bpd, when Perenco Brazil took over operations in October 2019. In December 2023, Perenco Brazil announced that first oil to its own FSO vessel, the FSO PARGO, had been successfully received following issuance of all operational licensing from the Brazilian regulatory authorities.

### **SLB secures service contracts for up to 35 Petrobras wells – *Drilling Contractor***

Petrobras has awarded SLB three contracts for completion hardware and services for up to 35 subsea wells in the development of Petrobras' Buzios Wave II oilfield, offshore Brazil. The contract includes SLB's fullbore electric interval control and electric subsurface safety valves. The award is a catalyst toward full production system electrification for Petrobras, improving production availability via more reliable completions.

By converting to electric completions, Petrobras can control a more sophisticated system in the subsurface reliably. Full electrification of completions enables maximum production control across multiple reservoir drains, potentially requiring fewer wells and limiting heavy workovers during the productive life of the Buzios field wells.

"By leveraging the electrification and digitalization of completions from SLB, Petrobras will increase its field recovery efficiency in complex and challenging pre-salt reservoirs," said Steve Gassen, President of Production Systems, SLB. "This contract award represents a critical milestone on Petrobras' journey to digitally integrated offshore electric production systems. It will improve efficiency and deploy innovative technologies in Brazil."

### **Argentina roundup: Gas pipeline contract & gas transporter's US \$860 million reserve fund – *Bnamericas***

After hitting a hurdle this year, Argentina has now awarded all blocks of work under the banner of the Gasoducto Norte flow-reversal project. Marking a milestone in the process, officials at state energy company Energía Argentina signed contracts with construction firm Esuco, which will carry out flow-reversal work at four compression stations. Esuco presented the lowest bid, of US\$26.4 million. Energía Argentina has signed contracts for two other blocks of work. All three blocks were put out to tender this year after an initial attempt to award the work in a single tranche hit a hurdle when bids came in far above the reference price. Argentina is carrying out the project to support the flow of Neuquén basin gas north, to substitute dwindling imports of Bolivian gas and, potentially, spur exports of Argentine gas to northern Chile and Brazil. Work should conclude next half. Overall, the project constitutes second-phase work. A first stage has already been carried out directly by gas transporter TGN and a third phase would involve adding loops, boosting compression capacity and reversing flow at five more compression plants.

Shareholders of Argentine natural gas transportation company TGS approved the creation of a US\$861 million reserve fund, a regulatory filing states. The money is earmarked for investments, share buybacks or dividend payments. Local gas heavyweight Pampa Energía, which holds a 26.5% stake in TGS, recently said it was interested in being involved in a project planned by state-controlled hydrocarbons firm YPF and Malaysian counterpart Petronas, citing economies of scale.

## Petrobras, BP to expand exploration, production ventures with new E&P contract – *Oil World*

Petrobras and BP signed a MoU to promote discussions and collaboration between the two companies. The non-binding agreement focuses on business opportunities in exploration, and production, sustainable fuels, carbon credits, refining. The companies will also work together on research, development, and innovation projects.

The two companies are already partners in exploration blocks in the E& segment, including Alto de Cabo Frio Central, Campos basin, and Barreirinhas basin, all operated by Petrobras. The memorandum will last for two years. Committees of representatives from both companies will be set up to monitor the progress of the studies and discussions.

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