Energy Fortnightly News

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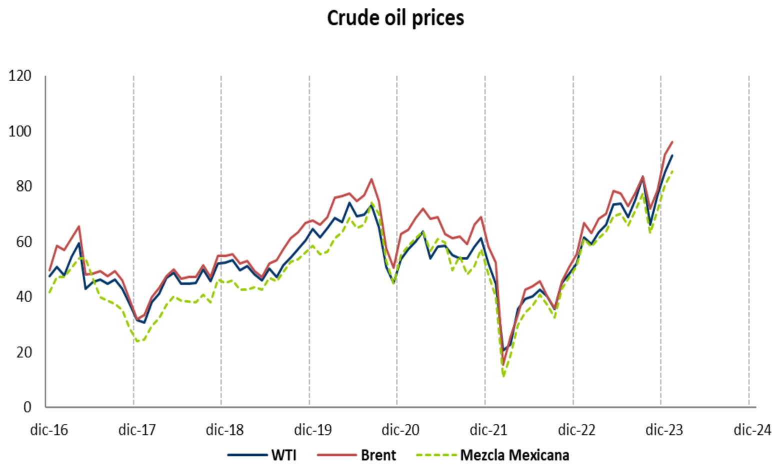
Fortnightly review

* 29/01/2024

MME US/BD*	72.38
MME US/BD* PEF SHCP	56.30
Dif. MME AVG. 2024 vs. MME PEF SHCP	12.24
NG price HH* US/MMBTU	2.05
Mx crude production MMbd – *December*	1.62
Mx NG production MMpcd – *December*	4,104
US crude production MMbd - *October*	13.24
FX Rate*	17.23



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

Oil & Gas - Mexico

Mexico's oil and gas production remains flat in 2023 – *CNH*

Mexico's hydrocarbon production concluded 2023 on a downward trend, driven primarily by diminished output from Pemex and a reduction in the number of productive wells. By December, national production including condensates, stood at 1.903MMb/d, constituting a decrease of 25,000 barrels or 1.2% compared from the previous month. CNH's data revealed an oil volume of 1.62MMb/d, this was supplemented by 278,000 barrels of condensates and 4.10Bf3/d of natural gas, compared to 1.61 MMb/d of oil and 4.16Bf3/d natural gas in December 2022, according to a report from CNH.

Pemex closed the year with 1.805MMb/d of liquid hydrocarbons, of which private entities contributed 98,000 barrels. Despite an annual average increase of 5.1% in liquid hydrocarbon production for the country's petroleum industry, reaching 1.937MMb/d in 2023, a month-over-month decline was observed. This was attributed to a drop in the number of productive wells, decreasing from 6,963 to 6,901 between October and December. Notable is the resurgence of the Akal field as the second-largest natural gas producer, surpassing Ixachi and following Quesqui. In the liquid hydrocarbons category, Maloob, Quesqui, and Zaap maintained their top positions, producing 330,000, 184,000, and 177,000b/d respectively.

Pemex, PDVSA heads ink cooperation deal after months of talks – *Bnamericas*

After two meetings in their respective capitals, Pemex and Venezuela's PDVSA have reached a cooperation agreement. In a social media post, the Mexican firm said that Pemex CEO Octavio Romero and PDVSA head Pedro Rafael Tellechea signed an MOU that includes cooperation and sharing information on technical and regulatory matters, as well as the exchange of best practices. Some experts believe that the two high-profile meetings could eventually lead to bigger things, such as investments.

The executives met for the first time in Mexico City on December 21 and then in Caracas on January 5. At the last meeting, PDVSA said both delegations presented investment opportunities, "as well as the route to define projects, infrastructure and exploratory opportunities." The last time Mexico invested in a foreign country was in 2022, when Pemex completed the acquisition of the Deer Park refinery in Texas. PDVSA partnered with Cuban oil company Cupet in 2010 and acquired a large part of its shares in 2016. Mexican President AMLO and his Venezuelan counterpart, Nicolás Maduro, cultivate amicable relations and pursue policies aimed at energy independence.

Committed investment from the bidding rounds totals US $65,278 mn as of December – *Oil and Gas Magazine*

The investment approved in exploration, evaluation and development plans in our country following the approval of the Energy Reform in 2013 has totaled US $65,278 million until December 2023, reported the CNH. Most of the investments in exploration, evaluation and development of the blocks tendered during the three rounds carried out in the previous six-year period will be carried out beyond 2025, with a total of US $30,034 million.

Until December, the company that has the most investment committed to a contract in the country is Woodside Energy, with an investment of US $10,865 million in the Trion field. In second place is Pemex Exploration and Production, with US $10,096 million in the Ek Balam fields, followed by Eni with committed investments of US $9,117 million, ahead of Fieldwood Energy and Petrobal with an investment of US $8,584 million in the Ixachi and Pokoch fields.

Pemex receives approval for exploration extension in Pokche field – *CNH*

CNH has approved a one-year extension for PEP Transition Program for its activities in the Pokche field. With this extension, Pemex aims to continue the last period of early hydrocarbon production from the Chejekbal-1EXP, Pokche-2DES, Pokche-12DES, Pokche-15DES, and Pokche-22DES wells, prior to the submission of the Development Plan for Extraction.

During the authorized period, the oil company expects to recover a volume of 8.53MMb of oil and 15.35Bcf. The above envisions a total project cost of US $30.33 million. The Pokche field is located 28km from the Dos Bocas Maritime Terminal, in the state of Tabasco. It covers an area of 33.17km2. Currently, Pokche produces oil with a density of 42° API.

On Nov. 21, PEP requested CNH to modify the Transition Program related to the Pokche field. This program was authorized on Jan. 4, 2022, through Resolution CNH.E.01.001/2022. On May 10 of the same year, the Commission approved the modification to the Transition Program associated with the AE-0151-M-Uchukil assignment, and on Jan. 17, 2023, emergency measures were adopted to promote the development of petroleum activities in it, through Agreement CNH.200.003/2023.

Pemex will invest US $87.4million in Sihil-101EXP drilling – *CNH*

The CNH, approved PEP to drill the Sihil-101EXP shallow water exploratory well. The drilling of Sihil-101EXP corresponds to the assignment AE-0166-M-Campeche Oriente, approved in November 2023. The Sihil Prospect is located in the Gulf of Mexico, off the coast of the State of Campeche. The average prospective resources with risk are 30.9 million barrels of crude oil equivalent with a probability of geological success of 46%.

The drilling and completion programs contemplate a total of 222 days: 200 days for drilling (from February 29 to September 15, 2024), and 22 days for completion (from September 16 to October 7, 2024). The total estimated cost is US $87.4 million, of which US $72.7 million will be used for drilling and US $14.7 million for completion.

CNH, Veracruz sign collaboration agreement – *Business Mexico News*

Veracruz has been authorized an investment of US $15 billion by CNH for oil and natural gas or condensate exploration and extraction. A formal agreement has been established with the State Energy Agency to boost local productive chains, both by private operators and the state. Governor Cuitláhuac García emphasized the significance of the Ixachi-1 well, alongside refineries and ongoing major projects. This agreement anticipates an industrial boom, not only in terms of attracting investments but also in creating an economic spillover at the regional level.

CNH Director General, Agustín Díaz, explained that the announced investment will cover the 2015-2040 period, aligning with the conclusion of authorized activities. Additionally, a commitment has been made to verify how and where US$2 billion were invested nationally. He highlighted that petroleum activity is present in 45 municipalities, representing over 4% of the state's GDP. The main task is to facilitate industry compliance with National Content (supplies, goods, and services), along with training and technology transfer. Furthermore, collaboration is sought with the state government, local universities, and other institutions interested in contributing to development.

Enrique Nachón, Secretary of Economic and Port Development, stated that after a year and a half of work, "today the alliance is formalized for the investments of large companies to hire the services of Veracruz companies, strengthening and sharing sector information." The collaboration aims to boost the regional economy and foster partnerships between major enterprises and local businesses.

Mexico president admits fuel production still short to reach energy self-sufficiency – *Reuters*

Mexico will be short of the fuel it needs to meet President AMLOS's goal of energy self-sufficiency when his term ends this year. Pemex's six refineries in operation hit an average production of 250,000 bpd of gasoline and 133,000 bpd of diesel last year, while the country imported an average of 396,000 bpd of gasoline and 170,000 bpd of diesel in the first 11 months of 2023. Experts have cast doubt over Lopez Obrador's goal, pointing to delays in infrastructure development.

Pemex head Octavio Romero said that the new Olmeca refinery, with a capacity to process 340,000 bpd, will be fully operational by the end of March. However, previously announced production dates have not been met.

Authorities expect the plant, located in the southern state of Tabasco, to produce 170,000 bpd of gasoline and 120,000 bpd of diesel when fully operational. Lopez Obrador also promised during his administration to stop exporting crude oil so that it could be refined at home. However, Mexico continued to export around one million bpd of oil last year out of a production of around 1.6 million bpd.

ASF to audit Olmeca refinery, Pemex's financial compliance – *Energia a Debate*

The construction of the "Olmeca" refinery in Dos Bocas, Tabasco, is set to undergo audit scrutiny, as the Superior Audit of the Federation (ASF) plans to examine the six packages awarded to this mega project.

ASF recently published its Annual Audit Program for the Superior Audit of the 2023 Public Account in the Official Gazette (DOF), revealing a comprehensive review that includes financial assessments and compliance audits. The Olmeca refinery, was segmented into six packages. These encompassed the construction of crucial components, such as the Combined Plant, Delayed Coker Plant, Hydrodesulfurization units, and various other integral structures. In 1Q23, Dos Bocas received a budget totaling US $525 million. Beyond the authorized budget, the Mexican government further contributed funds to Pemex through the Ministry of Energy.

In February 2023, a commitment of US $2.362 billion was pledged to PTI Infraestructura de Desarrollo, a Pemex subsidiary overseeing the refinery's construction. This allocation raised the total cost of the Dos Bocas Refinery to US $15.65 billion, indicating a 75% increase from the original budget of US $8.918 billion.

Beyond the construction audit, ASF's Annual Program outlines examinations of Pemex's financial standing. The program includes audits of Pemex's compliance with debt obligations. Additionally, mechanisms for payment to suppliers and contractors will be scrutinized, with Pemex's latest figures revealing a financial debt of US$105 billion and an additional debt of $270 billion pesos (US$15.6 billion) with suppliers and contractors.

In the audit numbered 231, which specifically assessed compliance with physical investments from 2019 to 2023 concerning maintenance and waste utilization at the Tula Refinery in Hidalgo, ASF highlighted three irregular payments. While acknowledging Pemex Industrial Transformation's overall adherence to legal and regulatory provisions, the ASF flagged three instances of excess payments, the absence of formalizing the extinction of rights and obligations, and the termination of contract DCPA-OP-SILN-SPR-CPMAC-A-1-14. The latter issue involved formalized temporary suspensions leading to non-recoverable expenses amounting to $546,532.6 pesos.

Power/Renewable Energy – Mexico

CFE invests US$8.4 million in solar power for IE-Tram – *Business Mexico News*

CFE is investing US$8.4 million in the construction of the Nachi Cocom Photovoltaic Plant. This solar facility is expected to supply electricity to the innovative IE-Tram transportation system in Merida, Yucatan, marking a significant step in the region's commitment to eco-friendly public transportation. A portion of the energy produced will be reserved for CFE's internal use.

The inauguration of the IE-Tram, Latin America's first fully electric public transport system, involved a collaborative investment of MX$2.8 billion (US$162 million). Yucatan contributed 60% of these resources, the federal government provided 23%, and the private sector invested 16% in this initiative.

The solar photovoltaic technology employed at the Nachi Cocom Plant utilizes silicon-based photovoltaic modules installed on fixed or tracking structures, converting solar radiation into electrical energy. Emphasizing the efficiency and automation of solar facilities, CFE notes that solar power plants operate with minimal attention due to their automated systems and commercially available technology. The IE-Tram already has the La Plancha-Kanasin and La Plancha-Teya routes. This year, it is expected to inaugurate the La Plancha-UADY School of Engineering, La Plancha-Uman, La Plancha-Uman-Poxila circuits.

Solarever will invest 3,400 million pesos for a solar cell factory in Durango – *El Economitsa*

The Solarever firm will invest 3.4 billion pesos for a new solar cell and panel factory in the city of Durango. This is the second investment that the firm makes during the start of 2024, and also in the state, since at the beginning of the month it announced an initial amount of 6.8 billion pesos for an electric car assembly plant to manufacture four models from January 2025.

The 13.57-hectare plant will be developed in different stages, beginning with the production of solar cells and panels in its initial phase and later expanding to the development of storage batteries.

The factory is designed to generate 1.2 GW of solar cells and 1.2 GW of solar panels, whose annual production amounts to 160 million cells and more than 1 million photovoltaic modules. In addition to supplying the national market, the new factory plans to export to the United States, Colombia and Canada.

Oil & Gas - LATAM

Brazil's Petrobras eyes Jaspe block acquisition – *Nasdaq*

Petrobras said it had notified the country's energy policy council it would exercise its preferential rights to acquire the Jaspe oil block. The offshore block, located in the Campos Basin, would be tendered by the country's regulator. The Jaspe block sits nestled within the heart of the Campos Basin, a geological treasure trove responsible for roughly 80% of Brazil's oil output. This offshore block holds estimated reserves of up to 3 billion barrels of oil equivalent, making it a highly attractive prospect for any oil company. Its shallow waters and proximity to existing infrastructure further enhance its appeal, promising lower development costs and faster production timelines. Petrobras, as the operator of the surrounding fields in the Campos Basin, boasts the necessary expertise and infrastructure to swiftly develop the Jaspe block. This acquisition aligns perfectly with the company’s strategic focus on maximizing output from mature basins while pursuing exploration in frontier areas. By leveraging its existing assets and knowledge, Petrobras can unlock the potential of the Jaspe block.

Jaspe's reserves hold the potential to significantly boost Petrobras' production, bolstering its position as a key player in the global oil market. This translates to enhanced energy security and economic benefits for Brazil.

Petrobras completes first well drilling in equatorial margin – *Agencia Brasil*

Petrobras has announced the conclusion of drilling at the Pitu Oeste exploratory well, located off the coast of Rio Grande do Norte state, in the Brazilian Equatorial Margin. Work began just over a month ago. During the drilling process, the presence of hydrocarbons was detected, and this information has been promptly communicated to the National Petroleum Agency (ANP) for further assessment of economic viability. The well, situated in deep waters approximately 52 km off the state's coast, is part of the BM-POT-17 concession.

According to Petrobras, the drilling operation was conducted safely and followed strict protocols for deep-water operations. The company also highlighted its commitment to respecting the local population and environment in a recent report released on Friday (Jan. 26). Petrobras is now gearing up for its next drilling endeavor scheduled for February, targeting the Anhangá well in the POT-M-762 concession, which is located 79 kilometers off the coast of Rio Grande do Norte and near the Pitu Oeste well. Further studies are planned to gather geological data, assess reservoir potential, and plan future exploratory activities.

In its strategic plan for 2024-2028, Petrobras has earmarked $3.1 billion for research in the Brazilian Equatorial Margin. The company aims to drill 16 wells over the next four years. However, the exploitation of reserves in this region, particularly near the mouth of the Amazon River, has faced criticism from environmental groups due to concerns about potential impacts on biodiversity.

The operations in the Potiguar Basin have received approval from the Brazilian Institute for the Environment and Renewable Natural Resources. Petrobras obtained operating licenses for drilling the Pitu Oeste and Anhangá wells in October 2023.

PDVSA's 2024 strategy, revitalizing Venezuela's oil sector – *The Rio Times*

In 2024, Venezuela's national oil company, PDVSA, is undertaking a significant initiative to boost its crude oil production. This plan is integral to reviving the country's oil industry, which has faced substantial challenges in recent years. The strategy focuses on enhancing efficiency and production, led by Minister Tellechea and key management figures.

Their objective is not only to increase output but also to improve the company's operational structure. Following a resilient 2023 amidst sanctions, PDVSA made an impressive comeback reporting earnings of $6.230 billion in 2023, indicating financial and operational recovery.

PDVSA's revival plan is crucial for Venezuela's economy, with the oil sector being a significant contributor to the nation's GDP. As of 2023, with new management, PDVSA set ambitious targets to elevate crude production to 1.17 million barrels per day by the end of the year. This target marks a notable rise from over 800,000 barrels per day in April 2023, the first time production exceeded this level in over a year.

PDVSA targets a significant increase in oil and gas production, aiming for a daily boost of 390,000 barrels of oil and 645 million cubic feet of gas. This increase is part of PDVSA's larger strategy following an audit that revealed around $21 billion in accounts receivable from oil sales abroad. These efforts represent a broader strategy to revitalize Venezuela's oil sector, signaling a significant shift in PDVSA's approach.

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