

THE STATE OF THE MEXICAN OIL AND GAS MARKET

In the period 2012-2018, which marked the liberalization of the energy market, the focus of the Mexican government was on licensing rounds. The arrival of Mexico's new administration in 2018 marked a new phase in the Mexican oil and gas industry: production.

Mexico's new administration is pushing for domestic production with NOC PEMEX and the 75 new operators. The Mexican government presented a plan to increase oil production levels to 2.624 million b/d by 2024, while gas production is to rise by 50 percent. PEMEX's 2020 budget is US\$16.7 billion, with nearly all of it going to exploration and production. President Andres Manuel Lopez Obrador stated that he will respect the 107 private oil contracts awarded under the previous administration.

Thus far, the Mexican oil and gas sector saw 9 bidding rounds, 111 new contracts, 75 new operators, a contract execution success rate of 67% and an estimated investment of US\$161 billion. New operators include Shell, Total, BP and ExxonMobil, amongst others. In addition, BHP won Mexico's first farm-out for the Trion deepwater field. Since the opening of the energy market several oil finds have been made and operators have started with exploration and production.

The Energy Reform has resulted in a worldclass oil find off the coast of Mexico in the Zama-1 field in July 2017, where the consortium of Talos Energy, Sierra Oil and Gas and Premiere Oil made a

discovery of over 2 BOE; making it the first and largest oil find by the private sector in Mexico. The drilling program started in December 2018. Another discovery was made by BHP Billiton, which in January 2019 struck oil at its appraisal well in the Trion deepwater field, located in the Perdido belt. Murphy Oil, which encountered oil and gas in March 2019 in its Cholula-1 well in the Salina del Istmo Basin, is another success case. Finally, Shell started appraisal drilling its first well off Mexico in the ultra-deep waters of the Campeche basin in December 2019 and expects to complete its drilling campaign consisting of four wells by the end of 2020.

Success stories in terms of first production is that of Italian operator Eni, that started early production of the Miztón field in July 2019, making Eni the first international company to produce oil in Mexico. Hokchi Energy started production of its Hokchi field in May 2020, whereas Fieldwood Energy and PetroBal expect to start production from their Ichalkil-Pokoch project in the fourth quarter of 2020. Investments of these three projects are expected to go beyond US\$39 billion.

MEXICO OFFERS INTERNATIONAL OIL AND GAS COMPANIES, AND THEIR SERVICE PROVIDERS, A UNIQUE OPPORTUNITY TO ENTER A REGION WITH LARGE HYDROCARBON RESOURCES AND INCREASING UPSTREAM ACTIVITY.

PARTICIPATING IN THE NETHERLANDS-MEXICO ENERGY SUMMIT WILL GIVE YOU THE INSIDE PERSPECTIVE ON THE DEVELOPMENT OF THE MEXICAN OIL AND GAS INDUSTRY.

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