



Perceptions of midstream issues in Mexico at OTC 2019

*Petroleum Equipment and Service Association
Houston*

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FROM ACREAGE TO MARKETS:

How leaseholder production from Mexico will safely reach markets

Mexico panel for OTC 2019

PURPOSE: An energy reform in 2013-14 allowed for a series of lease auctions for onshore and offshore acreage in Mexico. On some of these blocks, discoveries have been made and, on others, wells have been spudded. To bring eventual production to markets—safely—will require careful development plans that will require complementary commitments by EPCs, OEMs and service companies to devise solutions.

Leaseholders face constraints, including the following

1. The lack of nearby infrastructure in many of the blocks
2. The limited capacity of Pemex refineries to process additional crude
3. Safety challenges in Mexican deepwater, also security challenges onshore
4. The need of Mexican production to compete with U.S. onshore production from the Permian and other basins.

The incoming Mexico government (2018-24), meanwhile, has signaled that policy, regulatory and institutional changes are ahead in all links of the energy value chain, creating opportunities and uncertainties for both operators and service companies. The purpose of the panel would be to begin the discussion in an OTC venue for how bring production at the wellhead safely to markets.

DESCRIPTION OF PANEL: This panel will bring together offshore leaseholders in Mexico and their technology partners to discuss how eventual production can be safely delivered to markets. How will leaseholders address the need for midstream infrastructure? By whom will new hubs be built? Is a tie-back from Perdido to Great White an option? How much additional production can Pemex refineries absorb? What role could FPSO's come to have? How soon will the ports of Tampico and Dos Bocas be upgraded?



THE MEXICO COUNTRY PANEL at the 2019 Offshore Technology Conference (OTC) was held on May 7. The panel took up, from two perspectives, a general question: *How will the eventual oil and gas production from the many offshore leases that were awarded in international bid rounds during 2015-18 safely find a market?* This question quickly leads to others: On what terms will **Pemex's** existing onshore and offshore infrastructure be available to private leaseholders? Will existing tie-back pipelines be built to bring Perdido production to U.S. markets? Will FPSO's be widely employed? Will Pemex's refineries be capable of processing incremental volumes? Where can onshore gas processing and storage facilities be built and made secure? What spill response mechanisms will be needed in the event of a pipeline leak or shuttle tanker accident?



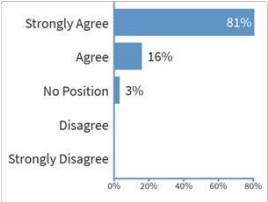
Audience survey questions at the OTC panel

At the end of each segment, there would be an audience (digital) survey of questions that the moderator would have elicited in advance from the panelists and others, some on topics that would be too politically sensitive to address from the podium. (Audience responses will form the basis of a subsequent report that the moderator will prepare.) – 5 minutes for each segment.

Stability

Segment for operators

Maintaining legal, fiscal, and regulatory stability is important for the success of the energy reform, avoiding contractual renegotiations of the kinds seen elsewhere in Latin America.



Response options	Count	Percentage
Strongly Agree	25	81%
Agree	5	16%
No Position	1	3%



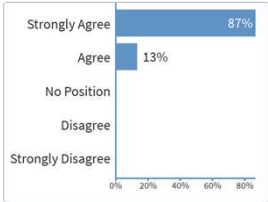
Engagement

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Responses

Segment for service companies

Maintaining legal, fiscal, and regulatory stability is important for the success of the energy reform, avoiding contractual renegotiations of the kinds seen elsewhere in Latin America. -



Response options	Count	Percentage
Strongly Agree	13	87%
Agree	2	13%
No Position	0	0%
Disagree	0	0%
Strongly Disagree	0	0%



Engagement

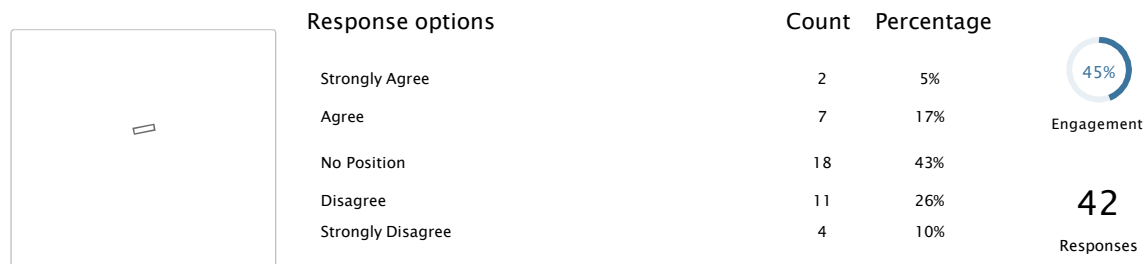
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Responses

Pemex's program for gas transport for 3rd parties

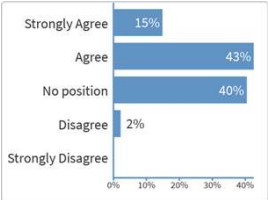
Segment
for operators

**Pemex's program to transport natural gas for third parties
adequately responds to the needs of the operators.**



Tailgate of gas plant

For the sake of price transparency and market development, natural gas and natural gas liquids (NGLs) should be sold at the tailgate of processing plants.



Response options
Strongly Agree
Agree
No position
Disagree

Count	Percentage
7	15%
20	43%
19	40%
1	2%



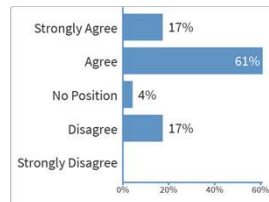
Engagement

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Responses

Free-market economics

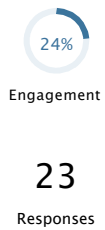
Free-market economics should govern the design and commercial terms of midstream infrastructure and transportation arrangements.



Response options

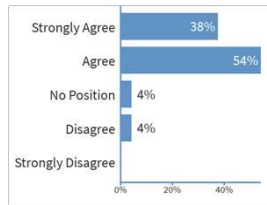
- Strongly Agree
- Agree
- No Position
- Disagree
- Strongly Disagree

Response options	Count	Percentage
Strongly Agree	4	17%
Agree	14	61%
No Position	1	4%
Disagree	4	17%
Strongly Disagree	0	0%



FPSOs

The deployment of FPSOs in the southern area would facilitate early production.



Response options	Count	Percentage
Strongly Agree	9	38%
Agree	13	54%
No Position	1	4%
Disagree	1	4%
Strongly Disagree	0	0%



Engagement

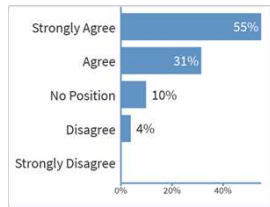
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Responses

Open Access

Segment
for operators

Open access to Pemex midstream infrastructure offshore and onshore is necessary for operators of offshore blocks in the southern portion of the Gulf of Mexico to achieve early production.



Response options

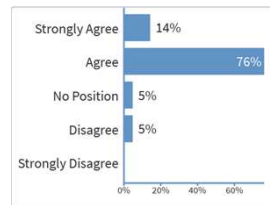
Strongly Agree
Agree
No Position
Disagree
Strongly Disagree

Response options	Count	Percentage
Strongly Agree	28	55%
Agree	16	31%
No Position	5	10%
Disagree	2	4%
Strongly Disagree	0	0%



Segment
for service
companies

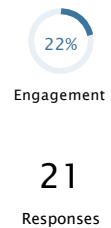
Open access to Pemex midstream infrastructure offshore and onshore is necessary for operators of offshore blocks in the southern portion of the Gulf of Mexico to achieve early production. -



Response options

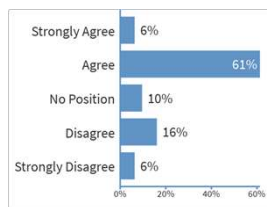
Strongly Agree
Agree
No Position
Disagree
Strongly Disagree

Response options	Count	Percentage
Strongly Agree	3	14%
Agree	16	76%
No Position	1	5%
Disagree	1	5%
Strongly Disagree	0	0%



Perdido blocks

Pipelines from Perdido deepwater blocks to onshore Matamoros and beyond to Pemex's gas processing plant in Reynosa would offer long-term, midstream solutions.



Response options	Count	Percentage
Strongly Agree	2	6%
Agree	19	61%
No Position	3	10%
Disagree	5	16%
Strongly Disagree	2	6%



Engagement

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Responses

Por su atención, muchas gracias

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