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Pemex ends plans to migrate more E&P contracts

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Mexico's state-owned Pemex cancelled switching seven contracts for mature fields to production sharing and license deals as part of its strategy to go it alone in increasing declining oil and gas production.

Pemex will not continue the contract migration process for the Panuco, Magallanes, Altamira, Pitepec, Miahuapan, Humapa and Amatitlan contracts, according to Pemex board minutes published yesterday.

President Andres Manuel Lopez Obrador has criticized upstream contracts, migrations and farm-outs awarded following the 2014 energy reform, claiming they have yet to attract promised levels of investment or cause an uptick in oil or gas production.

As a result, just over six months since taking office, Lopez Obrador's government has cancelled all scheduled upstream auctions, farm-outs and now the migrations, shutting down all options for private sector investment in the energy sector.

Four contract migrations have been completed for the El Santuario, Mision, Ebano and Miquetla fields. This was part of a strategy to move 22 public work-financed contracts (COPFs) and integrated exploration and production contracts (CIEPs) — two models created under an initial energy overhaul in 2008 — to newer production-sharing or license contracts created by the 2014 energy reform that dismantled Pemex's monopoly.

The migrations, designed for Pemex to share in E&P risks and benefit from private sector investments and technology, had seen increased production and investment.

Petrofac's integrated exploration and production contract for the 153km² (60mi²) Santuario block in Tabasco was migrated to a production-sharing contract with Pemex in December 2017. It increased production there by 70pc to 9,700 b/d in February from the 5,600 b/d produced in December just over a year earlier.

Petrofac had also hoped to migrate its contracts for the Magallanes and Arenque blocks.

Servicios Multiples De Burgos — a joint venture between local company Grupo R and Argentina's TecPetrol — operates the 1,692km² Mision block in the Burgos basin that was migrated to a production sharing contract in March last year. It has already committed to \$487mn in production activity and \$15.8mn in exploration work on the block.

Mexican company Grupo Diavaz operates the natural-gas producing 1,584km² Ebano and 314km² Miquetla fields in the Tampico Misantla basin.

Pemex hopes to increase production to 2.6mn b/d from the 1.68mn b/d produced in April through the development of 22 recently discovered fields and mature fields using service contracts. But industry members consulted by *Argus* say the service contracts will not provide the incentives required to ensure greater output.

Where Pemex will find the resources to develop all these fields also remains unclear as the company, struggling under more than \$100bn in

debt, has just Ps211bn (\$11bn) to invest in upstream this year.

Since 2014, CNH has conducted three upstream rounds for onshore and offshore blocks, as well as three farm-outs in which Pemex has partnered with the private sector to develop acreage awarded under the reform.

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