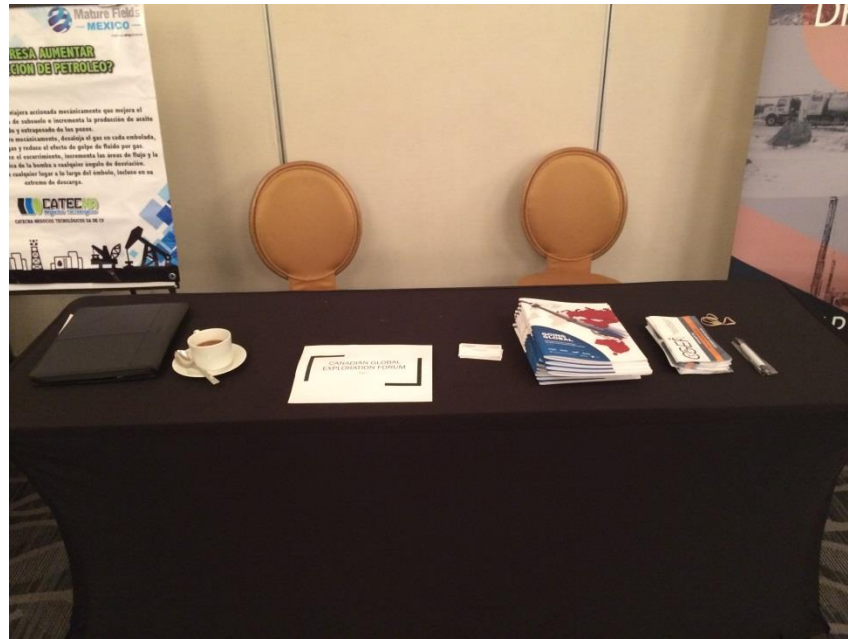


Mature Fields – Mexico Feb 21-22, 2014

Trip report by Jürgen Kraus and Roger McMechan Directors – CGEF
(Mar 21, 2017)



- Alberta Gov't sponsored 2 directors from CGEF to represent CGEF
- Conference: organized by DMG
- Objective: attract Canadian operating and service companies to invest in Mexican O&G opportunities as they proceed with their Energy Reform
- Attendees:
 - ~ 200 delegates
 - PEMEX
 - Mexican and Int'l operating companies
 - Service companies,
 - Gov't officials from Mexico, Canada, other Latin American companies
 - Other industry organizations similar to CGEF/PSAC
- 2 Day conference: Day 1: Operating Companies
Day 2: Service Companies





Why Did CGEF attend?

- Increase profile of CGEF as organization representing Canadian E&P companies operating internationally
- Represent Alberta and CGEF membership
- Establish contacts/gain info for Canadian companies interested in Mexico opportunities
- Establish contact with Mexican “CGEF” type organization to create affiliation with CGEF and member companies.

Jürgen gave a scintilating ppt on the morning of Day 2
(copy of ppt available on website)



PERSPECTIVA CANADIENSE DE EXPLORACIÓN EN MÉXICO

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Canadian Global Exploration Forum, Calgary, AB, Canada

Objective of ppt :

- Advertise the experience and expertise of CGEF membership and the Canadian industry in general



CANADIAN GLOBAL
EXPLORATION FORUM

Mature Fields in Mexico:

- CNH (Comision Nacional Hidrocarburos - federal energy regulator)
 - evaluated 761 existing fields in Mexico
- 268 / 761 deemed to be “mature”
- Mature fields defined by criteria:
 - >50% of the 2P reserves have been produced
 - >have been on prod >25yrs
 - Field production in clear decline
- 20,500 wells in the 268 fields and all well data available through CNH website
- Mature Fields Bid Round Objectives:
 - Increase production
 - Increase EUR
 - Decrease costs (at least unit costs/bbl)
 - Introduce new EOR technologies
 - Introduce new business practices



Opportunities:

- All sizes of fields available
- Some deep, some shallow and everything in between
- 173/268 fields are carbonate reservoirs
- Process is transparent (see www.cnh.gob.mx)
- Examples of successful companies that participated in past mature field bid round:
 - Grupo Diavaz (local)
 - Talos (US)
 - Pegaseus Energy (US)
 - Renaissance (Canadian)
 - Canacol (Canadian)
 - Int'l Frontier (Canadian)
- Canada has excellent int'l credibility and we're **not** building walls!
- Canada has ALL expertise req'd for conventional and unconventional developments





Challenges:

- Political: elections in 2018 and current president is unpopular. Opposition not supportive of Energy Reform
- Complex gov't structure and multiple levels of bureaucracy
- Requirements for national content in all operations (20-35%)
- Access and cost of access to existing pipelines/infrastructure
- Environmental liabilities
- Local stakeholders
- Personal security in certain areas
- Bid round competition is high....success has been expensive (winner's regret??)

Venezuela



- Attended 2 ½ hr bkfst mtg hosted by Canadian Trade Commissioner for Venezuela – Daniela Oague
- Lots of information for anyone interested (contact me or Daniela Oyague: daniela.oyague@international.gc.ca)
- Technical opportunities are huge; making money almost impossible!
- Gov't is very aggressively pursuing anyone provide services but ability to pay or honor contracts is nil (o/s debt to suppliers = \$19B US!!)
- Upfront payment for anything critical for success, black market Fx= 300X official Fx
- Prod has dropped (3.5mmbbbls down to 2mmbbbls in 20years)
- No Cdn companies present, majors still there protecting their interests
- Chinese gov't is the major creditor and controls most business in the country



Summary:

- Canadian companies are welcome to Mexico and held in high regard
- Next mature field bid round is in July 2018.
- Mexico (current gov't at least) plans on 2 bid rounds/yr for the future
- Technical risk :  Political risk: 
- AMEXHI/CGEF affiliation in the works
- Venezuela: fantastic tech opp but political risk extreme