

Mexico reform seen finalised in June

By Gareth Chetwynd

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The Mexican Congress is expected to unlock potential of the country's energy reforms by approving 21 secondary laws in an extraordinary session scheduled for June, a top Pemex manager predicted on Tuesday.

Gustavo Hernandez, acting director of E&P, also pressed the case for Pemex to govern its own fate when it comes to choosing partners for future joint venture projects.

"The challenges are great, and there will be some modifications along the way, but we expect Congress and the congressional committees to rise to their sense of higher responsibility and approve the reforms," Hernandez told an audience at OTC on Tuesday.

The secondary laws have been welcomed by oil industry leaders for taking a sensible and flexible approach to issues such as government take and national content, but approval has lagged behind expectations due to a weakening in cross-party cooperation.

The constitutional reforms approved in Mexico in December and the secondary legislation laid before Congress last week will allow private and international oil companies to compete with Pemex through future licensing rounds or partner the state-run company in joint venture opportunities.

A strengthened and restructured regulatory system and a fundamental shift in the business objectives of Pemex are also envisaged.

The Pemex director outlined the company's strategy of retaining full ownership of conventional onshore and shallow water assets where its own expertise is strong.

Pemex wants to open the door where joint venture partners can bring necessary technical competence and experience, particularly in deep-waters, unconventional plays, mature assets needing enhanced recovery and extra-heavy oil in shallow waters.

Pemex is particularly interested in companies with experience in the Gulf of Mexico, due to the geological similarities.

In the case of unconventional, Pemex is pursuing strong analogies with the Eagle Ford shale, with considerable potential for shale oil in the Tampico Misantla basin.

Mexico's Energy Secretariat (SENER) is scheduled to rule by 17 September on which areas can be assigned to Pemex.

Pemex's applications reflect these differences covering, for instance, 82% of 2P reserves but seeking more modest percentages of 3P areas.

In deep-waters, the company could only apply to areas where wells have been drilled, opening up big areas for future licensing rounds.

Acreage not retained by Pemex may be included in a first licensing round proper has been slated for mid-2015.

The content of the round will be decided by SENER, in consultation with the hydrocarbons regulator (CNH).

"This assigning of areas to Pemex is known as Round Zero and then there will be a Round One, which will be open to everyone. But there is an in-between stage when Pemex has the chance to pick its partners," Hernandez said.

The role which the CNH should play in this selection process has been a topic of debate in Mexico.

Secondary laws proposed by the government last week included a public bid structure for the formation of joint ventures, but Pemex's role in this process is still unclear.

Hernandez defended the company's right to manage this process.

"We know the industry and we would like to pick our own partners," he said.

Hernandez referred to a possible solution.

"We understand that this is in debate with the secondary legislation," he said.

"There is a possibility for us to pre-qualify some players for a bidding process that could be managed by the CNH, and limited to those approved companies."