

# Five-Year Plan for Exploration and Production, 2020-2024



On October 28th, the Ministry of Energy (SENER) published the second five-year plan for E&P bidding processes (PQ-2020) according to Hydrocarbons Law. The first one was published in 2015 with four subsequent annual updates from 2016 to 2019.

At the beginning of his administration, president López Obrador announced the suspension of future bidding rounds and the publication of this document raises suspicions about a possible policy change. However, this publication could be the outcome of a legal requirement. Either way, it is interesting to have a look at the evolution of this document as it is a complete new one under AMLO's government.

The main differences between the new plan and the 2019 edition (PQ-2019), are the absence of unconventional areas and the increase in offshore potential:

## SHALE PROHIBITION

Unconventional (shale) areas are not included in PQ-2020, according to presidential banning. The PQ-2019 included 187 blocks and 53,969 km<sup>2</sup> of bidding surface for unconventional areas.

The large reserves of Chicontepec were also excluded from the new plan probably because its economic feasibility depends on the higher materiality from deeper unconventional formations.

The banning of unconventional and no including Chicontepec explain the major drop in onshore of 228 blocks and 63,000 km<sup>2</sup> from PQ-2019 to PQ-2020.

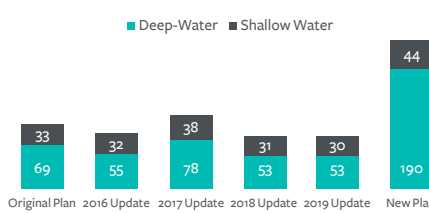
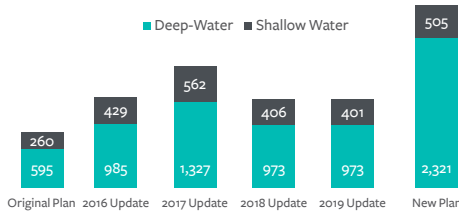
## OFFSHORE INCREASE

Surprisingly, concerning PQ-2019, the new plan has a larger offshore acreage in fewer blocks, for both shallow and deep water. Therefore, considering **the average block\***, there is an **increase of 138% in deep-water block size** (2,320 km<sup>2</sup> in 2020 vs 973 km<sup>2</sup> in 2019) and **26% in shallow-water block size** (505 km<sup>2</sup> in 2020 vs 401 km<sup>2</sup> in 2019).

In the same way, PQ-2020 has an important increase in prospective resources for the **average block\* of 257% for deep-water** (190.5 MMboe in 2020 vs 53.4 MMboe in 2019) and **44% for shallow water** (43.9 MMboe in 2020 vs 30.4 MMboe in 2019).

ACREAGE / NUMBER OF BLOCKS (KM<sup>2</sup>)\*,\*\*

PROSPECTIVE RESOURCES / NUMBER OF BLOCKS (MMboe)\*,\*\*



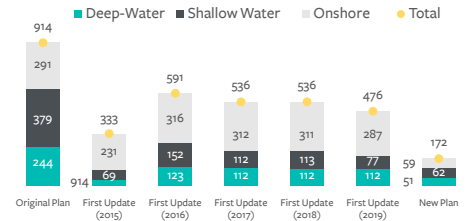
\* The **average block** exercise was made to show differently the quantitative impact of the PQ-2020. In this way, it doesn't suggest that each block will have the size or resources stated in this document.  
 \*\* 2015 is not presented for this analysis, as PQ-2015 didn't consider individual blocks for tenders.

## PQ-2020 CONCLUDING REMARKS

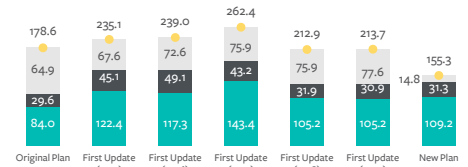
- This five-year plan brings new hopes about reactivating bidding rounds in the future. This hope is based on the fact that SENER actually worked on a new proposal increasing block size and resources per block for offshore areas.
- Furthermore, it recognizes that new rounds are suspended and that relaunching them is conditioned to private operators' cooperation for achieving national energy objectives.
- It also provides better data quality produced by 2,820 MMUSD invested in ARES activities (since 2015).
- As the government has stated, it is necessary that E&P contracts show the benefit from their operations. PQ-2020 indicates that SENER will annually evaluate their tangible benefits, thus it is key to focusing on production, reserves incorporation, exploratory activity, and investments.
- For the first time, PQ-2020 includes a production forecast with low and high scenarios. Unfortunately, expected production from private operators is only revealed in the low-scenario case and the high scenario is aggregated with Pemex production. Thus, there is a chance to know how private operators would behave under favorable conditions.
- Nevertheless, under non-favorable conditions, private operators would increase production by 260,000 barrels per day by 2024.

## EVOLUTION OF THE FIVE-YEAR PLAN

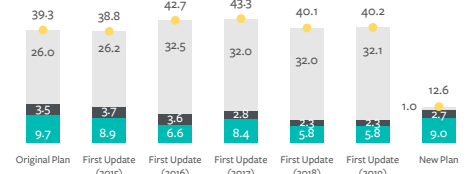
### Blocks (number)



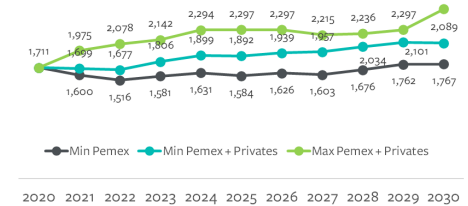
### Surface (thousand km<sup>2</sup>)



### Prospective Resources (mmmboe)



### Production forecast (mbd)



Areas of the new five-year plan

## ANALYSTS



**MARCO COTA** is the founder and CEO of Talanza. He assists international energy companies in the design and implementation of tailor-suited strategies for their regulatory compliance, adjusted to the applicable geopolitical context, considering current and upcoming regulations.

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**RICARDO ALCUDIA** provides specialized advice to our clients in terms of development stage obligations, focusing on aligning our clients' objectives to compliance of their contractual and regulatory requirements.

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We are a unique firm integrated by experts in energy regulation and public administration, conformed by a professional team with vast experience in the evolution of the energy sector during the last 10 years.

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