

# GATHERING, the upcoming challenge in increasing production



The president of Mexico has stated the importance of increasing national oil production. In these regards, he has given the awarded Oil Companies an ultimatum of proving compliance in three years, preferably by having oil production. This would be a key element to resume the bidding rounds.

On its part, he has announced several plans and programs to reactivate the production of Pemex Exploration and Production (PEP), declaring that there are sufficient conditions to invest in these activities consistently. This investment, it is said, may also allow an increase in the recovery of natural gas and its liquids, thus achieving an increase in federal revenues by 2024, before the end of this administration.

**However, there is an important activity that must be implemented to ensure that this investment doesn't get abruptly interrupted by the lack of capacity to place that production in the relevant markets: gathering.**



## 1. AMLO'S CURRENT POSITION TOWARDS PRIVATE PARTICIPATION IN O&G ACTIVITIES

Up to date, the awarded companies and PEP have an expected production that reflect forecasts impossible to handle by the current gathering infrastructure in Mexico.

To meet this need, it will be necessary to design, procure, construct and operate several recollection pipelines, storage tanks, port infrastructure and many other infrastructure to ensure the proper delivery of oil and gas to refineries and processing centers.

## 2. INFRASTRUCTURE ALTERNATIVES

Gathering infrastructure can be implemented inside contractual areas, can cross areas to serve multiple areas or it can be designed as an infrastructure to attend and recollect oil or gas from several producers, in which case it should be operated by a third party.

**To define the optimal solution, companies must obtain the best information available of expected production and forecasts.** Choosing one of these alternatives can't wait any longer as awarded Oil Companies shall include this in their Development Plans.

One more note: whichever scenario becomes optimal for each play in the country, regulatory compliance will be key.

## 3. MISSING PIECES

### PUBLIC INFORMATION

PEMEX's existent gathering infrastructure is not publicly available.

Private Parties have yet to develop their own gathering infrastructure.

Infrastructure outside the Entitlement Areas belongs to PEMEX Logística.

### REGULATION

There is no specific regulation to this activity. The Hydrocarbons Law establishes that the National Hydrocarbons Commission (CNH) has the authority to issue Regulations on this activity; however, the exercise of this authority is still pending.

Awarded contracts address the "shared infrastructure" obligations in Annex 13 *which is the only light on these regards.*

IN ORDER TO IDENTIFY OPPORTUNITIES FOR GATHERING INFRASTRUCTURE TO INCLUDE IN THE UPCOMING DEVELOPMENT PLANS, THE RESEARCH AND DESIGN OF PROPOSALS PROCESS **STARTS NOW.**

## REGULATIONS ON GATHERING SERVICES

Existing infrastructure of recollection within PEMEX's entitlements is limited and in the hands of PEP, who does not require permits granted by the CRE nor is subject to open access regulation. This implies scarcity in the availability of public information: the best way to understand this infrastructure is through the analysis of each development plan approved to Pemex by CNH.

On the other hand, the oil and condensate gathering pipelines that go cross entitlement areas have a permit granted by the CRE. Through its subsidiary Pemex Logística, Pemex holds 8 permits and is in the pursuit of getting approval for regulated tariffs, new proposed terms and conditions and planification for open seasons

In case of an infrastructure designed by an entity that can offer services to multiple contractors plus PEP, it will be subject to regulation by the Energy Regulatory Commission. This will represent regulatory obligations, regarding:

- (i) Terms and Conditions approval;
- (ii) Regulated tariffs;
- (iii) Open season, and
- (iv) Open access obligations.

In TALANZA we support our clients in identifying the best gathering solution for their production needs by combining the existing infrastructure by region, the expected production and the regulatory compliance for each alternative.

### ANALYSTS



**DAVID ROSALES** provides solutions for business development, regulatory compliance and feasibility analysis for natural gas and liquids projects. He has experience designing strategies to identify supply, demand and funding for infrastructure projects, including a deep feasibility analysis due to a profound understanding of the regulatory environment and the regional energy balances involved on each case, both for natural gas and liquid fuels.

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**MARÍA SERNA** advises on the design of the regulatory compliance strategies where she oversees that each of our suggestions is both legally viable and enforceable as well as representing the minimum government relationships wear. She has experience in advocating before high-level public servants of the energy regulators in favour of our clients often integrating diverse stakeholders' points of view.

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Comprehensive energy regulatory consultancy given by former key officials that participated in the design and implementation of the new energy model.

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