

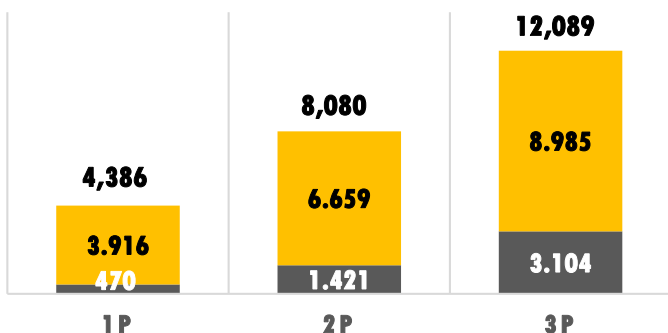


# Favorable International Environment for Opportunities in Mexican Heavy Crude Oil Production

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## Oil reserves in heavy oil fields<sup>1</sup> (Million barrels)

■ without production ■ with production



2P reserves of crude oil in Mexico reached 12,089 MMB. Of these, 1,421 MMB correspond to fields without production, whose estimated production is a total of 330 KBPD.<sup>1</sup>

In comparison, Venezuela has decreased its production to approximately 700 KBPD (33%) after the termination of the supply agreement with OPEC in 2016. It is estimated that production will continue to decline by an additional 300 KBPD in 2018.<sup>2</sup>

Meanwhile, Canada faces difficulties selling its crude, due to capacity restrictions of crude oil transport pipelines from Alberta to the US Gulf Coast<sup>3</sup>, as well as delays in the construction of the Transmountain pipeline which will transport crude to Asia.<sup>4</sup> In this context, the price of oil has suffered severe discounts (WTC and WCS price gap at US\$ - 17.40/b)<sup>5</sup>.

The current international environment presents an excellent opportunity for the development of heavy oil in Mexico.

| Oil price (usd/b) <sup>5</sup> |      |      |      |                  |
|--------------------------------|------|------|------|------------------|
| Date                           | WTI  | WCS  | MME  | Venezuela basket |
| dec-17                         | 57.9 | 44.0 | 51.1 | 56.6             |
| jan-18                         | 63.7 | 42.5 | 55.9 | 60.8             |
| feb-18                         | 62.2 | 37.7 | 55.8 | 58.4             |
| mar-18                         | 62.7 | 35.5 | 55.8 | 59.1             |
| apr-18                         | 66.3 | 40.5 | 58.4 | 62.2             |
| may-18                         | 70.1 | 52.7 | 63.8 | 66.7             |

KBPD: thousands of barrels per day, mmb: million barrels

Sources:

1 / National Hydrocarbons Commission (CNH). Evaluation of reserves through 01 January 2018. Fields can contain different types of hydrocarbon, the production estimate takes into account 2P production. For Esah and Teekit Deepwater, potential production considered the ratio of heavy oil to total oil. There are 22 fields of heavy production and 80 of production with crude. The daily production estimate considers total maximum attainable.

2 / Jacobs, j. (2018). Venezuela: Opec's heavy lifter. *Petroleum Economist*. May 2018, 12-13. OPEC Market indicators as of the end of May 2018.

3 / Polczer, S. (2018). Alberta's differential dilemma. *Petroleum Economist*. May 2018, 35.

4 / Polczer, S. (2018). New markets for Canada's oil remain elusive. *Petroleum Economist*, June 2018, 44.

5 / National Hydrocarbons Commission (CNH). For more information, please see [National Hydrocarbons System](#). Ministry of the Popular Power of Venezuela, Economic Dashboard Alberta Government.