

Houston's Talos Energy and Pemex struggle to find convergence over oil discovery

A report by Houston consultancy Baker & Associates analyzes challenges facing investors, regulators and ministers regarding the development of a giant reservoir

HOUSTON, TX, UNITED STATES, March 22, 2023 /EINPresswire.com/ -- By the end of March 2023 Talos Energy, as the operator-of-record of Block 7, where the giant oilfield named Zama that was discovered in 1917, is required to submit a development plan for the reservoir. The document will be a placeholder for a joint development plan once a Unit Area is created and a Unit Operating Agreement with an acceptable governance structure are in place.

As described in [MEI Report 958](#) of Mexico Energy Intelligence, an industry newsletter, Talos's situation is complicated by a ruling of the Energy Ministry in 2021 that assigned Pemex as the operator with controlling ownership of the reservoir.

Even after four years of negotiations, there are still issues that must be resolved for the parties to reach a Final Investment Decision (FID) to move forward with joint development. Among these are operatorship, commercial terms, and redetermination.

“

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George Baker

It is in the development phase that 60% of the project's total capital budget will spent. Pemex lacks experience in building out the necessary production and marketing infrastructure in a water depth of 165 meters. The efficient solution is for Talos and partners, Harbour Energy and Wintershall DEA, to assume responsibility for the initial development of the project.



Title page of MEI Report 958 - Talos Energy Slouches toward FID

For the project to proceed, a coherent commercial framework is needed. Where Talos has a production-sharing contract with cost recovery, Pemex's license does not. Both licenses need to be renegotiated with the Finance Ministry, headed by Rogelio Ramírez de la O.

A third contentious topic is redetermination, which is the evaluation of well and production data at a point in the future to reevaluate relative ownership of the reservoir. Most observers believe that Pemex's 50% share is excessive, but no one knows by how much because Pemex has not drilled a well of its own to back its claims.

These issues and others, such as the commercial terms for the use of Pemex's existing pipeline and gas processing infrastructure, need to be worked out.

"No oil or gas will come from the Zama reservoir during this presidency, but [everything else is uncertain](#)," says George Baker, the principal author of the report.

Appended to the report is an [annotated title list](#) of reports since 2012 on topics related to the Transboundary Hydrocarbon Agreement, Round 1.1, Block 7, Zama, unitization and redetermination.

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MEI 958 Outline of MEI Report 958

 Annotated title list of reports about Zama and related topics				
Year	Topic	File #	Pages	Chart
2022				
Jul 31, 22	AMLO Doubles Down on Zama but Misstates Facts, Laws and Contracts This report provides an English translation of President López Obrador's remarks on July 26, 2022, on the roles of Pemex and Talos Energy in the negotiations of unnamed areas of disagreement related to the 2017 Zama oil discovery by Talos. Appended to the report is an annotated title list of our reports on related topics since 2012.	951	12	0
2021				
Sep 21, 21	Chronology of Unitization in Mexico: Zama, 2012-21 This report updates our chronology table to September 3, 2021, when Talos Energy issued a press release about its Zama strategy. Appended is a list of MEI reports related to unitization that go back to the Transborder Hydrocarbon Agreement of 2012.	100249.5	11	2
Jul 09, 21	Talos's legal and strategic options to secure role as Zama operator This report explains how defects in the upstream model in the Energy Reform led to the current situation of Talos Energy, Inc., and its partners in relation to the ownership of their Zama discovery of 2017. The report identifies actions that Talos could adopt were it to seek a recognition of its rights by Mexican courts.	940	20	2
Jun 28, 21	Energy and the Public Interest in Houston & Mexico: Deer Park and Zama This report asks about the nature of the public interest in the energy sector. It identifies concerns about how the public interest is overseen and affected by public and private institutions in energy markets in the United States and Mexico, taking as examples Pemex's proposed operatorship of the refinery in Deer Park, Texas, and the suspended development of the offshore Zama reservoir in Mexico.	939	18	2
May 25, 21	Zama Interim Unitization Report: Simulations and Outlook This report takes note of the interim unitization report issued by Talos Energy in a press release dated May 22, 2021, also our commentary published in <i>The Houston Chronicle</i> on the same date. Talos's CEO Tim Duncan informs the public of its strategy to obtain full recognition of its claims in the Zama reservoir by future redeterminations and of its intent to become the operator of the field. In our report, identify the challenges associated with redetermination. We ask about the support that Talos may receive from industry and the Biden administration. Table 1 is a two-page chronology of marker events since 2015 that are associated with the Zama reservoir.	938	10	1

Title list of reports related to Zama

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