

Mexico 'now more attractive than ever'

By Adam Critchley - Tuesday, May 24, 2016



Steve Hanson
Director
Tonalli Energía

Teaming up with a local partner is key to participating in Mexico's oil and gas sector, according to Steve Hanson, a director of Tonalli Energía, a JV between Canadian oil and gas firm International Frontier Resources and Mexican petrochemicals firm Idesa. He talks to BNamericas about this, the opportunities Mexico presents, and more.

BNamericas: Tonalli Energía was awarded the Tecolutla block in Mexico's onshore auction in December. How big an opportunity is Mexico in the wake of the energy reform?

Hanson: We started looking at Mexico in 2014 with the energy reform to understand the opportunity. This truly is a historic energy reform, unlike any other that has taken place globally, and we believe the new framework is highly attractive and will attract billions of dollars in investment. The denationalization of over 900 blocks over the next four years is unprecedented.

BNamericas: Does Tonalli Energía plan on targeting more blocks in future rounds?

Hanson: We're going to focus on onshore, conventional and unconventional, and we're expecting another onshore auction to be announced as early as July, and we believe there's the potential for another onshore auction but with a larger number of blocks, and we'll certainly be a participant.

BNamericas: With comparatively low recovery costs, is Mexico now more attractive than ever amid low oil prices?

Hanson: We believe there'll be lower costs operating in Mexico than in other areas of North America. Mexico is a country with excellent access to infrastructure and existing oil services companies. There is access to large conventional and unconventional onshore fields, where we see significant upsides. When we apply modern technology and expertise, we believe that in partnership with the Mexican government and local firms we can significantly increase recoverable reserves, and Mexico has competitive, low-cost production. We like the opportunity of large mature fields, and Mexico's geographical location makes a lot of sense for North American oil and gas companies.

BNamericas: Is the increase in violence in Mexico over the last few years a concern to oil investors?

Hanson: We have a team with global oil and gas experience and mitigating risk is always part of our plan. There are challenges in all jurisdictions: security, community, environmental and drilling risks. Part of our goal is to seek out areas in a country with less risk, as there are areas around the globe that we will not go to, but we are fairly comfortable about working in Mexico. But seeking a local partner was key. We believe foreign companies that do not have a local partner in Mexico will face greater challenges. Idesa has great resources and local knowledge and will be very important for mitigating risk of all kinds. We'll continue to evaluate risks of all kinds, from geology to infrastructure, and we'll go after regions where infrastructure is good, where there is lower environmental impact and the community is supportive.

BNamericas: How far off do you see the development of unconventional fields in Mexico?

Hanson: We've done extensive work in the Chicontepec basin and we like the opportunities. We're used to working in challenging, tight reservoirs, and we have the expertise to take advantage of those opportunities, reducing drill times and costs, so we're not so concerned about the challenges, but we don't have a forecast as to when that auction might take place. But when it does, we will be active participants.

About Steve Hanson

With over 20 years of finance and corporate development experience, Steve Hanson is president of International Frontier Resources and a director at Tonalli Energia. He has served as president of PanAsian Petroleum, and as a director at Lion Petroleum Corp., a company focused on East Africa, and has served on numerous private and public company boards.

About the company

Tonalli Energia is a 50/50 joint venture between listed Canadian company International Frontier Resources and Mexican petrochemical firm Grupo Idesa.

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