

Mexico in the Middle: the World's Growing Natural Gas Hub

Mexico, a nation nestled between the world's largest producer of natural gas and some of South America's largest economies, was famously limited for decades by the country's state control on the oil and gas sector. However, Mexico has opened its energy sector to foreign investment in recent years and is now preparing to tap into some of the world's most significant reserves. As the nation enacts sweeping reforms to its energy sector, it stands poised to benefit from some of the most ambitious infrastructure projects taking place throughout the world.

The potential economic, political and social benefits of Mexico's energy reforms cannot be understated. Given the nation's geographic position at the heart of one of the energy sector's most important regions, Mexico could potentially develop into a leading hub and marketplace for natural gas. As foreign investment pours in to maximise the potential of Mexico's ample resources, the country is poised to benefit from increased economic growth through at least 2025 as well as an improved bargaining position in trade negotiations with the United States and Canada.

Whilst investors clamor to stake their claim in the trove of Mexican resources, a few discoveries and projects stand out in significance:

Significant Discoveries, Both Onshore and Offshore

In July 2017, Talos Energy LLC, Premier Oil Plc and Sierra Oil & Gas announced that they had discovered a reservoir in shallow waters with 1.4 billion to 2 billion barrels of oil equivalent. Known as the Zama-1 discovery well, this exploration project was the first to take place in Mexico following the entry of foreign investors in 2013.

Meanwhile, Petroleos Mexicanos (Pemex), the Mexican state-owned petroleum company, made its own groundbreaking discovery onshore in November 2017. The Ixachi-1 well, located 45 miles south of the port of Veracruz, was discovered to have roughly 1.5 billion barrels of oil equivalent, or 300 million barrels of proven, probable and possible reserves.

With each new discovery inflating the enormous economic potential of Mexico's oil and gas reserves, companies like Pemex and Talos Energy LLC are now positioned to accept foreign investment and expertise to develop and market their newfound resources.

Mirage Energy Corp. Expansion

Whilst some corporations invest in the discovery of new Mexican resources, companies like Mirage Energy Corp. are seeking to capitalise on Mexico's advantageous geographical position. Recognising the potential of serving both the United States and South America, Mirage Energy Corp. is developing an underground natural gas storage facility in Mexico. Expected to store more than 750 billion cubic feet of natural gas, the new facility will connect to major pipelines in both Mexico and the United States.

Maximising the potential of their new storage facility, Mirage Energy Corp. is also planning on building multiple two major pipelines to link Mexican and American pipeline networks. The Progreso pipeline, named after the company's international crossing in Progreso, Texas, will run south from Texas to the new storage facility and will include several

interconnects in between. The Progreso pipeline will be complemented by the new Arguelles pipeline, which will travel west from Mirage Energy Corp.'s storage facility and connect to Mexico's major trunk lines. Both pipelines have a planned capacity of 500 million cubic feet and will facilitate sales to end users in the United States.

Expanding Midstream Infrastructure

As foreign investors lend their resources and expertise to new Mexican projects, the nation's state-owned companies are making their own efforts to modernise and reform the energy sector. Centro Nacional de Control del Gas Natural (Cenagas) is overseeing the expansion of the country's natural gas transmission network, and they recently updated their ambitious five-year plan to introduce multiple midstream projects to their already-established core pipeline projects.

Cenagas' strategy for expansion and reform will help to facilitate the country's efforts to develop an internationally competitive gas market. The company's five-year plan includes new pipeline, interconnection and storage projects and is highlighted by the development of the country's first private pipelines.

Long inhibited by a restrictive policy of nationalisation, Mexico has now opened its substantial resources to the world. With the right combination of domestic strategy and foreign expertise, Mexico will soon be able to join the world's leading producers of oil and gas. The economic and political benefits to the Mexican people could be as vast as the country's energy reserves.