

Larry Pascal, Natalia Cosio Ondiviela in Latin America Advisor Q&A

August 19, 2021 Larry Pascal

PRACTICES International, Finance, Corporate, Energy, Power and Natural Resources, Mexico Energy Reform, Oil and Gas Litigation

Haynes Boone Partner [Larry Pascal](#) and Foreign Associate [Natalia Cosio Ondiviela](#) participated in a Q&A in *Latin America Advisor* about the state of Pemex's finances.

Below is an excerpt:

Q: Mexican state oil company Pemex last month posted a second-quarter net profit of \$721 million, with crude production up 3.8 percent as compared to the same period a year ago. However, the firm's financial debt surpassed \$115 billion at the end of the quarter, raising concerns among investors over the sustainability of its debt burden. What were the main factors driving Pemex's profits, as well as the company's production increase, in the second quarter, and will these positive trends continue? What is the Mexican government doing to address concerns over Pemex's debt sustainability? How much is the firm's financial situation weighing on Mexico's account balances and the country's broader economic recovery?

A: Larry B. Pascal, member of the Energy Advisor board, and Natalia Cosio, both members of the International Practice Group at Haynes Boone: "Pemex's reported increased profits and production during the second quarter of the year may be attributed to several factors. Pemex benefited from a rise in international oil prices and reported an average price during this period of \$60.30 per barrel, an 87 percent increase over the prior 2020 period. It produced an average of 1.736 million barrels per day (bpd) during the second quarter, which represents an increase of 3.8 percent over same the period a year ago. Pemex attributes the increase to the inclusion of productive wells in the southwest marine, northern and southern regions of Mexico. Also, a couple of recently announced discoveries could improve Pemex's production once those projects go online.

In March, Pemex announced the discovery of the Dzimpona 1 onshore field in Tabasco, with between 500 million and 600 million barrels of crude oil equivalent, mainly in the form of natural gas. President López Obrador campaigned on the platform of strengthening Pemex as a national priority. Hence, the Mexican government has responded by financially supporting Pemex—primarily in the form of a \$3.5 billion reduction in taxes and an injection of an additional \$6.5 billion. In July, Moody's downgraded Pemex's rating from to 'Baa3' from 'Baa2.' Per Moody's, these rating actions are based on Pemex's high liquidity risk and increasing business risk and the expected short-term expenses while it increases refining capacity and production. It is difficult to assess the full impact on the national economy. However, a strengthening U.S. economy usually helps the Mexican economy."

To read the full article, click [here](#).