Beyond Renaissance Oil Corp.'s dive into Mexico after snagging four onshore blocks in the third phase of Round One, the Vancouver, Canada-based company is gearing up to be the first foreign player to kickstart shale exploration following a US$1.75 million buy-in at Lukoil's Amatitlán Block near Poza Rica in Veracruz state.

For the company's CEO, Craig Steinke, partnering with the Russian giant represents a multibillion-dollar opportunity, which he enthusiastically revealed in a conference call announcement in early January. And Lukoil's unconventional resources manager in Houston, Sergei Pokrovsky, said that the company's pick of partners was based on Renaissance's team expertise.

Sweet spots are already in the two companies' crosshairs. Renaissance geochemist Daniel Jarvie explained that Amatitlán's Upper Jurassic trend boasts 564 barrels of oil equivalent (boe) per acre-foot, which is only 34 boe per acre-foot short of the Eagle Ford. And oil in place is three-fold: tests show the Mexican analog is 3x times thicker than the prolific Texas play.
“We estimate that there are approximately 6 billion barrels [Bbbl] of oil in place, with several hundred million or more of recoverable oil,” he said. With that, he expects Amatitlán to “become one of the premier tight oil plays globally in the future.”

Amatitlán’s Upper Jurassic system has comparable properties to the Eagle Ford guaranteeing excellent recovery. According to Nick Steinsberger, a petroleum engineer at Renaissance, overpressured shales have already been spotted.

“That’s key, because it moves the oil out of the wellbore,” as in most productive shale reservoirs up north, he said.

Apart from tapping into shales, Steinke said that reviving the Chicontepec play also boasts attractive potential. “We are committed to reestablishing production at Chicontepec. If we do that, Amatitlán is a company maker for Renaissance,” he said.

Jarvie explained that Renaissance plans to drill production wells to target Chicontepec and take them deeper to explore both conventional and unconventional pay zones in the Upper Jurassic.

Currently, Amatitlán is a service contract with Pemex that should soon migrate to an E&P license. The final working interest breakdown could leave Renaissance with the majority as the operator, according to Steinke.

However, for Pablo Medina, Latin America upstream analyst at Wood Mackenzie, the contract migration could take much longer given Pemex’s priority on larger projects over service contracts. And he thinks that Renaissance will wait until the contract is migrated before taking on any significant activity in Amatitlán.

“Once the contract terms are set, they will have to deal with the challenges of being the first movers,” which he said would involve “developing the required supply chain, dealing with the communities present in the area, and operating under brand new regulation that has not been tested yet.”

To mend that, Carol Law, Renaissance’s COO, said that the company will submit a list of recommendations and clear guidance on issues relevant to the region’s development together with an industry group. Ranging from economic to timeline concerns, the document will address the National Hydrocarbons Commission (CNH) and the Ministry of Energy (SENER) in hopes that both can analyze the evident problems and take legislative steps to materialize solutions.

Regardless, confidence is at a high. The company has already set up shop at one of the country’s oil hubs, Villahermosa in Tabasco state, and has appointed a former senior advisor to Pemex’s CFO as country manager. And for Renaissance’s Director, Ian Telfer, the Amatitlán deal “is huge, very exciting and a complete game changer for the company.”

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