

Petrolink Services – Carlos Palavicini, General Manager – Mexico

With Mexico's energy reforms stirring up optimism across the industry, Carlos Palavicini discusses the importance of understanding the new environment to fully leverage emerging opportunities.



As recently appointed general manager of Petrolink Services in Mexico, what strategic objectives have you set for the local affiliate?

My recent appointment as general manager is quite exciting considering that it coincided with Mexico's historic energy reforms. In order to unlock the wealth of opportunities introduced by the energy reforms, we must first look overcome the challenges they present in addition to the typical challenges we face as an organization. More specifically, these challenges are associated with the comprehensive restructuring of Pemex, the main client to service providers in Mexico, how it will conduct business, as well as an intensified competitive environment that comes with the influx of new investors and service providers. The greater opportunities in Mexico's oil and gas industry will also be met with greater competition and contractual schemes that differ from those we have been familiar with so far.

Our objective, therefore, is to put into practice a strategy to attend to the requirements of this new market environment while simultaneously continuing to provide Pemex with value added services. After all, Pemex will continue to be Mexico's main operator due to the fields it has been entitled to keep through the Round Zero selection which guarantees the Mexican state oil firm's short and medium-term viability, and set the bases for its expansion. Hence, the Pemex that we all know will not change too dramatically, from a production point of view. In terms of exploration and drilling, however, a new status quo is beginning to emerge. Although Petrolink caters to the entire value chain, our core expertise are directly linked to the drilling segment and we are ready to evolve in parallel to the changing conditions.

Could you elaborate on the changing exploration and drilling conditions in Mexico?

From Pemex's point of view, its exploration activities will be limited to the geographical areas it retained under round zero. This leaves a variety of interesting opportunities in the deepwaters of the Gulf of Mexico (GoM), as well as some shallow water areas on the coast of Tabasco, among others, for Pemex and new operators who will have to compete for these in the upcoming round-one bids. What happens there is yet to be determined as these round-one areas could potentially be explored by Pemex or new operators alone, or even in partnership with each other.

With regards to drilling activities, Pemex's powerful drilling department will also undergo significant change. It's been discussed that the state company's drilling unit will be separated from the organization in order to enhance its competitiveness with other drilling companies. For Petrolink, the good news is that Pemex is likely to retain most of its drilling experts within the new entity who are familiar with the value added services we provide. On the other hand, the separation of Pemex's drilling unit represents new obstacles for their established service providers like Petrolink. From a contractual point of view, Pemex always tries to take advantage of the contracts they already have. That is, under the current system, if the state company's drilling unit requires a particular service, Pemex would first analyze the relevant service providers it already has contracts with and make a selection from there, if appropriate. As an existing service provider to Pemex, this has been an advantage for us as well as to its other contractors. As exciting as it might be, spinning off Pemex's drilling unit means that this will no longer be the case and, to a certain extent, we'll have to focus on ensuring we continue to position Petrolink as their preferred partners.

Nevertheless, with many years' experience of working in Mexico's drilling environment together with Pemex, coupled with our solid relationship with their drilling professionals, we are certainly in an advantageous position. Moreover, we like to think our services are now a reference for what we do in Mexico. We have often received positive testimonials from the state company's drilling staff and have been told that they often benchmark our services against others when evaluating other providers.

From your point of view, how do you see the energy reforms impacting Pemex?

What Pemex is now experiencing with the sweeping energy reforms is no new concept in the industry that has been experienced by other national oil companies (NOCs) in the past as was the case in Brazil, for instance. From an operational and budgetary point of view, Pemex has come under significant pressure over the past decade with shrinking production levels and constrained capital investments. It was these same factors Petrobras that inspired their governments to undergo significant reforms and the NOC was successfully able to dramatically reverse its fortunes following its restructuring, as we are confident will be the case with Pemex in the near future.

As a result of the energy reforms, Pemex is focusing, more than ever, on truly value added services from its contractors. Through my own personal experience in talking with industry experts across the country, the term 'value added services' is the new buzz word in Mexico's oil industry.

With competition set to increase throughout Mexico's energy value chain, how would you describe Petrolink's competitive advantages?

With more than eight years of experience in Mexico, Petrolink offers an extensive knowledge not only of the domestic market, but also of its fields and their particularities and how operations are executed from a technical, regulatory and social perspective. We are specialized in transforming data into action and helping customers make better decisions faster. Perhaps most importantly, especially for operators, we are an independent and neutral company and vendor. Petrolink is focused on collecting and integrating real-time data, daily reporting and specialized engineering services to let operators optimize drilling operations. As a neutral vendor, we can therefore ensure our clients that the data they view unbiasedly represents the operations taking place at the rig site. Our interests are one and the same with the interests of operators. Petrolink's independence and technological capabilities enables us to collect, standardize and make available data from any vendor. Not only do we make this data available for visualization, but also make it compatible with third party software as well for the benefit of operators.

In fact, Petrolink has for long promoted the use of industry standards such as WITSML (wellsite information transfer standard markup language) for the transfer and analysis of data. Doing so will reduce their dependence on specific technologies and allow them to invest in technologies based on their performance, rather than compatibility.

Petrolink transforms data to action, helping our customers make better decisions faster. Integration of real-time data, daily reporting and specialized support services lets you optimize drilling operations. Petrolink's integrated, independent system lets our customer visualize, control, manage and own their data. Our specialists in key operational roles across all levels are available 24/7 to meet the demands of the oilfield.

In addition to being vendor neutral, our software is entirely developed and owned by Petrolink. This gives us a great deal of flexibility and means we can fully customize a solution to clients' specific needs. As a matter of fact, we have a team in Mexico developing these sorts of solutions not only for clients in Mexico, but for other locations as close as Houston and as far as Saudi Arabia, and beyond. As a testament to the quality and creativity of Mexican engineers, our Mexican development center was the third in Petrolink's global portfolio, preceded only by Aberdeen and Indonesia.

Moreover, Petrolink Mexico enjoys an established presence in the country with five locations across the country. Although this might seem ironic given the fact that we are in the business of centralizing information and managing operations from remote locations, this demonstrates our commitment to Mexico and is an important aspect of doing

business. Mexicans generally place a high value on face to face business and we appreciate that, despite the fact that we have the technology to offer all our services from a centralized location at the same quality levels.

Finally, Petrolink is a young, fast growing and dynamic company that adheres to the strictest ethical practices. That is in fact the very reason I chose to join Petrolink; we never engage in any illegal practices. Our customers highly value this quality of ours and is a source of great pride for our people.

As newly appointed head of Petrolink Mexico, what are your personal ambitions in these times of unprecedented change?

I feel that I have a personal commitment to all the people and their families that rely on Petrolink. This is the first thing that comes to mind every time I make a decision in my current area of responsibility. Perhaps this stems from the culture and character that defines our company.

I would like our people to be confident about the future, not because I said so, but because Petrolink is still one of the leading players in our domain. Not only are we regarded by Pemex as a point of reference in our field, but also by a variety of other operators as well. If we are able to continue along this path of instilling trust in our clients, maintaining our positive work culture and neutrality, I am confident that Petrolink and its people will enjoy a highly successful future. Finally, as an advocate of a balanced work-life environment, I would also like to promote amongst our people a sense of ownership and pride in our organization. We are not here to exert ourselves day and night, we are here to apply ourselves the best we can in an efficient manner with a quality that exceeds expectations. Doing so will ensure our people and organization a bright future.

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