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Happy Sunday, Chris !



**Chris Temple**  
**Editor/Publisher**

One of the stories I'm buttoning up for the upcoming new issue of *The National Investor* has to do with **the shocking plunge in the oil price** over the last several weeks.

As speculators have quickly shifted from overdone long positions to--now--frightened *short* positions, crude oil has shed *a third* of its value in little more than the blink of an eye. This dynamic has accentuated the smaller drop that otherwise would have occurred. In my upcoming issue the beginning of this week, I'll flesh this all out MUCH more.

Yet while the closely-watched (in the U.S.) WTI price has dropped so sharply -- and in some places in North America (chiefly, western Canada) companies are forced to sell oil for WAY below even that (**down to \$25/bbl again for some production up there!**) -- news is different elsewhere.

Indeed, for its new oil production in Mexico, **International Frontier Resources (TSXV-IFR; OTCQB-IFRTF)** is receiving a price ABOVE the spot WTI price for its oil shipments to PEMEX.



***One of the trucks hauling product to a PEMEX facility to be separated/sold***

## **MUCH DIFFERENT FUNDAMENTALS WITHIN MEXICO**

As IFR's President/C.E.O. Steve Hanson reminded me in our latest conversation, "Part of the reason we're in Mexico is the pricing. . . (which is) better than in the U.S." And a key reason for that is because--unlike the U.S. and Canada, once again beset by *oversupply--the opposite is the case in Mexico.*

Though Mexico as you should know by now (but many investors still don't) has embarked on a drive to privatize some of its energy industry for the first time in 80 years, **the country still does not produce what it needs.** That has slowly begun to change as the country has brought in foreign companies and capital to make up for years' worth of deteriorating production and lax exploration when state company PEMEX was the only one running the show.

**But that job has only started;** and years of work and private capital will be needed to get Mexico to energy self-sufficiency.

That pricing in Mexico is at a higher rate than the U.S. reveals (among other things) that there's still a lot of work to do. Mexico continues to be a significant net importer of energy despite vast--and largely unexploited--oil and natural gas resources within its own borders.

## **TEC-10 NOW A SOLID PRODUCER. . .**

**For IFR, it is well into production now at its TEC-10 well, with sales to PEMEX from this, its first ongoing production at the Tecolutla field.**



The company's share price was hit hard this Summer, as some of you may recall, after initial production testing was predominantly water rather than oil. **Since then, however, things have notably reversed**; and as the company reported most recently in [THIS UPDATE](#) at the beginning of the month, TEC-10 is now producing more along the lines of what the company had expected, to say the least!



**As discussed in IFR's Nov. 1 news, fluids at TEC-10 are now considerably more**

*than half crude oil, bolstering the company's new cash flow!*

## **NOW THE FIRST *HORIZONTAL* WELL, TEC-11, IS BEING DRILLED**

On November 13, IFR announced ([SEE RIGHT HERE](#)) that it was preparing to drill the first horizontal well at its Tecolutla field, TEC-11. (Indeed, late this past week Hanson told me that drilling has now *commenced* and is thus far going smoothly.)



***TEC-11 drilling is underway by Tonalli Energia (the J.V. company equally owned by IFR and its Mexican partner, petrochemical giant Grupo IDESA)***

Typically, horizontal wells can deliver several times the volume of a normal vertical well; so once production tests come down the road from TEC-11, good news could *really* be a game-changer revenue-wise for the company.

Here, too--as Hanson reminded me in a talk we had a couple weeks ago--one needs to understand **the vastly earlier stage of**



**development in Mexico compared to the U.S. or Canada.** In Texas alone since this technology was introduced, for example, some 15,000 horizontal oil wells have been drilled in the state.

*According to Hanson, in ALL of Mexico, there have been but "a handful" ever drilled.*

For a company with the size and small market cap (as of the end of this past week, a scant C\$20 million, or about US\$15.2 million) of International Frontier Resources, further drilling success and the commensurate increase in revenue will have a *substantial* impact.

***In my view, these still-depressed shares will look especially cheap if TEC-11 similarly turns into a winner specifically, and as the company develops its Tecolutla bloc generally.***

## **MEXICO OVERVIEW: AND OTHER POSSIBLE OPPORTUNITIES FOR GROWTH**

Early on in this past year's presidential election campaign in Mexico, many feared that the man set to be sworn in just a few days hence-- Andres Manuel Lopez Obrador, known widely as "AMLO" for short--was such a 'leftist' that he would *reverse* Mexico's privatization push.

**Such is NOT ending up to be the case by all appearances.** In fact, and *not for the first time*, I recently likened what he's doing where Mexico's courting of private investment in energy is concerned to what I've long been covering where **Ecuador's mining sector** goes.

As with Ecuador's President Moreno (who stopped granting of *new* concessions for mining for a spell, while at the same time *accelerating the advancement of the industry otherwise*) AMLO continues to similarly toy with the idea of stopping *new* government-level bid rounds for energy blocs (scheduled last I knew for next February.) The industry publication *Upstream Daily* suggests it may be a two-year "pause," though I'm not sure anything is official yet.

**Yet apparently unaffected (as of present information, anyway) will be farm-outs negotiated and worked with PEMEX itself.** Here, as you will recall, IFR and select other companies have an added opportunity to add acreage/blocs via obtaining ground directly from the state energy company.

Needless to say, I'll continue to keep up with all this and monitor the evolving story *closely*! (NOTE: Also, for present purposes I'd encourage you to listen to my latest **audio update** with IFR's Hanson, which can be accessed [RIGHT HERE](#).)



***President-elect Andrés Manuel López Obrador (AMLO) during the press conference this Summer announcing his nominations for Mexico's Ministry of Energy, PEMEX and CFE during a press conference in Mexico City. From left to right: Octavio Romero, Rocio Nahle, Alberto Montoya, AMLO, Manuel Bartlett. Image Source: AMLO's official website.***

For his own purposes, AMLO has made abundantly clear that **he wants to end Mexico's dependence on vast amounts of imported gasoline and diesel fuel especially**. In [THIS ITEM](#) from the wire service *TeleSUR* after the election, the numbers were gasp-inducing:

*"Mexico has imported an average of 590,000 barrels per day of gasoline and 232,000 per day of diesel, almost all of which comes from the United States. While the United States profits on gas sales to its neighbor, Mexico's domestic production has decreased by half since the first year of outgoing President Enrique Peña Nieto's term."*

This one quote, I should add (where oil and its refined products are concerned), is aside from the massive amounts of natural gas the U.S. also exports to Mexico!

AMLO has charged his energy brain trust to come up with ways to

1. build *and pay for* two major new refineries within Mexico to turn *some* more of its own oil production into fuels now being imported and
2. otherwise reverse the years-long decline in oil production and bolster *relatively* non-existent production of natural gas.

**To be sure, the *specific* ways this will all come about DO remain murky**. But already, AMLO has seemingly realized (as if he didn't all along) that *present activities* that were fostered via auctions of government-controlled blocs to private companies will remain as is.

*And particularly as it is allied with Grupo IDESA and is now selling oil to PEMEX, it suggests IFR's low share price has WAY too much pessimism worked in for what is all told a glass half full scenario.*

Again, stay tuned for more. . .and as always, if you have any comments/questions, let me know!

All the best,

Chris Temple -- Editor/Publisher  
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