2018 OCS Advisory Board Workshop

Offshore Mexico E&P: What Operators North of the Border Need to Know

By: Steven P. Otillar
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  2. Results so Far
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  6. JOAs - U.S. vs. Mexico
  7. Doing Deals with Pemex - Farmout
  8. Political Risk
  9. Dispute Resolution
  10. Unitization

• Bonus Material
  1. Unitization
  2. Seismic and G&G Information
March 18, 1938, Mexican President Lázaro Cárdenas signed an order that expropriated the assets of nearly all of the foreign oil companies operating in Mexico.
Mexico Update – Energy Reform
Top Ten Things a U.S. Operator Needs to Know

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Who’s Who in Mexico – Government Actors

Cabinet-Level Departments

Ministry of Finance and Public Credit
SHCP
In charge of bids and contract guidelines

Ministry of Energy
SENER
Sets general energy policy and determines with CNH which fields to open to bid in each round

Ministry of Environment and Natural Resources
SEMARNAT
Determines environmental and industry safety through policy

Independent Regulators

National Hydrocarbons Commission
CNH
Regulates upstream activities and manages bid process

Energy Regulatory Commission
CRE
Regulates electricity and mid and downstream for hydrocarbons

National Agency of Industrial Safety & Environmental Protection
ASEA
Supervises and regulates the environmental impact of hydrocarbons

National Center for Natural Gas Control
CENEGAS
Supervises and regulates natural gas activities

Economic Competition Federal Commission
COFECE
Supervises and regulates market competition and antitrust matters

Mexican Petroleum Fund for Stabilization and Development
Fondo
Manages public income from exploration and production activities

State Operating Companies

Petroleos Mexicanos
PEMEX
A productive enterprise of the state focused on oil and gas

Comision Federal de Electricidad
CFE
A productive enterprise of the state focused on electricity
<table>
<thead>
<tr>
<th>Bilateral Counterparts</th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy Policy</strong></td>
<td>Department of Interior</td>
<td>SENER</td>
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<td></td>
<td>Department of Energy</td>
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<tr>
<td><strong>Financial/Fiscal Policy</strong></td>
<td>Department of Treasury</td>
<td>SHCP (Hacienda)</td>
</tr>
<tr>
<td><strong>Upstream</strong></td>
<td>BOEM</td>
<td>CNH</td>
</tr>
<tr>
<td><strong>Midstream</strong></td>
<td>FERC</td>
<td>CRE &amp; CENEGAS</td>
</tr>
<tr>
<td><strong>Environmental Policy</strong></td>
<td>EPA</td>
<td>SEMARNAT</td>
</tr>
<tr>
<td><strong>Environmental Operations</strong></td>
<td>BSEE</td>
<td>ASEA</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>BOEM</td>
<td>CNH</td>
</tr>
<tr>
<td><strong>Antitrust</strong></td>
<td>Department of Justice</td>
<td>COFECE</td>
</tr>
</tbody>
</table>
Top Ten Things a U.S. Operator Needs to Know

1. Who is Who in Mexico?
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US and Mexico – Similar where it counts the most

- **Geology**
  - Similar geological characteristics across GOM formations regardless of national boundaries
  - Expertise and technology developed in US GOM can be used in Mexico GOM
  - Familiarity with pressure, geological characteristics, and exploration and evaluation techniques

- **Operating Conditions**
  - Similar weather and operating conditions across GOM
  - Ability to coordinate operations from US or Mexico
  - Providers of goods and services readily available

- **Political Risk?**
  - New system, untested
  - US 2010 moratorium
  - Transparency
Results So Far: Round 1

**Round 1.1 (Shallow Offshore Exploration Areas)**
- Blocks 2 and 7: Talos Energy, Premier and Sierra (Zama)

**Round 1.2 (Shallow Offshore Production Areas)**
- Block 1: ENI (Amoca 2)
- Block 2: Panamerican Energy and E&P Hidrocarburos
- Block 4: Fieldwood Energy and Petrobal

**Round 1.3 (Onshore Production Areas)**
- Renaissance Oil Corp.
- Strata Campos Maduros SAPI de CV
- Grupo Diarcqo
- Compania Petrolera Perseus SA de CV
- Servicios de Extraccion Petrolera Lifting
- Canamex Dutch BV
- Diavaz Offshore, SAPI de CV
- Roma Energy Holdings LLC
- Grupo Diarqco SA de CV
- Renaissance Oil Corp SA de CV
- Strata Campos Maduros SAPI de CV
- Geo Estrators SA de CV
Result So Far: Round 1 (continued)

**Round 1.4 (Deep Water and Heavy Oil Exploration Areas)**

- **Perdido Fold Belt**
  - Block 1: CNOOC
  - Block 2: Total E&P and ExxonMobil
  - Block 3: Chevron, Pemex and Inpex Corp.
  - Block 4: CNOOC

- **Salina basin**
  - Block 1: Statoil, BP and Total
  - Block 3: Statoil, BP, and Total
  - Block 4: PC Carigali and Sierra Oil & Gas
  - Block 5: Murphy Oil, Ophir, PC Carigali and Sierra Oil
**Results So Far: Round 2**

**Round 2.1 (Shallow Water Exploration)**
- Block 2: DEA Deutsche and PEMEX
- Block 6: PC Carigali and Ecopetrol
- Block 7: ENI, Capricorn Energy and Citla Energy
- Block 8: Ecopetrol and PEMEX
- Block 9: Capricorn Energy and Citla Energy
- Block 10: ENI
- Block 11: Repsol and Sierra
- Block 12: Lukoil
- Block 14: ENI and Citla Energy
- Block 15: Total and Shell

**Round 2.2 (Onshore Exploration and Production)**
- Block 1: Iberoamericana and PJP4
- Block 4: Sun God and Jaguar
- Block 5: Sun God and Jaguar
- Block 7: Sun God and Jaguar
- Block 8: Sun God and Jaguar
- Block 9: Sun God and Jaguar
- Block 10: Sun God and Jaguar
Results So Far: Round 2 (continued)

Round 2.3 (Onshore Exploration and Production)

- Block 1: Iberoamericana and PJP4
- Block 2: Newpek and Verdad Exploration
- Block 3: Newpek and Verdad Exploration
- Block 4: Iberoamericana and PJP4
- Block 5: Jaguar
- Block 6: Shandong, Sicoval and Nuevas Soluciones
- Block 7: Jaguar
- Block 8: Jaguar
- Block 9: Jaguar
- Block 10: Shandong, Sicoval and Nuevas Soluciones
- Block 11: Shandong, Sicoval and Nuevas Soluciones
- Block 12: Carso Oil and Gas
- Block 13: Carso Oil and Gas
- Block 14: Jaguar
Round 2.4 – Deep Water Exploration

- **January 31, 2018**
- 30 Contract Areas located in Perdido Area, Salina Basin, Yucatan Platform and Mexican Ridges
- Total Surface Area: 70,866 km²
- Prospective Resources: 4.2B boe (64% of Five-Year Plan)
- License Model Contract
- Registration Fee: MX$750,000 (~US$43,000); Data Room Fee: MX$39,300,000 (~US$2.22M)
- Bid Guarantee: US$3,000,000
- SHCP sets the minimum and maximum allowed values for the bidding variables

- Bid formula:
  \[ VPO = \text{additional royalty rate} + \text{weighted value} \times \text{additional investment factor} \]
Results So Far: Round 2.4

**Perdido Area**
- Block 1: No Bids
- Block 2: Shell & Pemex
- Block 3: Shell & Qatar Petroleum
- Block 4: Shell & Qatar Petroleum
- Block 5: Pemex
- Block 6: Shell & Qatar Petroleum
- Block 7: Shell & Qatar Petroleum
- Block 8: No Bids
- Block 9: No Bids

**Cordilleras Mexicanas**
- Block 10: Repsol, PC Carigali & PTTEP
- Block 11: No Bids
- Block 12: PC Carigali, Ophir & PTTEP
- Block 13: No Bids
- Block 14: Repsol & PC Carigali
- Block 15: No Bids
- Block 16: No Bids
- Block 17: No Bids
- Block 18: Pemex
- Block 19: No Bids
Results So Far: Round 2.4

Cuenca Salina

- Block 20: Shell
- Block 21: Shell
- Block 22: Chevron, Pemex e Inpex
- Block 23: Shell
- Block 24: Eni y Qatar Petroleum
- Block 25: PC Carigali
- Block 26: PC Carigali
- Block 27: No Bids
- Block 28: Shell
- Block 29: Respol, PC Carigali, Sierra y PTTEP
Results So Far: Pemex Farmout

**Trion Farmout** (Deep Water)
- Located offshore GOM close to the US-Mexico border
- 3P reserves of 485 million boe, est. 100k bpd
- BHP Billiton (60% PI)
- $624 million cash payment, PEMEX Carry + 4% additional

**Cardenas Mora Farmout** (Onshore)
- Located in Tabasco
- Proved reserves of 92 million boe, est. 10k bpd
- Cheiron Holdings Ltd. (50% PI)
- $166 million cash payment + 13% royalty

**Ogarrio Farmout** (Onshore)
- Located in Tabasco
- 3P reserves of 46 million boe, est. 13,000k bpd
- DEA Deutsche Erdoel AG (50% PI)
- $214 million cash payment + 13% royalty

**Nobilis Maximino**
- Located in offshore GOM close to border
- 3P reserves of 502 million boe
- Cancelled by CNH

**Ayin Batsil Farmout** (Shallow Water)
- Located in south GOM
- 3P reserves of 300 million boe
- Cancelled by CNH
- Potential reason: investment estimate at around $10 billion; at least seven years to reach commercial production
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No Leases in Mexico – PSC & License

Production Allocation Diagram

Gross Production

- Profit Oil
- Cost Recovery Oil

Government Share of Profit Oil

Contractor’s Share Profit Oil

- Contractor’s Taxes
- Contractor Net Profit

Typical Host Government Contract

Joint Ventures

- Royalty/Tax (Lease)
- Production Sharing
- Hybrids
- Service Contracts

Greater IOC Control
Greater Gov Control
## What do you own in Mexico?

<table>
<thead>
<tr>
<th>Governmental Entity</th>
<th>BOEM</th>
<th>CNH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Granting Instrument</td>
<td>Lease</td>
<td>Production Sharing Contract – shallow water blocks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>License – onshore &amp; deep water</td>
</tr>
<tr>
<td>Prequalification</td>
<td>U.S. legal entity</td>
<td>Any company can bid, Mexican company must sign contract</td>
</tr>
<tr>
<td></td>
<td>Online through Technical Information Management System (TIMS)</td>
<td>Prequalification</td>
</tr>
<tr>
<td></td>
<td>Provide statutory bond and any supplemental bond required by BOEM</td>
<td>- Operators (min. 30%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Technical and Financial</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Financial Partners</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Technical and Financial</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Performance Guarantee and Corporate Guarantee</td>
</tr>
</tbody>
</table>
Round 2.4 – Deep Water Exploration

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- 30 Contract Areas located in Perdido Area, Salina Basin, Yucatan Platform and Mexican Ridges
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- Bid formula:
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## Round 2 & 3 Bidding Terms Comparison

<table>
<thead>
<tr>
<th>Requirements</th>
<th>Round 2.4</th>
<th>Round 3.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Guarantee</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Bid Bond</td>
<td>US $3,000,000 for 60 days from bid submission date for each block</td>
<td>US $500,000 for 120 days from bid submission date for each block</td>
</tr>
<tr>
<td>Fee to Access the Data Room</td>
<td>MX $39,300,000 (~US $2.1 million)</td>
<td>MX $8,000,000 (~US $428,000)</td>
</tr>
<tr>
<td>Prequalification - Experience</td>
<td>Experience (1) as an operator of at least one E&amp;P project in deep water (&gt;500 meters) within 5 years; (2) as an investor in E&amp;P project for a minimum amount of US $2 billion Safety operation, and (3) in industrial and environmental safety in E&amp;P projects for the last 5 years</td>
<td>Experience (1) as an operator of at least one E&amp;P project within 5 years; (2) as an investor in E&amp;P project for a minimum amount of US $1 billion; and (3) in industrial and environmental safety in E&amp;P projects for the last 5 years.</td>
</tr>
<tr>
<td>Prequalification - Financial</td>
<td>(1) A net equity of at least US $2 billion or assets totaling US $10 billion with an investment grade credit rating; and (2) that the designated operator has at least 30 percent of the economic interest in the Consortium</td>
<td>(1) A new equity of at least US $1 billion, or (2) Asset totaling US $1 billion with an investment-grade credit rating</td>
</tr>
</tbody>
</table>
How to Acquire a License/PSC with CNH

1. Contract design
   - Selection of contractual areas
     - With technical support from: SENER
     - Technical design (incl. local content requirements)
       - Economic-fiscal terms
         - SHCP
   - SENER

2. Bidding process
   - Bidding guidelines
     - Data rooms and bidding rounds
       - Award and contract signing
         - SHCP

3. Operation
   - Technical approval of exploration and development plans
     - Authorization of surface exploration and well-drilling
       - Management of contracts
         - CNH

4. Oil Income Management
   - CNH
   - Environmental and industrial safety regulation and oversight
     - ANSIPA

The Mexican Petroleum Fund for Stabilization and Development will be in charge of paying amounts due on contracts and managing the State oil revenues.
How to Acquire a Lease under BOEM

Typical Planning for Specific Oil and Gas Lease Sale

- Call for Information Published
  - 30-Day Comment Period
- Define Sale Area
  - 45-Day Comment Period
- Proposed Notice
  - CZM CD Sent to States
- Final Notice of Sale Published
  - 60-Day Comment Period
- Final Notice of Sale Published
  - 90-Day Review
- Sale Held
  - 30-Day Period
- Leases Issued

NEPA Review (EIS, EA, or DNA)
Environmental Consultations
Government-to-Government Consultations

Post-Lease
Oil and Gas Exploration Plan and Drilling Approval

- Exploration Plan Submitted
- NEPA Review
  - G2G Consultations
- State CZM Review
- Exploration Plan Review and Approval
- APD Review and Permitting Decision
- Exploration Drilling Starts
- First Exploration Well(s) Completed
- Delineation Well Drilling

Oil and Gas Development and Production Plan Approval

- Development and Production Plan Submitted
- NEPA Review
  - G2G Consultations
- State CZM Review
- Development and Production Plan Review and Approval
- APD Review and Permitting Decision
- First Oil/Gas Production

Key: APD = Application for Permit to Drill; BOEM = Bureau of Ocean Energy Management; BSEE = Bureau of Safety and Environmental Enforcement; CD = Consistency Determination; CZM = Coastal Zone Management; DNA = Determination of NEPA Adequacy; EA = environmental assessment; EIS = environmental impact statement; G2G = government-to-government; NEPA = National Environmental Policy Act; NOI = Notice of Intent; OCS = Outer Continental Shelf; PEIS = programmatic environmental impact statement; ROD = Record of Decision
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**U.S.**

Statutory Liabilities:
- Lessee or owner of lease on which there is a well that has not been permanently P&A’d
- Assignee of lease interest
- Co-lessees and predecessors

Bankruptcy Scenario:
- OCS Lease = property or expired lease?
- Debtor (successor in OCS interest) may be permitted to abandon certain OCS properties to shed residual decommissioning liabilities
- Prior lessees/right holders might be subject to successor liability for residual decommissioning liabilities

**Mexico**

Statutory Liabilities:
- 6-month assessment period for Lessee to conduct environmental baseline after contract awarded
- Contactor can exclude assets
- Contractor only liable for environmental liabilities that arise after the baseline assessment period until the expiration/termination of the contract
- 12-year statute of limitations

Contractual Liabilities:
- No successor liabilities unless expressly assumed (but required in assignment process)
- Government or prior contractor must remediate any environmental matters identified in baseline assessment
Environmental and Financial Exposure and Liability (continued)

**U.S.**
Required Bonds:
- $50,000 bond, or $300,000 area-wide bond before issuing a new lease or approving an assignment
- $200,000 bond before submission of exploration plan or submission of lease assignment of a lease where such plan is approved
- $500,000 bond before submission of a proposed development & production plan, or the assignment of a lease where such plan is approved

BOEM Notice 2016-N01
- Evaluation of Lessee/Operator’s financial ability to carry out (environmental) obligations
- Potential to require additional security

**Mexico**
Performance Guarantee:
- Minimum Work Obligations

Insurance:
- ASEA Guidelines for Insurance Requirement
  - Minimum coverage (per-event, annual aggregate)
    - $500,000 for shallow water wells
    - $700,000 for deep and ultra-deep
  - Operators’ vessels, jack-ups, etc. require P&I coverage from $100M to $1B

Corporate Guarantee:
- Usually by a parent entity (*casa matriz*)
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## Transfer of Interests

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<tr>
<th>Transferable</th>
<th>Transferor</th>
<th>Transferee</th>
<th>Additional Requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Total or Partial Assignment</td>
<td>• Submit application to BOEM</td>
<td>• Must be approved by BOEM (30 CFR 556.35)</td>
<td>• Operator Designation</td>
</tr>
<tr>
<td></td>
<td>• Submit originals of each instrument that creates or transfers ownership or record or title or certified copies within 90 days of transfer agreement</td>
<td>• Must assume joint and several liabilities of all obligations</td>
<td>• Amend underlying contract (PSC/License)</td>
</tr>
<tr>
<td></td>
<td>• Typically file assignment in adjacent State</td>
<td>• Must provide a corporate guarantee from the ultimate parent of the assignee</td>
<td>• Performance and Corporate Guarantees</td>
</tr>
<tr>
<td></td>
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<td></td>
<td>• Antitrust Clearance (not perfunctory)</td>
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## JOA the U.S. vs. Mexico

<table>
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<tr>
<th>Procurement</th>
<th>No formal process; drilling contracts based on “competitive contracts”</th>
<th>Reasonable Market Price, Accounting Procedures exhibit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authorization for Expenditure</td>
<td>Functions to serve as the primary method of proposing operations</td>
<td>Work programs and budgets (WP&amp;B), AFEs for information only</td>
</tr>
</tbody>
</table>
| Governance | • Parties retain significant autonomy  
• Parties can vote and potentially block operations | • Operating committee controls operations  
• Operator acts at the behest of the operating committee within WP&B |
| Reinstatement & Back-in | Non-consenting parties back in to interest after cost recovery | No “back-ins” – non-consenting parties may have opportunity to re-instate reinstate interest subject to cost multiplier |
JOA in the U.S. – AAPL Form (procurement example)

• No structured procurement process
• Procurement limitations primarily on affiliate and drilling contracts
• AAPL 810 - Drilling contracts must be “Competitive Contracts”
  o Entered into within ___ years (generally 0-3 years) before commencement of ops
  o Contains terms that were “market” for OCS at the time (or now, if no time reference)
JOA in Mexico – AIPN Form (procurement example)

- Structured procurement process (by activity, contract value and contractor)
- Procurement limitations on affiliate contracts and high-value contracts
- Tender process required based on contract value;
  - Process A (Contracts < $1,000,000):
    - No authorization from non-operators required for non-affiliate contracts
    - Operator must obtain Operating Committee’s approval for any affiliate contract >$250,000
  - Process B (Contracts $1,000,000 - $20,000,000):
    - Operator must present at least contract bids from 3 different contractors
    - Contract awarded by Operator; must justify selection if difference vs next bid is >5%
    - Contract award requires Operating Committee’s approval for any affiliate contract >$1,000,000
  - Process C (Contracts > $20,000,000):
    - Tender process required
    - Operator must present all bids to Operating Committee for approval
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Dealing with Pemex – Farmout Process

1. Migration from entitlements to contracts
   - Migration request
   - Farm-out feasibility assessment
   - Technical contract design
   - Definition of the contract’s fiscal terms
   - Binding opinion about pre-qualification criteria
   - SHCP

2. Bidding process
   - Pre-qualification
   - Data rooms and bidding rounds
   - Award and contract signature
   - Simple, non-binding opinion about the pre-qualification process
   - CNH

3. Operation
   - Technical approval of the exploration and development plans
   - Authorization of surface exploration and drillings
   - Contract technical management
   - CNH
   - Environmental and industrial safety regulation and oversight
   - ANSIPA

4. Oil Income Management
   - The Mexican Petroleum Fund for Stabilization and Development will be in charge of paying amounts due on contracts and managing the State oil revenues.
Results So Far: Pemex Farmout

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- Located offshore GOM close to the US-Mexico border
- 3P reserves of 485 million boe
- BHP Billiton won the bidding contest

**Cardenas Mora Farmout** (Onshore)
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Political Risk

- **NAFTA Renegotiation**
  - Dispute Resolution
  - Energy Chapter
  - Potential fall out if US exits

- **Presidential Elections in Mexico (July 1, 2018)**
  - Andres Manuel Lopez Obrador
  - Jose Antonio Meade Kuribrena
  - Ricardo Anaya Cortes

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NAFTA
NORTH AMERICAN FREE TRADE AGREEMENT

morena
PRI
PAN
PRD
MOVIMIENTO CIUDADANO
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# Dispute Resolution

<table>
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<tr>
<th>Source</th>
<th>Federal Lease</th>
<th>Granting Contract (License and PSC)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Existing Options</strong></td>
<td>• Administrative Proceedings</td>
<td>• Mediation</td>
</tr>
<tr>
<td></td>
<td>• State Courts</td>
<td>• Arbitration</td>
</tr>
<tr>
<td></td>
<td>• Federal Courts</td>
<td>• Federal Courts (contract rescission)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Amparo</td>
</tr>
<tr>
<td><strong>Applicable Law</strong></td>
<td>• US Federal Law</td>
<td>• Mexico Federal Law</td>
</tr>
<tr>
<td><strong>Relevant Arbitration Provisions</strong></td>
<td>• N/A</td>
<td>• UNCITRAL Arbitration Rules</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• 3 Arbitrator Panel</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Spanish Language</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Hague, Netherlands</td>
</tr>
</tbody>
</table>
Hydrocarbon Law provides that Licenses/PSCs shall be terminable for cause by the government over a set of specific breaches.

Form Licenses/PSCs include certain provisions that address operator’s concerns:

- Administrative investigation
- Administrative rescission process
- Contractual rescission process
- Right to Cure pending conclusion of administrative investigation
- Indemnity
- Mediation
- Third Party Expert
- Arbitration
- Federal Courts in Mexico
Top Ten Things a U.S. Operator Needs to Know

1. Who is Who in Mexico?
2. Results so Far
3. No Leases in Mexico – PSC & License
4. Operator Liability
5. Transfer of Interests
6. JOAs - U.S. vs. Mexico
7. Doing Deals with Pemex - Farmout
8. Political Risk
9. Dispute Resolution
10. Unitization
## Unitization

### Regulations

Unitization activities on OCS is regulated under *30 CFR Part 250 Subpart M - Unitization*

- Hydrocarbon Law
- Unitization Guide
- Regulations issued by SENER (pending public comment)

### Process

**Voluntary Unitization:**
- File requests - sign supporting documents for approval - pay a fee of $12,619

**Compulsory Unitization:**
- BSEE initiate unitization process by itself or upon request by the current lessee(s),
- BSEE serves all affected lessees with plan of unitization and reason for unitization – hearing is held if requested by the affected lessee – the Regional Supervisor issues order accepting or rejecting unitization
- Contractor must provide notice of possible Shared Reservoir
- Pre-Unitization Agreement (PUA)
- Parties negotiate Unitization Agreement, submit to SENER for approval
- SENER accepts or rejects the Unitization Agreement within 100 business days

### Dispute Resolution

- BSEE hearing to address any dispute
- Third Party Expert (maybe)
- SENER
- CNH, technical advisor
Top Ten Things a U.S. Operator Needs to Know

Bonus Material:

1. What Does the Future Hold?
2. Seismic and G&G Information
What Does the Future Hold? – Mexico

[Map of Mexico with regions highlighted]

[Bar chart showing estimated marine resources, total: 25,725 mmbpce]

[Graph showing production of Mexico in the scenario of Reform of the AIE 2015-2040 (mmbpd)]
What Does the Future Hold? – US

Current 2017-2022 Lease Sale Schedule
• Sale No. 250: 76,967,935 acres
• Sale No. 251: Details to be announced

DPP of 2019-2024 Plan
• Released by BOEM on January 4, 2018
• Replacing 2017-2022 Program
• Makes more than 98% of the U.S. OCS available for O&G leasing, proposing 47 leases in all four OCS regions

Potential Obstacles and Setbacks
• Legal
• Practical
• Political
# Seismic and G&G Information

<table>
<thead>
<tr>
<th>Ownership</th>
<th>Private Parties</th>
<th>State (through CNH and CNIH)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Highlights</strong></td>
<td>Seismic and G&amp;G information is property of the party who shoots it</td>
<td>All seismic and G&amp;G information is property of the state regardless</td>
</tr>
<tr>
<td></td>
<td><strong>BOEM</strong> grants permits to O&amp;G Companies or Specialized Companies to shoot and process seismic /G&amp;G information in GOM</td>
<td><strong>CNH</strong> grants licenses to O&amp;G Companies or Specialized Companies to shoot and process seismic /G&amp;G information in all Mexico</td>
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<tr>
<td></td>
<td>No central repository of information</td>
<td>CNH may consult with, and include conditions required by, ASEA</td>
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<td></td>
<td>Open secondary market for seismic and G&amp;G information</td>
<td>All information must be reported and provided to CNIH (repository)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Confidential for a determined period</td>
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<tr>
<td></td>
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<td>Restrictions on secondary market for seismic and G&amp;G information</td>
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<td></td>
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<td>CNH may use the information as it deems fit</td>
</tr>
<tr>
<td><strong>Requirements</strong></td>
<td>BOEM may require approved “incidental take” authorizations from the National Marine Fisheries Service or the U.S. Fish and Wildlife Service</td>
<td>No requirement to disclose proprietary technology and processes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Must register with CNH to conduct activities and commercialize information</td>
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</tbody>
</table>
Thank you.