2nd. Annual Eagle Ford Cross-Border Development Summit 2014

Non-Technical Risks in the E&P Sector in Mexico

Nicolas Borda
bordan@gtlaw.com
Houston, TX
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Definitions of Risk

> Exposure to the chance of injury or loss; a hazard or dangerous chance

> Any uncertainties that have an effect on business objectives

> An unavoidable danger, even though often foreseeable

> Something causing unavoidable danger, peril or difficulty
Different Types of Non-Technical Risks in the E&P Sector

1. Political
   A. Elections
   B. Decisions by governmental entities and regulatory agencies
   C. Subsidies
   D. Courts

2. Cultural
   1. History
   2. Traditions and customs
Different Types of Non-Technical Risks in the E&P Sector (Cont.)

3. Legal and regulatory
   A. Tax
   B. Environmental
   C. Antitrust
   D. Labor
   E. International trade / Import and export restrictions
   F. National content
   G. Interaction with all federal agencies
   H. Interaction with local authorities
Different Types of Non-Technical Risks in the E&P Sector (Cont.)

4. Land
   A. ROW and easements
   B. Agrarian / Ejido

5. Social / Community
   A. Social Impact Studies (SIS) which SENER needs to perform before granting entitlements or before publishing a call
   B. Previous consultation before indigenous communities – SENER
   C. Social Impact Evaluation (EPE, operators, contractors and permit holders) (favorable resolution from SENER to be filed for MIA)
Different Types of Non-Technical Risks in the E&P Sector (Cont.)

6. Human resources
   A. Training
   B. Unions
   C. War for talent

7. Compliance
   A. Transparency
   B. Anticorruption (National Anticorruption Commission expected to be created in 2015 and to replace SFP)
   C. Rule of Law
Contact information:  Nicolas Borda  bordan@gtlaw.com  tel. (5255) 50290061