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Energy Reform in Mexico: Secondary Legislation

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Comisionado

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Nine Bills

1. Hydrocarbons Law (Petroleum Law)
2. Electrical Industry Law
3. Geothermal Energy Law
4. H&S Agency Law
5. Pemex & CFE Law
6. Regulators Bodies Law (CNH & CRE Law)
7. Hydrocarbons Income Law (Fiscal Regime Law)
8. Petroleum Fund Law
9. Public Budget and Debt Law

Hydrocarbons Law (Transitories 4, 5, 7, 8 &16)

According to the transitories, the Hydrocarbons Law define:

- Granting of assignments for PEMEX
- Granting of contracts for PEMEX and private sector
- Ownership of the Nation of the E&P data
- Authorization of CNH for exploration and deepwater drilling and also the design model of wells
- CNH will define the regulation of the sector
- CNH will supervise the oil & gas industry
- Sanctions

Hydrocarbons Law (Transitories 4, 5, 7, 8 &16)

For SENER, the Hydrocarbons Law define:

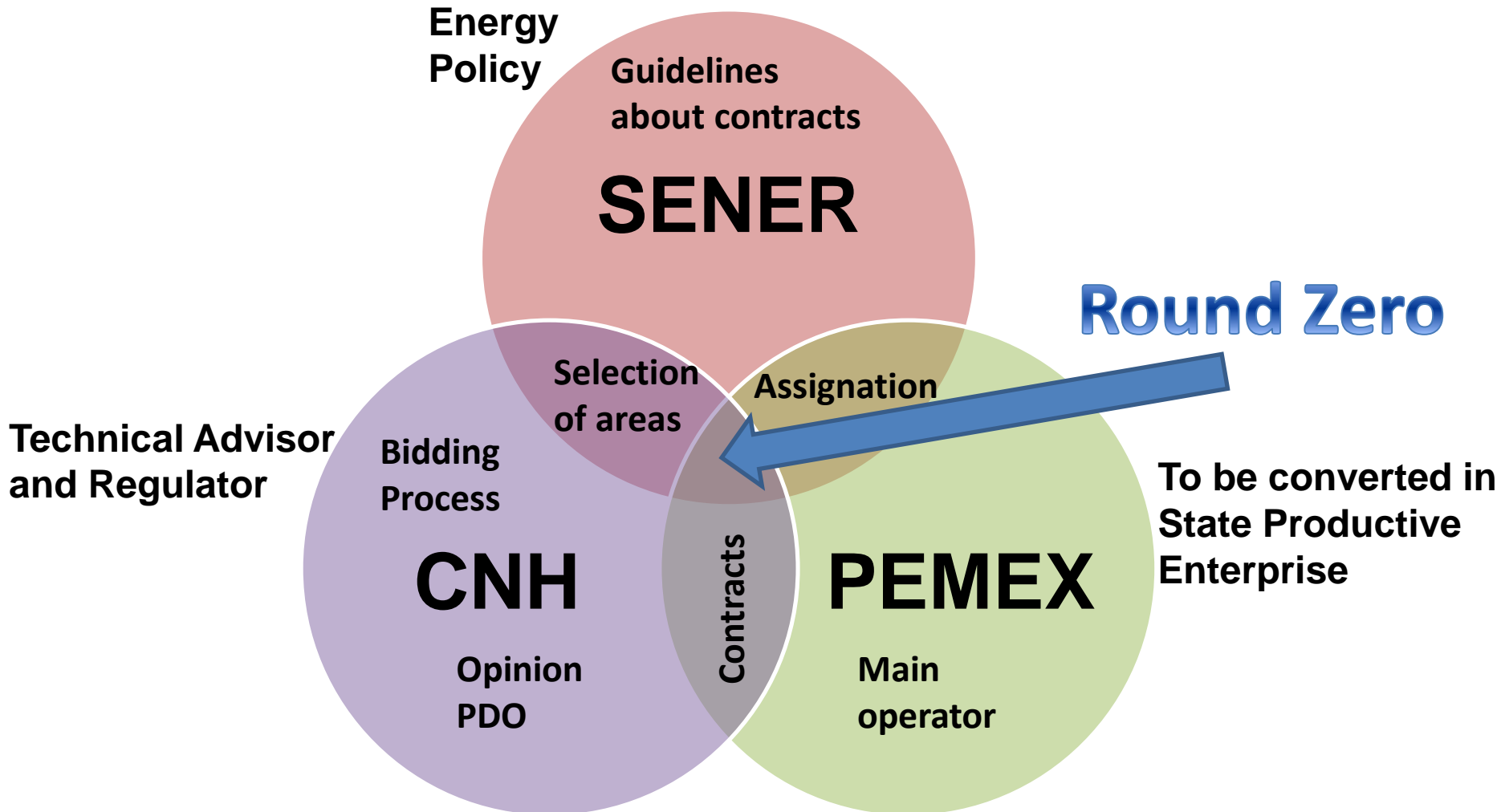
- Selection of areas for the bidding rounds with support of CNH
- Define the model of contracts and the contracting scheme
- Approval of Exploration Plans and PDOs

Hydrocarbons Law (Transitory 10)

For CNH, the Hydrocarbons Law define:

- Technical Support to SENER for selection of Contracting Areas.
- Set the rules for the process of the bidding rounds.
- Carry out the bidding rounds.
- Resolution and assignment the winner of the contracts
- Management and supervision of the contracts
- Opinion of the Exploration Plans and PDOs

SENER-CNH-PEMEX Roles



Round Zero

On March 21st, PEMEX submitted into consideration to the Ministry of Energy the adjudication, through assignments, of the areas in exploration and the fields in production that is able to operate.

SENER, with support of CNH will decide about PEMEX proposals. (deadline Sept. 17)

PEMEX is allowed to farm out the assignments to private companies under a new contract, with the authorization of SENER. CNH will perform a bid round according to the rules that SENER and SHCP (Treasury Ministry) will define.

Round Zero

PEMEX application - Exploration

- In exploration, Pemex requested a larger proportion of prospective resources where it has more experience.

Category		Area Km ²	Prospective Resources MMMbpce	Total Resources Percentage*
Pemex Application	Shale	13,163	8.9	15%
	Deep waters	47,000	8.1	29%
	Shallow waters	36,000	9.5	63%
	Onshore	65,000	8.0	82%
	Total	161,163	34.5	31%

Round Zero PEMEX application

Strategy

Unconventionals

- Focus in plays of high potential with possible presence of liquids (condensates or crude oil).
- Get support of strategic partners in order to improve the process of learning and reduce geological and economical risks.
- Increment the execution capabilities and the level of investment in order to increment the evaluation and the development of the resources.

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Productive Enterprises of the State (Transitories 3 and 20)

PEMEX and CFE will be transformed in Productive Enterprises of the State

For PEMEX the new law define:

- New business model for the company.
- New Fiscal Regime
- A new Corporate Governance with new rules for the Board
- New scheme for acquisition, leasing and contract of services

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Regulatory Bodies (Transitories 12 and 13)

According to the Constitution, the Transitories 12 and 13 establish

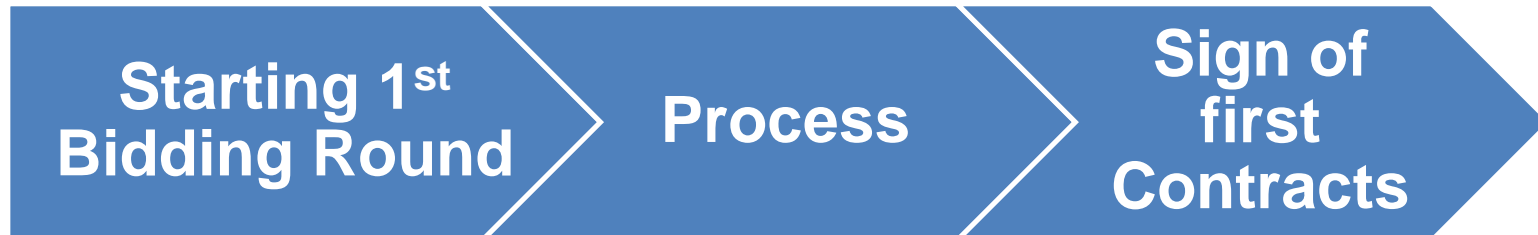
- That CNH will become a Coordinated Regulatory Body of the Federal Government
- The appointment and removal of Commissioners

For CNH

- The Regulators Bodies Law establish for CNH
 - Its legal framework
 - The appointment and removal of Commissioners
 - The operation of the board
 - The CNH will participate in the Coordination Council of the Energy Sector
 - Their attributions
 - Budgetary Provisions

Conclusions

- CNH is working in review the information that PEMEX presented for Round Zero
- CNH is preparing the formation of the National Hydrocarbons Data Center



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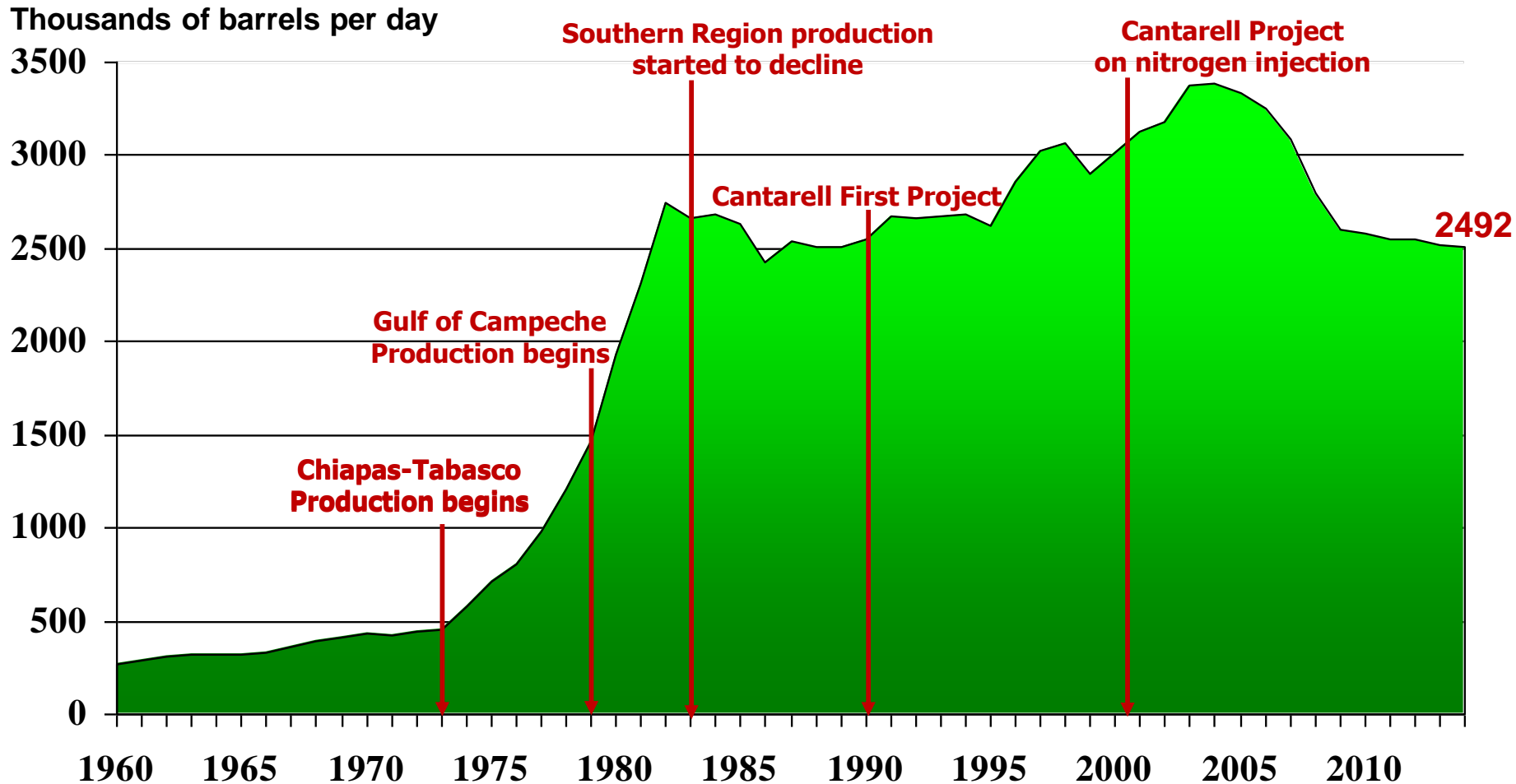


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Oil Production 1960-2014*

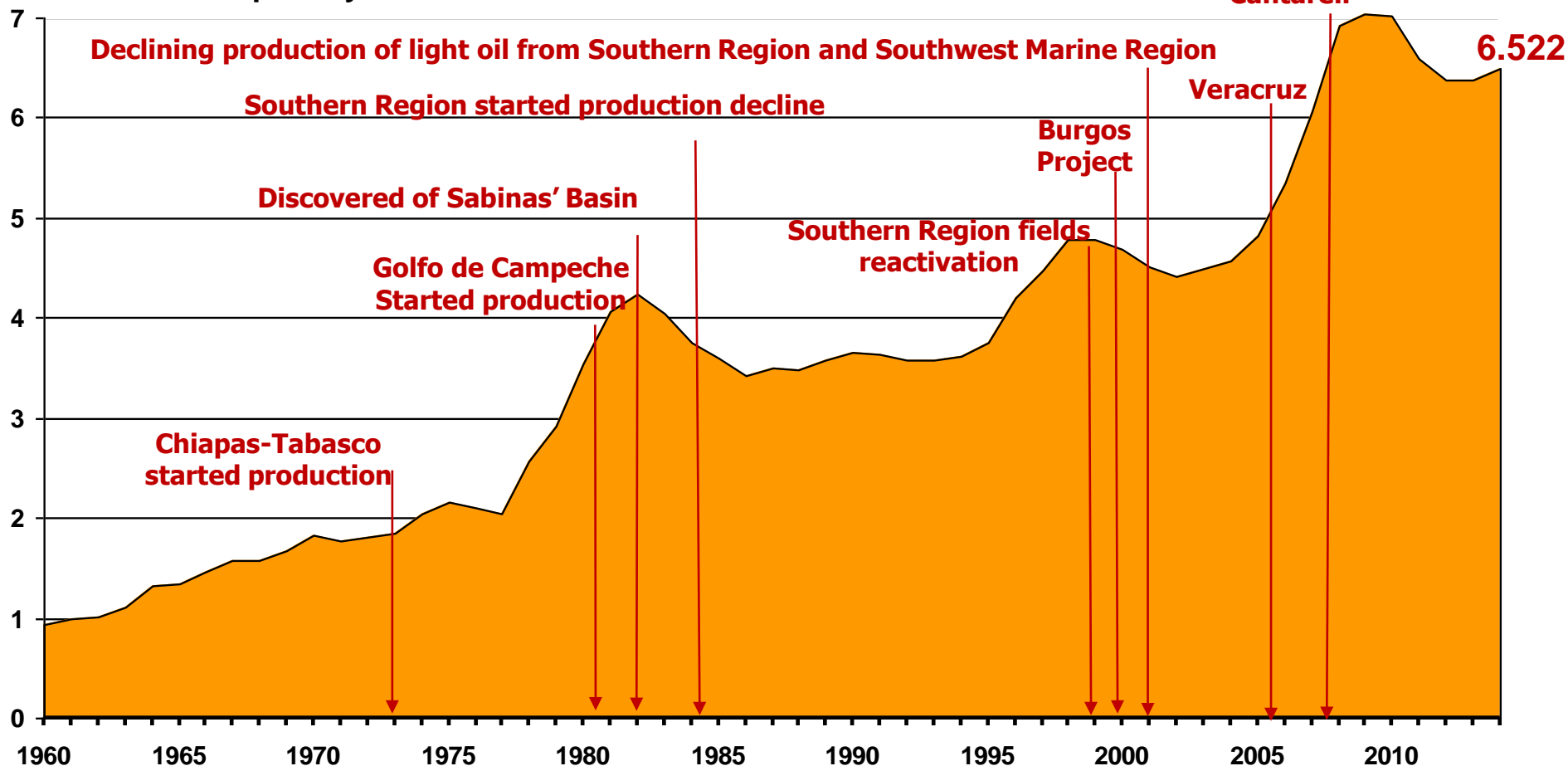


Source: Dr. GCDV with information from PEMEX Anuario Estadístico and Memoria de Labores 1965-2012.

*2014: Average January-March

Natural Gas Production*

Billion cubic feet per day

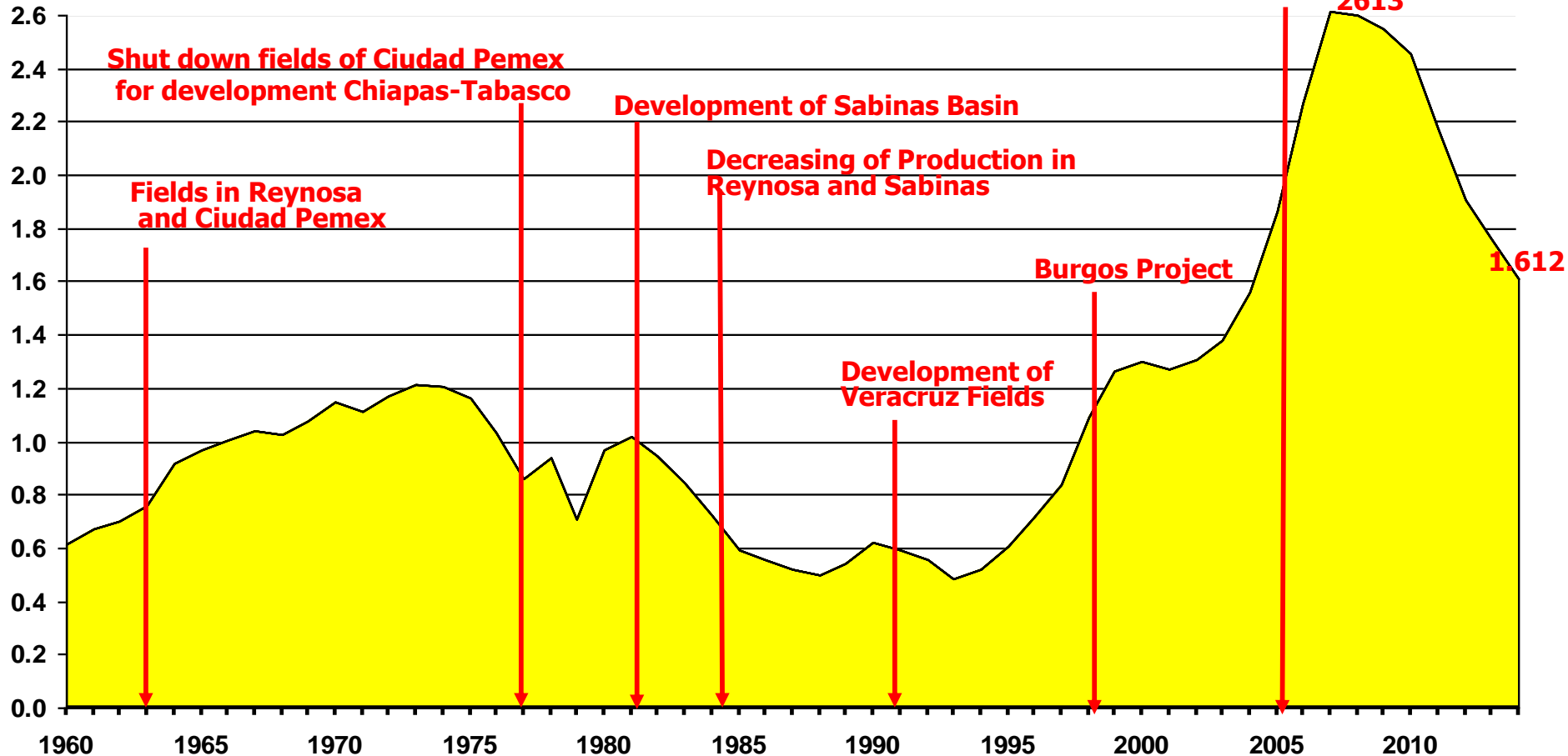


Source: Dr. GCDV with information from PEMEX Anuario Estadístico and Memoria de Labores 1965-2012.

*2014: Average January-March

Natural Gas Production Non-Associated*

Billion cubic feet per day

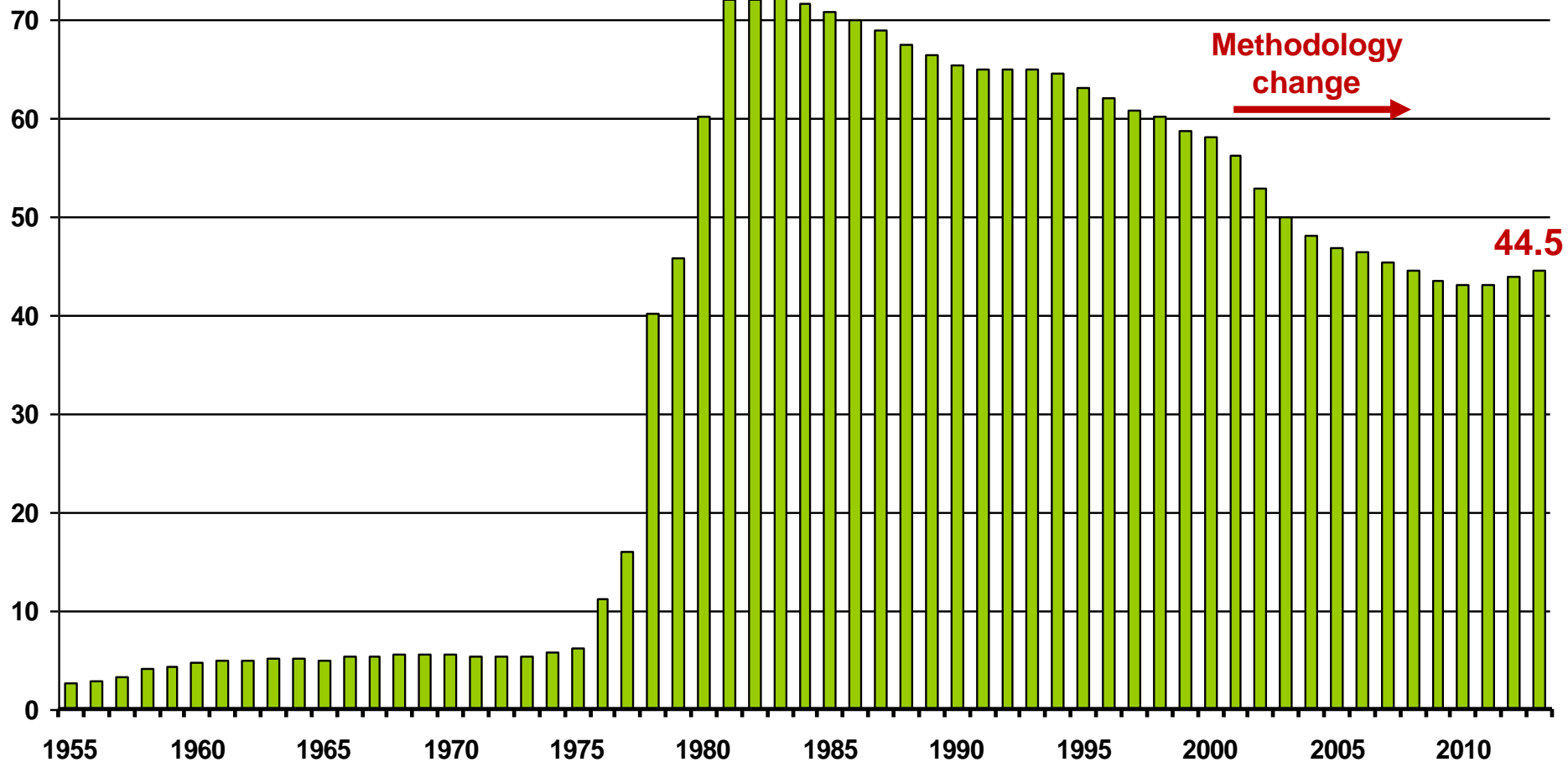


• Source: Dr. GCDV with information from PEMEX Anuario Estadístico and Memoria de Labores 1965-2012.

* 2014: Average January-March

Oil and gas reserves (3P), 1955-2013*

Billion of boe

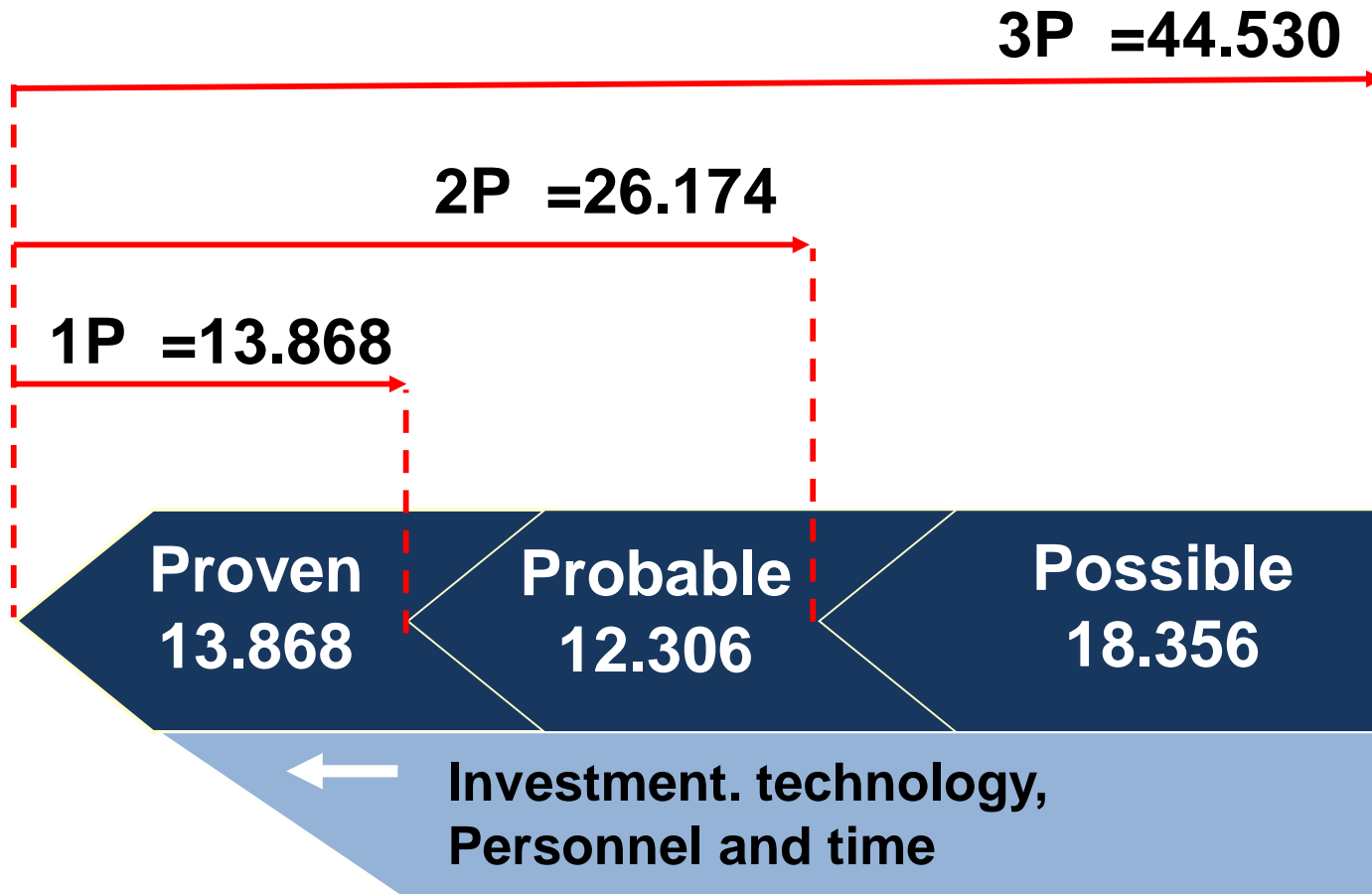


Source: Dr. GCDV with information from PEMEX Anuario Estadístico 2011 and Memoria de Labores 1965-2011.

*As of January 1st of each year

Oil and gas reserves*

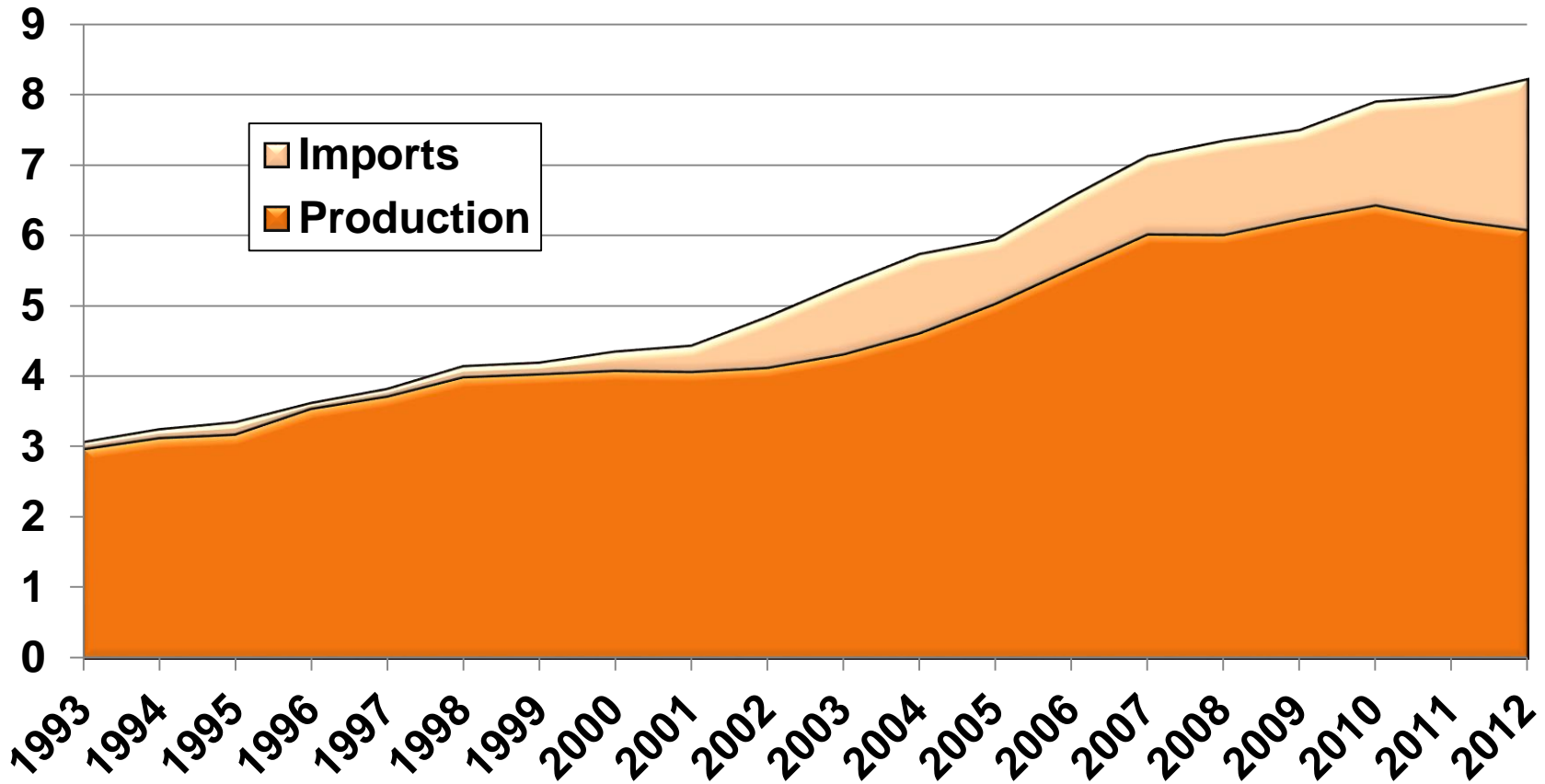
Billion of boe



Source: PEMEX,
*As of January 1st, 2013

Imports & Prod. of Natural Gas 1993-2012*

Billion cubic feet per day

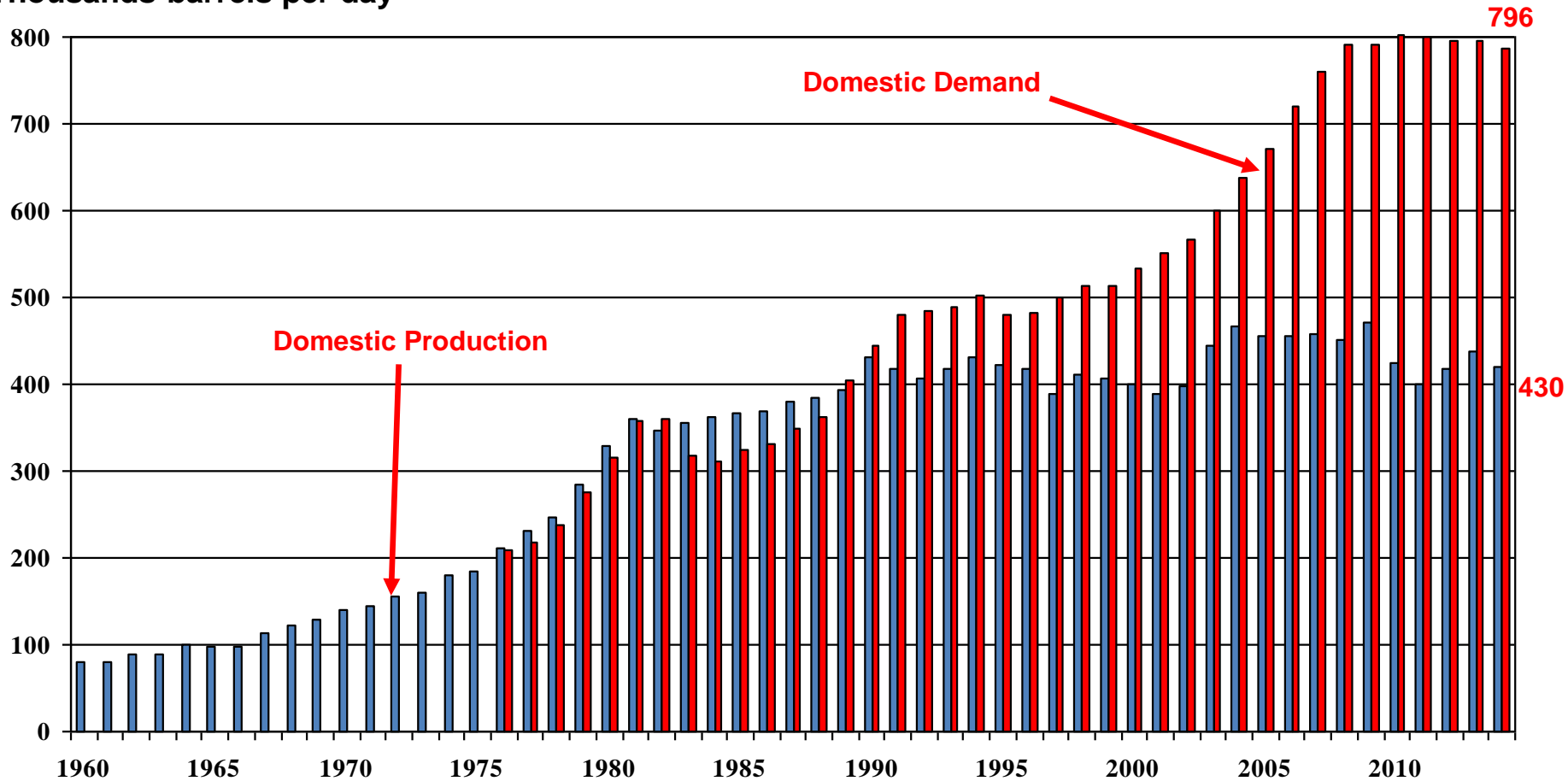


*Includes imports of LNG

Source: SIE, SENER (Balance of Natural Gas)

Gasoline Demand vs. Production 1960-2014 *

Thousands barrels per day



Source: Dr. GCDV with information from PEMEX Anuario Estadístico and Memoria de Labores 1965-2012. SIE

*2014: Average January-March