Energy Reform in Mexico: Secondary Legislation

Dr. Guillermo C. Domínguez Vargas
Comisionado

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
According to the transitory clauses, the Hydrocarbons Law defines:

- Granting of assignations 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
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
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

- Energy Policy
- Guidelines about contracts
- Selection of areas
- Assignation

SENER

CNH
- Bidding Process
- Opinion PDO

CNH
- Technical Advisor and Regulator

PEMEX
- Contracts
- Main operator

Round Zero

To be converted in State Productive Enterprise

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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 assignations 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 (Treasure Ministry) will define.
In exploration, Pemex requested a larger proportion of prospective resources where it has more experience.

<table>
<thead>
<tr>
<th>Category</th>
<th>Area (Km²)</th>
<th>Prospective Resources (MMMbpce)</th>
<th>Total Resources Percentage*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pemex Application</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shale</td>
<td>13,163</td>
<td>8.9</td>
<td>15%</td>
</tr>
<tr>
<td>Deep waters</td>
<td>47,000</td>
<td>8.1</td>
<td>29%</td>
</tr>
<tr>
<td>Shallow waters</td>
<td>36,000</td>
<td>9.5</td>
<td>63%</td>
</tr>
<tr>
<td>Onshore</td>
<td>65,000</td>
<td>8.0</td>
<td>82%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>161,163</strong></td>
<td><strong>34.5</strong></td>
<td><strong>31%</strong></td>
</tr>
</tbody>
</table>
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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Mexico

Oil Production 1960-2014*

Thousands of barrels per day

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

*2014: Average January-March

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Natural Gas Production*

Declining production of light oil from Southern Region and Southwest Marine Region

Southern Region started production decline

Discovered of Sabinas' Basin

Golfo de Campeche Started production

Southern Region fields reactivation

Chiapas-Tabasco started production

Cantarell

Veracruz

Burgos Project

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**

- **1960**: 0.0
- **1965**: 0.2
- **1970**: 0.4
- **1975**: 0.6
- **1980**: 0.8
- **1985**: 1.0
- **1990**: 1.2
- **1995**: 1.4
- **2000**: 1.6
- **2005**: 1.8
- **2010**: 2.0
- **2015**: 2.2
- **2020**: 2.4
- **2025**: 2.6

**Key Events:**
- **1960**: Shut down fields of Ciudad Pemex for development Chiapas-Tabasco
- **1970**: Development of Sabinas Basin
- **1980**: Decreasing of Production in Reynosa and Sabinas
- **1990**: Development of Veracruz Fields
- **2000**: Burgos Project
- **2010**: Veracruz
- **2015**: 2613
- **2020**: 1,612

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

* 2014: Average January-March

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Mexico

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

Billion of boe

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

*As of January 1st of each year
Mexico

Oil and gas reserves*

Billion of boe

1P = 13.868

2P = 26.174

3P = 44.530

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)
Mexico

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

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