

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

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

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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

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