Mexican Energy Sector
Investment Opportunities Post Reform

Eagle Ford Consortium 3rd Annual Conference

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Asociación Mexicana de Empresas de Servicios Petroleros A.C.

It was created in 2009 to bring together private companies that perform O&G services for Pemex

It looks to concur, integrate and promote the views and proposals of its associates to improve its positioning in the industry

Main initiatives:

- Promote local content
- Encourage the development of the supply chain
- Support the formation of local technical resources
- Sponsor the formation of regional clusters
- Look for alternative financial sources for local companies

Since the Mexican O&G constitutional amendments were enacted, it has kept an active role with congress, government agencies and private organizations to promote its initiatives

One of its key targets is to drive capable local companies to become industry operators

Mexican hydrocarbons potential

Total Resources

Oil& Gas Plays

No convencional (Shale Gas)

In addition, there are other plays with hydrocarbons potential that have not been explored so far: Baja California, Mar de Cortés, Chihuahua, Sierra Madre Oriental, Sierra de Chiapas y Progreso

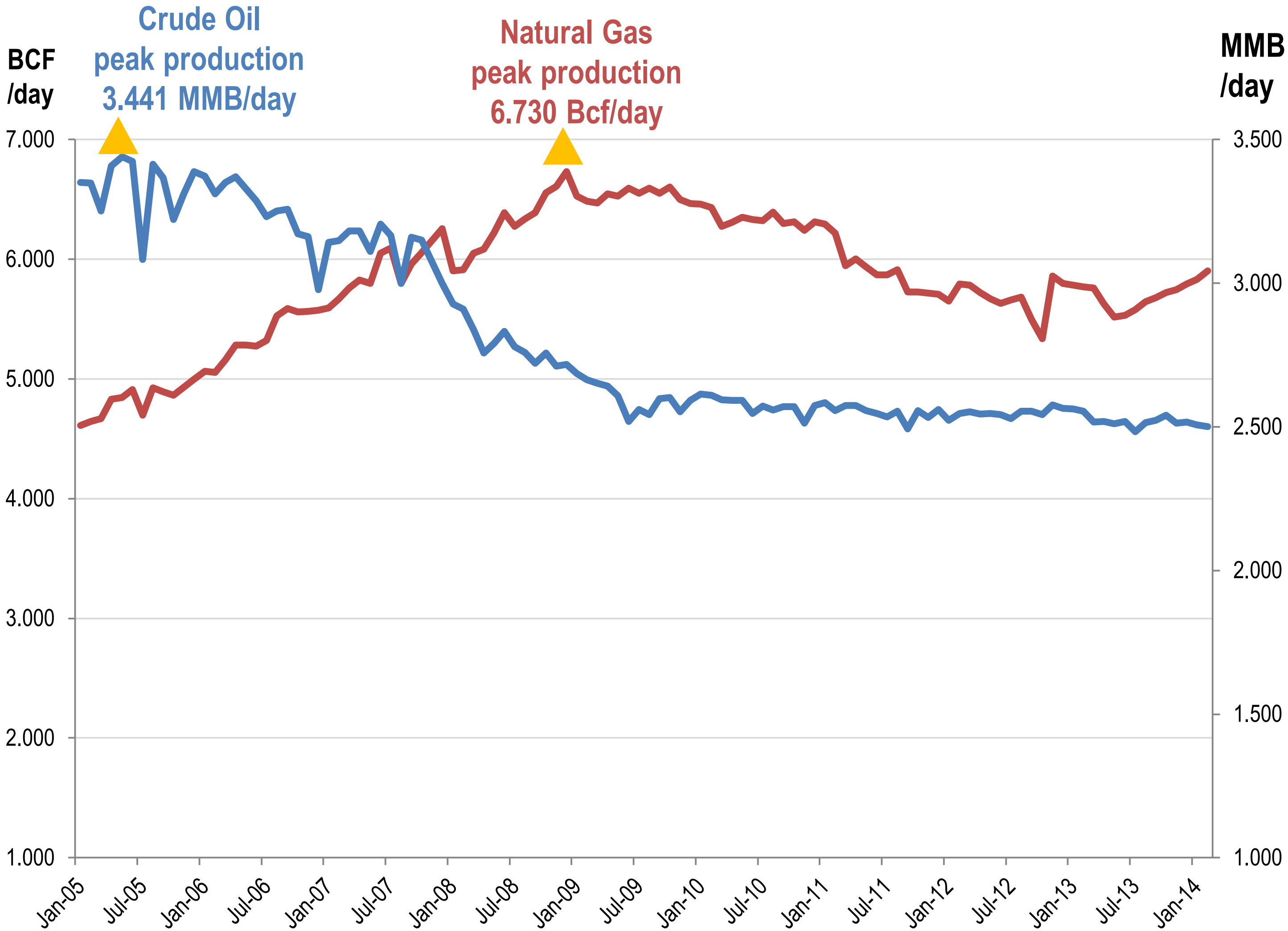
Total Resources
Billion Barrels Oil Equivalent

Cuenca	Prod. Acum.	Reservas			R
		1P	2P	3P	C
Sureste	45.4	12.2	18.2	25.1	2
Tampico Misantla	6.5	1.0	7.0	17.7	
Burgos	2.3	0.4	0.6	0.8	
Veracruz	0.7	0.2	0.2	0.2	
Sabinas	0.1	0.0	0.0	0.0	
Aguas Profundas	0.0	0.1	0.2	0.7	2
Plataf. Yucatán					
Total	55.0	13.9	26.2	44.5	5

Proyectos de desarrollo y explotación   *e*

Total 114.8

Mexican oil and gas production



Mexico's average oil monthly production has plummeted 27% since it's peak in May 2005

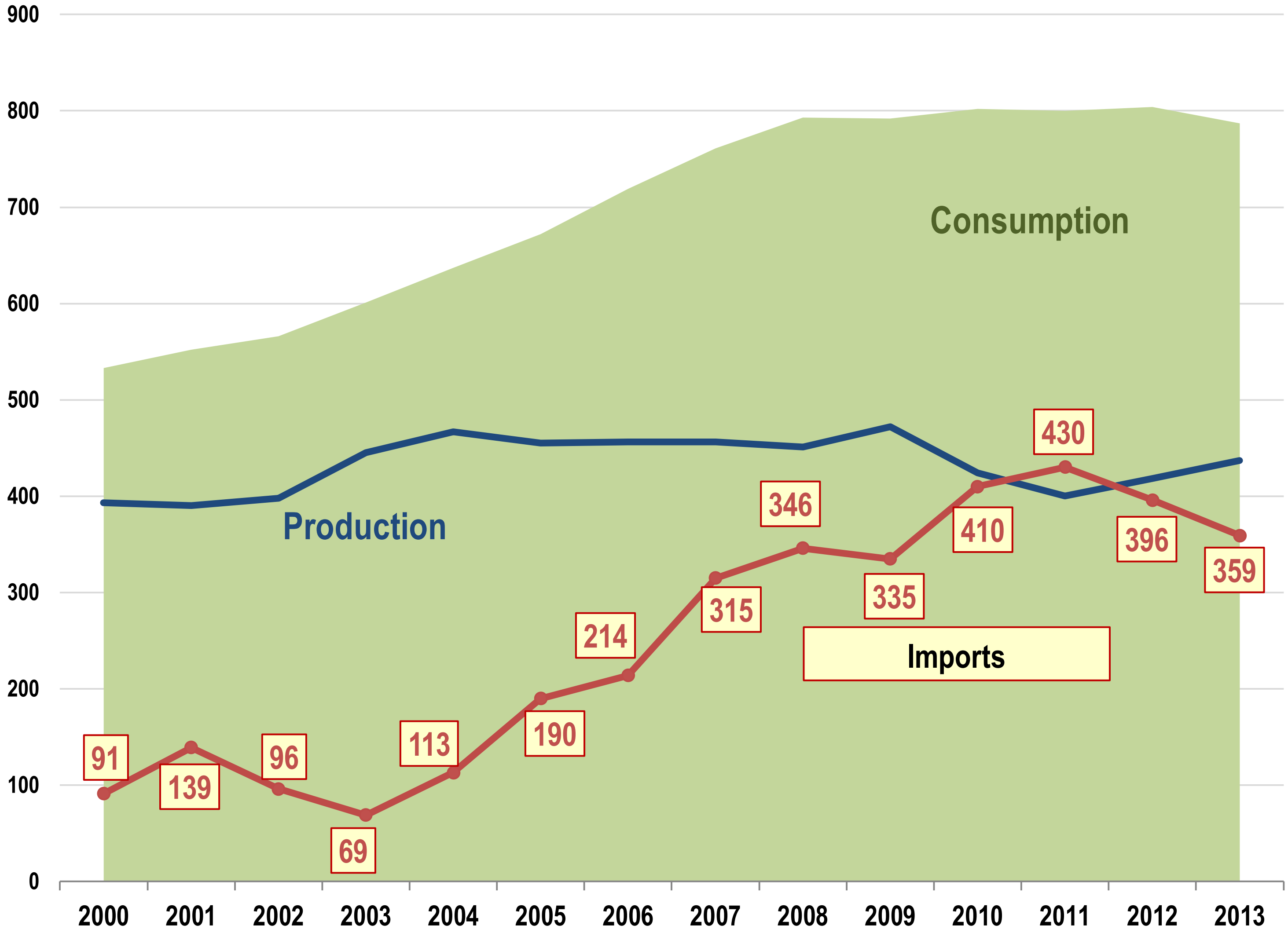
Natural gas production has dropped 12% since December 2008

*Excludes nitrogen
Source: Pemex

Binational Center Library / Texas A&M International University

Gasoline balance

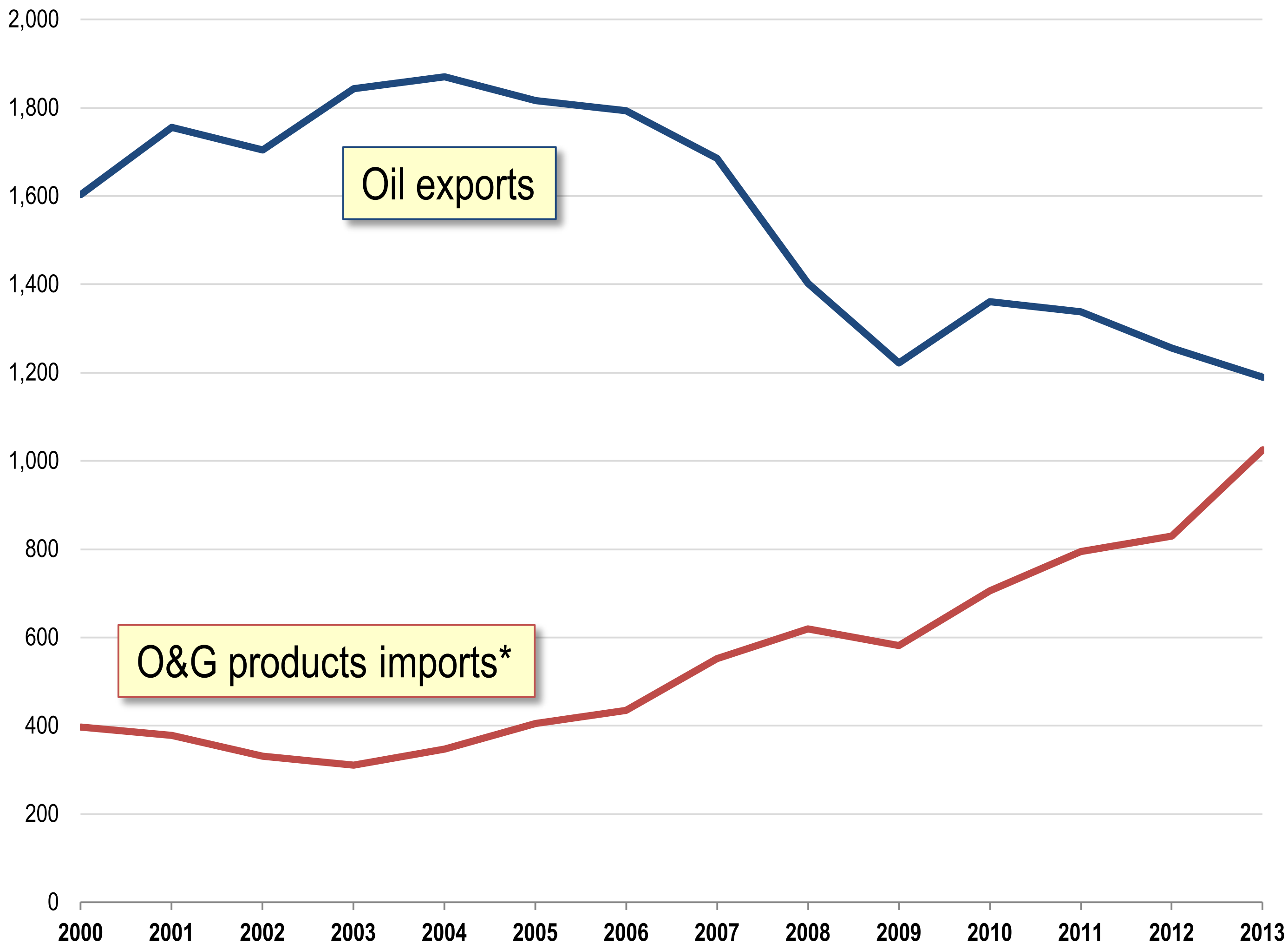
MBD



In 2013, gasoline imports accounted for 46% of local consumption

Mexico’s oil and products trade balance

MBD



*Includes natural gas imports converted to fuel oil equivalent

The gap between oil exports and oil product imports in volume terms is closing

Mexican O&G industry under the new constitutional amendments

Mexican State

- Exclusive ownership of Mexican O&G underground resources
- Full ownership of Pemex
- O&G operations will remain "strategic activities" with preference over all others, facilitating the use of land and water resources
- Royalties and taxes will be charged for O&G resources exploitation
- A Sovereign Mexican Oil Fund will be created to manage excess revenues (over 4.7% of GDP) of E&P activities

Pemex

- New legal status as a State Owned Productive Company
- Will keep current O&G developed fields and infrastructure (inland and shallow waters) and some exploratory plays assigned through a Round Zero
- Will maintain ownership of current mid and downstream assets

Regulatory agencies

- Energy Ministry (SENER)
- National Hydrocarbons Commission (CNH)
- Energy Regulatory Commission (CRE)
- Natural Gas Management Center (CENAGAS) Independent operator of the natural gas pipeline network
- Industrial Safety and Environmental Protection Agency

Pemex and /or private companies

- E&P activities through licenses and contracts
- New O&G transportation and storage projects
- New downstream projects: refineries, gas processing units, petrochemical plants
- Will be able to report the economic interest of the O&G underground assets for accounting and financial purposes
- Local content requirements for E&P licenses and contracts, complying with international Trade Agreements.

There are al least 26 secondary laws that are been revised to enact this changes

New contracting schemes

E&P contracts

Services:
- Company performs services on behalf of de State
- Payments are in cash

Profit sharing:
- Profits after taxes and royalties are shared between the State and the company
- Payments are in cash

Production sharing:
- Production is shared between the State and the company after taxes and royalties
- Payments are in product

licenses:
- Company is authorized to perform E&P activities on behalf of the State
- Payments are in product

Mid & downstream permits

- Companies will be granted a permit to build and operate O&G processing, storage and pipeline facilities

Mexican O&G exploration and production contracting process

1

SENER
SECRETARÍA DE ENERGÍA

- Selection of contractual area with technical assistance of CNH

2

SENER
SECRETARÍA DE ENERGÍA

- Technical features of bidding rounds
- Technical design of contracts

3

SHCP
SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

- Fiscal terms of contracts

4

CNH
Comisión Nacional de Hidrocarburos

- Management of bidding rounds
- Selection of winners

5

CNH
Comisión Nacional de Hidrocarburos

- Contract assignment on behalf of the State

6

CNH
Comisión Nacional de Hidrocarburos

- Technical management of contracts
- Contract performance supervision

7

BANCO DE MEXICO

- The Mexican Oil Fund will manage the State oil revenues and payments

Mexican Oil Fund for Stabilization and Development

Royalties and payments as stated in E&P contracts and assignments

→ Federal Government Expenditure Budget (4.7% of GDP as fixed rate)

→ Surplus → Fund Long Term Savings (up to 3% of GDP)

→ Surplus → Surplus income will be distributed as follows:

At least 40%	▪Long Term Savings (until they reach 10 of GDP)
Up to 10%	▪Federal Pensions Fund
Up to 10%	▪Science, technology and renewable energy projects
Up to 30%	▪O&G and infrastructure projects fund
Up to 30%	▪Regional development and scholarships

E&P investment opportunities

Exploration & Production

- Licenses and contracts
- Seismic for Pemex, CNH, and private operators
- Exploratory drilling

Field Development

Deep water projects
- Drilling and well services
- Subsea development projects

Conventional land and marine projects
- Drilling and well services
- Gathering & transportation

Shale Gas and Oil
- Drilling, well services and hydraulic fracturing

EPC of infrastructure

EOR projects

Midstream

- O&G pipelines
- Storage Ships/Terminals
- Distribution equipment: tankers/trucks

Mid & downstream investment opportunities

Natural Gas

- Pipelines
- Dry gas and liquids trading
- Gas and liquids storage
- Gas processing
- Gas & liquids distribution and marketing

Refining

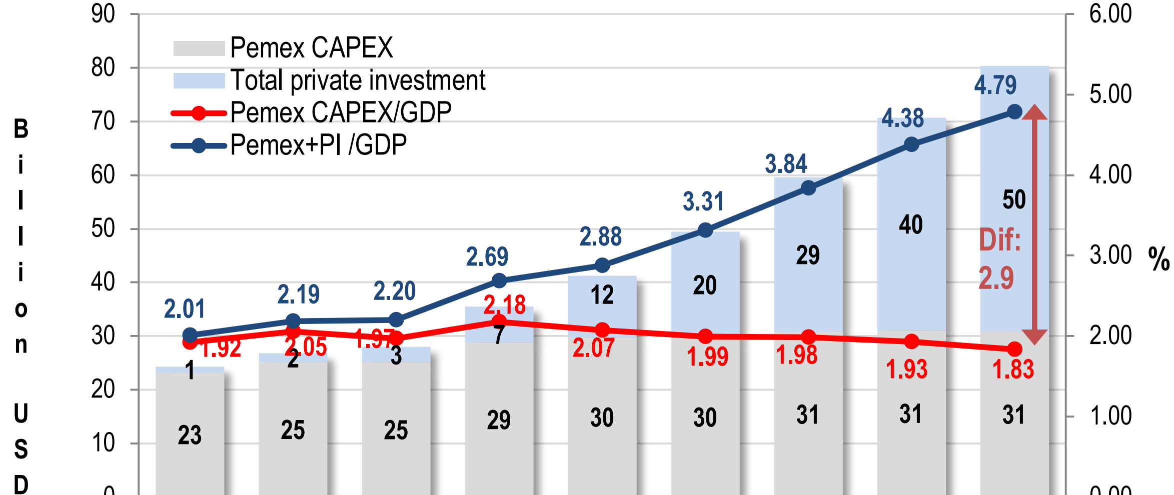
- Gasoline/diesel trading and distribution
- Service stations acquisitions and operation
- EPC projects for existing refineries
- New oil/products pipeline projects
- New liquids storage terminals
- New refining facilities

Petro-chemicals

- New petrochemical projects
- Storage and distribution facilities

Mexico oil & gas potential CAPEX

Billion USD



	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total	AGR
Pemex CAPEX	**23**	**25**	**25**	**29**	**30**	**30**	**31**	**31**	**31**	**254**	**3.6**
Private investment											
Mature fields		1	1	2	2	2	3	5	6	22	
Deep water				1	2	5	6	8	9	22	
Shale gas					2	3	6	9	12	17	
New refining capacity						2	3	5	6	18	
Gas processing and fractionation						1	1	2	2	2	
Gas pipelines			1	2	2	3	4	5	5	16	
Cogeneration projects				1	1	1	1	1	1	5	
Petrochemicals		1	1	1	1	1	2	3	4	13	
Midstream				1	2	2	3	4	5	16	
Total private investment	1	2	3	7	12	20	29	40	50	**130**	
Pemex + private investment	**24**	**27**	**28**	**35**	**41**	**49**	**60**	**71**	**80**	**384**	**16.2**
GDP current prices (Trillion USD)	**1,207**	**1,220**	**1,269**	**1,320**	**1,433**	**1,491**	**1,550**	**1,612**	**1,677**	**12,966**	**4.2**
Pemex CAPEX/GDP (%)	**1.92**	**2.05**	**1.97**	**2.18**	**2.07**	**1.99**	**1.98**	**1.93**	**1.83**	**1.96**	
Pemex+PI /GDP (%)	**2.01**	**2.19**	**2.20**	**2.69**	**2.88**	**3.31**	**3.84**	**4.38**	**4.79**	**2.96**	