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Mexican Oil & Gas industry
Investment opportunities post reform

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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 will have to be revised to enact this changes

The role of the regulatory agencies

Energy Ministry (SENER): define conduct and coordinate national energy policy

UPSTREAM

Energy Ministry (SENER):

- Defines E&P contracting areas
- Designs contractual models
- Defines technical bidding rules

National Hydrocarbon Commission (CNH):

- Technical assistance to SENER
- Gathers geological information
- Authorizes exploration services
- Conducts bidding processes
- Subscribes E&P contracts
- Manages contracs
- Supervise and regulate E&P activities

Finance Ministry (SHCP)

- Defines bidding economic terms

MIDSTREAM

Energy Regulatory Commission (CRE)

- Issues permits for storage, transportation and distribution of gas and liquids
- Regulates open access to storage and pipeline infrastructure
- Regulates marketing of O&G and derivatives

Natural Gas Management Center (CENAGAS)

- Independent operator of the natural gas pipeline network

DOWNSTREAM

Energy Ministry (SENER):

- Issues permits for new refining and gas processing facilities

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

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

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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

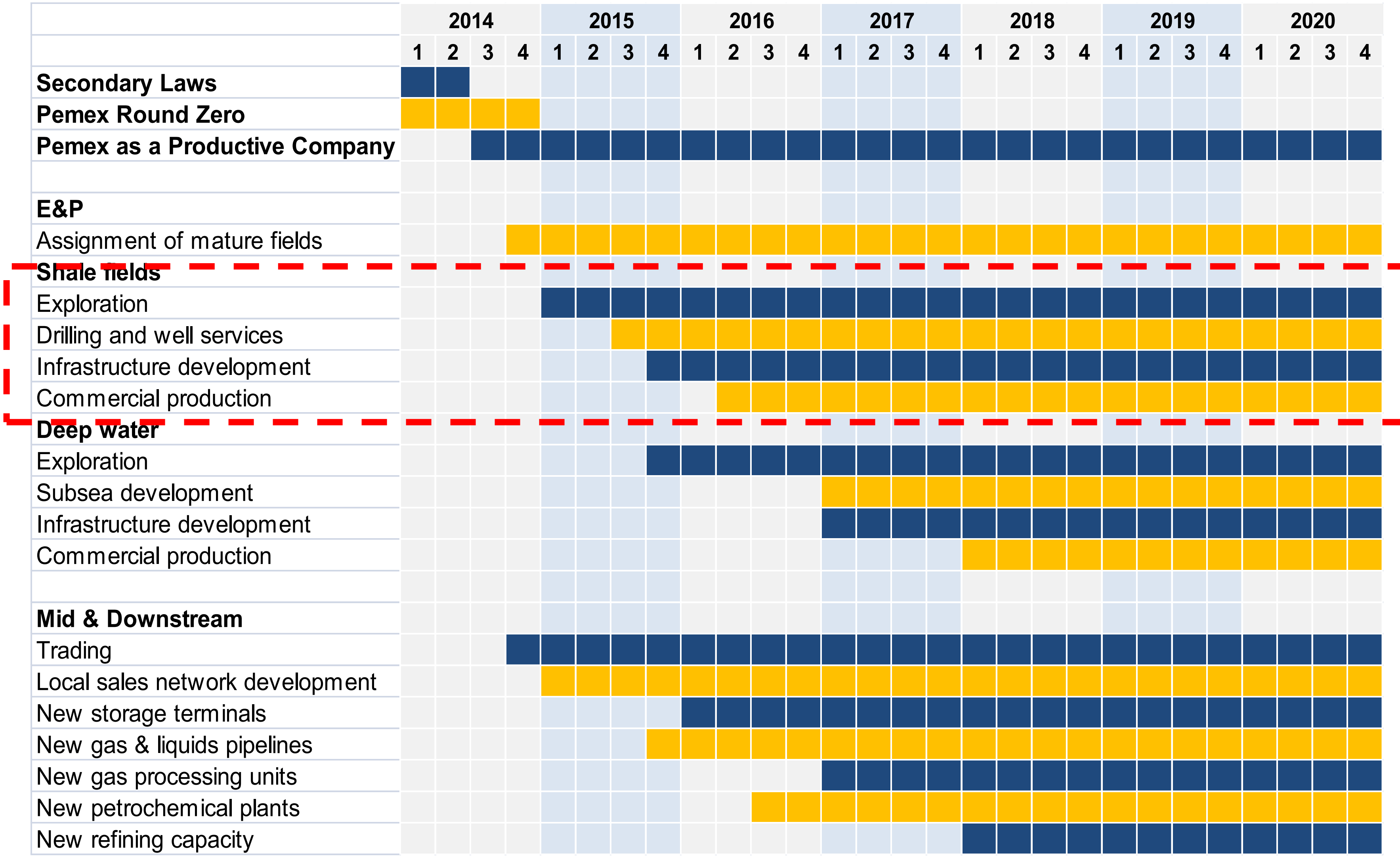
Refining

- Gasoline/diesel trading and distribution
- Service stations acquisitions and operation
- EPC projects for existing refineries
- Enhanced operating performance for Pemex
- New oil/products pipeline projects
- New liquids storage terminals
- New refining facilities: conventional/GTL's

Petro-chemicals

- New petrochemical projects
- Fertilizers
- Storage and distribution facilities

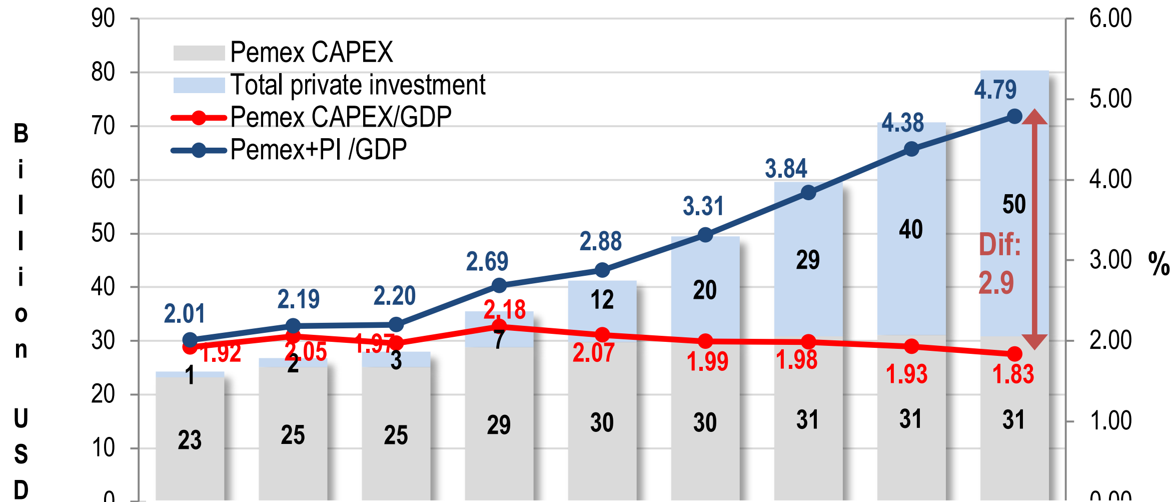
O&G reform: estimated implementation calendar



Mexico oil & gas potential CAPEX

Billion USD

Estimated aggregated investment by private companies in the Mexican O&G sector, will add 2.9 points to GDP by 2020



	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**	

! Muchas Gracias¡

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