

ANNUAL CATALOG

MEXICO'S ENERGY SECTOR Commercial and Policy Outlook Reports

2012

THU, JAN 19

Gunfight at Perdido

File 100114
Pages 2
Charts 0

This report provides a glimpse of the distance between Pemex and the CNH regarding the appropriateness of wildcat drilling in the Perdido Area. At a seminar at the Baker Institute at Rice University on January 18, 2012, Pemex Director General Juan José Suárez Coppel spoke matter-of-factly of the plans of Pemex to drill several, ultra-deepwater wells in Perdido. Across town, on the same day, CNH President Juan Carlos Zepeda argued, with passion, that it was premature for Pemex to risk drilling deepwater wells.

1

TUE, JAN 24

Oil and Mexican Elections

File 100115
Pages 9
Charts 0

Mexico is in its fourth-generation of legal systems for oil exploration and development. From 1885-1925 the surface owner also held mineral rights. From 1925-40, there was a concession system. From 1941-58 a regimen of PSAs. Since 1958, private investment in the upstream has been only as a service contract with Pemex. Current policy, which provides for a service fee/barrel to a contractor for field operations is the most recent innovation. How will presidential candidates of 2012 see the future of upstream policy?

2

THU, JAN 26

Pemex's Hybrid Contracts: How Pemex tropicalized global contract models

File 100113
Pages 18
Charts 3

This report examines the Pemex upstream outsourcing since 2003 for oil and gas production, starting with the Multiple Service Contract of 2003-05. The report discusses three common legal models that contributed to the Pemex hybrid: Farm-out, Production Sharing Contract (PSC) and Incremental Oil Contract. The report concludes that the farm-out model is the closest to Pemex's hybrid contract, as it confers on the contractor a legal, revenue interest in production.

3

SUN, JAN 29

Pemex's Outsourcing Philosophy

File 100116
Pages 6
Charts 2

This report examines the logic of Pemex's outsourcing philosophy in which three innovative contract models are employed: Field Labs, Performance (or Incentive) Contracts and Transactional Service Contracts. Pemex aspires to employ these contracts in order to pass through a transitional phase on its path toward the goal of being an internationally competitive oil company. The report unpacks Pemex's outsourcing matrix, and offers a critique of its underlying philosophy.

4

MEXICO ENERGY MEXICO ENERGY INTELLIGENCE™ (ISSN 2380-6400) is a digital publication based in Houston since 1996 and edited by market analyst and historian George Baker, Ph.D. We synthesize business journalism and academic scholarship, analyzing law, regulation, policy, and institutional governance in Mexico's energy sector *from the perspective of regulated market solutions*. Subscribers are energy companies, regulators, trade associations, law firms and university libraries. Reports are distributed principally by paid subscription.

ANNUAL CATALOG

2012

THU, FEB 2

Pemex's Farm-Out Program: How to Evaluate Its Efficiency?

File 100111
Pages 19
Charts 3
Updated 2/18/2012

This report proposes that the term "farm-out" best captures the sense of Mexican energy policy since 1992 in power, gas and the upstream. The report examines alternative approaches to evaluating the success of the decade-old farm-out program in Pemex E&P, a program that, to date, has yet to be evaluated by Pemex's board or auditors from the government (SFP) or Congress (ASF). The report provides several optics by which the success of the program may be evaluated.

5

THU, FEB 16

Overcoming the Mexican Accent in English (Part II)

File 100117
Pages 13
Charts 6

This report builds on Market Note 109, which presents the basic concepts of linguistics that are needed to have a clear understanding of the challenges that face the native Spanish speaker who is already competent in English. In this report we focus on the "enemies within" that make it difficult to listen to the ways that English is actually spoken.

6

MON, FEB 27

What the CRE Should Tell the Next Government?

File 100118
Pages 13
Charts 1
Updated 3/14/2013

This report, the first of a series concerning the information that should be provided to the government that will be installed on December 1, 2012, concerns the institutional and policy challenges that confront the Energy Regulatory Commission (CRE) in fulfilling its mandate to regulate the electric and gas sectors on behalf of both public and private investors and consumers. These "challenges" are expressed in this report as a series of problems, each with suggestions about possible solutions. The current revision to the report makes reference to new regulatory, policy and contractual issues.

7

MON, MAR 19

US-Mexico Transboundary Hydrocarbon Agreement: A New Face for Pemex's Incentive Contract?

File 100121
Pages 9
Charts 0
Updated 11/12/2013

Until 2012, neither Mexico or the U.S. had signed a cross-border agreement related to petroleum. Lease auctions of blocks continuous with Mexico on the U.S. side received no bids. The agreement provides a scaffolding of public oversight for the unitization of cross-border fields and for the eventual formation of a joint operating agreement between "licensees" on both sides. At this stage, the agreement is limited to sharing information, not risk.

8

THU, APR 5

Center for Offshore Safety: Could Pemex and Cupet Become Members?

File 100120
Pages 9
Charts 2
Updated 5/13/2013

This report reviews safety, organizational and policy issues related to the Center for Offshore Safety, an organization created by the API in March 2011. The report draws principally on the presentation and discussion held at the luncheon meeting of the Houston Chapter of the International Association of Energy Economics on March 7, 2012. The speaker, Jeff Zingham, the interim executive director, emphasized that leading indicators of safety risk are not yet in place, and that lagging indicators tell little about the safety readiness of an organization.

9

ANNUAL CATALOG

2012

WED, APR 11

Why is the Mexican President in Cuba?

File **041112** This article interprets the motive of President Calderón's visit to Cuba with a Pemex entourage as one related to the cross-border hydrocarbon treaty with the United States that had been signed less than three weeks previously. <http://www.cubastandard.com/2012/04/11/analysis-why-is-the-mexican-president-in-cuba/> 10

Pages 1

Charts 0

SUN, APR 22

Energy Security Indexes: Adjusting Supply Numbers for Freedom and Diversity

File **100126** This report draws on the presentation and Q&A in Houston on April 19, 2012, of Karen Harbert, president of the Institute for 21st Century Energy, an organization affiliated with the U.S. Chamber of Commerce. The Institute has developed an index of U.S. energy security based on a model that incorporates 37 metrics that cover the spectrum of traditional and untraditional energy sources. This report offers a critique of the model by reference to variables that were excluded and other observations. 11

Pages 7

Charts 0

TUE, APR 24

US-Mexico Transboundary Hydrocarbon Agreement (Part II)

File **100124** This report examines problematic aspects of the Transboundary Agreement, paying particular attention to the objections and concerns of the minority of senators who voted against immediate approval (69 in favor, 21 against). Sen. Pablo Gómez (PRD), who was the principal voice of the opposition, asked about why the CNH had not been designated at the executive agency that would represent the Mexican government in the administration of the Agreement. Another question concerned the omission from the agreement of the first 9 miles that the US said were under Texas jurisdiction. An outline of the debate is Exhibit C. 12

Pages 8

Charts 5

THU, MAY 10

What Should the Hydrocarbons Commission Tell the Next Government?

File **100128** The new government that takes office on Dec. 1, 2012, should be told that the Hydrocarbons Commission Act of 2008 has too many imperfections to be improved by amendment, and needs to be repealed. The government and the Congress should devise a CNH 2.0 that will clearly define the limits of its mandate. In the new law, the CNH should be involved in the development of a methodology to award full-cycle contracts on the basis of the lowest risk-based price. 13

Pages 11

Charts 0

Updated 5/12/2012

FRI, MAY 11

What should the Hydrocarbons Commission Tell the Next Government?

File **10021** This report argues that legal mandate of the National Hydrocarbons Commission, which was created by the Energy Reform of 2008, is inadequate to cope with the challenges of regulating Pemex's deepwater operations; and that new legislation is needed. 14

Pages 8

Charts 0

ANNUAL CATALOG

2012

SAT, MAY 26

FCPA Risk in Mexico (Part II): Wal-Mart vs. Sempra

File **100127**
Pages 30
Charts 7
Updated 12/18/2012

This report is a follow-up of an earlier report on FCPA risks in Mexico, published July 23, 2011. In that report we examined diverse risks as seen in the stories of Metalclad, Marathon Oil and Sempra Energy in Mexico. In this report, we examine, comparatively, the allegations of illicit payments in Mexico made by Wal-Mart and Sempra. At the same time, we reexamine the discussion among economists about the efficiency of corruption as a mechanism that promotes economic development.

15

THU, JUN 7

The Ambassador and the Petroleum Club (Part II)

File **100130**
Pages 12
Charts 2

Ambassador Arturo Sarukhán was the keynote speaker at the inaugural luncheon of the Center for U.S. and Mexican Law and Policy, a new program of the Law Center of the University of Houston. This report is based on notes taken during his remarks on the current drivers of U.S.-Mexico diplomatic relations. The report includes a second section on topics that the speaker chose not to address.

16

SAT, JUN 9

OTC Snapshots: From Calderón to Hart Energy

File **100129**
Pages 9
Charts 0

This report comments on Mexico's presence at the Offshore Technology Conference. The OTC is an annual event in Houston that takes place in the first week in May. In OTC 2012 Pemex had its first booth, and the head of Pemex E&P was on a panel on global trends. These are two signs that OTC and Pemex are taking each other more seriously than in the past. The report also includes reference to President Felipe Calderón's visit to Houston April 25, and to a seminar on Latin American oil markets on May 3rd.

17

SUN, JUN 17

Mexican Spring: The Presidential Election of 2012

File **100132**
Pages 12
Charts 0
Updated 6/20/2012

This report asks about the possibility that the long-favored PRI candidate, Enrique Peña Nieto, may lose the July 1st election. Should he lose it, despite months of being the leading candidate, a principal cause of his defeat will have been the mobilization of public opinion against the PRI by the student movement known as "Yo Soy 132." The background section we reexamine the history of PRI rule in Mexico. We review the online, attack ads against Peña Nieto, and offer highlights of the 2nd debate.

18

WED, JUN 27

Vronche and the Seven Dwarfs: An Upstream Fairy Tale

File **100131**
Pages 13
Charts 0
Updated 7/3/2012

A saying in Mexico is that "Truth is told in fiction, while fiction is told in truth." A critique of Pemex's second bid round, which culminated in awards on June 19, 2012, for four of the six blocks, is told in the language of a fairy tale of the Middle Ages.

19

WED, JUL 4

Pemex's Mature Fields Auction (Round 2): What Went Wrong?

File **100133**
Pages 9
Charts 2
Updated 7/17/2012

The Pemex 2nd round of bidding for the six blocks in its Northern Region was a disappointment: First, no IOC submitted a bid, which was particularly painful in relation to the Arenque Block, whose bid package Chevron had purchased. Neither of the 2 offshore blocks were awarded, on questionable grounds in each case. Mexico's bid round held on June 19th earned just \$40 million; the US GOM bid round, held on June 20, earned US\$2.6 billion. The report urges a legal review of aspects of Pemex's bid protocols.

20

ANNUAL CATALOG

2012

MON, JUL 23

Public Policy Perspective No. 20023 - LPG Interests and the Elections

File **10023**
Pages 43
Charts 11

The LPG lobby is a big donor to political candidate; and, for this reason, politicians and legislators stay away from laws or policies that would jeopardize the market control that LPG lobbies have in major metropolitan areas such as the DF and Guadalajara. In an analysis of the full-cycle-economics of LPG compared to natural gas, it is natural gas distribution that offers a superior value, even when the BTU price of LPG is higher.

21

FRI, JUL 27

Women in the Mexican Energy Sector: Glass Ceilings

File **100138**
Pages 9
Charts 8

This report examines the presence of professional women in the oil and power industries in Mexico. There are career paths for women in both technical and non-technical fields. Pemex has a hiring policy that is much more open to having women in supervisory positions than is CFE. Still, women face glass ceilings, that is, levels beyond which promotion may not be expected. The findings of this report have been questioned by some professional women in Mexico who object to the inclusion of racial profile in a discussion focused on the energy sector. Annex A lists the names and organizations of over 130 women, active and retired.

22

TUE, AUG 28

What should PMI Tell the Next Government?

File **100140**
Pages 11
Charts 2
Updated 8/30/2012

Established in the 1990s, the PMI Group of Companies serves Pemex as its trading department as well as the holding company for international assets such Pemex's 50% stake in the Deer Park refinery. The trading department was known for its highly motivated and qualified professionals. Personnel issues in 2010 and 2011, however, have shaken morale and cut into profits. This report lists measures for consideration that are aimed at restoring the productivity of the trading unit and to prevent the recurrence of the abuses of the personnel system such as those that occurred in 2010-11.

23

THU, AUG 30

Pemex's Mature Fields Awards: The First Bidding Round Under the New Pemex Law

File **083012**
Pages 12
Charts 1

This article provides a review of the awards ceremony that was held on August 18, 2011, in Villahermosa, and described as "the first commercial fruit of the Energy Reform of 2008," which had permitted innovative contractual formats. The discussion considers what Pemex got in the bids and bidders, and what Pemex didn't get (but had been hoping for). Mexican Law Review (New Series, Vol. V, No. 1, pp. 183-96.)
<http://biblio.juridicas.unam.mx/revista/pdf/MexicanLawReview/9/cmm/cmm6.pdf>

24

TUE, SEP 4

The Mexican Controversy About PMI

File **10024**
Pages 10
Charts 2

This Public Policy Perspective is meant to defend the PMI concept against critics who equate the complexity of the legal structure of its offshore affiliates with corruption and mismanagement. The logic of the PMI initiative in the late 1980s is explained; and the evolution and current structure of the PMI Group of Companies is shown. The report reviews the principal criticisms against the PMI organization, but adds one more: PMI has done a terrible job of public relations. PMI's bad press in Mexico is its own fault.

25

ANNUAL CATALOG

2012

SAT, SEP 15

What Should Pemex's Trading House Tell the Next Government?

File **100141**

Pages 11

Charts 4

Since 2010, morale and profits at Pemex's trading house have been falling, and experienced traders are leaving. Recent events have shown that the legal structure will not bear close scrutiny. Traders are technically employees of PMI Comercio Internacional, S.A. de C.V., a Mexican company; but they carry out their trades as agents of an offshore company with no employees. If there's an issue with auditors, the trader has no protection. Laws and procurement rules need updating to legalize trading within Pemex.

26

File **09152012**

Pages >200

Charts >200

The Eagle Ford Slide Pack and its Appendix consist of upwards of 200 slides, each with individual commentary, about the petrology, hydrology and other technical aspects of the Eagle Ford extension into Northeast Mexico. The slide pack was prepared by Guillermo Suárez, based in Mexico City. MEI is the exclusive U.S. distributor.

27

FRI, SEP 21

What the PRI Must Learn About Energy

File **100142**

Pages 8

Charts 4

Updated 9/24/2012

The basic framework of a closed, Soviet-era economy did not change under PAN rule; but there have been innovations: LNG, a cross-border hydrocarbon agreement, deepwater exploration, MSC, renewable energy technologies and one new regulatory institution, the National Hydrocarbons Commission. Table 1 provides a rough guide to the topics and issues in the energy sector that the new office-holders and presidential appointees in Pemex and CFE will have to manage.

28

SUN, SEP 23

File

Pages 8

Charts 5

At the meeting of the Mexican Senate Energy Committee on March 27, 2012, substantial objections were presented against approval of the US-Mexico transboundary hydrocarbon agreement that had been signed just the month before on February 20th in Cabo San Lucas. This report highlights some of these objections, and identifies challenges not considered in the Senate meeting.

29

SUN, SEP 30

The Political Science of Industrial Safety: Have the Deeper Lessons of Deepwater Horizon Been Learned?

File **093012**

Pages 6

Charts 0

A visit took place to the *Deepwater Horizon* by a senior, joint safety audit team on the day of the Macondo blow-out. The team focused on occupational safety and ignored issues of process safety (e.g., tests of cement integrity). See *The Journal of Energy & Development* (Vol. XXXVI, No. 2, pp. 219-226).

30

<http://www.scribd.com/doc/112111810/%E2%80%9CThe-Political-Science-of-Industrial-Safety-Have-the-Deeper-Lessons-of-Deepwater-Horizon-Been-Learned-%E2%80%9D-by-George-Baker>

ANNUAL CATALOG

2012

TUE, OCT 2

Tesis 193/2011 ~ Jurisprudence by Contradiction: The Supreme Court Establishes Case Law

File **100143**
Pages 9
Charts 3
Updated 11/13/2014

For more than a decade, in Guadalajara and in other cities where the CRE has issued permits for natural gas distribution, LPG interests have successfully blocked the local distribution company (LDC) from installing the pipeline infrastructure. Techniques have changed: in the late 1990s there were physical intimidation and misinformation campaigns, then a series of civil suits. At last, the Supreme Court (SCJN) stepped in, overturning a local court's ruling that Jalisco Civil Code could justify blocking LDC construction. In the process, the first case law in Mexico's energy sector was established.

31

MON, OCT 8

Mexico does not need Constitutional Change to Update PEMEX

File **100812**
Pages 1
Charts 0

An telephone inquiry from Notimex on October 5, 2012, in relation to the announcement by President Felipe Calderón that morning of an oil discovery at Supremus-1, near the U.S.-Mexico maritime border, resulted in an article in *Milenio* about the reaction of Houston-based analysts to the discovery. A Press Perspective was prepared later that day, commenting on the rumors of "constitutional changes. The article is here reprinted in Mexidata.org. (<http://www.mexidata.info/id3464.html>).

32

TUE, OCT 9

Mexican Presidents and Oil: Patterns of Politically Unhealthy

File **100144**
Pages 9
Charts 0

This report offers a critique of the pattern of Mexican presidents in inserting themselves into the Pemex news cycle. The occasion for the report is the rambling, sentimental press conference given by President Felipe Calderón on October 5, 2012, in relation to the discovery by Pemex of an oilfield at Supremus-1 in the Perdido area near the U.S.-Mexico maritime border. In the background section to the report the "victim" psychology in Mexico is explored. As for the cross-border oil agreement, Articles 4 and 6 of the Petroleum Law and incompatible with its implementation.

33

SUN, OCT 21

PMI Trading House

File **100147**
Pages 15
Charts 2
Updated 10/22/2012

PMI is one of Pemex's competitive advantages in the global products market, and for two decades since its founding in the late 1980s has provided Pemex with profits and market efficiencies. In the final two years of the Calderón administration, there was a sequence of mishaps and missteps that damaged PMI's reputation, morale and ability to operate a trading house. This report identifies the functions of the trading house and recommends a restructuring of PMI, preserving the PMI trading units, and renaming the remainder.

34

SAT, NOV 3

Pirates of the Caribbean: Cuban, Venezuelan, Mexican

File **100148**
Pages 2
Charts 0

This report draws on comments and presentations made at a seminar on Mexico's economic outlook that was held in Houston on November 2, 2012, and sponsored by the Dallas Federal Reserve Bank. Professor Tim Kehoe have an expanded, economic definition of "pirate" as the person or organization that misappropriates public goods, among them rule of law, contract enforceability and the availability of bank credit.

35

ANNUAL CATALOG

2012

MON, NOV 5

Panel Presentation on the US-Mexico Transborder Hydrocarbon Agreement

File **110512**
Pages 4
Charts 3

One of the panels at the national conference of the US Association for Energy Economics (USAEE) concerned the US-Mexico Transboundary Agreement of 2012. Panelists were Juan Carlos Zepeda, Lourdes Melgar and George Baker. For a summary of the panel discussion and selected slides, see USAEE DIALOGUE (January 2013): http://dialogue.usaee.org/index.php?option=com_content&view=article&id=218:panel-presentation-on-the-us-mexico-transborder-hydrocarbon-agreement&catid=56:volume-21-number-1&Itemid=837

36

SUN, NOV 25

Overcoming the American Accent in Spanish

File **100110**
Pages 11
Charts 4
Updated 4/2/2013

Drawing on linguistic concepts that were introduced in earlier reports, this discussion focuses on the habits of speech in English that the native English speaker will unconsciously incorporate into his spoken Spanish. A particularly messy area is syllabification: the native English speaker will read Spanish words by English rules of spelling and phonology, saying, for example, *u-sted* instead of *us-ted*. This report was reissued with additional discussion on April 2, 2013.

37

TUE, NOV 27

Doce años después: SENER

File **112712**
Pages 2
Charts 1

An invited essay by George Baker on the performance and outlook of Mexico's Energy Ministry (SENER), written in Spanish for LETRAS LIBRES. The article first praises the performance of officials of the ministry, then criticizes them for their intellectual passivity, especially in relation to the absence of market-generated price signals. The essay offers ideas for the next energy minister, including a gradual shift in the national energy narrative. <http://www.letraslibres.com/blogs/serial/doce-anos-despues-sener?page=full>

38

FRI, NOV 30

What Should the Energy Ministry Tell the Next Government?

File **100149**
Pages 12
Charts 3

This report proposes that within the limited authority and mandate of the Energy Ministry (SENER), experiments could be undertaken on a small scale with the aim of 1) educating the Mexican government at all three levels about the policies and state companies in the energy sector and 2) carrying out a series of experiments in energy policy in order to learn the effect on investor behavior and consumer response.

39

WED, DEC 5

A Pact for Mexico: The Energy Component

File **100150**
Pages 4
Charts 3

On Day Two of the new administration, President Enrique Peña Nieto announced a broad, 95-point policy agenda for his term, one that had received support from the three major political parties. The agenda covers diverse current issues facing the government, the economy and society. The document makes repeated reference to a future "energy reform," but only items related to the oil sector are listed. This report reviews and assesses, one by one, the policy objectives that are associated with the energy sector.

40

ANNUAL CATALOG

2012

TUE, DEC 11

NAFTA @ 20: Regional competitor or springboard to TPP?

File **100151**
Pages 7
Charts 1
Updated 12/18/2012

The 20th anniversary of the signing of the North American Free Trade Agreement (NAFTA) took place during an intense period of expectation regarding the policy intentions of the incoming government of President Enrique Peña Nieto. The NAFTA story, as narrated in several conferences, was about its success. Some speakers, such as Mexican Amb. Arturo Sarukhán, said that the experience of NAFTA would contribute to the formation of a Trans-Pacific Partnership. The present report comments on the glass half empty. Table 1 itemizes disappointments with the results of NAFTA.

41

WED, DEC 26

Overcoming the American Accent in Spanish (Part II): The barrier of listening to Spanish

File **100153**
Pages 9
Charts 2
Updated 2/28/2015

This report is the fourth in a series on challenges faced in cross-language communication in Mexico. This report takes nine iconic words in Spanish, and explains their tricks of pronunciation. A discussion of basic concepts in linguistics helps one understand how the phonological systems of the two languages differ. The native English speaker in fact does not hear Spanish as it is actually spoken; instead, he hears sounds and syllables that have been filtered by his English expectations. Fig. 1 is a weighted pie chart of the features of the American accent in Spanish.

42

FRI, DEC 28

Pemex's Offshore Affiliates

File **100152**
Pages 10
Charts 1
Updated 12/30/2012

This report provides an overview and critique of Pemex's network of offshore affiliates, particularly those of the "PMI Group of Companies" and Mex Gas International (MGI). One of the conclusions of this report is that in a second energy reform PGPB should be required to divest itself of all investments in energy infrastructure with third parties. Table 1 lists two dozen Pemex affiliates, displayed by their respective legal domiciles.

43