

ANNUAL CATALOG

MEXICO'S ENERGY SECTOR Commercial and Policy Outlook Reports

2014

WED, JAN 8

A New Procurement Outlook in Pemex: Centralization and Caveats

File 1000020
Pages 2
Charts 0
Updated 1/9/2014

This report was inspired by the presentation in Houston on January 7, 2014, by Arturo Henríquez, president of the renamed Pemex Procurement, Inc. (formerly ITS). The presentation was made at the end of a one-day conference on opportunities in unconventional resources in Mexico. We note the two broad concepts that Pemex visualizes for the restructuring in the post-reform regime. We then offer a series of caveats that are meant to help manage expectations. The report draws on the example Steve Jobs, contrasting his approach to procurement and that of Pemex.

1

WED, JAN 29

Outlook for Upstream Energy Reform: Success by Simulation

File 100180
Pages 5
Charts 4

In January, 2014, a series of high-level speakers from Mexico City came to Houston to participate in panels and other discussions of the outlook for the energy reform in Mexico. A topic that received special attention was the prospect of joint ventures with Pemex: the idea was presented as a new, and welcomed freedom for Pemex, with it understood that IOCs would have similar sentiments. In this report, we examine how this scenario might not work out as advertised. We conclude that IOCs want in Pemex a strong company that is internationally competitive, not one that is coddled by the policymakers and regulators.

2

MON, FEB 3

Mexico City English in Houston: The Dialect of Energy Reformese

File 100181
Pages 6
Charts 3
Updated 2/6/2014

This report builds on earlier reports on Mexico's energy reform and on English as a second language. These two topics came together in seminars in Houston in January, 2104, on the topic of Mexican energy reform. Speakers from Mexico presented their views of the purpose and desired outcomes of energy reform. The panelists did not agree on core issues: One panelist argued that the purpose of Round Zero was to strengthen Mexico's NOC, and that it should be exclusively responsible for the selection of third parties without the interference of CNH or SENER. The report also touches on matters of linguistics.

3

WED, FEB 5

MEI Report Bundle (November - December 2013)

File 770
Pages 102
Charts >15

This report bundles our 20 individual reports issued during the period November-December of 2013. All but the last one deal with the 2013 energy reform. The report on the energy reform gives emphasis to the the measures yet to be advocated in Mexico, such as the restructuring of a Pemex under commercial law. The last report of 2013 concerned the approval by the U.S. Congress of the Transboundary Hydrocarbon Agreement of 2013. The bundled reports are available in a 5 MB file.

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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.

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FRI, FEB 7

Senior Personnel Movements in Mexican Energy

File **1000022**
Pages 2
Charts 0

During the week that ended on February 7 two of the senior executives of the Mexican state energy sector had resigned: Francisco Rojas as director general of CFE and Carlos Morales as director general of Pemex's upstream business unit (PEP). The present report offers observations about the background of the Gustavo Hernández, the new, interim director in PEP. We also take note of the highlights of the ten years in office of Mr. Morales; and comment on the nature and timing of the resignations.

5

WED, FEB 12

Pemex's 2013-14 Mega-Tender for Onshore Wells

File **1000182**
Pages 19
Charts 15

This report offers a statistical analysis of the bids of the eight packages for onshore wells in Pemex's Northern and Southern Regions. For each package (itself a separate Request for Proposal, or RFP), the bids are analyzed according to how they compare with each other, employing an index value (with the lowest set at 100), the Z score (Excel: "Standardize") and percent variation from the arithmetical mean. We ask about which bidder would win if the award criterion were lowest price, 2nd lowest price or the bid closest to the mean. We conclude that these tenders should be cancelled pending Round Zero.

6

File **100182**
Pages 19
Charts 15
Updated 5/15/2014

This report offers a statistical analysis of the bids of the eight packages for onshore wells in Pemex's Northern and Southern Regions. For each package (itself a separate Request for Proposal, or RFP), the bids are analyzed according to how they compare with each other, employing an index value (with the lowest set at 100), the Z score (Excel: "Standardize") and percent variation from the arithmetical mean. We ask about which bidder would win if the award criterion were lowest price, 2nd lowest price or the bid closest to the mean. We conclude that these tenders should be cancelled pending Round Zero.

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FRI, FEB 14

Awards of Pemex's 2013-14 Mega-Tender

File **100183**
Pages 10
Charts 5
Updated 2/15/2014

This report continues the discussion that began in Market Note 182 of Pemex's mega-tender for hundreds of onshore wells. On February 12 Pemex announced the winners of the eight blocks: It was expected that Schlumberger would win several blocks (as it did); what was not expected was that two contractors whose bid had been in 5th place would be selected. The report asks about the possible effect of the resignation of Pemex E&P's director general, Carlos Morales, just days before the awards were to be announced.

8

SAT, FEB 15

Navigation Path for Pemex Documentation: Pemex's mega-tender for onshore wells

File **1000023**
Pages 2
Charts 2

Finding documentation on Pemex's public tenders can often be the thankless task of hours, days or weeks. To respond to inquiries that we have received regarding the availability of documentation, we offer a short course in online navigation. The steps are shown to gain access to the zip files associated with the 2013-14 mega-tender.

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MON, FEB 17

Upstream Contractor Risk in Mexico

File **639.1**
Pages 17
Charts 0

This report describes the risks and pitfalls faced by Pemex upstream contractors. We reissue this 2003 report with its three updates in to complement our analysis in Market Notes 182 and 183, which concern Pemex's mega-tender for onshore wells. The report provides a half-dozen examples of how upstream contractors have had their expectations fall short in relation to Pemex contractors. In one case, a contractor was bidding but only for appearances; unexpectedly, the company won. In this example, the contractor, a major oilfield service company, was prepared to lose--but not prepared to win.

10

FRI, FEB 21

The Paperless Trail in Mexico's Energy Sector

File **1000024**
Pages 3
Charts 2
Updated 2/22/2014

In this report, we focus on a Mexican characteristic in law and regulations that blurs the critical path of decision-making in a fog of language about how one government agency advises another, with a third making decisions based on the guidelines of someone else. The goal is to make sure that there is no paper trail that would link any one public official to any given decision. The report comments on issues that the CNH will face in administering public tenders of blocks.

11

TUE, FEB 25

Upstream Governance: CNH's Cautionary Notes for the Peña Nieto Administration

File **100184**
Pages 9
Charts 0
Updated 3/1/2014

This report gives voice to concerns expressed in conversations in Houston, Mexico City and elsewhere regarding the role of Mexico's National Hydrocarbon Commission (CNH) in the roll-out of the 2013/14 energy reform. These concerns are expressed as a series of recommendations about how to limit Pemex's ability to prematurely enter into joint ventures and farm-out agreements. The report urges the government to regard the granting of stand-alone leases (without Pemex participation) to major IOCs as the true metric of success of the reform. For that, the national oil narrative needs major editing.

12

THU, MAR 6

Mexican Kremlinology

File **100185**
Pages 14
Charts 1

Using the smallest scraps of information, the analyst in Mexico has to construct readings and interpretations (motives) for the appearance and disappearance from group photos of management teams in Mexico. This report offers a framework for discussing the resignations of presidential appointees in the Mexican energy sector; examples are given of appointees who quit as well as those who are pushed out. The report observes that high-level individual appointees are always candidates of one or another camarilla. A new appointment tells about the power of a camarilla.

13

TUE, MAR 11

Redesigning Mexican Energy Markets: How do you say "camarilla" in Spanish?

File **100186**
Pages 7
Charts 0

This report asks about the identity of the persons or groups in Mexico that are pushing for the redesign of the oil/gas and power markets. Noting that senior positions in key positions in the energy sector are related by virtue of having had a common employer who is a manages a hedge fund, we posit the existence of power clusters who are moving policy in a direction that benefits society and their economic and political self-interests. What we are calling "power cluster" is called *grupo* in Mexico (but might better be called camarilla). Here, semantics mixes with politics and commerce.

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MON, MAR 17

Mexico's Oil Reform: Looking for the Metrics of Success

File **031714**
Pages 4
Charts 0

This Issue Brief was prepared for the Mexico Center, and is posted on the website of Rice University's Baker Institute. Success in energy reform is hardly assured because of endogenous constraints that could openly defeat its aims or quietly subvert them, even under the guise of success. Success will be measured by the quality of investors who believe in real change in policy, law and regulatory oversight. Pemex should seek to qualify as an operator outside of Mexico; it will be a disappointment if Pemex remains a stay-at-home
NOC.
<http://bakerinstitute.org/research/mexicos-oil-reform-looking-for-metrics-of-success>

15

MON, MAR 31

Ronda Cero Webcast: Guide for the Perplexed

File **100187**
Pages 6
Charts 12

On March 28, 2014, Pemex and SENER held a joint presentation on Round Zero. Each side had its own reasons for wanting to participate in a webcast for investors. Pemex wanted to give the impression that its arguments about the fields it proposed to keep had been given preliminary approval by the Energy Ministry; while the ministry, for its part, wanted to show that it had authority above Pemex. Appended to this report is an annotated version of the Pemex presentation, as well as the 6th Transitory Article of the Energy Reform Decree of December 20, 2014.

16

WED, APR 2

The Semantics and Metrics of Pop Oil

File **1000027**
Pages 3
Charts 1
Updated 4/9/2014

This report briefly examines the populist (and often misleading) language employed in Mexico to describe its oil industry, especially in the upstream. In Mexico, the terms "reserve" and "field" are from commerce; but they are commonly misunderstood to refer to matters of geology. The misuse of these terms is driven by a national petroleum narrative that seeks to personalize oil industry data. Hence, the oil reserves estimated by Pemex are represented as belonging to "Mexico," with the populist intent to suggest a joint ownership by Mexican citizens. Other terms discussed are "petroleum" and BOE.

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SAT, APR 5

Outlook for Geothermal Resources: A Business Model Waiting to Be Born

File **100188**
Pages 5
Charts 1

This report draws on the presentations at the 2014 conference of the Asia Pacific Energy Research Council (APEREC), held in Tokyo March 25-28. One topic of a panel concerned geothermal resources, a topic that is also identified in Mexico's 2013 Energy Reform Decree (T. Art. 18) The report examines worldwide trends in science and commerce, such as the application of geothermal for objectives other than power generation: use of heat for buildings, growing crops and drying fruit and lumber. We take note of CFE's experience in a demonstration project at the geothermal facility of Los Azufres in Michoacán.

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MON, APR 14

NAFTA @ 20 at the Baker Institute: Trade Pact's significance is debated

File **1000029** The conference held on April 7 brought back together officials from the 1980s and early 1990s who were instrumental in the negotiation of the U.S.-Canada FTA as well as NAFTA. Today, there is no consensus as to the significance of NAFTA. Carla Hills cited the growth of trade statistics; but the numbers include intrafirm trading: the commercial transactions between GM Detroit and GM Mexico. Jaime Serra noted that the economic cycles of the three countries move together. Daniel Lederman at the World Bank notes that the China Effect is more important than NAFTA in explaining the growth of the Mexican economy. 19

Pages 11

Charts 0

File **1000029** The conference held on April 7 brought back together officials from the 1980s and early 1990s who were instrumental in the negotiation of the U.S.-Canada FTA as well as NAFTA. Today, there is no consensus as to the significance of NAFTA. Carla Hills cited the growth of trade statistics; Jaime Serra noted that the economic cycles of the 3 countries move together. The World Bank believes that the China Effect is more important than NAFTA in explaining the growth of the Mexican Economy. We ask about the value of trade statistics and about the 10% import duty on gas in 1994. 20

Pages 11

Charts 0

SUN, APR 20

Advances since Macondo: Well Integrity Management Systems & Halliburton's Technology Center

File **1000030** This report comments on selected themes discussed at an industry conference that took place in Houston on April 15-16 on Well Integrity Management Systems (WIMS) and related topics. Presented by DECOM WORLD, it featured diverse speakers from operators and service companies, in addition to an exhibition area for vendors that included IBM as the Gold Sponsor. WIMS seems to have replaced SEMS, a post-Macondo initiative. The report includes observations of a tour of Halliburton's Houston Technology Center on April 16. Ideas from social science are offered to complement engineering advances. 21

Pages 8

Charts 0

Updated 6/8/2014

FRI, MAY 9

Outlook for Pipeline Development in Mexico

File **100189** This report offers an outlook for pipeline projects in Mexico, with attention given to CFE's initial five natural gas projects in northern Mexico. The point of departure is the presentation made by CFE's Guillermo Turrent in Houston on April 23, 2014. Other pipeline ideas are mentioned, such as Pemex's trans-isthmian project and a gas pipeline from Chiapas to Guatemala. The report offers a critique of the market architecture in Mexico for natural gas, and identifies mixed signals about the future in which open access and secondary markets might appear in Mexico, with a price hub inside the country. 22

Pages 7

Charts 7

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TUE, MAY 13

Round One First: Why Rounds Zero and 0.5 should be deferred

File **1000031**
Pages 3
Charts 0

Following the example set by Brazil, and with strong lobbying from Pemex, the Mexican government incorporated into its energy reform legislation the concept of a "Round Zero," to be followed by subsequent rounds in which other companies besides Pemex could compete. In this report, we argue that for the sake of securing international recognition of the robustness and competitiveness of the upstream energy reform package, the holding of Round One is far more important to the government than any confirmation of Pemex's rights in existing and prospective production.

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FRI, MAY 16

A Matrix Approach to Upstream Awards

File **100190**
Pages 8
Charts 4

The energy reform in Mexico of 2014 will impose new and heavy responsibilities on the Energy Ministry and the upstream and midstream energy regulators. This report proposes that a matrix approach be utilized as a way to arrive at an award criterion both for blocks as well as for partners of Pemex.

24

THU, MAY 29

The Use of Indexes in Upstream Awards: Learning from the Chicontepec Bid Round

File **100191**
Pages 7
Charts 4

Normally in Mexico the award of a public tender is given to the bidder with the lowest price. Pemex's Chicontepec bid round of 2013 broke this rule in a unexpected way that opens the discussion of how best to incorporate multiple factors in the evaluation of the technical and economic proposals by bidders. We shall continue with this topic in Market Note 192.

25

FRI, MAY 30

Pemex Procurement: Managed and Otherwise

File **1000033**
Pages 2
Charts 2

At distinct Houston energy forums in 2014, executives of Pemex Procurement, Inc., the successor company to Integrated Trade Systems, have offered a new vision of how Pemex intends to upgrade its procurement processes to the standards of global oil companies. This report explains their concept of "category management" and observes that nagging questions persist. Fig. 1 plots cost against management system control, and notes that the major items of Pemex procurement fall outside the cognizance of Pemex's new, corporate Procurement Department.

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SAT, MAY 31

Benchmarking Public Tenders in Mexico

File **10030**
Pages 5
Charts 3

The energy reform of 2014 will profoundly affect how government procurement is conducted in Mexico's oil, gas and power sectors. The present report seeks to both document and critique the current paradigm of international public tender. The critique is about the unsuitability, going forward, of "lowest price" as the criterion for making awards.

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FRI, JUN 6

Rethinking the Award of Exploration Blocks

File **100192**
Pages 10
Charts 4

This report asks about the nature of the biddable variable that the Finance Ministry (SHCP) is to provide for each public tender for an upstream block. A bidding criterion of "government-take" will not provide the broader results that the State requires. Instead, a multi-parametric bidding formula is needed to determine the global score of a bidder. The score reflects the weight given to the technical proposal of the bid, as well as the broad interest of the State in making an award of a block (e.g., acquiring subsurface data), as reflected by the fiscal terms offered.

28

TUE, JUN 10

Ronda Uno, Primero [Round One, First]

File **061014**
Pages 1
Charts 0

In relation to the upstream energy reform, the State wins only when there is an offshore block awarded to a major oil company without Pemex participation. Such an award will validate the legal and regulatory regime, fiscal terms and the attractiveness of the properties that are offered in a public tender. For this reason, Round One should come first. Published in REFORMA June 10, 2014.

29

SUN, JUN 15

Permitting U.S. LNG Exports to Non-FTA Countries

File **10031**
Pages 7
Charts 3
Updated 6/16/2014

This report examines an imbroglio in official Washington regarding the process for granting export permits for LNG exports to countries with which the U.S. does not have a Free Trade Agreement (non-FTAs). A bill in the House of Representatives (H.R. 6) sets a limit of 90 days for the responsible agency (the Office of Fossil Energy of the Department of Energy) to issue a conditional or final export license. The agency, in contrast, agrees to expedite the permitting process but by eliminating the initial step of granting conditional approval. We ask also about the lessons for Mexico.

30

THU, JUN 26

Mexico's New Oil and Gas Regime: Body language is as important as fine print

File **100193**
Pages 10
Charts 0
Updated 6/28/2014

This report is based on a reading of the articles of the two legislative proposals to govern the administration and fiscal terms of the oil and gas industry in Mexico that were submitted to the congress on April 29, 2014. The report benefitted from discussions from industry and legal sources about the implications for IOC investment in the upstream. Our conclusion from what we have read and heard is that the proposed fiscal system is short of what was expected, as it has too many constraints that are ideologically driven. The report identifies issues that can be addressed to polish the invitation to IOCs.

31

SUN, JUN 29

Philosophy of the Biddable Variable

File **062914**
Pages 5
Charts 2

The Hydrocarbon Revenue Act of 2014 requires that the Finance Ministry devise a "single economic variable" that would be used in a given public tender. In this report it is argued that the state should give equal attention to the collateral and cascading effects of a bidder's proposed work program. The logic is seen in an imaginary scoring in a public tender of seven bids for an exploration block (Table 1). Consideration should be given to the policy framework in which such a scoring system would make sense. <http://bakerinstitute.org/research/philosophy-biddable-variable-why-bidders-work-program-important/>

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MON, JUL 7	Pemex Recruitment and Retention: Emilio Lozoya's Inner Circle		
File	1000035	This report identifies patterns of executive recruitment in Pemex, much of which is done in six-year, presidential cycles. Particular attention is given to presidential appointees and the formation of a leadership team around the Director General. Table 1 lists the members of the inner circle of Emilio Lozoya; Table 2 presidential appointees in Pemex Corporate; Table 3 takes note of a reshuffling in the Northern Region when all three asset managers were replaced. The report asks about the wisdom of seeking greater efficiency in procurement and the use of involuntary retirement as a personnel policy.	33
Pages	4		
Charts	3		
MON, JUL 14	Mexican Oil & Gas Summit: The Soft Authoritarianism of the Mexican Podium		
File	1000034	This report offers a critique of the industry conference held in Mexico City on July 1, 2014. The event included, as speakers, Sen. David Penchyna, chairman of the Senate Energy Committee, as well as other government officials from SENER and CNH. Most of the speakers and panelists were from vendors of oilfield products and services. Absent from the program were representatives of international oil companies and experts on fiscal systems, thus preventing a discussion of critical issues. The career profiles of several of the speakers are described.	34
Pages	7		
Charts	2		
Updated	7/17/2014		
FRI, JUL 18	Mexico's Vetted Pemex Law: First Impressions		
File	1000036	This report offers first impressions of what is still left to be done to make Pemex an oil company that can compete inside and outside Mexico. Among the measures yet to be taken are these: 1) restructure Pemex as a stock-issuing company, 2) global hiring, 3) professional, executive appointments and 4) the freeing Pemex employees from the perverse effects of falling under the Public Servant Accountability Act (LFRSP).	35
Pages	1		
Charts	0		
FRI, JUL 25	The Senate's Majority-Approved Hydrocarbon Legislation		
File	1000037	The report identifies a problematic concept in the legal figure of "subsurface hydrocarbons," where there intent would seem to be that it is the State that owns the reserves, not the lease-holder. This report provides a table of contents and index to the Senate-majority approved hydrocarbon legislation that was later promulgated on August 11, 2014.	36
Pages	1		
Charts	3		
FRI, AUG 1	"Pipeline Fever in Mexico" (Pipeline and Gas Journal, August 2014)		
File	080114	This article, by George Baker, discusses the stepped-up efforts by Pemex and CFE to launch pipeline projects prior to the legislative changes that would be brought about by the Energy Reform of 2014. In discussing the projects of Pemex and CFE, the author asks, What's the rush? http://www.pipelineandgasjournal.com/pipeline-fever-mexico	37
Pages	3		
Charts	2		

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THU, AUG 7

Senate Minute on the Hydrocarbon Revenue Act

File **100195**
Pages 4
Charts 2

This report identifies problematic concepts that are set forth in the text of the Hydrocarbon Revenue Act (signed into law in a presidential ceremony on August 11. Some of these problematic concepts are found in legislation and regulations of host countries around the world, and are not unique to Mexico. One of these is cost reimbursement: the State wants to be able to disqualify costs that are deemed unnecessary to E&P activities. A concern of interest to Mexico is the legal figure of a contract price of natural gas, given that the value of gas is determined on a netback basis from Henry Hub.

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TUE, AUG 12

Outlook for Global Hiring in Mexico's Oil Sector

File **1000038**
Pages 3
Charts 1

With the promulgation of the energy reform legislation and with a positive response from operating companies in relation to new investment opportunities, there will be a simultaneous demand for investment in human capital formation in Mexico. This report assesses the likely success of programs design to train Mexican professionals, noting the absence of a call for global hiring.

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THU, AUG 21

Petróleos Mexicanos vs. the English Language: Incorporating the new vocabulary of the 2014 Energy Reform

File **100032**
Pages 10
Charts 0
Updated 8/27/2014

This updated report of March 26, 2010, examines the principal terms used in the energy sector of Mexico and provides suggestions for standard English translations of some 20 common terms used in Mexican government and energy circles. Most of these terms cannot receive a direct, literal translation. This update (No. 9) begins the process of identifying and translating the new vocabulary of the 2014 Energy Reform.

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WED, AUG 27

Mexico's Energy Redesign of 2014: Will it lead to market decentralization?

File **771**
Pages 9
Charts 0

This report identifies things to worry about in relation to the next phase of the roll-out of the Mexican energy reform. The government has definitely redesigned much of the institutional and legal framework; but, as we point out in this report, much of the old regime is being carried forward into the new one.

41

TUE, SEP 16

The Intellectual Origins of the Mexican Energy Reform

File **1000041**
Pages 10
Charts 1
Updated 9/20/2014

This report speculates on the inspiration for key elements and features of the 2014 Energy Reform in Mexico, noting that the aspects of the experiences and institutions of Norway, Brazil, Canada, Colombia and the U.S. were incorporated into the new market designs for the oil and power sectors. At the same time, the stamp of Mexico's oil narrative may be plainly seen, as, for example, in the definition of an oil reserve as a volume located in subsurface. Table 1 lists key pieces of the legislative framework of the energy reform, noting that a key gatekeeper of regulatory reform was in place in 2012.

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FRI, SEP 19

Pemex's Response to Round Zero Allotments

File **100196**
Pages 5
Charts 2

This report argues that Pemex's response to the allotment of producing fields and prospective acreage in Round Zero amounts to a National Hydrocarbon Development Program, the control and administration of which Pemex intends to keep control by means of a vast farm-out strategy. The report notes that the deepwater acreage will not likely produce first oil before a decade. An English translation and index to the presentation of Pemex DG Emilio Lozoya on Aug. 13, 2014, is appended to the report.

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SAT, SEP 20

Rebranding Pemex as a Global NOC

File **1000039**
Pages 2
Charts 2

This report argues that in response to the energy reform and the allotments in Round Zero, Pemex should take immediate steps to reposition itself abroad, and at home, as an NOC with global aspirations. An initial step would be to open a Houston office for Pemex E&P, with a new career-development program that would routinely assign professionals for Houston duty. Table 1 lists some dozen measures that could be undertaken to bring about a rebranding of Pemex at home and in the global oil community. Some of these measures Pemex could do on its own; others would require heavy lobbying.

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MON, SEP 22

Post-Reform Blues: What does the Mexican Energy Reform mean in English?

File **772**
Pages 9
Charts 1

This report observes that many of the concepts that are embraced in the 2014 energy reform have their roots in ideas that had first appeared in previous presidential administrations, for example, the idea proposed during the Fox administration that Pemex's board of directors should include executives from the private sector. The report identifies some dozen key terms that are found in the energy legislation that are either ambiguous or are tropicalized to give a unique Mexican significance.

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TUE, OCT 7

How Safe Is Mexico for Investors?

File **100198**
Pages 12
Charts 3
Updated 2/4/2015

This report applies the safety concepts of hazard and barrier to Mexico in relation to the risks faced by current and prospective investors in Mexico's energy sector. Table 1 identifies imaginable safety risks in Mexico, only some of which are familiar. Table 2 is a survey of Pemex safety incidents (1963-2013). Table 3 provides translations in English of articles in the Mexican press regarding the incidents of industrial sabotage in 2007.

46

FRI, OCT 10

Administrative Rescission in Mexico's Hydrocarbon Law

File **1000040**
Pages 3
Charts 0
Updated 10/11/2014

This report continues with the examination of problematic terminology in the 2014 energy reform legislation. Where, in the earlier report (MEI No. 772), we examined a dozen such terms, here the focus is just on one: "administrative rescission," which is found in the Hydrocarbon Law in Articles 20-21. The concern is about the discretionality that is allowed to the Hydrocarbon Commission in the rescission of a license for an exploration or production block. By Article 21, a rescission is permanent; there is no remedy such as arbitration or appeal, and there is no period to cure a cited defect in performance.

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- SUN, OCT 12** **Dictionary of Mexico’s Energy Sector:Toward an online, searchable database**
- File **773** This report represents an initial attempt to program a database for the terms that are found in discussions and texts about Mexico’s energy sector. The present list of some 200 terms are those for which definitions are provided in laws, regulations and treaties. At a future point, the dictionary will include English translations and technical notes. Eventually, we anticipate an online, searchable database. **48**
- Pages 62
- Charts 1
- Updated 10/24/2014
- MON, OCT 13** **Database Design for a Dictionary of Mexico’s Energy Sector**
- File **1000042** This report provides background and an outlook of what's ahead regarding the project to build a bilingual dictionary of Mexico’s energy sector. So far, we have produced, with our own resources, a database of some 300 terms, taken from a dozen laws and regulations, also the definitions included in the x-border hydrocarbon agreement. **49**
- Pages 2
- Charts 2
- Updated 10/16/2014
- THU, OCT 16** **Mexico’s Energy Lexicography: the non-commercial language of commerce**
- File **1000043** This report comments on the next phases in the development of a Dictionary of Mexico’s Energy Sector We observe that much of the legal language of energy commerce in Mexico is fuzzy; also, some key terms of commerce (such as “title conveyance of hydrocarbons”) are likely never to be formally defined. **50**
- Pages 1
- Charts 1
- MON, OCT 20** **Mexico’s Energy Reform of 2014: When Will It Lead to Market Dynamics?**
- File **062814** The report, published as an Issue Brief by the Mexico Center of Rice University’s Baker Institute in mid-October, traces the history of Mexico’s ambivalent relationship to the oil industry over the past century. The report observes that the redesign of the energy market in the upstream may not soon lead to market dynamics. The report may be downloaded from the Institute’s web portal: **51**
- Pages 5
- Charts 0
- <http://bakerinstitute.org/research/mexicos-energy-reform-2014-when-will-it-lead-market-dynamics/>
- TUE, OCT 21** **Mexican Energy Dictionary Project**
- File **1000044** This report takes note of advances in the programing and content of our project to compile a dictionary of terms used to define and discuss the energy sector in Mexico in the light of the Energy Reform of 2014. **52**
- Pages 2
- Charts 35
- SUN, OCT 26** **The Tale of Vronche, Part Two**
- File **1000045** This report anticipates that the Energy Reform of 2014 will be followed by a future one in 2024 that will be much more aggressive than that embodied in the legislation promulgated in August and in the regulations that are pending. The attributes of the future reform are listed in Table 1. The narrative to which the title of this report refers is set in medieval times. In a dialog about the state of agriculture in a hermit kingdom, the history, logic and ideology of energy reform in Mexico may be discerned. **53**
- Pages 13
- Charts 3

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FRI, OCT 31

Translation Issues in the Hydrocarbon Laws

File **1000046**
Pages 1
Charts 0

To succeed, Mexico's energy reform will require a plain translation of the language and concepts of the laws and regulations for hydrocarbon and electricity sectors into "Houston English," that is, into the language of international commerce in the oil and power industries. Some lexical choices and omissions by the lawmakers are inauspicious. This report examines the terms for title conveyance, metering point and licensee.

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SUN, NOV 2

The Tale of Vronche (Part III): Foreseeable Risks in the Award of Blocks

File **1000047**
Pages 7
Charts 0

In this report, we ask, in the indirect language of a Cervantine dialogue, if a decision by a procurement official in Mexico to award a contract in a public tender on the basis of either the "lowest price" or "highest offer" constitutes an offense under the UK Bribery Act of 2010; that is, when an official acts in open disregard of other information available to him that would indicate that another bid offers greater value to the organization, state enterprise or country. In our story, the royal Advisor urges the Lord Ministers to make an early award to one of the Great Farmers of the Western kingdoms.

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MON, NOV 3

Upstream Architecture: Mexico vs. OCS

File **100199**
Pages 7
Charts 1
Updated 11/8/2014

One of the messages delivered to the 400 attendees at the government's conference held in Houston on October 20, 2014, was that Mexico had learned from other countries in designing the 2014 energy reform. In the upstream, the closest institutional design is that of the U.S. Outer Continental Shelf (OCS). An comparison of the Mexican regulatory design with the OCS shows some similarities but also many differences (Table 1).

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SUN, NOV 9

Mexico Energy Dictionary Advances: Lexical database sorted by Sector and Institution

File **1000048**
Pages 3
Charts 2

Where, in an earlier report on the status of our project to develop an online dictionary of Mexican energy, we listed some 300 entries, we now have about 600. Where our earlier idea was to generate a single, alphabetical list, we now see it more useful to generate separate lists according to sector, market segment and institutions. Thus, in the hydrocarbon sector, we have one list of general terms, another for upstream leases and a third for the maritime transboundary agreement. Each institution has its own vocabulary; and we have begun lists for Pemex, CFE, CRE, CNH, SENER and ANSIP (later ASEA), among others.

57

WED, NOV 12

Mexico's Energy Lexicon: Why the courts should be lexicographers of the energy sector

File **1000049**
Pages 1
Charts 1

This report provides an alphabetical list of some 650 terms and concepts obtained from laws, regulations and other official documents that, together, inform policy, regulatory and commercial relationships in Mexico's energy regime. For each term or concept we provide a preliminary translation and a citation to the document and place within the document where it may be found. In a future iteration of the wordlist, we shall provide sub-lists for industry sectors, market segments and the government agencies and companies. In this way, the specific terms of agencies and topics are together.

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ANNUAL CATALOG

2014

SUN, NOV 16

Mexico's Energy Redesign: What the oil industry understood in 1996

File 1000050
Pages 7
Charts 3

This report makes reference to an article published in *Oil & Gas Journal* on Nov. 18, 1996, which set forth the commercial and geological logic of having multiple operators working independently in basins of varying sizes and complexity. Not anticipated was the use of farm-out as a Pemex-centric development strategy. Appended is a 4--page critique of the energy reform that is meant to serve as a sobriety check on the promotionalism seen in 2014.

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WED, NOV 26

Football Analogy (Part I): Punting on Energy Reform

File 1000051
Pages 2
Charts 0

In this report, the rules and strategy of American football are employed to characterize the phenomenon of punting the ball in two senses: 1) Market clarity is always said to be in the next level of legal disposition: Constitution - law - regulations - model contract - market rules. 2) Since 1991, one Mexican presidency after another (including the present one) has punted the ball of a market solution to the next administration.

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FRI, NOV 28

Football Analogy (Part II) - Rewriting the energy of Mexico since 1976

File 1000052
Pages 9
Charts 0
Updated 12/8/2014

This report is a literary continuation of our earlier Market Comment 051, in which, using the vocabulary of American football, we examined patterns of "punting" in the conduct of energy policy in Mexico. In this sequel, we expand the vocabulary employed, and use the terminology to critique the conduct of energy policy in Mexico for each presidential period since 1976, including the present one.

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MON, DEC 1

Dictionary of Mexican Energy: Collaboration with the UANL Law School

File 1000053
Pages 1
Charts 47

This report restates the objectives of our project to develop a DICTIONARY OF MEXICAN ENERGY; and we also announce the collaboration of the Law Faculty of the State University of Nuevo León (UANL) in the preparation of the dictionary. The report includes a sample lexical entry for *Hydrocarburos en el Subuelo* and 47 pages of straight, alphabetical listings of some 700 terms, each with a citation to the source and article or section of a legal disposition or institutional document.

62

SAT, DEC 6

Mexico's Upstream Business Model: A Mineral Contract, not a Mineral Lease

File 100200
Pages 7
Charts 2

This report seeks to gain clarity about the nature of the business model that is set forth in the Hydrocarbon Law by contrasting its features with that of a mineral lease in the U.S. and a mining concession in Mexico. The conclusion is that the State is NOT offering a mineral lease; instead, it is a new legal figure: mineral contract. Table 1 lists common terms in use in relation to a U.S. mineral lease (with Spanish translations). Table 2 shows how there are upwards of a half-dozen meanings of "Nación" in Mexico's legal framework.

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ANNUAL CATALOG

2014

SUN, DEC 7

Mexico's Risk-Service Contract; A Facelift on Pemex's Mature Fields Contract

File **1000054**
Pages 2
Charts 1
Updated 12/8/2014

This report, building on the arguments in Market Note 200, characterizes the contract model that is contained in Mexico's hydrocarbon legislation as that of a Risk-Service Contract. It is an enhancement of the Mature Fields contract model of 2011-13, with three modifications: 1) the contractor may be paid in kind, 2) the logic of the bidding variable will be different, and 3) the contract will be awarded by the State (represented by the CNH), not only by Pemex. What remains unchanged is the disallowing of any commercial interest in the reserves that were established by the success of the contractor.

64

THU, DEC 11

Football Analogy (Part III): For whom is the head fake intended?

File **1000055**
Pages 8
Charts 2

This report takes notice of very different expectations regarding the eventual way in which the Mexican government will allow oil companies (including Pemex) to recognize their assets in Mexico: One view is that companies will be free to recognize their assets as booked reserves; while others hold that the law will only permit an oil company to recognize the expected contract value of its position in Mexico. We postulate that the government is executing a feint (or head fake, in the language of sports) either to the international oil companies or to the Oil Left at home.

65

FRI, DEC 12

CNH's Round One Bidding Guidelines: LOPSRM Reborn

File **1000056**
Pages 6
Charts 1

This report provides an inventory of some 50 terms and concepts that are set forth in the CNH's bidding guidelines for 14 shallow-water blocks in the Bay of Campeche. The generation of this specialized lexicon was made possible by an application of our in-house DICTIONARY OF MEXICAN ENERGY. The publication of these guidelines deserves applause in recognition of the diligence of public officials in CNH and the energy and finance ministries. At the same time, the details of the bidding protocols are reminiscent of the old way of doing government procurement in Mexico.

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TUE, DEC 30

The van Meurs Critique of the Model Contract for Round One

File **100201**
Pages 7
Charts 4

This report examines the 72-page critique of the CNH model contract for Round One that was prepared and made public by fiscal-system expert Pedro van Meurs and petroleum lawyer Jay Park. Table 2 and Extract B provide a tabulation of the authors' concerns about where the contract is not competitive with other jurisdictions. We conclude that fixing these concerns will not be enough to attract top-tier companies as bidders to Round One.

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