



## TITLE LIST OF REPORTS RELATED TO UNITIZATION, ROUND 1.1, BLOCK 7 AND ZAMA

Year	Topic	File #	Pages	Chart
<b>2023</b>				
Jun 02, 23	<b>Zama and the Failure of Mexico's Energy Reform (Enterprise)</b>	1000116.	11	1
	<p>This hybrid product includes an Acrobat portfolio containing PDFs of reports related CNH Round 1.1, Block 7, Zama, and unitization, plus <u>a 45-minute conference call with George Baker</u> on topics and issues covered in this reports. The documents include 1) Market Comment 116, 2) MEI Report 772 (2014), 3) Table 1 - Chronology of Zama and 4) Web ID 425, A title list of related reports on Round 1.1 Block 7, Zama and unitization.</p>			
Apr 11, 23	<b>Zama Chronogy Update: Pemex submits development plan</b>	100149.5		
Jun 02, 23	<p>This report updates our chronology to March 23, 2023, on which Pemex announced that a development plan had been submitted to CNH to meet a deadline of March 25. On the same date, Talos announced that an agreement had been reached with Pemex to form an Integrated Project Team, the work-groups, or committees, of which would be co-lead by the several partners.</p>			
Apr 03, 23	<b>Pemex Submits Zama Development Plan, but execution ability as operator is problematic</b>	959	17	1
	<p>This report reflects our communications with industry professionals who voice concerns about the ability of Pemex to serve as the operator of the Zama Unit during the initial (and most expensive) phase of development during which 60% of the lifetime capital budget is likely to be spent. One concern is the corpore culture in Pemex (and the federal government in general) in which the timely signing of contracts is constrained by a concern that future auditors may impute improprieties.</p>			



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Mar 21, 23	<b>Talos Slouches toward Final Investment Decision: Major issues not resolved:</b>	958	21	2

By the end of March 2023 Talos Energy, as the operator-of-record of Block 7, where the giant oilfield named Zama was discovered in 2017, is required to submit a development plan for the reservoir. Talos's situation is complicated by a ruling of the Energy Ministry in 2021 that assigned Pemex as the operator with 50% and a fraction ownership of the commercial rights to the reservoir. In this report, we examine the issues that must be resolved for the parties to reach a Final Investment Decision (FID) to move forward with development. Among these are operatorship, governance, and redetermination. Appended is an annotated list of our reports since 2015 on topics related to Round 1.1, Block 7, Zama, and unitization.

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### 2022

Aug 22, 22	<b>Comment: Getting AMLO to relent on energy policies will take more than consultations</b>	082222	1	
	This column in the "Texas, Inc." section of <i>The Houston Chronicle</i> comments on the July 20, 2022, request for a dispute-settlement consultation with Mexico over alleged breaches of the USMCA related to energy policy. The USTR is faulted for omitting violations in the upstream, notable regarding the mistreatment of Talos Energy. Mexico is likely to justify any alleged infraction as a measure of energy sovereignty. To get the attention of the Mexican government, a preemptive tariff on petroleum exports should be considered.			
Jul 31, 22	<b>AMLO Doubles Down on Zama but Misstates Facts, Laws and Contracts</b>	951	12	0
	This report provides an English translation of President López Obrador's remarks on July 26, 2022, on the roles of Pemex and Talos Energy in the negotiations of unnamed areas of disagreement related to the 2017 Zama oil discovery by Talos. Appended to the report is an annotated title list of our reports on related topics since 2012.			
Jun 30, 22	<b>Where Mexico Went Wrong in Oil Law and Policy: What Biden needs to know before meeting AMLO on July 12</b>	10090	13	0
Jul 05, 22	It took almost fifty years for the constitutional flaws in <i>Roe v. Wade</i> to be identified and corrected in 2022. In this report, we identify flaws in Article 27's framing of the state's relationship to natural resources. The development of Mexico's oil industry is being held hostage. (Arguments in this report were published in a commentary in <i>The Houston Chronicle</i> on July 4, 2022.)			



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Year	Topic	File #	Pages	Chart
Apr 09, 22	<b>AMLO woos John Kerry and investors: Bait &amp; Switch at the Palace Confab of March 31st</b>	950	15	1
	<p>This report critiques recent diplomatic efforts that U.S. authorities have made to thwart the Mexican government's program to reposition its power company (CFE) at the head of the dispatching queue. President López Obrador used the meeting on March 31, 2022, with presidential envoy John Kerry and Amb. Ken Salazar and a dozen investors to insist on the correctness of his policies. The president urged Talos's CEO, Tim Duncan, who was present, to continue to invest to bring the huge Zama reservoir into production during the term of the present administration.</p>			
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<b>2021</b>				
Oct 29, 21	<b>Letter by George Baker to the Editor of The Wall Street Journal re Zama and Deer Park</b>	102921	1	
	<p>A response to the column of Mary O'Grady of October 18," Mexico Moves to Seize American Assets." The letter to the Editor began, "Your columnist understates the problem." Two examples are cited: The attempt at the regulatory expropriation of the Zama reservoir, which was discovered by Talos Energy in 2017, and the attempt to acquire an industrial asset on American soil in Deer Park. The proposed transaction is criticized for being one on Shell's side that is motivated by climate-change politics and on Pemex's side by an ideological conviction that increasing the refinery capacity under Pemex's control creates greater energy security for Mexico.</p>			
Sep 21, 21	<b>Chronology of Unitization in Mexico: Zama, 2012-21</b>	100249.5	11	2
	<p>This report updates our chronology table to September 3, 2021, when Talos Energy issued a press release about its Zama strategy. Appended is a list of MEI reports related to unitization that go back to the Transborder Hydrocarbon Agreement of 2012.</p>			
Sep 20, 21	<b>Comment: Talos Energy's journey from commercial discovery to a commercial dispute</b>	092021	1	
	<p>This article discusses the state of impasse in Mexico concerning the future development of the Zama reservoir that was discovered by Talos Energy in 2017. In its press release dated Sept. 3, 2021, Talos accused the Energy Ministry of unspecified violations of international treaties. Talos is rightly vexed about the designation of Pemex as the operator of a future Zama Unitized Areas. Article by George Baker, published <i>The Houston Chronicle</i>, Sept. 20, 2021.</p>			
Jul 14, 21	<b>Chronology of Unitization in Mexico (Rev. 3): Pemex to operate Zama</b>	100249.3	10	1
	<p>This report updates our chronology of unitization in Mexico up to the public announcement on July 5 by Talos Energy Inc. that it had received a letter from Energy Minister Rocío Nahle in which Talos and Pemex are informed that Pemex has been designated as the operator of the future Zama unit area.</p>			



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Year	Topic	File #	Pages	Chart
Jul 09, 21	<b>Talos’s legal and strategic options to secure role as Zama operator</b>	940	20	2
	This report explains how defects in the upstream model in the Energy Reform led to the current situation of Talos Energy, Inc., and its partners in relation to the operatorship of their Zama discovery of 2017. The report identifies actions that Talos could adopt were it to seek a recognition of its rights by Mexican courts.			
Jul 08, 21	<b>Analysis: How Houston's Talos Energy is getting squeezed out of its oil discovery</b>	070821	1	
	The decision by the ministry, if allowed to stand, would adversely affect the outlook for offshore workers and contractors in greater Houston and the entire Gulf Coast. Hundreds of jobs and most of a billion dollars of concrete, steel and expertise are likely to be lost. For Talos, Zama—once its brightest star in Mexico—could become a stranded asset. Article by George Baker, published in <i>The Houston Chronicle</i> , July 8, 2021.			
Jun 28, 21	<b>Energy and the Public Interest in Houston &amp; Mexico: Deer Park and Zama</b>	939	18	2
	This report asks about the nature of the public interest in the energy sector. It identifies concerns about how the public interest is overseen and affected by public and private institutions in energy markets in the United States and Mexico, taking as examples Pemex’s proposed operatorship of the refinery in Deer Park, Texas, and the suspended development of the offshore Zama reservoir in Mexico.			
May 25, 21	<b>Zama Interim Unitization Report: Simulations and Outlook</b>	938	10	1
	This report takes note of the interim unitization report issued by Talos Energy in a press release dated May 22, 2021, also our commentary published in <i>The Houston Chronicle</i> on the same date. Talos's CEO Tim Duncan informs the public of its strategy to obtain full recognition of its claims in the Zama reservoir by future redeterminations and of its intent to become the operator of the field. In our report, identify the challenges associated with redetermination. We ask about the support that Talos may receive from industry and the Biden administration. Table 1 is a two-page chronology of marker events since 2015 that are associated with the Zama reservoir.			
Apr 13, 21	<b>Chronology of Unitization in Mexico: 2000-2021</b>	100249.2	9	1
Sep 20, 21	This report updates our chronological table on the history of unitization in Mexico since 2000 to include the inflection point of March 25th, which ended a period of thirty (30) months of negotiations with Pemex regarding the Zama Discovery by a consortium led by Talos Energy in 2017. The determination of relative ownership and the terms of a joint operating agreement are to be determined by an interest-conflicted Energy Ministry, whose head is also the chairperson of Pemex. Dates sorted in reverse order.			



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<b>2020</b>				
Dec 18, 20	<p><b>“Mexico Ruling on Zama Unitization to be Crucial Decision in 2021, Expert Says” - Interview with George Baker (Natural Gas Intelligence)</b></p> <p>A year-end interview with Natural Gas Intelligence™ reporter Adam Williams about the outlook for Mexico’s energy sector for 2021.</p>	121820	2	
Nov 06, 20	<p><b>Interviews with Talos Executives: Messrs. Long and Heuristic</b></p>	10070	14	2
Nov 08, 20	<p>The investor consortium led by Talos Energy in July 2017 made a major midwater discovery in Mexico. In this report, we recast the comments of a Talos executive at an industry conference in October 2020 into an interview format, and offer another interview to tease out the sticking points of the negotiations. We have framed the fundamental question before readers as a statistical one of accepting or rejecting the "null hypothesis" put forward by Talos executives, which is that the pace of things related to the development of Zama is normal, that is, adjusting for the abnormalities of Covid-19 and low oil prices.</p>			
Nov 05, 20	<p><b>Chronology of Unitization in Mexico: 2000-2021</b></p> <p>This report updates and corrects the chronological table issued on July 28, 2020. The important date to watch is January 7, 2021, the 120th day from July 7th, when the Energy Ministry ordered Pemex and the investor consortium led by Talos Energy to submit agreements regarding working interest and control of a Zama unit area.</p>	100249.1	6	1
Oct 27, 20	<p><b>L’Affaire Zama (Part 4): How CNH can jump-start Zama development</b></p> <p>This report identifies ways in which Mexico’s Hydrocarbon Commission (CNH) can act to encourage Pemex to engage with investors in the Zama discovery for a data-driven resolution of the 2-year impasse in the pre-unitization negotiations. Table 4 imagines six deal-breaking demands by Pemex that have held up an agreement.</p>	919	22	1
Oct 12, 20	<p><b>Pemex to explore AE-0152 without Asab-1: Zama investors have stranded assets by vote of CNH</b></p> <p>This report notes the vote by the National Hydrocarbon Commission (CNH) to approve a modification of the exploration plan for the block AE-0152, which is contiguous with Contract Area 7 of Round 1.1, where Zama discovered in July 2017. As the reservoir is believed to extend into the Pemex block, a confirmatory well has been deemed essential. Under Pemex’s revised exploration program, however, submitted to CNH in mid-August 2020, the drilling of the well has been reclassified as optional for the year 2023. Unless CNH takes steps otherwise to allow development to proceed, the Zama reservoir may become a stranded asset.</p>	918	20	2



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Sep 19, 20	<b>L’Affair Zama (Part 3): Lessons from the Oil Guild Folklore</b>	916	18	2
	Drawing on industry adages, this report examines the industry dynamics that led to the discovery of the Zama reservoir in July 2017 by the investor consortium led by Talos Energy, Inc. Of these, the most relevant is “Diversity of ideas finds oil.” The report notes the lack of diversity in the training of Pemex’s technical staff.			
Sep 02, 20	<b>L’Affaire Zama (Part 2): How CNH failed investors in Round 1.1</b>	915	14	5
	Mexico’s National Hydrocarbon Commission (CNH) failed prospective investors in the first lease auction in 2015 (Round 1.1). They did so, first, by rushing the schedule for the auction, despite more than 600 questions from investors in the final 10 days before the final contract model would be issued. In parallel, the commission failed to provide the requested investor protection in the event of a unitization dispute (especially with Pemex).			
Aug 28, 20	<b>L’Affaire Zama (Part 1): How CNH, SENER and SHCP mismanaged Round 1.1</b>	914	11	5
	This report reviews the design and administration of the oil lease auctions, with a focus on Block 7 of Round 1.1. Attention is given to the lack of transparency in the three principal government agencies that are involved in the administration of the upstream: the Ministries of Energy and Finance and the National Hydrocarbon Commission. The report faults these agencies for their management of Round 1.1, and observe that better management decisions are required to avoid a meltdown of investor confidence that could provoked by a state-ordered settlement of the working interests and operatorship of the Zama prospect that is deemed unfair to investors.			
Jul 31, 20	<b>Zama in the Long View: How oil patriotism skews solutions for resource administration</b>	913	15	1
Aug 03, 20	The eastern boundary of Block 7 was drawn in such a way to split a geological structure, leaving part of it outside the boundary of the lease. It would be this circumstance that would lead, five years later, to an impasse in the negotiations between Pemex and the current leaseholders of Block 7. Both sides want the operatorship and majority ownership in the reservoir. The outcome of this controversy will affect the future, not only of the investments of the oil companies but of the entire upstream reform.			
Jul 25, 20	<b>Talos Energy vs. Pemex and the Zama Discovery : Basic Chronology</b>	100249	5	1
Sep 20, 21	Table 1 of this report provides a chronology of events from 2013-2020 that bear on the origin and course of the unitization order of July 7, 2020, regarding the ownership and administration of the Zama discovery of 2017. The chronology extend to future events in 2021.			



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Jul 21, 20	<b>Cartographic and Seismic Perplexity at Zama: Unitization stress test looms ahead</b>	912	15	2
Jul 27, 20	This report examines the background of, and outlook for, the unitization order issued by Mexico's Energy Ministry regarding Block 7 of Round 1.1 and Pemex's contiguous block AE-0052. At stake is the ownership and operatorship of the estimated 670-million barrel reservoir that was discovered by Talos Energy in July 2017. Pemex wants operatorship and 60% of the discovery, but it is the Energy Ministry who will decide if the parties do not agree. The view of oil companies is a decision to award majority ownership and operatorship to Pemex would be a terrible setback for the upstream energy reform.			
Feb 13, 20	<b>Rewriting the energy playbook in Mexico: Talos Energy vs Pemex at the Zama Bowl</b>	1000097	9	0
	This report is the complement to Market Comment 095, which provides a chronological narrative of the history of energy reform in Mexico, retold in the language and concepts of American football. This report identifies inflection points from 2013 to 2020 that affected the design and implementation of the upstream energy reform. The report also considers several articles of the U.S.-Mexico-Canada Agreement for their potential to bring back into alignment the interests of the State and global investors, as illustrated by the controversy between Talos Energy, Inc., and Petróleos Mexicanos (Pemex) regarding working-interest equity and operatorship of the Zama reservoir that was discovered by Talos in 2017.			
Feb 10, 20	<b>Oilfield Unitization in Mexico, 2012-2020</b>	1000096	12	2
	This report traces the course of how oilfield unitization has evolved from early policy discussions in 2008, followed in 2012 by the Transboundary Hydrocarbon Agreement and in 2018 the Unitization Guidelines that were proposed by the Energy Ministry (SENER) in October of 2017 and issued in March 2018. The current controversy between Pemex and Talos Energy regarding the unitization and operatorship of the Zama prospect is examined. Annex A provides a bilingual text of the voluntary unitization option that had been rejected in its draft guidelines. Table 1 is a list of press titles related to Zama.			
Jan 31, 20	<b>Uncertain Outlook for Zama Discovery: Pemex seeks a majority working interest and operatorship</b>	906	10	1
	About the Zama discovery in 2017, Pemex Director-General Octavio Romero on January 29 at the presidential press briefing remarked that the majority of the reservoir extended into Pemex's lease area and that Pemex seeks to be the operator of a future unitized area. This report asks about the delay of almost a year in the drilling of a well on Pemex's side that would confirm the existence of 1) a common hydraulic system and 2) commercial deposits of oil and gas on the Pemex side.			



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<b>2019</b>				
Mar 20, 19	<b>Unitization as Policy, Stratagem or Happenstance: Area 7 of CNH Round 1.1</b>	882.2	15	2
	<p>In this updated report, we ask about how did it happen that the eastern boundary of Area 7 of CNH Bid Round 1.1 left a significant portion of a reservoir on Pemex's side, triggering negotiations for unitization. The reservoir that was discovered by Talos Energy and partners will be shared with Pemex, which will receive as much as US\$20 billion at little risk and cost. Absent a grid system and public rules as to the configuration of present and future Contract Areas, all CNH contractors are at risk of having to share their discoveries with Pemex or another contractor. This report is updated with information provided by the Energy Ministry (SENER) in a meeting of Dec. 4, 2018, as well as from insights from industry sources.</p>			
<b>2018</b>				
Nov 02, 18	<b>Unitization as policy, stratagem or happenstance? Area 7 in CNH Round 1.1</b>	882	15	2
Mar 20, 19	<b>revisited</b>			
	<p>In this report, we ask about how did it happen that the boundary of Area 7 of CNH Bid Round 1.1 left a significant portion of a reservoir on Pemex's side, triggering negotiations for unitization. The giant reservoir that was discovered by Talos Energy and partners will be shared with Pemex, which will receive as much as US\$20 billion with no risk and little cost. Absent a grid system and public rules as to the configuration of present and future Contract Areas, all CNH contractors are at risk of having to share their discoveries with Pemex or another contractor.</p>			
Jun 29, 18	<b>Mexico's Unitization Rules of 2018: Bilingual Glossary</b>	875	27	7
	<p>This report examines the terms and definitions of the unitization guidelines that were issued by Mexico's Energy Ministry on March 15, 2018, comparing them with those that were posted for public comment on October 20, 2017, on the website of the Regulatory Review Commission. The simplified definitions reflect the criticism that the draft regulations received from diverse sources, the common element of which was that the government was seeking to micro-manage matters that should best be handled by the parties.</p>			
Jun 29, 18	<b>Mexico's Unitization Rules of 2018: Bilingual Glossary</b>	875	27	7
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Year	Topic	File #	Pages	Chart
Jun 25, 18	<b>Economics of Unitization: perspectives of society and leaseholders</b>	10052	14	3
Jul 05, 18	<p>This report examines how society has legitimate interests in the exploration and exploitation of oil and gas reservoirs. Society wants its resources exploited efficiently and it wants to protect the interests of leaseholders when more than one holds rights to a common reservoir. In such a case, a regulator may require unitization as a condition for operations. The unitization regimes of the United States and Mexico differ in important respects. Improvements in the unitization framework in Mexico will require attention to collateral topics, including the national oil narrative. There are 30 technical footnotes.</p>			
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<b>2017</b>				
Nov 26, 17	<b>Unitization regulations: Regulatory Impact Statement</b>	859	38	1
	<p>This report provides a formatted, bilingual translation of the Regulatory Impact Statement that was prepared by Mexico's Energy Ministry for review by the Regulatory Impact Commission (COFEMER). The original text is unformatted (<a href="http://cofemersimir.gob.mx/mirs/43548">http://cofemersimir.gob.mx/mirs/43548</a>). The purpose of the regulations is explained as wanting to eliminate the "Rule of Capture" from Mexico. The Impact Statement was issued with three annexes, two of them in Excel. In Annex II, of some 1,400 blocks, nearly 500 are marked as suitable for unitization. This large number suggests that the Ministry is conceiving of unitization as a distinct development strategy.</p>			
Nov 23, 17	<b>Unitization &amp; the Rule of Capture in Mexico</b>	10049	15	3
Jul 18, 20	<p>This report comment's on the Regulatory Impact Statement prepared by the Energy Ministry and posted (with three annexes) on the web portal of the Regulatory Impact Commission (COFEMER) on October 12, 2017. The report considers several elements that come into play in relation to a decision to unitize a portion of the leases of the parties. The Ministry presumes to impose terms on the parties but without being able to assess commerciality or risk. We propose that the Commission reopen the period for public comment stakeholders may better understand the Ministry's vision of the figure of unitization in Mexico.</p>			
Oct 27, 17	<b>Unitization guidelines for public comment</b>	858	23	4
Nov 22, 17	<p>This report provides a bilingual glossary of defined terms and their definitions of the Guidelines for Unitization Agreements, as issued by Mexico's Regulatory Review Commission (COFEMER) on October 12. Table 1 sorts the terms in Spanish, Table 2 in English and Table 3 sorts the terms and definitions by the Spanish. In subsequent reports, we shall discuss the comments and criticism that the guidelines have provoked. Annex A contains our comments that were posted on the COFEMER web portal on October 24.</p>			



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May 25, 17	<b>Bilingual glossary of owners, assets and asset transfers</b>	847	13	2

This glossary includes three dozen terms associated with the attributes of the legal figure of State Productive Enterprise, loosely associated with leaseholders, leases, contract areas and asset transfers. The first sort of the selected terms is by their English translation, showing also the original Spanish. The second sort is by the term in Spanish, showing its translation as well as its documentary source (and place), and the original text and English translation of the official definition.

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**2013**

Mar 08, 13	<b>US-Mexico Transboundary Hydrocarbon Agreement (Part IV)</b>	100157	11	5
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Mar 09, 13

This report identifies some of the technical issues and agreements that need to take place between the licensees in a JV of the kind that would be formed to exploit a cross-border reservoir in the framework of the US-Mexico Hydrocarbon Agreement of 2012 (TBA). Because of the political sensitivity of the topic, attention is given to the selection of the operator of the venture. The TBA is likely to be more important to Mexico for its heuristic value than for its facilitating oil production in Perdido. The TBA is an exercise in imagining an equity-based JV of the kind Pemex needs outside Perdido as well.

Feb 22, 13	<b>U.S.-Mexico Transboundary Hydrocarbon Agreement (Part III)</b>	100156	10	1
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This report, the third in a series, examines the outlook for approval and implementation of the Agreement of 2012. A year later, the Obama administration has not formally sent it to the Congress, on the grounds that the political timing is not yet right. The report observes that there are reasons associated with the language of the agreement that will likely give congress cause for concern. One of these is the apparent unwillingness of the Mexican side to commit to a single unit operator for a unitized field; a second concern involved the ability of Pemex to invoke sovereign immunity in the event of an oil spill.



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<b>2012</b>				
Apr 24, 12	<b>US-Mexico Transboundary Hydrocarbon Agreement (Part II)</b>	100124	8	5
	<p>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.</p>			
Mar 19, 12 Nov 12, 13	<b>US-Mexico Transboundary Hydrocarbon Agreement: A New Face for Pemex's Incentive Contract?</b>	100121	9	0
	<p>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.</p>			