THE NEW MEXICAN PETROLEUM SECTOR

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Commissioner
In 2013, Mexico’s energy sector faced growing structural problems:

- Decrease in production
- Decrease in hydrocarbon reserves
- Need for increasing investments
- A deteriorating energy balance
2. CONSTITUTIONAL REFORM 2013. DUAL MODEL

Constitution of the United Mexican States...
changes in articles 25, 27 and 28

Article 25.-
Creates state-owned production companies.

Article 27.-
States that oil and other hydrocarbon exploration and extraction activities can be carried out through assignations to state-owned production companies or through contracts with such companies or to private companies, in the terms of the governing law.

Article 28.-
States that the government will have coordinated regulatory bodies for energy: The National Hydrocarbons Commission (upstream) and The Energy Regulatory Commission (middle and downstream), in the terms of the governing law.
3. ATTRIBUTIONS OF THE NATIONAL HYCROCARBONS COMMISSION (CNH)

- Provide technical advice to the Ministry of Energy and other government bodies
- Approve exploration and production plans for assignments and contracts
- Oversee the bidding and signing of contracts for the exploration and production of hydrocarbons
- Regulate and supervise surface recognition and exploration activities (ARES)
- Regulate and supervise exploration and production

CNH responsibilities
4. LIFE CYCLE OF A PETROLEUM E&P PROJECT: PRODUCTION

- **EXPLORATION AND EVALUATION**
- **PRODUCTION**
- **SECONDARY RECOVERY**
- **NEW EXPLORATION, REEVALUATION OR ENHANCED RECOVERY**

**TIME**

**PRODUCTION IN BOE**

**PRIMARY RECOVERY**
4. LIFE CYCLE OF A PETROLEUM E&P PROJECT: INVESTMENT
4. LIFE CYCLE OF A PETROLEUM E&P PROJECT: CASH FLOW

INVESTMENT (NO INCOME - LOSSES)

INVESTMENT RECOVERY (PROFITS)

ACCUMULATED CASH FLOW (USD)

CASH FLOW

TIME
5. GENERAL STRATEGY FOR CONTRACTS

- **NEW EXPLORATION, REEVALUATION OR ENHANCED RECOVERY**
- **SECONDARY RECOVERY**
- **PRIMARY RECOVERY**
- **FARM OUTS AND PARTNERSHIPS**
- **EXPLORATION AND PRODUCTION CONTRACTS**
- **EXPLORATION AND EVALUATION CONTRACTS**

TIME

PRODUCTION
5. GENERAL STRATEGY FOR CONTRACTS

- **NEW EXPLORATION, REEVALUATION OR ENHANCED RECOVERY**
- **SECONDARY RECOVERY**
- **PRIMARY RECOVERY**

**Exploration Term (2 – 7 years)**
- R1.4
- R2.1
- R2.4
- R3.1

**Evaluation Term (1 – 4 years)**
- R1.1
- R1.2
- R1.3

**Production Term (1 - 34 years)**
- Part.
- F.O.

**Abandonment**
- R1.1
- R1.2
- R1.3
- R2.2
- R2.3
- R2.2

19
16
8
10
2
24
21
3
5. GENERAL STRATEGY FOR CONTRACTS

Between 2015 and 2018 112 contracts were signed:

- **Status**
  - **111** Active
  - **1** Ended

- **Type**
  - **77** License
  - **35** Production sharing

- **Location**
  - **52** Onshore
  - **32** Offshore (Shallow water)
  - **28** Offshore (Deep water)
5. GENERAL STRATEGY FOR CONTRACTS: PRODUCTION

- **GENERAL STRATEGY FOR CONTRACTS: PRODUCTION**

  - **VIGENCIA DEL CONTRATO (Vigencia del proyecto o hasta el término del contrato)**
  - Perfil de Inversión basado en Inversión estimada por Sub-Actividad; montos corresponden a la suma de todos los Programas de Inversión y Planes aprobados por la CNH a la 1era quincena de enero 2019. Para la inversión en exploración se agrega la inversión en ARES ~ 2,750 Millones de dólares.
  - Perfil de producción corresponde a la suma de todos los Programas y Planes aprobados por la CNH a la 1era quincena de enero 2019.

- **EXPLORATION**
  - R1.1
  - R1.2
  - R1.3
  - R2.1
  - R2.2
  - R2.3

- **EVALUATION**
  - R1.4
  - R2.4

- **PRODUCTION**
  - 17
  - 8
  - 4

- **ABANDONMENT**
  - 22
  - 21
  - 24

- **Legend**
  - MBOE
  - R1-02
  - Partnerships
  - Farm outs
  - R02-L03
  - R02-L02
  - R01-L03
  - Total
6. ACHIEVEMENTS OF THE ENERGY REFORM: ARES

ARES Investment

2,750 million USD

ARES Projects

52 Projects

21 Companies

Income to CNH for participation in sales:

$40 million USD

ARES: Activities of Recognition and Surface Exploration
6. ACHIEVEMENTS OF THE REFORM: WELL DRILLING

**WELL DRILLING**

<table>
<thead>
<tr>
<th>TOTAL WELLS</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>Total</th>
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<tbody>
<tr>
<td>TOTAL WELLS</td>
<td>1</td>
<td>14</td>
<td>20</td>
<td>96</td>
<td>131</td>
</tr>
<tr>
<td>EXPLORATION WELLS</td>
<td>1</td>
<td>11</td>
<td>4</td>
<td>17</td>
<td>33</td>
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<tr>
<td>DEVELOPMENT WELLS</td>
<td>0</td>
<td>3</td>
<td>16</td>
<td>79</td>
<td>98</td>
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6. ACHIEVEMENTS OF THE REFORM: INCOME TO THE STATE

<table>
<thead>
<tr>
<th></th>
<th>2015-2018 Million USD</th>
<th>2019-2024 Million USD</th>
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<tbody>
<tr>
<td>INCOME FROM BIDDING TO FMP</td>
<td>860</td>
<td>-</td>
</tr>
<tr>
<td>TRANSFER TO PEMEX</td>
<td>1,671</td>
<td>-</td>
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<tr>
<td>TAXES TO FMP</td>
<td>689</td>
<td>16,809</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3,220</td>
<td>16,809</td>
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### 6. ACHIEVEMENTS OF THE REFORM: INVESTMENT

<table>
<thead>
<tr>
<th>PLANS APPROVED TO DATE</th>
<th>TYPE</th>
<th>INVESTMENT Million USD</th>
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<tbody>
<tr>
<td>11</td>
<td>PROVISIONAL</td>
<td>259</td>
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<tr>
<td>28</td>
<td>EXPLORATION</td>
<td>2,514</td>
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<tr>
<td>30</td>
<td>EVALUATION</td>
<td>1,575</td>
</tr>
<tr>
<td>21</td>
<td>PRODUCTION</td>
<td>26,623</td>
</tr>
<tr>
<td><strong>TOTAL = 90</strong></td>
<td></td>
<td><strong>30,972</strong></td>
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</table>

Total expected investment for all plans for the duration of the contracts = USD $143,000 million
6. ACHIEVEMENTS OF THE REFORM: PRODUCTION FROM CONTRACTS

**PETROLEUM PRODUCTION**
(THOUSANDS OF BARRELS PER DAY)

CURRENT PRODUCTION FROM CONTRACTS

70.1
THOUSANDS OF BARRELS PER DAY

4% of national production
7. FORECAST: OIL PRODUCTION

Production of 2,369 mb/d by 2024, with a 13% participation from the contracts already signed.
Production of 7 bcf/d by 2029, with a 28% participation from the contracts already signed.
Average investments of 24 billion dollars per year are required for the period 2019-2032.
9. THE ENERGY PROJECT OF THE NEW GOVERNMENT: HYDROCARBONS

Candidate proposals

- **Increase oil and gas production**
  - Increase the country’s hydrocarbon production from 1.8 to 2.5 million bbl/d by 2024
  - Honor existing contracts
  - Strengthen PEMEX

- **Revitalize refining**
  - Modernize the 6 existing refineries
  - Build a new refinery in Tabasco
  - Lower gasoline prices

What has been done

- **Increase oil and gas production**
  - PEMEX investment budget has been increased to 10.5 billion dollars in 2019.
  - Twenty new areas have been programmed to start production this year.
  - PEMEX taxes have been lowered.
  - All E&P contracts are progressing according to schedule.
  - There will be no new biddings until 2021.

- **Revitalize refining**
  - Money has been budgeted to rehabilitate the six existing refineries.
  - Money has been budgeted to start building a new refinery in Dos Bocas, Tabasco.
In this period of transition:

• The new government has committed to preserving all existing laws and regulations.

• All pre-existing E&P contracts have been reviewed and accepted, so they will continue according to plan.

• The Senate has to appoint new commissioners to fill current vacancies.

• Diverse agreements have been reached to speed up approval processes.
THANK YOU