

Latin American Environmental Law Roundtable

March 11, 2015

Washington, DC

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IN DEEP WATER:

U.S. – Mexico Agreement Opens Offshore Oil and Gas Reserves

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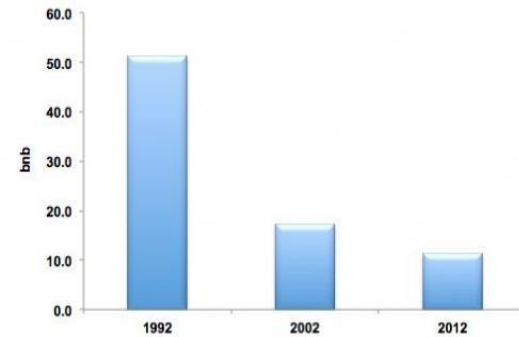
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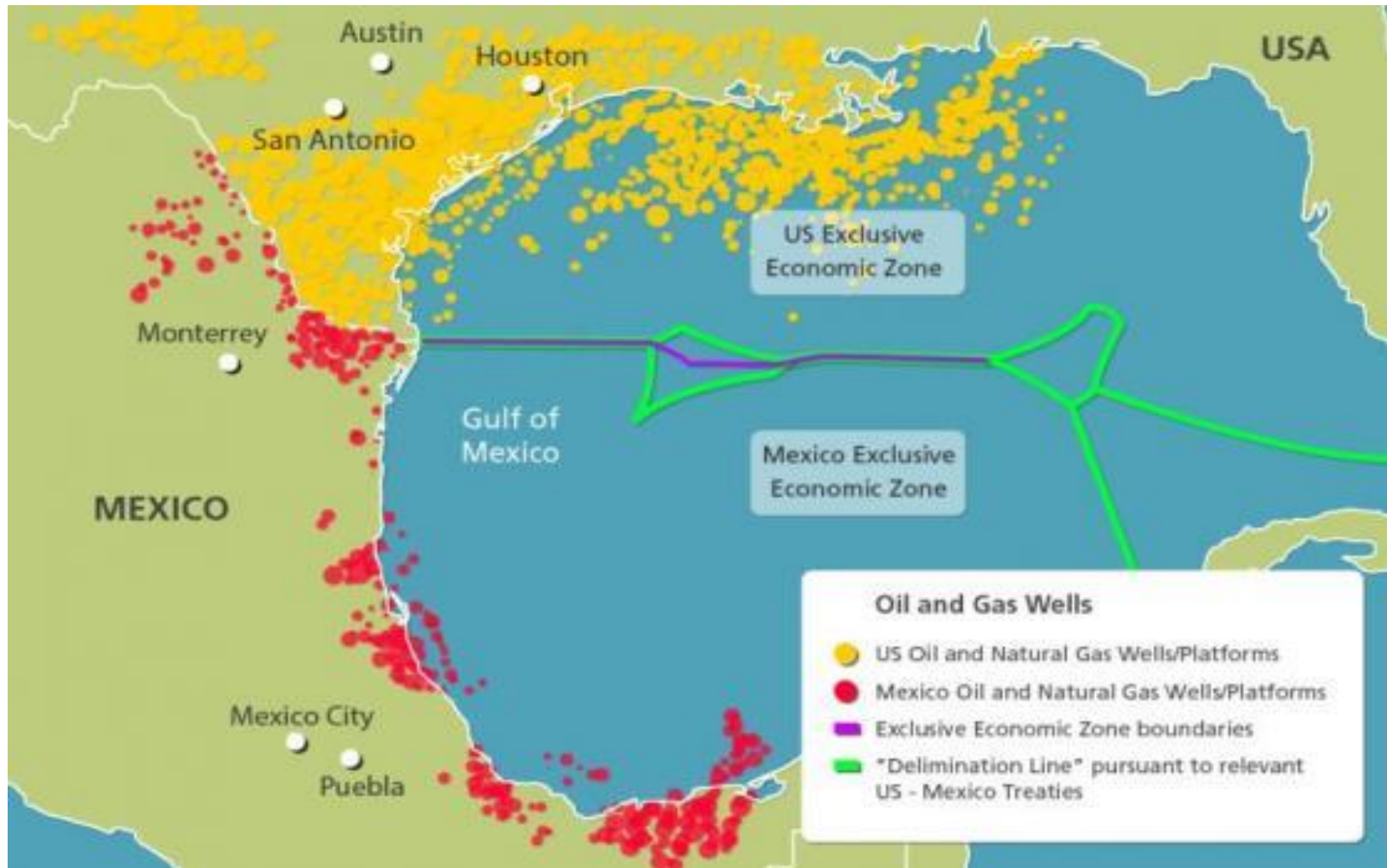
Reversing the Trend: Liberalization of Mexico's Oil and Gas Sector



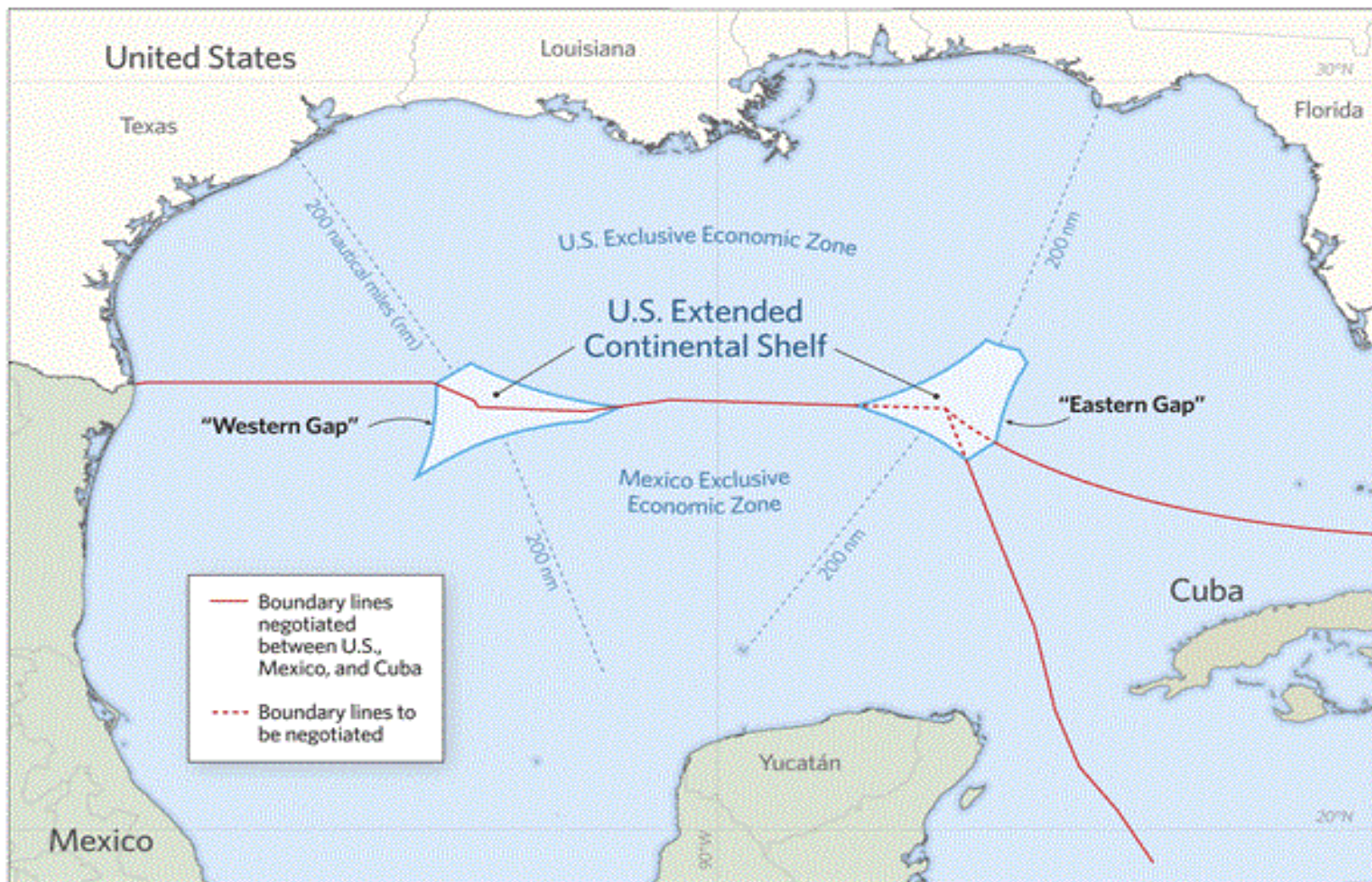
- **Mexico** made its mark by being first to nationalize; 70 years later one of the last to liberalize.
 - ♦ 10th largest oil producer.
 - ♦ Production down by 24% since 2004 due primarily to depletion of shallow water reserves.
- **PEMEX**
 - ♦ Exclusive right to explore, produce, and refine oil and gas.
 - ♦ Cash cow – generates 1/3 of Mexican government revenues.
 - ♦ Unable to produce reliably in deep water. Sheer cost and complexity.
- **Mexican Oil and Gas “reserves”**
 - ♦ Declining dues to no new discoveries; but no exploration. Majority of its oil and gas potential remains untapped, particularly offshore.



U.S. v. Mexican Oil and Gas Development in the Gulf of Mexico – Contrasting Approaches



The U.S. / Mexico Agreement: 1.5 MM deepwater acres, 172 MMbbl oil, 304 BCFG now available





Joint development - Unitization

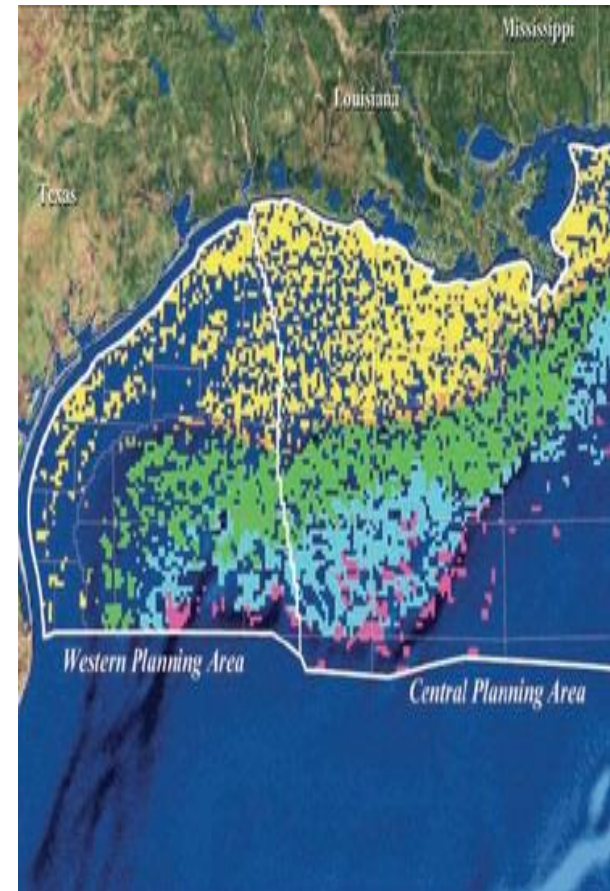


- 3 nmi buffer removed
- Transboundary reservoir identified, information shared
- Unit operating agreement between PEMEX and U.S. lessee approved by both governments
- U.S./ Mexico to develop joint health, safety, and environmental standards
- Until then, safety and environmental regulations would apply geographically, but joint inspection / enforcement authority
- Countries bound by dispute resolution provisions

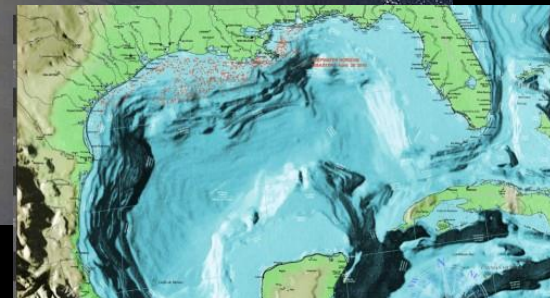
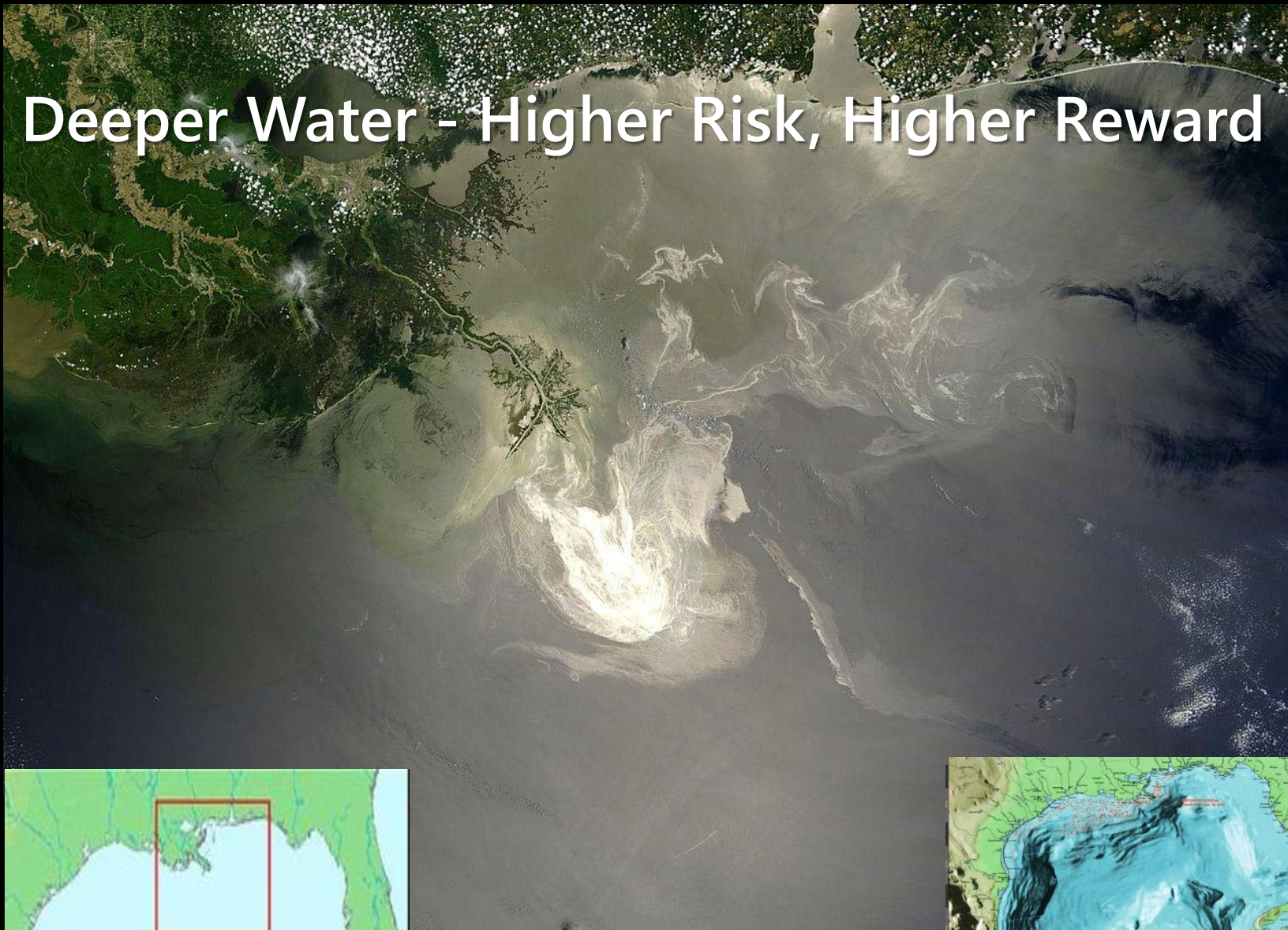
Before the Ink Dries: U.S. Lease Sales



- August 2013 BOEM Lease Sale 233
 - ♦ E/M bid \$21,333,850 for 3 leases; bids accepted March 2014 after agreement enacted.
- August 2014 Lease Sale 238
 - ♦ 34 of 80 leases (43%) were in or contiguous with the maritime boundary area.
- Lease Sale 235
 - ♦ Central GOM is taking place a week from today.
- Exploration next step; if discovery, unit operating agreement.
- Development 10+ years.



Deeper Water - Higher Risk, Higher Reward



Thank You!



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