Mexico's Energy Reform

- On October 2008, the Mexican Congress approved the set of law and reform initiatives to strengthen PEMEX and the Secretariat of Energy.
- Three laws were amended and four new laws were created:

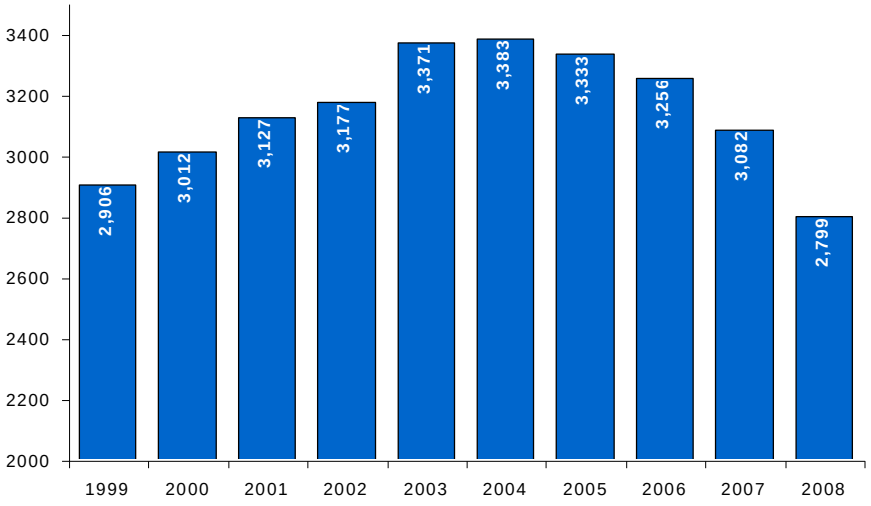
1. Ley Reglamentaria del Artículo 21 Constitucional
2. Ley Orgánica de la Administración Pública Federal
3. Ley de la Comisión Regulatoria de Energía

1. Ley Orgánica de PEMEX
2. Ley de la Comisión Nacional de Hidrocarburos
3. Ley para el Aprovechamiento de Energías renovables y el Financiamiento de la Transición Energética
4. Ley del Aprovechamiento Sustentable de la Energía

I. Reasons for an energy reform in Mexico

Oil production declining

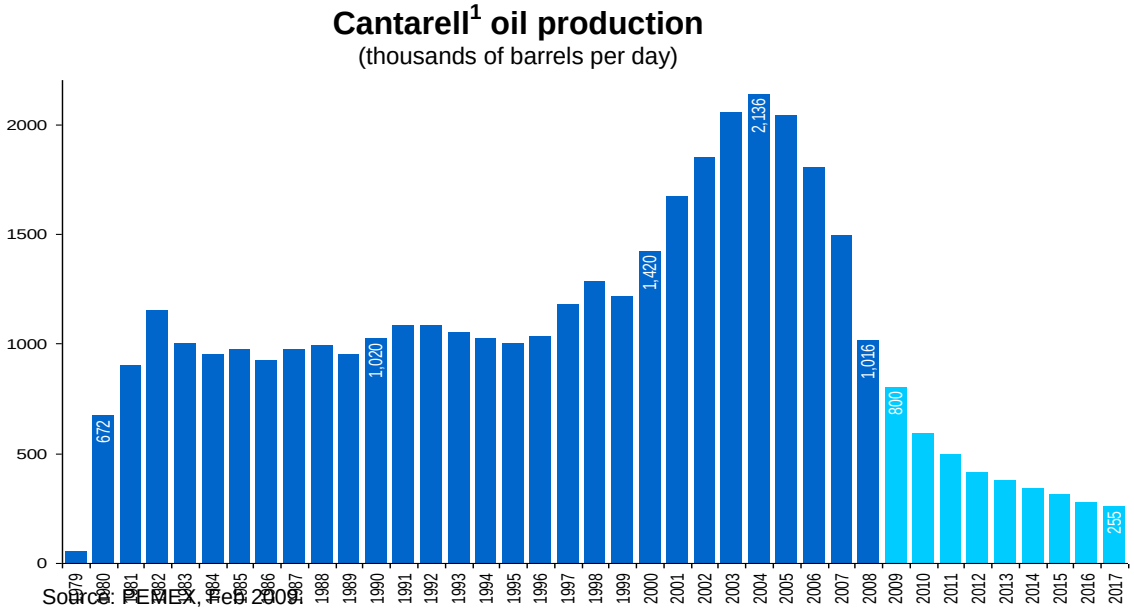
Oil production
(thousands of barrels per day)



Source: PEMEX, Feb 2009.

- In 2007, PEMEX produced an average of 3,082 thousand barrels per day of crude oil, 5.3% less than the average daily production in 2006 of 3,256 thousand barrels per day of crude oil. The decrease was mainly due to the natural decline of production in the Cantarell complex. Shutdowns of wells in the offshore regions as a result of adverse weather conditions maintenance and inventory accumulations also contributed to the decline.

Cantarell's declining production



- In 2044, Cantarell represented 60% of total oil production, while in 2008 it represented only 41%. During 2007, the Cantarell project was the most important producer of crude oil in Mexico, averaging 1,496.5 thousand barrels per day of crude oil. This was 16.9% less than the production in 2006, which was 1,800.9 thousand barrels per day. Natural gas production from Cantarell during 2007 averaged 944.9 million cubic feet per day.
- As of January 1, 2008, proved hydrocarbon reserves totaled 3.4 billion barrels of crude oil and 2.3 trillion cubic feet of natural gas.
- Proved reserves declined 27% between 2003 y 2008.

II. The challenge: hydrocarbons potential

- The total potential of hydrocarbons represent the 98.3 billion barrels of crude oil equivalent 55% of the prospective resources are located in Deep Wter Gulf of Mexico.

Basin	Prospective resources	Hydrocarbon potential
Total	**53.8**	**98.3**
Deep Gulf of Mexico	29.5	30.0
Southeast Fields	18.1	42.9
Burgos	3.1	4.1
Tampico-Misantla	1.7	20.6
Veracruz	0.8	1.2
Sabinas	0.3	0.3
Platform of Yucatan	0.3	0.3

[1] Cantarell project is located on the continental shelf of the Gulf of Mexico. It comprises the Akal, Chac, Ixtoc, Kutz, Nohoch, Sihil and Takin fields, which have an extension of over 185.5 square kilometers. The Akal field is considered one of the last super giant oil fields in the world.

- As of December 31, 2007, there were a total of 139| wells drilled, 108 of which were producing. The project produced and average of 527.3 thousand barrels of crude oil and 212.2 million cubic feet of natural gas per day in 2007. As of December 31, 2007, cumulative production was 2.4 billion barrels of crude oil and 1.2 trillion cubic feet of natural gas.
- The Aceite Terciario del Golfo project is located in the Northern region and covers an area of 3,731 square kilometers. This project is comprised of 29 fields in eight sectors. As of December 31, 2007, there were a total 1,608 drilled wells, of which 590 were producing. During 2007, average daily production was 22.4 thousand barrels of crude oil and 27.1 million cubic feet of natural gas. As of December 31, 2007, cumulative production was 149.4 million barrels of crude oil and 250.8 billion cubic feet of natural gas.
- As of January 1, 2008, proved hydrocarbon reserves totaled 481.6 million barrels of crude oil and 707.4 billion cubic feet of natural gas. As of January 1, 2008, total proved reserves totaled 625.9 million barrels of oil equivalent, of which 22.7 million were developed.

III. The final reform's objectives

On the planning side:

- SENER will define the hydrocarbons policy, as well as the areas of exploration as well as hydrocarbons rate of exploration and exploitation.
- The National Commission of Hydrocarbons will provide technical support to SENER in the definition and designing of the hydrocarbons policy.
- The National Energy Council will recommend SENER the main principles of the energy policy. Will be directed by SENER with all sector's entities participation. The Council will have a Consultative Forum.
- The Congress will ratify the National Energy Strategy.

On the executive side:

- Provides PEMEX with a:
  - Corporative Governance
  - Budget Autonomy
  - Execution Capacity
- To SENER/National Commission of Hydrocarbons
  - Diagnose the main projects of hydrocarbons exploration and exploitation