# Contents

Executive Summary ................................................................. 5

**Section 1: The Current State of Oil and Gas Players in Mexico** .............................. 7
- Pemex’s Current Financial Performance and Future Outlook .................................. 7
- The Role of Pemex in Mexico’s Hydrocarbon Sector ............................................. 8
- Other Active Players ................................................................. 9
- Social Factors ........................................................................ 10

**Section 2: Recent Regulatory Changes** ......................................................... 12
- The Legal Reforms of 2008 .................................................................. 12
- New Contractual Models and Economics: From Mature Fields to Deepwaters ....... 16
- Comments on the New Contracts’ Main Deficiencies ........................................... 18
- Reform Will Likely Progress Slowly ......................................................... 20

**Section 3: Upstream: Challenges and New Opportunities** ................................. 21
- Exploration ............................................................................... 21
- Production .............................................................................. 26

**Section 4: Downstream: A Race to Meet Growing Demand** ............................... 30
- Refining: No News Is Not Good News .................................................... 30
- Natural Gas ............................................................................. 37
- Petrochemicals .......................................................................... 40

**Section 5: Future Regulatory Changes and Political Scenarios** ......................... 42
- The Need for Deeper Reforms ......................................................... 42
- Politics and the 2012 Elections ......................................................... 43

Endnotes ..................................................................................... 46

**Appendix: Economics of Mexico’s Service Contracts for Evaluation,**
**Development and Production — The First Round** ........................................... 47
- Introduction and General Description ....................................................... 47
- First Round — South Region Marginal Fields .............................................. 50
- Results for Generic Development Plan ..................................................... 50
- Sensitivity Analysis ...................................................................... 51
About the Editor and Authors:

**Jason Fargo, Energy Intelligence Group**

Jason Fargo has four years’ experience as an analyst and journalist covering the Latin American energy sector. Prior to joining Energy Intelligence, he worked for over a decade as a journalist and editor, writing about a wide range of international business topics including banking, finance and corporate governance. He has an undergraduate degree from Amherst College in Amherst, Massachusetts, and a master’s in international relations from Johns Hopkins University’s School of Advanced International Studies (SAIS) in Washington, DC.

**EnergeA, EnergeA**

EnergeA is a Mexico City based research, advisory, and project development firm founded by Dr. Jesús Heroles, former CEO of Pemex. EnergeA provides first class guidance to local and international investors seeking a role in the coming expansion of Mexico’s oil and gas industry.

**Jesus Reyes Heroles G. G., Executive President, EnergeA**

EnergeA was founded by Dr. Jesús Reyes Heroles, former Mexican Secretary of Energy, director general (CEO) of Pemex, and Mexican ambassador to the U.S.

**Raul Livas, Partner, EnergeA**

Former COO of Pemex and CEO of Pemex Petrochemicals and head of the energy policy unit of Mexico’s Secretariat of Energy

**Roberto Ortega Partner, EnergeA**

Former chief of staff to the CEO of Pemex and chief administrative officer of Mexico’s Secretariat of Energy

**Marcelo Mereles, Partner, EnergeA**

Former advisor on international affairs to the CEO of Pemex, deputy director of international communications to Mexican President Ernesto Zedillo