

HYDROCARBONS LAW

Title I General Provisions

Article 1.- This law is regulatory of Articles 25, fourth paragraph; 27, seventh paragraph; and 28, fourth paragraph of the Constitution of the United Mexican States in the field of Hydrocarbons.

The Nation has the direct, inalienable, and perpetual ownership of all the Hydrocarbons found within national territory subsoil, including the continental shelf and the exclusive economic area located adjacent and outside the territorial sea, in mantles or reservoirs, regardless of their physical condition.

For the purposes of this Law, trans-boundary reservoirs will be defined as the reservoirs found within national jurisdiction with physical continuity beyond it. Furthermore, those reservoirs or [mantles] that are found outside national jurisdiction and are shared with other countries in accordance with treaties to which Mexico is a party or pursuant to the United Nations Law of Sea, will also be deemed as trans-boundary.

Article 2.- The purpose of this Law is to regulate the Hydrocarbons industry in national territory, which covers:

- I. Surface Inspection and Exploration, and the Extraction and Exploration of Hydrocarbons;
- II. The Treatment, refining, sale, commercialization, transportation, and storage of Petroleum;
- III. The processing, compression, liquefaction, regasification, and decompression, as well as the Transportation, Storage, Distribution, and Retail Sale to the Public of Natural Gas;
- IV. The Transportation, Storage, Distribution, and Retail Sale to the Public of Liquefied Petroleum Gas;
- V. The Transportation, Storage, Distribution, and Retail Sale to the Public of Petroleum Products, and;
- VI. Pipeline Transportation and Storage connected to pipelines of Petrochemicals.

Article 3.- In accordance with articles 25, fourth paragraph, 27, seventh paragraph, and 28, fourth paragraph of the Constitution of the United Mexican States, the Nation will carry out the Exploration and Extraction of Hydrocarbons, in accordance with this Law.

The Exploration and Extraction of Hydrocarbons in the trans-boundary reservoirs referred to in article 1 of this Law will be carried out in terms of the treaties and agreements to which Mexico is a party, executed by the President of the Republic and ratified by the Senate.

Article 4.- For the purposes of this Law, the following means, in singular or plural:

- I. **Agency:** The National Agency for the Industrial Safety and Environmental Protection of the Hydrocarbons Sector;

- II. **Assignment Area:** The surface and depth established by the Ministry of Energy, as well as the geological formations contained in the vertical projection of such surface for such depth, where the Exploration and Extraction of Hydrocarbons is performed through an Assignment;
- III. **Assignment:** The legal administrative act by which the Federal Executive exclusively grants an Assignee the right to carry out activities for the Extraction and Exploration of Hydrocarbons in the Assignment Area for a specific duration;
- IV. **Assignee:** Petróleos Mexicanos or any other productive State company, holder of an Assignment, and operator of an Assignment Area;
- V. **Authorized Person:** The holder of an authorization pursuant to this Law;
- VI. **Collection:** The gathering of Hydrocarbons from each well of the reservoir once they have been extracted from the subsoil, through a discharge lines system that goes from the wellheads to the first separation batteries or, as applicable, to the transportation system;
- VII. **Contingent Resources:** The volume of Hydrocarbons estimated as of a given date, that is potentially recoverable but, under economic evaluation conditions corresponding to the estimated date, is not deemed commercially recoverable due to one or more contingencies;
- VIII. **Contract Area:** The surface and depth established by the Ministry of Energy, as well as the geological formations contained in the vertical projection of such surface for such depth, where the Exploration and Extraction of Hydrocarbons is carried out by the execution of an Exploration and Extraction Contract;
- IX. **Contractor:** Petróleos Mexicanos, or any other productive State company or Legal Entity, that executes with the National Hydrocarbons Commission an Exploration and Extraction Contract;
- X. **Distribution:** Logistics activity related to the allotment, including the transfer of a specific volume of Natural Gas, Liquefied Petroleum Gas or Petroleum Products from a given location to one or more previously assigned destinations, for its Retail Sale to the Public or for its final consumption;
- XI. **Exploration and Extraction Contract:** Legal act executed by and between the Mexican State, through the National Hydrocarbons Commission, and a Contractor in which the Exploration and Extraction of Hydrocarbons is covered in a Contract Area and for a specific duration;
- XII. **Exploration:** Activity or set of geological, petrophysical, geophysical, geochemical, and geotechnical activities, based on the application of studies, processes, and scientific knowledge of the earth, which rely on direct methods, including well drilling for Hydrocarbons prospecting in the subsoil in a defined area of geological interest;

- XIII. Extraction:** An activity or group of activities destined for the production of Hydrocarbons, including the drilling of production wells, injection, enhanced recovery, Collection, and conditioning of Hydrocarbons within the Contract Area or Assignment, as well as the construction, location, operation, and use of the facilities for production;
- XIV. Hydrocarbons in the Subsoil:** The total resources or total Hydrocarbon quantities with the potential of being extracted, that prior to their production, are estimated to originally exist in natural occurrence accumulations, as well as the estimated quantities of accumulations yet to be discovered;
- XV. Hydrocarbons:** Petroleum, Natural Gas, condensates, Natural Gas liquids, and methane hydrates;
- XVI. Institution:** The Institution for the Administration and Valuation of National Assets;
- XVII. Legal Entity:** Business corporation, duly incorporated in accordance with the Mexican legislation. For the purposes of this Law, joint ventures will be deemed a Legal Entity;
- XVIII. Liquefied Petroleum Gas:** Gas obtained from Petroleum refining and Natural Gas processing plants, mainly composed of butane and propane gas;
- XIX. Natural Gas:** The mixture of gases obtained from Extraction or industrial processing, mainly composed of methane. Usually this mixture contains ethane, propane, butane, and pentane. It can also contain carbon dioxide, nitrogen, and sulfuric acid, among others. It includes gas associated with carbon mineral;
- XX. Open Season:** The process regulated by the Energy Regulatory Commission that, with the purpose of providing equity and transparency in the assignment of capacity available to third parties in a system or new project, should be executed by a Transportation, Storage, or Distribution Permit Holder for Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals in order to make it publicly available, for the purpose of determining or establishing the capacity necessary for expansion or enlargement;
- XXI. Permit Holder:** Petróleos Mexicanos, any other productive State company or governmental-controlled company, or any Person holder of a permit for the execution of the activities set forth in this Law;
- XXII. Person:** an individual or Legal Entity;
- XXIII. Petrochemicals:** The liquids and gases obtained from Natural Gas processing or Petroleum refining, their transformation, and that they may be transported by a pipeline;
- XXIV. Petróleos Mexicanos:** Petróleos Mexicanos and its productive subsidiary companies;

- XXV. Petroleum Products:** Products obtained from and that directly derive from Petroleum refining, such as gasoline, diesel, kerosene, and fuel oil, as well as other fuels and distillates other than Petrochemicals;
- XXVI. Petroleum:** The mixture of hydrogen carbides existing in a liquid phase in the reservoirs, and remains in that phase in the original pressure and temperature conditions. The mixture may include small amounts of substances that are not hydrogen carbides;
- XXVII. Productive Chain:** All the economic operators directly involved in the procurement, supply, construction, and provision of services for the Hydrocarbons industry;
- XXVIII. Prospective Resources:** The estimated Hydrocarbons volume as of a given date that has yet to be discovered but has been inferred and is estimated as potentially recoverable through the application of future development projects;
- XXIX. Reserves:** The volume of Hydrocarbons in the subsoil, calculated at a given date and at given atmospheric conditions, estimated to be produced technically and economically under the applicable tax regime, with any of the Extraction methods or systems applicable at the date of the evaluation;
- XXX. Retail Sale to the Public:** The direct retail sale to the consumer of Natural Gas, Liquefied Petroleum Gas, or Petroleum Products, and other fuels, in facilities with a specific or multimodal purpose, including compression and carburation service stations, among others;
- XXXI. Safeguard Zone:** Area reserved by the State for limiting the Exploration and Extraction of Hydrocarbons;
- XXXII. Storage:** Temporary safeguard and deposit of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals in confined facilities and deposits that may be located on the surface, the sea, or the subsoil;
- XXXIII. Surface Inspection and Exploration:** All the evaluation studies that solely rely on activities of the ground surface or the sea in order to consider the possible existence of Hydrocarbons in a specific area; works on the acquisition, processing, re-processing, or interpretation of information are also included;
- XXXIV. Transportation:** The act of receiving, delivering, and as applicable, moving Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals from one place to another through pipelines or other means, which does not include the sale or marketing of such products by whoever carries out the activity through pipelines. The Collection and movement of Hydrocarbons within the perimeter of the Contract Area or Assignment Area, as well as the Distribution, are excluded from this paragraph; and
- XXXV. Treatment:** Petroleum conditioning that involves all the industrial processes performed outside the Contract Area or Assignment Area, prior to refining.



Article 5.- The activities of Exploration and Extraction of Hydrocarbons referred to in Section I of Article 2 of this Law shall be deemed strategic pursuant to Article 28, fourth paragraph, of the Constitution of the United Mexican States. The activities will only be executed by the Nation through Assignees and Contractors, in accordance with this Law.

Surface Inspection and Exploration activities, as well as the activities referred to in Sections II and VI of Article 2 of this Law, may be carried out by Petróleos Mexicanos, any other productive State company, or government-controlled company, as well as by Persons, with the prior authorization or permit, as applicable, in accordance with this Law, its regulatory and technical provisions, and any other regulation issued.

Title II Strategic Activities of the Hydrocarbons Industry

Chapter I Assignments

Article 6.- The Federal Executive, through the Ministry of Energy, may exceptionally grant and modify Assignments for the Exploration and Extraction of Hydrocarbons to Petróleos Mexicanos or any other productive State company.

For granting an Assignment, the Ministry of Energy must justify that the Assignment is the mechanism most suitable for the interests of the State in terms of production and a supply of Hydrocarbons guarantee, and that the possible Assignee has the technical, financial, and execution capability to extract Hydrocarbons efficiently and competitively.

Prior to granting the Assignments, the Ministry of Energy must have a favorable opinion from the National Hydrocarbons Commission, which will be issued in a technical report.

- I. The Assignment titles granted by the Ministry of Energy will include inter alia the following elements:
- II. The Assignment Area;
- III. The terms and conditions that must be fulfilled in the Exploration and Extraction of Hydrocarbons;
- IV. The conditions and mechanisms for the reduction or return of the Assignment Area;
- V. The term, as well as the conditions for its extension;
- VI. The acquisition of guarantees and insurance;
- VII. The minimum percent of national content; and
- VIII. The period of time the Assignee has to present to the National Hydrocarbons Commission the Exploration plan or Extraction development plan, as applicable, for its approval.

The terms and conditions may be modified by the Ministry of Energy, prior to the opinion of the National Hydrocarbons Commission.

In the event the Ministry of Energy modifies an Assignment title, the Assignee will be required to present to the National Hydrocarbons Commission the modified plan for its approval, only if such amendment impacts or modifies the Exploration plan or the Extraction development plan.

Article 7.- In terms of Assignments, the National Hydrocarbons Commission will have the following authorities:

- I. Provide technical support to the Ministry of Energy in the Assignment Area selection;
- II. Technically manage and enforce the terms and conditions of the Assignments; and
- III. Assess the Exploration plans and Extraction development plans, as well as their amendments.

Article 8.- Petróleos Mexicanos or the other productive State companies, with the prior approval of the Ministry of Energy, may only assign an Assignment to which they are entitled, when the assignee is another productive State company. When the Assignee decides not to continue working on the Exploration and Extraction of Hydrocarbons, the Assignee may surrender the corresponding Assignment. For the aforementioned, the Assignee must have the Ministry of Energy's approval and must notify the National Hydrocarbons Commission.

In the event referred to in the preceding paragraph, the Assignment will be returned to the State, with no charge, payment, or indemnity on the latter's behalf, and the Ministry of Energy may determine its operation in the terms it deems advisable pursuant to the Law.

The Assignment title will establish the conditions for its return and the obligations of the Assignee.

Article 9.- To achieve the purpose set out in the Assignments granted by the Federal Executive, Petróleos Mexicanos and the other productive State companies may only enter into service contracts for the activities related to such Assignments, with Persons under arrangements that allow greater production and profitability, provided that the consideration is made in cash.

Such contracting will be conducted in accordance with the arrangements established in the Petróleos Mexicanos Law or the law that regulates the corresponding productive State company.

Article 10.- The Federal Executive, through the Ministry of Energy, may revoke an Assignment and recover the Assignment Area when any of the following serious events occurs:

- I. When the Assignee suspends its activities in the Assignment Area for a continuous period of more than 180 calendar days, for no just cause nor by the approval of the National Hydrocarbons Commission in accordance with the Assignment title;
- II. When the Assignee, for no just cause, fails to comply with the approved Exploration plan or Extraction development plan, in accordance with the terms and conditions set forth in the granted Assignment;

- III. When serious accidents occur because of the Assignee's fraudulent conduct or negligence;
- IV. When the Assignee intentionally provides false information or repeatedly makes omissions or interferes with the submission of the information and reports to the Ministry of Energy, the Ministry of Finance and Public Credit or Economy, the National Hydrocarbons Commission, or the Agency;
- V. When the Assignee intentionally submits false reports on the production of Hydrocarbons; or
- VI. The other events established in the Assignment title.

As a result of the Assignment Area's recovery, the Assignee will transfer to the State the Assignment Area, free of any charge, payment, or compensation, and in good condition. Furthermore, the Assignee will transfer to the State, free of any charge, payment or compensation, in good condition and operational, taking into account normal wear and tear due to use, all the real property, facilities, equipment, and any other assets of a similar nature, without which the Extraction activities of such area could not be carried out. The Assignment title will establish the conditions of the transfer and the obligations of the Assignee.

In any case, the Assignee will maintain the ownership of the goods and facilities that are not related or exclusive accessories of the recovered area.

The revocation referred to in this article does not exempt the Assignee of its obligation to provide indemnification for the corresponding damages, in accordance with the applicable legal dispositions.

Chapter II Exploration and Extraction Contracts

Article 11.- The Federal Executive, through the National Hydrocarbons Commission, in accordance with the guidelines to be established for such purpose by the Ministries of Energy and of Finance and Public Credit, may enter into Exploration and Extraction Contracts with Petróleos Mexicanos, productive State companies, or Legal Entities.

The Exploration and Extraction Contracts will invariably establish that the Hydrocarbons found in the subsoil are property of the Nation.

Article 12.- Petróleos Mexicanos and other productive State companies may submit a request to the Ministry of Energy for the conversion of the Assignments they hold to Exploration and Extraction Contracts. The Ministry of Energy, with the technical assistance of the National Hydrocarbons Commission, will decide on the matter.

The Ministry of Finance and Public Credit will establish the economic conditions relative to the fiscal terms found in the Exploration and Extraction Contracts that may allow the Nation to obtain, over a period of time, revenues that contribute to its long-term development.

Article 13.- In the cases where Assignments are converted to Exploration and Extraction Contracts, Petróleos Mexicanos and the other productive State companies will be able to execute alliances or partnerships with Legal Entities.

For alliances or partnerships referred to in this article, the selection of the Legal Entity to be Petróleos Mexicanos or the other productive State company's partner will be made through a bidding process representing the selection conditions that best suit the Nation, complying with the best transparency practices. Such bidding process will be conducted by the National Hydrocarbons Commission, in accordance with the technical guidelines and economic conditions relative to the fiscal terms to be established for such purpose by the Ministries of Energy and of Finance and Public Credit, respectively.

In the development of the bidding process' technical guidelines referred to in this article, the Ministry of Energy will request Petróleos Mexicanos or the productive State company's favorable opinion, regarding the technical, financial, implementation, and experience requirements the Legal Entities participating in the bidding process should satisfy.

The bidding process established in this article will be subject to the requirements established in the Law for the awarding of Exploration and Extraction Contracts.

The bidding process' guidelines for the selection of the Legal Entity to be partner of Petróleos Mexicanos or the other productive State company will not require the opinion referred to in section III of article 24 of this Law.

As part of the prequalification process of the bidding process for the partner selection, the National Hydrocarbons Commission shall request Petróleos Mexicanos or the private State company's opinion.

Once the partner has been chosen in accordance with this article, the National Hydrocarbons Commission will execute or amend the Exploration and Extraction Contract with the alliance or partnership incorporated for such effect. In such contracts, the provision of article 15 of this Law will be applicable.

Article 14.- Petróleos Mexicanos and the other productive State companies may enter alliances or partnerships to participate in the bidding processes of the Exploration and Extraction Contracts, pursuant to the provisions provided in Petróleos Mexicanos' Law or the law that regulates the corresponding productive State company. The alliances or partnerships referred to in this article will be governed by ordinary law.

The alliances or partnership may be incorporated under arrangements that permit the greatest productivity and profitability, including regimes through which they may share costs, expenses, investments, risks, as well as profits, production, and other Exploration and Extraction aspects.

In order to carry out activities of Exploration and Extraction of Hydrocarbons, Petróleos Mexicanos and the other productive State companies may not execute public-private partnership agreements with individuals under the terms of this Law.

Article 15.- Exploration and Extraction Contracts may only be granted by the Mexican State through the National Hydrocarbons Commission. The selection of the Contractor will be carried out through a bidding process, as provided in Article 23 of this regulation.

The Ministry of Energy shall previously approve the execution of alliances or partnerships in which the following is assigned:

- I. The corporate and administrative control of the Contractor; or
- II. The partial or total control of the operations of the Contract Area.

For the authorization of the assignment of the control of operations referred to in section II, several aspects will be analyzed with the technical assistance of the National Hydrocarbons Commission, such as the Exploration and Extraction Contract operator's experience, technical and financial capacity for the management and execution of the activities in the Contract Area, and its capacity to comply with the responsibilities inherent to the Contract.

As a result of the contracts and agreements referred to in this article, the National Hydrocarbons Commission will make the corresponding adjustments to the Exploration and Extraction Contract, which will not involve amendments to any of the other contract terms.

The assignment of rights made without abiding by the specifications of this article and to the contract terms, shall be null and void.

If there is a change in the Contractor's corporate capital structure that does involve a change in the corporate or administrative control of the same, the National Hydrocarbons Commission must be notified within the 30 days following the event.

Article 16.- In the terms and guidelines established by the Ministry of Energy for the bidding process of the Exploration and Extraction Contracts, a participation of the Mexican State through Petróleos Mexicanos, any other productive State company, or any specialized financial vehicle of the Mexican State may be included in the following cases:

- I. When the Contract Area of the bidding process coexists at a different depth with an Assignment Area;
- II. When opportunities exist to promote the transfer of knowledge and technology for the development of the skills of Petróleos Mexicanos or other productive State company, or
- III. In the case of projects that are chosen to be pursued through a specialized financial vehicle of the Mexican State.

In the events mentioned in the preceding sections II and III, the participation established in the corresponding Exploration and Extraction Contract for Petróleos Mexicanos, any other productive State company, or any specialized financial vehicle may not exceed 30 percent of the project's investment.

The participation of the Mexican State through Petróleos Mexicanos or other productive State company must be approved by its the respective Board of Administration.

The Ministry of Energy's decision must always be fully substantiated, include the technical opinion of the National Hydrocarbons Commission, and must be provided to the interested parties, in the bidding process and awarding guidelines of the respective contract. The contract shall establish the terms and conditions by which the participation referred to in this article may be implemented.

Article 17.- The Ministry of Energy, with the technical assistance of the National Hydrocarbons Commission, will establish the mandatory participation of Petróleos Mexicanos or other productive State company in the Exploration and Extraction Contracts of the Contract Areas where the possibility of finding trans-boundary reservoirs exists.



In the event referred to in this article, the mandatory participation will be of at least 20 percent of the project's investment. The decision of the Ministry of Energy must be provided to the interested parties, in the bidding process and awarding guidelines, of the respective contract.

If the existence of a trans-boundary reservoir is confirmed in the Contract Area, the applicable provisions will be those established in the operation agreements executed based on the international treaties signed by Mexico.

Article 18.- The considerations established in the Exploration and Extraction Contracts will be subject to the Hydrocarbons Income Law.

Article 19.- The Exploration and Extraction Contracts shall at least include the following clauses:

- I. The definition of the Contract Area;
- II. Exploration plans and Extraction development plans, including the time period for their submission;
- III. The minimum work and investment program, as applicable;
- IV. The contractor's obligations, including economic and fiscal terms;
- V. The Contract's term and the conditions for its extension;
- VI. The acquisition of guarantees and insurance;
- VII. The existence of an external audit system for monitoring the effective recovery, as applicable, of the incurred costs and other accounting involved in the operation of this contract;
- VIII. The events of termination of the contract, including anticipated termination and administrative rescission;
- IX. Transparency obligations that allow access to the information that arises from the contracts, including the disclosure of considerations, contributions, and payments established in the contract itself;
- X. The minimum percentage of national content;
- XI. The conditions and mechanisms for the reduction or recovery of the Contract Area;
- XII. The resolution of conflicts, including alternative dispute resolution;
- XIII. The penalties applicable in case of a breach of contract;



- XIV. The responsibilities of the Contractor and operator in accordance with international best practices. In the event of an accident, the Contractor or operator's liability will not be limited if fraud or negligence are proved; and
- XV. Compliance with the best international practices for the operation of the Contract Area.

Article 20.- The Federal Executive, through the National Hydrocarbons Commission, may administratively rescind the Exploration and Extraction Contracts when any of the following serious causes occurs:

- I. When the Contractor does not begin or discontinues the activities in the Contract Area for a continuous period of more than 180 days, for no just cause nor by the National Hydrocarbons Commission's authorization;
- II. When the Contractor, for no just cause, fails to comply with the approved Exploration plan or Extraction development plan, in accordance with the terms and conditions set forth in the Exploration and Extraction Contract;
- III. When the operations or the rights conferred in the Exploration and Extraction Contract are assigned partially or totally by the Contractor, without prior authorization, in accordance with article 15 of this Law;
- IV. When the acts that gave rise to the contract are invalid;
- V. When serious accidents occur because of the Contractor's fraudulent conduct or negligence;
- VI. When the Contractor intentionally provides misleading information or repeatedly makes omissions or interferes with the submission of the information and reports, to the Ministry of Energy, the Ministry of Finance and Public Credit or Economy, and to the National Hydrocarbons Commission or to the Agency;
- VII. When the Contractor intentionally submits false reports on the production of Hydrocarbons;
- VIII. When the Contractor fails to comply with a final resolution of the federal courts, that is already res judicata; and
- IX. When the Contractor, for no just cause, fails to make a payment or deliver Hydrocarbons to the State, in accordance with the periods of time and terms established in the Exploration and Extraction Contract.

The Exploration and Extraction Contract will establish the causes for its termination and rescission, without prejudice to the events for an administrative rescission as established in this article.

In the event of an administrative rescission the Contractor will be previously notified of the reasons why the rescission was stated. The administrative rescission will be governed by this Law and its regulation. The

decision to administratively rescind the Exploration and Extraction Contract shall be duly substantiated and justified as well as duly notified to the Contractor.

As a result of the recovery of the Contract Area, the Contractor will transfer to the State, the Contract Area, free of any charge, payment, or compensation. Furthermore, the Assignee will transfer to the State, free of any charge, payment or compensation, in good condition and operational, with normal wear and tear due to use, all the real property, facilities, equipment, and any other assets of a similar nature, without which the Extraction activities of such area could not be executed.

The Exploration and Extraction Contract will establish the conditions of such transfer and the obligations of the Contractor.

In any case, the Contractor will maintain the ownership of the goods and facilities that are not related or exclusive accessories of the recovered area.

The administrative rescission referred to in this article does not exempt the Contractor of the obligation to provide indemnification for the corresponding damages, in accordance with the applicable legal provisions.

Article 21.- The controversies related to the Exploration and Extraction Contracts, except for the provisions of the preceding article, may be resolved through alternative mechanisms, including arbitration agreements in accordance with the provisions of Title IV Book V of the Commercial Code, international treaties on arbitration, and dispute resolution to which Mexico is a party.

The National Hydrocarbons Commission will not be governed, in any case, by foreign legislations. In any case, the arbitration procedure will observe the following:

- I. The applicable legislation will be the Federal Mexican Laws;
- II. The arbitration procedure will be conducted in Spanish; and
- III. The award shall be in strict law and shall be binding on both parties.

Article 22.- The Exploration and Extraction Contracts will be exclusively governed by the provisions of this Law and its Regulation. For execution purposes, the commercial and ordinary laws will apply as supplementary legislation, to the extent not in conflict with this Law and its regulation.

Article 23.- The awarding of Exploration and Extraction Contracts will be carried out by the National Hydrocarbons Commission, through a bidding process in which Petróleos Mexicanos, other productive State companies, and Legal Entities may participate.

The bidding process will start with the call's publication in the Federal Official Gazette.

The bidding process will include the acts and stages established in the guidelines and provisions issued for such purpose by the Ministry of Energy and the National Hydrocarbons Commission, respectively. The parties interested in submitting proposals shall comply with the prequalification criteria in accordance with the guidelines to be established for such purpose by the Ministry of Energy, with the Ministry of Finance and Public Credit's opinion.

Between the call's publication date in the Federal Official Gazette and the proposals' submission date, a period of at least 90 days must elapse. The submitted proposals will be delivered and opened in public sessions. Preferably, the propositions will be delivered in a closed envelope and opened in one same public act.

The results of the bidding process shall be published in the Federal Official Gazette.

The award process for the Exploration and Extraction Contracts will be governed by this Law. The Public Works Law, the Public Sector Acquisitions, Leases, and Services Law, as well as any related provisions, shall not apply.

Article 24.- The guidelines of the bidding and award process of the Exploration and Extraction Contracts provided to the interested parties shall:

- I. Be subject to the technical guidelines and economic conditions relative to fiscal terms established for each specific case by the Ministries of Energy and of Finance and Public Credit, respectively;
- II. Establish, among other aspects, the type of contract, the criteria and time periods for the prequalification and guideline clarification processes, the award variable, the mechanism to determine the winner, and, as applicable, the modification of its terms and conditions; and
- III. Have the prior opinion of the Federal Economic Competition Commission, which will focus exclusively on the selection mechanism of the winner. The opinion shall be provided no later than 30 days from the corresponding request.

Article 25.- The only action applicable against the resolutions in which a Contract is awarded or the bidding process of Exploration and Extraction Contracts is declared abandoned, is the constitutional protection remedy (*amparo indirecto*).

The acts related to a bidding and award process of Exploration and Extraction Contracts will be deemed of public welfare and social interest.

Article 26.- The National Hydrocarbons Commission will refrain from considering proposals or entering into Exploration and Extraction Contracts with Legal Entities that among other causes specified in the bidding guidelines:

- I. Are disqualified by a competent authority to contract with federal authorities in accordance with the applicable provisions;
- II. Have pending breaches to be resolved regarding prior awarded Exploration and Extraction Contracts;
- III. Use third parties to evade the provisions established in this article; and
- IV. Submit false information.

The National Hydrocarbons Commission may revoke the results of an award of an Exploration and Extraction Contract if it is proven that the information submitted for the bidding by the awarded bidder is false. In such case, the resulting contract shall be deemed null and void.

Article 27.- A bidding process will not be necessary and the Exploration and Extraction Contract may be awarded directly to the holders of mining concessions, exclusively for the activities on the Exploration and Extraction of Natural Gas contained in coal seams and produced in the same, in areas where activities of coal extraction are effectively being executed.

The National Hydrocarbons Commission will execute the corresponding contract, provided that the mining concessionaires demonstrate to the Ministry of Energy, with the favorable technical opinion of the National Hydrocarbons Commission, that they have the economic solvency and technical, administrative, and financial capacity to carry out the activities of the Exploration and Extraction of Natural Gas produced and contained in the coal seams.

The Exploration and Extraction of Hydrocarbons existing in the area corresponding to the mining concession, which are not associated with coal, as well as the Exploration and Extraction of Natural Gas associated with coal located outside a mine, may only be carried out through an Exploration and Extraction Contract awarded by the National Hydrocarbons Commission through a bidding process pursuant to this Chapter, or through an Assignment. The aforementioned in the understanding that a mining concession does not grant preference nor rights for the Exploration and Extraction of Hydrocarbons, excluding Natural Gas produced and contained in coal seams found in extraction, as referred to in the first paragraph of this article.

A mining concessionaire who carries out the Exploration and Extraction of Hydrocarbons referred to in the previous paragraph, without the corresponding Exploration and Extraction Contract, will be sanctioned pursuant to this Law. The Ministry of Economy, with a prior notification to the National Hydrocarbons Commission, will sanction such concessionaire with the cancelation of the respective mining concession in accordance with the provisions of the Mining Law.

Article 28.- The National Hydrocarbons Commission, by the request of the Mexican Petroleum Fund for Development and Stabilization, may contract Petróleos Mexicanos, any other productive State company, or Legal Entity, through a public bidding process, for the provision of marketing services in exchange for a consideration, for the Hydrocarbons obtained by the State as a result of the Exploration and Production Contract.

The merchants marketing Hydrocarbons obtained as a result of Exploration and Extraction Contracts who bring foreign currency into the country will be subject to Article 34 of the Bank of Mexico Law and other applicable provisions.

Article 29.- In terms of Exploration and Extraction Contracts, the Ministry of Energy will have the following authorities:

- I. The Selection of the Contract Areas in accordance with the criteria it establishes and with the technical assistance of the National Hydrocarbons Commission. Petróleos Mexicanos, any other productive State company, or Legal Entity may submit to the consideration of the Ministry of Energy the areas over which there is interest to carry out the Exploration and Extraction of Hydrocarbons. Such a proposal will not be binding, nor will it grant preferential rights to the Exploration and Extraction Contracts;



- II. Approve and issue the five-year plan for the bids of the Contract Areas, which should be public. The plan may be supplemented or modified after its publication, in accordance with its respective Regulation;
- III. Establish the contracting model of each Contract Area, best suited to maximize the Nation's income, with the opinions of the Ministry of Finance and Public Credit and the National Hydrocarbons Commission;
- IV. Design the technical terms and conditions of the Exploration and Extraction Contracts;
- V. Establish the technical guidelines that shall govern each bidding process of the Exploration and Extraction Contracts;
- VI. Participate in the planning and development of events at a national and international level, for the promotion and dissemination of the bidding rounds;
- VII. Approve the Exploration plans or Extraction development plans, that maximize field productivity over time, as well as their amendments and enforcement;
- VIII. Approve the assignment of corporate control and operations control, pursuant to article 15 of the Law, and the guidelines to be issued for such purpose; and
- IX. The other authorities established in the Exploration and Extraction Contracts and applicable laws.

Article 30.- In terms of Exploration and Extraction Contracts, the Ministry of Finance and Public Credit will have the following authorities:

- I. Establish, with the prior opinion of the Ministry of Energy, the economic conditions relative to the fiscal terms of the bidding process and contracts that allow the Nation to obtain, over a period of time, revenues that contribute to its long-term development;
- II. Establish the bidding process' award variable, with the prior opinion of the Ministry of Energy. The award variable will have an economic nature relative to the fiscal terms;
- III. Carry out the administration and accounting audits relative to the fiscal terms of the Exploration and Extraction Contracts. This may be done with the support of external auditors or inspectors, by contracting their services; and
- IV. The other authorities established in the Exploration and Extraction Contracts and applicable laws.

Article 31.- In terms of Exploration and Extraction Contracts, the National Hydrocarbons Commission will have the following authorities:

- I. Provide technical assistance to the Ministry of Energy in the selection of Contract Areas;



- II. The proposal to the Ministry of Energy of the five-year bidding process plan of Contract Areas;
- III. Issue the guidelines that will govern the bidding and award process of the Exploration and Extraction Contracts. The foregoing by following the technical and economic guidelines relative to the fiscal terms issued by the Ministries of Finance and Public Credit and of Energy, respectively;
- IV. Carry out the bidding and award process of the Exploration and Extraction Contracts. For the execution of the contracting process, the National Hydrocarbons Commission will be responsible for developing, managing, and publishing the technical information on the Contract Areas subject to a bidding;
- V. Organization of events at a national and international level for the promotion and dissemination of the bidding rounds;
- VI. Execute Exploration and Extraction Contracts;
- VII. Administer and supervise the technical matters of the Exploration and Extraction Contracts. The technical administration and supervision of the contracts may be carried out with the support of external auditors or inspectors, by contracting their services;
- VIII. Approve, as applicable, the modification, cancellation, or termination of Exploration and Extraction Contracts, in accordance with the clauses established in the respective contract, and the technical guidelines and economic conditions relative to the fiscal terms to be established for such purpose by the Ministries of Finance and Public Credit and of Energy, respectively;
- IX. The technical assessment of the Exploration plans and Extraction development plans, that maximize field productivity over a period of time, as well as their amendments, and their enforcement;
- X. Technically support the Ministry of Finance and Public Credit with the review and audit of costs and other financial aspects of the Exploration and Extraction Contracts, in accordance with the Hydrocarbons Income Law; and
- XI. Approve, as applicable, the annual investment and operation programs of the Exploration and Extraction Contracts.

Chapter III

Information Collected from the Activities of Surface Inspection and Exploration, and Exploration and Extraction of Hydrocarbons

Article 32.- The geological, geophysics, petrophysics, petrochemical, and in general, all the information that was or is collected from the activities of Surface Inspection and Exploration, and Exploration and Extraction of Hydrocarbons executed by Petróleos Mexicanos, any other productive State company, or Persons is the Nation's property.

The National Hydrocarbons Commission will be in charge of the collection, safeguard, use, administration, and update, as well as the publication of all the information referred to in this article through the Hydrocarbons National Information Center.

Article 33.- The information collected from the activities of Surface Inspection and Exploration, and Exploration and Extraction of Hydrocarbons shall be submitted to the National Hydrocarbons Commission. This information includes:

- I. The acquisition, processing, reprocessing, interpretation, and geological control of 2D, 3D, and multicomponent (3C) seismic;
- II. Pre-process, interpretation of seismic data, migration, and velocity model (for time and depth);
- III. Magnetic, gravimetric, geoelectric, and magnetotelluric acquisition; and
- IV. Any other information obtained from different sources of those previously listed.

The Assignees, Contractors, and other Authorized Persons that perform activities of Surface Inspection and Exploration will be entitled to commercially use the information obtained as a result of their activities, within the time limit established for such purpose in the regulation to be issued by the National Hydrocarbons Commission.

The National Hydrocarbons Commission will ensure the confidentiality of the information in accordance with the terms and criteria established in the regulation to be issued for such purpose. The interpretation of seismic data will be deemed confidential information and will be reserved for the corresponding period of time pursuant to the provisions established in the respective regulation.

Article 34.- The National Hydrocarbons Commission may retain Petróleos Mexicanos, any productive State company, other public entities, academic institutions, and Legal Entities in accordance with the applicable provisions in public contracting to carry out the Surface Inspection and Exploration activities, in exchange for compensation, which in all cases will be related to market conditions.

Article 35.- The National Hydrocarbons Commission will establish and administer the Hydrocarbons National Information Center, integrated by a system for the collection, safeguard, administration, use, analysis, update, and publishing of the information and statistics regarding:

- I. The production of Hydrocarbons;
- II. The Reserves, including information on estimation reports and evaluation or quantification and certification studies;
- III. The ratio between production and Reserves;
- IV. Contingent and Prospective Resources;
- V. Geological, geophysics, petrophysics, and other information obtained from activities of Surface Inspection and Exploration, and Exploration and Extraction of Hydrocarbons; and



- VI. Any other information needed for the fulfillment of its authorities established in this Law or any other applicable legal provisions.

The Hydrocarbons National Investigation Center will also safeguard, preserve, and administer rock cores, drill cuttings, and Hydrocarbon samples, deemed necessary for the collection of historical and prospective knowledge of the country's Hydrocarbon production. For the foregoing, the National Hydrocarbons Commission shall develop and maintain a National Mineral Collection of the Hydrocarbons Industry.

In relation to the provisions established in this article, the Assignees, Contractors, and Authorized Persons shall submit the respective field information and materials, as well as the processed, interpreted, and integrated information obtained from activities related to the Surface Inspection and Exploration, and Exploration and Extraction of Hydrocarbons. The Assignees, Contractors, and Authorized Persons, will be responsible for the quality, integrity, and security of the information submitted to the National Hydrocarbons Commission. The National Hydrocarbons Commission will define the confidentiality, criteria, and terms by which the information received will go public.

The regulations issued by the National Hydrocarbons Commission will establish the mechanisms necessary for the validation of the submitted information.

The Ministry of Finance and Public Credit and the Ministry of Energy will have unrestricted access to the information contained in the Hydrocarbons National Investigation Center. Universities and investigation centers will have access to the information in accordance with the agreements executed with the National Hydrocarbons Commission.

Chapter IV Authorizations

Article 36.- The Assignees and Contractors shall have the National Hydrocarbons Commission's authorization for well drilling, pursuant to the regulation and guidelines that for such effect are to be issued by said Commission, in the following cases:

- I. Wildcats;
- II. Wells in deep and ultra-deep waters; and
- III. Well design models.

Article 37.- The Surface Inspection and Exploration activities for areas under investigation for the possible existence of Hydrocarbons will require authorization by the National Hydrocarbons Commission.

The authorization and the Surface Inspection and Exploration activities do not grant Exploration rights nor preferential rights regarding the Assignments or the Exploration and Extraction Contracts.

The Assignees and Contractors, holders of Assignment Areas or Contract Areas, will not require authorization for Surface Inspection and Exploration; they must only notify the National Hydrocarbons Commission, comply with the submission of the information requirements and other obligations established



in the regulations issued by the Commission for this purpose. The foregoing without affecting the requirements established by other authorities for such purpose.

Article 38.- The authorizations referred to in this Chapter will terminate for any of the causes set forth in Article 54 of this Law regarding the termination of the permits, as well as for the termination of Exploration and Extraction Contracts or Assignments as applicable.

The termination of the authorization does not exempt the holder of its obligations with the federal government and third parties during the authorization's term.

Article 39.- The authorizations will expire if the holders thereof:

- I. Do not exercise the rights conferred in the authorization within 120 calendar days from the date it was granted, except by the prior authorization of the National Hydrocarbons Commission, for a just cause; or
- II. Become subject to any of the other grounds for expiration provided in the corresponding authorization.

Article 40.- The National Hydrocarbons Commission may revoke the authorizations for any of the following reasons:

- I. When the Authorized Persons do not grant or maintain in force the guarantees, insurance, or any other financial instrument required in accordance with the applicable regulation;
- II. When the Authorized Persons do not comply with the regulations to be issued for such purpose by the National Hydrocarbons Commission, as well as the conditions established in the authorization;
- III. When the Authorized Persons do not pay the corresponding contributions and government fees for the authorization or its renewal; or
- IV. The others events provided in the corresponding authorization.

Chapter V **Existing Regulations and Obligations within the Strategic Activities**

Article 41.- The Federal Executive, by the request of the Ministry of Energy, will establish the Safeguard Zones in areas that merit such establishment because of its possibilities. The incorporation of specific areas to the Safeguard Zones and their disincorporation from the same will be made by presidential decree based on the National Hydrocarbons Commission's technical assessments, and as applicable, the Agency's opinion.

Article 42.- With the prior opinion of the Ministry of Finance and Public Credit, the Ministry of Energy will have the following authorities:

- I. To proposal of the Safeguard Zones to the Federal Executive, based on the technical assessment of the National Hydrocarbons Commission; and



- II.** Instruct the pooling of Extraction fields or reservoirs based on the assessment issued by the National Hydrocarbons Commission for such purpose. The foregoing will be applicable for national reservoirs and transboundary reservoirs in accordance with international treaties.

The Ministry of Energy's activities will be oriented according to national interests, including the country's energy security, sustainability of the annual Hydrocarbons Extraction's platform, and market diversification.

Article 43.- The National Hydrocarbons Commission will have the following authorities:

- I.** To issue the regulation and oversee its compliance by the Assignees, Contractors, and Authorized Persons in matters within its competence, specifically in the following activities:
- a) Surface Inspection and Exploration, including confidentiality criteria and the right for commercial use of the information derived therefrom;
 - b) The collection, safeguard, administration, use, analysis, update, and as applicable, the publishing of the information referred to in article 32 of this Law, through the Hydrocarbons National Investigation Center;
 - c) The Exploration and Extraction of Hydrocarbons, including the development of the respective plans for the assessment referred to in article 44 of this Law;
 - d) Hydrocarbons Collection;
 - e) Well drilling;
 - f) The quantification of the Reserves and Prospective and Contingent Resources;
 - g) The certification of the Nation's Reserves by independent third parties, as well as their selection process;
 - h) The measurement of Hydrocarbon production, at least considering, the installment and verification of the measuring systems in accordance with international standards, and that such systems are auditable by third parties with internationally renowned experience;
 - i) The use of associated Natural Gas;
 - j) The technical and operational standards in order to maximize the Hydrocarbon's recovery factor; and
 - k) Information requirements for the obligated parties, as well as the guidelines for the transfer, receipt, use, and disclosure of information received.

The regulation to be issued by the National Hydrocarbons Commission will be published in the Official Federal Gazette.



As part of the regulations to be issued, the Commission may instruct the adoption and enforcement of international technical standards.

When required, the Commission will issue Official Mexican Standards; will supervise, verify, and evaluate their enforcement; and will approve the accredited persons for their evaluation.

- II. Quantify the country's Hydrocarbons potential, for which it must:
 - a) Perform the estimation of the Prospective and Contingent Resources; and
 - b) Annually consolidate the national reserve information provided by the Assignees and Contractors.
- III. Generate reference indicators for the evaluation of the efficiency of the Exploration and Extraction of Hydrocarbons, considering the international experience, and the Exploration plans and Extraction development plans associated with Assignments and Exploration and Extraction Contracts.

The National Hydrocarbons Commission will fulfill its duties, with the purpose of raising the recovery factor and obtaining the maximum volume of Petroleum and Natural Gas in the long term, as well as considering the economic viability of projects.

Article 44.- Prior to the execution of the Exploration plan or the Extraction development plan, the Assignees or Contractors shall have the Ministry of Energy's approval.

For such purposes, the National Hydrocarbons Commission shall issue a technical assessment which will include the evaluation of the following aspects:

- I. With regard to the Exploration plan: the compliance with international best practices for the evaluation of the Hydrocarbons' potential, the incorporation of the Reserve, and the delimitation of the area subject to the Assignment or the Exploration and Extraction Contract; and
- II. With regard to the Extraction development plan: the technology and production plan that will allow the maximization of the recovery factor in viable economic conditions, the Natural Gas development program, and the measurement mechanisms for the production of Hydrocarbons.

The National Hydrocarbons Commission will be obligated to issue the technical assessment in a period that may not exceed 120 calendar days after the date it received the necessary information.

Prior to the National Hydrocarbons Commission's technical assessment, the Ministry of Energy will be responsible for the approval of any amendment made to the Exploration plan or Extraction development plan.

Article 45.- The Assignees and Contractors will be entitled to report for accounting and financial purposes the Assignment or Exploration and Extraction Contract, as well the expected profits, provided that in the



Assignment or Contract it is expressly stated that the Hydrocarbons found in the subsoil are of the property of the Mexican State.

Article 46.- The group of activities of Exploration and Extraction of Hydrocarbons executed through Assignments and Exploration and Extraction Contracts in national territory shall at least reach, on average, 25 percent of national content.

The Assignees and Contractors shall comply individually and progressively with the minimum percentage of national content established for the Assignments and Exploration and Extraction Contracts by the Ministry of Energy, prior to the Ministry of Economy's opinion.

The Assignees and Contractors shall include a compliance program regarding the percentage of national content referred to in the previous paragraph, and shall include the applicable terms and stages. In Exploration and Extraction Contracts, the goal for the level of national content shall be included in the bidding and award process.

The Ministry of Economy will establish the method for the measurement of the level of national content in Assignments and Exploration and Extraction Contracts, and will verify the compliance of such percentage of national content in the Assignments and Extraction Contracts, in accordance with the established program. For the foregoing, the Ministry may receive support from independent third parties.

If the Ministry of Economy determines that an Assignee or Contractor has not fulfilled the national content percentage, it will so notify the National Hydrocarbons Commission who will impose the corresponding penalties pursuant to the provisions established in the Assignment or Exploration and Extraction Contract.

The application of this article shall not affect the provisions set forth in international treaties and trade agreements executed by Mexico.

Article 47.- The Assignees and Contractors will have the following obligations:

- I. In accordance with Article 36 of this Law and the regulations to be issued by the National Hydrocarbons Commission for such purpose, the Assignees and Contractors must have, as applicable, a drilling authorization prior to initiating the corresponding works.
- II. Filing of the notification referred to in Article 37, third paragraph of this Law, prior to initiating work on Surface Inspection and Exploration.
- III. Comply with the terms and conditions established in the Assignments, Exploration and Extraction Contracts, and authorizations.
- IV. Refrain from assigning or transferring without the corresponding authorization, the Assignments, or the corporate control or operation's control in Exploration and Extraction Contracts.
- V. Have, prior to the execution of the Exploration plan and Extraction development plan, the National Hydrocarbons Commission's authorization.
- VI. Comply with the applicable legal provisions in labor, tax, and transparency.

- VII.** Allow access to its facilities and facilitate the work of inspectors and verifiers of the Ministries of Energy and Finance and Public Credit, the National Hydrocarbons Commission, and the Agency.
- VIII.** Comply with the regulations, guidelines, and administrative provisions issued by the Ministries of Energy and Finance and Public Credit, the National Hydrocarbons Commission, and the Agency within the scope of their respective authorities.
- IX.** The Contractors shall follow the guidelines established by the Ministry of Finance and Public Credit and the National Hydrocarbons Commission for the administration and audit of the Exploration and Extraction Contracts based on this Law and the Hydrocarbons Income Law.

On industrial security, operational, and environmental protection matters, the Assignees and Contractors will be held liable for the waste, Hydrocarbon spills, and other damages that result, in accordance with the applicable legal dispositions.

- X.** Immediately notify the Ministry of Energy, the Hydrocarbons Commission, the Agency, and the other competent authorities, of any incident, accident, or contingency that as a result of the operations, endangers life, health, and public safety, the environment, security of facilities, or the production of Hydrocarbons; and apply the corresponding contingency plans, emergency measures, and containment actions, in accordance with the corresponding regulation. Notwithstanding the foregoing, the following must be filed with such government entities:
 - a) A report on the events and the measures taken for its control, in a period of time no greater than 10 calendar days after the incident, accident, or contingency occurred, in accordance with the corresponding regulation; and
 - b) A detailed report on the causes that originated the accident, the measures taken for its control, and as applicable, the remediation, in a period of time no greater than 180 calendar days after the incident, accident, or contingency occurred, in accordance with the corresponding regulation.
- XI.** Provide assistance to the competent authorities, as may be required in case of an emergency or incident.
- XII.** Comply in a timely manner with the information requests and reports required by the Ministry of Energy, the Ministry of Finance and Public Credit, the Ministry of Economy, the National Hydrocarbons Commission, and the Agency, in the scope of their respective authorities.

Violations to this Title and its regulations will be sanctioned pursuant to the provisions of Article 80 of this Law.

Title III
Other Activities of the Hydrocarbons Industry
Chapter I



Permits

Article 48.- The execution of the following activities will require a permit under the following:

- I. For Petroleum Treatment and refining, Natural Gas processing, and the import and export of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals, the permit will be issued by the Ministry of Energy;
- II. For Transportation, Storage, Distribution, compression, liquefaction, decompression, regasification, and Retail Sale to the Public of Hydrocarbons, Petroleum Products, or Petrochemicals, as applicable, the permit will be issued by the Energy Regulatory Commission;
- III. For Pipeline Transportation and Storage connected to Liquefied Petroleum Gas pipelines, the permit will be issued by the Energy Regulatory Commission; and
- IV. For Pipeline Transportation and Storage not connected to Liquefied Petroleum Gas pipelines, as well as its Distribution and Retail Sale to the Public, the permit will be issued by the Ministry of Energy.

Article 49.- For the execution of commercialization activities of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals, no permit will be required, but merchants will have the following obligations:

- I. Register before the Energy Regulatory Commission;
- II. Submit the information required by the Energy Regulatory Commission for statistical purposes of the energy sector; and
- III. Abide by the guidelines to which the Permit Holders of regulated activities abide, regarding their relations with persons part of their same corporate group or consortium.

Article 50.- The parties interested in obtaining the permits referred to in this Title shall file an application before the Ministry of Energy or the Energy Regulatory Commission, as applicable, which will contain:

- I. The name and address of the applicant;
- II. The activity it wishes to pursue;
- III. The technical specifications of the project;
- IV. The document that states the applicant's commitment to have the guarantees and insurance required by the competent authority, as applicable; and
- V. Other information established in the corresponding regulation.

Article 51.- The permits referred to in this Chapter will be granted in accordance with the regulations and this Law, provided that the interested party proves, as applicable, it has the following:

- I. A design of the facilities or equipment in accordance with the applicable laws and best practices; and
- II. Suitable conditions to ensure the proper continuity of the activity specified in the permit.

Article 52.- For the evaluation and as applicable, the granting of a permit for pipeline Transportation or Storage of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, or Petrochemicals, the Energy Regulatory Commission may analyze its impact on the efficient development of such activities, and the common infrastructure needs in the corresponding region, having the authority to request the modification of the nature and extent of the facilities, through conditions such as open access, interconnection with other Transportation systems, and rate regulation.

Article 53.- The assignment of permits or of the performance of the activities specified in the permit may only be carried out with the prior authorization of the Ministry of Energy or the Energy Regulatory Commission, as applicable, provided that the permits are in force, the assignor has complied with all the obligations, and the assignee is qualified to be Permit Holder and further agrees to comply with the obligations set forth in such permits.

The Ministry of Energy or the Energy Regulatory Commission, as applicable, shall resolve the assignment application within a 60 calendar-day period.

Any assignment performed without following the provisions set forth in this article will be null and void.

Article 54.- The permits may be terminated for any of the following causes:

- I. Expiration of the term originally established in the permit or the granted term extension;
- II. Permit Holder's waiver, provided that no third-party rights are affected;
- III. Expiration;
- IV. Revocation;
- V. The purpose of the permit no longer exists;
- VI. Permit Holder's dissolution, liquidation, or bankruptcy;
- VII. Judgment or order of the competent authority; or
- VIII. The other causes established in the corresponding permit.

The termination of the permit does not exempt the holder of its obligations with the federal government and third parties during the permit's term.

Depending on the cause of termination of the permit, the amount of the bond issued will be applied, on the terms established in the permit.



Article 55.- The permits will expire when the Permit Holders:

- I. Do not exercise the rights conferred in the permit title in accordance with the following:
 - a) In the term established for such purpose in the permit, or
 - b) When no term is established, in a period of 365 consecutive days.
- II. Become subject to the other grounds for expiration provided in the respective permit.

Article 56.- The Ministry of Energy and the Energy Regulatory Commission may revoke, in the scope of their authorities, the permits issued in accordance with the provisions of this Law.

The permits may be revoked for any of the following causes:

- I. Failure to comply with the purpose, obligations, or conditions of the permit, for no just cause nor authorization of the Ministry of Energy and of the Energy Regulatory Commission;
- II. Unduly discriminatory practices to the detriment of users;
- III. Failure to respect the prices and rates, as well as the terms and conditions, as applicable, to be established by the competent authority, or by the regulations;
- IV. Assign or encumber the permits, the rights conferred by them, or the property used for their execution, without the authorization of the Ministry of Energy or the Energy Regulatory Commission, as applicable;
- V. Failure to grant or maintain in force the corresponding bonds or insurance, including those necessary for third-party insurance, pursuant to the regulations to be issued for such purpose;
- VI. Failure to comply with the Official Mexican Standards;
- VII. Failure to continuously comply with the payment of contributions and government fees for the permit's supervision services;
- VIII. For the purposes of this section, the continuous failure to comply will be understood as such when the Permit holder omits to make the payment for more than one tax year;
- IX. Discontinue the activities contained in the permit for a continuous period of at least 30 calendar days, for no just cause in the opinion of the Ministry of Energy or the Energy Regulatory Commission, as applicable;
- X. Failure to comply with the resolutions, issued by the Federal Economic Competition Commission, in its scope of competence;

- XI. Failure to comply with the resolutions issued by the Agency, in its scope of competence;
- XII. Carry out activities for the Transportation, Storage, Distribution, or Retail Sale to the Public of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, or Petrochemicals, proved to have been acquired illegally, and established by a competent authority's judgment; and
- XIII. The other events provided in the corresponding permit.

Article 57.- In relation to the permits referred to in this Law, the authority who issued the permit may carry out a temporary occupation or intervention, for the purpose of guaranteeing the Nation's interests, in the understanding that third-party rights will be safeguarded.

For the continuity in the operation of the activities protected by the permit, the authority may contract productive State companies or third parties with technical capacity for the management and control of the occupied or intervened facilities.

Article 58.- The activities and services protected by the permit are considered of public utility.

The Temporary occupation of property, rights, and facilities necessary for providing the service or its appropriate operation will proceed in the events established in the Expropriation Law, or when the Permit Holder fails to comply with its obligations due to causes not attributable to the latter, as may be war; natural disasters; serious public order disturbances; or when an imminent danger to the security of the nation, energy, or economy is foreseen.

The authority who issued the permit will integrate and file the report for the temporary occupation of property, rights, and facilities necessary for providing the service or its appropriate operation with the purpose of guaranteeing the interests of the final users and consumers, with due regard of the third party's rights.

The occupation will have the duration determined by the authority, but the original period or the extension periods, as applicable, may not exceed 36 months altogether.

The Permit Holder may request the occupation's termination when it is demonstrated that the events that caused it were addressed or eradicated, or disappeared.

Article 59.- The authority that issued the permit may intervene in the performance of the activity or the service provision, when the Permit Holder fails to comply with its obligations, due to causes not attributable to the latter and that seriously endanger the supply of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, or Petrochemicals related to the permit's purpose.

For the foregoing, the authority shall notify the Permit Holder of the cause due to which the intervention is to take place and will further establish a period for it to be addressed. If the Permit Holder does not remedy the cause within the established period, the authority will proceed to the intervention, notwithstanding the sanctions and liabilities in which the latter may incur.

During the intervention, the authority that issued the permit will be in charge of the Permit Holder's administration and operation, to ensure the suitable supply and development of the activities of the permit.



For such purpose, the authority may designate one or various control persons, using all the Permit Holder's personnel, may contract a new operator, or a combination of the aforementioned.

The control persons may be from the public, private, or social sectors, provided they have technical capacity and experience in the management and control of the intervened facilities. During the intervention period, the authority and control persons will be entitled to recover costs incurred as well the corresponding fees, charging them to the Permit Holder's income.

The intervention will have the duration determined by the authority, but the original period or the extension periods, as applicable, may not exceed 36 months altogether.

The intervention will not affect the rights acquired by third parties in good faith related directly to the execution of the activities subject to the permit.

The Permit Holder may request the intervention's termination, when it is demonstrated that the events that caused it were addressed or eradicated.

If after the period of intervention the Permit Holder is unable to continue with its obligations, the authority shall revoke the permit.

Chapter II **National Transportation and Storage System Integrated of Natural Gas**

Article 60.- The National Transportation and Storage System Integrated of Natural Gas may be composed of the following infrastructure:

- I. Transportation pipelines and facilities for the Storage of Natural Gas; and
- II. Compression, liquefaction, decompression, regasification equipment, and other facilities related to the infrastructure for the Transportation and Storage of Natural Gas.

Transportation and Storage infrastructure located where the Collection, entry into the country facilities, or Natural Gas processing facilities end, and up to the reception and measuring points for the Distribution systems, or of the final users connected directly, may integrate to the National Transportation and Storage System Integrated of Natural Gas.

The Energy Regulatory Commission has the authority to establish the integration of the public infrastructure referred to in the previous paragraph of the National Transportation and Storage System Integrated of Natural Gas. The integration of storage and private transportation systems is voluntary.

Chapter III **National Control Center of Natural Gas**

Article 61.- The National Control Center of Natural Gas is the independent manager of the National Transportation and Storage System Integrated of Natural Gas, and has the purpose of guaranteeing continuity and security in the supply of such Gas in the national territory.

The National Control Center of Natural Gas will execute its authority according to efficiency, transparency, objectivity, and autonomy principles.



The Federal Executive shall guarantee the National Control Center of Natural Gas' autonomy with regard to other Permit Holders and companies of the sector.

Article 62.- The National Control Center of Natural Gas may not favor the use of infrastructure or its extension thereof, at the expense of the integrated infrastructure that belongs to other Permit Holders.

The Energy Regulatory Commission will establish the terms to which the National Control Center of Natural Gas will be subject in order to comply with the provisions of this article.

Article 63.- The National Control Center for Natural Gas will provide Transportation and Storage services in the infrastructure it holds.

Regardless of its activity as a Permit Holder for Transportation and Storage, the National Control Center of Natural Gas is subject to the operating rules issued by the Energy Regulatory Commission for the management of the National Transportation and Storage System Integrated of Natural Gas.

Article 64.- The National Control Center of Natural Gas will propose, for the Ministry of Energy's approval, the five-year expansion plan for the National Transportation and Storage System Integrated of Natural Gas.

Furthermore, the Center will bid the infrastructure projects for the National Transportation and Storage System Integrated of Natural Gas in accordance with the provisions established by the Ministry of Energy, with the prior authorization of the bidding process guidelines by the Energy Regulatory Commission.

In exceptional cases, and with the prior approval of the Ministry of Energy, duly justified and reasoned, the National Control Center for Natural Gas may implement the projects referred to in this Article.

Chapter IV Open Access

Article 65.- Permit Holders providing services to third parties for the Transportation, Distribution through pipelines, as well as Storage of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, or Petrochemicals, will be obliged to provide open access not unduly discriminatory to its facilities and services, subject to the availability of capacity in their systems, in accordance with the regulation to be issued by the Energy Regulatory Commission.

For the purposes of this article, Permit Holders who have capacity that is not yet contracted, or that being contracted is not used, will allow third parties to use such available capacity, subject to the payment of the authorized rate and pursuant to the conditions for the provision of services established by the Energy Regulatory Commission.

The provision of services under the open access principle will be subject to the general dispositions issued by the Energy Regulatory Commission.

The Energy Regulatory Commission will issue the regulations by which the Transportation and Storage facilities will be governed in order for them to be considered for their own use.

The Ministry of Energy will be in charge of issuing the public policy on energy required in order to guarantee the trustworthy supply and open access to all of the country's Natural Gas entry points. The foregoing shall

take into account the efficient development of the industry, security, supply quality and continuity, and the user's interests.

Article 66.- The pipeline Transportation and Storage Permit Holders obliged to the open access may not sell or commercialize Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals that have been transported or stored in their systems, except when necessary to solve a situation of operational emergency, an act of God, or force majeure. Also, the Permit Holders will be subject to the following:

- I. They may only provide transportation and storage services to users that demonstrate ownership of the product or to the persons designated by them expressly;
- II. They may only transport and store their owned product provided they are necessary for the operation of their systems; and
- III. In the Case of Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals, the Permit Holders may allocate for the Transportation and Storage of their owned product, the capacity percentage established for such purpose by the Energy Regulatory Commission in the corresponding permit.

Article 67.- When Permit Holders provide third parties the services established in Article 65 of this Law, the Energy Regulatory Commission may request certification of the capacity installed, available, and used in the facilities for pipeline Transportation and Storage of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals, through an independent duly qualified third party, in accordance with the provisions issued by the Commission.

Article 68.- People who have contracts of reserve capacity that are not being performed may commercialize it in secondary markets, or make it available to Transportation by pipeline or Storage of Natural Gas Permit Holder, who in turn should make it permanently public in an electronic newsletter. If third parties are interested, such capacity must be offered through an Open Season.

The Regulatory Energy Commission will establish the terms and conditions to which the persons referred to in this article will be subject.

Article 69.- Permit Holders and users may enter investment agreements for the development of Transportation pipelines and Natural Gas Storage, in the terms approved by the Energy Regulatory Commission. The infrastructure's design may consider the consumption needs and commercialization of the user involved, as well as the current and future demand of the area of influence of the project. In order to quantify the demand established in the previous paragraph, the project developer must carry out an Open Season in accordance with the provisions to be issued by the Energy Regulatory Commission. In its absence, with prior substantiation, the Ministry of Energy may establish the project's required capacity level, and the Energy Regulatory Commission will determine the rate methodology that allows the recovery of the corresponding investments.

Article 70.- Permit Holders and users may establish the conditions for additional capacity, provided they do not preclude third parties from open access in a manner unduly discriminatory to the additional generated capacity that is not used. When the extension or expansion of the infrastructure's capacity for Transportation and Storage of Natural Gas is financed by the Permit Holders, the additional generated capacity will be made



public in an electronic newsletter. If there are third party interests, such capacity shall be allocated to users through an Open Season.

Chapter V **Retail Sale to the Public**

Article 71.- Aircraft fuel may not be sold directly to the public and its distribution will be controlled by service providers for the supply of such fuel, in accordance with the Airports Law and its Regulation.

Article 72.- Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals shall be transported, stored, distributed, sold, and supplied with no alteration, pursuant to this Law and other applicable provisions.

For the purposes of this Law, fuel will be deemed altered when its composition is modified regarding the specifications established in the applicable provisions.

Article 73.- Quality specifications for Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals will be established in the Official Mexican Standards to be issued by the Energy Regulatory Commission for such purpose. Quality specifications correspond to the commercial, national, and international uses, at each stage of the supply chain.

Article 74.- Testing, sampling, and verification methods applicable to qualitative characteristics and the volume of the Transportation, Storage, Distribution, and, as applicable, the Retail Sale to the Public of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals, will be established in the Official Mexican Standards issued by the Energy Regulatory Commission and the Ministry of Energy for such purposes, in the scope of their competence.

Chapter VI **Regulation and Obligations of the Other Activities of the Hydrocarbons Industry**

Article 75.- The Ministry of Energy will have the following authorities:

- I. Regulating and supervising as well as granting, modifying, and revoking the permits of the following activities:
 - a) Petroleum Treatment and Refining;
 - b) Natural Gas Processing;
 - c) Transportation and Storage not connected to Liquefied Petroleum Gas pipelines, as well as its Distribution and Retail Sale to the Public; and
 - d) The export and import of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals in accordance with the Foreign Trade Law with the assistance of the Ministry of Economy.



- II. Establishment of the public policy on energy applicable to all levels of Storage and ensuring the supply of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals, in order to safeguard interests and national security.

Based on the foregoing, the Ministry of Energy and the Energy Regulatory Commission will establish in the corresponding permits, the measures to be met by the Permit Holders with regard to the public policy.

The management of the minimum levels of Storage can be carried out by the Ministry of Energy or the entity designated by it.

- III. Issue the five-year plan for the optimization and expansion of the infrastructure for the pipeline Transportation and Storage, at a national level, with the technical assistance of the Energy Regulatory Commission, considering the proposals issued for such purpose by the National Control Center of Natural Gas and the users.
- IV. Issue emergency plans for the continuity of activities in the National Transportation and Storage System Integrated of Natural Gas, for which it will consider the opinions of the Energy Regulatory Commission and the National Control Center of Natural Gas.
- V. Issue the public policy guidelines on Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals for their integration to the regulations of such activities by the Energy Regulatory Commission.

As part of the regulation policy and provisions issued, the Ministry of Energy may require the adoption and enforcement of technical international standards. The activities of the Ministry of Energy will be addressed based on the objectives of the public policy of the energy sector, including the country's energy security, sustainability, fuel supply continuity, and market diversification.

Article 76.- The Energy Regulatory Commission will have the following authorities:

- I. Regulate and supervise the following activities:
 - a) The Transportation and Storage of Hydrocarbons and Petroleum Products;
 - b) Pipeline Transportation and Storage connected to Liquefied Petroleum Gas and Petrochemical pipelines;
 - c) The Distribution of Natural Gas and Petroleum Products;
 - d) Regasification, liquefaction, compression, and decompression of Natural Gas;
 - e) Retail Sale to the Public of Natural Gas, Liquefied Petroleum Gas, and Petroleum Products; and
 - f) The management of the National Transportation and Storage System Integrated of Natural Gas.
- II. Approve the creation of integrated systems.

- III. Approve the bidding process guidelines developed by the National Control Center of Natural Gas.
- IV. Provide its opinion on the expansion planning for the Transportation and Distribution of Natural Gas and Liquefied Petroleum Gas, according to the guidelines established by the Ministry of Energy for such purpose.
- V. Determine the geographic areas for the pipeline Distribution of Natural Gas, on its own motion or by a party's request, considering the elements that allow an efficient and profitable development of the distribution systems. For the foregoing, the Commission will consider the opinion of the competent authorities, including urban development authorities and the interested parties.
- VI. Supervise regulated activities, with the purpose of evaluating their functionality in accordance with the objectives of the public policy on the energy sector and, as applicable, take the necessary measures, such as issuing or modifying the regulation, providing public information on the results of its analysis and the performance of the participants, and informing the Ministry of Energy or the Federal Economic Competition Commission, within the scope of its authority.
- VII. Establish guidelines to which the Permit Holders of regulated activities will be subject, regarding their transactions with persons who are part of the same corporate group or consortium.

Article 77.- The Energy Regulatory Commission will issue the general application provisions for the regulation of the activities protected by a permit, including the terms and conditions by which service providers will be regulated and the establishment among others, of considerations, applicable prices, and rates.

The regulation of considerations, prices, and rates established by the Energy Regulatory Commission will be subject to the following:

- I. The regulation for a specific activity will be applicable, unless effective competition conditions exist in that activity, according to the Federal Economic Competition Commission.
- II. The regulation will consider the following, in addition to contemplating the taxes determined by the applicable law:
 - a) The considerations, prices, and rates of the goods and services to be internationally commercialized will be established considering the products prevailing in the international market, free of taxes, contributions, or liens; and
 - b) For those goods and services not susceptible to being internationally commercialized, the considerations, prices, and rates will be established according to calculation methods issued by the Energy Regulatory Commission for such purpose, considering opportunity costs for the supplies needed to produce the goods or provide the services.

- III. Regarding price regulation, the Commission must have, prior to its issuance, the opinion of the Ministries of Finance and Public Credit and Energy, which shall be issued in a term no longer than 30 calendar days. If no opinion is issued once the term is expired, the Energy Regulatory Commission will continue with the corresponding procedures.

When no effective competition conditions exist on the activities related to the Retail Sale to the Public of gasoline and diesel, the regulation on considerations, maximum prices, and rates will be established by the Federal Executive through an agreement.

Permit Holders may request the Federal Economic Competition Commission to state the existence of effective competition conditions.

Article 78.- Natural Gas sellers may, directly or indirectly, participate in up to three percent of the corporate capital of natural gas pipeline Transportation permit holders and natural gas Storage permit holders.

Persons who are direct or indirect holders of 10 percent or more of the corporate capital of a Natural Gas seller, may not participate in the corporate capital of a Permit Holder for the pipeline Transportation and Storage of Natural Gas.

Article 79.- Permit Holders for the activities regulated by the Ministry of Energy or the Energy Regulatory Commission will comply with the following:

- I. Must have the corresponding valid permit.
- II. Comply with the terms and conditions established in the permits, as well as refrain from assigning, transferring, selling, or encumbering, wholly or partially, the rights and obligations arising therefrom in contravention of this Law.
- III. Deliver the quantity and quality of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals, in accordance with the requirements established in the applicable provisions.
- IV. Comply with the quantity, measurement, and quality as stated in the applicable legal provisions.
- V. Carry out its activities with Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals of a legal origin.
- VI. Provide efficient, uniform, homogeneous, regular, safe, and continuous services as well as comply with the terms and conditions contained in the permits.
- VII. Have a permanent service for receiving complaints and emergency reports.
- VIII. Obtain authorization from the Ministry of Energy, or the Energy Regulatory Commission, to modify the technical conditions of the systems, pipelines, facilities, or equipment, as applicable.
- IX. Give immediate notice to the Secretary of Energy, or the Commission, as appropriate, of any circumstance involving a modification of terms and conditions of the service.

- X. Refrain from granting cross-subsidies in the provision of services with permits as well as carrying out unduly discriminatory practices.
- XI. Respect the maximum prices or rates to be established.
- XII. Obtain authorization from the Ministry of Energy, or the Energy Regulatory Commission, as appropriate, for the suspension of services, unless they are Acts of God or force majeure, in which case notice shall be given immediately to the competent authority.
- XIII. Comply with the applicable legal provisions in labor, tax, and transparency.
- XIV. Allow access to its facilities and facilitate the work of inspectors and verifiers of the Ministries of Energy and Finance and Public Credit, as well as the Agency, as applicable.
- XV. Comply with the regulations, guidelines, and administrative provisions issued by the Ministries of Energy and Finance and Public Credit, and the Agency, as applicable, within the scope of their respective authorities.

On industrial security, operational, and environmental protection matters, the Permit Holders will be held liable for the waste, Hydrocarbon, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals spills, and other damages that result, in accordance with the applicable legal provisions.

- XVI. Immediately notify the Ministry of Energy, the Energy Regulatory Commission, the Agency, and the other competent authorities, of any incident, accident, or contingency that as result of the operations, endangers life, health, public safety, the environment, security of facilities, or the production of Hydrocarbons; and apply the corresponding contingency plans, emergency measures, and containment actions, in accordance with the corresponding regulation. Notwithstanding the foregoing, the following must be filed with such government entities:
 - a) A report on the event and the measures taken for its control, in a period of time no greater than 10 calendar days after the incident, accident, or contingency in question occurred, in accordance with the corresponding regulation; and
 - b) A detailed report on the causes of the accident, the measures taken for its control, and as applicable, the remediation, in a period of time no greater than 180 calendar days after the incident, accident, or contingency in question occurred, in accordance with the corresponding regulation.
- XVII. Provide assistance to the competent authorities, as may be required by in case of an emergency or incident.
- XVIII. Submit annually, in accordance with the applicable Official Mexican Standards, the maintenance program of its systems and facilities, and prove its compliance with the assessment of a duly accredited verification unit.



- XIX.** Must keep a log book of the operation, monitoring, and maintenance of works and installations, as well as train the staff in matters of prevention and care of casualties.
- XX.** Comply in a timely manner with the information requests and reports required by the Ministry of Energy, the Ministry of Finance and Public Credit, the Ministry of Economy, the National Hydrocarbons Commission, and the Agency, in the scope of their respective authorities.

Title IV
Provisions Applicable to the Hydrocarbons Industry

Chapter I
Sanctions

Article 80.- Violations to Title II of this Law and its regulatory provisions will be sanctioned by taking into account the seriousness of the offense, according to the following:

- I.** The Ministry of Energy will sanction the following:
 - a) Failure to comply with the terms and conditions established in the Assignments, with a fine between 15,000 and 75,000 times the amount of the minimum wage;
 - b) For starting the implementation of the Exploration plan or Extraction development plan without the corresponding authorization, with a fine between 150,000 to 450,000 times the amount of the minimum wage;
 - c) Assigning, transferring, selling, or encumbering, wholly or partially, the rights or obligations arising from an Assignment in contravention of the provisions of this Law, with a fine between 375,000 to 750,000 times the amount of the minimum wage;
 - d) The Exploration and Extraction of Hydrocarbons without an Assignment or Exploration and Extraction Contract in force, as referred to in this Law, with a fine between 5,000,000 to 7,500,000 times the amount of the minimum wage, plus an amount equal to the value of the extracted Hydrocarbons in accordance with the estimation made by the National Hydrocarbons Commission for such purpose; and
 - e) Other violations to Title II of this Law and its regulatory provisions, as well as the regulations, guidelines, and administrative provisions issued by the Ministry of Energy, with a fine between 7,500 to 225,000 times the amount of the minimum wage.
- II.** The National Hydrocarbons Commission will sanction the following:
 - a) If the information collected as a result of surface inspection and exploration is not delivered in a timely manner pursuant to the regulation and corresponding authorizations, with a fine of 7,500 to 225,000 times the amount of the minimum wage;



- b) Failure to comply with the terms and conditions established in the authorizations issued for Surface Exploration and Extraction activities, with a fine between 7,500 to 75,000 times the amount of the minimum wage;
- c) Starting the Surface Exploration and Extraction works without the corresponding authorization, with a fine between 150,000 to 450,000 times the amount of the minimum wage;
- d) Starting the Surface Exploration and Extraction works by assignees and contractors without giving the corresponding notice referred to in Article 37, third paragraph, of this Law, with a fine between 15,000 to 75,000 times the amount of minimum wage;
- e) Drilling without the corresponding authorization in accordance with the regulation to be issued by the Commission for such purpose, with a fine between 150,000 to 375,000 times the amount of minimum wage;
- f) Starting the implementation of the Exploration plan or Extraction development plan without the corresponding authorization, with a fine between 750,000 to 3,000,000 times the amount of the minimum wage;
- g) Failure to comply with the Exploration plan or Extraction development plan, with a fine between 150,000 to 3,000,000 times the amount of minimum wage;
- h) Failure to comply with the agreements reached through negotiation or the measures decreed by the Federal Executive or the competent courts concerning the use and occupation of land surface referred to in Chapter IV of this Title, with a fine between 150,000 to 3,000,000 times the amount of minimum wage;
- i) Carrying out Hydrocarbon production and development activities without a measuring system approved by the Commission, with a fine between 3,000,000 to 6,000,000 times the amount of minimum wage;
- j) Assigning, transferring, selling, or encumbering, wholly or partially, the rights or obligations derived from an Exploration and Extraction Contract in contravention of the provisions of this Law, with a fine between 750,000 to 6,000,000 times the amount of the minimum wage;
- k) Carrying out any action that prevents the exploration, development, and production of Hydrocarbons, the activities related the execution of geological, geophysical, or other works violating the provisions of this Law and the regulations issued by the Commission, with a fine between 75,000 to 225,000 times the amount of the minimum wage; and
- l) Other violations to Title II of this Law and its regulatory provisions, as well as the regulations, guidelines, and administrative provisions issued by the National Hydrocarbons Commission, will be sanctioned with a fine between 15,000 to 400,000 times the amount of the minimum wage.



III. The Ministries of Finance and Public Credit, Energy, and Economy, the National Hydrocarbons Commission, or the Agency, will sanction in their areas of competence the following:

- a) Restricting access to inspectors and verifiers to facilities related to activities of the Hydrocarbon industry, with a fine between 75,000 to 225,000 times the amount of the minimum wage;
- b) Interference or failure to comply with the obligation to inform or report any situation related to this Law or its regulations, in accordance with the applicable legal provisions, with a fine between 7,500 to 150,000 times the amount of the minimum wage;

The foregoing will apply to third parties operating on behalf of the Assignees or Contractors which interfere or fail to comply with the obligation to notify or report to the competent authorities, pursuant to the provisions established in this Law and other applicable provisions; and

- c) Providing false, altered information or simulating accounting records in accordance with the legal provisions, with a fine between 3,750,000 to 7,500,000 times the amount of the minimum wage.

IV. The violations to Title II of this Law and its regulatory provisions, as well as the regulations, guidelines, and administrative provisions issued by the Agency, will be sanctioned with a fine between 750,000 and 7,500,000 times the amount of the minimum wage.

Article 81.- Violations to Title III of this Law and regulatory provisions will be sanctioned by taking into account the seriousness of the offense, according to the following:

I. The Ministry of Energy will sanction:

- a) The failure to comply with the terms and conditions established in the granted permits, with a fine between 75 to 5,300 times the amount of the minimum wage;
- b) The suspension of the services protected by a permit granted without the proper authorization, unless the suspension took place due to Acts of God or force majeure, with a fine between 15,000 to 300,000 times the amount of minimum wage;
- c) Assigning, transferring, selling, or encumbering, wholly or partially, the rights or obligations of a permit granted without the corresponding authorization, with a fine between 150,000 to 300,000 times the amount of the minimum wage;
- d) Carrying out activities in the field of their regulation without a valid permit, with a fine between 150,000 to 300,000 times the amount of the minimum wage; and
- e) Other violations to Title III of this Law and its regulatory provisions, as well as the regulation, guidelines, and administrative provisions issued by the Ministry of Energy, will be sanctioned with a fine between 7,500 to 225,000 times the amount of the minimum wage.



- II.** The Energy Regulatory Commission will sanction the following:
- a) Failure to comply with the provisions applicable to the quantity, quality, and measurement of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals, with a fine between 15,000 to 150,000 times the amount of the minimum wage;
 - b) Carrying out activities for the Transportation, Storage, Distribution, or Retail Sale to the Public of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, and Petrochemicals, whose legal acquisition is not proven at the time of verification, with a fine between 7,500 to 150,000 times the amount of the minimum wage;
 - c) Failure to comply with the terms and conditions established in the permits granted, with a fine between 15,000 to 150,000 times the amount of the minimum wage;
 - d) Failure to comply with the open access obligation, with a fine between 150,000 to 450,000 times the amount of the minimum wage;
 - e) The suspension of the activities protected by the permit granted, without prior authorization, unless the suspension took place due to Acts of God or force majeure, with a fine between 15,000 to 300,000 times the amount of minimum wage;
 - f) Failure to comply with the regulation which establishes maximum prices and rates, with a fine between 15,000 to 300,000 times the amount of minimum wage;
 - g) Assigning, transferring, selling, or encumbering, wholly or partially, the rights or obligations derived from a permit granted without the corresponding authorization, with a fine between 150,000 to 450,000 times the amount of the minimum wage;
 - h) The modification of the technical conditions of the systems, pipelines, facilities, or equipment, without the corresponding authorization, with a fine between 150,000 to 300,000 times the amount of the minimum wage;
 - i) Carrying out regulated activities without a valid permit or with no registration, with a fine between 150,000 to 450,000 times the amount of the minimum wage;
 - j) Carrying out commercialization activities with no registration, with a fine between 150,000 to 450,000 times the amount of the minimum wage; and
 - k) Other violations to Title III of this Law and its regulatory provisions, as well as the regulations, guidelines, and administrative provisions issued by the Energy Regulatory Commission, will be sanctioned with a fine between 15,000 to 450,000 times the amount of the minimum wage.
- III.** The Ministries of Energy and Economy, the Energy Regulatory Commission, or the Agency, will sanction in their areas of oversight the following:



- a) Restricting access to inspectors and verifiers to facilities related to activities of the Hydrocarbon industry, with a fine between 75,000 to 225,000 times the amount of the minimum wage; and
- b) Interference or failure to comply with the obligation to provide notice or report any situation related to this Law or its regulations, in accordance with the applicable legal provisions, with a fine between 7,500 to 150,000 times the amount of the minimum wage.

IV. The violations to Title III of this Law and its regulatory provisions, as well as the regulation, guidelines, and administrative provisions issued by the Agency, will be sanctioned with a fine between 750,000 to 7,500,000 times the amount of the minimum wage.

Article 82.- For the application of the sanctions provided in this Law, the administering authority shall establish and justify its decision considering the following:

- I.** Damages that have occurred or may occur;
- II.** The intentional or unintentional nature of the act or omission constituting the offense;
- III.** The seriousness of the violation; and
- IV.** The recidivism of the offender.

The application of the sanctions will be as provided in the Federal Administrative Procedure Law. For purposes of this chapter, the term minimum wage, is understood as the daily general minimum wage in the Federal District in force at the time the violation was committed.

The sanctions established in this Law will be applied notwithstanding the civil, criminal, or administrative liability that may result from the application of sanctions by other regulations and, as applicable, the revocation of the Assignment, permit, or authorization, or the termination of the Exploration and Extraction Contract.

In case of recidivism, a fine for twice as much as what was previously established shall be imposed. A recidivist will be deemed such, when having incurred a sanctioned violation, another violation of the same type or nature is committed within a period of 10 years after the imposition of the sanction.

Chapter II Transparency and the Combat of Corruption

Article 83.- The Ministry of Energy will be responsible for at least providing to the public, on a monthly basis, the following information:

- I.** The number of Assignments and permits in force, as well as their terms and conditions; and
- II.** Information on the areas to be bid for the Exploration and Extraction Contracts, including the five-year program.



Article 84.- The National Hydrocarbons Commission will be responsible for at least providing to the public on a monthly basis, the following information:

- I. The results and statistics of the bidding process for the Exploration and Extraction of Contracts;
- II. The guidelines and rules of the bidding process that have been used for awarding Exploration and Extraction Contracts;
- III. The number of Exploration and Extraction Contracts in force, as well as their terms and conditions;
- IV. The number of authorizations granted and in force, as well as their terms and conditions;
- V. The information related to the technical administration and monitoring of the Exploration and Extraction Contracts; and
- VI. The production volume of Hydrocarbons per Exploration and Extraction Contract.

Article 85.- The Energy Regulatory Commission will be responsible for at least providing to the public on a monthly basis, the following information:

- I. The number of permits granted and in force, as well as their terms and conditions;
- II. The volume of Natural Gas in the National Transportation and Storage System Integrated of Natural Gas;
- III. The used and available capacity of the Permit Holder's facilities and pipelines;
- IV. Volume, prices, and rates' statistics for the Transportation, Distribution, and Retail Sale to the Public of Natural Gas, Liquefied Petroleum Gas, and Petroleum Products, at a national level; and
- V. The results and statistics of the management of the National Control Center of Natural Gas.

Article 86.- The information referred to in this Title shall be published in a way that facilitates its use and understanding, taking advantage of electronic media and information technologies.

The Assignees, Contractors, Permit Holders, and Authorized Persons will be required to timely deliver the information required for the publication referred to in this Chapter.

Article 87.- The activities of the public officials of the Ministry of Economy and the Agency will be subject to a code of Ethics that will issued for such purposes, and which will be published and will establish as a minimum the following:

- I. The rules for conducting hearings with regulated parties.
- II. The rules for participating in academic or dissemination events as well as forums and public events.
- III. The prohibition to accept:



- a) Gifts in accordance with applicable legal provisions; and
- b) The payment of travel expenses and fares, services, funding, or economic or in kind contributions, as well as other considerations of value.

Article 88.- All contracting procedures, their previous actions and those arising from the execution and enforcement of Assignments, Exploration and Extraction Contracts, Permits, and authorizations, which are executed under this Law, will be subject to the provisions applicable to combat corruption.

The performance of public officials in the exercise of their authorities arising from contracting procedures, their previous actions and those related to the execution, administration, and monitoring of Assignments, Permits, authorizations, or any other act or proceeding related to the activities carried out under this Law, will be subject to the constitutional principles of legality, honesty, loyalty, impartiality, and efficiency.

Notwithstanding the specific provisions to combat corruption, individuals and legal entities, national or foreign, involved in the contracting or permits subject to this Law, will be sanctioned when one or more of the following acts occurs:

- I. Offering or giving money or any other benefit to a public official or a third party that in any way is involved in one or more of the acts of the contracting process, in exchange for the public official doing or abstaining from doing any act related to its authorities or those of another government employee, with the purpose of obtaining or maintaining an advantage, regardless of the receipt of money or a benefit obtained;
- II. Executing any act or omission which has the purpose or effect of evading the requirements or rules set for any type of contract, or simulating compliance therewith;
- III. Intervening on its own behalf but in the interest of another person or persons who are disqualified from participating in public contracts, with the purpose of obtaining, wholly or partially, the benefits derived from the contracting; or
- IV. Holding political power or influence over any public official, for the purpose of obtaining for itself or for a third party a benefit or advantage, regardless of the public official's acceptance or the results obtained.

Article 89.- The sanctions regarding the conduct referred to in the preceding article, will be determined by the competent authorities in accordance with the regulations on combating corruption, and may lead to the termination of Assignments, Contracts, Permits or authorizations respectively.

Chapter III Jurisdiction, Public Utility, and Procedures

Article 90.- The Hydrocarbons industry is of exclusive federal jurisdiction. As a result, the Federal Government is the only entity that may dictate the technical and regulatory provisions as well as the regulations on this matter, including those related to sustainable development, ecological balance, and environmental protection in the development of this industry.



With the purpose of promoting sustainable development in the activities carried out in accordance with this Law, the criteria for the protection, restoration, and conservation of ecosystems must be followed at all times, in addition to strictly complying with the laws, regulations, and other applicable provisions relating to the environment, natural resources, water, forests, flora and fauna, land as well as aquatic.

Article 91.- The Hydrocarbons industry referred to in this Law is of public utility. When the Nation deems it necessary, the establishment of easements, surface occupation or encumbrance, or expropriation of land required for conducting the activities of the Hydrocarbons industry will proceed, in accordance with the Expropriation Law and other applicable provisions.

The Exploration and Extraction activities are deemed of public welfare and of social interest and will therefore have preference over any other activity involving the use of the surface or subsoil part of those areas.

The Federation, the governments of the states and Federal District, municipalities, and delegations, will contribute to the development of the Exploration and Extraction projects, as well as pipeline Transportation and Distribution and the Storage, through coordination procedures and guidelines that help expedite and guarantee the granting of permits and authorizations in each one of their areas of oversight.

Article 92.- For matters not provided in this law, the acts of the Hydrocarbon industry will be deemed commercial acts, and will be governed by the Commercial Code, and by the Federal Civil Code as supplementary law.

Article 93.- The Assignees, Contractors, and Permit Holders, as well as mining concessionaires, may not oppose the pipeline, cable layout, or the installment of any other infrastructure in the areas included in the corresponding Assignments, Exploration and Extraction Contracts, or permits, provided it is technically feasible.

In the right-of-way destined for the activities on pipeline Transportation, the access and the activity of service providers of any industry will be allowed in exchange for a fair consideration, provided that the security and continuity of the services rendered is not put at risk. The Energy Regulatory Commission, with the Agency's opinion, will issue the provisions necessary in order to allow such access and enforce this obligation.

Nevertheless, the works and infrastructure referred to in this article shall be safe, necessary, appropriate, and proportional to the Nation's requirements in accordance with the provisions established by the Ministry of Energy, with the prior opinion of the National Hydrocarbons Commission or the Energy Regulatory Commission, as applicable.

Article 94.- The Assignments, Exploration and Extraction Contracts, and permits referred to in this Law do not limit the State's right to grant concessions, licenses, or permits for the Exploration, Extraction, and exploitation of other natural resources, other than Hydrocarbons, in the areas included in such titles. In case the foregoing occurs, the situation will not generate an unreasonable inconvenience to the holder of the Assignment, Exploration and Extraction Contract, or Permit.

Chapter IV Surface Occupation and Use

Article 95.- The terms and conditions and the consideration for the acquisition, use, enjoyment, or encumbrance of the land, property, and rights needed to perform the activities of Exploration and Extraction of Hydrocarbon shall be negotiated between the owners, possessors, or holders of such land, property, or rights, and the Assignees or Contractors.

Article 96.- The negotiation and agreement on the consideration referred to in the preceding article shall be conducted in a transparent manner and subject to the following rules and the provisions of the regulation:

- I. The Assignee or Contractor shall express in writing to the owner, possessor, or holder of the land, property, or right in question, its willingness to acquire, use, or enjoy such property and rights;
- II. The Assignee or Contractor shall demonstrate and describe the project it plans to develop in accordance with the Assignment or Contract, and will answer any question the holder, possessor, or owner of the land, property, or right involved has, in order to understand its scope, as well as the possible consequences and effects that could be generated by its execution and, when applicable, the benefits it could bring to it personally and/or to its community or town.
- III. In the circumstances and on the terms established in the regulations under this Law, the Assignee or Contractor shall notify the Agrarian Law Office of the negotiations it plans to begin for the acquisition, use, enjoyment, or encumbrance, so that, with the consent of the holders, possessors, or owners of land, property, or rights, the latter may advise them and, if necessary, represent them in negotiations and agreements to be reached.

The Agrarian Law Office has the authority to enforce the terms and conditions agreed, as well as to promote and exercise any legal actions in case of the failure to comply with the agreements. The authorities established in this paragraph may be exercised in cases where the Agrarian Law Office has not provided any assistance or representation in accordance with the aforementioned paragraph and the applicable provisions.

- IV. The Ministry of Energy may include the participation of social witnesses in the negotiation process, in in accordance with the terms specified in the regulations.
- V. The form or method of acquisition, use, enjoyment, or encumbrance agreed shall be suitable for the development of the project in question, according to its characteristics. For such purpose, the following legal acts may be used: lease, voluntary easement, surface occupation, sale-purchase, barter, and any other that does not contravene the law.
- VI. The consideration agreed shall be proportional to the needs of the Assignee or Contractor according to the performance of the activities required under the Assignment or Contract and the uses intended for such purpose. The consideration may include payments in cash or in kind, including the commitment to be part of projects and developments in the community or town, a combination of the above, or any other provision not contrary to the law.

The Hydrocarbons in the Subsoil are of the Nation's property, therefore in no case will a party agree to a consideration for Hydrocarbons in the Subsoil in connection with a hydrocarbon production project.



- VII. The consideration, as well as the other terms and conditions agreed for the acquisition, use, enjoyment, or encumbrance of the land, property, and rights shall be invariably in writing.
- VIII. The documents containing the agreements reached may not include confidentiality clauses on the terms, amounts, and conditions of the consideration, which penalize the parties for their disclosure.

Article 97.- The Institution will develop and maintain an updated tabulator on the average value of the land, and as applicable, of its accessories, for its use, occupation, or acquisition, regarding its characteristics, as well as other tabulators and reference mechanisms as it determines. Such tabulators will serve as the basis for the start of negotiations to be made pursuant to the preceding two articles.

The Assignee or Contractor must provide with the document referred to in Section I of the preceding article, the tabulators mentioned in the previous paragraph, as applicable to the proposal.

The Institution may execute the collaboration agreements required by the Ministry of Energy and the National Hydrocarbons Commission.

Article 98.- The parties may agree to prepare valuations in accordance with the terms established by the Institution, the country's credit authorized institutions, commercial notaries, or professionals with post-graduate qualifications in valuation, in accordance with the regulations under this Law.

The cited valuations will consider, among other factors:

- I. The expectation that the project developed will generate, within its area of influence, the appreciation of land, assets, and rights involved;
- II. The existence of features in the real property, assets, and rights that, without reflecting in their market value, make them technically suitable for the development of the project in question;
- III. The encumbrance of the remaining portion of the real property, assets, or rights of which the fraction to be acquired, used, or enjoyed is part; and
- IV. In the event of the granting of the use or enjoyment of land, property, or rights, the inconvenience or damages that holders could suffer as a result of the project to be developed, including the possible damages to the property for the time it will be affected, calculating such damage according to the usual activity of the property.

Acquisitions may not be lower than the market value in any case.

Article 99.- If no agreement exists among the parties, and 90 calendar days have elapsed as of the date the document referred to in Section I of Article 96 has been received, the Assignee or Contractor may:

- I. File before a competent District Court Judge the constitution of a Hydrocarbons legal easement referred to in Article 102 of this Law; and

- II. Request that the Institution conduct a mediation on the form or arrangements under which the acquisition, use, enjoyment, or encumbrance of the land, property, and rights could take place, as well as the appropriate consideration.

Article 100.- The mediation referred to in the preceding article will take place according to the following guidelines:

- I. The Institution will listen to both parties and will suggest the form or arrangement of the acquisition, use, enjoyment, or encumbrance that reconciles the interests and arguments of the parties, according to the characteristics of the project;
- II. The Institution will select at random, from the register established in accordance with the regulations, two experts (one for each party), based on the suggestions referred to in the preceding section, in order to prepare a valuation for each of the parties;

When the suggestion formulated pursuant to the preceding section is not the acquisition of land, property, and, if applicable, the rights in question, the experts will also prepare a valuation on the purchase price, in order for the parties to be aware of it as part of the mediation;

- III. If the difference in the valuation of the two experts is less than 15 percent, the Institution will then take the simple average of the valuations and the result will be the amount suggested for the consideration; and
- IV. If the difference between the two expert valuations is greater than 15 percent, the Institution will choose at random, from the specified register, a third expert who will prepare its valuation in a shorter time. The Institution will then take the simple average of the three valuations and the result will be the amount of the suggested consideration.

The proposed valuation of the purchase price referred to in the second paragraph of the previous Section II will be subject to the provisions of Sections III and IV.

The valuations prepared in accordance with this article shall take into consideration the factors described in Article 98 of this Law.

Article 101.- If the parties do not reach an agreement 10 calendar days from the day the consideration was suggested as established in Sections III and IV of the preceding article, the Institution will notify the Ministry of Energy who will propose to the Federal Executive the incorporation of the Hydrocarbon legal easement, administratively or through expropriation, in accordance with the applicable legal provisions.

Article 102.- The Hydrocarbon legal easement will include the right of free passage of persons; rights for the transportation, shipping, and storage of construction materials, vehicles, machinery, and all kinds of goods; and rights for the construction, installation, or maintenance of the infrastructure or for the performance of works needed for the appropriate development and oversight of the activities specified under a Contract or Assignment. The hydrocarbon legal easement may in no case exceed the term specified in the Contract or Assignment, respectively.

The Hydrocarbon legal easements will be granted in favor of the Assignee or Contractor and will be governed by the provisions of the ordinary federal law. The controversies related to the easements, whatever their nature, will be of the jurisdiction of the federal courts.

The Hydrocarbon legal easements may be granted through judicial or administrative means, in accordance with this Law and other applicable dispositions.

Article 103.- The consideration corresponding to the Hydrocarbon legal easement decreed through administrative means, as well as the compensation that corresponds in the event of an expropriation, will be determined based on the value obtained pursuant to Article 100 of this Law.

Article 104.- The provisions of the preceding Articles shall not prevent the parties from continuing negotiations and reaching an agreement at any time.

Article 105.- The Assignee and Contractor will submit to the National Hydrocarbons Commission a copy of the documents containing the agreements reached through negotiation or the measures decreed by the Federal Executive or the competent courts, pursuant to this Chapter.

Article 106.- The proposed valuations will be paid for by the Assignees and Contractors in accordance with this Chapter and pursuant to the provisions established in regulations.

Article 107.- The Assignees and Contractors will refrain from carrying out, directly or indirectly, abusive or discriminatory conduct or practices or seek to unduly influence the decision of the owners, possessors, or holders of land, property, and rights during the negotiations and procedures referred to in this Chapter.

If the violation of the provisions of the preceding paragraph is confirmed, without detriment to the sanctions provided in this Law and others applicable, and the legal actions that may proceed, the agreement between the parties will be void.

In the cases where it is confirmed that the Assignee or Contractor has engaged more than once in the conduct specified in this article, the Assignment and, as applicable, the permits and authorizations may be revoked, or the Exploration and Extraction Contract may be rescinded.

Article 108.- The Regulations issued by the Agency shall at least provide for the financial mechanisms to be adopted by the Assignees or Contractors in order to ensure that the dismantling of the facilities and the abandonment of the land occupied, used or enjoyed pursuant to the activities, is carried out in accordance with the obligations agreed with the owners of the land, property and rights and to the best practices, restoring the full enjoyment of their rights.

The regulation established in the preceding paragraph will also at least provide for the financial mechanisms for the Assignees and Contractors to cover the damages not foreseen in the consideration agreed under this Chapter, and that may be caused to the owners of the land, property, and rights due to their activities and operations.

Article 109.- The provisions of this Chapter will apply to the acquisition, use, enjoyment, and encumbrance of the land, property, and rights needed to carry out activities for Transportation through pipelines and Surface Exploration.



Article 110.- The provisions of this Chapter will not affect the authorities corresponding to the Federal Executive, in accordance with the Expropriation Law, Land Law, and other applicable regulations.

Chapter V Social Impact

Article 111.- The infrastructure projects of both private and public sectors in the Hydrocarbons industry will comply with sustainability principles and with the human rights of the communities and towns of the regions to be developed.

Article 112.- Prior to the granting of the Assignment, or publication of the call for the bidding process for the Exploration and Extraction Contract, the Ministry of Energy, in coordination with the Ministry of the Interior and other competent governmental entities and agencies, will perform a social impact study regarding the area of the Assignment or Contract.

The results of the study will be provided to the Assignee and the bidding process participants for the Exploration and Extraction Contracts.

The Ministry of Energy shall notify the Assignee or Contractor of the presence of socially vulnerable groups in areas in which the activities under the Assignments or Contracts are to be executed, for the implementation of the necessary actions in order to safeguard their rights.

Article 113.- With the purpose of taking into account the interests and rights of indigenous communities and people where the projects of the Hydrocarbons industry are to be developed, the Ministry of Energy shall carry out the consultation procedures required and any other activity necessary for their safeguard, in coordination with the Ministry of Interior and other competent governmental entities. The National Hydrocarbons Commission, productive State companies, their subsidiaries and affiliates, as well as the affected Persons may participate in such consultation procedures, pursuant to the applicable provisions.

The Ministry of Energy, with the opinion of the Ministry of Finance and Public Credit, may include in the Assignments, as well as the terms and conditions established for the bidding processes, the amounts and rules for the determination of the amount, that the Contractor or Assignee must allocate for the sustainable and human development of the communities in which the activities are to be carried out, in health, education, family, and labor development matters, among others.

Article 114.- The parties interested in obtaining a permit for the development of projects regarding Hydrocarbons must file before the Ministry of Energy a social impact evaluation that must include the identification, characterization, prediction, and evaluation of the social impacts that may arise from the activities as well as the corresponding mitigation measures, in the terms specified in the regulations under this Law.

Chapter VI Social Coverage and the Development of the National Industry

Article 115.- The Federal Executive, through the Ministry of Energy, will be responsible for the oversight and promotion of a suitable supply of energy products in the national territory, and will have the authority to require, with the favorable opinion of the Ministry of Finance and Public Credit, Petróleos Mexicanos, the other productive State companies, and the National Control Center of Natural Gas, the implementation of



the projects it deems necessary for the generation of social benefits and as mechanisms for the promotion of economic development, in accordance with this Law and the public policy of this country's energy sector.

The projects may include the following:

- I. The Treatment and refining of Petroleum and Natural Gas Processing;
- II. The Transportation and Storage of Hydrocarbons, Liquefied Petroleum Gas, or Petroleum Products;
- III. Pipeline Transportation and Storage, of pipelines connected to Petrochemicals;
- IV. The Distribution of Natural Gas, Liquefied Petroleum Gas, or Petroleum Products; and
- V. The Retail Sale to the Public of Natural Gas, Liquefied Petroleum Gas, or Petroleum Products.

For the foregoing, the Ministries of Finance and Public Credit and Energy will determine the investment mechanisms that apply and, as applicable, the considerations related to market prices.

The projects required by the Ministry of Energy of Petróleos Mexicanos, the other productive State companies, or the National Control Center of Natural Gas, pursuant to this article, will be funded based on the specifications determined by the Chamber of Deputies in the Federal Expense Budget.

Notwithstanding the aforementioned, the Ministry of Energy may require the application of mechanisms of public-private partnership for the implementation of the projects referred to in this article.

Article 116.- Productive State companies and the National Control Center of Natural Gas may only participate, directly or indirectly, in infrastructure projects for the pipeline Transportation and Storage of Natural Gas, when required pursuant to the previous article.

The productive State companies shall consider that the capacity of the infrastructure for the pipeline Transportation and Storage of Natural Gas will be administered and managed by the National Control Center of Natural Gas.

For the development of the projects referred to in this article, the Energy Regulatory Commission shall issue a favorable opinion regarding the guidelines of the bidding process in which productive State companies, their subsidiaries, or affiliates participate, where the former have majority ownership, to ensure that no conditions that increase the costs of the rates to the detriment of users are established.

Internal pipelines will be defined as the pipelines that connect the country with Transportation or Storage infrastructure and are used to import Natural Gas.

Article 117.- The Ministry of Economy, with the prior opinion of the Ministry of Energy, will define the strategies for the industrial promotion of local supply chains and for the promotion of direct investment in the Hydrocarbons industry, with special attention on small and medium businesses, according to the following:

- I. The strategy for the industrial promotion of local Supply chains shall:



- a) Identify the industrial sectors and regions in which the strategy shall focus, aligned with the demands of the Hydrocarbons industry. For the foregoing, studies may be contracted for the identification of the products and services existing in the market as well as the providers who offer them;
- b) Create, administer, and update a catalog of the national suppliers of the Hydrocarbons industry, where the national companies interested in participating in the industry are registered as well as its development needs;
- c) Implement programs for the development of national suppliers and contractors, from the identification of business opportunities;
- d) Promote the closure of technical capacity and quality gaps between companies through support programs for technical and financial assistance; and
- e) Create an advisory board, led by the Ministry of Economy with representatives of the Ministry of Energy, the National Hydrocarbons Commission, the Energy Regulatory Commission, academics, and industry representatives.

II. The strategy for the promotion of direct investment shall:

- a) Promote the direct participation of Mexican companies for the execution of the activities of the Hydrocarbons industry;
- b) Promote partnerships between Mexican and foreign companies, for the execution of the activities of the Hydrocarbons industry;
- c) Promote national and foreign investment for the execution of the activities of permanent presence in Mexico directly related to the Hydrocarbons industry or in the manufacture of goods or provision of services regarding this industry; and
- d) Promote the transfer of knowledge and technology.

The Ministry of Economy will be responsible for monitoring the progress of the strategies mentioned in this article, as well as for developing and publishing, annually, a report on the progress of the implementation of these strategies, which must be submitted to Congress no later than June 30 of each year.

The Public Trust for the Promotion and Development of National Contractors and Suppliers of the Energy Industry will assist the Ministry of Economy with the enforcement of the provisions of this article.

Article 118.- The Ministry of Economy will establish the method for the measurement of the level of national content in the Hydrocarbons industry, as well as its verification, for which it may be assisted by a third independent party or by the sector's authorities.



The Assignees and Contractors, as well as the Permit Holders referred to in this Law, will provide the Ministry of Economy information on the level of national content in the activities they carry out pursuant to the provisions to be issued for such purpose.

Article 119.- The Public Trust for the Promotion and Development of National Contractors and Suppliers of the Energy Industry will be created in a development bank institution. Its purpose will be to promote the development and competition of the local and national suppliers and contractors, through financing arrangements and through training, investigation, and certification programs with the purpose of closing the technical capacity and quality gaps, and providing special attention to small and medium companies.

Article 120.- The Ministry of Energy, the National Hydrocarbons Commission, and the Energy Regulatory Commission, with the opinion of the Ministry of Economy, shall establish within the conditions included in the Assignments and Exploration and Extraction Contracts, as well as in the permits established in this Law, that under the same circumstances, including equal prices, quality, and timely delivery, the following shall be given preference:

- I. The acquisition of national property; and
- II. Contracting services of national origin, including the training and contracting, at a technical and executive level, of persons of Mexican nationality.

Chapter VII Industrial Security and Environment Protection

Article 121.- The Agency will be responsible for issuing the regulations applicable to industrial and operational security, as well as on environmental protection in the Hydrocarbons industry, with the purpose of promoting, exploiting, and developing sustainably the activities of the Hydrocarbons industry.

The Agency shall provide the technical elements for the design and definition of public policy on energy, environmental protection, and natural resources, as well as the formulation of sectorial programs in this area, that relate to its purpose.

The Agency will be governed by provisions of its own law.

Article 122.- The Assignees, Contractors, Authorized Persons, and Permit Holders will carry out actions for the prevention and remediation of damages to the environment or the ecological balance caused by their activities, and shall be required to bear the costs involved in the remediation, if they are held liable by order of the competent authority in accordance with the applicable provisions.

Chapter VIII General Application of this Law

Article 123.- The application and construction of this Law for administrative purposes, corresponds in the scope of its authorities, to the Ministry of Finance and Public Credit, Ministry of Energy, Ministry of Economy, the National Hydrocarbons Commission, and the Energy Regulatory Commission.

TRANSITORY ARTICLES



First.- This Decree shall enter into force the day following its publication in the Official Federal Gazette.

Second.- The Regulatory Law relating to Article 27 of the Constitution on the Petroleum Sector, published in the Official Federal Gazette on November 29, 1958, with the exceptions referred to in the fifth transitory of this Decree is hereby repealed.

Third.- All the provisions contrary to the provisions of this Law are hereby derogated.

As new regulations are issued or the corresponding regulations are amended, the provisions issued by the Ministry of Energy, Energy Regulatory Commission, and National Hydrocarbons Commission, prior to the entry into force of this Law, will remain in force, notwithstanding their adjustments, amendments, or replacement in accordance with the terms of the provisions of this and other applicable Laws.

Fourth.- The Federal Executive will issue the Regulations under this Law 180 calendar days following its entry into force.

Fifth.- As the corresponding regulations are issued, the Ministries of Finance and Public Credit and of Economy, the Energy Regulatory Commission, and the National Hydrocarbons Commission are authorized to exercise the powers conferred to them under this Law, from its entry into force.

Authorization applications or permits received prior to the entry into force of this Law will be processed in accordance with the legal provisions in effect at the time of issuance of this Law as well as the regulations issued for such purpose by the competent regulatory entity prior to this Law.

Sixth.- During the process provided in the sixth transitory article of the Decree that amends various constitutional provisions on the Energy Sector and was published in the Official Federal Gazette on December 20, 2013, the Ministry of Energy will award Assignments to Petróleos Mexicanos in accordance with the provisions set forth in the referred transitory article. Assignments granted to Pemex during this process will be regulated under the provisions of this Law.

Seventh.- The holders of mining concessions with a recovery and use permit for Natural Gas associated with coal reservoirs may continue carrying out at the entry into force of this Law the activities authorized for such permit, without being entitled to additional rights for the Exploration and Extraction of Hydrocarbons.

Notwithstanding the foregoing, holders of mining concessions will have a 90 calendar-day term, as of the entry into force of this Law, to request the National Hydrocarbons Commission to issue the direct award of the Exploration and Extraction Contract found within the coal seam in the area established in the permit. The aforementioned, provided that the coal concession is in production, and the technical, administrative, and financial capacities for the Exploration and Extraction of Hydrocarbons are proved.

The contract must be granted by the National Hydrocarbons Commission in accordance with the terms of this Law.

180 calendar days following the entry into force of this Law, the permits granted will no longer be in effect.

Eighth.- As of the entry into force of this Law, the National Hydrocarbons Commission may directly award to Petróleos Mexicanos, any of its subsidiary or affiliate productive companies, or to other productive State companies, a Contract for Hydrocarbon commercialization, which may not have an expiration term later than December 31, 2017, and may not be extended or renewed.

For the foregoing, the Ministries of Energy and of Finance and Public Credit, will establish the corresponding consideration for marketing services, which must be based on to market conditions.

As of January 1, 2018, the provisions of Article 28 of this Law will be enforced, and the State will contract the necessary Hydrocarbon commercialization services through a public bidding process carried out by the National Hydrocarbons Commission.

Ninth.- 90 calendar days following the entry into force of this Law, the National Hydrocarbons Commission will issue the guidelines through which Petr6leos Mexicanos and the Mexican Petroleum Institute will transfer to such Commission the total archive consisting of the information and materials referred to in Articles 32, 33, and 35 of this Law, that have been collected as of this regulation's entry into force, which shall contain the field's processed, interpreted, and integrated information, in documents and models, generated during the Exploration and Extraction of Hydrocarbons in the phases of each of the basins, fields, and Hydrocarbon reservoirs in the country, conventional or unconventional.

The National Hydrocarbons Commission may request from Petr6leos Mexicanos or the Mexican Petroleum Institute, as it requires, a copy of the service contracts associated with the acquisition of the geological and geophysical information of the field submitted.

Petr6leos Mexicanos and the Mexican Petroleum Institute will transfer the information in favor of the National Hydrocarbons Commission on the terms and pursuant to the formats established in the guidelines for such purpose.

The National Hydrocarbons Commission will specify the receipt criteria of the information, which must be submitted in a digital system. The system will be accessed freely and with no limitations by the Ministries of Energy and of Finance and Public Credit with the purpose of carrying out studies and the corresponding planning of the sector.

In reference to the total technical information existing in the Hydrocarbons National Information Center, Petr6leos Mexicanos and the Mexican Petroleum Institute shall give the National Hydrocarbons Commission unrestricted access to the information centers, both remotely and in their facilities, and provide the databases necessary to support the exercise of its authorities in the Hydrocarbons sector.

Tenth.- The permits granted by the Ministry of Energy or the Energy Regulatory Commission for the execution of the activities of the Hydrocarbons industry, prior to the entry into force of this Law, will remain valid on the terms they were granted.

Eleventh.- As of this Law's entry into force, the persons performing activities on Transportation, Storage, Distribution, and Retail Sale to the Public, pursuant to the applicable regulations, that do not have a permit granted by the Energy Regulatory Commission or by the Ministry of Energy, as applicable, in terms of this law, may continue performing such activities provided that a provisional permit is requested within a three-month period following the entry into force of this Law. The competent authority will establish the mechanisms in order to accelerate and facilitate the issuance of the provisional permits referred to in this transitory article.

The provisional permits will be valid for one year. At their expiration date the persons performing activities of Transportation, Storage, Distribution, and Retail Sale to the Public, pursuant to the applicable regulations,

will require the corresponding permit in order to continue performing such activities according to the specifications of this Law.

Twelfth.- Within the 12 months following the entry into force of this Law, the Federal Executive will issue a Decree for the creation of a public decentralized entity named the National Control Center of Natural Gas, in charge of the operation of the National Transportation and Storage System Integrated of Natural Gas. In such Decree, the organization, operation, and authorities of the aforementioned entity will be established.

Furthermore, the Decree will provide the necessary provisions for Petróleos Mexicanos and its subsidiaries to transfer the resources needed for the National Control Center of Natural Gas to acquire and manage the infrastructure for pipeline Transportation and Storage of Natural Gas, owned by Petróleos Mexicanos and its subsidiaries, in order for the Center to provide services to the corresponding users.

The Decree will also establish that Petróleos Mexicanos, its subsidiaries, the other productive State companies, and affiliate corporations in which the former have a majority holding, must immediately transfer to the National Control Center of Natural Gas the capacity contracts on Transportation and capacity contracts on pipelines for the entry of Natural Gas into the country, executed with Permit Holders directly or through other persons controlled by such entities, in order for the Center to control them in property.

The contracts executed by Petróleos Mexicanos, its subsidiaries, other productive State companies, and the affiliate companies in which the former have a majority holding, regarding Transportation capacity and pipeline capacity for the entry of Natural Gas into the country with persons who have not commenced operations with Permit Holders, will also be transferred to the National Control Center of Natural Gas in a period no later than six months after operations begin, in order for such Center to manage the property.

In the transfer process provided in this transitory article, the mechanisms necessary to safeguard the rights of third parties will be established.

The Ministry of Finance and Public Credit with the assistance of the Energy Regulatory Commission will issue the financial guidelines and consideration for to the transfers contemplated in the previous paragraphs.

The National Control Center of Natural Gas will provide Petróleos Mexicanos for a period of up to 12 months after its creation, the support necessary to continue operating the infrastructure of pipeline Transportation and Natural Gas Storage in terms of continuity, efficiency, and safety.

Petróleos Mexicanos and its subsidiary entities are considered users of the National Transportation and Storage System Integrated of Natural Gas.

For purposes of this transitional provision, entry pipelines will be defined as those pipelines connecting the country with Transportation or Storage infrastructure and used to import Natural Gas.

Thirteenth.- As long as the National Hydrocarbons Commission does not declare the existence of effective competition conditions in the sale of Hydrocarbons, Liquefied Petroleum Gas, Petroleum Products, or Petrochemicals in the relevant markets, the Energy Regulatory Commission will continue regulating the firsthand sale of these products.

Firsthand sale is defined as the first sale, in national territory, carried out by Petróleos Mexicanos, its subsidiaries or divisions, and any other productive State company or Legal Entity, with a third party on behalf and by orders of the State. With regard to Natural Gas, firsthand sales must be executed at the exit of

processing plants, or at the injection points of such hydrocarbon originating directly from production fields. Petróleos Mexicanos, its subsidiaries or divisions, and any other productive State company or Legal Entity, on behalf and by orders of the State, may commercialize Natural Gas provided that the different services it supplies and the firsthand selling price of hydrocarbons are withdrawn.

Natural Gas commercialization carried out by persons controlled by Petróleos Mexicanos or its subsidiaries may be carried out at points other than those listed in the previous paragraph.

The regulation of firsthand sales will include the approval and issuance of the general terms and conditions as well as the issuance of the method for calculating prices. In these matters, common practice in developed Hydrocarbon markets may be observed, and prices should reflect, inter alia, the conditions and competition practices in the international Hydrocarbons market.

In any case, the non-discrimination obligations under this law shall be observed.

The failure to comply with the regulation provided by the Energy Regulatory Commission regarding the terms and conditions of firsthand sales and its prices, will be sanctioned by such Commission with fines from 150,000 days to 75,000,000 days of the minimum wage in force in the Federal District.

Fourteenth.- No later than 12 months following the entry into force of this Law, the Ministry of Energy in coordination with the Energy Regulatory Commission, will establish the provisions and mechanisms necessary to avoid a productive State company's participation exceeding in the national commercialization market of Natural Gas, 50 percent over a period of five years and 20 percent over a period of 10 years commencing on the entry into force of this Law.

The foregoing provided that during the referred period, the Federal Economic Competition Commission does not declare the existence of conditions of effective competition in the marketing of Natural Gas. Such marketing will be understood as the addition of the sale of the property and the additional transportation storage and distribution services, as applicable, for the delivery of the Hydrocarbon in a place different to its origin.

Petróleos Mexicanos may continue selling the Natural Gas produced without restrictions at the origin. For purposes of the foregoing, origin will be understood as the injection directly coming from production fields and processing centers of National Gas property, of such productive State Company.

Fifteenth.- No later than 12 months following the entry into force of this Law, the Ministry of Energy in coordination with the Energy Regulatory Commission, will establish the necessary provisions and mechanisms to avoid the capacity reserve in the pipelines for Transportation and the entry of Natural Gas by one merchant, being greater than 50 percent in a period of five years and 20 percent in a period of 10 years as of the entry into force of this Law.

The foregoing, provided that during the said period, the Federal Economic Competition Commission does not declare the existence of effective competition conditions in the marketing of Natural Gas.

For productive State companies, their subsidiaries or affiliates in which the former have majority holding, the limit specified in the preceding paragraph of this article will apply to the capacity that exceeds the consumption volume of Natural Gas required for the operation of their operating facilities.

The productive State companies, their subsidiaries, or affiliates in which the former have majority holding, that have the contracted capacity that exceeds the limit referred to in previous paragraphs, shall make it public through an electronic newsletter and, if third party interest exist, will designate it to the users through an Open Season, in accordance with the provisions issued by the Energy Regulatory Commission. Productive State companies, their subsidiaries, or affiliates may participate in the Open Season carried out in accordance with this transitory article.

The capacity assignment referred to in this transitory article will be subject to the terms, conditions, and considerations established by the Energy Regulatory Commission.

For purposes of this article, entry pipelines will be defined as those pipelines connecting the country with Transportation or Storage infrastructure and used to import Natural Gas.

Sixteenth.- From the entry into force of this Law, the Ministry of Energy and the Energy Regulatory Commission may grant, in the scope of their respective authorities, permits for the Treatment and refining of Hydrocarbons; Natural Gas processing; and the Transportation, Storage, Distribution, compression, liquefaction, decompression, regasification, and Retail Sale to the Public of Hydrocarbons, Liquid Petroleum Gas, Petroleum Products, or Petrochemicals.

On the Retail Sale to the Public of gasoline and diesel, the following will apply:

I. On prices:

- a) From the entry into force of this Law and the remainder of 2014, the maximum gasoline retail prices for Magna and Premium, as well as diesel supplied by Petróleos Mexicanos will increase 9, 11, and 11 cents per month respectively.
- b) Beginning January 1, 2015 until December 31, 2019, the maximum retail prices will be adjusted monthly by the Ministry of Finance and Public Credit, consistent with the expected economic inflation.

The pricing policy established in this subsection shall always maintain that international fuel prices will remain steady or will decrease. On the contrary, the Ministry of Finance and Public Credit will revise upward, the increase to retail prices, consistent with the increase in the international market price.

- c) Beginning January 1, 2020, the foregoing will be subject to article 77 of this Law.

II. From the entry into force of this Law through December 31, 2018, permits for the import of gasoline and diesel may only be issued to Petróleos Mexicanos or its subsidiary productive companies. Beginning January 1, 2019, the permits referred to in the preceding paragraph may be granted to any applicant satisfying the applicable legal requirements.

- III. Permits for the Retail Sale to the Public of gasoline and diesel may be granted by the Energy Regulatory Commission beginning January 1, 2017. As of this same date, Petróleos Mexicanos, its subsidiary productive companies, or its affiliates may not condition the provision of gasoline and diesel on the execution of franchise agreements. The duration of the supply contracts executed with Petróleos Mexicanos as of the entry into force of this Law may not exceed December 31, 2017.

Seventeenth.- The Energy Regulatory Commission shall issue no later than January 1, 2015, the applicable general provisions on the following subjects:

- I. The design, construction, operation, and maintenance of the facilities destined to the Retail Sale to the Public of Petroleum Products;
- II. The design, construction, operation, and maintenance of the equipment and infrastructure destined to execute activities for the Transportation, Storage, and Distribution of Petroleum Products; and
- III. The general criteria for the open access to which the Transportation, Storage, and Distribution of Petroleum Products will be subject.

As the general provisions outlined in the previous paragraph are issued, the Energy Regulatory Commission will establish the guidelines to which permit holders will be subject in order to begin or continue operations.

Eighteenth.- The Ministry of Energy, the National Hydrocarbons Commission, and the Energy Regulatory Commission will develop the information system for the compliance with Articles 83, 84, and 85 of this Law, respectively, no later than 12 months after its entry into force.

Nineteenth.- With the purpose of complying with the duties established in this law, the Ministry of Economy will create a specialized unit that will be in charge of:

- I. Monitoring strategies for the industrial development of local supply chains, promoting direct investment in the Hydrocarbons industry, and developing and publishing the report on its implementation's progress;
- II. Proposing the methodology for the measurement of the level of national content in Assignments and Exploration and Extraction Contracts, as well as the level of national content in the Hydrocarbons industry; and
- III. Verifying the compliance with goals established for the level of national content in the Assignments and Exploration and Extraction Contracts.

This unit will have the necessary areas and structure to fulfill its duties in accordance with this Law. The Chamber of Deputies will conduct the actions necessary to provide budgetary resources to the specialized

unit for it to carry out its functions in accordance with this transitory article. The approved budget must cover the chapters of personal services, materials and supplies, as well as general services, needed to fulfill its duties.

No later than September 1, 2014, the necessary actions will be taken for the Ministry of Economy to issue the methodology for measuring the level of national content referred to in Section II of this transitory article.

Twentieth.- The work, service, supply, or operation contracts executed by Petróleos Mexicanos under the Regulatory Law relating to Article 27 of the Constitution on the Petroleum Sector referred to in the provisions of the second and third transitory articles of this Law, will continue in force under the terms and conditions by which the contracts were executed.

Twenty-first.- The Mexican Geological Service shall coordinate with the National Hydrocarbons Commission so that in a period no greater than 180 days from the entry into force of this Decree, the latter is transferred all the information on the gas potentially associated with coal deposits to this date, or any other information that may be of use in accordance with its responsibilities in the exploration and extraction of hydrocarbons.

Twenty-second.- As the Agency begins its activities, in accordance with the provisions of this Law, the Ministry of Energy, the National Hydrocarbons Commission, and the Energy Regulatory Commission will continue to regulate and monitor, within their authorities, the Hydrocarbons industry in operational and industrial security matters.

Twenty-third.- During the two years following the entry into force of this Law, the terms provided herein which correspond to the Ministry of Energy, the National Hydrocarbons Commission, and the Energy Regulatory Commission, will be extended for up to a third of the time specified in this Law.

Twenty-fourth.- The provisions of this Law will apply to Petróleos Mexicanos and its subsidiary entities as their transition to productive State companies occurs.

Twenty-fifth.- The minimum average percentage of national content in the Exploration and Extraction of Hydrocarbons, referred to in the first paragraph of Article 46 of this Law, will gradually increase from the year 2015 to reach at least 25 percent in 2025.

Twenty-sixth.- Within 180 days following the entry into force of this Law, the actions necessary to transform the Public Trust to Promote the Development of National Suppliers and Contractors of the State Petroleum Industry, established in accordance with the terms of the fourteenth transitory article of the Petróleos Mexicanos Law, published in the Federal Official Gazette on November 28, 2008, into the Public Trust to Promote the Development of National Suppliers and Contractors of the Energy Industry referred to in Article 119 of this to Law [will be completed].

Twenty-seventh.- When Permit Holders increase pipeline capacity for the Transportation of Natural Gas financed by other users, whose design has considered their own consumption and marketing needs, as well as any possible extension financed by the same user, up to half of the additional capacity exceeding such consumption will be offered to the user in question. The foregoing without affecting the provisions of the preceding fifteenth and sixteenth transitory articles.

The additional capacity that does not correspond to the user referred to in the previous paragraph will be made public through an electronic newsletter and, if there are third-party interests, such capacity shall be



allocated to users through an Open Season, in accordance with the terms of the provisions issued by the Energy Regulatory Commission.

All users and interested parties may participate in the acquisition of additional capacity carried out in accordance with the provisions of this transitory article.

Twenty-eight.- With regard to productive State companies, their subsidiaries, and affiliated companies in which the former have a majority holding, the provisions of Article 78 of this Law will apply to the Transportation and Storage of Natural Gas infrastructure developed by the Permit Holders that have not begun operations, from the entry into force of this Law.