



**“Guide for Selling Into Existing Opportunities in Mexico's Oil &
Gas Sector”**

Embassy of Canada, Mexico City

Government of Alberta International and Intergovernmental Relations

April 2010

Produced by: Hanhausen & Domenech Consultores, S.C. (HDC)

INDEX

- I. INTRODUCTION
- II. THE NATIONAL HYDROCARBON COMMISSION (CNH)
- III. THE NEW PEMEX LAW
- IV. PEMEX GUIDELINES OR SECONDARY LAW (REGLAMENTO)
- V. PURCHASING PROCEDURES
- VI. BIDDING DOCUMENTS
- VII. CONTRACTING GUIDELINES (DAC)
- VIII. COMPETITIVE MARKET STRATEGY
- IX. SUPPLIER REGISTRATION
- X. COMPANY REGISTRATION PROCESS
- XI. INTEGRATED TRADE SYSTEMS INC. (I.T.S.)
- XII. CONTRACTS
- XIII. ELEMENTS FOR PROPOSAL PREPARATION
- XIV. CONTRACTS FOR EXPLORATION AND PRODUCTION
- XV. BUSINESS OPPORTUNITIES AT PEMEX
- XVI. STRATEGIC PROJECTS OF PEMEX EXPLORATION AND PRODUCTION (PEP)
Chicontepec Project or ATG (Aceite Terciario del Golfo)
Cantarell Project
Burgos Project
Ku – Maloob – Zaap Project (KMZ)
Lakach (Aguas Profundas)
- XVII. PEMEX - CONTINUED TREND FOR SUBCONTRACTING
- XVIII. PEP'S TECHNOLOGY STRATEGY NEEDS
- XIX. BUSINESS OPPORTUNITIES AT PEP DURING 2010
- XX. EXPENDITURES FOLLOWING THE INCENTIVE BASED -CONTRACTS
- XXI. BUSINESS OPPORTUNITIES WITH LEADING CONTRACTORS TO PEMEX
- XXII. UPCOMING INCENTIVE-BASED CONTRACTS

ANNEX

KEY CONTACTS

INTRODUCTION

Since the nationalization of the Oil & Gas industry in Mexico in 1938, the Mexican state maintains exclusive rights over hydrocarbons. This will not change, as the Mexican constitution (Art.27) grants total ownership of hydrocarbon reserves in the national territory to the state, which is responsible for all activities in the sector, including exploration, production, refining and initial sale. These activities are conducted through a single government-owned national oil & gas company called PEMEX.

Private sector involvement is important, it has grown over the years and will play increasingly important roles, while remaining indirect and limited to developing works and providing services PEMEX, which is responsible for all oil & gas activities in Mexico.

Private participation in the oil & gas sector is substantial but constrained to contractual relationships with the national oil company, for the provision of development and production activities.

Mexico still remains among the top ten oil producing countries albeit it has dropped in the ranking from the sixth to the seven position, with production dropping from a historic high of 3.4 million barrels per day in 2004 to 2.6 million barrels per day in 2009. Such severe production decline is a consequence of the accelerated exhaustion of the off-shore Mega-oil field called Cantarel and the delay in replacing production with the new fields at Ku-Maloob-Zaap, Ixtal-Manik, Crudo Ligerio Marino (Marine Light Crude) and particularly the Chicontepec area (Aceite Terciario del Golfo – ATG).

A production drop of such magnitude is catastrophic for a country as heavily dependent on oil revenues as Mexico and has flexibilized the traditionally monolithic mind-set about oil & gas topics in Mexico. The need to instill change and modernize de O&G sector was completely evident.

It was having a significant impact in government revenues and in the over-all ability of the state to fund its federal budget, heavily dependent on oil revenues.

The perceived onset of a fiscal crisis motivated the coordination of a two month long debate process in the national senate for defining a new national strategy for the oil & gas sector in Mexico.

The debate, held in mid 2008, concluded in underlining the need to modernize the oil & gas sector in Mexico while maintaining absolute government control. As part of the proposed modernization, congress would pass a series of new laws transforming the legal framework for the oil & gas sector in Mexico as well as the national oil company PEMEX.

It was clear that the national oil & gas sector with its only participant, the national oil company needed an accelerated technological modernization and a new framework assuring managerial flexibility.

The core legal framework was modified with the creation of the National Hydrocarbon Commission (CNDH) and with the enactment of a new PEMEX law and the regulations to the law.

The goal of the commission is to improve efficiency and the objective of the new PEMEX law is to assure managerial flexibility.

THE NATIONAL HYDROCARBON COMMISSION (CNDH)

The law creating the commission was published on November 28, 2008, stating that its objective is to regulate and supervise hydrocarbon exploration and production in Mexico. It is an independent consulting body reporting to the Secretary of Energy and must abide by the Government's hydrocarbon policy and the National Energy Strategy will focus on technical aspect to incorporate the best practices of the O&G industry to improve PEMEX's operations.

The objective is assure that PEMEX expands production and maximizes recovery levels at all its operations. Assuring that PEMEX replaces reserves minimizes flare gases and has adequate environment protection practices.

The commission must provide technical insight for the development of the national hydrocarbon policy, as well as for the definition of exploration and production programs.

The commission must work to incorporate the best practices of the O&G industry into PEMEX operations.

It will also develop and provide statistical information on the sector, including O&G production and proved possible and probable reserves.

The commission will consist of five commissioners appointed by the President of Mexico.

THE NEW PEMEX LAW

Substantive changes were made in redefining the governance of PEMEX and its contracting practices with private companies. The law published on November 28, 2008, is aimed at modernizing the company and granting it a flexibility it did not have as it was in need of constant consultations and receiving oversight in its decisions by the ministry of finance (SHCP) and the ministry of Energy (SE).

The decision making process changed managerial authority within the company, with the appointment of board directors which is one of the most substantive changes.

The aim is to transform the company from a parastatal enterprise, to a company operating in a similar fashion to a private concern, with the key mandate of creating economic value for the company.

PEMEX's legal framework is directly expressed in the new law and its accompanying application guidelines or secondary law (reglamento) which is linked but separate piece of legislation. It was published until September 1, 2009 and will be explained later in the document.

As part of the aim for modernizing PEMEX, article 6 of the law indicates, the company must seek efficiency, transparency and operate under the best practices in the oil & gas industry.

That implies even more interaction with private suppliers as PEMEX must adapt practices developed and prevalent at other oil companies.

The management structure of the company was transformed with the establishment of a board of directors, which jointly with the Managing Director are responsible for substantive decisions at the company (art 7). The board will have 15 members of which 4 will be independent professionals not belonging to the Mexican government.

The board is to be presided by the secretary of Energy, to whom the National Hydrocarbon Commission must also report.

The board must develop a business plan adhering to the best practices of the oil & gas industry (art 19) and make decisions based on recommendations from seven specific committees, which are:

- Audit and performance
- Strategy and Investments
- Purchasing, leasing, works and services (Adquisiciones, Arrendamientos, Obras y Servicios)
- Environment and sustainable practices
- Transparency and accountability
- Technology, research and development

The purchasing, leasing, works and services committee (art 26) will be presided by one of the professional board members and will be responsible for reviewing the yearly purchasing budgets and determining the purchasing procedures.

Mexican legislation mandates that government purchases (including PEMEX) must be conducted through tenders. In the case of PEMEX, this committee can decide, based on the particular circumstances of the purchase, to either invite three companies to present a proposal (called restricted invitation) or select a sole source supplier. This decision must be informed to the audit and performance committee.

Among the regulatory changes, there is a new definition of so called: "Substantive productive activities", this, makes a distinction between oil & gas activities and general Government purchases and have implication on how purchases and contracting will be regulated. This is one of the key changes in the new legal framework.

Pemex has a corporate entity and is divided into four subsidiaries:

- PEMEX refining (PR)
- PEMEX petrochemicals (PP)
- PEMEX gas and basic petrochemicals (PGPB)
- PEMEX production and exploration (PEP)

Each of the subsidiaries will name a strategy and investment committee (art 27) and a purchasing, leasing, works and services committee, which must assure that purchase matches the specific objectives of the subsidiary. The subsidiary will also appoint an environmental and sustainability committee, responsible for overseeing compliance with environmental laws (art 28).

The key definition of --substantive productive activities-- stems from the guideline rules (reglamento) of constitutional article 27, where articles 3 and 4 of the guideline law refer to exploration, production, refining, transport, storage, distribution and first sale of products from oil refining, as well as exploration, production, processing, first sales, transport and storage of natural gas, with the exception of associated gas in coal mining.

This definition of substantive oil & gas activities, has been criticized as too broad and deemed unconstitutional, as it offers a scheme for by-passing the tendering requirements mandated by the constitution for government purchases. A pronouncement by the Mexican Supreme Court is pending (March 2010), but is expected to stand the scrutiny.

This definition simplifies contracting processes at the PEMEX, having much needed flexibility for contracting fundamental good and services for conducting its core activities.

PEMEX GUIDELINES OR SECONDARY LAW (Reglamento)

This piece of legislation is as important as the law in offering precise guidelines for the operations of PEMEX. They are a complementary piece of legislation to the PEMEX law and were published in the Official Daily of the Federation (Diario Oficial) on September 4, 2009.

The guidelines rule the operation of PEMEX and its relationships with suppliers.

The guidelines confirm that PEMEX's mandate is the creation of economic value and that it must be the key implied criteria in all decisions.

The managing director of PEMEX has the obligation to set goals and define performance benchmarks based on world class standards.

The company will operate with the assistance of the board and the committees mentioned in the PEMEX law.

Chapter four of the PEMEX law guidelines or secondary refers to purchases and contracting.

All processes must abide by the constitution and all related laws. There is a specific document called Managerial guidelines for Contracting (DAC - Disposiciones administrativas de contraracion) which will be explained later in the document.

PEMEX will also develop and publish its contracting and purchasing plans on yearly basis.

All of PEMEX's subsidiaries make public their contracting plans for purchasing, leasing, works and services relate to core oil & gas activities (Substantive productive activities) and must update that information periodically. This information refers to plans and creates no obligation for actually proceeding with a purchasing process. But it follows the objective of promoting transparency and competition among potential suppliers and maintaining them informed.

Each PEMEX subsidiary is responsible for contracting and managing their projects. The board of PEMEX, based on recommendation from its strategy and investment committee will issue guidelines specifying which contracts, would require the approval of the PEMEX board and which only of the subsidiary.

The contracting process refers to: purchases, leasing, works and services.

The board of PEMEX has transferred authority to its subsidiaries (art 47) for undertaking the complete contracting process from the publication of the RFP (convocatoria) to the award of the contract. This authorization allows establishing contact with potential suppliers, pre-qualifying, evaluating proposals, awarding contracts and negotiating with suppliers. The RFPs must detail the evaluation method.

The bidding documents cannot include requirements that hinder competition among capable suppliers. Subsidiaries can pre-qualify suppliers, through a clearly outlined methodology (art 57) and must also inform on the criteria for modifying the specifications and for declaring a process deserted. The subsidiary are obligated (art 58) to foster increased participation of potential suppliers through electronic means and to make public all information related to the tendering process including bids and award information available electronically.

Some works projects (art 62) which are expected to yield production, could have the payments dependent upon the revenue generated by the project.

The only possible purchasing options include:

- a) Public tender
- b) Restricted Invitation (minimum of three proposals)
- c) Direct purchase

The subsidiary's committee for purchasing and works must produce a written opinion on the purchasing method decision and inform the audit and performance committee. Exceptions to the tender require detailed justifications for the exception and the use of one of the alternative purchasing methods.

When the RFP information is published, it indicates the nature of the tender, being national or international. International tenders are open to countries offering reciprocity to Mexican companies.

Each purchasing and contracting process must be publicly informed by the publication of the RFP in the Official Daily of the Federation (DOF - Diario Oficial de la Federacion). This RFP is also published electronically in the web page of the PEMEX's subsidiary and in the government procurement site called COMPRANET, which can be found at: www.compranet.gob.mx

PEMEX Subsidiaries

PEMEX refining (PR)	www.ref.pemex.com
PEMEX petrochemicals (PP)	www.ptq.pemex.com
PEMEX gas and basic petrochemicals (PGPB)	www.gas.pemex.com
PEMEX production and exploration (PEP)	www.pep.pemex.com

PURCHASING PROCEDURES

One of the most important procurement changes is the distinction between common purchases and those linked to a substantive productive activity, which refers to core oil & gas activities.

For common purchases the procedure is regulated by two separate laws used by the Government; one for purchases and a separate law for public works. Those laws are: Purchases, Leasing and Services for the Public sector (Ley de Adquisiciones, Arrendamientos y Servicio del Sector Publico) and Public Works and Related Services (Ley de Obras Publicas y Servicios Relacionados con las Mismas). The process initiates with the publication of the tender documents (RFP) in the Official Daily of the Federation (Diario Oficial) and in the web page of the subsidiary conducting the purchase. The information would also be available in the Government's procurement site called Compranet (www.compranet.gob.mx)

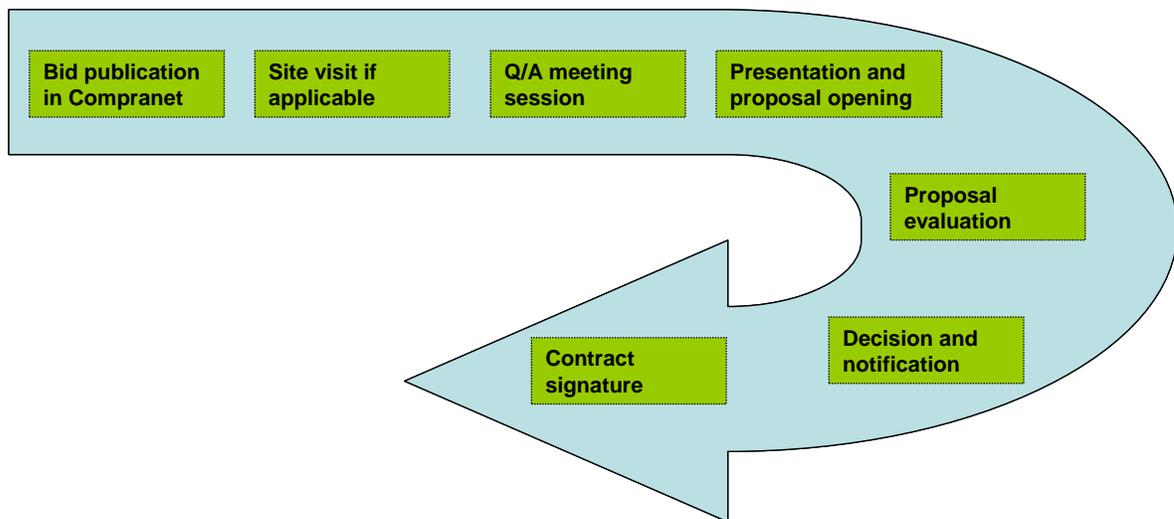
The tender or bidding documents (bases) offer comprehensive information on the purchase, clearly defining what is being sought and the guidelines for the selection process. This purchasing must follow the guidelines of 2 specific laws, the

The normal purchasing procedure is through a tender (art 54) but has the exceptions previously indicated and which will apply on a case by case basis, with the logic of maximizing the speed and simplicity of the purchase process.

Purchases linked to core oil & gas activities (Substantive productive activities) (art 55) have a specific set of guidelines published on January 6, 2010, they have the acronym DAC and are the managerial purchasing guidelines for acquisitions, leasing, works and services linked to core production activities of PEMEX and its subsidiaries. (Disposiciones Administrativas de Contratación en materia de adquisiciones, arrendamientos, obras y servicios de las actividades sustantivas de Petróleos Mexicanos y organismos subsidiarios).

- The process follows several steps including:
- Publishing of the RFP in the DOF and Compranet
- Issuance of the tender specification documents (bases)
- Site visit (for works and services)
- Q/A meeting
- Delivery and opening of proposals
- Proposal evaluation which can include a pre-qualifying round
- Supplier selection and award
- Contract signing

Biding Process



Source: PEMEX

BIDDING DOCUMENTS

The bidding documents (BASES) are a comprehensive set of documents clearly describing the equipment, works or service being sought, outlining what is being purchased and the proposed delivery schedule, outlining the competence and experience level required, presenting guidelines for satisfying such requirements, which are directly associated with the type of purchase informing about payments, terms and price adjustment methods, as well as the criteria for proposal evaluation.

A very important element for companies interested in selling services to PEMEX contractors, is that the bases include guidelines on how contractors can subcontract with other suppliers.

The subsidiaries have flexibility on purchasing methods (art 57), but are responsible and require an opinion from its purchasing, leasing, works and services committee, to proceed with a restricted invitation or a direct purchase. It is a prerequisite to make sure that companies are qualified and capable of honoring their proposals.

Cases where direct purchases apply include emergencies, like a need for immediate containment or remediation, or contracting professionals like notaries, lawyers and experts in situations linked to emergencies.

A restricted invitation purchasing method applies when there is need for specific technology innovation, to develop new practices or technologies related to equipment, engineering and training. The restricted invitation must produce a minimum of three proposals (art 58). If the process is declared deserted, permits to continue with a direct purchase.

Section four of the new PEMEX law allows for contracting private individuals or companies for performing works and services related to core oil & gas activities. It clearly states that compensation must be expressed in currency amounts and is not allowed to be expressed as participating or sharing from the sale of production volumes. This explanation is important as it has been the essence of the questioning of the constitutionality of the relationship between PEMEX and private suppliers, all contracts must be clear in defining that compensation is not the result of any type of production sharing.

It is illegal to consider payment in a share of production or to specify shared production agreements.

Payments are to be clearly defined under fixed schemes and pre-defined formulas. Each of the contracts would define the possibility of receiving additional income resulting from a shorter construction time, technology transfer or any other economic benefit for PEMEX as long as the payment for such service is not linked to the volume or value of production.

The law allows the PEMEX board to make budgetary adjustments to its projects without the need to obtain authorization from the finance ministry (SHCP). It will also increase PEMEX's investment budget by sharing revenues exceeding its yearly revenue budget. This will depend on exceeding budgeted revenues and will start receiving 20% and over time grow to 87.5%.

The PEMEX law also mandates increasing national content in its purchases. This content can be achieved by subcontracting local providers or suppliers into a specific project. National content is another important aspect of the new laws and there are significant budgets assigned preparing local companies to become PEMEX suppliers. The national content aspect in contracts must be analyzed and addressed on a case by case basis.

CONTRACTING GUIDELINES (DAC)

(Disposiciones Administrativas de Contratación en Materia de Adquisiciones, Arrendamientos, Obras y Servicios de las Actividades Sustantivas de Carácter Productivo de Petróleos Mexicanos y Organismos Subsidiarios)

Purchasing, leasing, works and services to be contracted and which are linked to core oil & gas activities (actividades sustantivas de caracter productivo) must be contracted following the guidelines published in the DOF on January 6, 2010 and amended on March 10, 2010. The amendments were the result of a political negotiation, to eliminate any questioning as to the constitutionality of the guidelines.

The modifications were slight and consisted on a more emphatic stance to be clear that no private contractor could be compensated under any type of production sharing agreement. All compensation will be in cash and no contractor would have any rights over oil production.

The DAC guidelines represent the precise legal framework for purchasing and contracting any core or substantive activity as defined by article 51 of the PEMEX law, which corresponds to the definition outlined in articles 3 and 4 of the of the interpretation rules for article 27 of the Mexican constitution. Contracting must abide by articles 25, 27, 28 and 134 of the constitution, the guideline law of article 27 of the constitution, the PEMEX law, the guidelines to the PEMEX law and all other applicable legislation.

Contracting must meet precisely with two objectives, that it will directly contribute to the specific goal being pursued and that it achieves the maximization of economic value for the subsidiary.

The subsidiary, through a project administrator, is responsible for assuring that purchasing and contracting are consistent with the strategic guidelines of the subsidiary. The purchasing processes must be expedite, simple, transparent competitive and fair for all participants.

Each subsidiary must inform by 11/15 of their purchasing plans to its purchasing, leasing, works and services committee, which will review the information and make it public before 12/31 on the web page of each of PEMEX's subsidiaries. Each subsidiary must also promote increasing national content and fostering participation of national service providers.

The publication of an RFP by a PEMEX's subsidiary must inform the following:

- The subsidiary sponsoring the process, its address, the cost of the terms of reference (BASES) and where to buy them
- A detailed and clear description of what is being purchased or contracted, objectives and schedule
- Language or languages, currency or currencies
- Date and location for Q/A session
- Restriction of participation to companies under review or suspension

Must be published (art 16) on the Official Daily of the Federation (DOF), offering at least 10 calendar days for the delivery of a proposal. It is likely it will simultaneously be listed on the web-page of the subsidiary and in Compranet.

There will be mandatory requirements expected from suppliers and how their experience and capabilities would be evaluated (art 18). A pre-qualification round might be required before proceeding with a tender (art 20), eliciting information about:

- Participation in similar projects
- Technical and financial capabilities
- Expertise of the proposed personnel
- Access to necessary technology or equipment

The subsidiaries will not accept proposals from companies or individuals that did not meet the pre-qualifying requirements.

The process must support Mexican suppliers fostering more national content.

It will be possible to present joint proposals from a individuals or companies (art 24), naming a common representative, but it will not be necessary to form a new joint-venture company or legal vehicle.

There will be clear information on the Q/A meetings of any change of scope or amendment to the technical specifications of the purchase or contract. The dates for presenting proposals will also be informed.

A process can be declared deserted (art 36) when no proposals were received, or when those received did not meet the technical or price requirements, other for other causes specified in the tendering documents.

After a deserted process, to continue with that purchase, the proceed with a restricted invitation, receiving and minimum of three proposals or with a direct purchase. Exceptions to contracting through a tendering process require the opinion of the purchasing, leasing, works and services committee of the subsidiary or meet with the exceptions outlined in articles 41 and 42 of the Public sector's purchasing, leasing and services law or articles 42 and 43 of the public works and related services law.

Exceptions to the tendering process consist in restricted invitation or direct purchase. All decision guidelines and selection criteria must be the same as those used to make a selection under a tender process.

One fundamental difference of the DAC compared to government purchasing laws is that in article 60 it allows PEMEX to seek compensation from suppliers which did not meet their contractual obligations relative to a project.

The contracting guidelines (DAC) are very specific in terms of defining what must be specified in the contracts and for service contracts those might include the maximization of production under

cost effective practices. There are specific guidelines related to exploration and production contracts which must be analyzed in each tender by interested participants.

COMPETITIVE MARKET STRATEGY

Important elements for a competitive strategy must consider the following:

1. Estimate business potential for your company in Mexico, based on existing competitors, technology challenges and prevalent pricing. If attractive for your companies expertise and capabilities, develop an adequate business strategy.
2. Review information of similar projects that have been awarded, understand the technical goals and the pricing that was successful in receiving the award.
3. Have a clear message on how your company must be presented to create interest, develop a short and precise document describing you company and its competitive edge.
4. Visit production sites to become familiar with technical challenges.
5. Meet directors at PEMEX or contractors responsible for selecting technologies.
6. Explore and pursue subcontracting opportunities with PEMEX contractors.
7. Register as a PEMEX supplier.
8. Be familiar with the technical recommendations issued by the newly established National Hydrocarbon commission, whose objective is suggesting the most appropriate production technologies fitting specific field needs.
9. Develop on-going relationships with consultants and other sources of information than can maintain your company current on the issues being faced at PEMEX projects.

SUPPLIER REGISTRATION

It is not required to be included in the supplier registry for participating in a tender. But is important for being invited into a restricted invitation process. Supplier information is submitted for registration by the subsidiaries and it contains records for the past five years of each of the suppliers. The registry contains the following supplier information:

- Name and contact information
- Information on performance in past contracts with PEMEX
- Information about national content
- Technical and quality control certification
- Production capacity
- Restrictions for participating in tenders because of inadequate performance at PEMEX

Inclusion in registry is useful for pre-qualification and for requesting bids under a restricted invitation tender but is not a prerequisite for participating in public tenders. Subsidiaries must register every participant in their past tenders

COMPANY REGISTRATION PROCESS

(The information can be found in the PEMEX web-page at this link:

<http://www.pemex.com/index.cfm?action=content§ionID=4&catID=27&contentID=191>)

The process can be for foreign companies; local companies, subsidiaries and agencies or individuals.

Registration of foreign companies

- Deed of incorporation or proof of existence of the company with apostille and legalization of the document at the Mexican consulate or Embassy
- Power of attorney authorizing the individuals to represent the company at PEMEX, with apostille and legalization of the document at the Mexican consulate or Embassy
- Audited financial statements
- It is recommended to have a representative in Mexico, can be a Mexican company a subsidiary or an individual registered with the tax authorities as performing entrepreneurial activities

Registration for a Mexican company, subsidiary or agency

- Mexican deed of incorporation with all amendments and inscription in the Public Registrar of Property and Commerce (RPPC)
- Tax registration, Tax identification with fiscal address. (cedula y formato con domicilio fiscal)
- Most recent annual and partial Income tax fillings (except when newly incorporated)
- Notarized power of attorney for its representative to act with PEMEX (with apostille and legalization if needed)

Individual representing a foreign company

- Tax registration, Tax identification with fiscal address. (cedula y formato con domicilio fiscal)
- Most recent annual and partial Income tax fillings
- Notarized power of attorney to represent the company with PEMEX (with apostille and legalization if needed)
-

INTEGRATED TRADE SYSTEMS INC. (I.T.S.)

PEMEX maintains offices in Houston of a company incorporated in Delaware that it owns, called; International Trade Systems Inc. (ITS) and that serves as a shelter company for conducting direct purchases from suppliers.

This company does reduce the red tape associated with purchasing spare parts and other goods, but does not serve the purpose of by-passing Mexican or PEMEX laws as pertaining to the obligation of conducting competitive processes for acquisitions and contracting.

Most purchases by ITS consist of products that can only be obtained from a single supplier, including highly specialized soft-ware and spare parts for equipment already in operation at PEMEX facilities.

ITS is not commonly an initial point to seek developing sales.

The company maintains a registry of suppliers of which the majority is U.S. companies. PEMEX procurement officials indicate that sales to ITS are subsequent sales once PEMEX has purchased equipment requiring spare parts from an OEM, etc.

The un-common nature of this PEMEX owned subsidiary has made it a focus scrutiny by the Mexican congress and the Auditing Office of the Mexican Federation (ASF).

C. P. Ramón Guerrero Esquivel
President
Tel. (713) 430-3101
rquerrero@itsinc.com
2500 Citywest Blvd Ste 2400
Houston, Texas
www.itsinc.com

CONTRACTS

All contracts issued by the subsidiaries must follow the legal framework ruling PEMEX's operations and can include all terms and clauses allowed by common law as required by the characteristics of the contract. Once awarded, the winner must sign within a specified time frame and for joint proposals it must be signed by representatives of all the offerors.

Contracts specify the possibility or prohibition of being transferred (art 54). The transfers will require the approval of the managing director of the subsidiary. The subsidiary must assure that the new companies or individuals responsible for the contract have the experience and capacity to deliver according to the specifications of the contract.

Contracts have definitions and guidelines to calculate compensation and payment and If deemed necessary by the contracting entity, the methodology that will be applied to adjust prices (art 55 and 56). Offer a clear description of the purchase, the duration, a timeline for performance or deliveries, performance benchmarks, prices and price adjustment methodology, guarantees, mutual covenants, conditions for contract amendment, clause defining methods for dispute prevention or resolution, contract transfer conditions, representatives, conditions for cancellation or termination, applicable laws and anti-corruption clause. Can also include advance payments, financing terms, decision making procedures and any other clause of definition required by the nature of what is being contracted.

Amendments are allowed to a point that does not impact the economic model pursued by the purchase and remains under the terms approved by the boards, as defined in article 10 of these regulations.

The contracting entity will offer a period of time for the contractor to comply or perform as specified in the contract before proceeding to call for the rescission of a contract. This can be done as an administrative decision without need of a court or arbitration ruling.

Contracts must specify the conditions for recession which can include contractor bankruptcy, unauthorized contract transfer, change of contractor's nationality and other causes clearly defined in the contract. A warning and an opportunity to amend its performance will be offered to the contractor before recession.

ELEMENTS FOR PROPOSAL PREPARATION

The purchasing process for goods and services by PEMEX starts with the publication of the RFP in the Official Daily of the Federation and in the government procurement web-site; Compranet and in the web-page of the PEMEX 's subsidiary.

The RFP provides a general description of the purchase, which can be purchase or leasing of equipment or a service contract. The RFP indicates where the specification document for the tender can be accessed or purchased. The document describes technical specifications and/or project scope.

Upon a review of the documents, it will be clear if there will a pre-qualifying round and the information required for the process. If a pre-qualifying round is required, only those companies meeting the requirement will be allowed to present proposals.

Procurement of goods does not call for a site visit. This stage is for works and services.

There will be Q/A sessions and all questions and answers will be made available to all participants. It this results in the modification of the tender specifications that will also need to be informed in a timely fashion to all participants.

After a final definition or scope of the tender is finalized, the bidder can proceed with preparing the elements of its proposal.

The proposals will consist of two sets of document, one the technical proposal and the second the economic proposal.

The technical proposal demonstrates the company's capabilities and experience that assures its capacity to supply the desired products or equipment.

The economic proposal proffers the prices at which the company will deliver what was specified in the RFP.

Both documents will be delivered simultaneously and opened. The information is witnessed and recorded.

After an evaluation period, the winner of the process is informed and given a specific time to sign the binding contract.

The contract specifies the time line for delivery or initiation of the works and/or services.

Most savvy participants consider that tenders are won before the proposals are presented. As the fundamental factors offering a comprehensive technical solution at a competitive price must be developed as result of a clear understanding of the need and the previous options which were purchased for solving the need. To know what one is competing against requires studying previous similar tenders.

We have described basic elements of developing a competitive business strategy elsewhere in this document.

Contracting Steps		
Stages	Public Works and Related Services	Acquisitions, Services and Leasing
Description of items to be contracted. Review and reception of documentation.	✓	✓
RFP is published on the Official Gazette of the Federation and Compranet	✓	✓
Site visit (if necessary)	✓	
Q/A meeting	✓	✓
Delivery of technical and economic proposals. Opening of proposals	✓	✓
Evaluation of technical and economic proposals	✓	✓
Notifications of winning proposal	✓	✓
Contract award	✓	✓
Contract presentation and signing	✓	✓
Advance payment if specified in RFP	✓	✓
Project start	✓	✓

Source: HDC analysis with PEMEX information

Timeline (calendar days)		
	Acquisitions, Services and Leasing	Public Works and Related Services
International bid under NAFTA.	150	160
International public bid	130	140
National public bid	125	135
Direct invitation of at least 3 suppliers	80	90

Source: HDC analysis with PEMEX information

CONTRACTS FOR EXPLORATION AND PRODUCTION

Contracts for works and services related to exploration and production site development include clauses calling for the maximization of production in a cost effective and rational manner, under most adequate technologies and sustainability practices. Payment must be derived from revenues generated by the activities in the field.

Additional contracts for works and services will include clauses defining the methodology and criteria for metering production volumes and oil quality.

Contracts can be issued for the following:

- Exploration
- Reservoir development using primary, secondary and tertiary production technologies.
- Comprehensive exploration and production contracts
- Other contracts as needed.

All decisions for the operation of these contracts fall in the project administrator. The contractor cannot subcontract managerial responsibility of their activities, must operate under best practices for the industry and must develop programs for transferring operational experience and know-how to the employees of the subsidiary issuing the contract.

The subsidiary cannot guarantee the profitability of a contract, some payments for exploration contracts can be conditioned to finding commercially viable sites.

Information on upcoming tenders must be available through the web-page of the subsidiary. It is expected that by mid 2010 each PEMEX subsidiary would have implemented a system to carry-out tender and purchasing processes through its web-page. Pemex must abide by transparency and public scrutiny laws making public the results of all tender processes.

Upcoming Incentive-Based Contracts

The new incentive based site development and production contracts, will not be made public by PEMEX until after the Mexican Supreme Court makes a definite pronouncement as to the adherence to the constitution of the new PEMEX law, specifically that it does not contradict constitutional article 27 and supplementary laws.

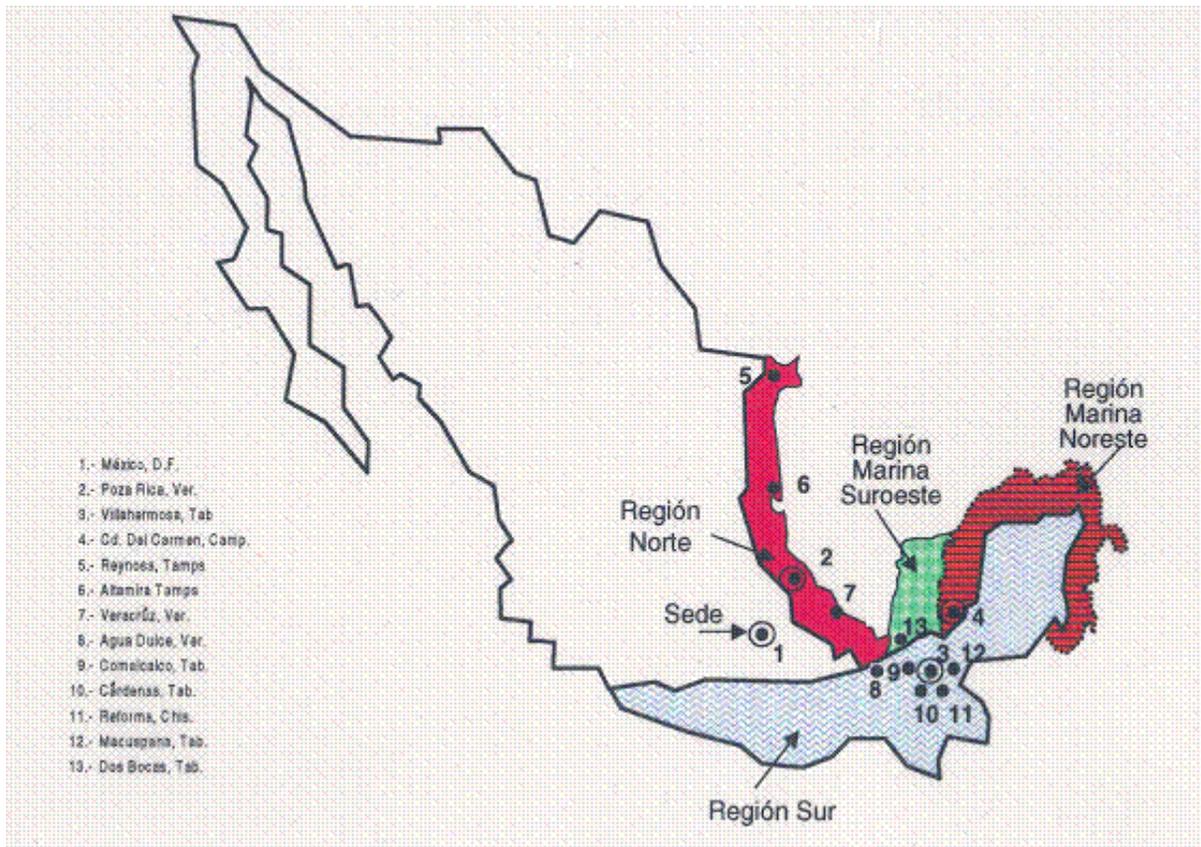
This is a very important aspect that once solved will provide increased legal certainty, will quiet political debate on the topic and decisively expand long-term private participation in PEMEX projects.

The new projects are expected to be comprehensive in terms that PEMEX will offer a development area and the company receiving the award will be responsible for all activities up to production and be compensated based on the oil and gas volumes it delivers to PEMEX.

These contracts will be tendered to undertake production at new areas, mature fields and deep water.

The government is interested in attracting international oil & gas companies to participate in production projects under the new contract scheme. Once the contract is made public PEMEX, its representatives will coordinate a road-show to explain the attract companies with the experience to participate in those projects. It is expected that Calgary will be included as one of the destinations of the proposed road-show.

The operations of PEMEX are divided by its operational regions which are four. Two are land areas; North and South regions and two are marine areas; Northeast marine and Southwest marine regions.



BUSINESS OPPORTUNITIES AT PEMEX

As indicated in the new PEMEX law, if the company exceeds the revenues stipulated in its annual budget, it will be allowed to share in the surplus income and increase investments in its projects. This will fuel significant investment growth over the coming years, if production activities are successful. This success is a critical factor and opens opportunities for companies interested in offering new proved technologies, as PEMEX's mandate is to maximize oil & gas production and utilize the best practices in the industry which implies constant technology incorporation.

PEMEX Exploration and Production Infrastructure Portfolio, 2010	
Concept	Investment (million \$USD)
Lease offshore drilling rigs	1,770
Pipeline inspection and maintenance: Pol A – Nohoch A – Atasta – Ciudad PEMEX	1,170
Well drilling contracts south region	1,009
Well drilling contracts north region	842
Acquisition offshore drilling rigs	600
Heavy crude oil treatment and management in Dos Bocas, Tabasco	378
Pipeline extension: Dos Bocas Marine Terminal – Tuzandepetl and Palomas	360
Lease onshore drilling rigs south region	274
Transportation (vessel and helicopter) to offshore production and exploration facilities	250
Construction of 35 industrial (production, process, exploration, compression, gas processing, etc) facilities in the south region	237
Lease onshore drilling rigs north region	232
TOTAL Investment	7,122

Source: HDC estimation with PEP budget 2010 information

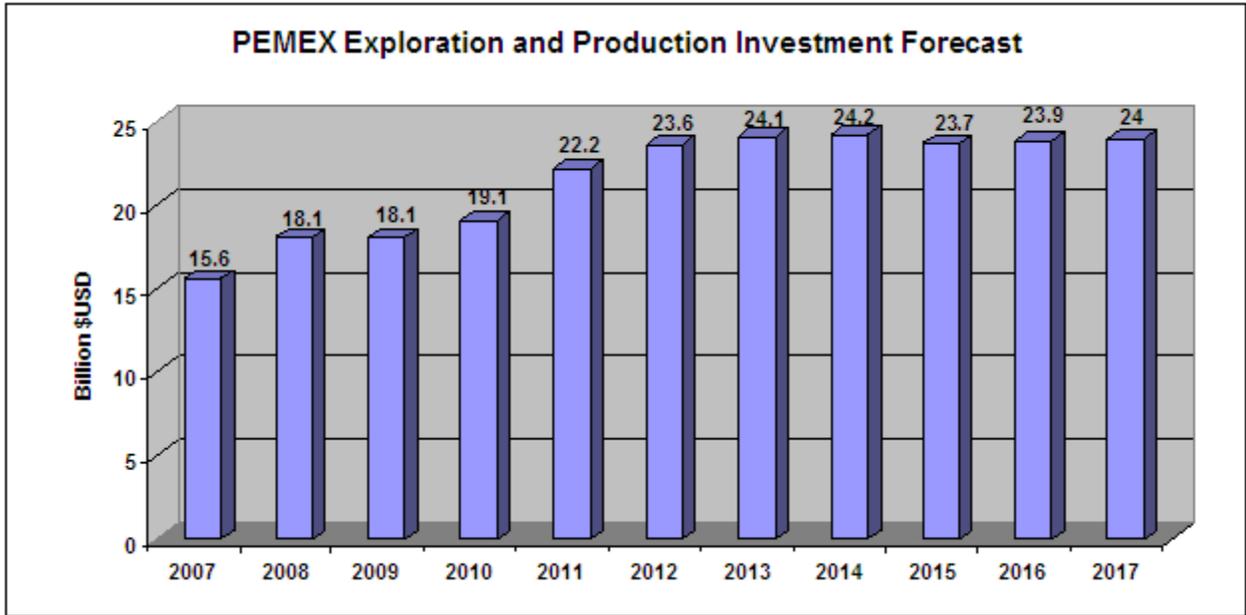
PEMEX has four main subsidiaries which have been described in this document. One of the subsidiaries, which is responsible for exploration and production is the single largest purchaser of goods and services in Mexico. Its 2010 purchasing budget reaches US\$ 15.2 billion and will be spent through an estimated of 3,173 tenders or purchasing processes.

PEMEX Exploration and Production Regional Investment, 2010	
Area	Investment (million \$USD)
Northeast marine region	4,227
Southeast marine region	3,397
North region	4,086
South region	3,047
Villahermosa SEDE	488
TOTAL Investment	15,245

Source: HDC estimation with PEP budget 2010 information

These purchases are carried out to advance the objective of the subsidiary which has a series of strategic or priority projects.

The following table presents a forecast of expected investments for the exploration and production division of PEMEX (PEP), it is important to note that the new PEMEX law allows the company to share in surplus revenues and utilize those funds to increase investment expenditures. That is one of the benefits of the new law for the company, developing a performance based scheme to fund increased investment.



Source: HDC analysis with PEP forecast information

STRATEGIC PROJECTS OF PEMEX EXPLORATION AND PRODUCTION (PEP)

This PEMEX subsidiary is responsible for exploration and production activities in Mexico and has a series of long term exploratory and production projects both on-shore and off-shore, that it considers as strategic for accomplishing its objective of maximizing oil & gas production.

All these strategic projects present potential sales opportunities for Canadian companies as there is growing need of utilizing enhanced recovery technologies. As it has been explained in the document, the establishment of the National Hydrocarbon Commission will foster the incorporation of cost-effective technologies to increase the recovery factors at all of PEMEX's production sites.

These activities also open opportunities for companies selling services to oil production activities, which can be offered directly to the oil company or indirectly by seeking subcontracting opportunities.

The following list of projects represents the group of PEP projects which receive 85% of annual investment budgets and which offer the most opportunities for Canadian companies.

Main Exploration Projects			
On shore		Off shore	
Non-associated gas	Oil and non-associated gas	Oil and associated gas	Deep water
Burgos	Reforma	Crudo Ligero Marino	Área Perdido
Veracruz	Comalcalco	Campeche Poniente	Golfo de México Sur
	Coatzacoalcos	Campeche Oriente	Golfo de México B

Source: PEMEX Exploration and Production

These projects will receive between US\$ 1.5 and 2 billion dollars per year over the following three years. It is one of the largest yearly investment commitments approved by the Mexican ministry of treasury (SHCP) over the past 20 years and reflects the urgent need to increase oil production.

On-shore projects are being developed by several companies, COMESA, which is a 51/49% joint company by PEMEX and Schlumberger in developing approximately 60% of the area, while the remaining 40% is being developed by private contractors. Approximately 90% of exploratory off-shore projects is tendered to specialized private companies and the remaining 10% is performed by PEMEX. It is important to note that approximately 70% of investment budgets are used for marine exploration.

Main Production Projects			
On shore		Off shore	
Non associated gas	Oil and associated gas	Oil and associated gas	Deep water
Burgos	Antonio J, Bermudez	Cantarell	Área Perdido
Veracruz	El Golpe Puerto Ceiba	Ku – Maloob – Zaap	Oreos
Macuspana	Jujo Tecominoacán	Crudo Ligero Marino	Nancan
San Manuel	Bellota – Chinchorro	Chuc	Jaca – Patini
	Chicontepec (ATG)	Arenque	Nox – Hux
	Poza Rica		Temoa
			Lakash
			Han
			Holok
			Lipax

Source: PEMEX Exploration and Production

These are all the production projects being developed by PEP, investments are prioritized based on the size and production at each area and estimates of production potential.

Current production trends clearly point to a need to expand exploration and initiate production on off-shore areas, this as 55% of total reserves are off-shore and 45% on-shore, where Chicontepec is estimated to have 36% of total reserves. One crucial difference is that off-shore projects have recovery estimates of 45%, while on-shore areas are achieving around 10%. This presents a very challenging environment for on-shore projects, which need technologies to increase recovery levels, these projects will continue receiving support as an all -out effort to develop off-shore projects, will require investments ten times larger than those destined for Chicontepec.

It is clear and evident that Mexico does not have the required technologies nor the budgetary resources to fund an aggressive off-shore program. A version of a proposed contract to attract private developers under comprehensive contracts is being developed and will be made public in second quarter of 2010. As those are future potential opportunities that will take years to mature and translate into oil production, the current focus and priority is to improve recovery levels at the on-shore sites and aggressively incorporate enhanced production technologies.

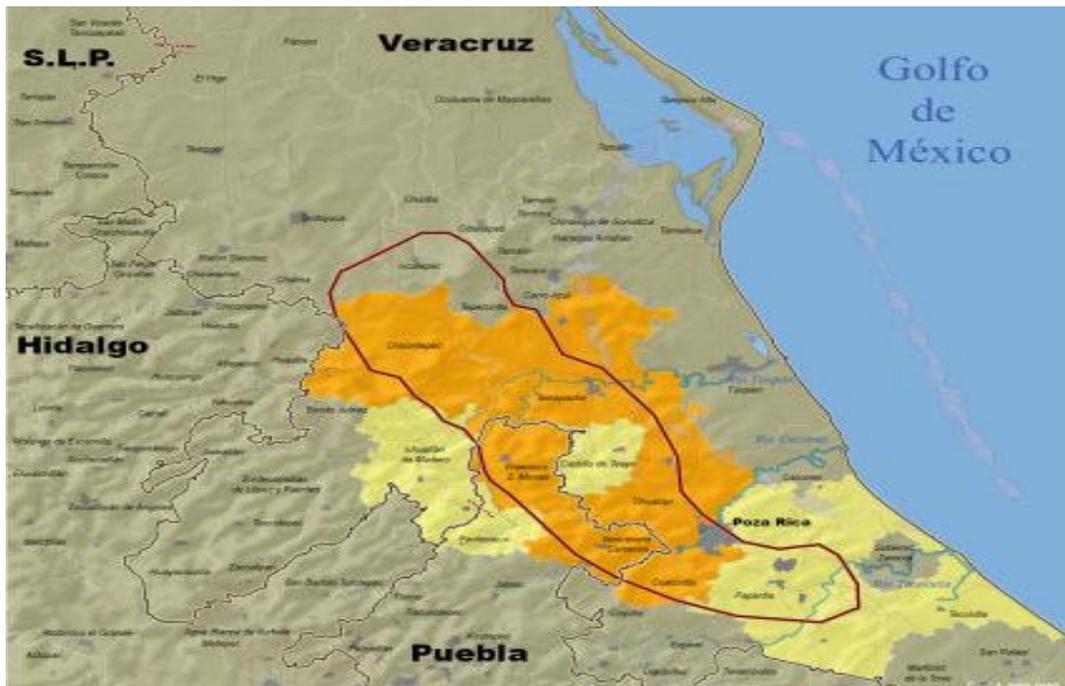
On-shore priorities include Chicontepec and incorporation of enhanced recovery technologies at mature fields.

Chicontepec Project or ATG (Aceite Terciario del Golfo)

The Chicontepec project is one of the most important in the country as it represents approximately 36% of total hydrocarbon reserves or approximately 17.7 billion barrels of oil equivalent.

The Chicontepec Paleo-Channel is located in the Tampico-Misantla geological basin, to the west of the Tuxpan platform (Faja de Oro). The project spans over an area of thirty eight hundred square kilometers over 12 municipalities, nine in the state of Veracruz and three in the state of Puebla. The project has 29 fields producing crude ranging from 18° to 45° API. At present, the project has 973 wells in operation and 53 drilling platforms. Its current production is only 34 thousand barrels per day.

The following graph presents a map of the Chicontepec area, which is located outward to the east of Mexico almost reaching the coast of the Gulf of Mexico.



Source: PEMEX Exploration and Production

PEMEX's original production goal was 550 to 700 KBPD by 2017. The new objective is reaching between 200 to 400 KBPD by the same date.

Achieving the modified objective, starting from current production levels, portrays the challenges in decision making and technology incorporation that have be fallen that project. Increasing production while curtailing costs are the most desired objectives for the project and they are areas offering opportunities to suppliers of novel technologies and services.

The development plan contemplated drilling 16 thousand development wells over the 2002-2020 period. Depending on the type of reservoirs, on-going massive drilling of non-conventional wells will reach a maximum of 1400 in 2010 and over 900 through the period up to 2020.

This situation creates a sharp contrast with other fields, especially the off-shore Cantarell field where 250 wells have been drilled over 30 years with average production of 5 to 15 thousand BPD while average production in Chicontepec is 100 to 200 BPD.

This situation has been a very negative game changer for PEMEX. Reservoirs at Chicontepec have low hydrocarbon content, low permeability and pressure, making production a complex process and production volumes minimal.

Based on PEMEX's initial project forecasts, production at this time was supposed to be reaching over 190 thousand BPD. This is far from happening and most wells are producing an average of 35 BPD.

There is severe questioning and many stories about what is going-on in Chicontepec, the more distant a result from a forecast, the more room for a long list of explanations which include that the project was ill-conceived. That information available from exploration was insufficient for more accurate decision making, etc. The only fact is that costs have been substantial and that expected production is not there.

There is extreme uncertainty at PEMEX about the expectations regarding this project and its true production potential under current practices and technologies. Even the continuation of development in the area has come into question as results show a lack of adequate production technologies, which PEMEX considers would need to be developed specially for the conditions of the field.

PEMEX has awarded 8 projects in the Chicontepec area with a budget of US\$ 6.4 billion. The specific outlines of the contracts can be reviewed on-line at the following links.

Company	Bid #
Schlumberger – ICA Fluor	18575051-044-08
Weatherford	18575051-009-08 18575051-010-08 18575051-046-08
Halliburton	18575051-0006-09
Grupo Merco	No longer available in Compranet data base
Perforadora Central	No longer available in Compranet data base
Perforadora Mexico	No longer available in Compranet data base
Servicios Integrales GSM	18575051-0008-09

Outside from on-going contracted activities, the future development of Chicontepec depends on proposed new incentive-based work contract for interested oil project developers. This in no way should be interpreted as production sharing. The need for this clarification is what made the amendment to the managerial contracting rules (DAC) necessary and is what is holding the contracts, because of potential questioning of their constitutionality. As a performance based payment structure on oil production could be construed as production sharing. This are the aspects that are being resolved and a new model contract is expected soon (03/2010).

PEMEX up to this point has contracted works and services and has paid regardless of the production obtained. This is what it wants to change, by proffering a new contract that conditions payments to results, and offer an additional compensation for results that surpass initial expectations. It expects that this type of contracting will bring much needed talent, technologies and effective decisions making for the development of the new areas.

The expected new contracts will offer areas of five by five minutes which might require up to 500 wells. Similar off-shore areas will also be tendered under this incentive - based contracts.

It is expected that an additional five to eight tenders of incentive based contract will be issued for Chicontepec and an additional seven to twelve for other areas including deep waters.

The activities under these contracts will range from exploration to production and abandonment.

It is expected that under future contracts, the development can be more planned without the need to drill 500 wells within the first three years and with more attention to exploration, interpretation and the decision process for development. These projects might reach duration of over twenty years, with comprehensive responsibility of the sites. Activities will include evaluating potential, reserve incorporation for PEMEX, reservoir delimitation, field development, production, enhanced recovery and abandonment, construction and maintenance of primary pipelines, separators, sweeteners, etc. The magnitude of the projects calls for highly sophisticated developers that can manage and undertake these projects.

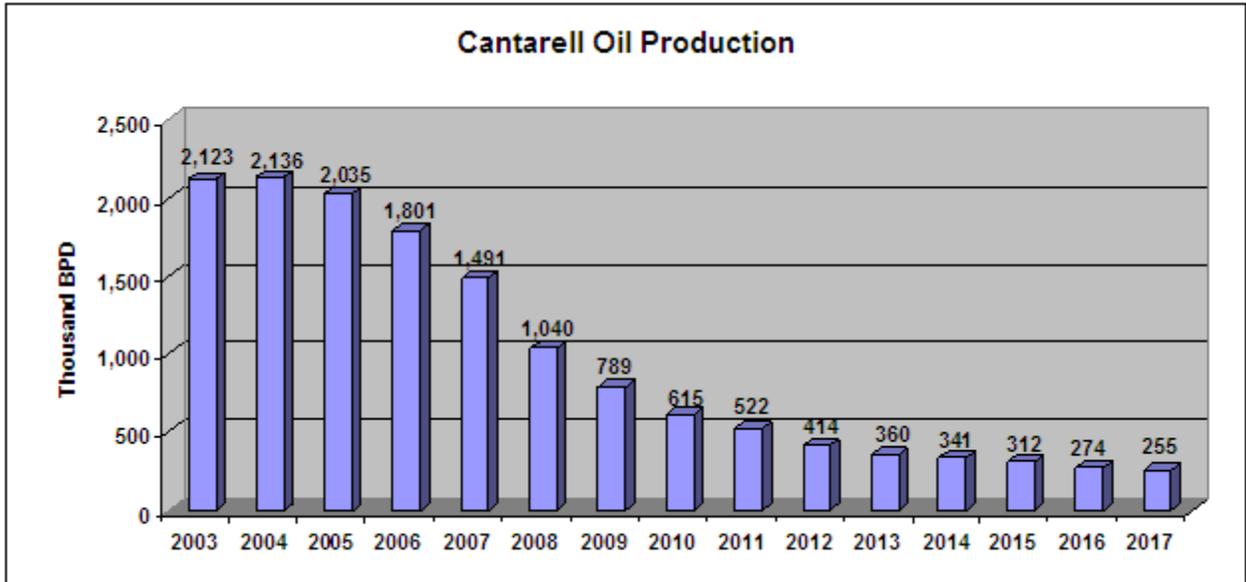
The size must be, small enough to be manageable in the most effective way possible, but also large enough to be attractive for international oil companies.

Cantarell Project

Filling the oil production gap that is resulting from the accelerated declination of the mega-field Cantarell is the largest challenge ever faced by the Mexican oil industry.

Cantarell produced over the past ten years approximately US\$ 350 billion for the Mexican coffers. The cost of production at the site was also small reaching between US\$ 4 to 6 dollars per barrel. The site has remaining (3P) reserves of 6.27 billion barrels, of which 3.6 are proved, 1 is probable and 1.6 is possible.

The ratio of proved reserves to production at current levels is of only 6.8 years. This exemplifies the need of replacing production with new fields.



Source: HDC estimation with PEP information

PEMEX will continue investing approximately US\$ 370 million per year in this field. Needed equipment and services that will be demanded by this project include:

Comprehensive perforation and drilling services, platform construction, oil & gas pipeline and storage tank construction, maintenance and inspection services, supply and installation of compression and pumping equipment, gas dehydrating plants, coil tubing, vapor recovery, sand control, chromatographic analysis, production laboratory certification, multiphase measurement services, water treatment systems and fluid separators, processing equipment, steel structures, maritime transportation services, specialized technical assistance, among others.

Burgos Project

The Burgos project is located in the northeastern corner of Mexico limited by the US border and the Gulf of Mexico. Spans over the northern portion of the state of Tamaulipas and over areas in the states of Nuevo León and Coahuila. It has influence over 34 (12 in Tamaulipas, 12 in Nuevo León and 10 in Coahuila).

It produces non-associated gas and condensates since 1945. The site covers an area of 120 thousand square kilometers. This area is producing 60% of non associated gas in Mexico, reaching 1.53 BCFD and production by 2014 is expected to reach 2.1 BCFD.

During a 12 year period from 1997 to 2009, PEMEX performed data acquisition in the area obtaining 23,790KM of bi-dimensional seismic data (2D) and 25,200 square kilometers of tri-dimensional seismic data (3D). It drilled 330 exploratory and 2,735 production wells. Over the following four year period from 2010 - 2014 it will acquire 3,150 square kilometers of bi-dimensional seismic data 2D and 2,443 square kilometers of tri-dimensional seismic data (3D), it will drill and additional 120 exploratory wells and an additional 1,700 production wells.

The new incentive-based contracts that are to be announced soon, are expected to contribute to increasing production of non-associated gas in the area and reduce gas imports by as much as 40% over the period, limiting the dependence of imported gas coming from the US, China and Russia among other suppliers. The new legal framework allows contractors in development projects to renegotiate clauses under mutually beneficial conditions in these cases to benefit from the eventual incentive structure that will be announced.

The yearly investment budget for the Burgos area is US\$ 1.3 billion, creating attractive potential business opportunities for Alberta and Canadian companies with expertise in the development of non-associated gas fields, PEP is tendering about five blocks per year. Demand of equipment and services to maintain and expand production is mostly concentrated in drilling, exploratory services and rigs. Opportunities exist for companies offering reservoir modeling and simulation and 3D seismic studies.

Development and expansion of pipeline networks will also be required, opening opportunities for Canadian suppliers experienced in design, construction and servicing of pipelines. The existing infrastructure will need to be expanded to transport increased gas volumes in the area.

Ku – Maloob – Zaap Project (KMZ)

Ku Maloob Zaap (KMZ) is an off-shore production site over an area of 149.5 square kilometers located in front of the coast lines of the states of Tabasco and Campeche at 105 kilometers to the northeast of Ciudad del Carmen in Campeche. The area is the combination of the KU field discovered in 1980, the Maalob discovered in 1984 and Zaap discovered in 1991.

KMZ is an important producer of heavy oils. Until 2009, it was considered the second most important field in Mexico based on proven reserves and production. In 2010, the KMZ became the leading crude oil production site in Mexico with 830 thousand BPD and 315 MMCFD.

Most of the large field improvement projects at KMZ are being undertaken on a EPC basis, which limits opportunities for selling directly to PEMEX. Interested suppliers can offer their products and services directly to the private contractors responsible for the projects. Future plans in the KMZ over the following three years have an investment budget of US\$ 2.1 billion per year and will include the purchases in the following table:

Category	Scope of Works
Platforms	<u>27 Platforms</u> Nine drilling platforms Six for process, production and gas compression Eight residence platforms One natural gas contingency platform One nitrogen injection platform Two interconnection platforms
Services	45 diverse services and works contracts for platform interconnection and maintenance

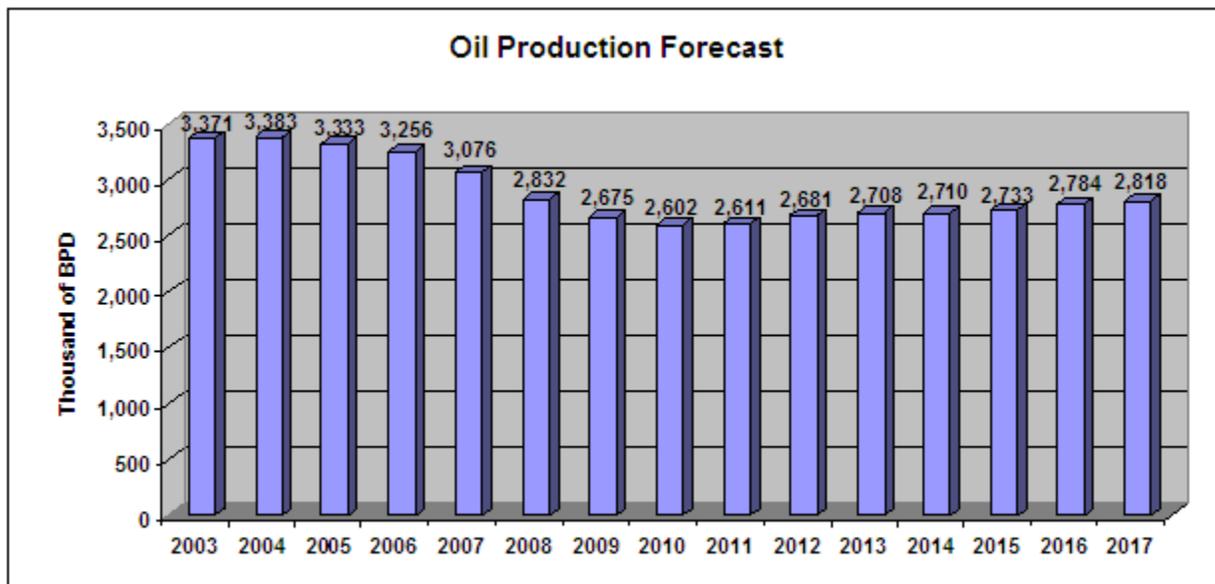
Category	Scope of Works
Pipelines	55 pipelines of different diameters and lengths (approximately 500 kilometers)
Operation Contracts	One floating storage crude system Supply of 1700 MMCFD of nitrogen One for gas compression systems

Source: PEMEX

Lakach (Aguas Profundas)

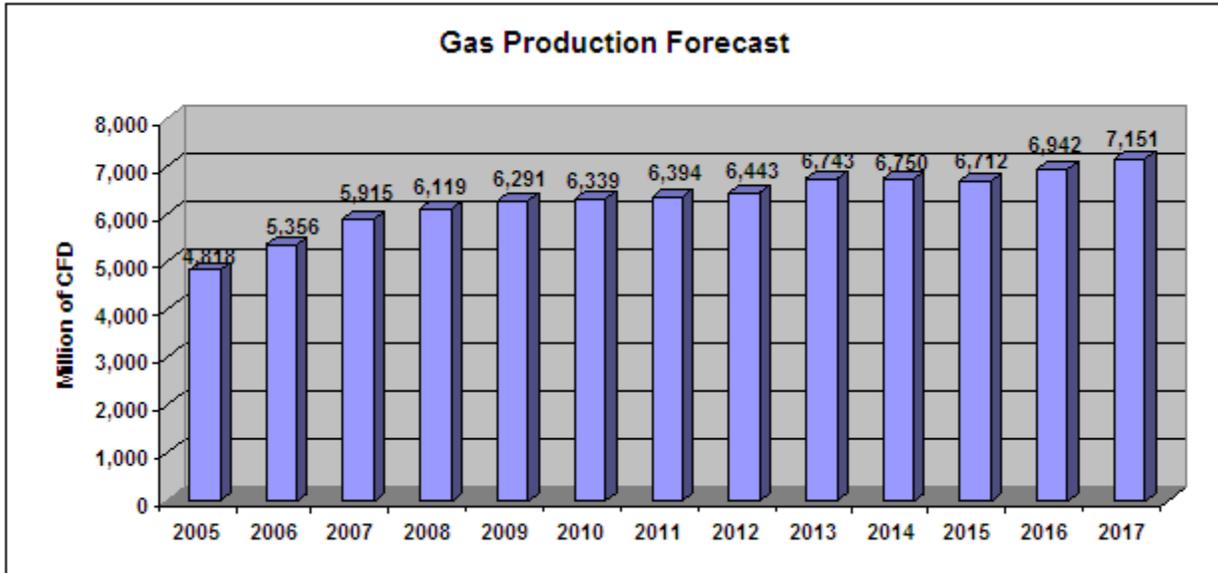
PEMEX exploration and production PEP, confirmed in 2006 the production potential of the area called Coatzacoalcos Profundo, where the Lakash site is located with a water depth of 988 meters. Current activities are focused on project engineering and investment in the area for the 2011-2025 period is estimated at US\$ 13.5 billion.

The development of this site falls within the strategic projects for PEP.



Source: HDC estimation with PEP information

The graph presents estimates on oil production volumes. The estimated production increase from 2010 to 2017 is small suggesting that the true story behind the numbers is the devastating production volume drop resulting from the decline of Cantarell. Under present conditions, just sustaining production appears as an appalling challenge. The National Hydrocarbon Commission's information confirms that over the 1Q 2010 it was possible to sustain production but uncertainty remains. The Ministry of Energy sets a goal of 3.6 Million BPS by 2024, but that scenario must contemplate increases off-shore production at new fields.



Source: HDC estimation with PEP information

The graph shows gas production growth over the period. It is expected that the new incentive-based contracts that will be announced after the Supreme Court makes a pronouncement regarding the new PEMEX law, will contribute to increased gas production.

PEMEX - CONTINUED TREND FOR SUBCONTRACTING

Business opportunities with PEMEX have evolved over the past years, from sales opportunities for equipment and supplies to be used in its up-stream and down-stream operations; to contracts for works and services.

PEMEX direct involvement in development and production activities is becoming increasingly limited at the time where the areas under responsibility of private contractors continues growing and will do so more dramatically over the next few years. The company appears to have opted for a planning and managerial role over O&G production activities.

The following table describes the type of activities and the roles played by PEMEX personnel and by private contractors.

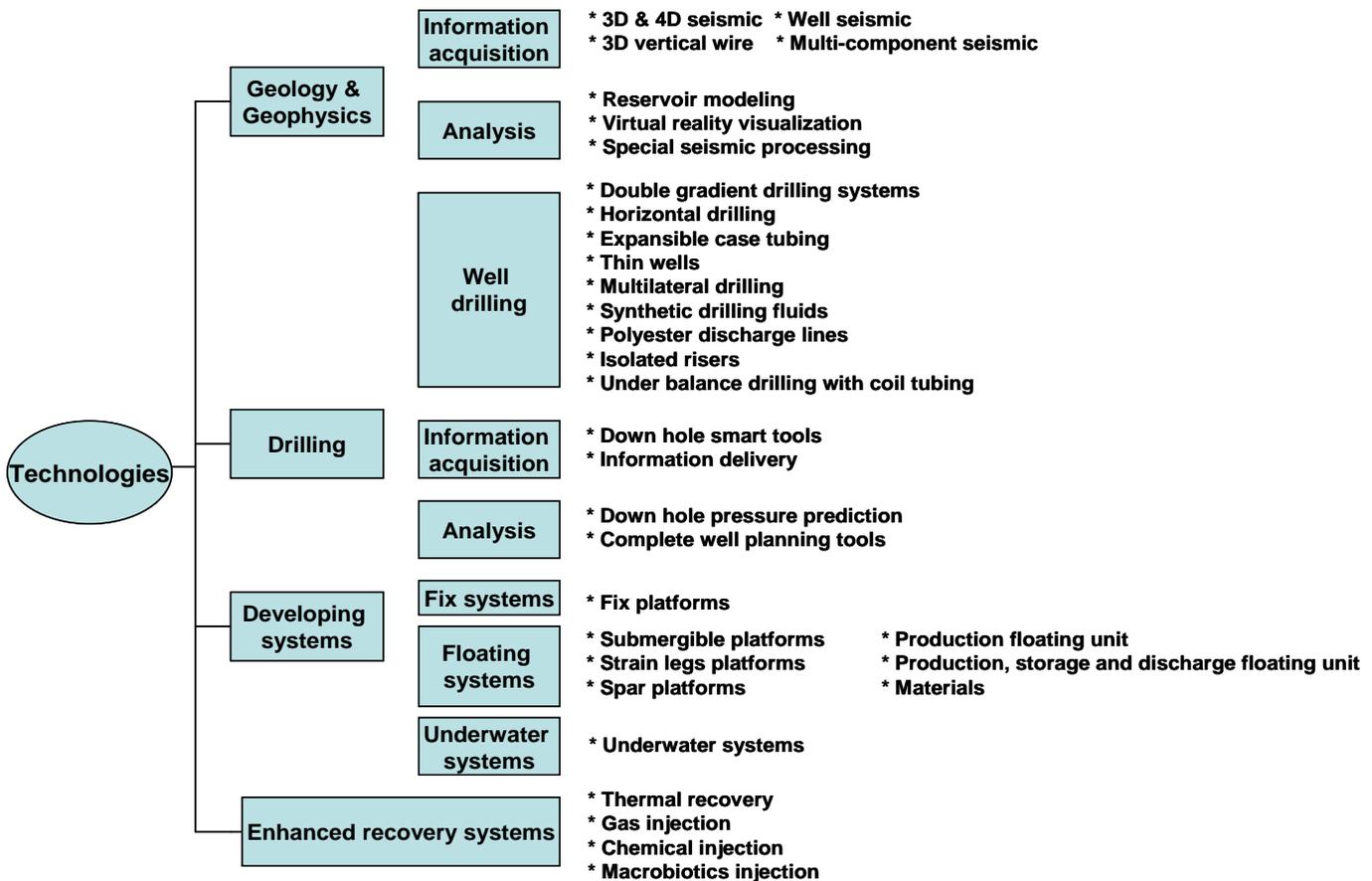
Activity	PEMEX in-house	Contracted
Construction	<ul style="list-style-type: none"> Planning, control, supervision and acceptance of construction works. 	<ul style="list-style-type: none"> Contracted to private companies. construction. Depending on size and complexity; from small local firms to large national and international construction and EPC firms. Diverse construction projects; pipelines,

Activity	PEMEX in-house	Contracted
		platforms, processing plants, natural gas sweetening plants, and civil infrastructure. Refinery upgrading.
Engineering	<ul style="list-style-type: none"> Engineering definition of projects and supervision. Growingly outsourced. 	From local engineering firms; universities and institutions; to major EPC contractors depending on size and scope of project.
Transportation	<ul style="list-style-type: none"> PEMEX controls a large fleet of vehicles. Has begun considering contracting pipeline operations. 	<ul style="list-style-type: none"> PEMEX owns boats and helicopters but in insufficient numbers for its operations and contracts services or leases transports as needed
Maintenance	<ul style="list-style-type: none"> PEMEX typically conducts day-to-day preventative maintenance on equipment and facilities. 	<ul style="list-style-type: none"> Pipeline assessment, maintenance and upgrading is contracted to private companies as is construction of new pipelines.
Project Management	<ul style="list-style-type: none"> Assigns a project manager responsible for over viewing contractual performance of private suppliers. 	<ul style="list-style-type: none"> Participation by both PEMEX and private contractors responsible for supervision of specific projects
Pipeline transport	<ul style="list-style-type: none"> PEMEX responsible for transport of products and control of maritime terminals 	Maintenance and operation of pipelines with growing private participation.
Business plan	PEMEX board is responsible for comprehensive business planning and oversight	<ul style="list-style-type: none"> Internal committees can receive assistance from private consultants
Exploration	<ul style="list-style-type: none"> Pemex maintains involvement in exploration, production and constant supervision of private contractos 	<ul style="list-style-type: none"> Private contractors perform development and production under PEMEX supervision. International and local companies active as contractors
Drilling	<ul style="list-style-type: none"> PEMEX still has a strong internal group for these activities PEMEX still owns some drilling equipment and rigs. However, the trend indicates that PEMEX will increasingly rely on private contractors. PEMEX closely supervises and directs the private contractors PEMEX retains all risks. associated to drilling activities. 	<ul style="list-style-type: none"> Drilling services are contracted to private companies and remunerated by activity and not results. This will change under incentive based contracting. Leading international companies involved in the contracts with competition from local companies
Pipelines	<ul style="list-style-type: none"> Planning of needs and system operation and administration 	<ul style="list-style-type: none"> Private involvement in inspection and maintenance

PEP'S TECHNOLOGY STRATEGY NEEDS

The following diagram highlights PEP's cost reduction strategy for discovery, development and production, while increasing 3P reserves for Mexico.

The oil company faces a difficult situation and has urgency to increase production and improve the efficiency of current development and production practices. This juncture creates a specially favorable opportunity for showcasing products and technologies to PEMEX and presenting the company with alternatives to achieve its urgent goals. As the company must incorporate technologies, there is opportunity for interested suppliers to present options. These can be equipment, technologies, services, or any other thing that can support the goal of increasing production and improving its general production operations. The following graph outlines the areas where new technologies can be incorporated.



Source: PEMEX Exploration and Production, 2010.

It is always important to remember that PEP has solid field development experience in the southeast regions of Mexico and performs most of the development and production activities in-house. In any case, these areas are buyers of equipment, tools and all types of supplies, presenting also sales opportunities for Canadian companies offering general oil & gas technologies and equipment.

There are many distributors already serving those projects, so potential sales opportunities can also be explored also in an in-direct manner through local distributors, which can be national or international companies, which have developed the sales know-how over time. These companies are very knowledgeable about the oil company's needs and preferences and can provide almost immediate market insight into the potential of new products. There are also useful sources of product feed-back, which can serve to develop a sales strategy for positioning the products. There must always be a compelling reason to change what the oil company is buying and this need to be evaluated to develop an adequate sales approach.

Sales ideas include anything that can increase the efficiency of exploration, production, processing, geological and geophysical information analysis of reservoirs and wells (exploration and production), and related offerings.

PEMEX has a specific area dedicated to the evaluation of new technologies. Interaction with this area can lead to eventual technology tests, which imply using the proposed equipment, technology or service in the field; to evaluate its actual performance at a PEMEX site.

These trials, if successful, are paid for by the oil company and can open the door to an invitation for presenting a proposal for a particular project.

As mentioned, PEMEX has the legal obligation to make public information on their yearly purchasing plans. This information is available at their web-sites. The following links refer to purchases by the subsidiary responsible for exploration and production PEP:

1. Acquisitions

http://www.pep.PEMEX.com/programaanual/PAASSP_2010.pdf

2. Public works

http://www.pep.PEMEX.com/programaanual/POSRM_2010.pdf

BUSINESS OPPORTUNITIES AT PEP DURING 2010

The following information describes the budget for 2010 expenditures for PEP. It has been explained throughout the document, that the new PEMEX law allows the company to share in surplus revenues and use the extra income to expand investment for exploration and

production. This is expected over the following years as presented in a graph previously included in this document.

PEMEX's PEP is the largest buyer in Mexico; during 2010 it will spend an approximate US\$ 25.2 Billion dollars to satisfy 3,176 requirements.

The amount will be disbursed as follows:

a) Works (includes well drilling)	41%
b) Services associated with works	10%
c) Leasing	15%
d) Purchases	9%
e) Any kind of service	25%

Public works

Drilling and well finishing	46% over US \$ 4.7 billion
Production infrastructure construction	8%
Drilling fluid services	6%
Cementing	6%
Pipeline construction	6%
Mechanical works	5%
Upgrading of production infrastructure	4%
Platforms	3%
Storage tanks	2%

Services associated with public works

Seismic studies	32%
Well drilling services	14%
Well fracturing	12%
Geo-technical and geophysical surveying	10%
Production consulting	9%
Nitrogen injection	9%
Non destructive testing	4%

Leasing

Drilling equipment	99% or approximately US\$ 3.74 Billion
--------------------	--

EXPENDITURES FOLLOWING THE INCENTIVE BASED -CONTRACTS

It is important to note that future contracting under a proposed incentive-based structure, might substantially increase the expenditures for exploration and production activities with a growing portion of the expenses not originating in the PEMEX budget.

At present contracting is for works and services and PEMEX pays contractors based on the amount of activities described in the contract. As the results of production have not

corresponded to forecasts, there will be a growing trend to link service payment to revenues generated by the project itself.

Some ideas about ---possible--- future contracting could be of assigning blocks to a private contractor and the oil company paying based on delivered production. This potential arrangement has to pass several legal hurdles for confirming its constitutionality, but offers PEMEX an option to protect its budgets from paying for works and services that are yielding the company exceptionally low revenues.

Under current conditions and before the issuance of any novel contracting scheme, it is important to view potential sales opportunities to PEMEX in the light of the current emergency juncture and urgency to increase production volumes and improve recovery levels at existing fields by incorporating cost effective technologies.

The urgency is a direct result of the steep declination of the Cantarell mega-oil field located in the marine region of the gulf of Mexico and which was PEMEX's most important strategic project and which had received almost 45% of all yearly investments.

The government of Mexico has become involved and instructed PEMEX officials to incorporate the most novel and effective technologies that can help in achieving the national oil production plans. Some of the most important actions being considered include:

1. The regulatory reform granting PEMEX increased managerial flexibility and sharing in its revenues to increase its investment budget.
2. Development and publication of new incentive based contracts.
3. Establishment of a testing lab network at production sites to evaluate which technologies, processes and procedures are most effective to maximize production at the fields.
4. Creation of the National Hydrocarbon Commission to serve as a technology consulting body to help expand and make more efficient oil & gas production activities in Mexico.
5. Creation of a technology evaluation committee to assess new production technologies at various production sites.

As described, Canadian companies can participate in PEMEX projects directly by participating in purchasing processes which have been explained in detail in this document, or can also participate indirectly, by seeking subcontracting opportunities from PEMEX contractors.

There are many companies that give-up on trying to participate directly in the purchasing processes at PEMEX. The processes are more transparent, efficient and expedite, but have opted in forming a relationship with a local company that will be responsible for preparing all the necessary documentation and participating in the purchasing process.

Indirect opportunities might exist with the leading contractors to PEMEX:

BUSINESS OPPORTUNITIES WITH LEADING CONTRACTORS TO PEMEX

This section of the report describes the opportunities that can be found by approaching the leading contractors to PEMEX. These contractors can initially be divided in three.

1. Foreign companies that have developed proprietary production technologies:
 - Weatherford de México, S.A. de C.V. (Perforadora BURGOS)
 - Dowell Schlumberger de Mexico, S.A. de C.V.
 - Halliburton de México, S.A. de C.V.
 - Tecenergy Service Mexico - Tecpetrol

2. Large Mexican companies that have developed ventures with foreign firms that supply production technologies:
 - Grupo DIAVAZ, S.A. de C.V.
 - Servicios Integrales GSM / Grupo CARSO
 - SWECOMEX / Grupo CARSO
 - Grupo ADRO, S.A. de C.V. / Constructora y Perforadora Latina
 - Grupo R (Industrial Perforadora de Campeche)

3. Mexican companies that have formed ventures with international companies for offering specific services to the O&G industry.
 - MERCO Industrial, S.A. de C.V.
 - TRADECO Industrial, S.A. de C.V.
 - Material y Equipo Petrolero, S.A. de C.V. (MATYEP)
 - Equipos Industriales del Golfo, S.A. de C.V. (EIGSA)
 - Servicios Corporativos Amacuzac (SCASC)
 - Suministros Industriales Carrizales S.A. de C.V.(SICSA)
 - Ingeniería en Alta, Media y Baja Tensión, S.A. (IAMB TSA)
 - Instrumentación Electromecánica y Periféricos, S.A. de C.V. (IEPSA)

The following pages offer descriptions and contact information for the all the companies mentioned in the three groups listed.

I. Foreign companies that have developed proprietary production technologies

This group includes companies that have participated in PEMEX projects for over 30 years. They are booked solid in Mexico and demand equipment and tools for performing their projects.

These companies are under contract to perform exploration, development, production, well servicing and maintenance and basically all activities related to O&G projects. These companies have in many cases developed their proprietary technology, which limits their potential as buyers, but still offer opportunities for selling highly focused and specialized equipment.

Weatherford de México, S.A. de C.V. (Perforadora BURGOS)
Contact: Ing. Freire Diaz Commercial Manager Mexico freire.diaz@la.weatherford.com
Address: Avenida Acero S/N Nave, #8CD Col. Industrial 86010, Villahermosa, Tabasco Mexico Phone: + (52993) 358-1170 Fax: + (52993) 358-1171 http://www.weatherford.com/index.asp
Basic Company Information: Weatherford International Ltd. (NYSE:WFT) is one of the largest global providers of advanced products and services that span the drilling, evaluation, completion, production and intervention cycles of oil and natural gas wells. Weatherford employs approximately 43,000 employees worldwide, operates in more than 100 countries to include 125 globally distributed manufacturing facilities supporting 800 service bases and 16 technology development and training facilities. Weatherford has won 3 of the 8 major drilling contracts of PEMEX Exploration and production in the Chicontepec production area (Gulf Tertiary Oil Project – Proyecto Aceite Terciario del Golfo ATG) located in the Veracruz and Puebla states. The project includes drilling, finishing and maintenance of 500 well for each contract in a period of 10 years. The total investment for this project will be in excess of US\$ 2.4 billion.
Specific needs: Because of the volume of the works to develop, they are interested in locating additional suppliers for separation technologies, from basic two and three phase separators, to advanced cyclonic separation technologies. The company mentioned that is crucial for them that potential supplier has local presence and vast spare parts availability as well as service. Their concern about this issue is because the time line of the current suppliers in Mexico does not comply with their work program and is mandatory for them locate additional alternatives for this equipment.

Dowell Schlumberger de Mexico, S.A. de C.V.
Contact: Ing.Roberto Arangath Technical Manager arangath@slb.com
Address: Ejercito Nacional 425 Nivel 9 Col. Granada 11520 Mexico DF Phone: + (5255) 5263-3018 http://www.slb.com/
Basic Company Information: Schlumberger de México: Is a subsidiary of Schlumberger Limited (www.slb.com), Schlumberger de México is an oilfield services company with substantial experience in-country that supplies technology, project management and information to the oil and gas industry. The company has relationship with the most well recognized equipment

manufactures all around the globe and companies interested in develop business with this company must be leading state of the art technology manufacturers. The company is one of the major contractors for PEMEX Exploration and Production (PEP), they have more than 20 contracts within PEP with a value of more than US\$ 9 billion.

It is important to mentioned that this company does not subcontract well servicing or related services for the oil and gas activities, they are just interested in develop contacts with leading Albertan equipment manufacturers.

Specific needs:

This company has a specific requirement for the acquisition of the following equipments:

Cementing Pump unit with relative mixing system (10,000 psi)

Stimulation Pump (10,000 psi and 15,000 psi)

Coiled Tubing Unit with Pressure Control Equipment. Skid unit to handle 5,500 m of 1-3/4" pipe

CO2 storage, road transport and booster pump

Downhole tools for Coiled Tubing Services

Halliburton de México, S.A. de C.V.

Contact:

Ing. Florencio Saucedo

BD Manager

florencio.saucedo@halliburton.com

Address:

Calle via 3, # 126 int. 1-13

Col. Fraccionamiento La Hacienda, Tabasco 2000

86035, Villahermosa, Tabasco Mexico

Phone: + (52 993) 310-1100 Ext. 1420

<http://www.weatherford.com/index.asp>

Basic Company Information:

Halliburton is one of the largest international suppliers of drilling and completion fluid products and services. Halliburton manufactures, sell and provide technologies for the exploration and production of oil and natural gas. Mr. Saucedo will contact us with some engineer specialized in production and well services.

Specific needs:

The company is interested in develop suppliers in the O&G tooling and production equipment (compressors, separators, high pressure pumps, among others).

Tecenergy Service Mexico - Tecpetrol

Contact:

Ing. Luis Bonifacio

Purchasing Manager

luis.bonifacio@tecpetrol.com

Address:

Boulevard 1° de Mayo No. 34

Col. José Escandón

88680, Reynosa Tamaulipas, México

Phone: + (52899) 920-4951 Ext. 350

<http://www.techint.com/group/es/>

Basic Company Information:

The Company is a joint venture between the Italy – Argentina Tecpetrol (Techint Energy Division) and the Mexican company Grupo R with its subsidiary Industrial Perforadora de Campeche (IPC). These companies have vast experience in the exploration and production of O&G reservoirs. The company principal activities are oil and gas exploration and production as well as the transport and distribution of gas and electricity.

On October 31, 2005, the consortium was awarded by PEMEX to develop the Multiple Service Contract (MSC) Misión area located in the Burgos basin, in northern Mexico on the border with the U.S., the area currently covers 1,972 km² and the company has drilled 37 wells to date, the company is expected drill around 20 to 30 wells in the following two years.

These MSC's are aimed at the development of infrastructure related to the production of non-associated natural gas in the Burgos Basin, NE Mexico in a 20 year period. Tecenergy Service Mexico is obligated to develop infrastructure to produce 91 MMCFD with an investment in excess of US\$ 1.9 billion.

Specific needs:

Drilling equipment and components as well as state of the art technologies for non associated gas production and processing.

II. Large Mexican companies that have developed ventures with foreign firms that supply production technologies

This segment describes the contractors that can present the strongest opportunities for interested Canadian suppliers as these companies are well established in the O&G industry in Mexico, have a solid project record but see value in locating additional technology suppliers and potential partners for undertaking projects in most areas including exploration and production

Grupo DIAVAZ, S.A. de C.V.

Contact:

Ing. Ildefonso Aguilar
Commercialization – Negotiations – New Business Development
iaquilar@diavaz.com

Address:

Av. Revolución No. 468
Col. San Pedro de los Pinos
03800, Mexico D.F.
Phone: + (5255) 5277-2197
Fax: + (5255) 5273-0537
<http://www.diavaz.com>

Basic Company Information:

Grupo DIAVAZ is an organization of companies and ventures specializing in the energy sector using a wide range of state of the art technologies with the highest standards in quality services in the whole chain value of the gas & oil industry. Grupo DIAVAZ fulfills this diversification developing activities in the upstream and downstream in the oil & gas industry through fully owned subsidiaries, joint-ventures and alliances with world class companies. DIAVAZ started operations in 1973 as a diving company to supply maintenances services for the uprising offshore industry for E&P of oil and gas; at present, they develop activities through 3 lines of business, covering the whole chain of value for the petroleum industry:

Marine Operations: Oil and gas offshore structures and facilities Construction, Inspection, Repair and Maintenance with the intensive use of dedicated vessels, specialized equipment and technology, and professional divers.

E&P services for the Oil and Gas Industry: Detailed studies of petroleum systems, including geochemical analysis and static and dynamic studies; oil and gas field development integrated services; and compression and injection services of self-fed gas-lift operations.

Natural Gas Distribution: Commercialization and distribution of Natural Gas for industrial, commercial and residential customers in two mayor cities in Mexico.

Special projects: Development of turnkey projects, including EPC for refining and petrochemical facilities; IRM for transportation systems, including superficial and underwater compression facilities and onshore and offshore transportation pipelines.

Specific needs:

Drilling equipment, tools, components, peripheral drilling equipment, coil tubing equipment and or services, EOR innovative technologies (gas, oil, water, co2, chemical injection, etc) tertiary EOR systems, heavy oil management technologies, etc.

Servicios Integrales GSM / Grupo CARSO

Contact:

Ing. Jose Manuel Diaz

Drilling Director

jmdiaz@ccicsa.com.mx

Address:

Jaime Balmes # 11 Torre "C" piso 4 Dentro de PLAZA POLANCO

Col. Polanco

C.P.11570, México D.F.

Phone: + (52993) 310-8900 Ext. 2347

Fax: + (993) 310-8900 Ext. 2348

<http://www.ccicsa.com.mx/>

Basic Company Information:

Grupo CARSO is a public company and is one of the leading enterprise conglomerates in Latin America with interest in diverse areas including industry, retail, mining, automotive and infrastructure development. The chairman of the company is Mr. Carlos Slim, the richest man in Latin America, albeit the fortune originated in telecommunications, he controls three major telecom companies including the largest cell phone operator in Latin America.

Grupo CARSO a subsidiary focused on infrastructure development and construction, this company called CARSO Infraestructura y Construccion is active internationally and involved in various types of infrastructure development and project construction including requiring from heavy construction and EPC and engineering capabilities. There is a recent strong focus for participating in O&G projects in Mexico, under contract to the single national oil company PEMEX.

Servicios Industriales GSM (Subsidiary) is involved in well drilling, finishing and repair work. The company has an engineering staff competent in all activities related to well servicing including:

Equipment operation, Fluids, Cementing, Stimulation, Finishing tools, Shots and registry, Digital solutions, Directional drilling, Infrastructure, Seismic engineering, Hydro-testing,

Environmental services, Drilling bits and strings.
Specific needs: Equipment Operation, Coil Tubing, Fluids, Cementing, Stimulation, Finishing Tools, Shots And Registry, Digital Solutions, Directional Drilling, Infrastructure, Seismic Engineering, Hydro-Testing, Environmental Services, Drilling Bits and Strings among other production and well servicing related technologies.

SWECOMEX / Grupo CARSO
Contact: Ing. Armando Rimoldi Rentería Engineering Director arimoldi@condumex.com.mx
Address: Jaime Balmes # 11 Torre "C" piso 4 Dentro de PLAZA POLANCO Col. Polanco C.P.11570, México D.F. Phone: + (5255) 9138-3951 Fax: + (5255) 5580-3804 http://www.ccicsa.com.mx/
Basic Company Information: Grupo CARSO is a public company and is one of the leading enterprise conglomerates in Latin America with interest in diverse areas including industry, retail, mining, automotive and infrastructure development. The chairman of the company is Mr. Carlos Slim, the richest man in Latin America, albeit the fortune originated in telecommunications, he controls three major telecom companies including the largest cell phone operator in Latin America. Grupo CARSO a subsidiary focused on infrastructure development and construction, this company called CARSO Infraestructura y Construccion is active internationally and involved involved in various types of infrastructure development and project construction including requiring from heavy construction and EPC and engineering capabilities. There is a recent strong focus for participating in O&G projects in Mexico, under contract to the single national oil company PEMEX.
SWECOMEX This company is both an equipment manufacturer for the energy sector as well as an EPC developer of O&G projects. The company is involved in the chemical, petro-chemical and oil & gas sectors. They started making platforms in 2003.
The company is involved in: Well drilling Off-shore platform construction EPC of industrial, chemical and petro-chemical plants Producer of high carbon pipe tubing Projects requiring the design and assemblies of steel frames and piping.
This company built the largest off-shore platform operating in Mexico, called PB-KU-S which has separation and gas and nitrogen compression capabilities.
Specific needs: Off shore drilling rigs, instrumentation systems for production facilities, coil tubing, EOR innovative technologies, horizontal drilling, sour gas management, pipelines, etc.

Grupo ADRO, S.A. de C.V. / Constructora y Perforadora Latina
Contact: Ing. Jaime Solis O&G Manager jaimess@cplatina.com.mx
Address: Reforma No. 540 Col. Lomas de Chapultepec C.P., 11000 México D.F. Phone: + (5255) 5520-1991 http://www.cplatina.com/
Basic Company Information: Constructora y Perforadora Latina is a 100% Mexican company established 50 years ago, dedicated to provide well drilling services for the O&G, Geothermal, mining and water industries in Mexico. The company recently was awarded by PEMEX Exploration and production to develop drilling services in the Chicontepec area. The company also provides cementing services to PEMEX and other industries.
Specific needs: The company is looking for high technology mobile O&G well drilling equipments with capacity of 750HP including top drive, catwalk, machine iron roughneck, mud pit cleaning vacuum system, rotator head and under balance drilling. Also the company is interested in mobile workover rigs for O&G wells with capacity of 300/350HP and rack and pinion drilling equipment. The objective is to reduce well drilling and repair times as well as costs.

Grupo R (Industrial Perforadora de Campeche)
Contact: Ing. Jorge Anzaldúa Garza Operations Manager janzaldua@grupor.com.mx
Address: Av. Jarachina # 245 Col. Fraccionamiento Jarachina 88720, Ciudad Reynosa Tamaulipas, México Phone: + 52 (899) 929-3000 www.grupor.com.mx
Basic Company Information: Grupo R is a conglomerate of companies dedicated to provide special services to the Energy and Industrial Sector, committed to satisfy customer's needs with competitive prices, appropriate delivery time, state of the art technology, high quality standards and environmental care. Founded in 1956 by Mr. Ramiro Garza Cantú, Grupo R has highly contributed to the Mexican Energy Sector development supporting either Petróleos Mexicanos (PEMEX) or Comisión Federal de Electricidad (CFE). Among others, their main services are: Industrial and Oil Construction, Offshore Construction, Onshore and Offshore Engineering Procuring & Construction (EPC) Projects, Offshore Maintenance to Rigs, Onshore and Offshore Drilling including geothermic wells to CFE as well as Specialized Industrial Transportation Services. IPC (subsidiary) is a 100% Mexican company dedicated to develop gas production and transport projects in Mexico. Recently, the company was awarded by PEMEX to develop the

drilling and completion of 134 development wells and 10 exploration wells, in addition to 120 major well workovers, according to tender documents. Other works include the rehabilitation of two gas compression systems as well as the construction of a gas collection system and gas pipelines with an investment in excess of US\$ 587 million.

Specific needs:

They mentioned that they have a very good relationship with Canadian/Albertan providers, and are interested in receive information about Canadian companies dedicated to manufacture high pressure fluid drilling technologies. The company is facing technical problems with some wells in the north and south region and are interested in develop a business synergy to offer viable alternatives to PEMEX to complete the works on time.

- III. Mexican companies that have formed ventures with international companies for offering specific services to the O&G industry.

The following group of companies is comprises of smaller, yet highly focused and experienced Mexican companies that have participated in many project with PEMEX. They represent solid options for selling equipment and for venturing for participating in PEMEX projects.

MERCO Industrial, S.A. de C.V.
Contact: Lic. Eduardo Flores Deputy Director eduardo.flores@grupomerco.com
Address: Av. Jarachina # 245 Col. Fraccionamiento Jarachina 88720, Ciudad Reynosa Tamaulipas, México Phone: + 52 (899) 929-3000 http://www.grupomerco.com/main.htm
Basic Company Information: Grupo MERCO is a 100% Mexican consortium established in 1958, dedicated to provide industrial, construction, transport, agri-food, finance, environmental industries among others. The company has won a contract with PEMEX to drill and serve 350 well in Chicontepec production project.
Specific needs: In general equipment for well drilling, repair, workover, top drives and finishing wells as well as smart tooling for well data acquisition. They will discuss their needs deeply on the meeting with the Canadian companies.

TRADECO Industrial, S.A. de C.V.
Contact: Lic. Yves Loustalot O&G Business Development Manager yves@tradeco.com.mx
Address:

<p>Insurgentes Sur 1685, Torre Diamante 3er piso Col. Guadalupe Inn 01020, México D.F. Phone: + (5255) 2282-2300 Ext. 4201, Ext. Alfonso Parra 5201 Fax: + (5255) 2282-2337 http://www.tradeco.com.mx/eng/index.html</p>
<p>Basic Company Information: TRADECO is a private Mexican company that was established in 1990. The company is focused on the construction sector developing infrastructure and other urban construction projects like pipeline construction and maintenance, compression and pumping stations, urban construction, soil remediation, industrial civil works, among other.</p>
<p>Specific needs: State of the art new drilling rigs, they would like to reduce drilling times – cost, easier maintenance and safer new generation equipments. This company is also interested in innovative pipeline technologies (construction, maintenance, inspection, operation, etc)</p>

<p>Material y Equipo Petrolero, S.A. de C.V. (MATYEP)</p>
<p>Contact: Ing. Lucio Cárdenas Sales and bid Manager luciocardenas@prodigy.net.mx</p>
<p>Address: Plutarco Elias Calles S/N Col. Curahueso C.P. 86190, Villahermosa, Tabasco, México Phone: + (52993) 351-4805 Fax: + (52993) 351-4166 www.matyep.com.mx</p>
<p>Basic Company Information: MATYEP is a Mexican company established 26 years ago in the city of Raynosa in the state of Tamaulipas. The company is dedicated to the distribution and servicing of equipment used by O&G contractors, which are their main clients. The company operates from six offices located in the most important O&G activity related centers in Mexico. The company has 600 employees and represents four international companies including: Allis-Chalmers-Oilfield Services Group, Tam International, Katch Kan Limited (Canada) and Con Tech (Usa).</p>
<p>Specific needs: The company is interested develop contact with Canadian manufacturers of the following equipments: Casing running tools 500 tons for 20" OD tubing, working tubing cleaning systems, drilling tubing circulation systems, Tree Savers technologies - services and over 500 tons Top Drives.</p>

<p>Equipos Industriales del Golfo, S.A. de C.V. (EIGSA)</p>
<p>Contact: Ing. Sergio Cerda Business Development LATAM sergio.cerda@eigsamexico.com</p>
<p>Address: Calle 4a Sur, No 3 Col. Independencia.</p>

<p>C.P 54914, Tultitlan Estado de México, Mexico Phone: + 52(55)5899-5300 Ext. 143 www.eigsamexico.com</p>
<p>Basic Company Information: EIGSA de Mexico is a private Mexican company established 40 years ago, offering design, manufacturing, installation, repair work and maintenance services for process equipment in the O&G, petrochemical and chemical industries among others. The company maintains offices in the O&G regions including Villahermosa in Tabasco and Coatzacoalcos in Veracruz. The company manufactures: separators, decanters, pig traps, pressure vessels under codes ASME ASTM, API, TEMA, AWS, NACE, also manufacturing compressors, pumps, heat-exchangers, vertical pressure vessels, steam separators, heat recovery systems, etc. This company is also the representative of international suppliers; including Peerless manufacturing from Dallas, Texas. That is dedicated to the production of separation equipment for the O&G industry.</p>
<p>Specific needs: Process equipment for the O&G industry as well as control, instrumentation and measurement equipment and Technologies. They are interested in partnering with potential manufacturers of process equipment for manufacture some components in Mexico in order to reduce costs.</p>

<p>Servicios Corporativos Amacuzac (SCASC)</p>
<p>Contact: Ing. E. Alfredo Salazar García Director alfredo.salazar@amacuzac.com.mx</p>
<p>Address: General García Conde Palomas # 64 Col. Reforma Social 11650, Mexico D.F. Phone: + (5255) 5520-0490 http://www.amacuzac.com.mx/page_1.html</p>
<p>Basic Company Information: Servicios Corporativos Amacuzac (SCASC) is a Mexican company founded in 1995, dedicated to provide consulting representation services for both national and foreign companies engage in the energy (oil & gas and electricity) and construction sectors. This company main objective is helping its representatives to develop government relationships and establish a position in the Mexican energy and construction markets.</p>
<p>Specific needs: Exploration and data Management, acquisition and interpretation Technologies.</p>

<p>Suministros Industriales Carrizales S.A. de C.V.(SICSA)</p>
<p>Contact: Ing. Rodolfo Alfonso Esquivel Commercial Director ralfonso@sicsa-mexico.com</p>
<p>Address: Calle 55 No. 521 entre 82 y 84 Col. San Carlos C.P. 24116, Ciudad del Carmen, Campeche, México</p>

Phone: + (52938) 131-0143 http://www.sicsa-mexico.com/inicio_es.html
<p>Basic Company Information:</p> <p>This company was established in Ciudad de Carmen, Campeche in 1984. The company performs contract work for the oil & gas industry and is also an equipment distributor. The company has 50 managers and 200 employees which have been trained in various areas of oil & gas infrastructure construction and maintenance. The company has received ISO 9002 certification and has received several awards related to the quality of the projects they have undertaken. The company has two divisions one dedicated to construction and infrastructure maintenance projects and the other to equipment distributions.</p>
<p>Specific needs:</p> <p>The company is interested develop contact with Canadian manufacturers of the following technologies / equipments: Well recovery technologies, workover equipment, well servicing, coil tubing and casing, and related equipment for deep water projects. In general state of the art deep water technologies and services.</p>

Ingeniería en Alta, Media y Baja Tensión, S.A. (IAMBTSA)
<p>Contact:</p> <p>Ing. Fernando Turriza Escalante Director fturriza@iambtsa.com</p>
<p>Address:</p> <p>Isabel La Católica No. 1059 Col. Ameritas Unidas 03610, Mexico D.F. Phone: + (5255) 5696-2856 Fax: + (5255) 5696-2867 http://iambtsa.com/</p>
<p>Basic Company Information:</p> <p>Ingeniería en Alta, Media y Baja Tension, S.A de C.V. is a Mexican company headquartered in Mexico City. IAMBTSA is an engineering and construction company dedicated to develop pipeline construction and maintenance project as well as design, engineering and construction of gas process equipment like gas collection stations, separators, pressure containers, etc. The company is expanding its activities to include off-shore construction and is currently participating in two tenders for the contraction of compression and pumping stations in the Koo-Malob-Zaap and Cantarell production areas.</p>
<p>Specific needs:</p> <p>O&G process equipment and related technologies with high quality standard.</p>

Instrumentación Electromecánica y Periféricos, S.A. de C.V. (IEPSA)
<p>Contact:</p> <p>Ing. Jorge Betanzos Sales and Business Developing Manager iepsaventas@prodigy.net.mx</p>
<p>Address:</p> <p>Jaime Nuno No. 247 Col. Nuevo Progreso 86529, Cárdenas Tabasco, Mexico Phone: + (52937) 322-8005</p>

Fax: + (52937) 322-6193

<http://iepsa.net/>

Basic Company Information:

IEPSA is a private Mexican company established fifteen years ago in the vicinity of Villahermosa in the state of Tabasco and dedicated to EPC and turn-key delivery of process equipment in the O&G industry. The company also offers maintenance, spare parts and repair services. The company obtained US\$ 2.8 million dollars of revenue from PEMEX during 2008. The company has a staff of 10 and hires temps, depending on the project backlog.

Specific needs:

The company mentioned to be interested in develop contacts with Canadian companies specialized in manufacturing well drilling equipments, hydrocarbons separation systems, filtration technologies, heat and mass transfer equipments and in general O&G process equipment.

UPCOMING INCENTIVE-BASED CONTRACTS

The new incentive based site development and production contracts, will not be made public by PEMEX until after the Mexican Supreme Court makes a definite pronouncement as to the adherence to the constitution of the new PEMEX law, specifically that it does not contradict constitutional article 27 and supplementary laws.

This is a very important aspect that, once solved, will provide increased legal certainty will quiet political debate on the topic and decisively expand long-term private participation in PEMEX projects.

The new projects are expected to be comprehensive in terms that PEMEX will offer a development area and the company receiving the award will be responsible for all activities up to production and be compensated based on the oil and gas volumes it delivers to PEMEX.

These contracts will be tendered to undertake production at new areas, mature fields and deep water.

The government is interested in attracting international oil & gas companies to participate in production projects under the new contract scheme. Once the contract is made public PEMEX, its representatives will coordinate a road-show to explain the attract companies with the experience to participate in those projects. It is expected that Calgary will be included as one of the destinations of the proposed road-show.

ANNEX

KEY CONTACTS

Name: **SUBDIRECCION DE NUEVOS MODELOS DE EJECUCION (Deputy Directorate of New Contracts Execution)**
Pemex Exploración y Producción (PEP)
Contact: Lic. Sergio Guaso Montoya
Position: Executive Director for Multiple Service Contracts
Address: Marina Nacional No. 329
Col. Huasteca
Delegación Miguel Hidalgo
Torre Ejecutiva 9° piso
C.P. 11311, Mexico D.F.
Tel: (5255) 19 44 25 00 ext. 32676
Fax: (5255) 19 44 25 00 Ext. 32830
E-mail: sguasom@pep.pemex.com

Name: **SUBDIRECCION DE PLANEACION Y EVALUACION (Deputy Directorate of Planning and Evaluation)**
Pemex Exploración y Producción (PEP)
Contact: Ing. Vinicio Suro Pérez
Position: Executive Director for Planning and Evaluation
Address: Marina Nacional No. 329
Col. Huasteca
Delegación Miguel Hidalgo
Torre Ejecutiva
C.P. 11311, Mexico D.F.
Tel: (5255) 19 44 9406
E-mail: vsurop@pep.pemex.com

Name: **SUBDIRECCION TECNICA DE EXPLORACION (Technical Deputy Directorate of Exploration)**
Pemex Exploración y Producción (PEP)
Contact: Ing. José Antonio Escalera Alcocer
Position: Executive Director for Technical Exploration Activities
Address: Boulevard Adolfo Ruiz Cortines No. 1201
Col. Fraccionamiento Oropeza
Torre Pirámide 8° piso
C.P. 86030, Villahermosa Tabasco, México
Tel: (52993) 310 6262 ext. 33489
Fax: (52993) 310 6262 ext. 33490
E-mail: iescaleraa@pep.pemex.com

Name: **SUBDIRECCION DE TECNICA DE EXPLOTACION (Technical Deputy Directorate of Exploitation)**

Contact: Pemex Exploración y Producción (PEP)
Dr. Pedro Silva López
Position: Executive Director for Exploitation Activities
Address: Marina Nacional No. 329
Col. Huasteca
Delegación Miguel Hidalgo
Torre Ejecutiva Piso 11
C.P. 11311, Mexico D.F.
Tel: (5255)
E-mail: psilval@pep.pemex.com

Name: **SUBDIRECCION DE LA UNIDAD DE PERFORACION Y
MANTENIMIENTO DE POZOS (Deputy Directorate of the Well Drilling
and Maintenance Unit)**

Contact: Pemex Exploración y Producción (PEP)
Ing. Juan Javier Hinojosa Puebla
Position: Executive Director for the Well Drilling and Maintenance Unit
Address: Boulevard Adolfo Ruiz Cortines No. 1201
Col. Fraccionamiento Oropeza
Torre Pirámide 8° piso
C.P. 86030, Villahermosa Tabasco, México
Tel: (52993) 316 5665
E-mail: jhinojosap@perf.pep.pemex.com

Name: **SUBDIRECCION DE LA REGION SUR (Deputy Directorate of the
South Region)**

Contact: Pemex Exploración y Producción (PEP)
Ing. José Serrano Lozano
Position: Executive Director for the South Region
Address: Centro Técnico. Administrativo Edificio La Herradura Piso 2
Av. Campo Sitio Grande No. 2000
Col. Tabasco 2000
C.P. 86030, Villahermosa Tabasco, México
Tel: (52993) 310 6262 Ext. 20205, 20209
E-mail: subdireccionrs@perf.pep.pemex.com

Name: **SUBDIRECCION DE LA REGION NORTE (Deputy Directorate of the
North Region)**

Contact: Pemex Exploración y Producción (PEP)
Ing. Juan Arturo Hernández Carrera
Position: Executive Director for the North Region
Address: Interior Campo PEMEX S/N
Col. La Herradura
C.P. 93370, Poza Rica de Hidalgo, Veracruz, México
Tel: (52782) 310-6262 Ext. 22240
E-mail: jhernandezc@pep.pemex.com

Name: **COMISION NACIONAL DE HIDROCARBUROS**
Ministry of Energy
Contact: Dr. Juan Carlos Zepeda Molina
Position: President
Address: Vito Alessio Robles No. 74
Col. Florida
C.P.01030, Mexico D.F.
Tel: (5255) 5000-6000 Ext. 7018
E-mail: izepeda.cnh@energia.gob.mx